

INTERNAL AUDIT CHARTER

A. Purpose and Mission

University Audit serves as the university's internal auditor, providing internal audits and reviews, management consulting and advisory services, investigations of fraud and abuse, follow-up of audit recommendations, evaluation of the processes of risk management and governance, and coordination with external auditors. University Audit will escalate and report the results of this work to appropriate internal and external parties including the president and board of trustees.

The mission of the office is to serve the university by recommending actions to assist them in achieving its strategic and operational objectives. This assistance includes providing recommendations to management of activities designed and implemented by management to strengthen internal controls, reduce risk to and waste of resources, and improve operations to enhance the performance and reputation of the university. In addition, University Audit assists the Audit and Compliance Committee of the Board of Trustees in accomplishing its oversight responsibilities in accordance with UCF Board of Trustees and Florida Board of Governors guidelines and regulations.

B. Definition and Role of Internal Auditing

According to the Institute of Internal Auditors (IIA):

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It 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."

C. Reporting Structure and Independence

University Audit reports administratively to the president and functionally to the Audit and Compliance Committee of the Board of Trustees. This reporting structure promotes independence and full consideration of appropriate responses to audit recommendations and implementation of management action plans. In addition, the structure provides a vehicle for the escalation of concerns as well as evaluating the adequacy of department resources.

All internal audit activities shall remain free of undue influence by any element in the

organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

To maintain its independence in accordance with performing its mission, University Audit is **not authorized** to:

- Perform any operational duties (such as implementing or performing internal controls, developing university-wide or department level procedures, installing systems, preparing records, or tendering legal opinions) for the areas of the university or any affiliated organizations external to the department.
- Initiate or approve accounting transactions or selection of third-party vendors external to the department.
- Direct the activities of any university employee not employed by University Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal audit staff during the course of audit work in providing requested documentation or clarification of university processes and practices.

D. Authority

University Audit has the authority to audit, review or investigate all areas of the university, including its direct support organizations, auxiliary facilities and services, faculty practice plan corporations, and other component units. The scope and related activities of audits, reviews, and investigations shall not be unduly restricted or limited by management, the president, or the board of trustees.

University Audit has unrestricted and timely access to records, data, personnel, and physical property relevant to performing audits, reviews, investigations, and consulting services. Documents and information given to internal auditors will be handled in the same prudent and confidential manner as by those employees normally accountable for those records. As required by law, University Audit will comply with the Florida Sunshine Law and public record requests.

University Audit will notify the chair of the Audit and Compliance Committee of the Board of Trustees or the president as appropriate, of any unresolved restriction, barrier, or limitation to obtaining necessary information to perform their duties. If the university is not able to remedy such limitations, the chief audit executive shall timely notify the Board of Governors

(through their Office of Inspector General and Compliance) of any such restriction, barrier, or limitation.

E. Duties and Responsibilities

University Audit performs multiple types of projects including:

- Audits and reviews as selected using established quantitative and qualitative criteria with the schedule being designed on a rolling quarter basis and submitted to and discussed with the president and the audit and compliance committee. Audits are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, operational performance, compliance, information systems and data security, and due diligence engagements relating to vendors and third-party relationships. Reviews could include process walkthroughs, development of continuous monitoring reports, and embedded project monitoring.
- Consulting services, the nature and scope of which are agreed to with the university client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, gap analysis using relevant third-party frameworks, facilitation of and providing guidance relating to management's control self-assessment initiatives, identification of leading practices, and providing training to the university community in areas such as fraud awareness, risk management, internal controls, and other related subject matter.
- Investigations are independent evaluations of allegations generally focused on improper activities including misuse of university resources, fraud, financial irregularities, and academic integrity concerns along with research misconduct. Management will also be informed of any identified significant control weaknesses such as management override of controls along with unethical behavior, lack of academic integrity, failure to provide adequate oversight, or similar types of actions. In conjunction with performance of or participation in investigations across the university community, University Audit is responsible for determining whether allegations associated with an investigation fall under the State of Florida Whistle-blower Act in accordance with sections 112.3187- 112.31895, Florida Statutes. In addition, as noted in Florida Board of Governors Regulation 4.002 State University

Chief Audit Executives, University Audit is responsible to review statutory whistle-blower information and coordinate all activities of the university as required by the Florida Whistle-blower's Act. In addition, University Audit assists management in compliance with Board of Governors Regulation 3.003 by serving as the point of contact for the design and oversight of the university's anti-fraud framework strategy and training.

When performing any of these activities, University Audit will focus on:

- a) Evaluating the economy, efficiency and effectiveness in the administration of university programs and operations
- b) Recommending adjustments to existing internal controls to enhance the prevention and detection of fraud and abuse within university programs and operations
- c) Examining the validity of significant and credible allegations relating to waste, fraud or financial mismanagement as provided in Board of Governors Regulation 4.001
- d) Identifying training and outreach opportunities where University Audit will work with other UCF personnel to reduce the risk for future fraud or internal control breakdowns

Follow-up on open project issues will be performed on a regular basis to evaluate management's progress in implementing internal audit recommendations generated by all audit department projects as defined above. It is ultimately management's responsibility to perform remediation activities or accept any potential risk exposure associated with electing to not take any mitigation actions.

In addition, University Audit will work with third parties such as the State University System of Florida Board of Governors, the Florida Auditor General, external auditors (public accounting firms), and relevant federal, state and local government agencies to discuss current and proposed processes, internal control related activities, along with providing requested information and facilitation services to assist with the timely completion of these projects.

To help ensure University Audit has the capabilities to perform these functions, the department will:

- use existing or request additional funds to maintain a professional staff with sufficient

size, knowledge, skills, experience, and professional certifications along with obtaining appropriate technology that increases the department's capabilities, productivity and efficiency,

- use third-party resources (i.e. co-sourcing) as appropriate to supplement the department's efforts and establish a quality assurance improvement program of internal auditing activities as defined by the Institute of Internal Auditors for the department. This program must include an external assessment conducted at least once every five (5) years. The external assessment report and any related improvement plans shall be presented to the board of trustees, with a copy provided to the Florida Board of Governors. In addition, a quality assurance program will be established specifically for investigations based on guidance from relevant standards.
- prepare an annual report summarizing the activities of the department for the preceding fiscal year, the office's plans and resource requirements, including significant changes, and the impact of resource limitations for distribution to the president, board of trustees and Florida Board of Governors.
- report on a routine basis (through written or verbal means) to the audit and compliance committee and/or the full board of trustees on matters including significant risk exposures, control issues, fraud risks, governance issues and other matters as requested by the president and/or the board of trustees.

F. Professional Standards

University Audit adheres to the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing* adopted by The Institute of Internal Auditors along with the Information Systems Auditing Standards published by ISACA. For investigation activities, University Audit will conform to standards found in the *Principles and Standards for Offices of Inspector General* published by the Association of Inspector General and professional standards issued for the State University System of Florida entitled *Standards for Compliant Handling and Investigations for the State University System of Florida*.

In addition, this charter will be reviewed and approved at least every three (3) years for consistency with applicable Florida Board of Governors and university regulations, professional standards, and industry best practices.