University of Memphis
Office of Internal Audit & Consulting Charter
Last Revision Date: June 3, 2026

Purpose

The Office of Internal Audit & Consulting function is to strengthen the university's ability to create, protect, and sustain value by providing the Board of Trustees (Board) and management with independent, risk-based, and objective assurance, advisory, and investigation services. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The University of Memphis management has responsibility for governance, risk management, control processes, and for establishing and maintaining a sufficient system of internal controls. Internal Audit serves in an advisory role and assists University management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls. Internal Audit must not be assigned duties or be involved in activities that are the responsibility of University management or engage in activities that auditors normally review or evaluate as part of the internal audit function. Additionally, Internal Audit's review does not relieve others of their responsibilities.

Mandate

In accordance with the Higher Education Accountability Act of 2004 (Tenn. Code Ann. § 49-14-101) and the Audit Committee Act of 2005 (Tenn. Code Ann. § 4-35-102), the Finance and Audit Committee (FAC), a standing committee of the Board, governs internal audit. Audit activities are conducted in accordance with and governed by all applicable internal audit and audit committee state statues and the Institute of Internal Auditors' International Professional Practices Framework, which comprise Global Internal Audit Standards (the Standards) and Topical Requirements.

Independence, Organization Position, and Reporting Relationships

Internal Audit reports functionally to the FAC and administratively to the University President for day-to-day operations. This positioning supports Internal Audit's independence and ensures compliance with state statutes and the requirements of the Tennessee Comptroller of the Treasury. Internal Audit maintains the organizational authority and status necessary to bring matters directly to senior management and, when appropriate, escalate issues to the Board without interference or undue influence. This positioning also reinforces the function's ability to remain objective in all assurance and advisory activities.

When the Chief Audit Executive (CAE) has additional responsibilities, including oversight of compliance functions, safeguards will be implemented as such responsibilities may create an actual or perceived impairment to independence. To preserve independence, the CAE will not perform or supervise assurance or investigative engagements over compliance areas under the CAE's direct management. Such engagements will be conducted by external auditors or internal audit staff reporting directly to the FAC for that engagement.

The Internal Audit function budget is incorporated into the University's overall budget, which is dependent on the State of Tennessee budget and is approved by senior management in conjunction with the Board.

The FAC engages with the CAE and senior management to review and confirm the appropriate authority, role, responsibilities, scope, and services of the Internal Audit function and ensures the function has adequate resources to fulfill its mandate and accomplish its audit plan.

Authority

Internal Audit's performance of assurance, advisory and investigation services may include the examination and evaluation of the effectiveness of all aspects of University operations. Internal Audit function's authority established by its organizational position and reporting relationships allows for full and unrestricted access to all University data, records (electronic and manual), physical property and personnel relevant to their performance of duties and responsibilities. All documents and information obtained by Internal Audit will be treated in a confidential manner to comply with all policies, laws, and regulations regarding protection of University information.

Additionally, Internal Audit is not independent for the purpose of issuing an opinion on the University's annual financial statements per the requirements for an external auditor under Tennessee Board of Accountancy regulations. The Tennessee Comptroller of the Treasury's Division of State Audit serves as the external auditors for the University based upon state statutes.

Internal Audit Plan

Annually, the CAE develops a primarily risk-based internal audit plan that is based on state statute requirements, emerging trends, higher education risk and audit guidance, past audit projects at the University, and input from University management. A draft plan is shared with senior management, and the final plan is submitted to the FAC for review and approval. The CAE reviews and adjusts the plan as necessary in response to changes in Internal Audit's resource levels or changes to the University's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan is communicated to and approved by the FAC.

Internal Audit Services

Internal Audit performs assurance services by assessing evidence to provide an independent opinion or conclusion regarding a University entity, operation, function, process, system, or other subject matter. The CAE ensures the audit function remains free from all conditions that threaten the ability of internal auditors to perform their responsibilities in an unbiased manner. Also, the CAE ensures that auditors conform with ethics and professionalism principles in exercising their roles and responsibilities. Internal Audit will not conduct assurance or investigative engagements over compliance functions that report directly to the CAE. These engagements will be conducted by independent external parties or by internal audit staff, for the purpose of the engagement, report directly to the FAC. The CAE will recuse from investigations or reviews involving direct reporting areas when such involvement could impair actual or perceived independence.

The nature and scope of assurance engagements are determined based on the audit business plan and audit resources. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, system, or other subject matter (process owner), (2) the person or group making the assessment (Internal Audit), and (3) the person or group using the assessment (user).

Advisory services are usually performed at the specific request of an engagement client. The nature and scope of the engagement is subject to agreement with the engagement client. Advisory services involve two parties generally: (1) the person or group offering the advice (Internal Audit), and (2) the person or group seeking and receiving the advice (engagement client). When performing advisory services, the Internal Auditor should maintain objectivity and not assume management responsibility.

Investigations are conducted under the authority of the FAC, who through the State of Tennessee Audit Committee Act and the University of Memphis FAC Charter, has the authority to conduct or authorize investigations into any matter within its scope of responsibility. Internal auditors perform administrative investigations to provide information regarding allegations of illegal, improper, wasteful, or fraudulent activity to the FAC, the Board, University management, and state and federal agencies as required. Internal auditors do not have statutory authority in Tennessee state government to perform criminal investigations.

Reporting and Monitoring

The CAE reports to the FAC and senior management, at least annually, the audit function's mandate, audit plan, performance relative to the plan, and required resources. Audit work is summarized in written reports distributed to University management to ensure that significant issues noted in audits and other projects are properly addressed by University management. In addition, summaries of all internal audit activities are distributed to the FAC, and all significant issues are emphasized to the FAC. Internal Audit will answer questions and provide additional details for any internal audit activity when requested by the FAC. Internal Audit is responsible for following up on issues noted in audits or other projects conducted by Internal Audit to ensure issues are addressed by University management. Any issues not properly addressed by University management or management's acceptance of identified risk will be reported to the FAC.

All Internal Audit reports are provided to the Tennessee Comptroller of the Treasury's Division of State Audit and investigation reports are provided to Comptroller state auditor and the Division of Investigations.

Quality Assurance and Improvement (QAIP)

The CAE establishes and maintains a QAIP that covers all aspects of the Internal Audit function to promote conformance with the Standards and continuous improvement, as well as measure progress toward achieving its objectives. Internal assessments will be conducted periodically and external assessments at least once every five years by a qualified, independent assessor or assessment team from outside the University of Memphis; qualifications must include at least one assessor holding an active Certified Internal Auditor credential. Public sector competencies and knowledge as well as knowledge of Standards are considered when selecting external assessors. Results of quality assurance and plans to address the Internal Audit function's deficiencies and opportunities for improvement will be reported to the FAC.

Periodic Review of Internal Audit Charter

The CAE will periodically assess this charter to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable Internal Audit to accomplish objectives under the Standards and state statutes. The results of the periodic assessment of this charter will be communicated to University management and the FAC.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the CAE, FAC, 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 acquisition or reorganization within the institution.
- Significant changes in the Chief Audit Executive, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.