

ADMINISTRATIVE DIVISION BTRU Board of Trustees		POLICY NUMBER BTRU 1.06
POLICY TITLE Audit & Advisory Services		
SCOPE OF POLICY USC System		DATE OF REVISION August 18, 2023
RESPONSIBLE OFFICER Secretary of the Board of Trustees		ADMINISTRATIVE OFFICE Board of Trustees

PURPOSE

The purpose of this policy is to establish a charter for the University of South Carolina’s internal audit function known as 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 Code of Ethics to promote an ethical culture in the profession of internal auditing. The IIA’s Code of Ethics includes two components: (1) principles relevant to the profession and practice of internal auditing (2) rules of conduct that describe behavior norms expected of internal auditors. The four principles include: Integrity, Objectivity, Confidentiality and Competency.

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: (1) Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance, and (2) Interpretations, which clarify terms or concepts within the statements.

POLICY STATEMENT

I. 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.

II. Structure and Authority

- A. AAS has a direct reporting relationship to the Board of Trustees, acting through its Audit, Compliance and Risk Committee, and its role and responsibilities are defined by the Board as set forth in this charter. AAS has a secondary reporting relationship to the University President who shall be authorized to request AAS conduct audits or perform other services the University President deems necessary to assist the administration in the effective discharge of its responsibilities.
- B. AAS shall be led by a Chief Audit Executive (CAE) who shall be appointed by and serve at the pleasure of the Board of Trustees. The Board shall set the salary of the CAE.
- C. To establish, maintain, and assure that AAS has sufficient authority to fulfill its duties, the Audit, Compliance and Risk, and Governance Committees of the Board of Trustees will:
 - 1. Receive communications from the CAE on the department's performance relative to its plan and other matters.
 - 2. Make appropriate inquiries of management and the CAE 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 (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, performance and remuneration of the CAE.
- D. 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.

III. Independence and Objectivity

- A. The CAE 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, Compliance and Risk Committee.

- B. 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, Compliance and Risk 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 CAE 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 the University President, 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, identifying opportunities to improve operating performance and recommending 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, verifying 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 CAE will report the following to the Audit, Compliance and Risk Committee and senior management periodically, but no less than annually:
1. AAS' purpose, authority, and responsibility.
 2. Confirmation of the organizational independence of AAS.
 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 if there is unwanted 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 provided by management that could 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 CAE will communicate the results of external assessments to the Audit, Compliance and Risk Committee of the Board of Trustees and senior management.

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
August 12, 2010	New policy approval
October 12, 2017	Policy organization, content, and accuracy reviewed, policy updated with scrivener corrections.

October 19, 2018	The policy was reformatted into the new policy template.
October 11, 2019	Updated with scrivener corrections.
June 19, 2020	Updated to reflect changes in CAE reporting structure and scrivener corrections.
August 20, 2021	Updated to reflect changes in the BoT Committee names, changes to the IIA's <i>Standards</i> and scrivener corrections.
August 19, 2022	Changes were made to reflect current practices for the CAE's performance review and scrivener corrections.
August 18, 2023	Updated with scrivener corrections.