

Chapter 101, Section 101.001, Texas Government Code, requires that the Board of Regents of the Texas State Board of Education (TSBE) shall have the authority to hire, supervise, and terminate the Chief Audit Executive (CAE) of the State of Texas. The CAE shall be accountable to the Board of Regents and shall report to the Board of Regents on the performance of the internal audit function. The CAE shall also be accountable to the Audit and Finance Committee (AFC) on all matters related to the performance of its mandate as described within this Internal Audit Charter (this "Charter").

The CAE shall be independent and objective in the performance of his/her duties. The CAE shall not be subject to any influence or interference from any element in the organization, including the Board of Regents, in the performance of his/her duties. The CAE shall report to the Board of Regents and the AFC on the performance of the internal audit function. The CAE shall also report to the Board of Regents and the AFC on any potential conflict of interest or objectivity concerns.

Accountability

The Chief Audit Executive, in the discharge of his/her duties, shall be accountable to the Audit and Finance Committee on all matters related to the performance of its mandate as described within this Internal Audit Charter (this "Charter"). The Audit and Finance Committee's responsibilities with respect to oversight of Internal Audit are captured within the Board of Regent's Charter.

Independence and Objectivity

Internal Audit acts independently and objectively with respect to all of the work that it performs as mandated by this Charter. All Internal Audit activities will remain free of influence by any element in the organization, including the Board of Regents, in the performance of his/her duties. Any potential conflict of interest or objectivity concerns shall be reported to the Audit and Finance Committee in a timeframe that is commensurate with the real or perceived conflict.

Professional Standards

Internal Audit governs itself by adherence to the Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, and the Institute of Internal Auditors' "Code of Ethics." Internal Audit shall conform with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," (Standards) as contained in the International Professional Practices Framework as well as the Generally Accepted Government Auditing Standards (GAGAS). This guidance constitutes the fundamental

requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit's performance.

Authority

With respect to audit matters, Internal Audit is authorized to:

- Have full, free, and unrestricted access to any and all functions, system records, physical properties, and personnel relevant to any function under review (including vendors and contractors, pursuant to rights to audit which the System undertakes to negotiate in its contracts). Documents and information given to Internal Audit will be handled in the same prudent and professional manner as by those employees normally accountable for them.
- Obtain the necessary assistance from employees in fulfilling their function as requested. In the event any employee of the System or third-party agent shall fail to cooperate fully with Internal Audit or shall otherwise hinder or prevent or attempt to hinder or prevent any audit, the Chief Audit Executive shall immediately and simultaneously report the same to the Chancellor and the Audit and Finance Committee.
- Have free and unrestricted access to the operating committees of the System, the Audit and Finance Committee, the Chairman of the Board of Regents and the Chancellor.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives.
- Engage and contract with external parties related to fulfilling the function of the office. Any contract must follow all applicable Board of Regents Rules and UNT System Policies and Procedures.

Internal Audit is not authorized to:

- Perform operational duties for any of the activities it reviews.
- Assume responsibility for the risk management(s)-2.eEo13.3 (v)-2.67.(at6 (es)-2.6 (i)-0..3 (()Tj EMC /LBody 33 >>BD(r)

- Resources are acquired economically, used efficiently and adequately safeguarded.
- Initiatives are appropriately evaluated, prioritized, and implemented, including new initiatives, system implementations, and other objectives as appropriate, in alignment with the System's strategic direction.
- Quality and continuous improvement are fostered in the System's processes.
- An effective design, interaction, and monitoring of governance, risk managemen

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