



## **INTERNAL AUDIT DEPARTMENT CHARTER**

### **Purpose**

The purpose of the Internal Audit Department is to strengthen Seton Hall University's ("Seton Hall" or the "University") ability to create, protect, and sustain value by providing the Audit Committee of the Seton Hall University Board of Regents ("Audit Committee") and management of the University with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Department enhances Seton Hall's:

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

Seton Hall's Internal Audit Department is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' ("IIA") Global Internal Audit Standards (the "Standards"), to serve the public interest.
- The Internal Audit Department is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the Standards***

Seton Hall's Internal Audit Department will adhere to the mandatory elements of IIA's International Professional Practices Framework, which are the Standards and Topical Requirements. The University's chief audit executive (the "Chief Audit Executive") will periodically report to the Audit Committee and senior management regarding the Internal Audit Department's conformance with the Standards.

### **Mandate**

#### ***Authority***

Seton Hall's Audit Committee grants the Internal Audit Department the mandate to provide the Audit Committee and senior management with objective assurance, advice, insight, and foresight. The Internal Audit Department's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee. The Audit Committee authorizes the Internal Audit Department 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; and
- Obtain assistance from the necessary Seton Hall personnel and other specialized services from within or outside the University 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 Internal Audit Department. (See "Mandate" section.) The Chief Audit Executive will report functionally to the Audit Committee, administratively to the President of Seton Hall University and operationally to the General Counsel of Seton Hall University. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department. If the governance structure does not support organizational independence, the Chief Audit Executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Audit Executive will disclose to the Audit Committee 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 Internal Audit Department's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Significant changes to any of the following may justify a modification or amendment to the internal audit mandate or other aspects of the internal audit charter: the Standards; Seton Hall's organizational structure; the roles of the Chief Audit Executive, the Audit Committee, or University leadership; the University's strategic objectives and/or risk profile; or applicable laws and regulations.

### **Audit Committee Oversight**

In addition to the functions and responsibilities outlined in the Audit Committee's Charter that establish, maintain, and ensure that Seton Hall's internal audit function has sufficient authority to fulfill its duties, the Audit Committee will:

- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit Department;
- Ensure the Chief Audit Executive has unrestricted access to, and communicates and interacts directly with, the Audit Committee, including in private meetings without senior management present;
- Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions," described in the Standards, which establish the foundation that enables an effective Internal Audit Department;

- Approve the Internal Audit Department's charter, which includes the internal audit mandate and the scope and types of internal audit services;
- Periodically review the Internal Audit Department Charter with the Chief Audit Executive to consider changes affecting the University, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the University; and annually approve the Internal Audit Department Charter;
- Periodically review Internal Audit Department administration including, human resources, budgets, and expenses;
- Collaborate with senior management to determine the qualifications and competencies the University expected of a chief audit executive, as described in the Standards;
- Authorize the appointment and removal of the Chief Audit Executive, and approve the remuneration of the Chief Audit Executive;
- Periodically review the Chief Audit Executive's performance; and
- Ensure a quality assurance and improvement program has been established, and review the results annually.

### **Chief Audit Executive Roles and Responsibilities**

#### ***Ethics and Professionalism***

The Chief Audit Executive will ensure that internal auditors:

- Conform with the 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 University and be able to recognize conduct that is contrary to those expectations;
- Encourage and promote an ethics-based culture in the University; and.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

#### ***Objectivity***

The Chief Audit Executive will ensure that the Internal Audit Department 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 Seton Hall University or its affiliates;
- Initiating or approving transactions external to the Internal Audit Department; and

- Directing the activities of any Seton Hall University employee that is not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

### ***Managing the Internal Audit Department***

The Chief Audit Executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management, and submit the plan to the Audit Committee for review and approval;
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management;
- Review and adjust the internal audit plan, as necessary, in response to changes in Seton Hall's business, risks, operations, programs, systems, and controls, and communicate any significant interim changes to the Audit Committee and senior management;
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Standards and consider emerging trends and successful practices in internal auditing;
- Follow up on engagement findings, confirm the implementation of recommendations or action plans, and regularly communicate the results of internal audit services to the Audit Committee and senior management, for each engagement as appropriate;
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfill the internal audit mandate;
- Identify and consider trends and emerging issues that could impact Seton Hall, and communicate to the Audit Committee and senior management as appropriate; and
- Ensure adherence to Seton Hall's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Department Charter or the Standards. Any such conflicts will be resolved or documented, and communicated to the Audit Committee and senior management.

### ***Communication with the Audit Committee and Senior Management***

The Chief Audit Executive will periodically report to the Audit Committee and senior management on the following: Internal Audit Department resources and budget; the status of internal audit plan performance; potential impairments to independence; internal audit results; significant risk exposures and control issues; and results from quality assurance and improvement program, which include the Internal Audit Department's conformance with the Standards.

### ***Quality Assurance and Improvement Program***

The Chief Audit Executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include external and internal assessments of the Internal Audit Department's conformance with the Standards, as well as performance measurements to assess the Internal Audit Department'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 Internal Audit Department's deficiencies and opportunities for improvement.

Annually, the Chief Audit Executive will communicate with the Audit Committee and senior management about the Internal Audit Department'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 Seton Hall. 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 Seton Hall'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 Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Seton Hall.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit Department 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 management.

Internal audit engagements may include, but not be limited to, evaluating whether:

- The actions of Seton Hall's officers, management, employees, and contractors or other relevant parties comply with the University's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations and programs are consistent with established goals and objectives, and operations and 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 Seton Hall;
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable; or
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.