

INTERNAL AUDIT CHARTER

FUNCTION AND ROLE OF INTERNAL AUDITING

Internal Auditing functions as an independent, objective assurance and consulting activity designed to add value and improve the operations of Centro Escolar University (CEU). As a service to the Board of Directors and all levels of Management, it reviews financial and operating activities (manual and information technology-based) and helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control procedures and governance processes.

The Internal Audit function is established by the Board of Directors, guided by the Standards for the Professional Practice of Auditing Profession and the Code of Ethics of the Institute of Internal Auditors (IIA).

The responsibilities of the Internal Audit Department of CEU, as defined by the Audit Committee of the Board, are as follows:

1. Examining and verifying transactions to ensure compliance with laws and rules imposed by government regulatory agencies and CEU rules and directives, likewise citing deviations therefrom and devising a monitoring system for the regularization of such transactions.
2. Reviewing financial transactions to ensure integrity of financial information.
3. Identifying potentially anomalous conditions or irregularities in corporate transactions.
4. Ensuring that controls established to protect the corporate assets and prevent fraud are effectively maintained and monitored, and that proper accountabilities exist.
5. Following up systems and procedures to verify that once they are installed, they operate effectively and efficiently in accordance with the changing framework of the environment where they operate.
6. Recommending appropriate improvements in controls.

Under the concept of "partnership with management," the internal auditors (now called "business partners and advisors") provide a broad range of assistance to management including identification and assessment of business risks in the various financial and operational areas, and evaluation of the adequacy of the management control structure in providing relevant and accurate information for decision-making and

accomplishment of business objectives. As such, the Internal Audit Department covers financial and operations review and management services.

PURPOSE AND OBJECTIVE OF THE INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to assist CEU in reaching its goals by determining that controls exist and are functioning to ensure, as far as is practical, the orderly and efficient conduct of its business. The objective of the function is to assist management in attaining its goals by furnishing information, analyses, appraisals, and recommendations pertinent to management's duties and objectives.

REPORTING RELATIONSHIP OF THE INTERNAL AUDITOR

The Internal Auditor of CEU shall report functionally to the Audit Committee of the Board and administratively to the President/CEO. The President shall evaluate the performance of the Internal Auditor, provided that any personnel action involving the Internal Auditor shall have the concurrence of the Audit Committee. The Internal Auditor shall have direct access to the Audit Committee and its Chairman regarding matters that he/she believes to be of sufficient magnitude and importance to require the immediate attention of the Chairman and/or the Audit Committee.

AUTHORIZATION AND RESPONSIBILITY OF INTERNAL AUDIT GROUP

✓ Authorization is granted to the Internal Audit Department for full and complete access to any CEU records (either manual or information technology-based), physical property, systems and personnel relevant to a review. Documents and information given to the Internal Audit Department during a particular review shall be handled in the same prudent manner as by those employees normally accountable for them. The staff of the Internal Audit Department shall not use any confidential information for personal gain or in a manner which would be detrimental to the welfare of CEU.

✓ The Internal Audit Department has no direct responsibility or authority over any of the activities or operations under review. Recommendations on audit findings shall be given to Management for review, approval and implementation, copy furnished to the Audit Committee.

✓ The activities of the Internal Audit Department shall be coordinated with CEU's external auditors to ensure that optimum audit coverage is obtained at minimum cost.

***Adopted by the Audit Committee and Approved by the Board on May 30, 2003**