



THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
INTERNAL AUDIT COMMITTEE CHARTER
(Approved on 10/31/18 by System Administration Internal Audit Committee)

AUTHORITY

The University of Texas (UT) System Policy UTS129, *Internal Audit Activities* authorizes the establishment of the UT System Administration (System Administration) Internal Audit Committee (Committee).

PURPOSE

The Committee is an essential part of the risk management and internal control infrastructure. The Committee exists to assist the Chancellor in fulfilling his responsibilities for oversight and management of System Administration and the UT institutions. The Committee's oversight of the System Audit Office is accomplished by awareness of key issues, the risk assessment, and the annual internal audit plan. Its primary responsibilities are to assist and advise the UT System Board of Regents' Audit, Compliance, and Management Review Committee (ACMRC), Chancellor, and management team of UT System in the following matters:

- Oversight of management activities and processes put in place to manage business and financial risk to System Administration's missions and objectives.
- Oversight and direction of the internal audit activity to ensure alignment of activities with areas of high risk and/or high potential for adding organizational value.
- Oversight of any external public accounting firms and review of their results.
- Evaluation of risks identified by management or through audit, advising management, and elevating reporting of risk management and audit activities to the UT System (through internal audit or direct processes), including the ACMRC.

ROLES

Membership in the Committee is made up of members who are external to the organization in addition to key members of the System Administration executive management team.

The Chairman of the Committee will be nominated by the Chancellor and approved by the ACMRC Chairman. The Committee is functionally responsible to the ACMRC and assists the ACMRC in discharging its oversight duties for the UT System. This is accomplished as the Committee carries-out its responsibilities, as defined in this charter. The Committee Chairman has direct access to the ACMRC Chairman; however, most of the reporting and coordination of information is administratively facilitated through the UT System Chief Audit Executive (CAE).

At least three Committee members must be external to System Administration and the Chairman must be one of the external members. The external members will serve three-year



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terms with the eligibility to be appointed to one additional three-year term. Members of management may be Committee members or invited guests and should include the Chancellor.

Generally, the external Committee members must be independent and objective, have management or governance leadership experience, and possess skills, which will complement the profile of skills held by the Committee. Such skills include, but are not limited to, financial and technology acumen, academic and healthcare industry awareness, and basic risk and control understanding. The System Audit Office and management can aid members in seeking material and education to maintain current and adequate member skill. All members of the Committee should attend orientation, which is provided by the System Audit Office.

MEETINGS

The Committee meets quarterly, with the authority to convene additional meetings, as necessary. The meetings should provide for direct communication between the CAE, Committee members, and Chancellor. Evidence of actions taken by the Committee should be reflected in recorded minutes. A majority of members constitutes a quorum and attendance should be recorded in the minutes.

RESPONSIBILITIES

The Committee's specific responsibilities in carrying out its oversight and reporting roles are delineated below.

	Quarter Due
GENERAL	
Meet at least four times per year (more frequently as circumstances require or at the request of the Committee Chairman or Chancellor)	1,2,3,4
Have meeting agenda prepared by the CAE in consultation with the Committee Chairman	1,2,3,4
Have approved minutes of meetings maintained by the CAE	1,2,3,4
Review the Committee Charter and assess performance of the responsibilities delineated in that charter, periodically	Periodically
Perform such other functions as assigned by the ACMRC	As Needed
Meet in private executive session as necessary to assess the performance of the internal audit activity	1,2,3,4



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OVERSIGHT OF BUSINESS, TECHNOLOGY, AND FINANCIAL RISK MANAGEMENT

Determine that System Administration management demonstrates responsibility for identifying and managing business risks; evidenced by clear understanding of these risks and effective response. Business risk responses include, but are not limited to, formal objectives, oversight mechanisms (metrics, reporting, policies & procedures), and established business functions with capable people, adequate process, and sufficient technology.	On-going
Review key reports demonstrating the integrity of the organization’s financial statements such as: <ul style="list-style-type: none"> • Certifications by management • Internal audits of financial information and internal controls • External financial audit results • Reports of management processes and tools for assessment and management of fraud 	Periodically/ As Needed

OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY

Approve an Internal Audit Activity Charter that is consistent with the Texas Internal Auditing Act and Standards of the Professional Practice of Internal Auditing	Periodically
Review the Internal Audit Activity Charter to ensure it encompasses any required revisions, periodically	Periodically
Review the risk assessment methodology for capturing applicable business and financial risks for development of the Annual Internal Audit Plan	4
Review the Annual Internal Audit Plan to ensure appropriate coverage for risks identified in the risk assessment, including coverage of significant financial and information systems	4
Approve the Annual Internal Audit Plan and all changes thereto	4
Review quarterly the status of completion of the Annual Internal Audit Plan	1,2,3,4
Receive the results of all completed internal audit engagements	1,2,3,4
Receive reports of confidential internal reporting (hotline activity) related to internal controls, financial management, internal auditing, or external auditing	As Needed
Review all priority findings and management action plans to address the related recommendations made	1,2,3,4
Monitor the status of management action plans for recommendations to priority findings	1,2,3,4
Approve utilization of internal audit resources outside the Annual Internal Audit Plan	As Needed



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Review staffing and organization of the internal audit activity for appropriateness in relation to the organization and its identified risks and make recommendations to the Chancellor, if necessary	Periodically
Request an annual self-assessment by the internal audit activity and review the results	Periodically
Ensure that an external quality assessment is performed at least once every three years and review the results	Triennial
Provide input to the Chancellor for the annual evaluation of the CAE	As Needed
Provide input to the Chancellor on the hiring and dismissal of the CAE	As Needed

OVERSIGHT OF EXTERNAL FIRMS

Review any external audit firm contractual arrangements with the organization to confirm management compliance with the requirements of Regents' Rule 20402 <i>Provision of Audit and Non-Audit Services by External Audit Firms</i> and the operating rules of the ACMRC	As Needed
Review the reports of any external audit firms contracted by the organization to perform financial, reporting, accounting, or internal audit	As Needed
Receive reports from internal audit and management regarding the State Auditor's Office audit activities	As Needed

UT SYSTEM COORDINATION

Develop open communication among the various Institutional Audit Committee Chairmen, the System Audit Office, and the ACMRC to create a collaborative approach for business and financial risk management for the UT System as a whole	On-going
Committee Chairman attends orientation or meetings, as requested by ACMRC members	As Needed
Review reports, which are used by the ACMRC in discharging its oversight duties for the UT System: <ul style="list-style-type: none"> • Annual Internal Audit Plan of System Administration and changes thereto • Status of the Annual Internal Audit Plan and completed engagements • Annual Consolidated Internal Audit Plans and status of the UT institutions • Report of internal confidentially disclosed (hotline) activity related to internal controls, financial management, internal auditing, or external auditing • Priority findings and their status • Contracts with external public accounting firms for financial related activity • Other matters as requested by the ACMRC 	On-going/ As Needed

The responsibilities outlined above will be updated periodically by the Committee to reflect changes in UT System guidance, regulatory requirements, and authoritative guidance or best practices in business, technology and financial risk management.