

**UNIVERSITY OF MARY WASHINGTON
INTERNAL AUDIT DEPARTMENT
INTERNAL AUDIT CHARTER**

PURPOSE

The purpose of the University of Mary Washington's (University) Internal Audit Department (IAD) is to strengthen the University's ability to create, protect, and sustain value by providing the Board of Visitors (Board) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The IAD enhances the University's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Commitment to Adhering to the Global Internal Audit Standards

The University's IAD will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, to the extent possible with available resources. The Director of Internal Audit (Director) will report periodically to the Board and senior management regarding the IAD's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organization, including all of the University's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for the University.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the IAD does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University’s strategic objectives are appropriately identified and managed.
- The actions of the University’s Board, management, employees, and contractors comply with the University’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

MANDATE

Authority

The IAD’s authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board.

The Board authorizes the IAD to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function’s objectives.
- Obtain assistance from the necessary personnel of the University and other specialized services from within or outside the University to complete internal audit services.

Independence, Organizational Position, And Reporting Relationships

The Director will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby

establishing the independence of the IAD. The Director will report functionally to the Board and administratively to the President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Director will confirm to the Board, at least annually, the organizational independence of the IAD. The Director will disclose to the Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the IAD's effectiveness and ability to fulfill its mandate.

Changes to the Charter

Circumstances may justify a follow-up discussion between the Director, the Board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Director, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

INTERNAL AUDIT DIRECTOR ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The Director will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Director will ensure that the IAD remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of

engagement selection, scope, procedures, frequency, timing, and communication. If the Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Department

The Director has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Board and senior management. Discuss the plan with the Board and senior management and submit the plan to the Board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate with the Board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, to the extent possible with available resources, and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and senior management quarterly and for each engagement as appropriate.
- Ensure the IAD collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards, and fulfill the internal audit mandate.

- Identify and consider trends and emerging issues that could impact the University and communicate to the Board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the IAD.
- Ensure adherence to the University's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If an appropriate level of coordination cannot be achieved, the issue must be communicated to senior management and if necessary escalated to the Board.

Communication with the Board and Senior Management

The Director will report periodically to the Board and senior management regarding:

- The IAD's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the IAD's conformance with The IIA's Global Internal Audit Standards and action plans to address the IAD's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board that could interfere with the achievement of the University's strategic objectives.
- Resource requirements.
- Management's responses to risk that the IAD determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite
- Results of assurance and advisory services.

The IAD will communicate engagement results in writing for all assurance activities performed. The format will be determined by the Director. Assurance engagement reports will be issued to the members of the Board including the Audit Committee, the President, the appropriate Vice President(s) of the University or their designee, and other management personnel, as deemed appropriate by the Director.

The Vice President, or their designee, responsible for the audited department or activity shall provide a management response to the IAD's recommendations within 30 days of receiving the written report. The written response shall be submitted using the corrective action plan template provided by the IAD after the report is issued. The IAD monitors the status of all corrective actions

and collects quarterly updates to ensure that management is implementing the actions agreed upon in the corrective action plan.

Communication of the progress and results of advisory engagements will vary in form and content depending upon the nature of the engagement and the needs of University management. The format for communicating results of advisory engagements will be agreed upon by all parties and documented in the written agreement or plan. In instances where the Director concludes that the results should be communicated beyond those who received or requested the services, the Director will expand reporting to the appropriate parties.

COORDINATION WITH EXTERNAL AUDITORS

The Director is responsible for coordinating IAD audit efforts with those of the Auditor of Public Accounts for the Commonwealth of Virginia and other external auditors, as applicable.

The coordination of audit efforts should be planned and defined as a part of the scope for proposed audits. This coordination will provide reasonable assurance that the work of all auditing groups is complementary and more effective audits.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Director will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the IAD. The program will include external and internal assessments of the IAD's conformance with the Global Internal Audit Standards, to the extent possible with available resources, as well as performance measurement to assess the IAD's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the IAD's deficiencies and opportunities for improvement.

Annually, the Director will communicate with the Board and senior management about the IAD's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments, to the extent possible with available resources. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.