

UCSB Audit and Advisory Services  
Internal Audit Charter

(Revised May 2023)

## **Purpose**

The authority and responsibilities of University of California, Santa Barbara (UCSB) Audit and Advisory Services (IA) is defined in this charter, which is approved by the UCSB Audit Committee.

It is the policy of the University of California (UC) and UCSB to maintain an independent and objective internal audit function to provide the Regents, President, and the Chancellor with information and assurance on the governance, risk management and internal control processes of the University.

It is the policy of the University to provide the resources necessary to enable IA to achieve its mission and discharge its responsibilities under its charter. IA is established by the Regents, and its responsibilities are defined by the Regents' Committee on Compliance and Audit as part of their oversight function.

IA will be a universally recognized knowledgeable, collaborative and trusted resource on governance, risk management and control.

## **Mandatory Guidance**

IA will 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 the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to UCSB's relevant policies and procedures and the University of California's Internal Audit Manual.

IA serves the University in a manner that is consistent with the standards established by the Chief Compliance and Audit Officer (CCAO) and acts in accordance with University policies and the UC Standards for Ethical Conduct. At a minimum, it complies with relevant professional standards such as 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. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

## **Mission**

The mission of UCSB IA is to provide the Regents, President, and Chancellor with independent and objective assurance and consulting services designed to add value and improve operations. We do this through communication, monitoring and collaboration with management to assist the campus community in the discharge of their oversight, management, and operating responsibilities. IA brings a systematic, risk-based and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

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## Authority

IA functions under the policies established by The Regents of the University of California and by University management under delegated authority.

IA is authorized to have full, free and unrestricted access to information it deems necessary to perform audit, consulting/advisory services, and investigation projects and ongoing risk assessment activities, including, but not limited to, records, computer files, information systems, databases, property, and personnel of the University in accordance with the authority granted by the approval of this charter and applicable federal and state statutes. Except where limited by law, the work of IA is unrestricted and is free to review and evaluate all policies, procedures, and practices of any University activities, programs, or functions on behalf of the Board of Regents.

In performing the audit function, IA has no direct responsibility for, nor authority over, any of the activities reviewed. IA review process does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Information requested by IA shall be provided without delay. Any attempt to interfere with or prevent IA's access to information, including termination of access to information required to perform IA's duties, shall be immediately escalated to the Chancellor for resolution. If the access issues are not timely resolved through this escalation, the CCAO shall escalate the issues to the Chair of the Regents Compliance and Audit Committee for resolution.

## Responsibility

The IAD is responsible for developing and implementing an annual internal audit plan that outlines the engagements to be performed using the Guidelines for Audit Planning that are developed by the University of California's Office of Ethics, Compliance, and Audit Services. The annual plan includes the consideration of high risks areas or control concerns identified by management and is reviewed and approved by the UCSB Audit Committee and UCSB Chancellor. Audit and Advisory Services performs two types of engagements.

1. Audit Services - Assurance services are objective examinations of evidence for the purpose of providing an independent assessment of governance, risk management, and control processes for the organization. of governance, risk management, and control processes for the organization. This includes assessing reporting on the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. The scope of audit services can include reviewing and evaluating: internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations, and contracts, the safeguarding of assets, the reliability and integrity of financial and operating information, the economy, efficiency, and effectiveness with which resources are employed, and IT systems to determine if they are appropriately managed, controlled, and protected.
2. Consulting/Advisory Services -Advisory services are defined as consulting services to mitigate risk, improve operations, and/or assist management in achieving its business objectives, in which the nature and scope of engagements are agreed upon with the 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 informational resources counsel, reviews, recommendations (advice), facilitation, process design, and training. Consulting services may include participation on various committees and task forces, including but not limited to, the design/development of

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new business and computer systems.

A written report will be prepared and issued by the Director of Audit and Advisory Services following the conclusion of each engagement and will be distributed appropriately. University management shall respond in a timely manner. This response will indicate what actions were taken or are planned, and an anticipated completion date in regard to the specific recommendations. Copies of final reports will be distributed to the UCSB Chancellor, UCSB Audit Committee members, the CCAO, as well as appropriate UCSB personnel. Audit and Advisory Services staff will be responsible for appropriate follow-up on engagement management corrective actions to ensure they are completed.

Additional responsibilities of the IAD:

- Periodically report to the UCSB Audit Committee on the internal audit program's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the UCSB Audit Committee;
- Ensuring internal audit program activities comply with the Institute of Internal Auditors' Code of Ethics and *International Standards for the Professional Practice of Internal Auditing* (Standards);
- Obtaining an external quality assurance review in accordance with the Standards and reviewing all recommendations with the UCSB Audit Committee;
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications;
- Ensuring coordinated audit efforts with external auditors;
- Keeping the UCSB Audit Committee apprised of high-risk engagement issues as they arise; and
- Issuing quarterly progress reports to the UCSB Audit Committee summarizing the results of engagement activities.

The scope of IA work is to determine whether UC's network of risk management, control, and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

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- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability are fostered.
- Coordination of activities and communication of information among the various governance groups occur as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports UC's strategies, objectives, and privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules and regulations.
- Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

### **Independence and Reporting Structure**

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by external industry standards.

The UCSB Director of Audit and Advisory Services reports administratively to the Chancellor and the Vice Chancellor - Chief Financial Officer and directly to the Regents' Committee on Compliance and Audit through to the Chief Compliance and Audit Officer. The IAD has direct access to the CCAO and to the President or the Regents' Committee on Compliance and Audit as circumstances warrant.

The IAD will report periodically to campus compliance oversight/audit committees on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work, the status of the annual audit plan, and the sufficiency of audit resources. Local audit functions will coordinate with and advise on other control and monitoring functions involved in governance, such as risk management, compliance, security, legal, ethics, environmental health and safety, external audit, etc.

In performing its functions, Audit and Advisory Services has neither direct responsibility for, nor authority over, any of the activities reviewed.

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The IAD may take directly to the Chancellor, the CCAO, the President, or the Regents matters that he/she believes to be of sufficient magnitude and importance. The IAD shall take directly to the CCAO, who shall report to the President and the Regents' Committee on Compliance and Audit Chair, any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University.

The Chancellor may delegate other IAD administrative oversight responsibilities such as time and expense approval and departmental budget oversight to a position no lower than the Vice Chancellor or Chief Operating Officer level. To maintain organizational independence, this position should generally not have responsibility over key operating units routinely reviewed by internal audit. The Chancellor shall retain responsibility for approval of the campus annual audit plan and approval of local audit committee/work group charter, and shall meet with the IAD regularly to review the state of the internal audit function and the state of internal controls locally. The Regents have the ultimate authority to approve and/or amend the systemwide audit plan, which is a consolidation of all campus and laboratory audit plans.

**Certain Personnel Matters**

Action to appoint an IAD requires the concurrence of the CCAO. Action to demote or dismiss an IAD requires the concurrence of the President and the Chair of the Compliance and Audit Committee, upon the recommendation of the CCAO.

Audit Committee Approved: May 2023

Chuck Haines, Vice Chancellor - Chief Financial Officer  
Chair, UCSB Audit Committee