

University of Central Florida's Internal Audit Charter (Updated May 2024)

1. Purpose

The purpose of the internal audit function is to strengthen the University of Central Florida's (UCF) ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the University of Central Florida's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The University of Central Florida's internal audit function will be most effective when:

- 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.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The University of Central Florida's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report periodically to the Board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

2. Mandate

Authority

As noted in Florida Board of Governors Regulation 4.002-State University System Chief Audit Executives: "Each university shall have an office of chief audit executive as a point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university."

The University of Central Florida's Board grants the internal audit function the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Board of Trustees' Audit and Compliance Committee Chair. Such authority allows for unrestricted access to the Board.

The Board authorizes the internal 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 when performing their work.
- Obtain and allocate resources, set scheduling priorities and frequencies, select project 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 Central Florida and other specialized services from within or outside the university 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 management , thereby establishing the independence of the internal audit function. The internal audit function should establish a culture of collaboration with management to maximize the efficiency and benefit of the services being provided.

The chief audit executive will report functionally to the Board and administratively (for example, day-to-day operations) to the President of the University of Central Florida. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the Board, 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 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.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Board, 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.
- A significant merger, acquisition or reorganization within the organization.
- Significant changes in the chief audit executive, Board, 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.

3. Chief Audit Executive Roles and Responsibilities

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, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, 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 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 they review. Accordingly, internal auditors will not unilaterally implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the University of Central Florida or its affiliates including all Direct Support Organizations.

- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any 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:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the chief audit executive, Board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- 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:

- At least annually, develop an objective and risk-based internal audit plan that considers the input of the Board and senior management along with alignment with the University's strategic plan and any projects required by regulation. Discuss the plan and proposed adjustments with the Board and senior management and submit the plan to the Board for review and feedback.
- Communicate the impact of resource limitations on the internal audit plan to the Board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business model, strategic objectives, processes, risks, operations, programs, systems, and controls.
- Communicate with the Board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and senior management for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies 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 and communicate to the Board 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'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 Board 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 Board.

Communication with the Board and Senior Management

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

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget along with current/projected staffing and resource requirements.
- Significant revisions to the internal audit plan and budget.
- 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 areas of focus for the Board.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and 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 assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Board and senior management about the internal audit function's quality assurance and improvement program, including the

results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University; for this team, at least one assessor must hold an active Certified Internal Auditor® credential.

4. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the University, including all its activities, assets, and personnel along with its Direct Support Organizations and other affiliated entities and partnerships.

The scope of internal audit activities encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for the University.

The nature and scope of consulting projects 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 consulting engagements. These opportunities will be communicated to the appropriate level of management.

Duties

To assist the Board and management, University Audit performs multiple types of projects including:

- A. **Audits** as selected using established quantitative and qualitative criteria with the schedule being maintained on a rolling quarter basis and submitted to and discussed with the President and the Audit and Compliance Committee. Audits are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, operational performance, compliance, information systems and data security, and due diligence engagements relating to vendors and third-party relationships,
- B. **Consulting services**, the nature and scope of which are agreed to with the University client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews such as process walkthroughs, development of continuous monitoring reports, and embedded project monitoring. Other activities could include SWOT analysis, gap analysis using relevant third-party frameworks, facilitation of and providing guidance relating to management's control self-assessment initiatives, identification of leading practices, and providing training to the university community in areas such as fraud awareness, risk management, internal controls, and other related subject matter.
- C. **Investigations** are independent evaluations of allegations generally focused on improper activities including misuse of university resources, fraud, and financial irregularities. Management will also be informed of any identified significant control weaknesses such as management override of controls along with unethical behavior, failure to provide adequate oversight, or similar types of actions. In conjunction with

performance of or participation in investigations across the university community, University Audit is responsible for determining whether allegations associated with an investigation fall under the State of Florida Whistleblower Act in accordance with sections 112.3187- 112.31895, Florida Statutes. In addition, as noted in Florida Board of Governors Regulation 4.002 State University Chief Audit Executives, University Audit is responsible to review statutory whistleblower information and coordinate all activities of the University as required by the Florida Whistle-blower's Act. In addition, University Audit assists management in compliance with Board of Governors Regulation 3.003 by serving as the point of contact for the design and oversight of the University's anti-fraud framework strategy and training.

When performing these projects, University Audit will focus on:

- a) Risks relating to the achievement of University of Central Florida's strategic objectives are appropriately identified and managed.
- b) The actions of the University's officers, directors, management, employees, and contractors comply with its policies, procedures, and applicable laws, regulations, and governance standards.
- c) The results of operations and programs are consistent with established goals and objectives.
- d) Operations and programs are being carried out effectively and efficiently based on previously established metrics and key performance indicators.
- e) Established processes and systems enable compliance with the policies, procedures, laws, and regulations.
- f) The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- g) Resources and assets are acquired economically and using appropriate procurement procedures and proper funding sources, are used efficiently and sustainably, and protected adequately.
- h) Recommendations to existing internal controls to enhance the prevention and detection of fraud and abuse within university programs and operations are communicated and monitored for implementation or risk acceptance by management.
- i) Identification of training and outreach opportunities where University Audit will work with other UCF personnel to provide education on internal controls and operational best practices.

Follow-up

Follow-up on open project issues will be performed on a regular basis to evaluate management's progress in implementing internal audit recommendations generated by all audit department projects as defined above. It is ultimately management's responsibility to perform remediation activities by the agreed-upon deadlines or accept any potential risk exposure associated with electing to not take any mitigation actions.

Approved by the UCF Board of Trustees Audit and Compliance Committee at its meeting on _____

Acknowledgments/Signatures

Chief Audit Executive

Date

UCF Audit and Compliance Committee Chair

Date

Chief Executive Officer

Date