

## **Internal Audit Charter**

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### **The mission of internal audit is**

*to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.*

**~The Institute of Internal Auditors**

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### **Mission & Purpose**

Consistent with the definition of the Institute of Internal Auditors (the IIA), the mission of Loyola Marymount University's (LMU or the university) Internal Audit (IA) department is to provide an independent, objective assurance and consulting activity designed to add value and improve LMU's operations.

IA supports the university community in maintaining the highest standards of business conduct, in using resources effectively and efficiently and in complying with established policies and procedures.

The charter provides the framework for IA and a basis for evaluation by those charged with oversight.

### **Role**

IA serves as an independent and objective internal resource to examine and evaluate the university's activities as an assurance service to the Board of Trustees and university management.

### **Independence and Authority**

The Vice President of Internal Audit (VP of IA) reports functionally to the Chair of the Audit and Risk Committee (ARC) of the Board of Trustees and administratively to the university President. The VP of IA shall have direct access to the ARC. IA is authorized by the ARC to conduct audits in accordance with the Annual Audit Plan approved by the ARC and to engage in other independent reviews and consulting activities.

All work will be conducted in an objective and independent manner, free from interference by management, including matters of audit selection, scope, procedures, frequency, timing, or report content. IA will maintain an impartial attitude in selecting and evaluating evidence and report results. The university's board grants the IA function the mandate to provide the board through the ARC and senior management with objective assurance, advice, insight, and foresight. IA has full and unrestricted access to all university activities, documents, records, systems, facilities and personnel as necessary to fulfill its objectives. Information obtained will be maintained with appropriate confidentiality.

To maintain independence and objectivity, IA has no direct operating responsibility for or authority over management processes, activities or operations for the university. The Internal Auditors must disclose impairments to independence, if any, to the ARC and discuss the implications. The VP of Internal Audit will confirm to the board, at least annually, the organizational independence of the internal audit function.

As noted in the ARC Charter, annually, the ARC will review the audit plan of the Internal Auditors, ensuring that areas of special concern, if any, are identified and included. The internal audit plan should be reviewed to ensure adequate coverage of key areas of risk at the university as identified in the risk assessment. The ARC should recommend areas not included in the plan that appear to warrant audit review. The ARC will also review the findings and recommendations by the Internal Auditors and management's responses to them. Annually, the ARC and VP of Internal Audit will review the IA charter, authority and resources, to determine if changes are warranted.

### **Professional Standards & Ethics**

IA is guided by *The International Professional Practices Framework*, which are the Global Internal Audit Standards and Topical Requirements, and the Definition of Internal Auditing as set forth by the IIA; the Association of College and University Auditors (ACUA), and the Association of Certified Fraud Examiners (ACFE); the university's Code of Ethics and related policies and procedures.

Members of IA are expected to maintain high standards of conduct, independence, confidentiality and objectivity in performing their duties.

### **Scope of Services and Responsibilities**

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. IA personnel conduct financial, compliance, operational and information technology audits and may often combine elements of each in individual projects. While most of IA's work is scheduled according to an annual risk-based plan, IA is available as an in-house consultant on internal control matters and to provide guidance on control aspects of new systems and procedures. IA also provides other services related to fraud investigations. On occasion, IA may engage a third-party to conduct reviews requiring specialized knowledge not available in the department.

IA conducts audit and consulting engagements with the objective of encouraging LMU management to anticipate and manage business risks, comply with external regulations and university policies and procedures, protect assets and develop strong internal controls and administrative procedures that will help ensure the effectiveness and efficiency of operations and the reliability of financial information.

This role extends to all LMU campuses and operations including remote, satellite, extension campuses or other facilities.

Internal Audit has responsibility to:

- Use a risk-based methodology to develop a flexible audit plan and submit the plan to the ARC at least annually.
- Evaluate the university's risk management, internal controls and governance processes, and make appropriate, constructive and timely recommendations to management.
- Communicate results of internal audits to the ARC and university management. Facilitate the development of corrective action plans to address control deficiencies or opportunities for improvement identified from internal audits.
- Follow-up on audit findings and recommendations. Results of that follow-up will be reported to management and to the ARC.
- Summarize the results of audit activities and progress against the annual audit plan and present such results to the ARC at least twice per year.
- Maintain a proficient staff with sufficient knowledge, skills and other competencies to meet the objectives of this charter and communicate to the ARC the impact of any resource limitations.

### **Relationship with LMU's External Audit Firm**

IA and LMU's external audit firm provide complementary services to the institution. Coordination of activities ensures comprehensive coverage of the university's audit universe. The VP of IA and the external audit firm discuss institutional risks and results of audit activities.

### **Quality Assurance and Improvement Program**

IA will maintain a quality assurance and improvement program (QAIP) that encompasses all aspects of departmental activity. This program will be designed to:

- Evaluate the department's conformity with the Standards, as described above
- Assess the efficiency and effectiveness of the department
- Identify opportunities for improvement

The QAIP will involve internal evaluations and external assessments. The internal evaluations will be managed by IA and will involve questionnaires provided to university management at the conclusion of each internal audit project. External assessments will be conducted by an independent assessor or team from outside the university. The VP of IA must communicate the results of the QAIP to the ARC.



**Loyola Marymount University**  
**Internal Audit**

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