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FOR
AUDIT, COMPLIANCE, AND RISK MANAGEMENT
COMMITTEE**

Committee Meeting: 11/15/2023

Board Meeting: 11/16/2023
Austin, Texas

*Nolan Perez, Chairman
Christina Melton Crain
Jodie Lee Jiles
Janiece Longoria
Kelcy L. Warren
Rad Weaver*

	Committee Meeting	Board Meeting	Page
Convene	<i>2:00 p.m. Chairman Perez</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	Discussion	Action	29
2. U. T. System: Report and discussion on the Systemwide internal audit activities, including FY 2023 Annual Report	Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	30
Adjourn	<i>2:30 p.m.</i>		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on [Page 166](#).

2. U. T. System: Report and discussion on the Systemwide internal audit activities, including FY 2023 Annual Report

Chief Audit Executive Peppers will present the FY 2023 Systemwide Annual Report of internal audit activities, using a PowerPoint presentation set forth on the following pages. He will also discuss the status of the external financial audit. Additional details on the Systemwide observations by subject area and significance, the annual audit plan's budget to actual hours status, as well as the planned scope and timing of the external financial audit were provided to the Audit, Compliance, and Risk Management Committee members prior to the meeting.

BACKGROUND INFORMATION

Internal audit across the U. T. System uses a consistent classification process to evaluate audit results to identify Priority, High, Medium, or Low level reportable observations. A Priority Observation is defined as "an issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of a U. T. institution or the U. T. System as a whole." All reportable observations are rated based on an assessment of applicable risk factors and the probability of a negative outcome occurring if the risk is not adequately mitigated. The standard risk factors considered are: Qualitative (evaluates the probability and consequences across seven areas), Operational Control (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative (evaluates the level of financial exposure or lost revenue).

FY 2023 Systemwide Internal Audit Annual Report

Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents Meeting
Audit, Compliance, and Risk Management Committee
November 2023

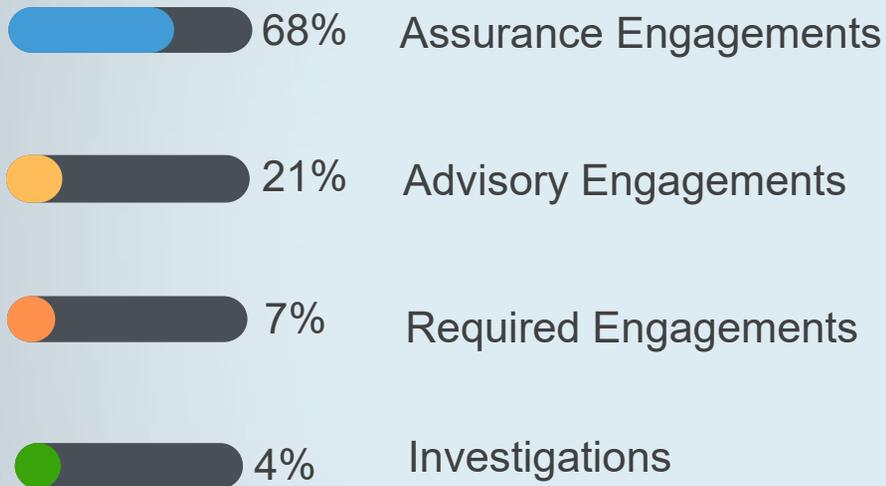


Systemwide Internal Audit Hours

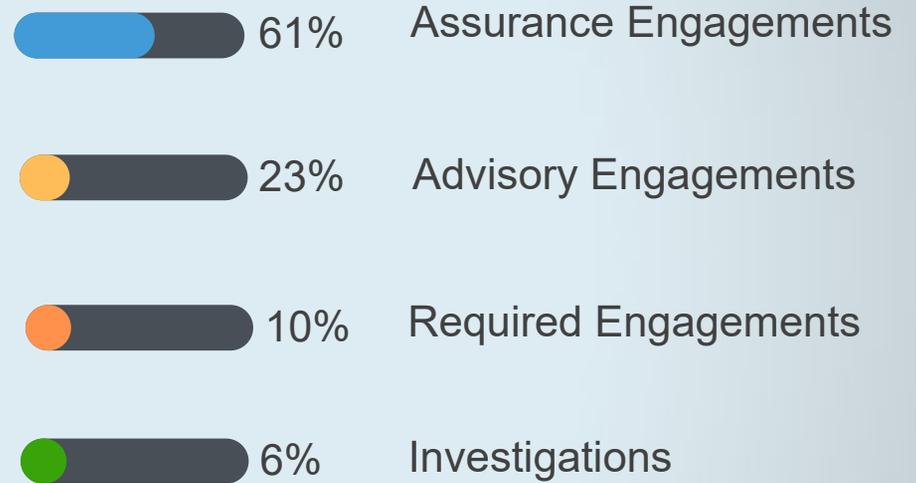
- Approximately 156k hours were spent by 103 internal auditors to complete the Fiscal Year (FY) 2023 Systemwide Annual Audit Plan
 - Assurance Engagements
 - Advisory Engagements
 - Required Engagements
 - Investigations
 - Follow-Up
 - Operations
 - Initiatives & Education

Systemwide Engagement Categories Detail

FY 2023

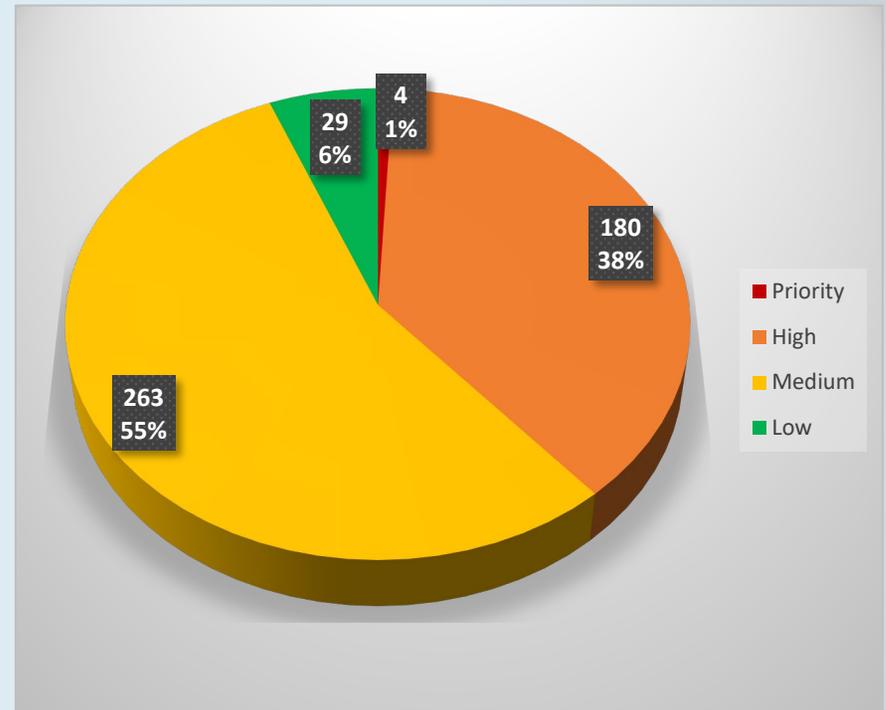


5-Year Average (FY 2019-2023)



Systemwide Internal Audit Reports & Observations

- In FY 2023, 211 engagement reports and memos were issued
- 107 of the 211 reports resulted in 476 observations ranked as follows:
 - 4 Priority level observations
 - 180 High level observations
 - 263 Medium level observations
 - 29 Low level observations



Systemwide Observations - Number & Level

FY 2023

211 engagement reports and memos were issued

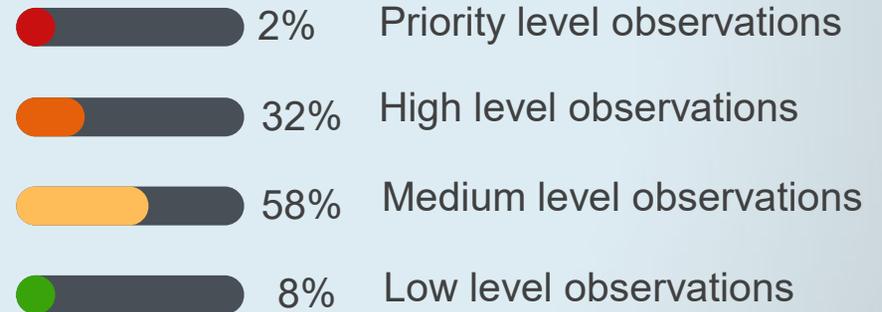
107 reports (51%) resulted in a total of 476 observations:



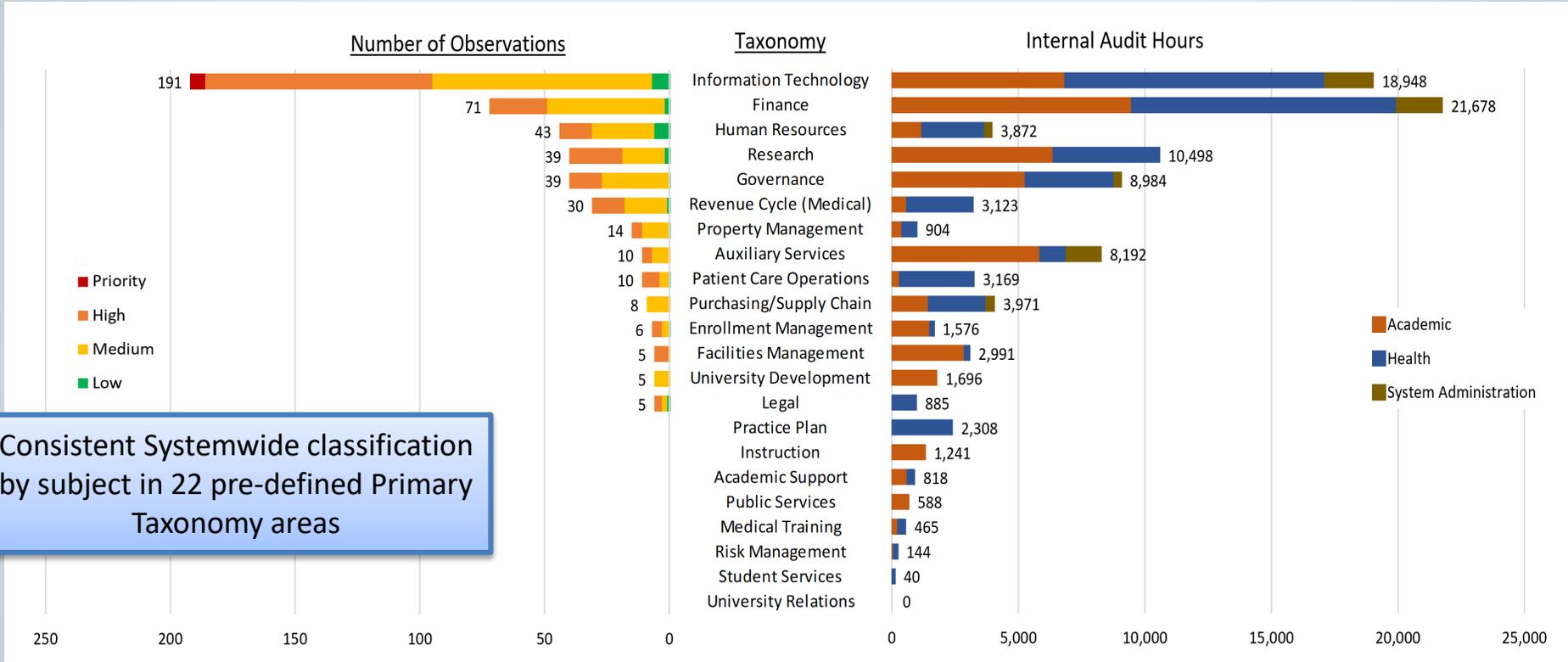
5-Year Average (FY 2019-2023)

230 engagement reports and memos were issued

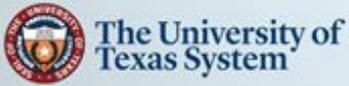
114 reports (50%) resulted in a total of 451 observations:



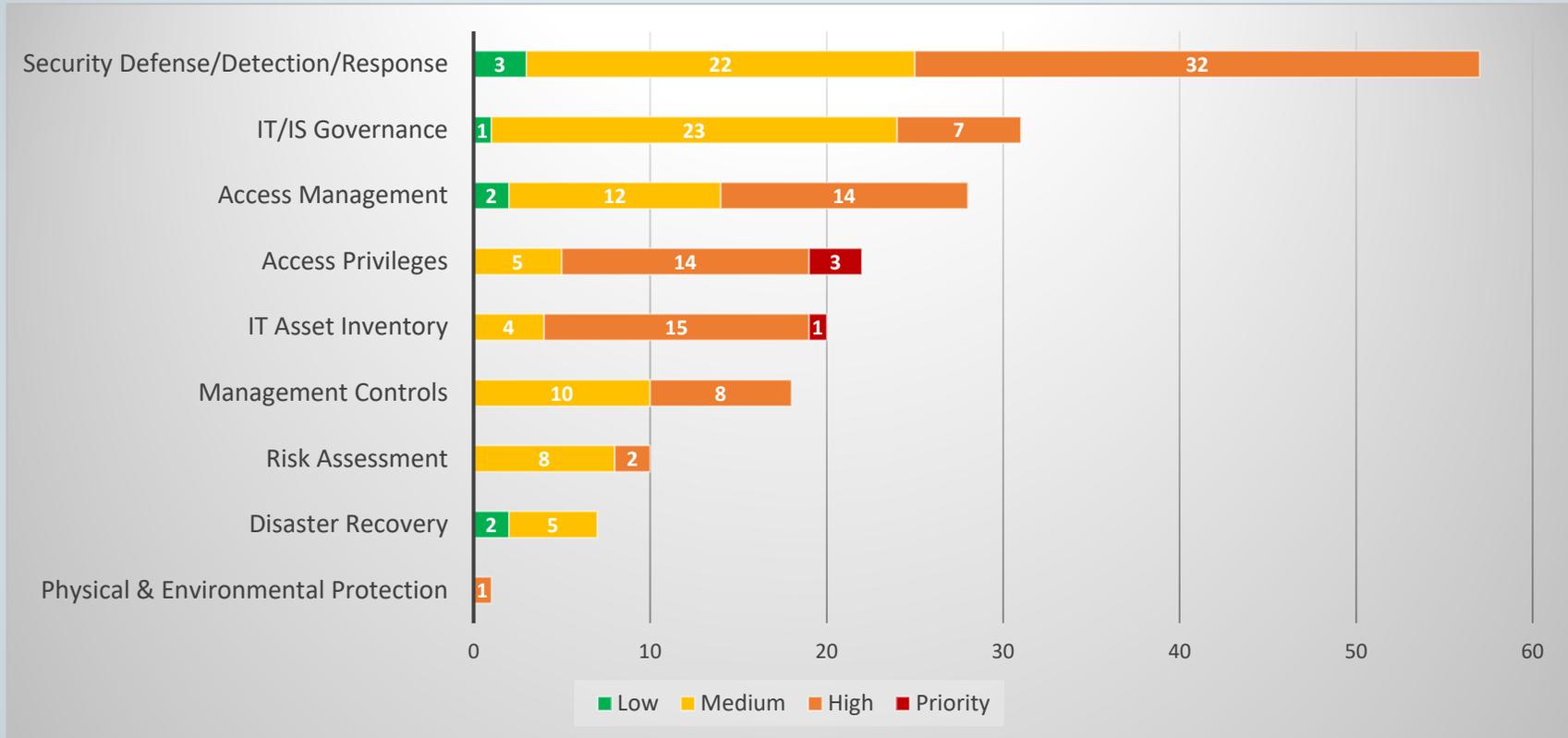
Systemwide Observations by Subject Area (Taxonomy)



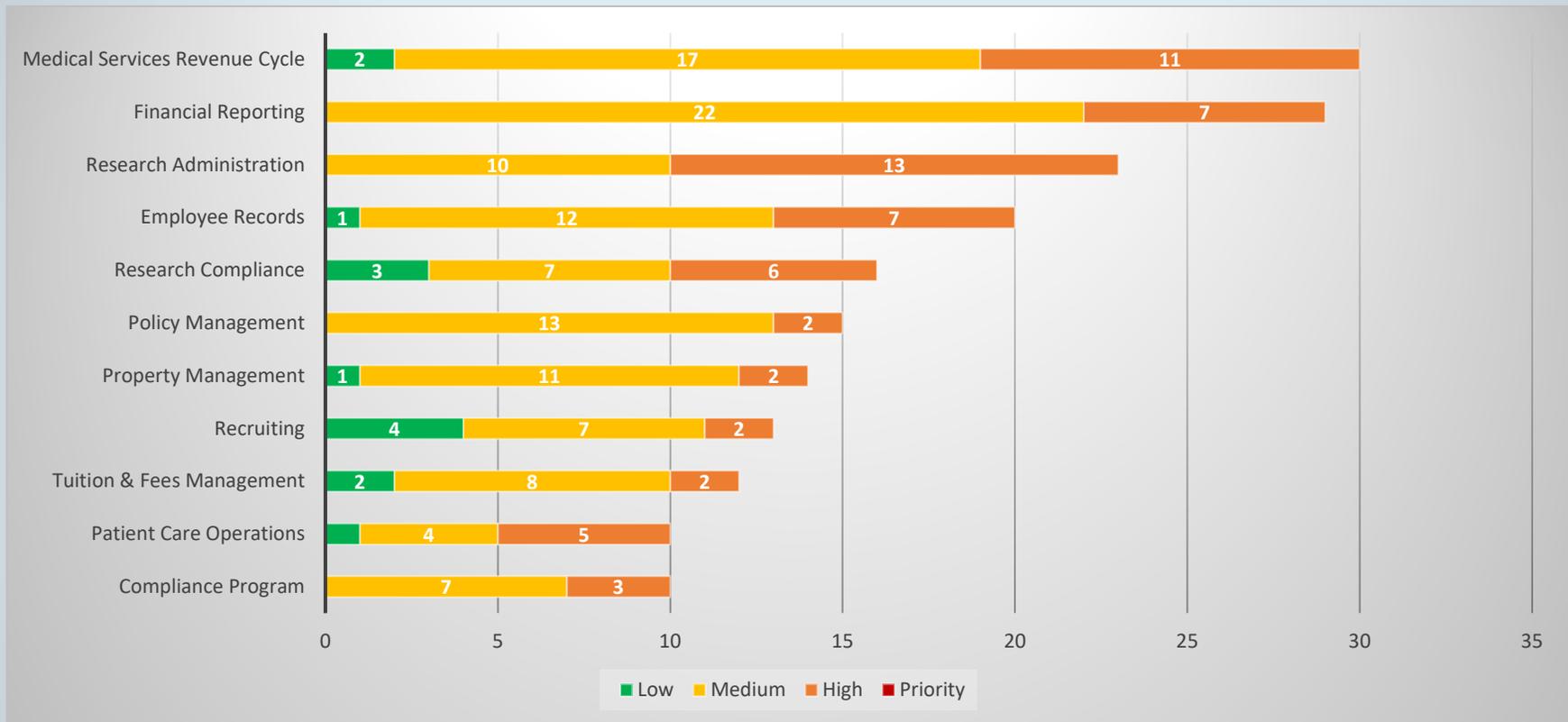
Consistent Systemwide classification by subject in 22 pre-defined Primary Taxonomy areas



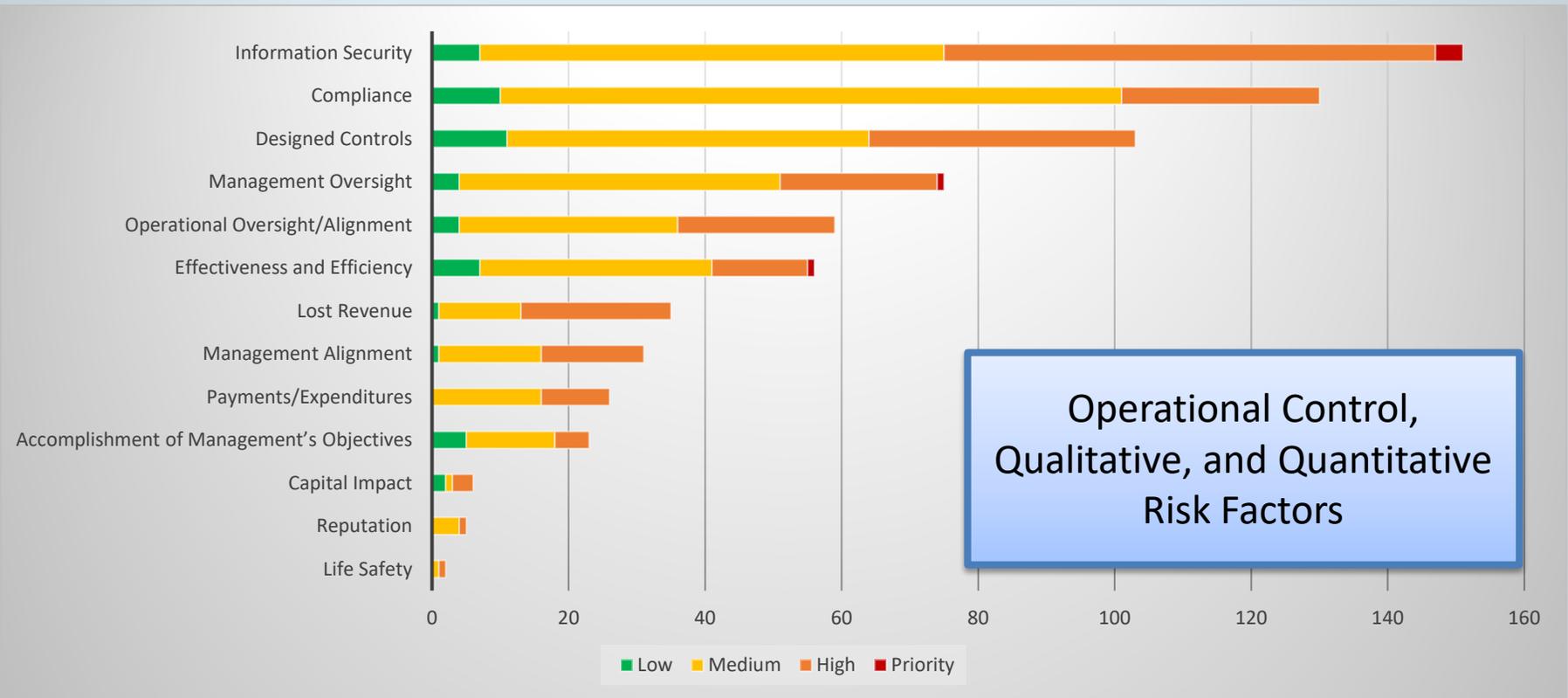
Systemwide Information Technology (IT) Observations



Systemwide Top Non-IT Observations



Systemwide Observations by Risk Factors



Client Satisfaction

- In the spirit of continuous improvement, client feedback is sought to ensure internal audit:
 - Provides valuable and constructive information and insights
 - Conducts work in professional and competent manner
 - Produces clear and accurate communication and reporting
- The average client survey score for FY23 engagements is 4.4 (5-strongly satisfied to 1-strongly dissatisfied) with a 45% response rate

Systemwide Internal Audit Competencies & Contributions

- Proficiency (average employee statistics):
 - 82% hold professional certifications
 - 44% earned advanced degrees
 - 18 years of relevant and 9 years of U. T. experience
 - 52 hours of continuing professional education annually
- Contributions
 - Professional organizations at the local, national, and global levels through board service, leadership positions, and conference presentations
- Support the academic enterprise
 - Student interns, guest/part-time lecturers, professional publications