

1. Title

Internal Audit Activities

2. Policy

Sec. 1 Internal Auditing Program. The purpose of an internal auditing program is to assist the Board of Regents and institution administrators to accomplish University of Texas 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, *Texas Government Code*) and by the Board of Regents' *Rules and Regulations*, Rules 10402 and 20401.

Sec. 2 Purpose. The guidelines contained in this policy establish a Systemwide program to furnish independent analyses, appraisals, and recommendations about the adequacy and effectiveness of the U. T. System's internal control policies and procedures and the quality of performance in carrying out assigned responsibilities.

Sec. 3 Procedures. A Systemwide internal audit charter (Exhibit A) has been developed as recommended in the Standards for the Professional Practice of Internal Auditing. Each institution and U. T. System Administration should also have an audit charter modeled after the Systemwide 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.

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

3.2 Audit Report. 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.
- 3.3 Quarterly Summary. The System Audit Office will provide the Audit, Compliance, and Management Review Committee (ACMRC) and the System Administration Internal Audit Committee with a written summary of all audit activity on a quarterly basis.
 - 3.4 Staffing Level. 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.
 - 3.5 Chief Audit Executive. 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 ACMRC appoints the System Chief Audit Executive.
 - 3.6 Temporary Audit Assistance. The 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:
 - (a) no institutional internal audit staff is available;
 - (b) a temporary or ongoing institutional audit staff shortage exists in accordance with commonly defined audit needs;
or
 - (c) occasional or unusual auditing is required beyond local institutional capacity.
 - 3.7 Funding for Temporary Audit Assistance. 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.
 - 3.8 Audit Assistance Reporting. When audit assistance is provided to an institution, the auditor(s) will report to the institution president, unless audit circumstances dictate otherwise.

- 3.9 Internal Audit Council. 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.

3. Definitions

None

4. Relevant Federal and State Statutes

[Texas Government Code Chapter 2102, Internal Auditing](#)

[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](#)

5. Relevant System Policies, Procedures, and Forms

[Board of Regents' Rules and Regulations, Rule 10201, General Counsel to the Board of Regents](#)

[Board of Regents' Rules and Regulations, Rule 10402, Committees and Other Appointments](#)

[Board of Regents' Rules and Regulations, Rule 20402, Provision of Audit and Non-Audit Services by External Audit Firms](#)

[\(Exhibit A\) Systemwide 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](#)

6. System Administration Office(s) Responsible for Policy

U. T. System Audit Office

7. Dates Approved or Amended

February 16, 2004

October 8, 2009

September 29, 2011