

Subject Area: Corporate Governance Policy#: GOV003 Level 1
Policy Title: GLEIF Internal Audit Charter
Final Approver: Chair, Board of Directors
Key Policy User(s): Audit & Finance Committee
Board of Directors
Chief Executive Officer

AFC Committee Chair Review Date: 11/09/2015
AFC Recommendation: X (YES) (NO) 17/11/2015
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PURPOSE:

This policy establishes the policy, objectives and procedures of the Internal Audit (“IA”) function within the GLEIF.

ROLE:

Internal Auditing is an independent and objective compliance, assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organization it serves. IA supports the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Head of Accreditation & Audit Services reports directly to the Chair of the Audit & Finance Committee for audit related matters and administratively to the Chief Executive Officer for day-to-day operations.

OBJECTIVES:

IA’s mission is to provide GLEIF with value-added services by:

- Supporting the Chief Executive Officer and the Audit & Finance Committee of the Board in the execution of its fiduciary and oversight responsibilities,
- Partnering with the GLEIF team to understand and evaluate their risks, internal control environments, and risk mitigation activities,
- Developing and executing a rolling schedule of audit projects that addresses these risks to be approved by the Board,
- Promoting overall risk and controls awareness and

- Evaluating existing controls and advising on effective and efficient control improvements.

SCOPE:

IA scope will include functions and topics within the GLEIF itself based upon the audit plan approved by the Audit & Finance Committee on an annual basis and/or special requests from the Audit & Finance Committee, the Chair of the Board or the Chief Executive Officer.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Coordinating as necessary with external auditors as they assess the GLEIF internal control environment.
- Monitoring and evaluating governance processes and the effectiveness of the organization's risk management processes.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

IA is also charged with conducting audits at LOU operations under certain circumstances. This type of audit activity is defined in the Master Agreement in Chapter 11 Subchapter D "Independent Audits at LOU Locations". The execution of such projects will be consistent with the above scope statements.

INTERNAL AUDIT PLANNING:

At least annually, the Head of Accreditation & Audit Services will submit to senior management and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Head of Accreditation & Audit Services will communicate the impact of resource limitations and significant interim plan changes to senior management and the Board as they occur.

PROFESSIONALISM:

IA will provide these services in a professional manner and will obtain competent advice and assistance from subject matter experts as needed to ensure appropriate due professional care.

IA will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

IA will also maintain their knowledge, skills, and other competencies through continuing professional education to satisfy requirements related to the professional certifications they hold.

AUDIT PRACTICES, REPORTING & MONITORING:

Audit projects, as approved by the Audit & Finance Committee and/or the Chief Executive Officer, will specify the work to be performed, the estimated timing of the project, and the estimated number of hours planned. A status report will be presented at all Audit & Finance Committee meetings as to project status and planned activities as applicable.

All audit engagements will include a formal opening meeting at which audit scope is discussed, a preliminary review and discussion of the draft audit report, a closing meeting at which all audit findings are discussed and a final report that allows for Management to provide its own commentary on findings noted.

All final audit reports will be copied to the Audit & Finance Committee Members, the Board Chair, the Chief Executive Officer and the General Counsel. GLEIF's external auditors will be granted access to the final reports of any audit upon requested with the approval of the Audit & Finance Committee Chair.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

ACCESS and AUTHORITY

In the execution of its duties, with strict accountability for confidentiality and safeguarding records and information, IA is authorized by the Board and to have full, free, and unrestricted access to all GLEIF activities, operations, records, property, and personnel.

IA will use its best professional judgment in the execution of audit projects in terms of determining required resources, scope of work and level of testing, and application of analytical techniques to accomplish audit objectives.

IA is specifically not authorized to:

- Perform any operational duties for the GLEIF
- Initiate or approve accounting transactions,
- Direct the activities of any GLEIF employee outside of IA.

ACCOUNTABILITY, OBJECTIVITY & INDEPENDENCE:

The Head of Accreditation & Audit Services will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Accreditation & Audit Services will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

The Head of Accreditation & Audit Services may communicate directly in confidence to the Audit & Finance Chair, the Chair of the Board, or the GLEIF General Counsel at its discretion.