



The University of Texas at Dallas Internal Audit Activity Charter

INTRODUCTION

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of The University of Texas at Dallas. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Internal audit assists The University of Texas at Dallas in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

ROLE

The internal audit activity is established by the Texas Internal Auditing Act and The University of Texas (UT) System Board of Regents. The UT System Board of Regents' Audit, Compliance, and Risk Management Committee (ACRMC) and the institutional audit committee provide oversight responsibilities. In that role, internal audit works to be a trusted advisor to management in the areas of governance, risk management and internal controls.

PROFESSIONALISM

The internal audit activity will govern itself by adherence 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*, and the Definition of Internal Auditing, as well as Generally Accepted Governmental Auditing Standards as required by the Texas Internal Auditing Act. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Implementation Guides, Practice Guides, Supplemental Guidance, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to The University of Texas at Dallas relevant policies and procedures and the internal audit activity's standard operating procedures manual.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of The University of Texas at Dallas records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the institutional audit committee and ACRMC.

ORGANIZATION

Internal audit is a vital part of The University of Texas at Dallas and functions in accordance with the policies established by the President, UT System Administration, and the UT System Board of Regents. To provide for the independence of the internal auditing activity, the Chief Audit Executive (CAE) reports functionally to the institutional audit committee. The CAE reports administratively to the President and also the Vice President and Chief of Staff and has an indirect reporting relationship to the UT System Chief Audit Executive.

The CAE will communicate and interact directly with the institutional audit committee, including in executive sessions and between committee meetings, as appropriate. Responsibilities of the institutional audit committee are outlined in its [charter](#).

INDEPENDENCE AND OBJECTIVITY

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. Internal auditors may provide assurance services where they have previously performed consulting services provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the UT System CAE, at least annually, the organizational independence of the internal audit activity and its staff members. The UT System CAE reports this to the ACRMC.

RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, providing assurance to management by examining and evaluating of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Developing a flexible, annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to the President and institutional audit committee for review and approval on an annual basis. UT System provides guidance and feedback on the annual audit plans, and the UT System Board of Regents approves the System-wide annual audit plan.
- Developing relationships throughout the organization to become a trusted advisor to management on risk management and internal control matters.
- Maintaining a professional audit staff with sufficient knowledge, skills, abilities, experience, and professional certifications.
- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit, as applicable.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization. Such services include management requests, participation on institutional committees, and participation on implementation teams for information technology projects and business process improvements.
- Evaluating specific operations at the request of the institutional audit committee or management, as appropriate.
- Conducting investigations of significant suspected fraudulent activities in accordance with the fraud policy outlined at [UTS 118 - Dishonest or Fraudulent Activities](#).

INTERNAL AUDIT PLAN

At least annually, the CAE will submit to the institutional audit committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The CAE will communicate the impact of any resource limitations or significant interim changes to the institutional audit committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the institutional audit committee. The CAE will review and adjust the plan, as necessary, in response to changes in the internal audit resource levels or the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the internal audit plan will be communicated to and approved by the institutional audit committee through periodic activity reports.

REPORTING AND MONITORING

The CAE or designee will communicate the results of each internal audit engagement to the appropriate individuals. Internal audit results will also be communicated to the institutional audit committee.

Communication of the engagement results may vary in form and content depending upon the nature of the engagement and the needs of the client. A formal internal audit report will include management'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 corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on management's action plans to address engagement findings and recommendations and reporting the results to appropriate management members and the institutional audit committee. All significant findings will remain as open issues until reviewed and cleared by internal audit.

Internal audit will fulfill reporting requirements for audit reports and the annual report, including the annual audit plan, as prescribed by the Texas Internal Auditing Act.

The CAE will periodically report to the institutional audit committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the institutional audit committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing, the Core Principles, and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program will also assess compliance with the Texas Internal Auditing Act and the efficiency and effectiveness of the internal audit activity.

The CAE will communicate to the institutional audit committee on the internal audit activity's quality assurance and improvement program at least annually, including results



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of ongoing internal assessments and external assessments conducted at least every three years.

RELEVANT STATUTES AND POLICIES

- Texas Internal Auditing Act, Government Code Chapter 2102
- UT Board of Regents Rule 20401: Audit and Compliance Programs
- UT System Policy 129 - Internal Audit Activities

APPROVAL

The Internal Audit Activity Charter was approved on March 10, 2020, by The University of Texas at Dallas Institutional Audit Committee.