INTERNAL AUDIT CHARTER/ AUDIT COMMITTEE CHARTER

Policy and Procedures Memorandum

Title:	***Internal Audit Charter / Audit Committee Charter (Policy Revision)***
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INTERNAL AUDIT CHARTER

I. Introduction

The University of Louisiana System Board of Supervisors (Board) supports the University of Louisiana System (UL System) Internal Audit Function, which consists of a Chief Audit Executive (CAE) and other internal audit staff assigned to each UL System institution.

II. Purpose

The purpose of the internal audit function is to strengthen the University of Louisiana System's (UL System) ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

- The internal audit function enhances UL System'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. UL System's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

III. Commitment to Adhering to the Global Internal Audit Standards

UL System's internal audit function 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. The UL System CAE will report annually to the Board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program

IV. Mandate

Authority

The Board grants the internal audit function the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board. The internal audit staff communicate to the Board through the UL System Chief Audit Executive. If a matter involves a disagreement between internal audit staff and the UL System CAE, or if there is an impairment of independence and/or objectivity caused by the UL System CAE, the internal audit staff may contact the Board directly.

The Board authorizes the UL System internal audit function to:

- Have full and unrestricted access to the UL System Board Office and member institutions' 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 UL System Board Office and member institutions and other specialized services from within or outside the UL System to complete internal audit services.

V. Independence, Organizational Position, and Reporting Relationships

The internal audit function is centrally managed by the UL System Chief Audit Executive as defined by the Standards. The UL System CAE and internal audit staff are positioned at a level that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.)

The UL System CAE reports functionally to the Board through the Audit Committee and administratively (i.e., day-to-day operations) to the UL System President and CEO. Individual internal audit staff report functionally to the Audit Committee of the Board of Supervisors, through the UL System's Chief Audit Executive, and administratively to the UL System's CAE. 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 UL System CAE will confirm to the Board, at least annually, the organizational independence of the internal audit function. The UL System CAE 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 internal audit function's effectiveness and ability to fulfill its mandate.

VI. Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the UL System CAE, 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 acquisition or restructuring within the organization.
- Significant changes in the UL System CAE, internal audit staff, 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.

VII. Board Oversight

To establish, maintain, and ensure that the UL System's internal audit function has sufficient authority to fulfill its duties, the Board will:

- Discuss with the UL System CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the UL System CAE has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present.
- Discuss with the UL System CAE and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the UL System CAE to consider changes affecting the UL System, such as the employment of new auditors or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Approve the internal audit function's human resources administration and budgets.

- Approve the internal audit function's expenses.
- Collaborate with senior management to determine the qualifications and competencies the organization expects in a chief audit executive, as described in the Global Internal Audit Standards.
- Authorize the appointment and removal of the UL System CAE.
- Approve the remuneration of UL System CAE.
- Review the UL System CAE's performance.
- Receive communications from the UL System CAE about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the UL System CAE to determine whether scope or resource limitations are inappropriate.

VIII. Chief Audit Executive's Roles and Responsibilities

Ethics and Professionalism

The UL System CAE will ensure that the internal audit function:

- Conforms with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understands, respects, meets, and contributes to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourages and promotes an ethics-based culture in the organization.
- Reports organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

IX. Objectivity

The UL System CAE will ensure that the internal audit function 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 UL System CAE 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,

including:
- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the UL System or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any UL System employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the UL System CAE, Board, management, or others.
- 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

X. Managing the Internal Audit Function

The UL System CAE 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. Then 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 UL System'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.
- Follow up on engagement observations by confirming the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function 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 UL System 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 internal audit function.
- Ensure adherence to UL System'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 the UL System CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Board.

XI. Communication with the Board and Senior Management

The UL System CAE will report to the Board and senior management regarding:
- The internal audit function'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 internal audit function's conformance with the IIA's Global Internal Audit Standards and action plans to address the internal audit function'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.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond UL System's risk appetite.

XII. Quality Assurance and Improvement Program

The UL System CAE will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function'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 internal audit function's deficiencies and opportunities for improvement.

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

XIII. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of UL System'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 UL System.

The nature and scope of advisory services may be agreed upon with the party requesting the service, provided the internal audit function 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 UL System's strategic objectives are appropriately identified and managed.
- The actions of the UL System's officers, directors, management, employees, and contractors or other relevant parties comply with the UL System'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 and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UL System.
- 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.

AUDIT COMMITTEE CHARTER

I. Purpose

The purpose of the University of Louisiana System Board of Supervisors (Board) Audit Committee shall be to assist the Board in fulfilling its oversight responsibilities for the performance of the internal audit function, review external auditor reports, and receive required communication from external auditors, monitor compliance with laws and regulations, as well as UL System policies and procedures, and ensure a system of internal controls and risk management

II. University of Louisiana System Office of Internal Audit

The UL System Office of Internal Audit consists of various offices locations, including the UL System Board Office and several institutional offices. Each institutional office reports functionally to the Board, through the Audit Committee, and administratively to the UL System Chief Audit Executive.

III. Composition

The Audit Committee shall consist of members independent of management and possess financial literacy skills sufficient to understand the UL System's financial statements. These supervisors are to be free from any relationship that, in the Board's opinion, would interfere with the exercise of their independent judgment as members of the audit committee and should recognize the significance of the audit committee's responsibilities.

IV. Meetings

The Audit Committee shall meet as often as necessary to carry out its responsibilities. The Board Chair, Audit Committee Chair, any Board member, UL System President & CEO, University President, or UL System CAE may call a meeting of the Audit Committee.

V. Roles and Responsibilities

The Audit Committee assists the Board in fulfilling its fiduciary responsibilities regarding accounting policies and reporting practices, the quality and sufficiency of audits, and the system of internal control. The Committee must be proactive and inquisitive, as well as provide an open avenue for communication among the Board, independent external auditors, UL System CAE, other internal audit staff, and institutional management.

The Audit Committee shall assist the Board with its governance responsibilities by performing the following functions:

1. Internal Audit

- Discuss with the UL System CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Office of Internal Audit has unrestricted access to communicate and interact directly with the Board, including in private meetings without senior management present.
- Discuss with the UL System CAE and UL System President & CEO other topics that should be included in the internal audit charter.
- Participate in discussions with the UL System CAE and UL System President & CEO about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review the UL System Internal Audit Charter with the UL System CAE to consider changes affecting the organization, such as the employment of new auditors or changes in the type, severity, and interdependencies of risks to the UL System, at least annually.
- Approve the UL System Internal Audit Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Approve the UL System Office of Internal Audit's risk-based internal audit plan.
- Approve the UL System Office of Internal Audit's human resources administration and budgets.
- Approve the UL System Office of Internal Audit's expenses.
- Collaborate with senior management to determine the qualifications and competencies the organization expects in a UL System CAE and other internal audit staff, as described in the Global Internal Audit Standards.
- Authorize the appointment and removal of the UL System CAE.
- Approve the remuneration of the UL System CAE.
- Review the UL System CAE's performance.
- Receive communications from the UL System CAE about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established for the UL System Office of Internal Audit and review the results annually.
- Make appropriate inquiries of senior management and the UL System CAE to determine whether scope or resource limitations are inappropriate.

2. Independent Auditors and Financial Statements (Louisiana Legislative Auditor)

- Review the UL System's audited financial statements and the related notes to the financial statements, which collectively comprise the UL System's basic financial statements.
- Review results from the audits, including the planned scope and timing of audits, significant audit findings, and certain internal control-related matters identified during the audits, as well as other matters required to be communicated to those charged with governance under the Generally Accepted Auditing Standards (GAAS).
- Provide an oversight role for the resolution of significant audit findings and other matters related to the results of the audits.

3. Internal Controls, Compliance, and Risk Management

- Consider the effectiveness of the UL System's internal control system, including information technology.
- Review the independent auditor's report on internal controls and compliance.
- Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's response.

Review Process:
System Administration Staff

Policy References:
Association of College & University Auditors
Institute of Internal Auditors

Distribution:
University Presidents
Internal Audit Staff