

UNIVERSITY OF MASSACHUSETTS

INTERNAL AUDIT CHARTER

Mission and Purpose

University Internal Audit (Internal Audit) office provides independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control, risk management, and governance processes. Internal Audit is guided by The Institute of Internal Auditors' *International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and Code of Ethics*.

Internal Audit is responsible for the coordination and monitoring of all audit matters of the University, including internal audits, external contracted audits, those carried out by the Office of the State Auditor, as well as various federal and state agencies.

Independence

Internal Audit reports functionally to the Audit Committee of the Board of Trustees and administratively to the University President. Internal Audit shall have free and unrestricted access to the members of the Audit Committee. To maintain independence and objectivity, Internal Audit shall have no direct operational responsibility or authority over any activities it reviews. Internal Audit does not develop and implement procedures, prepare records, make management decisions or engage in any other activity that could be reasonably construed to impair its independence and objectivity.

Authority

Authority is granted to Internal Audit to have full, free and unrestricted access to any and all of the University's records, physical properties and personnel as necessary to fulfill its mission and purpose. Information obtained will be maintained with appropriate confidentiality. The scope of audit coverage is University-wide with no function, activity, or unit of the University being exempt. No University personnel may interfere with the determination of Internal Audit's scope, its performance of work or communicating results.

Responsibility

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of controls within the organization's governance, operations, risk management process and information systems, including the performance of the following:

- Reviewing the reliability and integrity of financial and operational 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 that could have a significant impact on operations and reporting;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the effectiveness and efficiency with which resources are employed;
- Reviewing operations or programs to ascertain whether results are consistent with established goals and objectives and whether the operations and programs are being carried out as planned;
- Reviewing specific operations at the request of the Audit Committee or Management, as appropriate;
- Consulting engagements based on the potential to improve risk management and operations to the extent agreed upon with Management;
- Investigating allegations of fraud;
- Following-up on Management's action plans reported in response to audit observations and recommendations;
- Developing a risk based audit plan consistent with University goals, with the flexibility to respond to unplanned needs and presenting it for the Audit Committee's approval;
- Maintaining a professional audit staff with the knowledge, skills, and other competencies needed to fulfill Internal Audit's responsibilities;
- Developing and maintaining an internal assessment program that includes ongoing monitoring, a quality assurance and improvement program, and independent external assessment performed once every five years that covers Internal Audit activity; and
- As per the Audit Committee Charter (Doc.T03-030), provide the Audit Committee with a periodic report of all audit activity at the University.

General Protocol

Audit Liaison

Each campus Vice Chancellor for Administration and Finance will appoint a *Campus Audit Liaison* to function as the principal campus contact and coordinator for all campus audit matters. The *Campus Audit Liaison* will work with Internal Audit to ensure proper coordination and monitoring of all audit matters. The Senior Vice President for Administration, Finance and Technology will appoint a *University Audit Liaison* with the responsibility of ensuring that campus action plan responses conform to established University policy and procedure, and if necessary, will develop a separate University administration response to the audit report.

Internal Audits

A notification statement will be sent to appropriate persons prior to the start of any internal audit. An entrance conference outlining the purpose, scope, timing, and process of the audit will be held with the Campus Audit Liaison and representatives of the operation, department or fund being reviewed. Certain audits may be carried out without prior notice at the discretion of the Director of Internal Audit (Director) or Audit Committee where the element of surprise is necessary or in the best interests of the University. Upon audit fieldwork completion, preliminary observations will be communicated to Management followed by a draft audit report. Management will provide official action plan responses, including the individual(s) responsible for the completion of the action plan and a due date(s), to all reported observations within 30 days of receiving the final draft report. The final report will be distributed to Management and the Chair and Vice Chair of the Audit Committee.

External Contracted Audits

When necessary to engage an external audit firm to perform an audit of the University's annual financial statements or regulatory agency audits requiring an independent certified public accounting firm, the Director will notify the Chair of the Audit Committee of the proposed purpose, scope, and a plan for contracting. The Chair will approve the plan for solicitation of proposals and appoint a selection committee as appropriate, or advise the Director as to the preference of the Audit Committee in leading the selection committee. The Audit Committee will review and vote to approve the selection of the external audit firm. All audit services contracts must be signed by the Senior Vice President for Administration, Finance and Technology, the Director, and an authorized representative of the audit firm. Management will provide official action plan responses to all required observations within 30 days of receiving the final draft report. After appropriate University administration distribution, the final external audit report will be submitted to the Audit Committee for their acceptance by vote.

MA Office of the State Auditor and Other Federal and State Agency Audits

It is the responsibility of the Campus Audit Liaisons to timely notify Internal Audit whenever an outside agency notifies the campus that it will be conducting an audit anywhere in the University. Internal Audit will provide assistance where required. All outside agency audit reports published, along with campus or administration official responses, will be included in periodic reports to the Audit Committee.

Confidentiality

All University audit reports, both internal and external, including supporting workpapers, notes and all other partial or whole documents will be considered confidential. Reports or other audit related documents will not be publicly disclosed except as directed by law or other regulation, the Director, University General Counsel or University President.