

# **FAR EASTERN UNIVERSITY INTERNAL AUDIT CHARTER**

## **I. Introduction**

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Far Eastern University, Inc. (FEU or University). It assists FEU in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

## **II. Role, scope and responsibility**

The Internal Audit Department (or IAD) was established by the Audit Committee of the Board of Trustees. The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. See Annex A for the detailed responsibilities of Internal Auditing.

## **III. Authority**

The IAD will have full, free, and unrestricted access to any and all of FEU's records, physical properties, and personnel pertinent to carrying out any engagement.

## **IV. Organization**

The Head of Internal Audit Department or Chief Audit Executive will functionally report to the Audit Committee and administratively (i.e., day-to-day operations) to the Chairman of the Board.

The Chief Audit Executive will communicate and interact directly with the Audit Committee and/or the senior management, as appropriate.

## **V. Independence**

The IAD will remain free from undue interference in the discharge of its functions, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Coordination with the appropriate departments will be observed as appropriate.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment, but may provide consulting services as needed.

## **VI. Internal Audit Plan**

At least annually, the Chief Audit Executive will submit to the Audit Committee a risk-based internal audit plan for review and approval. Such plan will include inputs from senior management. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year, which will follow the normal budget process. The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to the audit committee, senior management and the Board.

## **VII. Reporting**

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Chief Audit Executive will periodically report to senior management and the Audit Committee on the internal audit department'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 senior management and the Board.

**VIII. Professionalism and quality assurance program**

The Internal Audit Department (IAD) will conduct its activities in accordance with 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*.

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

**IX. Approval and Amendment of the Charter**

This charter will be reviewed whenever necessary.

Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by:

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President

\_\_\_\_\_  
Chairman, Audit Committee

\_\_\_\_\_  
Chairman of the Board

## INTERNAL AUDIT CHARTER RESPONSIBILITIES

The responsibilities of the Internal Audit Department include:

### Risk Management

- Evaluating compliance with risk management programs and risk response mechanisms relating to achievement of the organization's strategic objectives.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

### Internal Control and Financial Reporting

- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

### Compliance and Governance

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Monitoring and evaluating governance processes.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

### Audit Activities

- Assisting the Audit Committee in evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit department's purpose, authority, responsibility, and performance relative to its plan.
- Evaluating specific operations at the request of the Board or management, as appropriate.