

UNIVERSITY OF WISCONSIN SYSTEM OFFICE OF INTERNAL AUDIT CHARTER

PURPOSE

The purpose of the Office of Internal Audit is to strengthen the University of Wisconsin (UW) System's ability to create, protect, and sustain value by providing the Board of Regents and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Office of Internal Audit enhances UW System's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

UW System's Office of Internal Audit is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards™, which are set in the public interest.
- The Office of Internal Audit is independently positioned with direct accountability to the Board of Regents.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Office of Internal Audit will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (Standards) and Topical Requirements. The chief audit executive will report annually to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management regarding the Office of Internal Audit's conformance with the Standards. In addition, the Office of Internal Audit will carry out its responsibilities in accordance with UW System policies, and state and federal law.

MANDATE

Authority

The UW System's Audit, Risk, and Compliance Committee of the Board of Regents, through the Audit, Risk, and Compliance Committee Charter, grants the Office of Internal Audit the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

The Office of Internal Audit's authority is created by its direct reporting relationship to the Board of Regents through the Audit, Risk, and Compliance Committee. Such authority allows for unrestricted access to the board.

The Audit, Risk, and Compliance Committee of the Board of Regents authorizes the Office of Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function’s objectives.
- Obtain assistance from the necessary personnel of UW System and other specialized services from within or outside UW System to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Office of Internal Audit. (See “Mandate” section.) The chief audit executive will report functionally to the Audit, Risk, and Compliance Committee of the Board of Regents and administratively (for example, day-to-day operations) to the UW System President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit, Risk, and Compliance Committee of the Board of Regents, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

The chief audit executive will confirm to the Board of Regents through the Audit, Risk, and Compliance Committee, at least annually, the organizational independence of the Office of Internal Audit. The chief audit executive will disclose to the Board of Regents any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Office of Internal Audit’s effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, the Audit, Risk, and Compliance Committee of the Board of Regents, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, the Audit, Risk, and Compliance Committee of the Board of Regents, and/or senior management.
- Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which the organization operates.
- Significant new laws or regulations that may affect the nature and/or scope of internal audit services.

CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.

Objectivity

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

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for UW System, or its affiliates.
- Initiating or approving transactions external to the Office of Internal Audit.
- Directing the activities of any UW System employee that is not employed by the Office of Internal Audit, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the chief audit executive, the Board of Regents, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Office of Internal Audit

The chief audit executive has the responsibility to:

- At least annually, develop a flexible annual risk-based internal audit plan that considers the input of the Audit, Risk, and Compliance Committee of the Board of Regents and senior management. Discuss the plan with the Audit, Risk, and Compliance Committee of the Board of Regents and senior management and submit the plan to the Audit, Risk, and Compliance Committee of the Board of Regents for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management, if applicable.
- Review and adjust the internal audit plan, as necessary, in response to changes in the UW System's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit, Risk, and Compliance Committee of the Board of Regents and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement observations and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management periodically and for each engagement as appropriate.
- Ensure the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and

other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.

- Identify and consider trends and emerging issues that could impact UW System, along with successful practices in internal auditing, and communicate to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management as appropriate.
- Conduct research and analysis in operational areas of interest to the Board of Regents.
- Provide advisory services to the UW System management by conducting targeted studies to assist management in meeting its objectives, the nature of which is agreed to with management, and for which the Office of Internal Audit assumes no management responsibility.
- Consider the scope of work of the external auditors and regulators as appropriate for the purpose of providing optimal audit coverage to the UW System.
- Assist in the investigation of suspected fraudulent activities within the UW System and notify management and the Audit, Risk, and Compliance Committee of the Board of Regents of the results, as appropriate.
- Ensure adherence to the UW System's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit, Risk, and Compliance Committee of the Board of Regents.
- Review the Office of Internal Audit Charter annually, and if significant changes are warranted, provide the updated charter to senior management and the Audit, Risk, and Compliance Committee of the Board of Regents for review and approval.

Communication with the Audit, Risk, and Compliance Committee of the Board of Regents and Senior Management

The chief audit executive will report periodically to the Audit, Risk, and Compliance Committee of the Board of Regents and senior management regarding:

- The Office of Internal Audit's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget and resource requirements.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, and actions plans to address any identified deficiencies or opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Risk, and Compliance Committee of the Board of Regents that could interfere with the achievement of UW System's strategic objectives, if discovered in the normal course.
- Results of assurance and advisory services.
- Management's responses to risk that the Office of Internal Audit determines may be unacceptable or acceptance of a risk that is beyond UW System's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will maintain a quality assurance and improvement program that covers all aspects of

the Office of Internal Audit. The program will include external and internal assessments of the Office of Internal Audit's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Office of Internal Audit's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Office of Internal Audit's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit, Risk, and Compliance Committee of the Board of Regents and senior management about the Office of Internal Audit's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UW System; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organization, including all UW System's activities, assets, and personnel. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Audit, Risk, and Compliance Committee of the Board of Regents and management on the adequacy and effectiveness of governance, risk management, and control processes for the UW System.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Office of Internal Audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. Internal audit reviews do not, in any way, substitute for or relieve other UW System personnel from their assigned responsibilities.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the UW System's strategic objectives are appropriately identified and managed.
- The actions of the UW System's officers, regents, management, employees, and contractors or other relevant parties comply with the UW System's policies, procedures, and applicable laws, regulations, and governance standards.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably, and the results are consistent with established goals and objectives.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UW System.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Board of Regents on February 7, 2025