

VIRGINIA STATE UNIVERSITY INTERNAL AUDIT CHARTER

Reaffirmed and Approved June 2022

PURPOSE AND MISSION

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. The purpose of Virginia State University's (VSU) Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve VSU's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department will assist the Board of Visitors, University's President, and VSU management accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Internal Audit Department will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable to guide operations. In addition, the Internal Audit Department will adhere to the Commonwealth of Virginia laws, regulations and policies, Virginia Office of the State Inspector General Directive 001, VSU policies and procedures, and the Internal Audit (IA) Manual of procedures.

AUTHORITY

The Chief Audit Executive will report to the Board of Visitors through the Audit and Compliance Committee and administratively to the University's President. To establish, maintain, and assure that VSU's Internal Audit Department has sufficient authority to fulfill its duties, the Board of Visitors/Audit and Compliance Committee is authorized to:

- Approve the Internal Audit Department's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit 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.

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Board of Visitors/Audit and Compliance Committee to reinforce independence and the nature of the reporting relationship.

The Internal Audit Department and its staff are authorized 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.
- Receive cooperation from the University's employees in accordance with its authority.
- Allocate departmental resources, set audit and review frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel in departments of VSU, as well as other specialized services from within or outside VSU, in order to complete their work.

The Internal Audit Department and its staff are not authorized to:

- Perform any operational duties for the University.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any University employees not employed by the Internal Audit Department.

INDEPENDENCE AND OBJECTIVITY

All work performed by the Internal Audit Department will be conducted in an objective and independent manner. The Chief Audit Executive will ensure that all internal audit activities remain free of influence by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, and report content. Internal auditors will maintain an unbiased mental attitude that allows them to perform their work objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they will not subordinate their judgment on audit matters to others.

The Internal Audit Department will have no direct operational responsibility or authority over any of the activities audited/reviewed, nor will they have had any within the previous year. Accordingly, the Internal Audit Department will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity which would normally be audited that may impair their judgment.

The Internal Audit Department 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.

The Chief Audit Executive will confirm to the Board of Visitors/Audit and Compliance Committee, at least annually, the organizational independence of the Internal Audit Department and any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations and evaluation of evidence for the purpose of providing independent assessments to the Board of Visitors, management, and outside parties on the adequacy and effectiveness of VSU's governance, risk management, control processes, and the quality of performance in carrying out assigned responsibilities to achieve VSU's stated goals and objectives. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of VSU's strategic objectives are appropriately identified and managed.
- The actions of VSU's personnel and contractors are in compliance with VSU's policies, procedures, and applicable laws, regulations, and governance standards.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, analyze, classify and report such information.
- Results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently as planned.
- Established processes and systems enable compliance/assurance with the policies, procedures, laws, and regulations, which could have a significant impact on VSU's operations and reporting whether the organization is in compliance.
- Resources and assets are acquired economically, used efficiently, and protected adequately, and reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets.
- Reviewing specific operations at the request of the Board of Visitors/Audit and Compliance Committee or the University's 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 the Internal Audit Department.
- Reviewing the internal control statement by University's President and the related opinion by the attest auditor for audit planning.

The Chief Audit Executive will meet with the Board of Visitors/Audit and Compliance Committee and the University's President periodically regarding:

- The internal audit department's audit plan and performance relative to its plan.
- The internal audit department's conformance with The IIA's Code of Ethics and *Standards*.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Board of Visitors/Audit and Compliance Committee.
- Results/Reports of audit engagements or other activities.
- Resource requirements.
- The propriety of any limitations on the scope of internal audits that may be imposed by management.
- Any response to risk by management that may be unacceptable to the Board of Visitors.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

ACCOUNTABILITY/RESPONSIBILITY

The Chief Audit Executive will be accountable to the Board of Visitors, through the Audit and Compliance Committee, to maintain comprehensive and professional internal audit programs. The Internal Audit Department will assist the Board of Visitors and management in fulfilling those responsibilities, the Chief Audit Executive will:

- Submit, at least annually, to the Board of Visitors/Audit Committee and the University's President a risk-based internal audit plan for review and approval based on the prioritization of the audit universe.
- Submit, at least annually, to the Board of Visitors/Audit Committee and the University's President a summary of the work schedule, staffing plan, and resource requirements for the following fiscal year.
- Communicate to the Board of Visitors/Audit Committee and the University's President the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in VSU's business, risks, operations, programs, systems, and controls.
- Communicate to the Board of Visitors/Audit Committee and the University's President 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 the Board of Visitors/Audit Committee, University's President, and appropriate parties in a written report.
- Conduct investigations of fraud, waste, and abuse, including those referred by the Office of the State Inspector General related to State Fraud, Waste, and Abuse Hotline cases. Results of these investigations will be communicated to management, and the Board of Visitors/Audit Committee, as appropriate.
- Follow up on engagement findings and corrective actions, and report periodically to the Board of Visitors and the University's President any corrective actions not effectively implemented.
 - Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.
 - All significant findings will remain in an open file until cleared by the Chief Audit Executive.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department's staff collectively possesses or obtains the knowledge, skills, and other competencies needed to fulfill the requirements of this internal audit charter.
- Establish and ensure adherence to VSU's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Board of Visitors/Audit Committee and University's President.
- Ensure conformance of the Internal Audit Department with the *Standards*, with the following qualifications:
 - If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the Chief Audit Executive will ensure that the Internal Audit

Department conforms with the *Standards*, even if the Internal Audit Department also conforms with the more restrictive requirements of other authoritative bodies.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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 the Board of Visitors/Audit and Compliance Committee and University's President 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 VSU.

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 Board of Visitors/Audit and Compliance Committee.

APPROVED THIS 17th DAY OF JUNE 2022.

Rector, Virginia State University Board of Visitors

Chair, Audit and Compliance Committee

President, Virginia State University

Chief Audit Executive