



UT System Administration Policy Library -- Policy # UTS129

Internal Audit Activities

Responsible Officer: Executive Vice Chancellor for Business Affairs

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. The guidelines contained in this BPM 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.

RATIONALE

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 Regents' Rules and Regulations in Series 10402 and 20401.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

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

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

| UT System Administration Policies & Standards | Other Statutes, Policies & Standards |
|---|---|
| <ul style="list-style-type: none">Regents' <i>Rules and Regulations</i> Series <u>10402</u> | <ul style="list-style-type: none"><i>Texas Government Code</i>, Chapter 2102. |

| | |
|---|--|
| <ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i> Series <u>20401</u> | |
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CONTACTS

If you have any questions about UT System Administration Policy UTS129, *Internal Audit Activities*, contact the following offices:

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

DEFINITIONS

N/A

RESPONSIBILITIES

President

- Has an internal audit charter modeled after the System-wide charter and approved by the institution's President.
- Distributes the charter in the same manner as all institutional-wide policies or procedures.

Internal Auditor

- Reports to the institution President, unless audit circumstances dictate otherwise.
- Addresses audit reports to the President and/or the Institutional Audit Committee by means of an executive summary.
- Forwards audit report to the appropriate Executive Vice Chancellor and the System Director of Audits.

System Audit Office

- Provides the Chancellor with a written summary of all audit activity on a quarterly basis.

Chancellor

- Appoints the Director of Internal Audit to serve as the chief audit executive.

UT System Administration, President or Designee

- Temporarily provides direct audit assistance to an institution when 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.

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 should also have an internal audit charter modeled after the System-wide charter and approved by the institution's President. 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 Audit Committee by means of an executive summary. After the President and/or the Institutional Audit committee have approved the report, the executive summary and the audit report should be forwarded to the appropriate Executive Vice Chancellor and the System Director of Audits.

The System Audit Office will provide the Chancellor {this may need to be changed to Audit, etc Committee, see above} 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 appoints the Director of Internal Audit to serve as the chief audit executive.

The UT System Administration may, in consultation with the institutional President or designee, temporarily provide direct audit assistance to a 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 Director of Audits 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

N/A