



GRAMBLING
STATE UNIVERSITY®

OFFICE OF INTERNAL AUDIT AUDIT MANUAL

Effective: October 31, 2006

Revised: August 2023

Introduction

The purpose of this manual is to outline the authority and scope of the internal audit function within Grambling State University and to provide standards and guidelines and procedures for the Internal Audit Department. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of the staff members comprising the Internal Audit Department. The overall objective of the internal audit activity is to provide all levels of University management and the Board of Supervisors of the University of Louisiana System (Board) with an independent assessment of the quality of the University's internal controls and administrative processes, and provide recommendations and suggestions for continuous improvement. This manual provides guidance; however, individual auditor's judgment is required in applying this information to specific assignments.

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GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

Section: 1000

Subject: Purpose Authority, and Responsibility

Purpose

The internal audit activity was established in accordance with an Act of the Louisiana Legislature which requires any State agency with an appropriation level of thirty million dollars or more to have an internal auditor. The purpose, authority, and responsibility of the internal auditing function are defined in formal written charters. The University's charter was approved by the University President and the Board chairman. The system charter was approved by the Board. The charters (1) establish internal audit's position within the system and University; (2) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (3) define the scope of internal auditing activities. As provided in the audit charters, the Internal Audit Department has full, free, and unrestricted access to all activities, records, property, and personnel of the University.

University of Louisiana System
INTERNAL AUDIT CHARTER
Effective Date: April 27, 2023

Policy Number: FB-IV.(1-a) Policy and Procedures Memorandum

Introduction

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity for the University of Louisiana System (System). The charter establishes the internal audit activity's position within the System and the Universities within the System; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The University of Louisiana System supports a Chief Audit Executive and Compliance Officer as a staff function and as a coordinator of a System-wide, independent appraisal function to examine and evaluate the business and administrative activities of the System's universities. The System supports this staff function as a service to System executive management and the Board of Supervisors Audit Committee (Audit Committee). In carrying out his/her duties and responsibilities, the Chief Audit Executive and Chief Compliance Officer will have full, free, and unrestricted access to all activities, records, property, and personnel within the entire System. The Chief Audit Executive and Chief Compliance Officer shall report to the Board of Supervisors through the Audit Committee directly and to the System President. The System President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation, and compensation of the Chief Audit Executive and Chief Compliance Officer.

The internal auditing function consists of the Campus Offices of Internal Audit, whose Directors report to their respective Presidents and to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer. The Chief Audit Executive and Chief Compliance Officer will prepare, for approval by the System President, a consolidated System-wide audit plan. Such plan will incorporate each campus' proposed audit plan, each of which shall include input from the President and CFOs as to areas of audit concern and areas subject to increased risk. The proposed individual plans will identify the audits to be conducted at each campus during the year. The System-wide audit plan will identify areas of audit concern on a campus-by-campus basis, as well as a System-wide approach. The final plan shall be reviewed and, if necessary, revised by the Audit Committee and then approved by the Board at an open meeting.

Purpose and Mission

The purpose of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the System and the Universities within the System. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the System and the Universities within the System accomplish their

objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the System and the Universities within the System.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The Chief Audit Executive and Chief Compliance Officer will report periodically to the System President and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards. Also, the Campus Directors will report periodically to their University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee regarding the Campus internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The System or University's internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role. To establish, maintain, and assure that the internal audit activities of the System and the Universities within the System have sufficient authority to fulfill their duties, the Audit Committee will:

- exercise oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations.
- review and approve the annual risk-based internal audit plan and receives interim progress reports at least quarterly.
- review and approve the internal audit budget and resource plan, and any significant change to the resource plan, to achieve the internal audit plan.
- consult with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive and Chief Compliance Officer.
- receive periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Internal Audit will have unrestricted access to and communicate and interact directly with the Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Audit or review any function, activity, or unit of the System or Universities within the System and the accounts of all organizations required to submit financial statements to the Universities.

- Have direct and unrestricted access and present to the System President or University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- 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 of the System or University where they perform audits, as well as other specialized services from within or outside the System or University, in order to complete the engagement.

Independence and Objectivity

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive and Chief Compliance Officer or Campus Directors determine that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

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.

Internal auditors 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:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the System, the Universities within the System or affiliated organizations.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any System or University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the Campus Directors of Internal Audit, who reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to the President of their University.

Where the Chief Audit Executive and Chief Compliance Officer or Campus Director 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:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Chief Audit Executive and Chief Compliance Officer will confirm to the System President and the Audit Committee the organizational independence of the internal audit activity. Also, the Campus Directors will confirm to the University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee, the organizational independence of the internal audit activity. The Chief Audit Executive and Chief Compliance Officer and Campus Directors will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of the System and the Universities within the System. Internal audit assessments include evaluating whether:

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

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will report periodically to senior management and the Audit Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors also coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity 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.

Responsibility

The Chief Audit Executive and Chief Compliance Officer or Campus Director has the responsibility to:

- Annually develop and submit to senior management and the Audit Committee a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls of the System and the Universities within the System.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Chief Audit Executive and Chief Compliance Officer and the Campus Directors assure the operations of the internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the System or the Universities within the System are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.

- Assist in the investigation of significant suspected fraudulent activities within the System or the Universities within the System and notify management and the 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.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to relevant policies and procedures of the System and the Universities within the System, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Submit written and timely reports to appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Ensure that Campus auditors forward a copy of each internal audit report and a summary to the Chief Audit Executive and Chief Compliance Officer.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive and Chief Compliance Officer or Campus Director will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

Meetings

Prior to each Audit Committee meeting, the Chief Audit Executive and Chief Compliance Officer will provide the Audit Committee members with information relating to the status of audit activities. Such information should include, but not be limited to, audit reports, audit follow-up and the implementation of recommendations, management services, external audits, and other relevant information. In addition, annual audit plans, staffing plans, financial and budget reports, and other appropriate information will be provided and reviewed as necessary.

Review Process:

System Administration Staff

Policy References:

Association of College & University Auditors

Institute of Internal Auditors

Distribution:

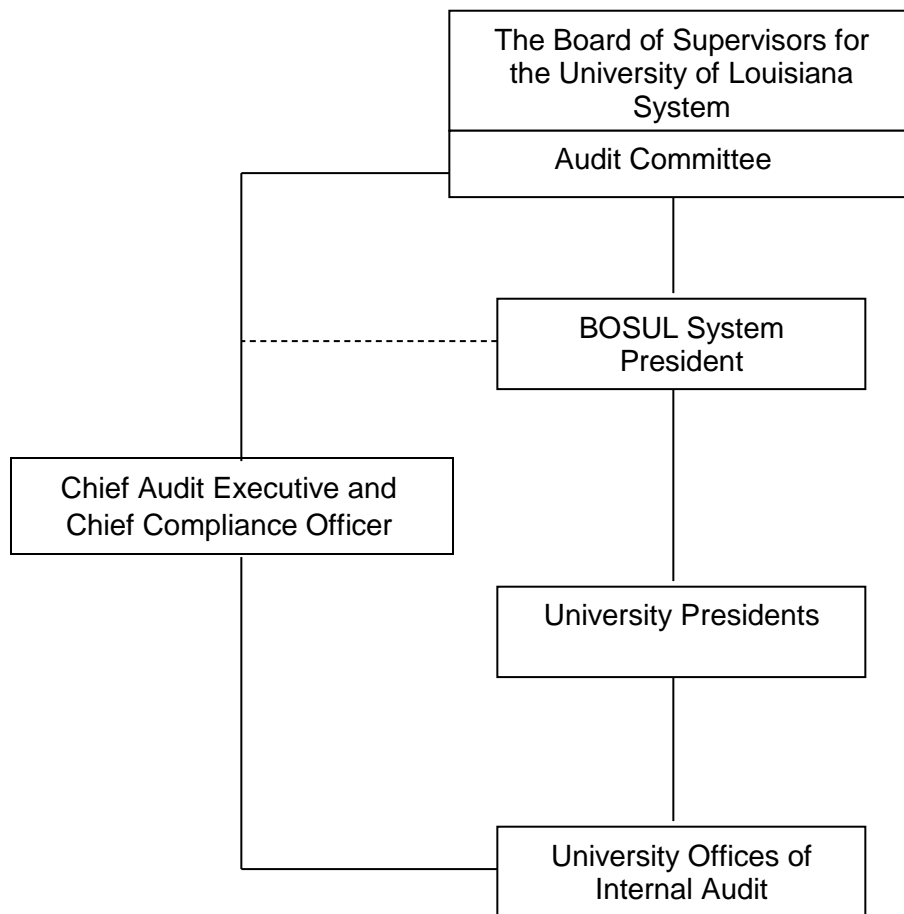
University Presidents

Campus Internal Audit

Directors

**ORGANIZATIONAL CHART FOR
THE BOARD OF SUPERVISORS FOR THE UNIVERSITY OF LOUISIANA SYSTEM (BOSUL)**

INTERNAL AUDITING FUNCTION



Note:

Each campus office of Internal Audit reports functionally to the System and administratively to their respective President. Quarterly, a report of System audit activities will be presented to the Board.

GRAMBLING STATE UNIVERSITY INTERNAL AUDIT ACTIVITY CHARTER

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity at Grambling State University. The charter establishes the internal audit activity's position within the University; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Purpose and Mission

The purpose of the University's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The Director of Internal Audit will report periodically to the University President and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The University's internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role. The Director of Internal Audit will report administratively (i.e., day-to-day operations) to the President of the University and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee. To establish, maintain, and assure that University's internal audit activity has sufficient authority to fulfill its duties, the Audit Committee will:

- exercise oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations.
- review and approve the annual risk-based internal audit plan and receive interim progress reports at least quarterly.
- review and approve the internal audit budget and resource plan, and any significant change to the resource plan, to achieve the internal audit plan.
- consult with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive and Chief Compliance Officer.
- receive periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

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The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with the Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Audit or review any function, activity, or unit of the University and the accounts of all organizations required to submit financial statements to the University.
- Have direct and unrestricted access and present to the President of the University any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- 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 of the University where they perform audits, as well as other specialized services from within or outside the University, in order to complete the engagement.

Independence and Objectivity

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

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.

Internal auditors 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:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University or its affiliates.
- Initiating or approving transactions external to the Department of Internal Audit.

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- Directing the activities of any University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, its personnel will report to the University's Director of Internal Audit, who reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to the President of the University. The University President has authority to handle all personnel matters regarding Internal Audit. Therefore, internal audits and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them.

Where the Director of Internal Audit 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:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Director of Internal Audit will confirm to the University President and, through the Chief Audit Executive and Chief Compliance Officer, the Audit Committee the organizational independence of the internal audit activity. The Director of Internal Audit will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The actions of the University's officers, executive management, directors, managers, employees, and contractors are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.

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- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity 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.

Responsibility

The Director of Internal Audit has the responsibility to:

- Annually develop and submit to senior management and the Audit Committee a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

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- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Director of Internal Audit assures the operations of internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the University and notify management and the 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.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to the University's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Submit written and timely reports to the President of the University and appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Forward a copy of each internal audit report and a summary to the Chief Audit Executive and Chief Compliance Officer.
- Ensure conformance of the internal audit department with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Director of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

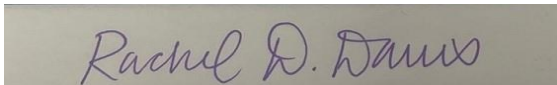
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- If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Director of Internal Audit will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program is detailed in the Audit Manual of the University's Office of Internal Audit. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards and Act 314 of the 2015 Regular Legislative Session (*L.R.S. 17:3351*) provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive will communicate to executive management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (*ongoing monitoring and periodic internal assessments*) and external assessments.



University Director of Internal Audit

August 1, 2023

Date

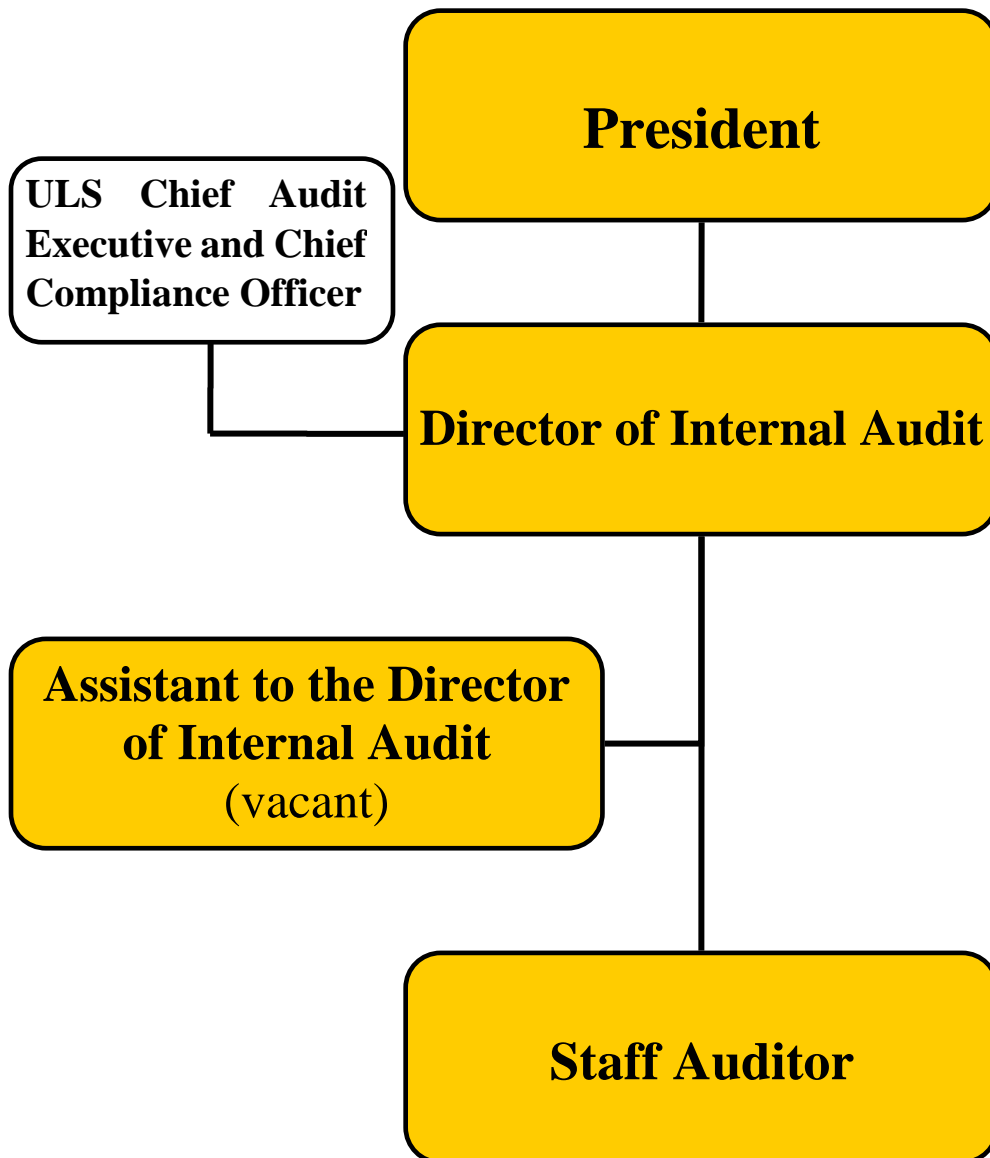


University President

August 1, 2023

Date

Grambling State University Internal Audit Organizational Chart



Organizational Independence

The Director and staff of the Internal Audit Department are independent of the activities they audit. The University's Director of Internal Audit reports functionally through the Chief Audit Executive and Chief Compliance Officer to the Audit Committee and administratively to the President of the University. The Chief Audit Executive and Chief Compliance Officer reports functionally to the Board of Supervisors through the Audit Committee and administratively to the System President. The Chief Audit Executive and Chief Compliance Officer has direct communication with the Audit Committee. The Chief Audit Executive and Chief Compliance Officer regularly attends and participates in those meetings of the Audit Committee which relate to its oversight responsibilities for auditing and finance. The Chief Audit Executive and Chief Compliance Officer regularly makes written and/or oral reports to the Audit Committee.

Employment of the University's Director of Internal Audit requires approval of the Audit Committee of the University of Louisiana System. The University's Director of Internal Audit and the President of the University meet routinely, at least annually, with the Chief Audit Executive and Chief Compliance Officer. The President and the University's Director of Internal Audit communicate regularly and meet as needed. Meetings may be called by either party. The Director of Internal Audit has direct access at any time to the President of the University and to the Chief Audit Executive and Chief Compliance Officer for the Audit Committee of the University of Louisiana System.

Audits to be performed are determined by the Audit Committee, the University President and the Director of Internal Audit. Input is also obtained as to areas of audit concern and areas subject to increased risk from other key employees of the University, such as the Vice Presidents.

Annually, an audit plan is developed by the Internal Audit Department and forwarded to the Chief Audit Executive and Chief Compliance Officer. The audit plan is based upon the Internal Audit Department's assessment of risks related to potential auditable areas. From the Universities' audit plans, the Chief Audit Executive and Chief Compliance Officer develops a system wide audit approach. The final system wide audit plan is reviewed and revised if necessary by the Audit Committee and then approved by the full Board at an open meeting. The Audit Committee maintains oversight of the auditing function throughout the System.

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Audit Committee for approval. Any significant interim changes are also submitted to the Audit Committee for approval.

All internal audit reports and executive summaries are submitted to the University President and the Chief Audit Executive and Chief Compliance Officer. The Chief Audit

Executive and Chief Compliance Officer routinely submits status reports to the Audit Committee, System President, and University President.

Grambling State University Management Control Policy

1. Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the University in a manner which provides the Audit Committee reasonable assurance that:
 - Data and information published either internally or externally is accurate, reliable, and timely.
 - The actions of directors, officers, and employees are in compliance with the University's policies, standards, plans and procedures, and all relevant laws and regulations.
 - The University's resources are adequately protected.
 - Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasized.
 - The University's plans, programs, goals, and objectives are achieved.

Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the University to:

- Identify and evaluate the exposures to loss which relate to their particular sphere of operations.
 - Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.
 - Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph.
 - Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.
2. The internal audit activity is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the University are adequately designed and are functioning in an effective manner. Internal auditing is also responsible for reporting to management and the Audit Committee on the adequacy and effectiveness of the University's systems of internal control, together with ideas, counsel, and recommendations to improve the systems.
 3. The Audit Committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of management, the internal audit activity, and the external auditors as those duties and responsibilities relate to the University's processes for controlling its operations. The Audit Committee is also responsible for determining that all major issues reported by the internal audit activity, the external auditor, and other outside advisors have been satisfactorily

resolved. Finally, the Audit Committee is responsible for reporting to the full board all important matters pertaining to the University's controlling processes.

Objectivity

Internal Audit employees are assigned to engagements so that potential and actual conflicts of interest and bias are avoided. Members of the internal audit department are required to be objective and maintain an independent mental attitude in performing assignments. They must have an impartial, unbiased attitude and avoid conflicts of interest, and maintain confidentiality of information and records reviewed.

Internal audit personnel complete a conflict of interest statement concerning potential conflicts of interest. Internal audit staff has been instructed to report to the Director any situations in which a conflict of interest or bias is present or may reasonably be inferred. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. When any such situations are reported, the Director will then reassign the auditor. Independence is addressed in the audit planning memoranda of individual audits to remind internal audit staff of the importance of maintaining an independent mental attitude when conducting audits.

Members of the Internal Audit Department are required to refrain from assessing specific operations for which they were previously responsible. Providing assurance services for an activity for which the internal auditor had responsibility within the previous year is not allowed. Assurance engagements for functions over which the Director of Internal Audit has responsibility will be overseen by a party outside the internal audit activity. However, internal audit personnel may provide consulting services relating to operations for which they had previous responsibilities. If internal audit personnel have potential impairments relating to proposed consulting services, disclosure will be made to appropriate personnel prior to acceptance of the project.

As detailed in the audit charters, internal auditors do not assume operating responsibilities. In performing their work, the Director and other internal audit staff members have no direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them. The drafting of procedures for systems is not an audit function. The Director reviews the results of internal auditing work before the related audit report is released to provide reasonable assurance that the work was performed objectively.

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

Section: 1100

Subject: Independence and Objectivity

If senior management directs the Internal Audit Department to perform non-audit related work, the Director will inform management that the activity is not audit related, the employees are not functioning as internal auditors; and, therefore, audit-related conclusions should not be drawn.

Confidentiality/Conflict of Interest Statement

Grambling State University Office of Internal Audit

In the routine performance of providing audit services to Grambling State University (GSU), the Office of Internal Audit has unlimited access to documentation, systems, personnel, other information that may be confidential in nature. With access comes a responsibility to maintain confidentiality of information and records reviewed. To ensure the confidential nature of our work and the need for independence in carrying out our engagements, each employee within GSU's Office of Internal Audit is required to complete the following statement either as a new employee or annually in September. Statements will be reviewed and approved by the employee's supervisor and maintained on file in our office.

Confidentiality/Conflict of Interest Statement

As an employee in the Office of Internal Audit at Grambling State University, I understand that I may work with data that is confidential in nature and in many cases protected by federal or state laws. I agree to the following with respect to carrying out audit reviews and projects:

- I will not disclose confidential or personally sensitive information related to an audit other than as needed for the benefit of the University and then only on a "need to know" basis or in compliance with the Public Records Law.
- I am familiar and will seek to comply with the *Code of Ethics* of the Institute of Internal Auditors and the State of Louisiana *Code of Governmental Ethics*.
- I am familiar and will seek to comply with the "International Standards for the Professional Practice of Internal Auditing."
- I will seek to maintain professional independence and will bring any known conflict of interest which would inhibit my independence in carrying out an engagement to the attention of the Office of Internal Audit.

I have read and agree to abide by the Internal Audit Confidentiality/Conflict of Interest Statement.

Employee Signature

Supervisor Signature

Employee Name - Please Print

Supervisor Name – Please Print

Date

Date

Proficiency

The Director of Internal Audit ensures that persons assigned to each engagement collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly and each auditor possesses the knowledge, skills, and other competencies needed to perform his/her individual responsibilities. Criteria of education and experience has been established for each audit position, giving due consideration to scope of work and level of responsibility. Education and experience criteria are included in employees' job descriptions. Through the use of school transcripts, position descriptions, job announcements, and personal interviews the Internal Audit Department obtains reasonable assurance of prospective auditor's qualifications and proficiency.

The internal audit staff is expected to have sufficient knowledge to identify the indicators of fraud; however, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

The internal audit staff is expected to have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, the auditors are not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

If the internal audit staff does not possess the required expertise to conduct an audit or consulting project, the department has the option of declining the engagement or obtaining the required expertise through training or the use of consultants. If the Director decides to use and rely on the work of an outside consultant or service provider, he/she will assess the competency, independence, and objectivity of the outside service provider.

Fraud

Internal audit members are not expected to have the expertise of a person whose primary responsibility is fraud detection and investigation. Internal auditors are responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control. The internal audit department's responsibilities for fraud *detection* are to:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed.
- Be alert to opportunities, such as control weaknesses, that could allow fraud.
- Evaluate the indicators that fraud may have been committed and decide whether any further action is necessary or whether an investigation should be recommended.
- Notify the appropriate authorities within the organization if a determination is made that there are sufficient indicators of the commission of a fraud to recommend an investigation.

The internal audit department may perform extended procedures to determine whether fraud has occurred.

When conducting fraud *investigations*, the internal auditor staff will:

- Assess the probable level and the extent of complicity in the fraud within the University.
- Determine the knowledge, skills, and disciplines needed to effectively carry out the investigation.
- Design procedures to follow in attempting to identify the perpetrators, extent of the fraud, techniques used, and cause of the fraud.
- Coordinate activities with management personnel, legal counsel, and other specialists as appropriate throughout the course of the investigation.
- Be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the University itself.

Once a fraud investigation is concluded, internal auditors will assess the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Design audit tests to help disclose the existence of similar frauds in the future.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

When the incidence of significant fraud has been established to a reasonable certainty, senior management and the Audit Committee will be notified immediately.

Louisiana Revised Statute 24:523

§523. Notification of the legislative auditor and district attorney

A. An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. "Reasonable cause" shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency funds or assets has occurred. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation.

B. For the purposes of this Section the terms "agency head" and "his agency" shall have the same meanings as provided in R.S. 42:1102.

C. When misappropriation is discovered and reported, the attorney general, at the request of the legislative auditor, shall be authorized to recover misappropriated funds from the responsible party by civil suit. Upon a finding of misappropriation, the attorney general shall also seek restitution from the responsible party of those costs incurred by the legislative auditor to audit, investigate, or report an allegation of misappropriation, and all costs and reasonable attorney fees incurred by the attorney general in the civil suit shall be recoverable from the responsible party.

D. For the purposes of this Section, "responsible party" means the person or entity actually responsible for the reported misappropriation.

Acts 2001, No. 1101, §1; Acts 2014, No. 692, §1.

Director of Internal Audit Job Description

PURPOSE OF POSITION: Provides independent appraisals of the University's activities and reports on adequacies of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with institutional policies and governmental laws and regulations. Furnishes analyses, recommendations, counsel, and information concerning the activities reviewed.

QUALIFICATIONS/REQUIREMENTS: A Bachelor's degree in Accounting or Finance related field is required. A Master's degree is preferred. Professional certification such as a CIA, CPA, or CFE is required. A minimum of five years of accounting experience including supervisory experience is required. Must have analytical and problem resolution skills. Must have the ability to use productivity software such as Microsoft Office (Banner a plus). Must possess excellent oral and written communication skills. Must have the ability to work effectively with campus and system administrators and diverse campus constituencies. We are seeking an outstanding professional with personal integrity and the ability to work collaboratively in a collegial atmosphere.

DUTIES AND RESPONSIBILITIES:

- Promotes high professional standards by establishing goals and objectives for the Internal Audit Department through the preparation of annual audit plan approved by the University President and the University of Louisiana Board of Supervisors.
- Evaluates and maintains an efficient staff through appropriate supervision and training.
- Provides comprehensive audits to review and evaluate management controls over financial and operational activities and compliance with laws and regulations. Issues audit reports providing copies to the appropriate management having an interest and responsibility in subject reviewed and to others with related interests.
- Provides follow-up audits to review and evaluate corrective actions required and taken by responsible management in response to deficiencies described in audit reports. When action is considered inadequate, follow-ups are continued with appropriate levels of management until the matter is resolved.
- Assists the President and management, when requested by conducting reviews, that provide information and analytical data within specific areas or interest.
- Maintains a working relationship with the Chief Audit Executive and Chief Compliance Officer.
- Other duties as assigned.

Staff Auditor - Job Description

PURPOSE OF POSITION: Under the general supervision of the Director of Internal Audit, the Staff Auditor contributes to overall operating efficiency by ensuring adherence to effective and efficient operating procedures and by evaluating systems of internal control throughout the University. The Staff Auditor is responsible for the design and implementation of audit processes, procedures and methodologies, developing and monitoring customized audit program, planning and performing operational audits to ensure compliance with applicable institutional policies, government laws and regulations, and professional standards.

QUALIFICATIONS/REQUIREMENTS: A Bachelor's degree in Accounting (or other business/technology field) and one to five years of auditing experience required. A professional certification of CPA, CIA, CFE or working towards a professional certification is required. Must have the ability to use productivity software such as Microsoft Office (Banner a plus). Must have analytical and problem resolution skills. Must possess excellent oral and written communication skills. Must have one to five years of relevant accounting or auditing experience. We are seeking an outstanding professional with a high level of professional and personal integrity and ethics and the ability to work collaboratively in a collegial atmosphere. A minimum of three years of higher education auditing experience preferred. Master's Degree preferred.

DUTIES AND RESPONSIBILITIES:

- Coordinate and conduct audits which will appraise the appropriateness, adequacy, and application of accounting, financial, and internal operating controls.
- Coordinate and conduct audits which will ascertain the extent of compliance with established university and the extent to which the university's assets are safeguarded from losses of all kinds and deter fraud or other irregularities.
- Create, collect and maintain work papers; and, draft audit findings for the development of audit reports which are for the use of response by university management.
- Report and recommend corrective action where variations, inconsistencies, or inaccurate methods and procedures are being followed.
- Perform other special assignments as requested by the Director.
- Consult with management throughout the university, advising them on internal controls, procedures for accounting and accounting-related functions and advise on the establishment or revision of those procedures to ensure that adequate protection of university assets is being maintained.
- Maintain contact with pertinent university management personnel in connection with conducting audits and discussing findings, recommending changes in various operating routines, & administering other responsibilities.
- Other duties as assigned.

Due Professional Care

The internal audit staff is required to exercise due professional care in performing audits/assurance services. The auditors are expected to use reasonable audit skill and judgment in performing the audits and consider the following:

- Extent of audit work needed to achieve the audit objectives.
- Relative materiality or significance of matters to which audit procedures are applied.
- Adequacy and effectiveness of risk management, control, and governance processes.
- Audit cost relative to potential benefits.
- Probability of significant errors, irregularities, or noncompliance.
- The use of computer-assisted audit tools and other data analysis techniques.

Additionally, they should exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- relative complexity and extent of work needed to achieve the engagement's objectives; and, cost of the consulting engagement in relation to potential benefits.

The internal audit staff is required to be alert to the possibility of errors and/or fraud and the significant risks that might affect operations. However, assurance procedures alone do not guarantee that all significant risks will be identified. The auditors should document their assessment of at-risk areas in the planning memo/preliminary survey and the audit program.

Continuing Professional Education

The internal audit staff is responsible for continuing their education in order to maintain their professional proficiency. Continuing education is obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs.

Audit staff is provided with time to take continuing educational courses sufficient to maintain professional certifications. For example, internal auditors who are licensed Certified Public Accountants complete at least 120 hours of continuing professional education every three years to meet the requirements of the Louisiana State Board of Accountancy. Auditors are allowed a reasonable amount of work time to participate in professional organizations. Through membership in organizations such as the American Institute of Certified Public Accountants, Society of Louisiana CPAs, Institute of Internal Auditors, Louisiana Association of College and University Auditors (LACUA) and Association of College and University Auditors (ACUA), auditors keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Subject to budgetary constraints, the internal audit department pays for the reasonable costs of training.

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Section: 1200

Subject: Proficiency and Due Professional Care

Each internal audit staff member maintains documentation of his/her continuing education.

Certifications

Each auditor is encouraged to obtain professional certification, such as:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)
- Certified Management Accountant (CMA)
- Certified Government Financial Manager (CGFM)

Quality Assurance and Improvement Program

The Director of Internal Audit has developed and maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The program is designed to help the internal auditing activity add value, improve the University's operations, assess the efficiency and effectiveness of the internal audit activity in meeting the needs of its stakeholders, identify opportunities for improvement, and enable an evaluation of the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). The program includes ongoing monitoring of the performance of the internal audit activity and periodic internal self-assessments. Selected sections of the checklists contained in Appendices of the Institute of Internal Auditors' Quality Assessment Manual or similar checklists are tailored and used to assist with ongoing monitoring and periodic internal self-assessments.

Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) became effective on August 1, 2015. As required by the IIA Standards, an external assessment of GSU's internal audit activity must be completed by a qualified, independent assessor or assessment team from outside the organization by July 31, 2020, which is five years of the effective date of the Act. External assessments will be required to be conducted at least once every five years thereafter.

Ongoing Monitoring

Ongoing internal assessment or monitoring is conducted throughout the audit cycle and is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. It is incorporated into the routine policies and practices used to manage the internal audit activity. Ongoing monitoring ensures that audit policies and procedures are in compliance with the applicable planning, fieldwork, and reporting Standards. The main component of the ongoing monitoring consists of the Director of Internal Audit's supervision of all audit engagements during all stages of the audit, from planning to report preparation. The Director of Internal Audit does the following:

- Ensures that she and the internal staff auditor assigned to the projects possess the requisite knowledge and skills and have no conflicts of interest. For each engagement, this is documented in the planning/preliminary survey memorandum (WP B-2) and the Conflict of Interest Certification which is signed by each member of the audit team annually (WP B-2.1).
- Establishes or approves the objectives and scope of the engagement documented in the Notification Letter (WP B-1).
- Prepares or approves the audit/engagement program (WP B-3) for each engagement.
- Provides daily supervision of staff and provides instructions and feedback during the planning, evidence gathering, and reporting stages of each audit.
- Performs detailed reviews of the working papers completed by staff. Initials and dates the working papers indicating the date reviewed. Prepares review, supervision, and to do notes as considered necessary and includes them in the audit files as (WP B-4). These procedures are performed to ensure the audit procedures are performed in compliance

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Section: 1300

Subject: Quality Assurance and Improvement Program

with the applicable IIA Standards and to verify the working papers adequately support the audit findings, conclusions, and report.

- Ensures that the approved audit/engagement program is properly carried out and the audit objectives are met (WP B-3).
- Ensures the audit reports (WP A-1) are accurate, objective, clear, concise, constructive, and timely and are cross referenced to the supporting working papers.
- Monitors reasonableness of the time charged to the audit project.
- Provides opportunities for developing the knowledge and skills of internal audit staff.
- Ensures that, upon completion of individual engagements, questionnaires/surveys (see examples on pages 40-41) are sent to auditee personnel to obtain feedback regarding the internal audit activity's performance. These self-assessments can sometimes result in suggestions to make the Internal Audit Department more effective and responsive to management's needs.
- Analyzes performance to improve the internal audit activity's effectiveness and efficiency. The following tools are used to analyze performance to improve the internal audit activity's effectiveness and efficiency.
- Formal performance evaluations are conducted of department personnel annually, in accordance with the policies and procedures for the unclassified staff. When the annual performance evaluations are conducted, the performance goals are compared with the employees' actual performance.
- At the end of each audit, along with the audit report, the GSU Director of Internal Audit submits a report summary to the Chief Audit Executive and Chief Compliance Officer.
- Prior to each meeting of the Audit Committee, the GSU Director of Internal Audit submits a schedule of audits completed, audits in progress, and audits pending follow-up to the Chief Audit Executive and Chief Compliance Officer. The Chief Audit Executive and Chief Compliance Officer combines GSU's schedule with the schedules of all the other UL System Universities and presents the combined summary to the Audit Committee.

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Section: 1300

Subject: Quality Assurance and Improvement Program

Periodic Internal Self-Assessments

Periodically (at least annually), the department conducts self-assessments to evaluate of the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). During the self-assessments, audit files are reviewed and assessed. The IIA does not specify how many audits should be reviewed but suggest a minimum of between 10-20 percent. We have determined that our assessment of audit files will be conducted every other fiscal year. The audits assessed will be chosen by random selection from audits completed in the previous two-year period. At the end of the 5year period, we will have assessed 10-20 percent of our completed audits.

Internal Audit performance metrics and best practices may be considered during the assessments; however, the self-assessments are geared toward verifying compliance with the mandatory elements of the IPPF. Some of the best practices that may be considered include the use of graphics in reports, electronic distribution of reports, electronic archiving of audit reports, Director of Internal Audit's requests for input from management on the annual audit plan, the campus director's annual submission of a risk based internal audit plan, work schedule, and staffing plan to the University President and the Audit Committee for review and approval, alignment of the mission of the internal audit department with the University's mission.

The audit director provides daily supervision of staff and performs detailed reviews of all working papers completed by staff. The Director:

1. Ensures that the auditor assigned to the project possesses the requisite knowledge and skills.
2. Provides instructions during the planning stages of the audit.
3. Prepares or assists in the preparation of the audit programs.
4. Establishes or approves the objectives and scope of the engagement.
5. Prepares or approves the preliminary survey, audit program, and planning memorandum.
6. Ensures that the approved audit program is carried out.
7. Reviews the working papers to determine that they adequately support the audit findings, conclusions, and report.
8. Ensures that audit reports are accurate, objective, clear, concise, constructive, and timely.
9. Ensures that audit reports are cross referenced to the supporting working papers.
10. Monitors reasonableness of the time charged to the audit project.
11. Ensures that audit objectives are met.
12. Provides opportunities for developing internal auditors' knowledge and skills.

Resolution of differences in professional judgment between the director and internal audit staff members over significant issues relating to the audit assignment are to be documented in the working papers. In instances of a difference in professional judgment over an ethical issue, the issue will be referred to those individuals in the University having responsibility over ethical matters, or, if necessary, the Board of Ethics.

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

Section: 1300

Subject: Quality Assurance and Improvement Program

The director provides additional forms of supervision by approving staff training and development, time and expense reports, and similar administrative areas. Evidence of supervision in the form of review checklists, review notes, and/or initials/dates on working papers are prepared and retained in the working papers.

Due to the small size of the Internal Audit Department and limited resources, the internal review program has been adapted to take into consideration the structure of the department and degree of involvement of the Director in individual audits

External Assessments

External assessments include continuous oversight of the department by the Chief Audit Executive and Chief Compliance Officer and the Audit Committee and reviews of the internal audit reports and working papers by external auditors. Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351), which became effective on August 1, 2015, requires the following:

- Any board with an appropriation of \$30 million or more must establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.
- The chief audit executive shall maintain organizational independence in accordance with the standards and shall have direct and unrestricted access to the management board.
- The chief audit executive shall annually certify to the management board that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.

The IIA Standards require that external assessments of the internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. An external assessment of GSU's internal audit activity will be conducted by August 1, 2020, which is within five years of the effective date (August 1, 2015) of Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351). The external assessment will be in the form of either a full external assessment or a self-assessment with independent external validation. The following will be discussed with University management and the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Reporting

To demonstrate conformance with the Code of Ethics and the Standards, the results of periodic internal and external assessments will be communicated to University management and the Chief Audit Executive and Chief Compliance Officer upon completion of such assessments and the results of ongoing monitoring will be communicated at least annually. The results will include the scope and frequency of the internal and external assessments, the qualifications and

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

Section: 1300

Subject: Quality Assurance and Improvement Program

independence of the assessor(s) or assessment team (including any potential conflicts of interest), conclusions of assessors, and any corrective action plans.

Use of Terminology: “Conforms with the Standards”

The internal audit activity cannot indicate that it conforms to the Standards until supported by the results of the quality assurance and improvement program. The results of the quality assurance and improvement program include the results of both internal and external assessments. Therefore, GSU’s internal audit activity will not indicate conformance with the Standards in its internal audit reports until the results of an external assessment is received that achieves the outcomes described in the Code of Ethics and the Standards.

Example E-mail and Customer Survey

TO: (Name of Dept. Head of Audited Activity)
FROM: Rachel D. Davis, Director
Office of Internal Audit
SUBJECT: Auditee Survey

We recently completed an engagement in your area of responsibility (**title of the engagement**). To assist us in evaluating the effectiveness of the internal audit function at Grambling State University, I would appreciate your response to the attached survey. Your response will help us maintain a high level of service and add value to the university’s operations. An explanation for any “NO” answers would be appreciated. If possible, please email the completed survey to me by **(date)**.

Thank you for your constructive comments. If you have any questions or concerns regarding this survey, please telephone me at extension 2442.

Please respond directly to:

Rachel D. Davis

Director of Internal Audit

Long Jones Hall, Room 201

GSU Box 4209 | 403 Main Street | Grambling, LA 71245

Phone: 318-274-2442 | Fax: 318-274-2725

davisra@gram.edu | www.gram.edu

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Section: 1300

Subject: Quality Assurance and Improvement Program

Example Customer Survey

Area Reviewed: _____

Report Issue Date: _____

Respondent's Name: _____

<u>Evaluation Criteria</u>	<u>Yes</u>	<u>No (Please Explain)</u>	<u>Not Applicable</u>
1. The audit was conducted in a courteous and professional manner.	[]	[]	[]
2. The audit was conducted with as little inconvenience to you as possible.	[]	[]	[]
3. The objectives of the audit were clearly communicated.	[]	[]	[]
4. Audit recommendations were accurate and constructive.	[]	[]	[]
5. The auditor(s) had adequate knowledge of the subject.	[]	[]	[]
6. The final report was accurate and clearly communicated the audit results.	[]	[]	[]
7. You were offered the opportunity to provide explanations or responses to the audit observations.	[]	[]	[]
8. Overall, the audit provided value for your area of responsibility.	[]	[]	[]
9. Was there anything about the audit you especially liked? If Yes, please describe: _____	[]	[]	[]
10. Was there anything about the audit you especially disliked? If Yes, please describe: _____	[]	[]	[]

GSU OFFICE OF INTERNAL AUDIT – AUDIT MANUAL

Section: 2000

Subject: Management of the Internal Audit Activity

Audit Plan

Prior to the beginning of each fiscal year, the University's Director of Internal Audit meets with the Chief Audit Executive and Chief Compliance Officer of the University of Louisiana System and the University President to discuss the internal audit plan for the upcoming year.

To assist in preparing the annual audit plan and assessing risk, input is obtained or requested from the Chief Audit Executive and Chief Compliance Officer, Office of Legislative Auditor, University President, and the University's Vice Presidents. Audits required by the Audit Committee (i.e., Student Technology Fee), prior external and internal audit findings, Single Audit findings, agreed-upon procedures with the external auditors (such as cash counts), and emerging issues determined from discussions with other internal auditors throughout the State are also considered in developing the plan. These engagements usually comprise the majority of or the entire audit plan, however, a risk assessment should still be completed. Risk factors such as the date and results of the last audit, potential financial exposure and potential loss, potential public perception, major changes in operations, and impact of government regulations are considered. Based on the input previously described and assessed risks, the Director, with input from the audit staff, prepares a plan to outline the priorities of the internal audit activity for the year. In addition to assurance services, hours for potential consulting engagements and investigations should be accepted for inclusion in the plan, based on the engagement's potential to improve management of risks, add value, and improve the University's operations.

The annual audit plan is prepared in the standardized format established by the University of Louisiana System. The audit plan includes the following:

1. Standard hours available based on number of staff.
2. List of individual audits or projects.
3. Estimated hours for each project.
4. Objective of each audit project.
5. Type of Review (Internal Control, Financial, Compliance).
6. Risk Priority (High, Medium, Low) and reason for the priority (For example: Requested by Board President).
7. Budgeted Hours for each project.

Communication and Approval

After the plan is prepared, the Director obtains the University President's approval of the plan. The plan is then sent, with other Audit Committee related items, to the Audit Committee for approval and to the Chief Audit Executive and Chief Compliance Officer for inclusion in the system-wide audit plan. Significant interim changes in the plan or resource requirements are communicated to the University President and the Audit Committee.

Resource Management

The internal auditing department attempts to set measurable goals that are capable of being accomplished within specified operating plans and budgets. The goals are included in the audit plan and are accompanied by targeted hours to complete. To ensure that audit resources are effectively deployed to achieve the approved plan, actual vs. budgeted time summaries are routinely maintained for each audit. Significant variances between actual audit hours and those budgeted are explained. If necessary, the Director adjusts the audit plan during the year. In most cases any unfinished audits are carried forward to the following years' audit plan.

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Audit Committee for approval. Any significant interim changes are also submitted to the Audit Committee for approval.

The Director has established the following program for selecting and developing the human resources of the internal auditing department.

1. Written job descriptions have been developed for each level of the staff of the department. Written policy (job descriptions and minimum qualifications) has been developed for selection of qualified and competent individuals.
2. A written policy has been developed and included in the audit manual relative to training and continuing education for members of the Internal Audit Department.

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Subject: Management of the Internal Audit Activity

Example Annual Audit Plan

**University of Louisiana System
Grambling State University
Audit Hours Available and Allocable
20xx-20xx**

Standard hours available for FY 20xx (2,080 hrs./auditor) x 2 auditors		4,160
Less: Vacation Time (80 hours x 2 auditors)	160	
Paid Holidays and University Closures (24 days x 8 hours x 2 auditors)	384	
Sick Leave (88 hours x 2 auditors)	176	<u>(720)</u>
Total Available Audit Hours		<u>3,440</u>

Allocation of Audit Hours

Student Technology Fee Review		400
Vault Reconciliations		80
Athletic Ticket Sales and Reconciliations		480
Key Control Audit		400
NCAA Document Review Follow-Up		400
Follow Up on Prior Internal Audit Findings: - Travel Card Audit and Program Review - 2 nd Follow Up of Investigation of Fraudulent Acquisition of Meal Plans – Spring 20xx - 20xx-xx Junior Class President Eligibility Investigation - 20xx Single Audit Report by LLA		380
Management Requests, Investigations and Special Projects		500
Supervision and Review		400
General Administration, Planning, CPE & Other Training		400
TOTAL HOURS		<u>3,440</u>

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Annual Audit Plan (Cont'd)

1. PROJECT – STUDENT TECHNOLOGY FEE REVIEW

Objectives: Determine that fiscal years 2015 and 2016 (1) Student Technology Fees are assessed, collected, and/or expended in accordance with Louisiana Revised Statute 17:335.1, PPM FB-IV.V-1 and the University's technology plan, and applicable purchasing and property control regulations, etc.

Project Number: GSU-17-01
Type of Review: Financial and Compliance
Priority: 1 – Annual requirement by Board of Supervisors **Budget**
Hours: 400

2. PROJECT – VAULT RECONCILIATIONS

Objectives: To determine the adequacy of internal control over cash collections.

Project Number: GSU-17-02
Type of Review: Internal Control
Priority: 1 – Annual requirement by Board of Supervisors **Budget**
Hours: 80

3. PROJECT – ATHLETIC TICKET SALES AND RECONCILIATIONS

Objectives: Review athletic (football only) ticket sales (including complimentary tickets) to determine compliance with University policy and procedures, existence of internal controls and identify best practices within the Athletics Department and the Controller's Office.

Project Number: GSU-17-03
Type of Review: Internal Control
Priority: 1
Budget Hours: 480

4. KEY CONTROL AUDIT

Objectives: Review the key control process to determine that authorized access to, and security of, all university facilities are in place, as well as ensure that the integrity of all University keys have not been compromised and determine if accountability for all keys issued exists to ensure the personal safety and physical security.

Project Number: GSU-17-04
Type of Review: Internal Control
Priority: 2
Budget Hours: 400

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5. PROJECT – NCAA DOCUMENT REVIEW FOLLOW-UP

Objectives: GSU's 2012-13, 2013-14, and 2014-15 NCAA Division I Academic Performance Program data review focused on the areas of cohort composition, delayed graduation points and Graduation Success Rate of student athletes. The report was a comprehensive review of all issues found in various areas. We will determine if newly implemented processes are working efficiently, and if the athletic department and enrollment management personnel are communicating in a timely and effective manner to ensure all reports are submitted consistently and accurately.

Project Number: GSU-17-05
Type of Review: Internal Control and Compliance
Priority: 1 – Annual requirement by Board of Supervisors **Budget**
Hours: 400

6. PROJECT – FOLLOW-UP ON PRIOR AUDIT FINDINGS

Objectives: Follow-up on the reportable findings of prior audit reports, including both internal and external reviews, to ensure that adequate corrective action has been implemented. Auditees will be given sufficient time for implementation before follow-up reviews.

Project Number: To be assigned as completed
Type of Review: Compliance
Priority: 1 – Required by Section 2500 of the International Standards for the Professional Practice of Internal Auditing **Budget**
Hours: 380

7. PROJECT – MANAGEMENT REQUESTS, INVESTIGATIONS AND SPECIAL PROJECTS

Objectives: (1) Projects assigned during the year either through the University or the ULS Office as needs arise; (2) provide assistance on internal controls and compliance issues; (3) provide consulting services for President appointed committees; and, (4) investigate hotline calls, theft, fraud, and complaints.

Type of Review: Contingent upon request.
Priority: Contingent upon request.
Budget Hours: 500

8. PROJECT – SUPERVISION AND REVIEW

Objectives: Provide supervision for newly hired staff.

Type of Review: N/A
Priority: 1 – Required by Section 2340 of the International Standards for the Professional Practice of Internal Auditing
Budget Hours: 400

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9. PROJECT – GENERAL ADMINISTRATION, PLANNING, CPE AND OTHER TRAINING

Objectives: Attend meetings at the ULS Offices, prepare annual internal audit plan, report projects completed, obtain required continuing professional education, and maintain and enhance proficiency skills through additional fraud and information technology training.

Type of Review: N/A
Priority: 1 – Required by Board, ULS Office, and Section 1230 of the International Standards for the Professional Practice of Internal Auditing
Budget Hours: 400

Policies and Procedures

Internal audit policies and procedures have been formalized in the Internal Audit Manual to provide guidance to the employees of the Internal Audit Department. In addition, audit staff are directed and controlled through daily, close supervision and written memoranda. The form and content of the policies and procedures have been adapted to the relatively small size and uncomplicated structure of the department and the specialization of its work. Due to the small number of staff (Director & 1 staff auditor) and uncomplicated structure of the department, management is more informal than in a larger audit department.

Coordination

The Internal Audit Department provides copies of their audit/engagement reports to the Office of Legislative Auditor (external auditors) upon request. To the extent the external auditors and professional and organizational reporting responsibilities allow, the department shares information and coordinates activities with the other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

1. The Internal Audit Department and the external auditors periodically discuss matters of mutual interest.
2. The external auditors are allowed access to the Internal Audit Departments' audit programs and reports. The Department of Internal Audit obtains copies of the external auditor's reports and follows up on the findings contained therein. Questions regarding significant control weaknesses, errors and irregularities, illegal acts, disagreements with management, and any difficulties encountered in performing the audit are discussed with the external auditors.

Reporting to Management

All internal audit reports and executive summaries are submitted to the University President and the Chief Audit Executive and Chief Compliance Officer. The Chief Audit Executive and Chief Compliance Officer routinely submits summaries of the reports to the Audit Committee, System President, and University President. In addition, the Chief Audit Executive and Chief Compliance Officer routinely submits reports on the status of the internal audit plans to those individuals.

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Nature of Work

As discussed in the University's audit charter, the mission of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University. The scope of work of the internal audit activity is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control process.
- Significant legislative or regulatory issues impacting the University are recognized and addressed properly.

The University's internal audit activity includes the following general objectives:

- Determining that the University's overall system of internal control and the controls in each departmental unit or activities under audit are adequate, effective, efficient, and functioning by conducting audits on a periodic basis so that all major systems are reviewed. Such reviews will be coordinated with the Office of the Louisiana Legislative Auditor to avoid unnecessary duplication of effort.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.

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- Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient. Prior to its installation, sufficient information must be provided to the internal audit activity regarding the intended internal controls, so they can complete their evaluation and issue recommendations.
- Conducting investigations as required or directed related to the general objectives previously stated.

The management process of planning, organizing, and directing is evaluated by internal audit to determine whether reasonable assurance exists that objectives and goals will be achieved. All business systems and processes within the University are subject to evaluation by internal audit.

Risk Management

The State of Louisiana, through the Office of Risk Management, retains risk for property, casualty, as well as coverage for all State property. Auto liability, comprehensive, and collision coverage is provided for the State fleet and other coverage, such as bonds, crime, aviation, and marine insurance, is provided as needed.

The University's risk management process is relatively informal. The internal audit activity assists the University by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. The key objectives of the University's risk management process are, as follows:

1. Risks arising from business strategies and activities are identified and prioritized.
2. Management and the board have determined the level of risks acceptable to the University, including the acceptance of risks designed to accomplish the University's strategic plans.
3. Risk mitigation activities are designed and implemented to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
4. Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
5. The Audit Committee and management receive periodic reports of the results of the risk management processes. The corporate governance processes of the University provide periodic communication of risks, risk strategies, and controls to stakeholders.

Management's expectation of the internal audit activity in relation to the University's risk management process is documented in the internal audit charter. The internal audit activity monitors and evaluates the effectiveness of the University's risk management system. Risk exposures relating to the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts are subject to evaluation.

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During consulting engagements, the University's internal audit staff is expected to address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. Knowledge of risks gained from consulting engagements may be incorporated into the process of identifying and evaluating significant risk exposures.

Internal Control

The internal audit activity assists the University in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal audit evaluates the adequacy and effectiveness of controls encompassing the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. The internal audit activity is responsible for ascertaining the extent to which operating and program goals and objectives have been established and conform to those of the University. Operations and programs are reviewed to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. Internal audit staff ascertains the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal audit uses such criteria in their evaluation. If inadequate, internal audit works with management to develop appropriate evaluation criteria. During consulting engagements, the internal audit staff is expected to address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. Knowledge of controls gained from consulting engagements is to be incorporated into the process of identifying and evaluating significant risk exposures of the University.

Governance

University employees are required to comply with the Code of Governmental Ethics (L.R.S. 42:1101-1170) of the State of Louisiana. The Code clearly identifies prohibited ethics related activities and conflicts of interest. Louisiana Revised Statute 42:1170 requires each State agency to designate a person to provide employees with information relative to ethics. The statute also requires the agency to provide instruction to educate employees about the particular ethics laws to which they are subject and the procedures by which such laws are enforced. Management communicates its views regarding ethical behavior to employees, as follows:

1. Policies and rules of the Board of Supervisors establish procedures for reporting misappropriations and illegal acts in accordance with Act 692 of 2014 (Revised Statute 24:523) and conducting investigations of allegations of misconduct or impropriety.
2. Training on the Code of Ethics for Public Servants is offered through the GSU Human Resources Department and the Comprehensive Public Training Program (CPTP), and is required annually.
3. The university's Property Control Policy states that all employees are responsible for the safeguarding of property belonging to the university. Whenever an employee has knowledge or reason to believe property belonging to GSU is lost, stolen, damaged or destroyed, he/she

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should immediately notify the Dean, Department Head, Director, Campus Police and Property Manager.

4. The university is required to send a semiannual Bond and Crime Exposure Report to the Office of Risk Management.
5. The University has detailed hiring procedures and personnel policies and appropriate conduct for employees is detailed in the various personnel policies.

Internal audit evaluates the design and effectiveness of the organization's ethics-related activities. Internal audit assesses and makes recommendations for improving the governance process in its accomplishment of promoting appropriate ethics and values within the organization, ensuring effective organizational performance management and accountability, effectively communicating risk and control information to appropriate areas of the organization, and effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management. In addition, the internal audit activity assesses the state of the ethical climate of the University and investigates allegations of misconduct and fraud. Assurance and consulting engagement objectives are expected to be consistent with the overall values and goals of the organization

Legal Considerations

During the course of an engagement, as situations are encountered requiring specific details relating to laws or regulations, the internal audit staff reviews the revised statutes, Attorney General's Opinions, and other laws and regulations available on-line. In addition, information or opinions may also be obtained from the legal counsel of the ULS Board of Supervisors.

Information Security

Internal audit assesses the University's information security practices. General and application control reviews may be performed. Reviews of disaster recovery, business continuity plans, and electronic funds transfers may also be conducted. In most cases, such assessments are integrated into other engagements conducted as part of the approved audit plan. However, separate stand-alone engagements may be conducted.

When conducting field work, the auditors are alert for the key information technology risks and controls. Use of available technology-based audit techniques are considered in performing assigned work. The use of data extraction software by the internal auditors is not considered cost beneficial due to the small size of the University's internal audit activity and the related costs of training and software updates. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests the chief audit executive obtains competent advice and assistance. Information technology personnel in the computing center are often used to extract data through use of Banner reports, ARGOS, and other programs and reports. If E-Commerce processes are audited, the overall audit objective will be to ensure that all processes have effective internal controls.

Environmental Risks

The University has an Office of Safety & Risk Management. The State of Louisiana Office of Risk Management (ORM) routinely conducts audits of the Environmental Health and Safety Program. The University's internal audit department has a close working relationship with the ORM audit staff. The University's internal audit department sometimes performs follow-ups on the risk management audits to determine that appropriate corrective actions have been implemented to correct any findings.

Privacy Risks

Privacy can encompass personal privacy (physical and psychological); privacy of space (freedom from surveillance); privacy of communication (freedom from monitoring); and privacy of information (collection, use, and disclosure of personal information by others). When evaluating the University's privacy framework, employees of the internal audit department are expected to consider applicable laws and regulations relating to privacy. During the course of an engagement, as situations are encountered requiring specific details relating to privacy laws or regulations, the auditors may review the revised statutes, Attorney General's Opinions, and other laws available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors. Information may also be obtained from the University's information technology staff.

Risk Management Processes

The internal audit department could be asked to act in a consulting role to assist the University in identifying, evaluating, and implementing risk management methodologies and controls. The University has an informal risk management program that is appropriate given the nature of the University's activities and its relatively small size.

Business Continuity

Business interruption can have significant financial and operational ramifications. The University's internal auditors and external auditors perform periodic assessments of the adequacy of the plan to ensure that senior management is aware of the state of disaster preparedness and ready to deal with business interruptions.

Scope of Work

The scope of the work of the Department of Internal Audit includes evaluations of the adequacy and effectiveness of the University's system of internal control and the quality of performance in carrying out assigned responsibilities. The Department of Internal Audit is responsible for reviewing the processes to determine the following:

1. The reliability and integrity of information.
2. Compliance with policies, plans, procedures, laws, regulations, and contracts.
3. The safeguarding of assets.
4. The economical and efficient use of resources.
5. The accomplishment of established objectives and goals for operations or programs.

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The purpose of the reviews is, as follows:

1. Reviews of the adequacy of the system of internal control are conducted to ascertain whether the system established provides reasonable assurance that the university's objectives and goals will be met efficiently and economically. Reviews of the effectiveness of the system of internal control are conducted to ascertain whether the system is functioning as intended.
2. Reviews of the quality of performance are conducted to determine whether the university's objectives and goals have been achieved.

Since these evaluations are performed at specific points in time, the auditors are expected to be alert to actual or potential changes in conditions which affect the ability to provide assurance.

Reliability and Integrity of Information

University management is responsible for establishing systems to ensure reliability and integrity of information. The internal audit staff is responsible for reviewing the processes to determine whether financial and operating records and reports contain accurate and useful information. Internal Audit is also responsible for determining whether controls over record keeping and reporting are adequate and effective. These audits may include the following:

- Determining if transactions have been properly reviewed and approved.
- Determining if information systems produced data that was useful, accurate, complete, timely, and relevant.
- Identifying and documenting key controls designed to ensure the reliability and integrity of information.
- Testing key controls.

Compliance with Laws and Regulations

University management is responsible for establishing systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts. The internal audit staff is responsible for reviewing the systems to determine whether the University is in compliance with the policies, plans, procedures, laws, regulations, and contracts. These audits may include the following:

- Obtaining background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items that could have a significant impact on operations.
- Identifying key controls designed to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Testing key controls.
- Determining if the auditee is compliance with the relevant policies, plans, procedures, laws, regulations, and contracts.

Safeguarding of Assets

University management is responsible for safeguarding the university's assets. The internal audit staff is responsible for performing audits to test the means used by management to safeguard assets from various types of losses such as theft, fire, improper or illegal activities, and exposure to elements. These audits may include the following:

- Determining the adequacy of the separation of duties.
- Testing the rotation of sensitive duties among employees.
- Ascertaining that reconciliation procedures are timely, thorough, and appropriately reviewed.
- Verifying the adequacy of management's periodic surprise reviews.
- Testing the review and approval of transactions by authorized individuals.
- Determining the adequacy of the physical protection of assets and records.
- Identifying key controls designed to prevent or detect errors and fraud.
- Testing key controls.
- Verifying the physical existence of university assets.

Economical and Efficient Use of Resources

University management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. The internal audit staff may perform economy and efficiency audits to determine whether:

- Operating standards have been established for measuring economy and efficiency.
- Established operating standards are understood and are being met.
- Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
- Corrective action has been taken.

These audits may include the following:

- Identifying the operating standards.
- Determining whether the standards are appropriate in keeping with the auditee's goals and objectives.
- Determining if the information used by management to measure its success is accurate, current and relevant.
- Ascertaining whether management has procedures to ensure that they met their standards.
- Determining whether management identified and analyzed deviations from the standards.
- Determining whether management discussed deviations with the appropriate individuals.
- Identifying any inefficient use of resources.
- Identifying key controls designed to ensure compliance with the auditee's goals, measures, or targets.
- Testing key controls designed to ensure compliance with the auditee's goals, measures, or targets.

Accomplishment of Established Objectives and Goals for Operations or Programs

Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing the desired operating or program results. The internal audit staff is responsible for the following:

- Ascertaining if management identified relevant objectives and goals and developed a system for measuring their accomplishment.
- Appraising whether management established criteria for evaluating their program's effectiveness.
- Assessing whether management determined if their objectives and goals were met.
- Determining if the techniques and data used by management to measure effectiveness is appropriate.
- Reviewing for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals.
- Determining whether management has estimated the costs and benefits of not meeting goals.

The internal audit staff reviews operations (purchasing, human resources, finance, governmental assistance, etc.) or programs (fund-raising campaigns, capital expenditures, etc.) to determine whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. These audits may include the following:

- Identifying key controls designed to ensure compliance with established objectives and goals.
- Testing the effectiveness of the key controls.

Planning the Engagement

Each engagement will be properly planned and the objectives, scope, timing, and resource allocations will be documented in the plan. In planning the engagement, the internal audit staff are expected to consider such things as the objectives of the activity being reviewed and the means by which the activity controls its performance; the significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level; the adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model; and the opportunities for making significant improvements to the activity's risk management and control systems. If an engagement for parties outside the organization is accepted, the internal audit staff will establish a written understanding with them about objectives, scope, respective responsibilities, restrictions on distribution of the results of the engagement, and access to engagement records. Internal audit will also establish an understanding with consulting engagement clients about the objectives, scope, respective responsibilities, and other client expectations.

Objectives and Scope of Work

Based on requests from administrators or others and the auditors' perception of the work needed, the internal audit activity will determine the objectives of the engagement (i.e., intended accomplishments). Objectives will be in enough detail to guide the audit program development and reflect the results of the preliminary risk assessment of the engagement area. The established scope will include consideration of relevant systems, records, and personnel and must be sufficient to satisfy the objectives of the engagement. The probability of significant errors, irregularities, noncompliance, and other exposures will be considered when developing the engagement objectives. The objectives and scope must be approved by the Director.

Objectives of consulting engagements will be agreed upon with those requesting the engagement. If a consulting engagement or an engagement for parties outside the organization is planned, the internal audit activity will establish an understanding with the appropriate parties about objectives, scope, distribution of the results of the engagement, and access to engagement records. The scope of consulting engagements will be sufficient to address the agreed-upon objectives and will address risks, controls, and governance processes to the extent agreed upon with the client. During the consulting engagement, any reservations about the scope shall be discussed with the client to determine whether to continue with the engagement.

Entrance Conference

Every audit should include an entrance conference with appropriate personnel. This may consist of a face-to-face meeting but may take the form of correspondence or a telephone call (notification of audit). The form is a matter of professional judgment and the desires of management. The following may be included in the entrance:

1. Planned audit objectives.
2. Scope of audit work.
3. Timing of audit work.

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4. Personnel assigned to the audit.
5. The process of communicating throughout the audit
 - a. Methods.
 - b. Time frames.
 - c. Individuals who will be responsible.
6. Concerns or any requests or management.

Documentation of the conference will be prepared and retained in the audit working papers.

Preliminary Survey

Every audit will include a preliminary survey to gather information on the activity being examined and assess risks. The focus of the survey will vary depending upon the nature of the engagement. A survey may involve use of the following procedures:

- Discussions with the client.
- Interviews with individuals affected by the activity, e.g., users of the activity's output.
- On-site observations.
- Review of management reports and studies.
- Analytical auditing procedures.
- Flowcharting.
- Functional "walk-thru" (tests of specific work activities from beginning to end). This may include tracing a transaction or two through the system to obtain an understanding of how the system operates and how transactions and documents are processed through the internal control system and whether or not these controls are operating as prescribed by management.
- Documenting key control activities and weaknesses.
- Consideration of the probability of significant errors, irregularities, noncompliance, and other exposures.
- Assessing risks relevant to the activity under review.

As part of the preliminary survey, the internal audit staff will obtain background information for the activity to be audited. This may include reviewing and documenting such items as the following:

- Mission, objectives, and goals of the audited activity.
- Policies, plans, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports.
- Organizational information, e.g., services provided, number and names of employees, key employees, job descriptions, and details about recent changes in the organization, including major system changes.
- Budget information, operating results, and financial data of the activity to be audited.
- Prior audit working papers.
- Results of other audits, including the work of external auditors, completed or in process.
- Correspondence files to determine potential significant audit issues.

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- Authoritative and technical literature appropriate to the activity.
- Nature of any federal/state compliance auditing requirements.

Staffing/Engagement Resources

As much as feasible, staffing is based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. The knowledge, skills, and other competencies of the internal audit staff is considered in assigning staff to the engagement. The value of on the job training for staff is also considered. Appropriate resources are allocated to achieve the engagement objectives.

Engagement Work Program

A properly developed work program, detailing each of the engagement steps to be performed during the course of the review, will be completed for each assignment. Work programs may vary in form and content depending upon the nature of the engagement. The work programs will establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The Director must approve the work program prior to implementation and upon amendment.

Each of the steps in the program will be cross-referenced to the corresponding work paper which shows evidence of the work performed. The work program is a key document and should be located at **B-3** (in most cases) of the work paper binders.

Upon completion of each step, the auditor should initial the work program in the appropriate box indicating its completeness. In some cases (when not readily apparent), the reason for the step should be included in the program.

The internal audit staff may consult the Association of College and University Auditors (ACUA), Louisiana Association of College and University Auditors (LACUA), other universities, U.S. Department of Education (Student Financial Aid Programs), NACUBO - Federal Auditing Information Service for Higher Education, Practitioners Publishing Company, and OMB Compliance Supplement for example work programs; however, these programs will be amended to suit the circumstances of the particular engagement.

Personal Information

When conducting engagements, the internal audit staff will comply with applicable laws regarding protection of personal privacy and information.

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Examining & Evaluating Information

When performing engagements, the internal audit staff will analyze sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers. The procedures performed during most engagements may include reviewing applicable laws, regulations, policies and procedures; interviewing selected employees and others; examining selected documents and records; comparing relationships among financial and nonfinancial information; and performing observations.

Working Papers

Working papers (Audit Evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented. Engagement working papers serve the following purposes:

- Provide a systematic record of work performed;
- Provide a record of the information and evidence obtained and developed to support findings, conclusions, and recommendations;
- Provide information to the Director to enable him/her to supervise and manage assignments and to evaluate auditor performance; and
- Provide a record of information for future use in planning and carrying out subsequent assignments.

The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up

Working papers must be neat, competent, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations. To the extent possible, all working papers will contain the following data:

At the top-left of the working paper, a heading will indicate:

- **Grambling State University**
- Audit period (e.g. **FY 201X**) and Name of the engagement area (e.g., **Vault Reconciliations**)
- Name of working paper (e.g., **Test of Expenditures, Cash Fund Worksheet**)

At the top-right section of the working paper, the heading will include:

- Working Paper # (e.g. **B-3, C-1.2**)
- Auditor completing the work will initial and date the working paper (e.g. **SRA 7/29/202X**)
- Reviewer will initial and date directly beneath the auditor's initials on the work paper indicating that the work paper has been reviewed (e.g. **RDD 7/31/202X**)

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Below the heading, the following will be documented on each working paper or referenced to the working paper where documented:

- The **source** of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title.
- The **purpose** of working paper will be recorded. The auditor must clearly define exactly why data is being gathered.
- **Procedures** performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper.
- Relevant **findings** from testing. This should be a short summary of the finding or a reference to the exit conference where the finding will be discussed. Observation forms will be completed for each finding. The forms will include the elements of a finding: condition, criteria, cause, effect, and recommendation.
- **Conclusions and recommendations** should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should relate to the nature of the findings and work performed.

Relative to the body of the working paper, the following should be considered:

- Keep the working paper neat and legible.
- Keep in mind that the working paper is being prepared for someone other than you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.
- If a working paper or a set of working papers contains tick marks, the first page of a set of papers should also contain a legend explaining the tick marks.
- Working papers should be prepared after completing each audit step. Pertinent oral conversations should also be recorded promptly.

The working paper will be indexed (numbered) at the top right-hand section of the working paper.

Permanent Files

This file will contain information necessary to gain an understanding of (a) the function of the department/area to be audited; (b) its organization and resources; (c) how it relates to other departments; (d) internal control adequacy and effectiveness; and (e) general information about relevant policies and procedures. The file generally contains the following types of information:

- Organizational charts.
- Applicable statutes, regulations, policies, and procedures
- Fraud letter.
- Copy of audit plan.
- Monitoring reports.
- Contracts.
- Description of the accounting records, management reports, department budget, etc.

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- Departmental mission statement.
- Background/history on the department and/or area to be examined.
- Important permanent correspondence (other than that pertaining to the current audit).

Data contained in the permanent file should be updated whenever a new engagement of the department or area is started. An index should be maintained of the data/material contained in the permanent file.

Indexing and Referencing

At a minimum, all working papers prepared on each assignment should be indexed, and include a table of contents listing working paper titles and index numbers. The standard index for all working papers will be broken down into two categories: general working papers and permanent file working papers. Working papers indexed as permanent file working papers will be retained for future use. The first working paper in each file will be an index for the remaining working papers.

The general index of working papers follows. This method of indexing is to be used as a guide and strict adherence to this method of indexing is not required and every engagement is not expected to have all of these working papers.

<u>WP #</u>	<u>General File</u>
A	Internal Auditor's Report
A	Exit Conference & Findings
A	Review & Supervision Notes
A	Time Budget
B	Entrance Conference/Audit Notification Memo
B	Preliminary Survey/Planning Memo
B	Internal Control Questionnaire
B	Audit Program
C	Evidence working papers
	<u>Permanent File</u>
PF 1	Organizational chart
PF 2	Fraud Letter
PF 3	Annual audit plan
PF 4	Applicable statutes and regulations
PF 5	Internal control information - narratives, flowcharts, questionnaires, etc
PF 6	Description of the accounting records, description of the funds, basis of accounting, etc.
PF 7	Departmental Mission Statement

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PF 8		Department Budget and FRS Screens

Access to engagement records will be controlled to the extent allowed by applicable laws and regulations (e.g., Public Records Law). Approval of senior management and/or legal counsel will be obtained prior to releasing such records to external parties. Retention requirements for engagement records have been developed and these retention requirements are consistent with the University’s guidelines and pertinent regulatory requirements.

Engagement Supervision

As detailed in other sections of this manual, the audit director provides daily supervision of staff and performs detailed reviews of all working papers performed by staff. Evidence of supervision in the form of review checklists, review notes, and/or initials/dates on working papers are prepared and retained in the working papers. The review notes are normally included in the working papers in the **B** folder.

Communicating & Disseminating Engagement Results

At the completion of each project, the Director will issue a written report, addressed to the University President, to communicate the engagement's results. Every attempt will be made to make the report accurate, objective, clear, concise, constructive, timely, and complete. The report will include the engagement objectives and scope as well as applicable conclusions, recommendations, and responses and corrective action plans. In general, the layout for assurance related reports will be as follows:

1. Cover page
2. Executive summary
3. Background information
4. Objective (Purpose): Explanation of why the audit was performed.
5. Scope and methodology: The audit scope is a description of the depth and coverage of work conducted (period and number of locations covered). The audit methodology is an explanation of the nature and extent of the evidence gathering and analysis techniques used to meet the objectives.
6. Noteworthy accomplishments
7. Overall opinion, results, or conclusions
8. Specific observations (findings) and recommendations
9. General section: Acknowledge appreciation and includes limitations on use of the results.
10. Management Responses and corrective action plans

When appropriate, satisfactory performance will also be communicated in the report.

When noncompliance with the auditing standards impacts a specific engagement, communication of the results will disclose the following:

- Standard(s) with which full compliance was not achieved,
- Reason(s) for noncompliance, and
- Impact of noncompliance on the engagement.

The general section of engagement reports provide that the report is intended solely for the information and use of management of the university and is not intended to be used by others. Copies of completed audit reports and working papers may be requested by the Office of the Legislative Auditor while conducting the external audit.

A copy of the final report, including an executive summary, will be submitted to the responsible personnel of the engagement area, members of University management, and the Chief Audit Executive and Chief Compliance Officer of the University of Louisiana System. These parties can ensure that the results are given due consideration. The System's Chief Audit Executive and Chief Compliance Officer presents a summary of the results to the Finance Committee of the Board of Supervisors at their routine meetings.

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Section: 2400

Subject: Communicating Results

Communication of the results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. The chief audit executive is responsible for communicating the final results of consulting engagements to clients. If significant risk management, control, or governance issues are identified during a consulting engagement, the issues will be communicated to senior management and the board.

Prior to issuing the final report, the Department of Internal Audit may utilize interim reports to communicate information which requires immediate attention, communicate a change in audit scope for the activity under review, or to keep management informed of audit progress when audits extend over a long period.

If the Director discovers that a final report contains a significant error or omission, the Director will communicate corrected information to all parties who received the original communication.

Observation Form

An Observation Form will be generated for each potential finding to ensure the weakness is factual, unbiased, and free from distortion. The auditor will document the following (five elements of a finding) on the Observation Form and the Director will approve the finding:

1. Condition: The problem that the internal auditor found in the course of the review (what does exist/what is wrong).
2. Criteria: The standards, measures, or expectations used in making an evaluation and/or verification (what should exist or what is required).
3. Cause: The reason for the difference between the expected and actual conditions.
4. Effect: The risk or exposure encountered because of the condition.
5. Recommendation: The actions which the auditor feels would correct the problem areas and to improve operations.

Description of Reportable Conditions

Reportable Conditions or Comments are matters coming to the auditor’s attention that represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. Comments and/or recommendations designed to enhance University operations may also be reported to management.

Non-reportable or Discussion Only Comments: Matters the auditor chooses to communicate, verbally or in writing, for the benefit of management or others that do not represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. These are normally communicated in a correspondence separate from the internal audit report. Sometimes insignificant items may be verbally discussed and documented in the auditor’s working papers.

Monitoring Progress

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. As requested by the Finance Committee of the Board of Supervisors, approximately six months after an internal audit report is issued and presented to the Finance Committee, the internal audit staff follows up on the reported findings. The purpose of the follow up is to ascertain that corrective action has been taken and is achieving the desired results, or that senior management or the board has assumed the risk of not taking corrective action on the reported findings.

The staff considers the following factors in determining the procedures to be employed in the follow-up:

- a. The significance of the reported finding.
- b. The degree of effort and cost needed to correct the reported condition.
- c. The risks that may occur should the corrective action fail.
- d. The complexity of the corrective action.
- e. The time period involved.

The Director conducts the following functions relating to following up:

- a. A time frame within which management's response to the audit findings is required.
- b. An evaluation of management's response.
- c. A verification of the response (if appropriate).
- d. A follow-up audit (if appropriate).
- e. A reporting procedure that escalates unsatisfactory responses/actions, including the assumption of risk, to the appropriate levels of management.

The disposition of the results of any consulting engagements conducted will be monitored to the extent agreed upon with the client.

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Section: 2600

Subject: Resolution of Management’s Acceptance of Risks

Resolution of Management’s Acceptance of Risks

If management’s response indicates they will not take corrective action, then the Director will determine if the level of risk is acceptable. If the Director believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, then the he/she will discuss the matter with senior management and obtain an explanation. If the decision regarding residual risk is not resolved, then the Director and senior management should report the matter to the Board of Supervisors for resolution

International Standards for the Professional Practice of Internal Auditing (*Standards*)

Introduction to the Standards

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the Standards is to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The Standards are a set of principles based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the Standards.

The Standards, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The Standards employ terms as defined specifically in the Glossary. To understand and apply the Standards correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The Standards comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor. Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice - the internal auditor, and (2) the person or group seeking and receiving the advice - the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The Standards apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care and the standards relevant to the performance of their job responsibilities. Chief audit executives are additionally accountable for the internal audit activity's overall conformance with the Standards.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, conformance with all other parts of the Standards and appropriate disclosures are needed.

If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications may also cite the use of other requirements, as appropriate. In such a case, if the internal audit activity indicates conformance with the Standards and inconsistencies exist between the Standards and other requirements, internal auditors and the internal audit activity must conform with the Standards and may conform with the other requirements if such requirements are more restrictive.

The review and development of the Standards is an ongoing process. The Internal Audit Standards Board engages in extensive consultation and discussion before issuing the Standards. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's website as well as being distributed to all IIA institutes.

Suggestions and comments regarding the Standards can be sent to:

The Institute of Internal Auditors
Standards and Guidance
1035 Greenwood Blvd, Suite 401
Lake Mary, FL 32746 USA

E-mail: guidance@theiia.org

Web: www.globaliia.org

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Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

1000.A1 – *The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.*

1000.C1 – *The nature of consulting services must be defined in the internal audit charter.*

1010 – Recognizing Mandatory Guidance in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:

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. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit

matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- Approving the internal audit charter.
- Approving the risk-based internal audit plan.
- Approving the internal audit budget and resource plan.
- Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters.
- Approving decisions regarding the appointment and removal of the chief audit executive.
- Approving the remuneration of the chief audit executive.
- Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

1111 – Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1112 – Chief Audit Executive Roles Beyond Internal Auditing

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:

The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – *Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.*

1130.A2 – *Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.*

1130.A3 – *The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.*

1130.C1 – *Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.*

1130.C2 – *If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.*

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – *The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.*

1210.A2 – *Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.*

1210.A3 – *Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.*

1210.C1 – *The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.*

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – *Internal auditors must exercise due professional care by considering the:*

- *Extent of work needed to achieve the engagement’s objectives.*
- *Relative complexity, materiality, or significance of matters to which assurance procedures are applied.*
- *Adequacy and effectiveness of governance, risk management, and control processes.*
- *Probability of significant errors, fraud, or noncompliance.*

- *Cost of assurance in relation to potential benefits.*

1220.A2 – *In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.*

1220.A3 – *Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.*

1220.C1 – *Internal auditors must exercise due professional care during a consulting engagement by considering the:*

- *Needs and expectations of clients, including the nature, timing, and communication of engagement results.*
- *Relative complexity and extent of work needed to achieve the engagement's objectives.*
- *Cost of the consulting engagement in relation to potential benefits.*

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- *Ongoing monitoring of the performance of the internal audit activity.*
- *Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.*

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- *The form and frequency of external assessment.*
- *The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.*

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

1320 – Reporting on the Quality Assurance and Improvement Program

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:

- *The scope and frequency of both the internal and external assessments.*
- *The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.*
- *Conclusions of assessors.*
- *Corrective action plans.*

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor’s or assessment team’s evaluation with respect to the degree of conformance.

1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.

Interpretation:

The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

Performance Standards

2000 – Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- It achieves the purpose and responsibility included in the internal audit charter.*
- It conforms with the Standards.*
- Its individual members conform with the Code of Ethics and the Standards.*
- It considers trends and emerging issues that could impact the organization.*

The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – *The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.*

2010.A2 – *The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.*

2010.C1 – *The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.*

2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination and Reliance

The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

Interpretation:

In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the chief audit executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

2060 – Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management, and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter.*
- Independence of the internal audit activity.*
- The audit plan and progress against the plan.*
- Resource requirements.*
- Results of audit activities.*
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.*
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organization.*

These and other chief audit executive communication requirements are referenced throughout the Standards.

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Code of Ethics and the Standards.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- Making strategic and operational decisions.*
- Overseeing risk management and control.*
- Promoting appropriate ethics and values within the organization.*
- Ensuring effective organizational performance management and accountability.*

- *Communicating risk and control information to appropriate areas of the organization.*
- *Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.*

2110.A1 – *The internal audit activity must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.*

2110.A2 – *The internal audit activity must assess whether the information technology governance of the organization supports the organization’s strategies and objectives.*

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- *Organizational objectives support and align with the organization’s mission.*
- *Significant risks are identified and assessed.*
- *Appropriate risk responses are selected that align risks with the organization’s risk appetite.*
- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – *The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:*

- *Achievement of the organization’s strategic objectives.*
- *Reliability and integrity of financial and operational information.*
- *Effectiveness and efficiency of operations and programs.*
- *Safeguarding of assets.*
- *Compliance with laws, regulations, policies, procedures, and contracts.*

2120.A2 – *The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.*

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization’s risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:

- Achievement of the organization’s strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization’s control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity’s objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity’s governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity’s governance, risk management, and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board.

Interpretation:

Types of criteria may include:

- Internal (e.g., policies and procedures of the organization).
- External (e.g., laws and regulations imposed by statutory bodies).
- Leading practices (e.g., industry and professional guidance).

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to achieve the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – *If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.*

2220.C1 *In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.*

2220.C2 – *During consulting engagements, internal auditors must address controls consistent with the engagement’s objectives and be alert to significant control issues.*

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – *Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.*

2240.C1 – *Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.*

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement’s objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

2330.A1 – *The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.*

2330.A2 – *The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.*

2330.C1 – *The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.*

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement’s objectives, scope, and results.

2410.A1 – *Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors’ opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.*

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – *Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.*

2410.A3 – *When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.*

2410.C1 – *Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.*

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Indicating that engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if supported by the results of the quality assurance and improvement program.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- *Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.*
- *Reason(s) for nonconformance.*
- *Impact of nonconformance on the engagement and the communicated engagement results.*

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

2440.A1 – *The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.*

2440.A2 – *If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:*

- *Assess the potential risk to the organization.*
- *Consult with senior management and/or legal counsel as appropriate.*
- *Control dissemination by restricting the use of the results.*

2440.C1 – *The chief audit executive is responsible for communicating the final results of consulting engagements to clients.*

2440.C2 – *During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.*

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will include:

- The scope, including the time period to which the opinion pertains.
- Scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.
- The risk or control framework or other criteria used as a basis for the overall opinion.
- The overall opinion, judgment, or conclusion reached.

The reasons for an unfavorable overall opinion must be stated.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

Glossary

Add Value The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services *An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.*

Board *The highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word "board" in the Standards refers to a group or person charged with governance of the organization. Furthermore, "board" in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an audit committee).*

Charter *The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.*

Chief Audit Executive *Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organizations.*

Code of Ethics *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.*

Compliance *Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.*

Conflict of Interest *Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.*

Consulting Services *Advisory and related client service activities, 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.*

Control Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Core Principles for the Professional Practice of Internal Auditing The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Engagement A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Program A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud 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.

Governance *The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.*

Impairment *Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).*

Independence *The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.*

Information Technology Controls *Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.*

Information Technology Governance *Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.*

Internal Audit Activity *A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.*

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

Must *The Standards use the word "must" to specify an unconditional requirement.*

Objectivity *An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.*

Overall Opinion *The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.*

Risk *The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.*

Risk Appetite *The level of risk that an organization is willing to accept.*

Risk Management *A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.*

Should *The Standards use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.*

Significance *The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.*

Standard *A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.*

Technology-based Audit Techniques *Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).*

CODE OF ETHICS

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Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

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

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

Contact Information

The Office of Internal Audit is a service department. This office is committed to the effective and efficiency of the University's operation. We encourage management's utilization of the Office of Internal Audit as a resource to assist in the enhancement of the quality of operations. To report activities, you feel might be illegal or improper or if we can be of assistance to you, please call or email us or drop by our offices.

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