



## INTERNAL AUDIT CHARTER

Adopted: 2/23/2024

### GENERAL

The Louisiana State University Internal Audit function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of LSU, including all component institutions. It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes.

### ROLE

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

Internal Audit furnishes impartial, independent analyses, appraisals, recommendations, and pertinent comments on the business activities of the institution. Its responsibilities are defined by the Board as part of their oversight role.

### ORGANIZATION

Internal auditing is centrally managed by the Chief Auditor who serves as the University's "Chief Audit Executive" as defined by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards). The Chief Auditor reports functionally to the Board of Supervisors (Board) through the Risk Management Committee and administratively (i.e., day-to-day operations) to the President. Reporting of matters shall be simultaneously made to the President, Chair of the Risk Management Committee, and Chair of the Board, unless it involves potential misconduct by one of the three.

The Board approves the internal audit charter as well as all decisions regarding the appointment and removal of the Chief Auditor.

The Risk Management Committee will:

- Approve the risk-based internal audit plan.
- Approve Internal Audit's budget and resource plan.
- Receive communications from the Chief Auditor on the Internal Audit's performance relative to its plan and other matters.
- Annually evaluate, with input from the President, the performance of the Chief Auditor.

- With input from the President, review and recommend to the Board remuneration of the Chief Auditor, subject to applicable Board regulations.
- Make inquiries of management and the Chief Auditor to determine whether there is inappropriate scope or resource limitations.

The Chief Auditor will communicate and interact directly with the President and with the Risk Management Committee. The Chair of the Risk Management Committee may conduct meetings, including meetings in executive session and between Board meetings as appropriate, with the President unless the Chair deems that the President's participation would not be appropriate. As necessary, the Chief Auditor may request a meeting with the Risk Management Committee without the presence of management.

## **PROFESSIONALISM**

Professionalism and commitment to excellence are facilitated by operating within a framework of professional practice. Internal Audit shall govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

## **AUTHORITY**

The Board authorizes Internal Audit, with strict accountability for confidentiality and safeguarding records and information, full, free, and unrestricted access to any and all functions, records, physical properties, and personnel pertinent to carrying out any engagement in the LSU universe, including those not specifically enumerated in the charter and authorized by the Board. All employees, as well as other specialized services from within or outside the University, are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to the Risk Management Committee.

## **INDEPENDENCE AND OBJECTIVITY**

Internal Audit will remain free from all conditions that threaten the ability of auditors to carry out their responsibilities in an unbiased manner including interference by any element in the organization on matters of audit selection, scope, procedures, frequency, timing, or report content.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited nor assess operations for which they had any responsibility within the previous year. Accordingly, they will not implement controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Auditor will confirm to the Risk Management Committee, at least annually, the organizational independence of the internal audit activity. Should the Chief Auditor determine that independence or objectivity be impaired, whether in fact or appearance, the details will be disclosed to the appropriate parties. Likewise, any interference and related implications in determining the scope of auditing, performing work, and/or communicating results will be disclosed to the Risk Management Committee.

## **RESPONSIBILITY**

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

- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the processes and systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- 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.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of risk management processes.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the University.
- Reporting periodically on Internal Audit's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of or requested by the Risk Management Committee.
- Evaluating specific operations at the request of the Risk Management Committee or management, as appropriate.
- Investigate allegations of fraud at all institutions.
- Giving due consideration to the scope of work of the external auditors and other regulatory agencies, as appropriate, for the purpose of providing optimal audit coverage to the University at a reasonable overall cost.

## **INTERNAL AUDIT PLAN**

At least annually, the Chief Auditor will submit to senior management, for review, and the Risk Management Committee, for approval, an internal audit plan. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Chief Auditor will communicate the impact of resource limitations and significant interim changes to the President and the Risk Management Committee.

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 and the Risk Management Committee. The Chief Auditor will review and adjust the plan as necessary in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the President and the Risk Management Committee through periodic activity reports.

## **REPORTING AND MONITORING**

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. The Chief Auditor will authorize the issuance of all internal audit reports. 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. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommended corrective action that will not be implemented. Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared. The Chief Auditor will report to senior management and the Risk Management Committee any response to identified risks that may be unacceptable to the University.

The Chief Auditor shall report not less than quarterly to the Risk Management Committee and President and annually in writing to the entire Board on internal and external audit activities. Upon presentation to the President and acceptance by the Risk Management Committee, copies of the quarterly report will be provided to the Board.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

Internal Audit will maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The program will include an evaluation of Internal Audit's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Auditor will communicate to the President and the Risk Management Committee on Internal Audit's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years as well as conformance to the Standards.