



INTERNAL AUDIT CHARTER

INTRODUCTION

The Southern University System (SUS or System) Internal Audit (IA) function is an objective assurance and consulting activity that is independently managed within the Southern University System and guided by a value-driven philosophy to improve the (SUS) operations and help management accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

There are three components of IA's mission:

- ▶ To audit the governance around risk management and system of internal controls,
- ▶ To audit the system of internal controls itself, and
- ▶ To audit the risk management of operations.

Internal Audit is centrally managed by the Southern University System Internal Audit Executive Director (Executive Director for the System).

ROLE

Management of each of the System's component institutions has the responsibility to ensure that assets are properly safeguarded, internal controls are established and sufficient to ensure compliance with applicable laws and regulations, and procedures are sufficient to detect errors and fraud in a timely manner. Campus management is also responsible for providing input into the annual risk assessment and audit plan and for establishing and enforcing a policy to ensure effective and timely resolutions of all audit findings.

Internal Audit's role is to measure and evaluate the effectiveness of internal controls within accounting, financial, and operating systems of the Southern University System. Internal Audit provides independent analyses, appraisals, recommendations, and pertinent comments on the business activities of the institution.

ORGANIZATION

The Southern University System Internal Audit Executive Director will continue to directly report administratively to the System President and functionally to the Chair of the Audit Committee. Campus internal audit directors will report to the System Executive Director with informational disclosure to the campus chancellors, unless directed by the System Executive Director, System President, and/or the

Audit Committee Chair. Hiring, promotion, and other related personnel decisions regarding campus audit directors and staff shall be made jointly with the System President, Audit Committee Chair, and System Audit Executive Director after appropriate consultation with the affected campus chancellor.

PROFESSIONAL STANDARDS

Professionalism and commitment to excellence are facilitated by operating within a framework of professional practice. Our internal audit activity will govern itself by adherence to the Institute of Internal Auditor's Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Audit, 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.

In addition, Government Auditing Standards promulgated by the Comptroller General of the United States will be followed when required by law, regulation, agreement, contract, or policy. Also, Internal Audit staff members have a responsibility to act in the best interest of those they serve and should refrain from entering into any activity that may create a conflict of interest and should disclose any potential conflicts of interest to the System Executive Director. They have an obligation of self-discipline above and beyond the requirements of laws and regulations. They should demonstrate qualities to include integrity, objectivity, confidentiality, and competency consistent with the Institute of Internal Auditors Code of Ethics.

AUTHORITY

The Southern University System Internal Audit Office is authorized full and unrestricted access to all areas and information sources (i.e. records, property, and personnel, etc.) within the entire Southern University System. Documents and information given to the Internal Audit staff during an engagement are handled in the same prudent manner as by those employees normally accountable for them. The confidential and privileged character of the documents and information is not affected solely by disclosure to the Audit Staff.

Acting in the capacity of an Internal Auditor, audit staff should not perform any operational duties for the Southern University System or its component institutions, initiate or approve accounting transactions external to Internal Audit, or direct the activities of any Southern University employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or otherwise to assist the internal auditors.

RESPONSIBILITIES

The System Executive Director with the assistance of campus directors has a responsibility to:

- ▶ Develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the President and Audit Committee for review and approval, as well as periodic updates.

- ▶ Implement the audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Board of Supervisors.
- ▶ Maintain a professional audit staff with sufficient knowledge, skills, and experience.
- ▶ Issue periodic reports to the Board of Supervisors and management summarizing results of audit activities.
- ▶ Keep the Board of Supervisors and President informed of emerging trends and successful practices in internal auditing.
- ▶ Implement a follow-up process to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action.
- ▶ Determine if SUS controls are adequate, effective, and functioning by conducting audits on a periodic basis so that all major systems are reviewed.
- ▶ Determine reliability and accuracy of accounting, financial, and reporting systems and procedures.
- ▶ Determine, on a test basis, grants and contracts received are made in conformance with University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- ▶ Determine if assets are accounted for and safeguarded against losses of all kinds and as appropriate verify on a test basis the existence of such assets.
- ▶ Evaluate operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- ▶ Evaluate the design of major electronic data processing systems and major modifications to existing systems.
- ▶ Perform consulting services beyond the traditional assurance services provided by Internal Audit to assist management in meeting objectives. Examples may include facilitating process design, training and advisory service, etc.
- ▶ Conduct investigations as required or directed related to the general objective previously stated.
- ▶ Create continued awareness for employees and senior management regarding risks and controls by actively participating in discussions with senior management, new employee orientation training, convocations, and various other employee training.

IRREGULARITIES, ILLEGAL ACTS, AND OTHER NONCOMPLIANCE

The responsibilities of IA for these areas are clearly defined in the professional standards, previously mentioned in this document.

IA has the responsibility for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of control, commensurate with the extent of the potential exposure/risk in the various systems of operations. In carrying out this responsibility, we will determine whether the Southern University System and its component institutions adhere to the following:

- ▶ Organizational environment fosters control consciousness.
- ▶ Realistic organization goals and objectives are set.
- ▶ Written policies (code of conduct) exist that describe prohibited activities and the action required whenever violations are discovered.
- ▶ Appropriate authorization policies for transactions are established and maintained.
- ▶ Policies, practices, procedures, reports, and other mechanisms are developed to monitor activities and safeguard assets, particularly in high risk areas.
- ▶ Communication channels provide management with adequate and reliable information.

- ▶ Recommendations are made for the establishment or enhancement of cost-effective controls to help deter fraud.

If our investigations should reveal dishonest or fraudulent activities, reports will be issued to the System President and the appropriate campus chancellor. In addition, through coordination with Southern University System Legal Counsel (internal and external), the appropriate law enforcement and/or regulatory agencies will be notified for their independent investigation and final determination. The University is required to immediately notify the Louisiana Legislative Auditor of any occurrence of suspected and/or known fraudulent activity.

All employees of IA will be expected to adhere to the professional standards. This will provide reasonable assurance of detecting irregularities, illegal acts, or other noncompliance which are material to the financial statements of Southern University System.

MANAGEMENT REQUEST

IA is expected to be a constructive service engaging in activities which will be of measurable benefit to the Southern System. Consequently, sufficient flexibility is to be maintained to be responsive to management requests for services that are consistent with the objectives and priorities of IA.

PLANNING

An internal audit plan based on a facilitated risk assessment process shall be systematically developed annually for the System as a whole. The risk assessment shall consider risks within and across all components of the System. Each campus audit director is responsible for soliciting input from appropriate members of management at his/her respective campus for this purpose. The data will be used to develop a risk-based audit plan for each campus. Each campus plan will be reviewed and approved by the System Executive Director and incorporated into the System plan. The System plan will be submitted to the President and Executive Officers for review and additional input. The System plan will then be submitted to the Audit Committee for review and approval and reported to the Board of Supervisors. The objective is to continually assess all high-risk areas of the Southern University System and to evaluate critical business processes throughout the System as resources permit. When special projects are requested by campus management, the campus internal audit director shall notify the System Executive Director who will consult with the affected campus chancellor in establishing the scope, objectives, and methodology to be employed related to the proposed special project.

When demands for services exceed available resources that would significantly impact the approved work plan, each director will establish project priorities subject to the approval of the System Executive Director or, if the changes to the plan are substantial, the approval of the System President and Audit Committee.

REPORTING

Internal Audit ensures that the results of audits and other services are properly communicated to the appropriate management or operating personnel in the form of written reports, consultation advice, or any other means. Written reports include, or will be followed by, management comments itemizing specific actions taken or planned to resolve the reported finding and to ensure that operational

objectives are achieved. All internal audit reports will be issued by the authorization of the System Executive Director. The System Executive Director shall distribute copies of all reports issued to the Southern University Board of Supervisors Chair, Audit Committee Chair, and the Southern University President upon initial release.

RELATIONSHIPS WITH EXTERNAL AUDITORS AND CONSULTANTS

Internal Audit works cooperatively with external auditors and consultants to avoid duplication of efforts to ensure optimum audit coverage is obtained.

CONTINUING PROFESSIONAL DEVELOPMENT

Audit work will be conducted by a staff of recognized professional auditors who possess a high level of technical knowledge of, or experience in, internal auditing techniques. Professional development activities will be planned and carried out by both Internal Audit offices and the auditor. In addition to on-the-job guidance, each director will provide for training through courses offered by internal and external sources, in appropriate circumstances. Also, auditors with professional certifications should obtain sufficient continuing professional education to satisfy requirements related to the professional certification(s) held. Those auditors not presently holding appropriate certifications are encouraged to pursue an educational program that supports efforts to obtain professional certification(s).

STAFFING

The administrative office of the Internal Audit Services will be located on the 4th floor of the J. S. Clark Administration building on the Baton Rouge campus. The exception being the New Orleans and Shreveport campuses, where the primary auditor will continue to be domiciled. Based on specific audit engagement, auditors may be assigned to the various campuses within the System that may not be their primary domiciled.


QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit 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 and the Standards and an evaluation of whether Internal Audit applies the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The System Executive Director will communicate to management and the Board on the internal audit activity's quality and improvement plan.

Date Approved: 12/9/2021



Dr. Ray Belton
President-Chancellor
Southern University System



Mr. Richard Hiliard
Chairman of the Audit Committee
Southern University Board of Supervisor