

<b>ADMINISTRATIVE DIVISION</b> BTRU Board of Trustees		<b>POLICY NUMBER</b> BTRU 1.06
<b>POLICY TITLE</b> Audit & Advisory Services		
<b>SCOPE OF POLICY</b> USC System		<b>DATE OF REVISION</b> October 19, 2018
<b>RESPONSIBLE OFFICER</b> Secretary of the Board of Trustees		<b>ADMINISTRATIVE OFFICE</b> Board of Trustees

**PURPOSE**

The purpose of this policy is to establish a charter for the University of South Carolina’s internal audit function, Audit & Advisory Services, including its purpose and mission, structure and authority, independence and objectivity, and scope and responsibility.

**DEFINITIONS AND ACRONYMS**

**Audit & Advisory Services:** The department name for the University of South Carolina’s internal audit function that also provides advisory services to management.

**Code of Ethics:** The IIA establishes a conceptual framework for all professional accountants to ensure compliance with the five fundamental principles of ethics: Integrity, Objectivity, Professional Competence and Due Care, Confidentiality, and Professional Behavior.

**Institute of Internal Auditors (IIA):** The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

**International Standards for the Professional Practice of Internal Auditing (Standards):** The Standards are promulgated by the IIA, are principle-focused and provide a framework for performing and promoting internal auditing. The Standards are mandatory requirements consisting of: Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance.

**POLICY STATEMENT**

Purpose and Mission

Audit & Advisory Services (AAS) functions as an independent and objective appraiser of University activities. The mission of AAS is to enhance and protect organizational value by providing risk-based assurance, advice and insight. AAS accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of governance, risk management, and control processes. AAS’ work products include reports, analyses, information, counsel, and recommendations to assist members of management, the administration and the Board of Trustees in the effective discharge of their responsibilities and promote operational effectiveness and efficiency.

## Structure and Authority

- A. AAS has a direct reporting relationship to the Audit and Compliance Committee of the Board of Trustees and its role and responsibilities are defined by the Board as set forth in this charter. To establish, maintain, and assure that AAS has sufficient authority to fulfill its duties, the Audit and Compliance and Executive Committees of the Board of Trustees will:
1. Receive communications from the Chief Audit Executive on the department's performance relative to its plan and other matters.
  2. Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
  3. Consider and recommend to the Board, as appropriate:
    - a. Approval of Audit & Advisory Services charter (University Policy BTRU 1.06).
    - b. Approval of the risk-based annual internal audit plan.
    - c. Approval of Audit & Advisory Services budget and resource plan.
    - d. Approval of decisions regarding the appointment, removal and remuneration of the Chief Audit Executive.
- B. AAS is authorized to:
1. Have full, free and unrestricted access to all the University's activities, records, property and personnel, to the extent permitted by law.
  2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
  3. Obtain assistance from the necessary personnel, as well as other specialized services from within or outside the University, to complete the engagement.
- C. Independence and Objectivity
1. The Chief Audit Executive will ensure that AAS remains free from conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. Any restrictions from independence will be reported to the Audit and Compliance Committee.
  2. Internal auditors are required to maintain an unbiased mental attitude that allows them to perform engagements objectively. To remain objective, AAS shall have no operational responsibility or authority over any operations or activities they review, unless specifically approved by the Audit and Compliance Committee of the Board of Trustees. Therefore, any review or recommendation made will not relieve supervisors of the

responsibilities inherent to their positions. Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

## **PROCEDURES**

### Scope and Responsibility

A. Audit & Advisory Services is responsible for and provide the following services:

1. Performing and documenting a University-wide risk assessment considering the input of senior management and the Board. The risk-based audit plan will be developed based on the risk assessment to determine the priorities of AAS. The plan must be adjusted, as necessary, in response to changes in the University's risks, operations, programs, systems, and controls.
2. Reviewing departments, functions, processes and campuses within the University at appropriate intervals based on the risk-based audit plan to determine whether they are carrying out efficiently and effectively their functions of planning, organizing, directing and controlling in accordance with University policy, legislative mandate or sound administrative practices.
3. Reviewing the established systems to ensure compliance with those policies, plans, procedures, contracts, laws and regulations that could have a significant impact on operations and reports, suggesting policy where required.
4. Reviewing operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
5. Appraising the economy and efficiency with which resources are employed, identify opportunities to improve operating performance and recommend solutions to problems where appropriate.
6. Determining the adequacy and effectiveness of the University's systems of internal financial and operational controls, governance and risk management programs.
7. Reviewing the reliability and integrity of financial information and the means used to identify, measure, classify and report such information.
8. Reviewing the means of safeguarding assets and, as appropriate, verify the existence of such assets.
9. Coordinating audit efforts with those of the State Auditor's Office and other external auditors.

10. Reporting the results of its examinations including recommendations to those members of management who should be informed or who should take corrective action.
  11. Evaluating any plans or actions taken to correct reported conditions and, if the planned corrective actions are considered unsatisfactory, hold further discussion to achieve acceptable disposition.
  12. Providing adequate follow-up to make sure that effective corrective action is taken.
- B. The Chief Audit Executive will report periodically to the Audit and Compliance and senior management:
1. AAS' purpose, authority and responsibility.
  2. Confirmation of the organizational independence of AAS to the Audit and Compliance Committee of the Board of Trustees at least annually.
  3. Whether the activities of the department have been directed toward highest exposures to risk and toward increasing efficiency, economy and effectiveness of operations; and there is any unwarranted restriction on the staffing and authority of AAS or the access by its staff to all University activities, records, property and personnel.
  4. AAS' risk-based annual audit plan and performance relative to its plan and other matters.
  5. AAS' budget and resources.
  6. AAS' conformance with the IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
  7. Results of audit engagements or other activities.
  8. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Board of Trustees.
  9. Any response to risk by management that may be unacceptable to the University.
  10. Whether appropriate action has been taken on significant internal audit findings.
- C. Internal Auditors will:
1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
  2. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
  3. Make balanced assessments of available and relevant facts and circumstances.

- 4. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- D. AAS may perform advisory and related management service activities, the nature and scope of which will be agreed with the management, provided AAS does not assume management responsibility.
- E. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

**Standards for the Professional Practice of Internal Auditing**

Audit & Advisory Services 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 (Standards)*, and the definition of internal auditing. The IIA’s Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity’s performance.

**Quality Assurance Program**

AAS will maintain a quality assurance program that will include evaluation of its conformance with the *Standards* and IIA’s Code of Ethics. This program includes periodic internal self-assessments and external assessments performed once every five years by an assessment team from outside the University. The Chief Audit Executive will communicate the results of internal and external assessments to the Audit and Compliance Committee of the Board of Trustees and senior management.

**HISTORY OF REVISIONS**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
August 12, 2010	New policy approval
October 12, 2017	Policy organization, content, and accuracy reviewed; policy updated with scrivener corrections.
October 19, 2018	Policy organization, content, and accuracy reviewed; policy reformatted into the new policy template.