

THE CITADEL
The Military College of South Carolina
171 Moultrie Street
Charleston, SC 29409

MEMORANDUM
NUMBER 2-5

27 July 2009

INTERNAL AUDITOR CHARTER

1. PURPOSE

The purpose of this Memorandum is to establish the role of the Internal Auditor at The Citadel. Internal auditing is an independent appraisal function established within The Citadel to examine the adequacy and effectiveness of the college's internal control system and its overall quality of performance. Internal auditing reviews the reliability and integrity of information, compliance with policies and regulations, the safeguarding of assets, the economical and efficient use of resources, and established operational goals and objectives.

2. REFERENCE

Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745.

S.C. Code Ann. § 59-121-50 (1976)

The Institute of Internal Auditors, Code of Ethics,
(<http://www.theiia.org/guidance/standards-and-guidance/ippf/code-of-ethics/>)

3. POLICY

A. OBJECTIVE AND SCOPE:

The objective of internal auditing is to assist members of The Citadel Administration in the effective discharge of their responsibilities. To this end, internal auditing furnishes management with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective controls at reasonable cost.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the college's system of internal control and the quality of performance in carrying

out assigned responsibilities. The scope of internal auditing includes:

1. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
2. Reviewing the systems established to ensure compliance with those policies, plans, procedures, regulations, and contracts which could have a significant impact on the operations and reports, and determining whether the college is in compliance.
3. Reviewing the means of safeguarding assets, and as appropriate, verifying the existence of such assets.
4. Appraising the economy and efficiency with which resources are employed.
5. Reviewing operations or programs to ascertain whether results are consistent with establishing objectives and goals and whether the operations or programs are being carried out as planned.
6. Recommending operating improvements.

B. AUTHORITY:

Internal auditing functions under the policies established by the Board of Visitors and the President of The Citadel. The Internal Auditor is authorized to direct a broad, comprehensive program of internal auditing within the college. Internal auditing reviews and evaluates the adequacy and effectiveness of the systems of financial and managerial controls provided by the college to direct its activities toward the accomplishment of its objectives in accordance with college policies and plans. In accomplishing these objectives, the Internal Auditor is authorized to have full, direct, free, and unrestricted access to all college functions, records, property, and personnel consistent with audit objectives.

C. RESPONSIBILITY:

The responsibility of internal auditing is to serve the organization in a manner that is consistent with the Standards for the Professional Practice of Internal Auditing and with professional standards of conduct such as the Code of Ethics of the Institute of Internal Auditors, Inc. The Internal Auditor has no direct responsibility for, nor any authority over, any of the activities or operations of the

college. Therefore, the internal audit review and appraisal does not in any way relieve other persons in the organization of the responsibilities assigned to them.

The Internal Auditor should not be regarded as an insurer (guarantor) against the existence of fraud in the college. The auditor does have a responsibility for evaluating control systems designed to prevent or deter the form of fraud generally known to exist and seeks to identify areas of risk where misappropriation or manipulation may occur. The Internal Auditor is responsible for ordinary prudence and professional care; but not for extraordinary prudence, for assurance that fraud does not exist, or that if it does it will be detected.

The Internal Auditor is responsible for performing auditing requirements as requested by the President, the Board of Visitors, or as deemed necessary by the professional judgment of the Internal Auditor. These duties include:

1. Developing policies for the auditing activity and directing its technical and administrative functions.

2. Developing and executing a comprehensive audit program for the risk-based evaluation of the financial and operational controls provided over college activities. Reviewing the reliability of financial information and the means to identify, measure, report and classify this information.

3. Reviewing the effectiveness of levels of management in their stewardship of college resources and their compliance with established policies, procedures, and laws that could have significant impact on the college.

4. Recommending improvement of management controls designed to safeguard college resources, and ensure compliance with applicable government laws and regulations.

5. Reviewing procedures and records for their adequacy to accomplish intended objectives and appraising policies and plans relating to the activity of functions under audit

6. Communicating audit results, including recommendations for improvements, to the President via his Executive Assistant. This communication involves:

- a. A signed, written report should be issued within thirty days after the audit is completed. Interim reports may be

written or oral and may be transmitted formally or informally. However, the final audit report should be written and transmitted formally to appropriate management.

b. The Internal Auditor should discuss conclusions and recommendations at appropriate levels or management before issuing final written reports to the President.

c. Reports should be objective, clear, concise, and constructive.

d. Reports should present the purpose, scope, and results of the audit; and where appropriate, reports should contain an expression of the auditor's opinion.

e. Reports may include recommendations for potential improvements and acknowledge satisfactory performance and corrective actions

f. The auditee's views about audit conclusions or recommendations should be stated by the appropriate level of management in a written response to the Internal Auditor for inclusion in the report.

g. The Internal Auditor should review and approve the final audit report before issuance. All reports should be submitted to the President via his Executive Assistant and subsequently to management and others as deemed appropriate for information and implementation.

h. The Internal Auditor should submit summary activity reports to the President each fiscal year. These reports should highlight significant audit findings and recommendations for the prior twelve months and should inform the President of any significant deviations from approved audit work schedules and the reason for these deviations.

7. Appraising the adequacy of the action taken by management to correct deficient conditions; reporting corrective action; continuing reviews with appropriate management personnel on action considered to be inadequate until there has been a satisfactory resolution of the matter or until the President and/or Management has assumed the risk if not taking corrective action on reported deficiencies.

8. Serving as primary point of contact for all external auditors of the college and assisting them in the performance of

audit procedures as deemed necessary. Attend exit interviews and assist management in responding to external audit findings.

9. Conducting special examinations at the request of management, including the reviews of representations made by persons outside the college.

10. Serving on various committees as requested by management.

D. INDEPENDENCE:

The Internal Auditor is independent of the activities that are audited. Independence permits the Internal Auditor to render impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity.

Organizational status assures a broad range of audit coverage, and adequate consideration of audit reports and appropriate action on audit recommendations. The Internal Auditor reports to the president via The Director of The Citadel Staff who has sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

Objectivity is the independent mental attitude of the Internal Auditor. The Internal Auditor shall not subordinate his/her judgment on audit matters to that of others. Drafting procedures, designing, installing and operating systems are not audit functions. Performing such activities is presumed to impair audit objectivity. The Internal Auditor's objectivity need not, however, be adversely affected by determining and recommending control standards during the development process of systems and procedures

4. COMPLIANCE

Non compliance with this policy may result in disciplinary action.

5. NOTES

A. Dates of official enactment and amendments:

Approved by Director of Citadel Staff on 27 July 2009

B. Responsible Department:

Director of Staff

C. Responsible Official:

Director of Staff

D. Cross References

None

6. RESCISSION

General Order No. 6, dated 23 August 2002, is rescinded.

FOR THE PRESIDENT:

OFFICIAL

JOSEPH W. TREZ
Colonel, USA, Retired
Director of The Citadel Staff