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### THE UNIVERSITY OF TEXAS-PAN AMERICAN INTERNAL AUDIT CHARTER

#### A. <u>Purpose</u>

The purpose of this policy is to establish The University of Texas-Pan American Internal Audit Charter. The mission of The University of Texas-Pan American Office of Audits and Consulting Services is to provide independent, objective assurance and consulting services designed to add value and improve University operations. It helps the institution accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, operational, and governance processes.

## **B.** Persons Affected

This policy applies to administration.

# C. Policy

### 1. Organizational Status

The Office of Audits and Consulting Services is a vital part of the University and functions in accordance with the policies established by the President, The University of Texas System Administration and The University of Texas System Board of Regents. To provide for the independence of the internal auditing activity, the Executive Director of Audits, Compliance, and Consulting Services reports directly to the President and must be free of all operational and management responsibilities that would impair his or her ability to review independently, all aspects of the institution (per the <u>Texas Internal Auditing Act</u>, Government Code Chapter 2102). The Executive Director of Audits, Compliance, and Consulting Services also has an indirect reporting relationship to the U.T. System Chief Audit Executive who has responsibility for oversight of the internal auditing activity for the U.T. System and has the reporting responsibility for all components to the Board of Regents.

The Audit Committee serves as an advisory body to the President and operates in accordance with the delegated authorities afforded by the President and U.T. System policies and procedures (Regents' Rules and Regulations, Series 20401). The Audit Committee members are appointed by the President.

The organizational status and the support accorded to the Office of Audits and



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Consulting Services by the President, Audit Committee, and senior management are major determinants of the scope and value of the internal audit function to the institution.

## 2. Authority

To accomplish their activities, the Office of Audits and Consulting Services is authorized to have full, free and unrestricted access to all functions, activities, property, personnel, records, and information systems. The Internal Auditor must have a high degree of independence and not be assigned duties or engage in any activities that they would normally be expected to review or appraise. The Internal Auditor is not authorized to perform any operational duties, initiate or approve accounting transactions external to the Office of Audits and Consulting Services or direct the activities of any employee not employed by the Office of Audits and Consulting Services, except to the extent such employees have been appropriately assigned to auditing teams or otherwise assist the Office of Audits and Consulting Services.

# 3. Scope of Activities

The scope of work of the Office of Audits and Consulting Services is to determine whether the University's risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to help ensure:

- a. Risks are appropriately identified and managed.
- b. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- c. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- d. Resources are acquired economically, used efficiently, and adequately protected.
- e. Programs, plans, and objectives are achieved.
- f. Quality and continuous improvement are fostered in the institution's control process.



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Opportunities for improving management control may be identified within Audit's scope of work. These opportunities will be communicated to the appropriate level of management.

#### 4. Standards of Audit Practice

The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, Code of Ethics, and generally accepted governmental auditing standards shall serve as guidelines for internal auditing activities as required by the Texas Internal Auditing Act.

The International Standards for the Professional Practice of Internal Auditing are principles-focused, mandatory requirements consisting of Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided to apply to all internal audit services. These Standards may be viewed at http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/.

Internal Auditors are expected to apply and uphold the following Code of Ethics principles: Integrity, Objectivity, Confidentiality, and Competency. The specific rules of conduct each of these principles viewed may at http://www.theiia.org/guidance/standards-and-guidance/ippf/code-of-ethics/.

#### D. **Definitions**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

#### Ε. Responsibilities

The Office of Audits and Consulting Services has responsibility to:

1. Develop a flexible, annual work plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to



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the President, Audit Committee, and the Board of Regents for review and approval as well as periodic updates.

- 2. Implement the annual work plan, as approved, including as appropriate any special projects requested by executive management of the institution, U.T. System officials, or the Board of Regents.
- 3. Provide consulting and advisory services as appropriate.
- 4. Maintain a follow-up process to monitor management actions on reported engagement observations and whether recommendations have been effectively implemented.
- 5. Have and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter and the Texas Internal Auditing Act.
- 6. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- 7. Issue periodic reports to the President and Audit committee summarizing results of audit activities, annual work plans, sufficiency of office resources, and emerging trends and successful practices in internal auditing.
- 8. Assist in the investigation of significant issues within the institution and notify appropriate members of executive management of the results.
- 9. Conduct special audits and consultations requested by the President, Audit Committee, executive management, or U.T. System officials.
- 10. Consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the institution.
- 11. Conduct quality assurance reviews in accordance with professional Internal Auditing standards and periodically take part in an external peer review.
- 12. Guide the institution on control self-assessment by assisting managers with risk selfassessment and conducting self-audits.
- 13. Provide information to the U.T. System Chief Audit Executive as required or requested to fulfill the system-wide audit oversight and reporting responsibilities.



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14. Prepare the annual report required by the Texas Internal Auditing Act and submit the report to the President, U.T. System Audit Office, Budget Division of the Governor's Office, State Auditor, and the Legislative Budget Board.

15. Coordinate the University's interaction with the State Auditor's Office and other external audit entities.

# F. Responsibilities

Not applicable.

# G. Review

The Divisional Head for this policy is the President and this policy shall be reviewed every five years or sooner if necessary by the following Stakeholders:

- 1. Executive Director of Audits, Compliance, and Consulting Services Senior Reviewer
- 2. President
- 3. Provost/Vice President for Academic Affairs
- 4. Vice President for Business Affairs
- 5. Vice President for Student Affairs
- 6. Vice President for University Advancement
- 7. Chief Information Officer for Information Technology