Audit Division Charter

Introduction
The Audit Division is an independent and objective assurance activity established within the Massachusetts Institute of Technology (Institute) to examine and evaluate internal control, risk management, compliance and governance activities. The Audit Division assists members of the organization in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed and by promoting effective control at reasonable cost. Additionally, the Audit Division provides the Risk and Audit Committee with counsel and information regarding the activities reviewed to assist them in fulfilling their responsibilities.

Accountability
The Institute Auditor, the chief audit executive, in the discharge of his/her duties is accountable to management and the Risk and Audit Committee to:

- Provide assessments on the adequacy and effectiveness of the Institute’s processes for controlling its activities and managing its risks based on audits performed.
- Report significant issues related to the processes for controlling the activities of the Institute, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plans and the sufficiency of department resources.
- Coordinate with control, audit, and monitoring functions (e.g., risk management, compliance, security, legal, environmental, external audit).

Independence
To provide for the independence of the Audit Division, its personnel report to the Institute Auditor who reports functionally to the Risk and Audit Committee and administratively to the Executive Vice President and Treasurer. Audit Division staff have no authority over, or responsibility for, the activities they audit, review, or monitor, nor will they participate in any activity that may compromise their independence or objectivity. Audit Division staff will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They 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.

Responsibility
The Institute Auditor and Audit Division staff have responsibility to:

- Develop flexible annual audit plans using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit those plans to the Risk and Audit Committee for review and approval.
- Implement the annual audit plans as approved, including, and as appropriate, any special tasks or projects requested by management and the Risk and Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish and maintain a quality assurance program by which the Institute Auditor assures the operation of internal auditing activities.
• Examine and evaluate the adequacy and effectiveness of the Institute’s systems of internal control.
• Perform advisory services beyond the Audit Division’s assurance services to assist management in meeting its objectives. Examples may include facilitation, process design, and training.
• Evaluate and assess significant new or changing services, processes, operations and control processes coincident with their development and/or implementation.
• Issue periodic reports to the Risk and Audit Committee and management summarizing results of audit activities.
• Assist in the investigation of significant suspected fraudulent activities within the Institute and notify management and the Risk and Audit Committee of the results.
• Consider the scope of work of the external auditors and regulators as appropriate for the purpose of providing optimal audit coverage to the Institute at a reasonable overall cost.

Authority
Audit Division activities are governed by policies established by the Corporation through the Risk and Audit Committee.

The Institute Auditor and Audit Division staff are authorized to:
• Have unrestricted access to all functions, records, property and personnel.
• Have full and free access to the Risk and Audit Committee.
• Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
• Obtain the necessary assistance of personnel in units of the Institute where they perform audits as well as other specialized services from within or outside the Institute.

The Institute Auditor and Audit Division staff are not authorized to:
• Perform any operational duties for the Institute or its affiliates.
• Initiate or approve accounting transactions external to the Audit Division.
• Direct the activities of any organization employee not employed by the Institute, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Audit Division.

Standards of Audit Practice
Audit Division assurance activity is governed by the mandatory guidance of The Institute of Internal Auditors’ definition of Internal Auditing, the IIA Code of Ethics, and the IIA’s Internal Standards for Professional Practice of Internal Auditing (Standards). Audit Division advisory activity is governed by the guidance offered in the IIA’s Practice Guides.

Approved this 4th day of March, 2015.

[Signatures]
Institute Auditor
Risk and Audit Committee Chairman
Executive Vice President and Treasurer