THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
INTERNAL AUDIT COMMITTEE CHARTER
(Approved November 30, 2010)

PURPOSE

To assist the Chancellor in fulfilling his oversight responsibilities for the financial reporting process, the system of internal control, and the audit process of UT System and UT System Administration (System Administration).

AUTHORITY

The University of Texas (UT) System policy UTS 129, Internal Audit Activities, authorizes the establishment of the System Administration Internal Audit Committee (IAC).

COMPOSITION

The Chancellor appoints the members of the IAC. Membership should include the Chancellor, the Executive Vice Chancellors, and other key members of senior management. In addition, at least one member from outside System Administration (chosen by the Chancellor) is strongly encouraged. The Chairman is appointed by the Chancellor, and the Chancellor may be the Chairman.

The Chief Audit Executive (CAE) is a non-voting member of the IAC and serves as a resource to assist the committee in carrying out its responsibilities. External members shall serve three year terms with the opportunity for renewal.

MEETINGS

The IAC will meet four times a year, with authority to convene additional meetings as circumstances require. All IAC members are expected to attend each meeting in person. The IAC will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The CAE, in consultation with the Chairman of the IAC, will prepare the agenda for the committee meetings. The CAE will be responsible for preparing meeting minutes. The majority of members constitute a quorum and attendance should be recorded in the minutes.

EDUCATION

The System Audit Office and/or the UT System Controller’s Office are responsible for providing IAC members with education resources related to accounting principles and procedures, business and financial risk management, internal auditing standards and best practices, and other information necessary to discharge their responsibilities.
RESPONSIBILITIES

The IAC will carry out the following responsibilities:

Financial Statements

1. Determine that System Administration management has assumed responsibility for identifying (i.e., performing a risk assessment) and managing (i.e., implementing internal controls) the business and financial risks at System Administration.

2. Oversee the preparation of System Administration’s financial statements through the review of:
   a. The certification process outlined in UT System policy UTS 142 titled Accounting Policies;
   b. Financial and internal controls information provided in internal audit documents;
   c. Financial and internal control information provided by any external public accounting firm audits;
   d. Analytical information provided by management, internal audit, and/or external auditors; and
   e. The methodology used to identify, assess, and manage possibilities for fraud in business and financial processes.

3. Determine that the individual UT System institutions’ management has assumed responsibility for identifying and managing the business and financial risks at their institutions.

4. Review the preparation process for the Systemwide financial statements.

5. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

6. Review the annual financial statements and consider whether they are complete, consistent with information known to IAC members, and reflect appropriate accounting principles.

7. Review all matters required to be communicated to the IAC under generally accepted auditing standards with management and the external auditors.

Internal Control

1. Consider the effectiveness of System Administration’s internal control system, including information technology security and control.

2. Understand the scope of internal and external auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

Internal Audit

1. Approve an Internal Audit Charter that is consistent with the Texas Internal Auditing Act and The Institute of Internal Auditor’s International Standards of the Professional Practice of Internal Auditing.
2. Periodically review the Internal Audit Charter to ensure it encompasses any required revisions.
3. Review with management and the CAE the activities, staffing, and organizational structure of the internal audit function for appropriateness in relation to System Administration and its identified risks and make recommendations to the Chancellor if necessary.
4. Review any other reports the organization issues that relate to the audit committee responsibilities.
5. Provide input for the annual evaluation of the CAE.
6. Provide input on the hiring and dismissal of the CAE.
7. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* and the Texas Internal Auditing Act.
8. May meet separately with the CAE to discuss any matters that the committee or internal auditing believes should be discussed privately.
9. Review the risk assessment methodology used to develop the internal audit annual audit plan to ensure that all applicable business and financial risks have been identified.
10. Review the annual audit plan to ensure appropriate coverage for risks identified in the risk assessment, including coverage of significant financial and information systems.
11. Review and approve the annual audit plan and all major changes to the plan.
12. Review quarterly status of the completion of the annual audit plan.
13. Receive the results of all completed internal audit engagements.
14. Receive reports of Confidential Reporting Mechanism activity that relates to internal controls, financial management, internal auditing, or external auditing.
15. Review all significant recommendations and management action plans to address those recommendations.
16. Monitor the status of management action plans for significant recommendations.
17. Approve the utilization of internal audit resources outside the annual audit plan.
18. Request a periodic self-assessment by the internal audit function and review the results.
19. Ensure that an external peer review is performed at least once every three years and review the results.

**External Audit**

1. Review the external auditors’ proposed audit scope and approach, including coordination of the audit effort with internal auditing.
2. Review all external auditor reports for any audit performed for any UT Systemwide or System Administration functions, components, activities, or financial information.
3. On a regular basis, meet separately with the external auditors to discuss any matters that the IAC or auditors believe should be discussed privately.
4. Monitor System Administration’s contracting with all external public accounting firms to ensure compliance with the requirements of UTS 142 and the operating rules of the Audit, Compliance, and Management Review (ACMR) Committee of the UT System Board of Regents.
5. Monitor all activity by the State Auditor’s Office and the State Comptroller’s Office.
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Reporting

The Internal Audit Committee and the CAE are responsible for providing the following information to the ACMR Committee of the UT System Board of Regents in discharging its oversight duties for the UT System:

1. Annual audit plan.
2. Quarterly status of the annual audit plan and completed engagements.
3. Confidential Reporting Mechanism activity.
4. Status of significant recommendations.
5. Engagements with external public accounting firms.
6. Other matters as requested by the ACMR Committee of the UT System Board of Regents.

Other Responsibilities

1. Perform functions as assigned by the ACMR Committee or Chancellor.
2. Institute and oversee special investigations as needed.
3. Review and assess the adequacy of the audit committee charter periodically.
4. Periodically confirm that all responsibilities outlined in this charter have been carried out.
5. Evaluate the audit committee’s and individual members’ performance on a regular basis.