





receives periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Internal Audit will have unrestricted access to and communicate and interact directly with the Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity 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.

Audit or review any function, activity, or unit of the System or Universities within the System and the accounts of all organizations required to submit financial statements to the Universities.

Have direct and unrestricted access and present to the System President or University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.

Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

Obtain the necessary assistance of personnel of the System or University where they perform audits, as well as other specialized services from within or outside the System or University, in order to complete the engagement.

### **Independence and Objectivity**

The Chief Audit Executive and Chief Compliance Officer and the

Performing any operational duties for the System, the Universities within the System or affiliated organizations.

Initiating or approving transactions external to Internal Audit.

Directing the activities of any System or University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the Campus Directors of Internal Audit, who reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to the President of their University.

Where the Chief Audit Executive and Chief Compliance Officer or Campus 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.

At least annually, the Chief Audit Executive and Chief Compliance Officer will confirm to the System President and the Audit Committee the organizational independence of the internal audit activity. Also, the Campus Directors will confirm to the University Presidents

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 could significantly impact the System or the Universities within the System.

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 Chief Audit Executive

Review and adjust the annual internal audit plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls of the System and the Universities within the System.

Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.

Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.

Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.

Establish a Quality Assurance and Improvement Program by which the Chief Audit Executive and Chief Compliance Officer and the Campus Directors assure the operations of the internal auditing activities are acceptable.

Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.

Ensure trends and emerging issues that could impact the System or the Universities within the System are considered and communicated to senior management and the Audit Committee as appropriate.

Ensure emerging trends and successful practices in internal auditing are considered.

Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.

Assist in the investigation of significant suspected fraudulent activities within the System or the Universities within the System and notify management and the Audit Committee of the results.

Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.

Establish and ensure adherence to policies and procedures designed to guide the internal audit department.

Ensure adherence to relevant policies and procedures of the System and the Universities within the System, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.

Submit written and timely reports to appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.

Ensure that Campus Directors forward a copy of each internal audit report and a summary to the Chief Audit Executive and Chief Compliance Officer.







