

VIRGINIA STATE UNIVERSITY
INTERNAL AUDIT CHARTER
Reaffirmed and Approved April 2021

INTRODUCTION

The Internal Audit Charter establishes the general authority and responsibility of the Internal Audit Department, and serves as a guide in the performance of its duties. Internal Audit is an independent and objective assurance and consulting activity guided by the philosophy of adding value to improve the operations of Virginia State University (VSU). Internal Audit assists VSU management in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance in order to carry out the Internal Audit's mission to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

PROFESSIONAL STANDARDS

The Internal Audit Staff shall govern themselves in accordance with the Virginia Office of the State Inspector General Directive 001: Oversight of State and Specific Non-State Agencies' Internal Audit Programs, first issued on April 15, 2013, Section VI.C.1.a, "All executive branch state agencies and institutions with internal audit functions shall adopt and prescribe to the Definition of Internal Auditing, Code of Ethics, and International Standards of the Professional Practice of Internal Auditing (Standards) as promulgated by the Institute of Internal Auditors (IIA)...." The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable to guide operations. In addition, the Internal Auditor will adhere to the Commonwealth of Virginia laws, regulations and policies, VSU policies and procedures, and the Internal Audit (IA) Manual of procedures. The IA Manual shall include attribute, performance, and implementation standards to guide Internal Audit.

AUTHORITY

In order to fulfill its responsibilities, the Internal Audit Department has unrestricted access to all personnel, facilities, records, reports, data bases, documents, or other University information or material that is needed to accomplish its audit objectives. No legitimate source of information is to be closed to the internal auditor.

The Internal Audit Department shall be free from control or undue influence in the selection and application of audit techniques, procedures, and programs.

It is understood that certain items are confidential in nature and special arrangements will be made by the Internal Audit Department when examining and reporting upon such items.

1. Access to Personnel, Documents, and Records: The Internal Audit Department's access to personnel, documents, and records will be unrestricted and unfettered by burdensome administrative requirements or screening procedures. The Internal Audit Department shall be free from undue influence in the selection of areas, activities, personal relationships and managerial policies to be examined. The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The Chief Audit Executive must disclose such interference to the board and discuss the implications.
2. Access to Information Systems and Automated Data Processing Equipment: Access to information systems and related infrastructure, automated data processing equipment (including microcomputers and/or on-line workstations) and programming personnel shall be made readily available to the Internal Audit Department auditors to permit auditing of automated information. Necessary access to, and related training on, existing data retrieval

and report generating capabilities shall also be provided to Internal Audit Department auditors.

3. Access to Protected Health Information, Personally Identifiable Information: In accordance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) (45 CFR Parts 160, 162, and 164), the Family Educational Rights and Privacy Act (FERPA) (34 CFR § 99.31), and the Privacy Act of 1974, the University is permitted to disclose records with sensitive information (Protected Health Information, Personally Identifiable Information) without an individual's authorization for the purpose of an audit, fraud and abuse detection, compliance evaluation, or administrative review.

Internal Audit has access to all records covered by the aforementioned regulations when discharging their official duties, and we will be prudent in the use and protection of the confidential and sensitive information acquired.

REPORTING STRUCTURE

The Chief Audit Executive (CAE) shall report directly to the Board of Visitors and administratively to the University President. To establish, maintain, and assure that VSU's internal audit department has sufficient authority to fulfill its duties, the Board of Visitors will:

- Approve the internal audit department's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department's budget and resource plan.
- Receive communications from the Chief Audit Executive on the internal audit department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and 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.

INDEPENDENCE

All internal audit activities shall remain free of influence by any element in the University, 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 ensure independence, Internal Audit shall have free and unrestricted access to the Board of Visitors.

Internal Audit shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

The Chief Audit Executive shall report directly to the Board of Visitors (Facilities, Finance and Audit Committee) and administratively to the University President for day-to-day direction.

The Chief Audit Executive shall have direct access and communication to the Board of Visitors when the Chief Audit Executive believes that such access is needed to fulfill the stated objectives of the Department. At all times, the Chief Audit Executive should have open and direct access to the Rector, Chair of the Facilities, Finance and Audit Committee, or full Board if appropriate.

The Chief Audit Executive should meet privately with the Board of Visitors, without management present, to reinforce independence and the nature of this reporting relationship, at least annually.

The Administrative reporting line should enable adequate communications and information flow such that the Chief Audit Executive and the internal audit function have adequate and timely flow of information concerning the activities, plans, and business initiatives of the University, to include open and direct communications with executive and line management. The Chief Audit Executive should be able to communicate directly with any level of management, including the University President.

The Chief Audit Executive shall, at a minimum, meet with the Board of Visitors and the University President on a quarterly basis to discuss:

1. Audit reports issued;
2. Status of the audit plan;
3. Internal audit operational activities;
4. The propriety of any limitations on the scope of internal audits that may be imposed by management;
5. Significant risks and control issues, including fraud risks;
6. Conformance with the Code of Ethics and the Standards.

AUDIT SCOPE

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. It includes but is not limited to:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reporting whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Board of Visitors or the University President or other management, as appropriate.
- Monitoring and evaluating the effectiveness of the organization's risk management system.
- Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.
- Reviewing the internal control statement by senior management and the related opinion by the attest auditor for audit planning.

AUDIT PLANNING

Annually, the Chief Audit Executive of Internal Audit shall submit to the Board of Visitors a summary of the audit work schedule, staffing plan, and budget for the following fiscal year. The audit work schedule is to be developed based on the prioritization of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to the Board of Visitors.

REPORTING

A written report will be prepared and issued by the Chief or designee following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report and a summarization will be forwarded to the Board of Visitors and others as mandated by the Code of Virginia.

The Chief Audit Executive or designee may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed. In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within thirty days of publication to Internal Audit and those on the distribution list.

Internal Audit shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issue file until cleared by the Chief Audit Executive.

PERIODIC ASSESSMENT

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit department activities. The program will include an evaluation of the internal audit department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Board of Visitors on the internal audit department'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.

The Chief Audit Executive should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal audit activity to accomplish its objectives. The result of this periodic assessment should be communicated to the Chief Audit Executive or designated body (i.e. Audit Committee).

APPROVED THIS 22st DAY OF APRIL 2021.

Rector, Virginia State University Board of Visitors

Chair, Facilities, Finance and Audit Committee

President, Virginia State University

Chief Audit Executive