I. Policy Statement
The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*, Attribute Standard 1000-Purpose, Authority, and Responsibility states, “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The Director of Internal Audit must periodically review the internal audit charter and present it to senior management and the board for approval.”

II. Scope
This charter covers internal audit activities for the University, the Authority, and their affiliated organizations and related parties.

III. Approval Authority
Board of Trustees – Audit Committee.

IV. Purpose of This Policy
This document sets forth the purpose, authority and responsibility of the internal audit function as required by professional standards.

V. Who Should Be Knowledgeable about This Policy
Board of Trustees
Senior Leaders
Internal Audit Department staff

VI. The Policy
PURPOSE AND MISSION
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations of the Medical University of South Carolina (the University), the Medical University Hospital Authority (the Authority), and their affiliated organizations and related parties (referred collectively as “the organization”) for the Board of Trustees and as a service to management. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance
processes. It aims to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

PROFESSIONAL STANDARDS FOR INTERNAL AUDITING
The Internal Audit Department will adhere to the performance audit standards set forth in Government Auditing Standards (GAS) issued by the Comptroller General of the United States. GAS recognizes that auditors may use The International Standards for the Professional Practice of Internal Auditing or other standards in conjunction with GAS. Therefore, when applicable, the Internal Audit Department will govern itself by adherence to the mandatory elements of applicable standards. The Director of Internal Audit will report periodically to senior management and the Board of Trustees regarding the Internal Audit Department’s conformance with applicable standards and ethics.

OBJECTIVE AND SCOPE
The objective of internal audit is to assist the Board of Trustees and all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, and pertinent comments concerning the activities reviewed. Internal auditors are concerned with any phase of business activity in which they may be of service. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective involves, but is not limited to, such activities as:

- Reviewing and appraising the soundness, adequacy, and application of accounting, financial, and other operating controls and promoting effective control at reasonable cost.
- Ascertaining the extent of compliance with established policies, plans, procedures, and regulations.
- Ascertaining the extent to which the organizations’ assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data developed within all entities.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Recommending operating improvements.

It is recognized that the Board of Trustees provides general direction as to the scope of work and the activities to be audited. The Board of Trustees desires that the Internal Audit Department provide services for all affiliate organizations and related parties of MUSC and MUHA. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board of Trustees, management, and outside parties on the adequacy and effectiveness of risk management, control, and governance processes for the organization. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the organization’s strategic objectives are appropriately identified and managed.
- The actions of officers, directors, employees, and contractors are in compliance with the organization’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or 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 the organization.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
• Resources and assets are acquired economically, used efficiently, and protected adequately.

AUTHORITY
The Director of Internal Audit reports to the Board of Trustees and is authorized by the Board of Trustees to direct a broad, comprehensive program of internal audit within the organization. Internal Audit examines and evaluates the adequacy and effectiveness of the systems of management control provided by the organization to direct their activities toward the accomplishment of their missions and objectives in accordance with applicable policies and plans.

To establish, maintain, and assure the Internal Audit Department has sufficient authority to fulfill its duties, the Board of Trustees, through its Audit Committee, will:
• Approve the Internal Audit Department’s charter.
• Review the risk-based internal audit plan.
• Approve the Internal Audit Department’s budget and resource plan.
•Receive communications from the Director of Internal Audit on the Internal Audit Department’s performance relative to its plan and other matters.
• Approve decisions regarding the appointment and removal of the Director of Internal Audit.
• Approve the remuneration of the Director of Internal Audit.
• Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without management present.

The Board of Trustees authorizes the Internal Audit Department to:
• Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
• Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
• Obtain assistance from the necessary personnel of the organization, as well as other specialized services from within or outside the organization, in order to complete the engagement.

INDEPENDENCE AND OBJECTIVITY
The Director of Internal Audit 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 audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

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

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Board of Trustees, at least annually, the organizational independence of the Internal Audit Department.

The Director of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

**RESPONSIBILITY**

The Director of Internal Audit reports directly, and solely, to the Board of Trustees of the Medical University of South Carolina and the Medical University Hospital Authority. The Director of Internal Audit is responsible for the following:

**Annual Audit Plan**

- Submit, at least annually, to senior management and the Board of Trustees a risk-based internal audit plan for review. Include with the audit plan an activity report. The activity report should highlight accomplishments of the prior year.
- Communicate to senior management and the Board of Trustees the impact of resource limitations on the internal audit plan as they arise. Request resources when appropriate.
- Review and adjust the internal audit plan, as necessary, in response to changes in business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Board of Trustees any significant interim changes to the internal audit plan.
Conducting Audits and Reporting Results

- Ensure the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and appropriate communication of engagement results and recommendations for improvement(s).
- Communicate opportunities for improving the efficiency of governance, risk management, and control processes identified during engagements to the appropriate level of management.
- Report to senior management and the Board of Trustees, as appropriate, any response to risk by management that may be unacceptable to the organization.
- Ensure internal audit staff uphold the principles of integrity, objectivity, confidentiality, and competency.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board of Trustees any corrective actions not effectively implemented.

Other

- Submit the Internal Audit Department’s budget to the Audit Committee Chairman for review and approval each fiscal year. The budget should include funding for all expected operations and salaries.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure trends and emerging issues that could impact the organization are considered and communicated to senior management and the Board of Trustees as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to the organization’s relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board of Trustees.
- Ensure conformance of the Internal Audit Department with applicable standards, with the following qualification:
  - If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of applicable standards, the Director of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the applicable standards.
- Report to senior management and the Board of Trustees at least annually the Internal Audit Department’s conformance with applicable standards and ethics, and action plans to address any significant conformance issues.
- Report to senior management and the Board of Trustees significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board of Trustees as they arise.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of
which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

Internal auditors have no direct responsibility for, nor any authority over, any activities or operations of the organizations they review. The auditors do not develop and install procedures, prepare records or engage in any other activity that would impair their objectivity. However, internal auditors’ objectivity is not adversely affected when they recommend standards of control for systems or when they review procedures before they are implemented. The internal audit review and appraisal does not in any way relieve other persons in the reviewed entities of the responsibilities assigned to them.

The internal auditor may not be regarded as an insurer (guarantor) against the existence of fraud in the reviewed entities. The internal auditor is responsible for exercising ordinary prudence to provide reasonable assurance that fraud does not exist in the areas reviewed, or that if it does exist he will attempt to detect it.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM
The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department’s conformance with applicable standards and an evaluation of whether internal auditors adhere to ethical standards. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The Director of Internal Audit will communicate to senior management and the Board of Trustees on the Internal Audit Department’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside the organization.

VII. Special situations

VIII. Sanctions for Non-compliance

IX. Related Information

A. References, citations

(Note: Government Auditing Standards will be revised in 2017. The revised Standards can be accessed at http://www.gao.gov/yellowbook/overview)

B. Other

C. Appendices
Appendix 1: Explanation of Internal Audit Department Authority and Other Audit Related Procedures

X. Communication Plan

XI. Definitions

XII. Review Cycle
Every 5 years

XIII. Approval History

<table>
<thead>
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<th>Approval Authority</th>
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<tr>
<td>Board of Trustees</td>
<td>October 10, 1998 (Internal Audit Department Policy Statement)</td>
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XIV. Approval Signature

_________________________  _________________________
Executive Officer                Date

_________________________
Title
APPENDIX 1 – Explanation of Internal Audit Department Authority and Other Audit Related Procedures

The Board of Trustees of the Medical University of South Carolina depends on the Internal Audit Department to monitor enterprise wide compliance with policies and procedures established by the Board and certain outside agencies.

The Internal Audit Department and its Director report directly to the Board of Trustees. It is recommended that all employees of the Medical University of South Carolina and all of its affiliates read and become familiar with the Internal Audit Department’s Charter as approved by the Board of Trustees. The Charter may be found on the Department’s web page http://academicdepartments.musc.edu/internalaudit/. The Board of Trustees has given the Internal Audit Department the following authority and expects employees of MUSC and all affiliates to comply with the policy.

AUTHORITY
The Director of Internal Audit is authorized by the Board of Trustees to direct a broad, comprehensive program of internal audit within the organization. Internal Audit examines and evaluates the adequacy and effectiveness of the systems of management control provided by the University, the Authority, and the affiliates and related parties to direct their activities toward the accomplishment of their missions and objectives in accordance with applicable policies and plans. In accomplishing his/her activities, the Director of Internal Audit and his/her representatives are authorized to have full, free, and unrestricted access to all University, Authority, and affiliated organization and related party functions, records, property, systems and personnel.

PROCEDURES
In many situations, the Internal Audit Department performs engagements at the request of management. Generally, these engagements will be coordinated with departments or areas under review.

At other times, the Internal Audit Department may perform engagements on behalf of the Board of Trustees. Many of these procedures will be coordinated in advance with those under review. However, there are times where such reviews will be conducted on an unannounced basis at the request of the Board.

The Board of Trustees requires that under all circumstances employees of MUSC and its affiliates comply with all requests that Internal Audit Department personnel may make. No one can deny the Internal Audit Department immediate access to any information they may request. Their requests do not require advance approval by management and such requests must be complied with promptly. Failure to comply with Internal Audit Department policies and procedures will be reported to the Board. In most situations, employees may notify their supervisor’s after the fact of such requests.

There may be situations where employees are instructed to keep engagements confidential from their direct reporting lines and others. Such requests have to be authorized in person by the Director of
Internal Audit and will be evidenced by a mutually signed document. The Board expects all employees to comply with such requests.

In those situations where employees are unsure about compliance with such requests, the procedure shall be for the employee to comply with the request and forward in writing their questions after the fact to the Audit Committee of the Board of Trustees. Such communication will be held confidential and should be mailed to the following address:

MUSC Board of Trustees Audit Committee
179 Ashley Avenue
MSC 001
Charleston, South Carolina 29425-0010

HISTORY: This document was originally approved by the MUSC Board of Trustees on August 8, 2008.