

# UNIVERSITY OF VIRGINIA INTERNAL AUDIT CHARTER

## Purpose:

The purpose of the University of Virginia's internal audit function (UVA Audit or Internal Auditing Audit), is to strengthen the university's ability to create, protect, and sustain value by providing the Board of Visitors and management with independent, risk-based, and objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish, advice, insight, and foresight.

The internal audit function enhances the University of Virginia's:

- Successful achievement of its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of,
- Governance, risk management, and control, and governance processes. The UVA Office of Audit and Compliance assists UVA's Board of Visitors and University management in the discharge of their
- Decision-making and oversight, management,
- Reputation and operating responsibilities by providing independent assurance and consulting services credibility with its stakeholders.
- Ability to the University community. Our services add value by improving the control, risk management and governance processes to help serve the public interest.

The University achieve its business objectives. of Virginias's internal audit function is most effective when:

## Internal Auditing Policy:

- It is the policy of the of Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board of Visitors.
- Internal auditors are free from undue influence and committed to making objective assessments.

## Commitment to Adhering to the Global Internal Audit Standards

The University to establish and support the Office of Audit and Compliance to assist of Virginia's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the University in

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accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve Global Internal Audit Standards and Topical Requirements. The chief audit executive will report periodically to the effectiveness of the University's governance, risk management, and internal controls. The internal audit activity's responsibilities are defined by the Board of Visitors' Audit, Compliance, and Risk Committee (ACR Committee) of the Board of Visitors (Board) as part of its oversight role and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

UVA's internal audit function has responsibility to the Office of the State Inspector General of Virginia under its General Directive 001, OVERSIGHT OF STATE & SPECIFIC NONSTATE AGENCIES' INTERNAL AUDIT PROGRAMS. General Directive 001 requires all executive branch state agencies and institutions with internal audit functions to comply with The Institute of Internal Auditors' standards.

Mandate

Authority

UVA Audit's authority is created by its direct reporting relationship to the Board of Visitors. Such authority allows for unrestricted access to the Board of Visitors.

The Board of Visitors authorizes the internal auditor, with strict accountability, audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information, is authorized to have full, free, and unrestricted access to any and all of the University's records, physical properties, and personnel pertinent to carrying out an engagement. All employees are requested to assist the Audit Department in fulfilling its roles.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the University of Virginia and other specialized services from within or outside the University of Virginia to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from

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management, thereby establishing the independence of the internal audit activity function. The chief audit executive will also have free report to the chair of the Board of Visitors' Audit, Compliance, and unrestricted access to the ACR Risk Committee and its chairman administratively (for example, day-to-day operations) to the Executive Vice President and Chief Operating Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board of Visitors, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

### Organization:

The Chief Audit Executive will report on behalf of the internal audit activity to the ACR Committee chairman, and administratively (day to day operations) to the Executive Vice President and Chief Operating Officer of the University.

The ACR Committee will:

- Periodically review and approve changes to the Audit Department charter.

The chief audit executive will confirm to the Board of Visitors, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Board of Visitors any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

The chief audit executive has oversight responsibility for UVA's institutional compliance program (UVA Compliance) and supervises the Assistant Vice President for Compliance. To safeguard UVA Audit's independence with respect to the institutional compliance program, the Assistant Vice President for Compliance has direct access to the ACR Committee as defined in the University of Virginia Compliance Charter. Any assessment of the institutional compliance program would be performed by contracting with an objective, competent external assurance provider that reports independently to the ACR Committee.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

#### Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Board of Visitors, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.

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- A significant reorganization within the organization.
- Significant changes in the chief audit executive, Board of Visitors, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

### **Board of Visitors Oversight**

To establish, maintain, and ensure that the University of Virginia's internal audit function has sufficient authority to fulfill its duties, the Board of Visitors through its Audit, Compliance, and Risk Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Board of Visitors, including in private meetings without senior management present as permissible under applicable Virginia Freedom of Information Act requirements.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually).
- Approve the risk-based internal audit plan.
- Approve Provide input to the internal audit budget function's human resources administration and resource plan budgets.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.

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- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the Chief Audit Executive on the Audit Department's chief audit executive about the internal audit function including its performance relative to its plan and other matters.
  - Approve decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive
  - Approve the remuneration of the Chief Audit Executive
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Chief Audit Executive chief audit executive to determine whether there is inappropriate scope or resource limitations are inappropriate.

The Chief Audit Executive will communicate Roles and interact directly with the ACR Committee, including in executive sessions and between ACR Committee meetings as appropriate. Responsibilities

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## Professional Standards

UVA's Office of Audit and Compliance will govern itself by adherence to The Institute of Internal Auditors' 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 Auditing, and the Definition of Internal Auditing.

The Office of Audit and Compliance will adhere to the University's relevant policies and procedures as well as the Generally Accepted Governmental Auditing Standards of the Government Accountability Office.

### Core Principles for the Professional Practice of Internal Auditing:

The Office of Audit and Compliance will continuously strive to be effective by operating in a manner consistent with the IIA's Core Principles:

Demonstrates **Ethics and Professionalism**

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism; integrity.
- Demonstrates competence and objectivity, competency, due professional care, and confidentiality.
- Is objective Understand, respect, meet, and free from undue influence (independent).
- Aligns with contribute to the strategies, objectives, legitimate and risk ethical expectations of the organization.
- Is appropriately positioned and adequately resourced be able to recognize conduct that is contrary to those expectations.
- Demonstrates quality Encourage and continuous improvement.
- Communicates effectively.
- Provides risk promote an ethics-based assurance culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.
- Objectivity Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

### Independence and Objectivity:

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The chief audit executive will ensure that the internal audit activity will remain function remains free from interference by any element all conditions that threaten the ability of internal auditors to carry out their responsibilities in the University an unbiased manner, including matters of audit engagement selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective function. The Chief Audit Executive must disclose and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such interference to the ACR Committee and discuss the implications that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited they review. Accordingly, they internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity activities that may impair internal auditors' independence or their judgment. Internal auditors may provide assurance services for areas previously consulted, provided the consulting services did not impair objectivity, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the University of Virginia or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any the University of Virginia employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will exhibit the highest level of:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, Board of Visitors, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a
- Make balanced assessment assessments of all the available and relevant facts and circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will annually evaluate reporting lines and responsibilities and confirm to the

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~~ACR Committee the organizational independence of the Office of Audit and Compliance.~~

**Responsibility:**



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

- ▲ Evaluating the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.
- ▲ Evaluating risk exposure relating to achievement the University's strategic objectives.
- ▲ Assessing whether the information technology governance of the organization supports the organization's strategies and objectives.
- ▲ Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information. To enable this responsibility, the Office of Audit and Compliance will participate in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:
  - adequate controls are incorporated into the system;
  - thorough system testing is performed at appropriate stages;
  - system documentation is complete and accurate; and
  - the resultant system is a complete and accurate implementation of the system specifications.
- ▲ Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- ▲ Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- ▲ Evaluating the effectiveness and efficiency of resource utilization.
- ▲ 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.
- ▲ Assessing and making appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
  - Promoting appropriate ethics and values within the organization
  - Ensuring effective organizational performance management and accountability
  - Communicating risk and control information to appropriate areas of the organization
  - Coordinating the activities of and communicating information among the board, external and internal auditors, and management.
- ▲ Monitoring and evaluating the effectiveness of the organization's risk management processes.
- ▲ Performing consulting services related to governance, risk management, and control.
- ▲ Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the ACR Committee or management.
- ▲ Evaluating specific operations at the request of the ACR Committee or management, as appropriate.
- ▲ Reporting periodically on the purpose, authority, and responsibility of the Office of Audit and Compliance and performance relative to its plan.

## Internal Audit Plan:

- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### Managing the Internal Audit Function

The chief audit executive has the responsibility to:

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- At least annually, the Chief Audit Executive will submit to senior management and the ACR an internal audit plan develop a risk-based internal audit plan that considers the input of the ACR Committee and senior management. Discuss the plan with the Board of Visitors and senior management and submit the plan to the ACR Committee for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next year. The Chief Audit Executive will communicate the by the Board of Visitors.
- Communicate the impact of resource limitations and significant interim changes on the internal audit plan to the ACR Committee and senior management and the Board.

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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, the ACR, and Board.

- The Chief Audit Executive will review Review and adjust the internal audit plan, as necessary, in response to changes in the organization's University of Virginia's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved
- Communicate with the ACR Committee and senior management if there are significant interim changes to the internal audit plan will be communicated to senior management and the ACR through periodic activity reports.

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Audit Department Services:

The Chief Audit Executive is empowered to conduct assurance services, special audit projects, reviews, or investigations at the request of the Board, ACR Committee, President, General Counsel, EVP Provost, EVP Chief Operating Officer, EVP Health Affairs, or their designee, to assist management in meeting its objectives, promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in its programs and operations. The Office of Audit and Compliance may also provide consulting services, beyond assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.

Coordination with External Auditing Agencies:

The Chief Audit Executive, with the goal of avoiding duplication of work, will coordinate the office's audit efforts with those of the Commonwealth of Virginia's Auditor of Public Accounts, or other external auditing agencies as applicable, by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary and their combined efforts provide comprehensive, cost-effective audit coverage for the University.

Reporting and Monitoring:

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be available for review by the ACR and the Board of Visitors.

The internal audit report will include management's response and corrective action taken or to be taken regarding the specific findings and recommendations.

Management's response to audit findings and recommendations 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 Office of Audit and Compliance will be responsible for appropriate follow up on its engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

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The ACR will receive periodic reporting from the Chief Audit Executive on the status of management's action plan implementation.

The Chief Audit Executive will periodically report to senior management and the ACR on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

- Reporting will also include significantEnsure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the ACR Committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the University of Virginia and communicate to the ACR Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the University of Virginia's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the ACR Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the ACR Committee.

**Communication with the Board of Visitors Audit, Compliance, and Risk Committee and Senior Management**

The chief audit executive will report periodically to the ACR Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.

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- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management, ACR, or the Board areas of focus for the ACR Committee that could interfere with the achievement of the University of Virginia's strategic objectives.

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## Internal Audit Charter

- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University of Virginia's risk appetite.

### Quality Assurance and Improvement Program:

In alignment with the IIA Standards the Chief Audit Executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity function. The program must will include both internal and external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to evaluate assess the internal audit activity's conformance with the Standards function's progress toward the achievement of its objectives and an evaluation of whether internal auditors abide by promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the Code of Ethics.

Internal assessments are conducted at assessment will include plans to address the conclusion of each engagement in accordance internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Board of Visitors and senior management about the internal audit function's quality standards described in greater detail in the Internal Audit Policies and Procedures Manual. The assurance and improvement program, including the results of internal assessments (ongoing internal monitoring and periodic self-assessments are communicated to the ACR on an annual basis.) and external assessments. External assessments must will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

The Chief Audit Executive must discuss with the ACR Committee:

- The form and frequency of external assessment;
  - The qualifications and independence of the University of Virginia: qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.
- USER'S NOTE: Public sector competencies and knowledge as well as knowledge of the Global Internal Audit Standards should be considered when selecting external assessor or assessment team, including any potential conflict of interest assessors.

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## Internal Audit Charter

### Scope and Types of Internal Audit Services

The program will scope of internal audit services covers the entire breadth of the organization, including all the University of Virginia's activities, assets, and personnel. The scope of internal audit activities also assess the efficiency encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Visitors and management on the adequacy and effectiveness of the internal audit activity and identify governance, risk management, and control processes for the University of Virginia.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities for improvement. The will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University of Virginia's strategic objectives are appropriately identified and managed.
- The actions of the University of Virginia's officers, management, employees, and contractors or other relevant parties comply with the University of Virginia's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University of Virginia.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Board of Visitors at its meeting on March 7, 2025.

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### Acknowledgments/Signatures

\_\_\_\_\_  
Carolyn D. Saint

Chief Audit Executive ~~must communicate results of the quality assurance and improvement program to senior management and the ACR~~ \_\_\_\_\_  
Date

\_\_\_\_\_  
Rachel W. Sheridan

Board of Visitors Audit, Compliance,  
and Risk Committee Chair \_\_\_\_\_

Date

Updated on June 3, 2021 \_\_\_\_\_

Jennifer W. Davis

Executive Vice President and  
Chief Operating Officer \_\_\_\_\_

Date

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