

UNIVERSITY OF VIRGINIA AUDIT DEPARTMENT CHARTER

Introduction:

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the University of Virginia and the University of Virginia Health System (the University). Its mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Role:

It is the policy of the of the University to establish and support the Audit Department to assist the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal controls. The internal audit activity's responsibilities are defined by the Audit, Compliance, and Risk Committee (ACR Committee) of the Board of Visitors (Board) as part of its oversight role.

Professionalism:

The work of the Audit Department will be conducted in accordance with the Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and *International Standards for the Professional Practice of Internal Auditing (Standards)*.

The Audit Department will adhere to the University's relevant policies and procedures as well as the *Generally Accepted Governmental Auditing Standards* of the Government Accountability Office.

Authority:

The internal auditor, with strict accountability for confidentiality and safeguarding records and information, is authorized to have full, free, and unrestricted access to any and all of the University's records, physical properties, and personnel pertinent to carrying out an engagement.

All employees are requested to assist the Audit Department in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the ACR Committee and its chairman.

Organization:

The Chief Audit Executive will report functionally to the ACR Committee chairman, and administratively (i.e. day to day operations) to the President of the University through her delegate, the Executive Vice President and Chief Operating Officer.

The ACR Committee will:

- Approve the Audit Department charter.
- Approve the risk based audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Chief Audit Executive on the Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive
- Approve the remuneration of the Chief Audit Executive
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will communicate and interact directly with the ACR Committee, including in executive sessions and between ACR Committee meetings as appropriate.

Independence and Objectivity:

The internal audit activity will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective function.

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

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the ACR Committee annually the organizational independence of the Audit Department.

Responsibility:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management,

and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. This includes:

- Evaluating the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.
- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Assessing whether the information technology governance of the organization supports the organization's strategies and objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
 - In order to enable this responsibility, the Audit Department will participate in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:
 - (a) adequate controls are incorporated into the system;
 - (b) thorough system testing is performed at appropriate stages;
 - (c) system documentation is complete and accurate; and
 - (d) the resultant system is a complete and accurate implementation of the system specifications.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency of resource utilization.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Assessing and making appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
 - Promoting appropriate ethics and values within the organization
 - Ensuring effective organizational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organization
 - Coordinating the activities of and communicating information among the board, external and internal auditors, and management.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.

- Performing consulting services related to governance, risk management, and control.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the ACR Committee or management.
- Evaluating specific operations at the request of the ACR Committee or management, as appropriate.
- Reporting periodically on the Audit Department's purpose, authority, responsibility and performance relative to its plan.

Internal Audit Plan:

At least annually, the Chief Audit Executive will submit to senior management and the ACR an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next year.

The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, the ACR, and Board.

The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the ACR through periodic activity reports.

Special Projects:

The Chief Audit Executive is empowered to conduct special audit projects, reviews, advisory services, or investigations at the request of the Board, ACR Committee, President, General Counsel, EVP Provost, EVP Chief Operating Officer, EVP Health Affairs, or their designee, to assist management in meeting its objectives, promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in its programs and operations. The Audit Department may also provide consulting services, beyond the Audit Department's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.

Coordination with External Auditing Agencies:

The Chief Audit Executive, with the goal of avoiding duplication of work, will coordinate the department's audit efforts with those of the Commonwealth of Virginia's Auditor of Public Accounts, or other external auditing agencies as applicable, by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary and their combined efforts provide comprehensive, cost-effective audit coverage for the University.

Reporting and Monitoring:

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate.

Internal audit results will be available for review by the ACR and Board of Visitors.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response to audit findings and recommendations should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Audit Department will be responsible for appropriate follow-up on its engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The ACR will receive periodic reporting from the Chief Audit Executive on the status of management's action plan implementation.

The Chief Audit Executive will periodically report to senior management and the ACR on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management, ACR, or the Board.

Quality Assurance and Improvement Program:

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors abide by the Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the ACR on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years

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