

California Polytechnic State University

Audit and Consulting Services Charter

Purpose and Mission

The purpose of California Polytechnic State University's (Cal Poly) Audit and Consulting Services (ACS) department is to provide independent, objective assurance and consulting services designed to add value and improve Cal Poly's operations. The mission of ACS is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. ACS helps Cal Poly accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

ACS will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Executive Director of Internal Audit will report periodically to senior management and the audit committee regarding the ACS's conformance to the Code of Ethics and the Standards.

Authority

The Executive Director of Internal Audit will report functionally to the President and administratively (i.e., day-to-day operations) to the Chief Financial Officer. To establish, maintain, and assure that Cal Poly's ACS has sufficient authority to fulfill its duties, the audit committee will:

- Approve the ACS Charter.
- Approve the risk-based internal audit plan.
- Receive communications from the Executive Director of Internal Audit on ACS's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Executive Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Executive Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the audit committee.

The audit committee authorizes ACS to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Cal Poly, as well as other specialized services from within or outside Cal Poly, in order to complete engagements.

Independence and Objectivity

The Executive Director of Internal Audit will ensure that ACS remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Executive Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Cal Poly or its affiliates.
- Initiating or approving transactions external to ACS
- Directing the activities of any Cal Poly employee not employed by ACS, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Executive Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Executive Director of Internal Audit will confirm to the audit committee, at least annually, the organizational independence of ACS.

The Executive Director of Internal Audit will disclose to the audit committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of ACS Activities

The scope of ACS activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the audit committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Cal Poly. ACS assessments include evaluating whether:

- Risks relating to the achievement of Cal Poly's strategic objectives are appropriately identified and managed.
- The actions of Cal Poly's officers, directors, employees, and contractors are in compliance with Cal Poly's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Cal Poly.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Executive Director of Internal Audit will report periodically to senior management and the audit committee regarding:

- ACS's purpose, authority, and responsibility.
- ACS's plan and performance relative to its plan.
- ACS's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the audit committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to Cal Poly.

The Executive Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. ACS may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided ACS does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Executive Director of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the audit committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the audit committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Cal Poly's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the audit committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the audit committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure ACS collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the ACS Charter.
- Ensure trends and emerging issues that could impact Cal Poly are considered and communicated to senior management and the audit committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the ACS.
- Ensure adherence to Cal Poly's relevant policies and procedures, unless such policies and procedures conflict with the ACS Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the audit committee.
- Ensure conformance of ACS with the Standards, with the following qualifications:
 - If ACS is prohibited by law or regulation from conformance with certain parts of the Standards, the Executive Director of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Executive Director of Internal Audit will ensure that ACS conforms with the Standards, even if ACS also conforms with the more restrictive requirements of other authoritative bodies.

Approval/Signatures

Executive Director of Internal Audit

Date

President/Audit Committee Chair

Date

Chief Financial Officer

Date