



UT System Administration Policy Library – Policy UTS129 **Internal Audit Activities**

Responsible Officer: General Counsel to the Board of Regents
Sponsoring Office: System Audit Office
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POLICY STATEMENT

The purpose of an internal auditing program is to assist the Board of Regents and institution administrators to accomplish System objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing is recognized as a highly regarded professional management support and control activity by the Texas Internal Auditing Act (Chapter 2102, Government Code) and by the Board of Regents' *Rules and Regulations*, Rules 10402 and 20401.

RATIONALE

The guidelines contained in this UTS establish a System-wide program to furnish independent analyses, appraisals and recommendations about the adequacy and effectiveness of the System's internal control policies and procedures and the quality of performance in carrying out assigned responsibilities.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts129.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Statutes, Policies & Standards
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<ul style="list-style-type: none"> • Board of Regents' Rules and Regulations, Rule 10201 • Board of Regents' Rules and Regulations, Rule 10402 • Board of Regents' Rules and Regulations, Rule 20402 	<ul style="list-style-type: none"> • Texas Government Code, Chapter 2102 • Institute of Internal Auditors, Standards for the Professional Practice of Internal Auditing • Institute of Internal Auditors, Code of Ethics • Government Accountability Office, Generally Accepted Government Auditing Standards
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CONTACTS

If you have any questions about UT System Administration Policy UTS 129, *Internal Audit Activities*, contact the following office:

Subject	Office Name	Telephone Number	Email/URL
	System Audit Office	(512) 499-4390	http://www.utsystem.edu/aud/

DEFINITIONS

None

RESPONSIBILITIES

Audit, Compliance and Management Review Committee of the Board of Regents

- Performs duties outlined in the Board of Regents' *Rules and Regulations*, Rule 10402, Section 1.6.
- Appoints the System Chief Audit Executive.

General Counsel of the Board of Regents

- Supervises the System Audit Office as described in the Board of Regents' *Rules and Regulations*, Rule 10201, Section 3.

System Administration Internal Audit Committee

- Approves, maintains, and adheres to the audit committee charter.
- Approves, maintains, and oversees an internal audit charter of the System Audit Office modeled after the System-wide charter.

Chancellor

- Nominates the System Chief Audit Executive.
- Chairs the System Administration Audit Committee (or designates a chair) and ensures the audit committee adheres to the audit committee charter.
- Selects outside members of the System Administration Audit Committee.

System Audit Office

- Directed by System Chief Audit Executive who reports functionally to the Audit, Compliance, and Management Review Committee (ACMR) of the Board of Regents and administratively to the General Counsel of the Board of Regents.
- The System Chief Audit Executive provides ACMR and the System Administration Internal Audit Committee with a written summary of System audit activity on a quarterly basis.
- Fulfills the audit function for System Administration, provides temporary staffing to institutions when a shortage occurs, and provides oversight and coordination of the System-wide internal audit function.
- Oversees System-wide audits requested by the ACMR including establishing the audit program, providing guidance and direction on executing the program, reviewing the work performed, reporting results to ACMR, and evaluating the performance of the internal auditors.
- The System Audit Office will perform an audit of the institutional Presidents' offices on a rotating five year basis.

Institutional Internal Audit Committee

- Approves, maintains, and adheres to an audit committee charter.
- Approves, maintains, and oversees the internal audit charter of the Internal Auditor modeled after the System-wide internal audit charter.

UT System President

- Chairs the Institutional Internal Audit Committee (or designates a chair) and ensures that the Institutional Internal Audit Committee adheres to the audit committee charter.
- Selects and recommends outside members of the Institutional Internal Audit Committee for approval by the appropriate Executive Vice Chancellor and System Chief Audit Executive.

Internal Auditor

- Reports functionally to the institution President and to the Institutional Internal Audit Committee. May report administratively to another senior executive.
- Provides an executive summary of the significant issues discussed at the Internal Audit Committee meetings to their respective Executive Vice Chancellor (i.e. Academic Affairs or Health Affairs).
- Has an indirect reporting relationship to the System Chief Audit Executive who is responsible for the oversight and coordination of the System-wide internal audit activity. May have a direct reporting relationship to the System Chief Audit Executive for System-wide audits requested by ACMR.
- Addresses audit reports to the Institutional Internal Audit Committee by means of an executive summary and/or full report.
- Forwards audit report to the appropriate Executive Vice Chancellor, System Chief Audit Executive, and appropriate state agencies.

Internal Audit Council

- Facilitates communication and the sharing of ideas, audit plans, and programs among the institutions' internal auditors.

PROCEDURES

A System-wide internal audit charter (Exhibit A) has been developed as recommended in the Standards for the Professional Practice of Internal Auditing. Each institution and System Administration should also have an audit charter modeled after the System-wide charter and approved by the Institutional Internal Audit Committee or System Administration Internal Audit Committee. The institutional internal audit charter should be distributed in the same manner as all institutional-wide policies or procedures. In the charter, the singular term "Internal Auditor" refers to the entire internal audit department or staff.

Responsibilities and relationships of UT System management, the institutions, and committees are described in The UT System Internal Audit Reporting Structure (Exhibit D). The relationship with the institutional compliance function is described in Exhibit E.

The audit report format recommended by the System Audit Office is included as Exhibit B. All audit reports should be addressed to the President and/or the Institutional Internal Audit Committee by means of an executive summary. After the President and/or the Institutional Internal Audit Committee have reviewed/approved the report, the executive summary and the audit report should be forwarded to the appropriate Executive Vice Chancellor, System Audit Office, and appropriate state agencies.

The System Audit Office will provide the ACMR and the System Administration Internal Audit Committee with a written summary of all audit activity on a quarterly basis.

The guidance for the staffing level for internal auditors based upon total expenditures is attached as Exhibit C. Section 2102.006(b) of the Texas Internal Auditing Act, sets qualifications for the Director of Internal Audit as one "who shall be either a certified public accountant or a certified internal auditor and who shall have at least three years of auditing experience."

The Standards for the Professional Practice of Internal Auditing, which must be followed under the Texas Internal Auditing Act, require the appointment of a chief audit executive. The Chancellor recommends and the ACMR appoints the System Chief Audit Executive.

The UT System Audit Office may, in consultation with the institutional President or designee, temporarily provide direct audit assistance to an institution when one or more of the following circumstances exist:

- no institutional internal audit staff is available;
- a temporary or ongoing institutional audit staff shortage exists in accordance with commonly defined audit needs; or
- occasional or unusual auditing is required beyond local institutional capacity.

Funding for such audit assistance is normally an institutional responsibility but payment for such temporary assistance will be determined on a case-by-case basis dependent on the budget or audit circumstances requiring the assistance.

When audit assistance is provided to an institution, the auditor(s) will report to the institution President, unless audit circumstances dictate otherwise.

The Internal Audit Council facilitates communication and the sharing of ideas, audit plans, and programs among the institutions' internal auditors. The System Chief Audit Executive is chairman of this Council, and membership is composed of the internal auditor directors from each of the institutions. The Council meets from time to time as circumstances require, and all members are expected to attend. The members may invite their assistant directors, managers, supervisors, and staff to attend from time to time.

FORMS AND TOOLS/ONLINE PROCESSES

[\(Exhibit A\) System-wide Internal Audit Charter](#)

[\(Exhibit B\) Standard Audit Report Format](#)

[\(Exhibit C\) Internal Audit Staffing Level](#)

[\(Exhibit D\) Reporting Structure](#)

[\(Exhibit E\) Internal Audit's Relationship to the Institutional Compliance Function](#)

APPENDIX

None

Keywords: audits, audit, administrative
