



University of Richmond Internal Audit Charter

Purpose

The Institute of Internal Auditors (the IIA) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit fulfills this objective by providing independent and impartial assurance and consulting services. The Internal Audit Charter defines the purpose, authority, and responsibility of the internal audit department and provides a basis for evaluation by management and those charged with oversight.

Mission and Scope of Work

As defined by the IIA, the mission of the University of Richmond's (the University) Office of Internal Audit (IA) is to provide independent, objective assurance¹ and consulting services² designed to add value and improve the University's operations. IA supports management in establishing and maintaining a system of internal controls and the Board of Trustees in effectively performing their responsibilities for oversight by evaluating the University's processes. Through this evaluation, IA furnishes management with objective, timely, and accurate analyses, recommendations, counsel, and information to provide reasonable assurance that:

- Policies, procedures, and training programs effectively identify and manage risks and exposures
- Internal control processes are adequate, functioning, and foster continuous improvement
- Financial, managerial, and operating information is accurate, reliable, and timely
- Resources are acquired economically, used efficiently, and protected adequately
- Programs, plans, and objectives are achieved
- An effective compliance program is maintained to provide guidance and resources to optimize ethical and compliant behavior
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations

¹ Assurance services involve IA's objective assessment of evidence to provide an independent conclusion regarding an operating division, process, or other subject matter. The AVP of Internal Audit determines the nature and scope of the assurance engagement.

² IA may provide consulting services to University management as appropriate. Consulting services are advisory in nature and are generally performed at the request of management without IA assuming management responsibility. Consulting services may include review of policy & process changes, system development, etc. related to risk management, control, and governance.

Organization and Accountability

The Assistant Vice President for Internal Audit (AVP-IA) is the University's chief audit executive, reporting functionally to the Audit and Compliance Committee (ACC) of the University's Board of Trustees and administratively to the Senior Associate Vice President and Controller. The AVP-IA, in the discharge of his/her duties, shall be accountable to and meet with the ACC periodically, or as necessary, to provide information. In fulfilling those responsibilities³, IA will:

- Establish annual goals and objectives for the department and report periodically on the status
- Develop and execute the annual audit plan, providing assessments of the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks
- Evaluate sufficiency of IA resources and provide information periodically on the status
- Coordinate efforts with other control and monitoring functions within the University (e.g., risk management, legal and compliance, University of Richmond Police Department, external audit, etc.) as needed
- Execute follow-up processes to track and monitor implementation of management actions related to recommendations

Independence and Objectivity

To provide organizational independence, internal audit staff reports to the AVP-IA, who, in turn, reports functionally to the ACC and administratively to the Senior Associate Vice President and Controller, as described in the above section on organization & accountability. The AVP-IA shall have direct access to the ACC. All work will be conducted in an objective and independent manner, free from interference by management, including matters of audit selection, scope, procedures, frequency, timing, or report content. IA will maintain an impartial attitude in selecting and evaluating evidence and report results.

When providing assurance or consulting services, IA will have no direct operational responsibility for or authority over any of the activities audited. Such activities include, but are not limited to, initiating or approving accounting transactions, developing or installing procedures or controls, preparing records, performing operational duties, or engaging in any activity external to the department that its personnel would normally review and appraise. The AVP-IA must disclose impairments to independence, if any, to the ACC and discuss the implications.

Responsibility

IA has responsibility to:

- Evaluate the University's exposure related to achieving its strategic objectives including any risks or control concerns identified by management. Using a risk-based methodology, develop a flexible annual audit plan (the Plan), including both assurance and consulting services and any special tasks or projects requested by the ACC or the Office of the President, as appropriate. Submit that plan to the ACC for review and approval.
- Evaluate the University's risk management, internal control, and governance processes used to manage its resources. Make appropriate, constructive and timely recommendations to management when information gathered during audits indicates areas for improvement. Issue periodic reports to management and the ACC summarizing the results of audit activities and progress against the Plan.
- Evaluate the University's systems established to ensure operations comply with policies, laws, and regulations and make appropriate recommendations for improvements.

³ Also see Responsibility section for additional information

- Conduct or assist in the investigation of suspected misconduct, fraudulent activities, embezzlement, theft, waste, etc., within the University and notify management and the ACC of the results. Recommend controls to prevent and detect such occurrences.
- Consider the scope of the work of external auditors and regulators, as appropriate, to provide optimum audit coverage to the University at a reasonable overall cost. Coordinate audit efforts with, and assist the University's external auditors.
- As appropriate, provide consulting services to management that add value and improve the University's risk management, control, and governance processes if such services do not result in IA assuming management responsibility.
- Maintain a proficient staff with sufficient knowledge, skills, and other competencies to meet the objectives of this charter, and communicate to the ACC the impact of any resource limitations.
- Execute a quality assurance and improvement program by which the AVP-IA assures the effective operation of departmental activities. Results of ongoing monitoring will be communicated to the ACC at least annually.
- Periodically review the charter, implement changes recommended by the International Standards for the Professional Practice of Internal Auditing (the *Standards*), and present it to the ACC for approval.

Authority

With strict accountability for confidentiality and safeguarding records and information, IA is authorized to:

- Have unrestricted access to all functions, records, property, and personnel relevant to the area under review, to the extent such access is consistent with applicable law and applicable legal privileges, such as the attorney-client privilege and attorney work product protection
- Have full and free access to the ACC
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques required to accomplish the stated audit objectives
- Obtain the necessary assistance of University personnel in divisions in which audits are performed, as well as other specialized services from within or outside the University
- Report observations and recommendations resulting from any IA activities
- Provide consulting and advisory services to management as deemed appropriate

IA is not authorized to:

- Perform any operational duties for the University
- Direct the activities of any University employee not engaged by IA, except to the extent such employees have been appropriately assigned to assist IA.

Standards of Practice

Members of the department are expected to maintain high standards of conduct, independence, confidentiality, and objectivity in performing their duties. IA will conduct its scope of work in accordance with requirements and best practices as established by relevant authoritative sources from the industry and University. The department is guided by the IIA's International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing; the Association of College and University Auditors; the Association of Certified Fraud Examiners; and the University's Code of Ethics and related policies and procedures.

Quality Assurance and Improvement Program

IA will maintain a quality assurance and improvement program (QAIP) that encompasses all aspects of departmental activity. This program will be designed to:

- Evaluate the department's conformity with the *Standards*, as described above
- Assess the efficiency and effectiveness of the department
- Identify opportunities for improvement

The QAIP includes both internal and external assessments. Internal assessments include ongoing monitoring of IA activity and periodic self-assessments or assessments by other persons within the University with knowledge of internal audit practices. External assessments are conducted by an independent assessor or team from outside the University. The AVP-IA must communicate the results of the QAIP to senior management and the ACC.

Revision History

Revision 0 – Approved April 10, 2008 by BOT Audit & Compliance Committee Chair & the VP for Business & Finance

Revision 1 – Updated to reflect modifications to the IIA's International Standards for the Professional Practice of Internal Auditing approved in October 2016, effective January 1, 2017 and the University's reorganization effective July 1, 2017. Approved December 7, 2017 by the Board of Trustees Audit and Compliance Committee.