

# University of South Alabama

## Office of Internal Audit Charter

### **Purpose and Mission**

The purpose of the University of South Alabama's Office of Internal Audit (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve the University of South Alabama's operations. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OIA helps the University of South Alabama (main campus and USA Health) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### **Standards for the Professional Practice of Internal Auditing**

The OIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The Executive Director of Internal Audit (Executive Director) will report periodically to senior administration and the Audit Committee of the Board of Trustees (Audit Committee) regarding the OIA's conformance to the Code of Ethics and the *Standards*.

### **Authority**

The Executive Director will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the University of South Alabama President. To establish, maintain, and assure that the University of South Alabama's OIA has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the OIA's charter.
- Approve the risk-based Internal Audit plan.
- Approve the OIA's Quality Assurance and Improvement Program.
- Receive communications from the Executive Director on the OIA's performance relative to its plan and other matters.
- Ratify decisions regarding the remuneration, appointment and removal of the Executive Director.
- Ratify decisions regarding the budget and resource plan of the Office of Internal Audit.
- Make appropriate inquiries of management and the Executive Director to determine whether there is inappropriate scope or resource limitations.

The Executive Director will have unrestricted access to, and communicate and interact directly with, the Audit Committee and/or the Board of Trustees, including private meetings without senior administration present.

The Audit Committee authorizes the OIA to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information at both the main campus and USA Health.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the University of South Alabama, as well as other specialized services from within or outside the University of South Alabama, in order to complete the engagement.

### **Independence and Objectivity**

The Executive Director will ensure that the OIA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased and independent manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Executive Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University of South Alabama or its affiliates.
- Initiating or approving transactions external to the OIA.
- Directing the activities of any University of South Alabama employee not employed by the OIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Executive Director has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Executive Director will confirm to the Audit Committee, at least annually, the organizational independence of the Office of Internal Audit.

The Executive Director will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

**Assurance Services:** The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, administration, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University of South Alabama. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of the University of South Alabama's strategic objectives are appropriately identified and managed.
- The actions of the University of South Alabama's officers, directors, employees, and contractors are in compliance with the University of South Alabama's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that impact the University of South Alabama.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Executive Director will report periodically to senior administration and the Audit Committee regarding:

- The OIA's purpose, authority, and responsibility.
- The OIA's plan and performance relative to its plan.
- The OIA's conformance with The Institute of Internal Auditors' (IIA) Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by senior administration that may be unacceptable to the University of South Alabama.

The Executive Director also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of administration.

**Consulting Services:** The OIA provides consulting services in an advisory capacity. Consulting may range from formal engagements with defined scopes and objectives to advisory activities such as providing informal guidance in response to general inquiries, or participating on University committees. However, in all cases, Internal Audit functions only as an advisor, with management being responsible for final decisions.

### **Responsibilities of Executive Director**

The Executive Director has the responsibility to:

- Submit, at least annually, to senior administration and the Audit Committee a risk-based internal audit plan for review and approval.
- Evaluate, on an annual basis, the department's adherence to the Internal Audit Charter and report such adherence, or lack thereof, to senior administration and the Audit Committee.

- Communicate to senior administration and the Audit Committee any significant interim changes to the Internal Audit Plan.
- Periodically evaluate the performance of all staff auditors and provide opportunities for development of staff.

### **Quality Assurance and Improvement Program**

The OIA will maintain a Quality Assurance and Improvement Program covering all aspects of its operations. The program will include an evaluation of the OIA’s conformance with the *Standards* and an evaluation of whether or not internal auditors apply The IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the OIA and identify opportunities for improvement.

The Executive Director will communicate to senior administration and the Audit Committee on the OIA’s Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University of South Alabama.

### **Approval/Signatures**

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Executive Director of Internal Audit

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Date

\_\_\_\_\_  
Audit Committee Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
University of South Alabama President

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Date