



## **Internal Audit Charter**

Effective 2024.01.01

### **I. Introduction**

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to the operations of the Universidad del Sagrado Corazón (“University” or “Sagrado”). The Internal Auditor assists Sagrado in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, internal controls, and governance processes.

### **II. Mission**

Internal audit’s mission is to provide independent, objective risk-based assurance, and consulting services, designed to assist in the achievement of organizational objectives, and to improve the University operations through the execution of the responsibilities assigned to the function.

### **III. Authority**

On behalf of the Audit Committee, the Internal Audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized to have full and complete access to any of the University’s records, systems, physical properties, and personnel relevant to the performance of an audit. The Internal Auditor will have free and unrestricted access to communicate and interact directly with the members of the Audit Committee, without the presence and intervention of Management.

### **IV. Independence**

The Internal Audit function is part of the Internal Audit Committee of Sagrado’s Board of Trustees. The Internal Auditor will respond functionally to the Board of Trustees, through its Audit Committee and administratively to the President and the Vice President of Quality, Audit, and Institutional Integrity.

The Internal Auditor will ensure that the internal audit activity remains free from all conditions that threaten his/her ability to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Auditor determines that independence or objectivity may be impaired (in fact or appearance), the details of impairment must be disclosed to the Audit Committee.

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. The Internal Auditor 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:

1. Assessing specific operations for which they had responsibility within the previous years.
2. Performing any operational duties for Sagrado or its affiliates.
3. Initiating or approving transactions external to the Internal Audit function.
4. Directing the activities of any Sagrado's employees not employed by the Internal Audit function.
5. Where the Internal Auditor 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:
  - a. Disclose any impairment of independence or objectivity (in fact or appearance), to the Audit Committee.
  - b. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
  - c. Make balanced assessments of all available and relevant facts and circumstances.
  - d. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity. The Internal Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **V. Scope**

All areas of Sagrado's operations, including all unit processes, electronic information systems (in use and under development), and affiliated organizations are subject to Internal Audit procedures and evaluation.

The Internal Auditor will determine the scope and nature of the procedures to be used as part of the work to be carried out, so that the objectives established in the work plan can be met.

The scope of the Internal Audit work may include providing reasonable assurance that:

1. Risks relating to the achievement of Sagrado's strategic objectives are appropriately identified and managed.
2. The actions of Sagrado's officers, directors, employees, and contractors are in compliance with the organization's policies, procedures, and applicable laws, regulations, and governance standards.
3. The results of operations or programs are consistent with established goals and objectives.
4. Operations are being carried out effectively and efficiently.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Sagrado.
6. Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
7. Resources and assets are protected adequately.

The scope of Internal Audit work may be limited to the focus on issues and risks to be addressed or may be expanded based on the Internal Auditor's criteria and/or the results of audit procedures and tests. Internal Audit will disclose to the Audit Committee any interference in determining the scope of its functions and/or communication.

The Internal Auditor may, where possible, consider relying upon the work of other internal and external assurance and consulting service providers as needed.

## **VI. Roles and Responsibilities**

### **A. Internal Auditor**

The Internal Auditor will be responsible for:

1. Establish policies and procedures for the Internal Audit function activities.
2. Prepare, on an annual basis, a flexible work plan for the approval of the Audit Committee of the Board of Trustees. The audit work to be included in the plan will be determined based on the identification of priorities within the universe of auditable areas in the organization through a risk-based methodology. The work plan could include requests from the Management and the Board of Trustees. The Internal Auditor will present the work plan to the Audit Committee and will report changes and adjustments to the plan that are necessary during the year.

3. Provide consulting services as requested by Management or the Board of Trustees on matters regarding governance, risk management, internal controls, and improvements in operations; with the purpose of contributing to achieve the goals and objectives of Sagrado.
4. The internal audit function congruent with the Institute of Internal Auditors' (IIA) Code of Ethics and Standards, and action plans to address any significant non-conformance issues.
5. Provide information to the Audit Committee on a quarterly basis, or as often as the Committee deems necessary, on:
  - a. Status and adjustments to the work plan, if any.
  - b. The results of the audit activities carried out, as well as those matters that the auditor deems necessary.
  - c. Summary of consultation activities carried out, if any.
  - d. Status of the corrective action plans to be implemented to address the findings and recommendations indicated in the internal and external audits.
  - e. Issues, observations, and recommendations resulting from internal audit engagements.
  - f. Resource requirements or needs.
  - g. Other matters requiring the attention of, or requested by, the audit committee.
6. Report to management and the Audit Committee on any significant risk exposures and control issues, including fraud risks and governance issues.
7. Report to management and the Audit Committee the results of internal audit engagements or other activities.
8. Report in writing to management, the results of the audits, the opinion on them, findings, and recommendations to resolve the situations found. The Internal Auditor will give management the opportunity to make comments and react to the audit report before its final distribution.
9. All Internal Audit reports will be shared with the parties responsible for the matter audited, executives in charge of the unit audited, process owners, the President of the University and the Audit Committee. This premise does not apply to reports resulting from confidential whistleblower hotline investigations.
10. Monitor the completion of corrective action plans submitted by management to address findings and recommendations from internal and external audits.

11. Evaluate specific operations in response to information received that indicates or tends to indicate that there are well-founded reasons to conclude that actions have been carried out that put or may put at risk or undermine the interests of the University.
12. Guide Management on how to correct findings from internal or external audits and to comply with the established deadlines.
13. Communicate and provide guidance to the members of the University community regarding the Internal Audit function activities and the contributions expected from the different members of the community.
14. Administer the whistleblower hotline and conduct investigations as established on the whistleblower hotline policy with a high level of confidentiality and professional care. The Internal Auditor will document the results of these investigations and escalate the situation to the appropriate level of management and the Audit Committee.
15. Coordinate external audit efforts that could be required by the applicable laws and regulations. The Audit Committee will approve the appointment of external auditors. Internal Audit will collaborate with the external auditors during the audit of the financial statements and federal programs, as established in the contracts between the organization and said auditors.

## **B. Management**

Management is responsible for:

1. The design, execution, monitoring and effectiveness of internal controls.
2. Provide the necessary assistance and cooperate with Internal Audit in proper performance of their duties.
3. Provide truthful and accurate explanations and evidence to the Internal Auditor. The submission of false representations or evidence could be considered a fraudulent behavior and a violation the University employee manual and code of ethics.
4. Prepare and submit Corrective Action Plans to the Internal Auditor within 30 days of the formal reporting of any findings or observations. In the event of anticipated delays, Management is required to promptly notify the Internal Auditor. The Internal Auditor may grant additional time extensions for justified reasons within a reasonable timeframe. In such cases, Management must provide a written explanation outlining the reasons for the extension, along with any supporting evidence or details. Corrective Action Plans must explicitly state the responsible parties and the target completion date for each plan.

5. Inform the Internal Auditor of the status of Corrective Action Plan so that the implementation can be evaluated.
6. Take the necessary corrective measures to address findings and recommendations from internal and external auditors, or regulatory agencies, within a reasonable time; and to comply with the Corrective Action Plan submitted to the internal or external auditors and regulatory agencies. Any possible or unexpected delays in the completion of corrective action plans should be communicated in writing to the President of University and the Internal Auditor. The Internal Auditor could escalate the situation to the Audit Committee in case the action plan is critical to attainment of the University Objectives.
7. Notify the Internal Auditor of cases in which:
  - a. Any employee, faculty, collaborator, contractor, or affiliated organization has disposed of funds or assets of Sagrado fraudulently and/or for unauthorized purposes, or
  - b. when any unauthorized employee, faculty, collaborator, contractor, or affiliated organization has lost, used, destroyed, disposed of, or benefited from funds or property under the control or custody of the University. Said notification will be made, even if the administration has made its own investigation or the funds or assets have been or may be returned.
8. Notify any visit, evaluation or audit of regulatory agencies and external auditors. Submit a copy to the Internal Auditor of the memoranda of findings found, draft reports and any final reports as a result of the visit, evaluation, or audit.
9. Request the intervention of Internal Audit in aspects that require special and immediate attention for the benefit of the University interests.
10. Cooperate during special investigations and maintain the required confidentiality.

## **VII. Responsibility with Regards to Fraud Matters**

1. The primary responsibility to establish controls to prevent, detect and manage fraud rests within Management.
2. All members of the University Community have the responsibility to communicate any known or suspected instance of fraud to the Internal Auditor.

3. The Internal Auditor has the obligation to investigate any know or suspected instance of fraud received from a member of the community and to escalate any instance of fraud noted to the appropriate level of management and to the Audit Committee.
4. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of management's actions to fulfill its obligation.
5. If fraud is noted during the execution of audits or other task assigned to auditor, or as part of the normal course of the Internal Audit activity, the Internal Auditor has the responsibility to escalate any instance of fraud noted to the appropriate level of management and to the Audit Committee.

### **VIII. Role of Internal Audit in Consulting Services, Committees and Task Forces**

Internal Auditors may be requested to perform consulting services or to participate as members of various committees and task forces within the University, as needed. This is because of their knowledge acquired from conducting audit assignments. However, one should note that:

1. The Internal Auditor role in committees or task force is non-voting and will be restricted to that of an observer and not a participant.
2. Internal Auditors can provide recommendations, suggestions, verify, and/or review documentation, validate calculations, etc. The consulting services provided by the Internal Auditor will be compatible with the Internal Audit activities and following the IIA's Code of Ethics.
3. The Internal Auditor will not implement any system, internal control, process and policy or procedure; other than those assigned to the Internal Audit function as part of their responsibilities. Although the Internal Auditor could provide recommendations based on the evaluation of evidence, research and best practices, management will be responsible for the implementation and effectiveness of systems, internal controls, and processes.
4. The Internal Auditor may perform consulting and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Auditor does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **IX. Professional Development**

The Internal Auditor will establish a development program to continually improve the skills of the Internal Audit team to improve the effectiveness and quality of their services.

## **X. Questions About this Charter**

Questions regarding the scope and interpretation of this Charter should be directed to the office of Compliance, Internal Audit and Institutional Integrity at [cumplimiento@sagrado.edu](mailto:cumplimiento@sagrado.edu).

Universidad del Sagrado Corazón reserves the right to interpret this Charter in its administration, implementation, and enforcement. If there is any ambiguity in any provision of this Charter, the University reserves the discretion to interpret it in accordance with the purpose for which it was established, the impact to the University's operations and good faith, unless otherwise provided by law.

## **XI. Reporting Violations**

Violations to this Policy should be directed to the office of Compliance, Internal Audit, and Institutional Integrity at [cumplimiento@sagrado.edu](mailto:cumplimiento@sagrado.edu). Any violations to this Charter will be addressed in accordance with the University's policies and procedures.



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Félix Villamil Pagani  
Chair, Audit Committee



## Glossary of Terms

1. *Add Value* is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure thorough both assurance and consulting services.
2. *Control Deficiency* is a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct errors or misstatements on a timely basis.
3. *Consulting Services* is an advisory and client related service activity, the nature and scope of which are agreed with the client, are intended to add value, and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.
4. *Corrective Action Plan* is a work plan, processes or any type of internal control measures prepared by Management to remediate control deficiencies, improve operations, correct errors or to address findings that could arise from internal auditors, external auditors, or any regulatory agency. The action plan should have a specific individual or group responsible for the completion of the task and a target date to complete the plan.
5. *Finding* is an internal control deficiency or instance of noncompliance with authoritative standards or policies and procedures.
6. *Fraud* is any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage. Characteristics of fraud could include (a) *concealment through collusion* among management, employees, or third parties; (b) withheld, misrepresented, or falsified documentation; and (c) *the ability of management to override or instruct others to override what otherwise appears to be effective controls*.
7. *Governance* is the combination of processes and structures implemented to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.
8. *Institute of Internal Auditors (IIA)* is the IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.
9. *Institute of Internal Auditors Code of Ethics (IIA's Code of Ethics)* is the Code of Ethics of The Institute of Internal Auditors (IIA) are principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe

behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

10. *Internal Audit Function* includes all employees working under the Internal Audit Office.
11. *Independence* is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
12. *Member of the University Community* is a broad term that includes any person or legal entity who has an interest in the University's Mission, institutional activities and/or operations (e.g., trustees, faculty, administrative staff, student support services staff, students, stakeholders, third-party, suppliers and vendors).
13. *Management* is the official or employee in charge a unit, area or activity audited. These individual exercises the highest administrative authority within the units, area or activity audited (for example, President, Vice Presidents, Directors, or their equivalents in the University unit).
14. *Recommendation* is the Internal Auditor's call for action to correct or improve operations. *A recommendation may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results. The recommendation answers the question, "What is to be done?"*