



UNIVERSITY SYSTEM OF GEORGIA (USG) **INTERNAL AUDIT CHARTER**

Introduction

Internal auditing provides independent and objective assurance and consulting services to the Board of Regents (Board), the Chancellor, and institution leadership in order to add value and improve operations. The internal audit activity helps the University System Office (USO) and USG institutions accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes.

Role of the Internal Audit Function

USO Internal Audit and the campus internal audit staffs will provide internal audit services for the University System. All Directors of Internal Audit at institutions having an internal audit function shall have a direct reporting relationship to the President of that institution and to the Chief Audit Officer / Associate Vice Chancellor (AVC). The AVC shall have the authority to direct the institutional internal audit functions to audit specific areas at their institutions as needed to fulfill the system-wide audit plan. The AVC will report all significant audit issues directly to the Chair of the Committee on Internal Audit, Risk, and Compliance (Committee) and to the Chancellor.

Organizational Responsibilities

1. The AVC has the responsibility to develop an annual System-wide audit plan in conjunction with the Committee based on a System-wide risk assessment, which encompasses all components of the System. The Committee will approve this annual plan while the AVC may approve minor changes to the Audit Plan as needed throughout the year. The AVC will coordinate audit plan implementation with USG institution internal auditors and with the State Department of Audits and Accounts.
2. The AVC is responsible for providing functional coordination and guidance for System-wide internal audit and compliance activities that include:
 - a) Meet with appropriate component officials to review the status of institution audit work and review resources needed for the OIAC.
 - b) Approve campus internal audit charters as required.
 - c) Review audit results from all campus-based internal auditors and the State Department of Audits and Accounts
 - d) Monitor the implementation of audit recommendations system-wide. Chief Business Officers and/or the campus audit director will prepare a report of the implementation status of all audit recommendations, have it approved by the campus President and

submit it to the AVC on a quarterly basis using the procedures established by the AVC. Implementation status of all audit recommendations will be reported periodically to the Committee.

- e) Periodically prepare a summary of internal audits and highlight matters of interest for audits conducted at each institution and present such data to the Committee and to the Chancellor.
 - f) Attend meetings of the Committee and Board as required.
 - g) Ensure that all audits conducted by the University System Office have been thoroughly reviewed and discussed with appropriate institutional officials prior to being released to the Chancellor or to the Committee Chair.
3. USG internal audit professionals and the USG internal audit function shall comply with the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors (IIA). Additionally, all USG internal auditors shall comply with the IIA Code of Ethics.

Definition of Audit Engagement Scope

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of governance, risk management, compliance, internal control and the quality of performance in carrying out assigned responsibilities. The scope will vary by institution or area and may include:

1. Review the effectiveness of governance processes to include the:
 - a) Promotion of ethical behavior within the organization;
 - b) Efficiency of organizational performance management and accountability;
 - c) Communication of risk and control information to appropriate areas of the organization; and,
 - d) Coordination of activities and information among the Board, external and internal auditors, and management.
2. Review the effectiveness of risk management processes to include the:
 - a) Alignment of organizational objectives in support of the USG and institutional missions;
 - b) Identification and assessment of significant risks;
 - c) Alignment of risk responses with the USG's risk appetite; and,
 - d) Capturing and communication of relevant risk information across the USG and its institutions so as to enable staff, management, and the Board to carry out their responsibilities.
3. Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
4. Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the System is in compliance.

5. Review the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
6. Review and appraise the economy and efficiency with which resources are employed.
7. Review 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.
8. Review the status of Information Technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
9. Conduct special audits at the request of the Committee Chair, the Chancellor or institution presidents.
10. Investigate reported occurrences of fraud, embezzlement, theft, waste, etc., and recommend controls to prevent or detect such occurrences.
11. Analyze and review public private ventures undertaken by the USG, USG institutions, and USG cooperative organizations.
12. Provide consulting services at the request of institution management and with the AVC's approval consistent with the IIA standards governing consulting engagements. Consulting engagements undertaken by the OIAC should have the potential to contribute to the improvement of governance, risk management, compliance, and/or internal controls within the USG or within a USG institution.

Reporting Procedures

The President of the institution receiving an internal audit report from the OIAC will respond within 30 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion for each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the AVC.

Committee Responsibilities

The responsibilities of the Committee, as it pertains to internal auditing, are broadly summarized as follows:


1. Monitor the effectiveness of management's system of internal control.
2. Monitor the effectiveness of the USG risk assessment and risk management processes.
3. Monitor the USG's efforts to prevent, deter, and detect fraud.
4. Ensure open communications among management, internal auditors, external auditors, and the Committee.
5. Discuss audit issues with external auditors as required by relevant professional standards.
6. Monitor the performance of the AVC and the internal audit function to include ensuring auditor qualifications and independence.

7. Review the results of the internal audit quality assurance program.
8. Meet with the AVC on a periodic basis to review the internal audit risk assessment and audit plan.
9. Review with the AVC and management selected significant findings during the year and management's response to those findings, any restrictions placed on the scope of audit work, and any significant changes in the planned scope of the audit plan.
10. Direct the AVC to conduct audits or reviews as needed to address significant risk issues.
11. Periodically review the status of open audit findings and other issues to include the progress made in closing open issues.
12. Solicit feedback from institutional and USG management on specific findings or issues as deemed necessary by the Committee.
13. Review and submit the Audit Charter to the Board for approval on an annual basis to include changes needed to ensure that the audit function is complying with professional standards and addressing emerging audit issues.

Authorization

To the extent permitted by law, the OIAC has full access to all activities, records, properties, and personnel within the University System of Georgia. The OIAC is authorized to review and appraise all policies, plans, and procedures. Documents and other materials provided to the OIAC will be handled in the same prudent manner as handled by those employees normally accountable for them.


Approved by the Board of Regents of the University System of Georgia on November 18, 2009:



Robert F. Hatcher
Chairman of the Board of Regents

11/18/2009

Date



Kessel D. Stelling, Jr.
Chairman of the Committee on Internal Audit,
Risk, and Compliance

11/18/2009

Date



Erroll B. Davis, Jr.
Chancellor

11/18/2009

Date