



**THE UNIVERSITY OF CHICAGO  
INTERNAL AUDIT CHARTER  
Last Amended on February 22, 2023**

**PURPOSE**

The purpose of the internal audit function at the University is to provide the Board of Trustees and senior University administration with objective assurance regarding the University's system of internal controls. This Charter is intended to complement the Charter of the Audit Committee of the Board of Trustees as adopted on September 14, 2016 and as amended from time to time.

**ROLES AND RESPONSIBILITIES**

The University's Administration has primary responsibility for establishing and maintaining a sufficient system of internal controls. The Office of Internal Audit at the University ("Internal Audit") has responsibility for the University's internal audit activities and is supported by a third-party accounting firm approved by the Audit Committee ("third-party accounting firm"). Internal Audit will evaluate the University's internal controls adequacy, operating environment, and related accounting, financial, and operational policies, and report its results accordingly.

The Executive Vice President and Chief Financial Officer of University of Chicago Medicine ("UCM CFO") has responsibility for providing internal audit services related to the evaluation of internal controls, processes, and policies within the purview of UCM.

Meaningful internal auditing requires cooperation among Internal Audit, University administration, and auditees. The parties' responsibilities in this regard include the following:

*Internal Audit*

- Aligns audit coverage with the University's strategic, operational, compliance, and financial risks, including important areas of emerging risk, and advises senior management on key risks and appropriate risk responses.
- Develops a flexible annual audit plan using an appropriate risk-based methodology, including risk or control concerns identified by management, and submits that plan along with any subsequent periodic changes to senior management and the Audit Committee for review and approval. If risks change during the year, Internal Audit may propose adjustments to the annual audit plan.
- Examines and evaluates the controls, policies, procedures, and systems that are in place to safeguard University assets.
- Evaluates the reliability and integrity of certain information, and the efficient and effective use of resources.

- In some cases, management, and not Internal Audit, has sole responsibility to ensure the accuracy of information, and a review of that information will not be conducted by Internal Audit.
- Examples of areas that are typically not reviewed by Internal Audit include information provided to bond rating agencies and financial reports that are issued externally. Likewise, management has sole responsibility to ensure the accuracy of the Common Data Set (“CDS”) and information reported to the Department of Education’s Integrated Postsecondary Education Data System (“IPEDS”), though Internal Audit may elect to review limited aspects of the manner in which the CDS and IPEDS data are compiled by the central administration.
- Reviews compliance with policies, procedures, laws, and regulations.
- Reviews the implementation status of management action plans from Internal Audit reports.
- Reports results and makes recommendations to University administration and the Audit Committee.
- Provides additional advisory services where they are consistent with the mission of Internal Audit. Such advisory services are generally related to assessing the impact of changes being considered or implemented by management, and which impact the University’s governance, operations, or system of internal controls.

#### *University Administration*

- Supports Internal Audit and communicates this support within the administrative units.
- Participates in the audit process.
- Provides appropriate, clear, and consistent direction to the University community through written policies and procedures.
- Reports to the Audit Committee its responses to recommendations received from Internal Audit.

#### *Auditees*

In connection with its reviews, Internal Audit shall advise auditees that they are expected to:

- Cooperate with the audit process by providing timely unrestricted access to facilities, books and records, information, and personnel.
- Respond in writing, in a timely manner, to all audit recommendations.
- Develop an acceptable response to each recommendation including designating a person responsible for implementing the response and setting a target completion date. If Internal Audit and an auditee are unable to resolve disagreements over audit findings, the auditee may appeal to the Chief Financial Officer of the University (“University CFO”). Unresolved issues will be reported promptly to the Chair of the Audit Committee.
- Implement agreed-upon corrective action programs.

## **OBJECTIVITY, AUTHORIZATION, AND ORGANIZATION**

Internal Audit reports to the Chief Financial Officer. To further ensure its objectivity, Internal Audit also reports to the Audit Committee of the Board of Trustees. To support the objectivity of Internal Audit, the Audit Committee shall:

- Approve the Internal Audit charter;
- Approve the annual Internal Audit plan;
- Approve decisions regarding major changes to the annual Internal Audit plan;
- Receive updates regarding Internal Audit's activities; and
- Ensure that Internal Audit is appropriately resourced.

The Assistant Vice President for Internal Audit and Enterprise Risk Management & Chief Compliance Officer ("AVP of Internal Audit") and the third-party accounting firm are responsible to, and have direct access to, both the Audit Committee and the University President. For day-to-day operations, Internal Audit reports to the University CFO. At a minimum, the AVP of Internal Audit and the third-party accounting firm shall have a private meeting with the Audit Committee at each Committee meeting and a private monthly meeting with the University CFO. Both the AVP of Internal Audit and the third-party accounting firm shall meet with the Chair of the Audit Committee on request. Additional meetings may be scheduled as appropriate.

In the course of its work, Internal Audit shall have direct access to all University books, electronic systems, records, property, and personnel relevant to the subject of review. In the event there are unresolved differences related to access to facilities, books and records, information, or personnel that are necessary for the execution of Internal Audit's responsibilities, the AVP of Internal Audit or the third-party accounting firm may appeal to the University President. Cases in which the President does not grant access will be promptly reported to the Chair of the Audit Committee by the President, the University CFO, the AVP of Internal Audit, or the third-party accounting firm. All documents and information provided to internal auditors during their work will be handled in the same prudent manner that the University expects of its employees who are responsible for such documents and information in the normal course of business.

Internal Audit has no direct responsibility for, or authority over, any of the activities, functions, remediation activities, or tasks it reviews. Accordingly, Internal Audit does not develop or write policies or procedures that it may later be called upon to evaluate, provided, however, that Internal Audit may review draft materials developed by management for propriety and/or completeness. Ownership of, and responsibility for, these matters remain with management and not Internal Audit.

## **AUDIT STANDARDS AND ETHICS**

The work of Internal Audit shall be consistent with the auditing, professional standards, and code of ethics promulgated by the Institute of Internal Auditors, and the consulting standards of the American Institute of Certified Public Accountants. Internal Audit and the third-party accounting firm shall consistently demonstrate high standards of conduct and ethics as well as appropriate judgement, independence, and discretion, and must maintain a professional image and protect auditee confidences and confidential information.

## **SELECTING AND SCHEDULING AUDITS**

The AVP of Internal Audit shall ensure that an annual Internal Audit Plan is submitted for approval by the University CFO and the Audit Committee. Candidate projects come from periodic risk assessments, recommendations by senior administration, regular coverage of large functional operations (such as accounts payable, payroll, purchasing), the Integrated Enterprise Risk Management and Compliance Committee, and special requests. Internal Audit will collaborate with the UCM CFO to ensure that, between the University and UCM, appropriate Internal Audit coverage of the University's Biological Sciences Division exists. All proposed additions or deletions to, or deferrals of, the Internal Audit Plan shall be discussed in advance with the University CFO and reported regularly to the Chair of the Audit Committee.

## **REPORTING**

The work of Internal Audit shall be summarized in timely written reports distributed to an appropriate list of recipients. In general, reports are distributed to the University CFO, the University's external auditor, the Chair of the Audit Committee, as well as auditees, their immediate supervisors, and other unit leaders affected by Internal Audit's findings. Reports from "special request" audits may have a more limited distribution.

The AVP of Internal Audit and the third-party accounting firm shall attend Audit Committee meetings and present written reports of Internal Audit's activities and findings. At a minimum, the reports shall include:

- A short synopsis of each project completed by Internal Audit since the last meeting, including all findings that are considered high risk.
- A short synopsis of the implementation status of management action plans from Internal Audit reports.
- An update on progress against the annual Internal Audit Plan, with appropriate explanations for changes.

The AVP of Internal Audit will notify the UCM CFO of any Internal Audit findings that are relevant to the University (such as those that pertain to the University's Biological Sciences Division). The UCM CFO shall determine whether those findings should be reported to UCM

management or the UCM Audit Committee. Likewise, the UCM CFO will notify the AVP of Internal Audit of any UCM internal audit findings that are relevant to the University. The AVP of Internal Audit will determine whether those findings should be reported to University management or the University Audit Committee.

### **RELATIONSHIP WITH EXTERNAL AUDITOR**

While Internal Audit has a close working relationship with the University's independent public accounting firm/external auditor, the objectives of the two groups are different. External auditors certify the University's financial statements; internal auditors evaluate internal controls and compliance with policies, procedures, and regulatory requirements. Internal Audit will make every effort to coordinate its work with the external auditor so as to optimize audit coverage while minimizing cost and burden on University stakeholders.

Approved by the Audit Committee

Date: February 22, 2023