

Southern University System BOARD OF SUPERVISORS

MEETING

9 a.m.

Friday, October 26, 2018

2nd Floor J.S. Clark Administration Building Southern University and A&M College Baton Rouge, Louisiana

Governance Committee

GOVERNANCE COMMITTEE

(Following the Finance Committee) Friday, October 26, 2018 Southern University Board of Supervisors Meeting Board of Supervisors' Meeting Room J. S. Clark Administration Building, 2nd Floor Baton Rouge, LA

AGENDA

- 1. Call to Order
- 2. Roll Call
- 3. Adoption of the Agenda
- 4. Public Comments
- 5. Action Item(s)
 - A. Request Approval of Substantive Change Policy (SUBR)
 - B. Request Approval of Change of Major Policy (SUSLA)
- 6. Informational Item

A. Officers and Personnel of the Board (Article II Section 1 A,B,&C & Article III Section 6 A & B

- 7. Other Business
- 8. Adjournment

MEMBERS



POLICY TITLE Substantive Change Policy and Procedures

POLICY NUMBER 1-002

Responsible Unit: Academic Affairs	Effective Date: 10/26/2018
Responsible Official: <i>President/Chancellor, Executive Vice President/Executive Vice Chancellor, SACSCOC Liaison</i>	Last Reviewed Date:
Policy Classification: Academic Affairs	Origination Date: 07/12/2018

I. POLICY STATEMENT AND RATIONALE

The purpose of this policy is to assist the university in addressing the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) substantive change requirements. Substantive change as defined by SACSCOC "is a significant modification or expansion of the nature and scope of an accredited institution." Southern University and A&M College, as a member institution is required to notify the SACSCOC of changes in accordance with the substantive change policy and, when required, seek approval prior to the initiation of changes.

II. POLICY SCOPE AND AUDIENCE

This policy will apply to any significant modification or expansion in the nature and scope of Southern University and A&M College. It is the responsibility of the executive leadership, deans and the chair of the University Curriculum Committee to be generally aware of the substantive change policy and to inform the University's SACSCOC liaison at the earliest point possible that a proposed change may be substantive in nature and require prior notification and approval from SACSCOC before implementation.

III. POLICY COMPLIANCE

Member institutions are required to notify the SACSCOC of changes in accordance with the substantive change policy and, when required, seek approval prior to the initiation of changes. (Standard 14.2)

IV. POLICY DEFINITIONS

SACSCOC - The Southern Association of Colleges and Schools Commission on Colleges is the regional body for the accreditation of degree-granting higher education institutions in the Southern states. It serves as the common denominator of shared values and practices among the diverse institutions in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia and Latin America and other international sites approved by the SACSCOC Board of Trustees that award associate, baccalaureate, master's, or doctoral degrees. The Commission also accepts applications from other international institutions of higher education.

Substantive Change - Substantive change is a significant modification or expansion in the nature and scope of an accredited institution.

Notification - a letter from an institution's chief executive officer, or his/her designated representative, to SACSCOC President summarizing a proposed change, providing the intended implementation date, and listing the complete physical address if the change involves the initiation of an off-campus site or branch campus. The policy and procedures for reporting and review of institutional substantive change are outlined in the document "Substantive Change for Accredited Institutions of the Commission on Colleges."

Teach-out plan - a written plan developed by an institution that provides for the equitable treatment of students if an institution, or an institutional location that provides 50% or more of at least one program, ceases to operate before all students have completed their program of study, and may include, if required by the institution's accrediting agency, a teach- out agreement between institutions. This applies to the closure of an institution, a site, or a program. Teach-out plans must be approved by SACSCOC in advance of implementation.

Teach-out agreement - a written agreement between institutions that provides for the equitable treatment of students and a reasonable opportunity for students to complete their program of study if an institution, or an institutional location that provides 50% or more of at least one program offered, ceases to operate before all enrolled students have completed their program of study. This applies to the closure of an institution, a site, or a program. Such a teach-out agreement requires SACSCOC approval in advance of implementation.

V. POLICY IMPLEMENTATION PROCEDURES

The Office of the Executive Vice President/Executive Vice Chancellor, Academic Affairs, deans, chair of the University Curriculum Committee, and SACSCOC Liaison will be charged with implementing this policy.

VI. POLICY RELATED INFORMATION

The President/Chancellor shall notify the SACSCOC regarding substantive change by submitting a letter and/or prospectus to the President of the SACSCOC summarizing the proposed change, according to a format specified by the SACSCOC.

Under federal regulations, substantive change includes:

- Any change in the established mission or objectives of the institution.
- Any change in legal status, form of control, or ownership of the institution.
- The addition of courses or programs that represent a significant departure, either in content or method of delivery, from those that were offered when the institution was last evaluated.
- The addition of courses or programs of study at a degree or credential level different from that which is included in the institution's current accreditation or reaffirmation.
- A change from clock hours to credit hours.
- A substantial increase in the number of clock or credit hours awarded for successful completion of a program.
- The establishment of an additional location geographically apart from the main campus at which the institution offers at least 50% of an educational program. The establishment of a branch campus.
- Closing a program, off-campus site, branch campus or institution.
- Entering into a collaborative academic arrangement that includes only the initiation of a dual or joint academic program with another institution.
- Acquiring another institution or a program or location of another institution.
- Adding a permanent location at a site where the institution is conducting a teach-out program for a closed institution.
- Entering into a contract by which an entity not eligible for Title IV funding offers 25% or more of one or more of the accredited institution's programs.

The SACSCOC Board of Trustees has approved additional substantive changes that require notification and, in some cases, approval prior to implementation.

Procedures for Reporting:

All administrators are informed of SACSCOC and Southern University and A&M College policies on substantive change.

Deans and University Curriculum Committee Chair must notify the provost and SACS Liaison of intent to submit a substantive change.

Executive Vice President/Executive Vice Chancellor through the SACSCOC Liaison must clarify requirements for prospectus and timelines if changes meet SACSCOC criteria for substantive changes.

Executive Vice President/Executive Vice Chancellor through the SACSCOC Liaison must assure substantive change requirements are outlined and or met before proposed changes are submitted to SUS for approval.

SACSCOC provides guidelines (SUBSTANTIVE CHANGE FOR SACSCOC ACCREDITED INSTITUTIONS Policy Statement, 2016) for three procedures for addressing the different types of substantive

changes:

- **Procedure One** for the Review of Substantive Changes Requiring Approval Prior to Implementation (Notification may also be required).
- **Procedure Two** for the Review of Substantive Changes Requiring Only Notification Prior to Implementation (some changes also require submission of additional documents).
- **Procedure Three** for Closing a Program, Site, Branch Campus or Institution.

Procedures for the following types of changes are included in a separate SACSCOC document, "Mergers, Consolidations, Change of Ownership, Acquisitions, and Change of Governance, Control, Form, or Legal Status."

- Initiating mergers or consolidations.
- Acquiring any program or site from another institution.
- Adding as a permanent location any site where the institution is conducting a teach-out for students of another institution that is closing.
- Changes in governance, ownership, means of control or legal status.

Procedures for approval of direct assessment competency-based education programs are in a separate SACSCOC document, "Direct Assessment Competency-Based Educational Programs."

The initiation or revision of programs not offered for academic credit and that are not eligible for federal financial aid does not require reporting; however, such programs are subject to review at the time of reaffirmation.

VII. POLICY HISTORY AND REVIEW CYCLE

This is a newly created policy. This policy is subject to a five-year policy review cycle.

VIII. POLICY URL

www.sus.edu.

IX. POLICY APPROVAL

This section identifies the appropriate approval official(s).

Ray L. Belton, Ph.D. President-Chancellor, Southern University and A&M College System Effective Date of Policy

The Honorable Mrs. Ann A. Smith Chair - Southern University System Board of Supervisors Effective Date of Policy



OFFICIAL POLICY ON POLICIES TEMPLATE

Italicized instructions provided in this template are for guidance only and should be deleted as specific policy content is inserted.

POLICY TITLE Change of Major

POLICY NUMBER **TBD**

Responsible Unit: Registrar's Office	Effective Date: TBD
Responsible Official: Vice President for Student Affairs and Enrollment Services	Last Reviewed Date:
Policy Classification:	Origination Date: 11/17/2017

I. POLICY STATEMENT AND RATIONALE

Students should select their major/program to best suit their educational and career goals. If a student's goals and aspirations alter and students feel they must change their major/program, students must adhere to certain requirements in seeking approval of the change. The purpose of this policy is to establish parameters for which students can officially change majors/minors at Southern University at Shreveport. This policy supports the mission, vision and values of the College by ensuring data integrity and consistency in reports required by the State and other external agencies each semester.

II. POLICY SCOPE AND AUDIENCE

This policy applies to all students currently enrolled during any semester/term at Southern University at Shreveport (SUSLA). In order to request a change of major, the student must be accepted in a degree/diploma/certificate program. Major changes will be processed by the Registrar's Office and are subject to advisor approval. The Registrar's Office staff is responsible for executing this policy in accordance with FERPA guidelines.

III. POLICY COMPLIANCE

A student's ability to change a major at any given time throughout the semester/term not only creates data discrepancies in data-related reports submitted by various departments after the official census date for each semester, but, potentially, also impacts a student's financial aid eligibility and extends the time to complete degree requirements.

IV. POLICY DEFINITIONS

ADMINISTRATIVE CHANGE – Major/Program changes initiated by the university administration because of policy, regulation, legal, or other compelling administrative requirement.

MAJOR – that part of a Degree Program which consists of a specified group of courses in a particular discipline(s) or field(s). The name of the Major is consistent with the Degree Subject Area on the Louisiana Board of Regents CRIN. A Major usually consists of 25% or more of total hours required in an undergraduate curriculum. Establishment of a Major requires prior approval by the Board of Regents. [Source: Louisiana Board of Regents Approved Academic Terms and Degree Designations Academic Affairs Policy 2.11 Retrieved from *https://regents.la.gov/assets/docs/PRAA/Academic_Affairs/AA-2-11-2016-0504.pdf*]

DATA INTEGRITY - refers to the validity, reliability, and accuracy of data. Data integrity relies on a clear understanding of the business processes underlying the data and the consistent definition of each data element. [Source: Southern University System Data Governance Policy Retrieved from *http://www.sus.edu/assets/sus/SU_Board/Policies/data_governance_policy.pdf*]

V. POLICY IMPLEMENTATION PROCEDURES

A student may change a major by completing the Petition to Change Major form, obtainable from the university's web page. Students may change their major (program of study) at any time (limited to two requests each term/semester); however, to take effect during the current semester/term, student must submit the completed Petition to Change Major form prior to the first day of classes. Change of major (program of study) requests submitted after the semester/term has begun (first day of classes), will be made effective for the next available term.

All major changes must be declared at least one semester prior to the expected graduation term unless an administrative change is required.

All major changes must be declared at least one semester/term prior to the expected graduation term unless an administrative change is required.

While all students are required to secure approval from their academic advisor for the <u>current</u> major <u>and</u> the academic advisor for the <u>new</u> major, students with 15 credit hours or less, also

must secure approval from their assigned Student Success Coach (see Petition to Change Major form).

In addition to securing advisor approval, students must secure signatures from the following areas (if applicable) for consultation on how the change of major will impact their status: Financial Aid, Veteran's Educational Benefits, and International Affairs.

A student may change a major prior to the first day of classes for the current term. Any changes made after the first class day (limited to two requests each semester) will be effective the following term unless an administrative change is required.

Any changes in a student's official degree plan (curriculum of study) must be approved in writing by the appropriate advisor, <u>and</u> the dean of the division in which the student is enrolled, as well as, the dean of the division to which the student wishes to transfer.

A copy of this completed form must be submitted by the student to the Registrar's Office for processing, which will serve as the effective date for the change of major. Requests are processed within 3-5 business days and upon completion, students, advisors and the Office of Financial Aid will receive email confirmation from the Registrar's Office.

While such an occasion is rare, if a major is suspended or discontinued because of low enrollment or other factors, a student will be counseled into a new major. Additionally, the university will provide support and assistance to the affected students to ensure a smooth transition to a new major.

VI. POLICY RELATED INFORMATION

Implementation of Year-Round Pell Grants

Section 401(b)(8) of the Higher Education Act of 1965 (HEA), as added by section 310 of the Department of Education Appropriations Act, 2017 (Title III of Division H of P.L. 115-31, the Consolidated Appropriations Act, 2017), allows a student to receive Federal Pell Grant (Pell Grant) funds for up to 150 percent of the student's Pell Grant Scheduled Award for an award year. This provision is effective beginning with the 2017–2018 award year. [Source: Federal Student Aid - Dear Colleague Letter, June 19, 2017, Implementation of Year-Round Pell Grants, Retrieved from https://ifap.ed.gov/dpcletters/GEN1706.html]

Calculating Pell Grant Lifetime Eligibility Used

The amount of Federal Pell Grant funds you may receive over your lifetime is limited by federal law to be the equivalent of six years of Pell Grant funding. Since the amount of a scheduled Pell Grant award you can receive each award year is equal to 100%, the six-year equivalent is 600%. [Source: Federal Student Aid - Calculating Pell Grant Lifetime Eligibility Used. Retrieved from https://studentaid.ed.gov/sa/types/grants-scholarships/pell/calculate-eligibility]

Limitations on Eligibility for Direct Subsidized Loans (Sec. 685.200(a)(2), Sec. 685.200(f)(2))

Subsidized Loans, in the aggregate, exceeds 150 percent of the published length of the Borrower's educational program. Such a borrower may still receive any Direct Unsubsidized Loan for which the borrower is otherwise eligible.

The borrower's original two-year program had a maximum eligibility period of three years. Because the borrower received Direct Subsidized Loans for each of the two years of enrollment, the sum of the borrower's subsidized usage periods is two years. When the borrower enrolls in the four-year program, the borrower's maximum eligibility period is recalculated to six years (150 percent of the four-year program). The borrower's prior subsidized usage periods in the two-year program count against the borrower's new maximum eligibility period. Therefore, the borrower's remaining eligibility period is four years, which is the difference between the borrower's new maximum eligibility period (six years) and the sum of the borrower's subsidized usage periods (two years). (Subsequent examples will only detail the sum of all of a borrower's subsidized usage periods unless necessary to clarify the application of the interim final regulations.) Example 4: A borrower enrolls in a four-year program and receives Direct Subsidized Loans for two years. The borrower then withdraws before completing the four-year program, and subsequently enrolls in a two-year program. The borrower has not yet received any Direct Subsidized Loans for attendance in the two-year program.

[Source: Federal Student Aid - William D. Ford Federal Direct Loan Program: Interim Final Rule, Retrieved from https://ifap.ed.gov/fregisters/FR051613DLProgramInterimFinalRule.html]

Federal Financial Aid Maximum Timeframe

- For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program.
- For an undergraduate program measured in clock hours, a period no longer than 150 percent of the published length of the program as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time. (Note that a student in a clock hour program cannot receive aid for hours beyond those in the program; the maximum timeframe applies to the amount of calendar time the student takes to complete those hours.)
- For a graduate program, a period the school defines that is based on the length of the program.

[Source: Federal Student Aid Handbook, Chapter 1, p. 1-15. Retrieved from https://ifap.ed.gov/fsahandbook/attachments/1718FSAHbkVol1Master.pdf]

Louisiana TOPS Eligibility

Changing a degree program at any time during the academic year may affect TOPS eligibility for students receiving the TOPS Opportunity, Performance, or Honors awards. Program changes to an ineligible degree program may result in TOPS cancellation. [Source: SUSLA Financial Aid Department]

VII. POLICY HISTORY AND REVIEW CYCLE

The current policy states: "A student may change a major by completing the Change of Major Form, obtainable from the Registrar's Office, the appropriate division chair, or the university's web page. Any changes in a student's official degree plan must be approved in writing by the appropriate advisor, and the chair of the division in which the student is enrolled, as well as, the chair of the division to which the student wishes to transfer. A copy of this completed form is submitted by the student to the Registrar's Office for processing.

While such an occasion is rare, if a major is suspended or discontinued because of low enrollment or other factors, a student will be counseled into a new major. Additionally, the university will provide support and assistance to the affected students to ensure a smooth transition to a new major."

VIII. POLICY URL

Southern University at Shreveport (SUSLA) archives policies at www.susla.edu.

IX. POLICY APPROVAL

Rodney A. Ellis, Ed.D. Chancellor, Southern University at Shreveport Effective Date of Policy

Ray L. Belton, Ph.D. President-Chancellor, Southern University and A&M College System Effective Date of Policy

The Honorable Mrs. Ann A. Smith Chair - Southern University System Board of Supervisors Effective Date of Policy



A student may change a major <u>once</u> prior to the first day of classes for the current term. Any changes made after the first class day (limited to two requests each semester) will be effective the following term unless an administrative change is required.

Check this box if the student is under the advisement of the Center for Student Success (0-15 earned college credit hours).

Name:			SUSLA	ID# <u>900</u>		
Address:	Street Address	0.4				
	Street Address	City	,	ST Zip		
Classification:	Freshman SUSLA Skymail	(Email <u>):</u>	*	@skymail.susla.edu		
Special	Sophomore Anticipated Gra	duation Date	e:			
Are you curren	ntly seeking a degree or certificate f	rom SUSLA	? 🗌 Yes 🔲	No		
Are you:	receiving federal financial aid?	0_				
(check all that	an International student?		Financial A	id Advisor's Signature		
apply and secure the appropriate		-	International Ac	Imissions Advisor's Signature		
signatures)	receiving Veterans' benefits?		VA Certifyi	ng Official's Signature		
	a student athlete?		Athletic	c Director's Signature		
	a non-degree seeking student?		Admissions	Staff Member's signature		
CURRENT M	ajor:	NEW Majo	or:			
Academic Adv	isor:	Academic A	Advisor:			
Advisor's Sign	ature:	Advisor's S	Signature			
Division Dean'	s Signature:	Division Dean's Signature:				
Effective Date:	Year Semester 🔲 I	Fall	Spring] Summer		
degree rec ✓ Changing benefits. ✓ Changing ✓ If you hav	understand that: my major will update my catalog of record, y uirements of my new major and extend the t my major may affect my Satisfactory Acade my major may result in non-transferability o re questions about your financial aid eligibilit 2. Barnes Administration Building, Room A-	ime required to mic Progress (S f credits not req y, see a financia	complete degree req AP) calculations, fir uired in the new ma	uirements. hancial aid eligibility and veterans' for (program of study).		
Student's Signat	ure/Date:			Registrar's Office Use Only		
DOB	Phone: ()			Effective Term:		
				Date Processed:		
				Processed by:		
And the second s						

RO: Petition to Change Major: Revised 07/14:10/14:07/16/:07/17/10/18-LR www.susla.edu

Phone: (318) 670-9229 FAX: (318) 670-6344 registraroffice@susla.edu

DRAFT <u>ONE-YEAR TERM PROPOSAL</u>

Southern University and A&M College System Board of Supervisors Bylaws Amendments

ARTICLE II OFFICERS AND PERSONNEL OF THE BOARD

Section 1. Chair-Elect, Chair, and Immediate Past Chair.

A. Election. Each year, at its November meeting, the Board shall elect from among its membership a Chair-Elect, who shall serve a one-year term. The Chair-Elect shall automatically succeed to the office of the Chair and shall serve a one-year term as Chair. At the end of the Chair's term, the Chair shall automatically become the Immediate Past Chair and shall serve a one-year term.

In the event all three such officers are absent from a Board meeting; the Board shall elect a temporary chair from those present to preside over such meeting, provided a quorum is present.

An officer of the Board shall not serve more than one year in the same position during any six-year term appointment as a member of the Board. (4-23-99), (10-26-01), (10/26/18)

- **B.** Vacancy. Should a vacancy occur in the office of Chair, the Chair-Elect will assume the position of Chair for the remainder of the unexpired term. Should a vacancy occur in the office of Chair-Elect, the Board shall elect a successor from its membership for the remainder of the unexpired term. Should a vacancy occur in the position of Immediate Past Chair, it shall not be filled again until the Chair completes his/her term and then becomes the Immediate Past Chair.
- **C. Duties**. The Chair of the Board shall preside over all meetings of the Board, serve as an ex-officio member of all committees, name the appointive members of all standing and special committees of the Board, and fill all vacancies in the membership of such committees, in accordance with the provisions of these Bylaws. The Chair shall have the right to vote as a member of the Board and as an ex-officio member of the Board's committees. The Chair-Elect of the Board shall perform the duties of the Chair in the absence of the Chair. The Immediate Past Chair shall perform the duties of the Chair in the absence of the Chair and the Chair-Elect.

DRAFT

ONE-YEAR TERM PROPOSAL

Southern University and A&M College System Board of Supervisors Bylaws Amendments

> ARTICLE III COMMITTEES

Section 6. Executive Committee.

- **A. Membership**. *The Executive Committee shall consist of the Chair, Chair-Elect, Immediate Past Chair, Chairs of the Board's standing committees, and one member-at-large to be designated by the Chair of the Board.*
- **B.** Duties. The Chair and the Secretary to the Board shall be the chair and secretary respectively of the Executive Committee. The Chair-Elect of the Board shall perform the duties of the Chair in the absence of the Chair. The Immediate Past Chair shall perform the duties of the Chair in the absence of the Chair and the Chair-Elect. In the event all three such officers are absent from a Board meeting; the committee shall elect a temporary chair from those present to preside over such meeting.

The Executive Committee shall consider such matters as shall be referred to it by the Board of Supervisors and shall execute such orders and resolutions as shall be assigned to it at any meeting of the Board. It shall be the further duty of the Executive Committee to take such action as may be necessary in the event that any emergency requiring immediate action shall arise during an interim between Board meetings. All acts of the Executive Committee shall be submitted to the Board for ratification, or rejection, at its next meeting, except in matters where the Board shall have delegated to the Executive Committee full power to act with respect to any matter. Affirmative action by a majority of the entire membership of the Executive Committee shall be required for all transactions.

DRAFT TWO-YEAR TERM PROPOSAL

Southern University and A&M College System Board of Supervisors Bylaws Amendments

ARTICLE II OFFICERS AND PERSONNEL OF THE BOARD

Section 1. Chair-Elect, Chair, and Immediate Past Chair.

A. Election. Every other year, at its November meeting, the Board shall elect from among its membership a Chair-Elect, who shall serve a two-year term. The Chair-Elect shall automatically succeed to the office of the Chair and shall serve a two-year term as Chair. At the end of the Chair's term, the Chair shall automatically become the Immediate Past Chair and shall serve a two-year term.

In the event all three such officers are absent from a Board meeting; the Board shall elect a temporary chair from those present to preside over such meeting, provided a quorum is present.

An officer of the Board shall not serve more than two years in the same position during any six-year term appointment as a member of the Board. (4-23-99), (10-26-01), (10/26/18)

- **B.** Vacancy. Should a vacancy occur in the office of Chair, the Chair-Elect will assume the position of Chair for the remainder of the unexpired term. Should a vacancy occur in the office of Chair-Elect, the Board shall elect a successor from its membership for the remainder of the unexpired term. Should a vacancy occur in the position of Immediate Past Chair, it shall not be filled again until the Chair completes his/her term and then becomes the Immediate Past Chair.
- **C. Duties**. The Chair of the Board shall preside over all meetings of the Board, serve as an ex-officio member of all committees, name the appointive members of all standing and special committees of the Board, and fill all vacancies in the membership of such committees, in accordance with the provisions of these Bylaws. The Chair shall have the right to vote as a member of the Board and as an ex-officio member of the Board's committees. The Chair-Elect of the Board shall perform the duties of the Chair in the absence of the Chair. The Immediate Past Chair shall perform the duties of the Chair in the absence of the Chair and the Chair-Elect.

DRAFT

TWO-YEAR TERM PROPOSAL

Southern University and A&M College System Board of Supervisors Bylaws Amendments

ARTICLE III COMMITTEES

Section 6. Executive Committee.

- **A. Membership**. The Executive Committee shall consist of the Chair, Chair-Elect, Immediate Past Chair, Chairs of the Board's standing committees, and one member-atlarge to be designated by the Chair of the Board.
- **B.** Duties. The Chair and the Secretary to the Board shall be the chair and secretary respectively of the Execu tive Committee. The Chair-Elect of the Board shall perform the duties of the Chair in the absence of the Chair. The Immediate Past Chair shall perform the duties of the Chair in the absence of the Chair and the Chair-Elect. In the event all three such officers are absent from a Board meeting; the committee shall elect a temporary chair from those present to preside over such meeting.

The Executive Committee shall consider such matters as shall be referred to it by the Board of Supervisors and shall execute such orders and resolutions as shall be assigned to it at any meeting of the Board. It shall be the further duty of the Executive Committee to take such action as may be necessary in the event that any emergency requiring immediate action shall arise during an interim between Board meetings. All acts of the Executive Committee shall be submitted to the Board for ratification, or rejection, at its next meeting, except in matters where the Board shall have delegated to the Executive Committee full power to act with respect to any matter. Affirmative action by a majority of the entire membership of the Executive Committee shall be required for all transactions.

Internal Audit Committee

INTERNAL AUDIT COMMITTEE

(Following the Governance Committee) Southern University Board of Supervisors Meeting Board of Supervisors' Meeting Room J. S. Clark Administration Building, 2nd Floor Baton Rouge, LA

- 1. Call to Order
- 2. Roll Call
- 3. Adoption of the Agenda
- 4. Public Comments
- 5. Action Item(s)
 - A. Request Approval of the Annual Risk Assessment and Audit Plan (SUS)
 - B. Request Approval of the Internal Audit Charter (SUS)
- 6. Other Business
- 7. Adjournment

MEMBERS

Mr. Mike Small -Chair, Dr. Leon R. Tarver II -Vice Chair, Mr. John L. Batthelemy, Atty. Tony M. Clayton, Rev. Joe R. Gant, Dr. Curman L. Gaines, Mrs. Ann A. Smith -Ex Officio



Office of Internal Audit J.S. Clark Administration Building 4th Floor, Suite 427 Baton Rouge, Louisiana 70813

October 15, 2018

Dr. Ray President-Chancellor Southern University System J. S. Clark Administration Building, 4th Floor Baton Rouge, LA 70813

RE: Recommendation to Place Items on the October 26, 2018 Audit Committee and Board Committee Meeting Agendas

Dear Dr. Belton:

I would like to recommend the following items be placed on the agendas for approval by the Audit Committee and the full Board. These items are:

- 1. The Internal Audit Detailed Bi-Annual Audit Plan
- 2. The Southern University System Internal Audit Department Charter

I am recommending that these items be placed on the agendas and approved by the Board in order to comply with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards state that these items must be approved by the Board. In addition, Act 314 of the Louisiana Statue Legislature mandates that the internal audit department of certain State agencies comply with the Standards. These items can be found as Attachment I and Attachment II in the document attached.

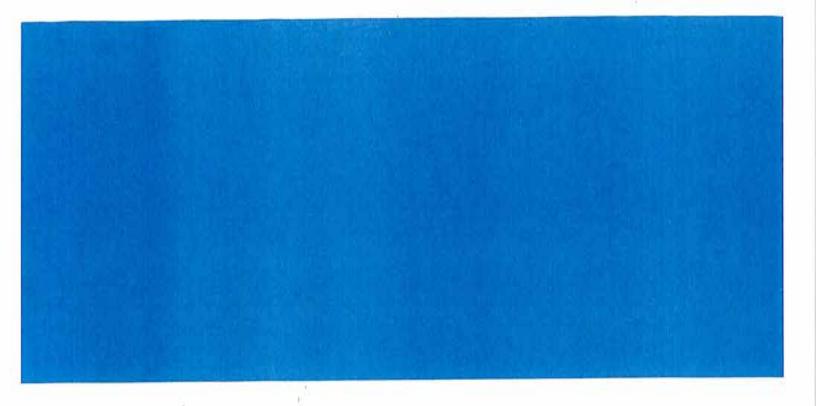
In addition to the items needing approval, the attached document includes the following information enclosed for informational purposes. These items do not need Board approval.

- 1. An Executive Summary that gives a high-level overview of the Internal Audit Department
- 2. A description of the Risk Assessment Process
- 3. Allocation of Resources (Hours Available for Auditing)
- 4. Goals and Metrics for the Internal Audit Department
- 5. Major Initiatives
- 6. Louisiana Act 314 Internal Audit Function in State Government
- 7. International Standards for the Professional Practice of Internal Auditing (Standards)

While items 1 - 7 above does not require Board approval, I believe this important and informative information to make available for the Board.

Sincerely,

Brian D. Adams Executive Director Internal Audit Department





OFFICE OF INTERNAL AUDIT

ANNUAL RISK ASSESSMENT & AUDIT PLAN FY 18 – FY 20

SOUTHERN UNIVERSITY SYSTEM

TABLE OF CONTENTS

Executive Summary1
Risk Assessment Process2
Bi-Annual Audit Plan3
Allocation of Resources4
Goals and Performance Metrics5
Major Initiatives Self-Assessment, External Assessment, and
Quality Assurance Improvement Plan

ATTACHMENTS

- I. Detailed Bi-Annual Audit Plan
- II. Internal Audit Charter
- III. Louisiana ACT 314 Internal Audit Function in State Government
- IV. International Standards for the Professional Practice of Internal Auditing (Standards)



EXECUTIVE SUMMARY

The Office of Internal Audit Services (IAS) is an independent and objective assurance and consulting function that is guided by a philosophy of adding value in order to improve the operations of the Southern University System. IAS assists the university in accomplishing its objectives by utilizing a systematic and disciplined approach to evaluating and improving the effectiveness of the organization's risk management, internal controls, and governance processes.

The overall objective of the IAS function is to provide management with an independent assessment of the quality of the university's internal controls and administrative processes, and provide recommendations and suggestions for continuous improvements.

There are three components of IA's mission:

- To audit the governance around risk management and system of internal controls,
- · To audit the system of internal controls itself, and
- · To audit the risk management of operations.

IAS maintains and ensures that high standards of accountability, integrity, and reliability is reflected in its work.

IAS supports oversight by:

- reviewing operations to determine whether public funds are being spent efficiently and effectively,
- investigating allegations of improper activities,
- performing policy analyses and outlining options for University consideration, and
- reporting on the effectiveness of programs and policies in meeting their objectives.

All audit work is conducted in accordance with the International Standards for the Professional Practice of Internal Audit and Generally Accepted Government Auditing Standards. The audits are planned with overall and specific objectives. A draft report is prepared at the conclusion of each audit for management's review and comments. The report contains specific recommendations intended to improve SUS programs and operations. The reports also identifies efficient and effective management practices revealed through the audit process. Lastly, the final report(s) with management comments is distributed as appropriate.

Internal Audit Services is centrally managed by the Southern University System Internal Audit Executive Director (Executive Director for the System).

which we are a series and the second second

RISK ASSESSMENT PROCESS

The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing¹ requires that internal auditors develop an audit plan. The standard requires that the audit process include a risk assessment process that includes identification of auditable activities, identification of relevant risk factors, and assessment of their relevant significance.

It is important to note that "risk" for this purpose is not necessarily a negative reflection on the manner in which the departments within the university conduct their financial affairs. In assessing risks, we gather information from financial analyses, change analyses (management, systems, funding levels, regulations, etc.) interviews with management, consideration of external audit activities (Louisiana Legislative Auditors, Board of Regents, U. S. Department of Education Inspector General, U.S. Government Accountability Office (GAO)), and personal observations.

Based on our collective experiences, judgement, and discussions with management, IAS considered the following risk factors in developing the audit work plan. The following risks applies to the potential types of harm to the university's ability to operate effectively and efficiently:

- Operational: Risks that the university operations and/or key functions may be adversely
 impacted and/or not managed in accordance with generally accepted or leading business
 practices.
- <u>Financial</u>: Risks that the university financial operations may be adversely impacted and not managed in accordance with generally accepted or leading business practices.
- <u>Compliance</u>: Risks that the university operations may be adversely impacted and not managed in accordance with federal laws, state laws or university policies.
- <u>Health & Safety</u>: Risks that the university operations may not be adequately considering and addressing areas that could adversely affect the health and safety of its students, employees, visitors or contractors.
- <u>Goodwill</u>: Risks that the university operations and business image could be adversely
 impacted by not being managed in accordance with generally accepted or leading
 business practices. A potential issue may or may not be material or financially
 significantly but could be embarrassing to the university.
- <u>Strategic Risk</u>: Risks that the university operations may not be able to meet its strategic planning goals or its ability to stay focus on its mission.
- <u>Last Audit More than Two Years</u>: Risks that the university may have undetected weaknesses or has not taken appropriate corrective action(s) to address findings and recommendations from previous engagements that could have a material effect on its operations.

AND A REAL PROPERTY AND ADDRESS AND ADDRESS ADDRES

¹ Standard 2010 specifies that 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.

BI-ANNUAL AUDIT PLAN

Our current plan for audit engagements lists over fifty-one (51) planned engagements for fiscal years 2018 through 2020. We also reserved time for unplanned work, specifically, special investigations and advisory services activities. These activities cannot be specifically planned but must be addressed when needed.

We believe that our plan calls for a widespread look at SUS operations during this two year audit period. The planned engagements specifically addresses ten (10) of fourteen (14) Engagement Lines of Efforts, five campuses and system level activities, and four areas the U.S. Department of Education Office of Inspector General (OIG) has deemed Management Challenges in education. A complete list of the engagements are listed in Attachment 1 -- SUS Internal Audit Bi-Annual Audit Plan.

The following tables and graphs summarizes audit engagements by applicable Engagement Lines of Effort, number of engagements, and audit hours for engagements.

Lines of Effort	Number of Engagements	Number of Audit Hours	Number of Campuses
A. Information Technology	1	320	System
B. Financial Management	21	6,720	SUAREC, SUBR, SULC, SUNO, & SUSLA
C. Instructions and Academic Support	4	1,280	SUBR & SUNO
D. Plant Operations and Maintenance	8	2,560	SUBR, SUNO, & SUSLA
E. Student Services	6	1,920	SUBR & SUNO
F. Human Resources Development	1	320	SUBR
G. Auxiliary and Service Departments	2	640	SUBR & SUNO
H. School of Allied Health Sciences			
I. Purchasing and Warehousing	-		
J. Asset and Risk Management	5	1,600	SUBR & SUSLA
K. Governance & Leadership	2	640	SUBR
L. University Relations and Alumni Affairs	1	320	SUBR
Special Investigations		220	SUAREC, SUBR, SULC, SUNO, & SUSLA
Advisory Services	(49	SUAREC, SUBR, SULC, SUNO, & SUSLA
Totals	51	16,589	

will share

ALLOCATION OF RESOURCES

The SUS Office of Internal Audit operates with six (6) professionals – System Executive Director of Internal Audit, Associate System Director of Internal Audit (Baton Rouge Campus), SULC/SUAREC Internal Audit Director, SUNO Internal Audit Director, SUSLA Internal Audit Director, and one staff auditor. IAS is considering a student intern program whereby Southern University students can gain useful audit experiences while working within the SUS. Shown below you will find the hours available for audit projects for each staff member.

	SOUTI	IERN UNIVI	RSITY SYST	EM									
	(Office of Inter	nal Auditor										
	Bi-Ann	ual Risk Asse	ssment/Audit]	Plan									
		Budgeted											
July 1, 2018 – June 30, 2020													
Area	Executive Director	SUBR Director	SULC / SUAREC Director	SUSLA Director	SUNO - Director	Staff Auditor							
Hours for 2018-2020	4,160	4,160	4,160	4,160	4,160	4,160							
Administration	2,500	600	400	400	400	200							
Meetings & Committees	400	100	100	100	100	50							
Continuing Professional Education	80	80	80	80	80	80							
Holidays	224	224	224	224	224	224							
Sick Leave	80	80	80	80	80	80							
Annual Leave	80 .	2120	120	120	120	80							
Other Time Off	0	0	0	0	0	104							
Subtotal	3,364	1,204	1,004	1,004	1,004	818							
Audit Hours	796	2,956	3,156	3,156	3,156	3,342							
Audit Productivity	19%	71%	76%	76%	76%	76%							

GOALS AND PERFORMANCE METRICS

Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, state that, "The chief audit executive must develop and maintain a quality assurance and improvement program." Overall, the program should be designed to enable an evaluation of the internal audit activity's conformance to standards and allow an assessment of the efficiency and effectiveness of the internal audit activity.

In response to this requirement, we developed performance measurements designed as a basis for evaluating the department's performance. The measurements, presented below, include goals for personnel, productivity, communication, quality and effectiveness.

Performance Measurement Summary

Measurement Goal/Criteria

P	ERSONNEL	Target Range
1.	Number of Staff Certifications (Department)	3 or more
2.	Professional Development Hours (per Auditor)	40 hours or more
PR	ODUCTIVITY MEASURES	
3.	Number of Audits completed per year (per campus)	5 to 7 audits
4.	% of the University's Budget Reviewed (annually per campus)	5% or more
5.	Number of Departments Engaged (annually per campus)	10 or more
C	OMMUNICATIONS	
6.	Audit Status Updates with Audit Committee	4 to 6 per year
7.	Number of SR. MGT Updates Meetings / year (per campus)	4 or more
Q	JALITY AND EFFECTIVENESS	
8.	Client Satisfaction Score, % Agree with Services	75% or more

SELF-ASSESSMENT, EXTERNAL ASSESSMENT, and QUALITY ASSURANCE IMPROVEMENT PROGRAM

The Legislative Auditor's report issued March 29, 2017, for the year ended June 30, 2016 identified weaknesses in the Internal Audit function. The report specifically states "For fiscal year 2016, the Southern University System (SUS) did not adhere to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (IIA Standards), increasing the risk that the SUS internal processes will not be effective or efficient and placing SUS in noncompliance with state law. The following weakness was noted:

 The SUS internal audit section did not have a quality assurance improvement program and has not obtained an external quality assurance review as required by IIA Standards."

A self-assessment was completed by an outside consultant under the direction of the immediate previous Executive Director of Internal Audit Services. We are in the process of implementing improvements to the deficiencies identified during the self-assessment.

Standard 1312 – External Assessments states that "External assessments must be conducted at least 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."

The external peer review will be scheduled and completed by peers from the Louisiana Association of Colleges and University Auditors (LACUA) during the current fiscal year.

A second of the second se

As part of our Quality Assurance Improvement Program, we are evaluating audit software that can help make the Department more efficient, increase audit coverage, and assure our compliance with the International Standards for the Professional Practice of Internal Auditing.

a distance of a labora solar with marked a start

DETAILED BI-ANNUAL AUDIT PLAN (Attachment I)

Approved this _____ day, October , 2018

President

Chairperson, Board of Supervisors

Chairperson, Audit Committee

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
						6,298			
1	SUBR	 B. Financial Management 	15 days/ 120 hours	35 days/ 280 hours	300	5998	Review of SUBR Internal Controls over Cash Management	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
2	SUBR	 G. Auxiliary and Service Departments 	15 days/ 120 hours	35 days/ 280 hours	300	5698	Review of SUBR Internal Controls over Youth Camps and Related Programs	FY 2019	Failure to adequately address revenue generating events such as youth camps and related programs could reduce SUBR ability to meet its financial obligations.
3	SUBR	E. Student Services	15 days/ 120 hours	35 days/ 280 hours	300	5398	Review of SUBR Internal Controls over Financial Aid policies, procedures and practices	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
4	SUBR	B. Financial Management	15 days/ 120 hours	35 days/ 280 hours	300	5098	Review of SUBR Internal Controls over Student Fees	FY 2019	Failure to adequately address revenue generating events such as fees could reduce SUBR's ability to meet its financial obligations.
5	SUBR	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	4778	Review of SUBR Internal Controls over Registration policies, procedures and practices	FY 2019	Effective management practices require a periodical look at key operations such as the Registration process to ensure expectations are met.
6	SUBR	 B. Financial Management 	15 days/ 120 hours	25 days/ 200 hours	320	4458	Review of SUBR Internal Controls over Students Financial Aid grants, Loans, and Scholarships management and reporting	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
7	SUBR	C. Instructions and Academic Support	15 days/ 120 hours	25 days/ 200 hours	320	4138	Review of SUBR Internal Controls over Graduations management practices	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
8	SUBR	C. Instructions and Academic Support	15 days/ 120 hours	25 days/ 200 hours	320	3818	Review of SUBR Internal Controls over Student Grade Change Review	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
9	SUBR	K. Governance& Leadership	15 days/ 120 hours	50 days/ 400 hours	520	3298	Special Requests	FY 2020	SUS Board members or executive management may request advisory services from Internal Audit Services.
10	SUBR	K. Governance & Leadership	6 days/ 48 hours	6 days/ 48 hours	96	3202	Follow-up Reviews	FY 2020	SUS Board members or executive management may require follow-up reviews of special audits or subject areas.
11	SUBR	J. Asset and Risk Management	15 days/ 120 hours	25 days/ 200 hours	320	2882	Risk Management policies & procedures	FY 2020	Assistance to assist other units may be needed
	SUBR	J. Asset and Risk Management	15 days/	25 days/ 200 hours	320	2562	Emergency Preparedness	FY 2020	Failure to adequately address contingency planning could reduce SUS ability to protect its community, respond to and recover from service interruptions.
13	SUBR	J. Asset and Risk Management	15 days/ 120 hours	25 days/ 200 hours	320	2242	Environmental Health and Safety	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
14	SUBR	C. Instructions and Academic Support	15 days/ 120 hours	25 days/ 200 hours	320	1922	Electronic learning management practices	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
15	SUBR	D. Plant Operations and Maintenance	15 days/ 120 hours	25 days/ 200 hours	320	1602	Motor Pool management practices	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
16	SUBR	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	1282	Admissions policies, procedures and practices	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
17	SUBR	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	962	On campus residential management policy & procedures	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
18	SUBR	F. Human Resources Development	15 days/ 120 hours	25 days/ 200 hours	320	642	Adjunct Faculty Human Resources	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
19	SUBR	L. University Relations and Alumni Affairs	15 days/ 120 hours	25 days/ 200 hours	320	322	Management policies & procedures	FY 2020	Effective management practices require a periodical look at guidance over key operations to ensure expectations are met.
20	SUBR	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	2	Procurement - Travel card	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
21	SUBR	 B. Financial Management 	15 days/ 120 hours	25 days/ 200 hours	320	-318	Procurement	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
22	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	1263	Review of SUAREC Internal Controls over Grants Management	FY 2019	Assurances are needed of the effectiveness of SUAREC processes for managing grants
23	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	943	Review of SUAREC Internal Controls over Payroll Management	FY 2019	Assurances are needed of the effectiveness of SUAREC processes for managing payroll.
24	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	623	Review of SUAREC Internal Controls over Account Payables Management	FY 2019	Assurances are needed of the effectiveness of SUAREC processes for managing accounts payables
25	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	303	Review of Internal Controls over SUAREC Capital Construction Projects	FY 2020	Assurances are needed of the effectiveness of SUAREC processes for managing capital construction projects.
26	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	-17	Review of Internal Controls over SUAREC Self Generated Revenue	FY 2020	Failure to adequately address controls over revenue generating events could reduce SUAREC ability to meet its financial obligations.
27	SUAREC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	-337	Review of SUAREC Internal Controls over Sales of Goods	FY 2020	Failure to adequately address controls over revenue generating events could reduce SUAREC ability to meet its financial obligations.
	SULC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	1262	Review of SULC Internal Controls over Grants Management	FY 2019	Assurances are needed of the effectiveness of SULC processes for managing grants

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
29	SULC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	942	Review of SULC Internal Controls over Account Receivables Management	FY 2019	Assurances are needed of the effectiveness of SULC processes for managing accounts receivables
30	SULC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	622	Review of SULC Internal Controls over Purchasing	FY 2020	Effective management practices have proven to reduce the acquisition and costs of unneeded purchases.
	SULC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	302	Review of SULC Internal Controls over Travel Management	FY 2020	Effective management practices have proven to reduce the costs of unneeded travel
	SULC	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	-18	Review of SULC Internal Controls over Payroll Management	FY 2020	Effective management practices require a periodical look at key operations such as payroll to ensure expectations are met.
33	SUNO	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	2845	Review of Internal controls over SUNO Event Planning & Facility Rentals	FY 2019	Failure to adequately address revenue generating events such as event planning and facility rentals could reduce SUS ability to meet its financial obligations.
34	SUNO	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	2525	Review of Internal Controls over SUNO Admission Policies and Procedures	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
	SUNO	D. Plant Operations and Maintenance	15 days/ 120 hours	25 days/ 200 hours	320	2205	Review of SUNO Building Maintenance and deferred Projects Management practices.	FY 2019	Effective management practices require a periodical look at large dollar operations to ensure expectations are met.
36	SUNO	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	1885	Review of SUNO Internal Controls over Payroll Management	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
37	SUNO	C. Instructions and Academic Support	15 days/ 120 hours	25 days/ 200 hours	320	1565	Review of SUNO internal controls over Registrar policies and procedures regarding grade changes	FY 2019	Effective management practices require a periodical look at key operations to ensure expectations are met.
38	SUNO	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	1245	Review of SUNO internal Controls over Purchasing Management	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
	SUNO	B. Financial Management	15 days/ 120 hours	25 days/ 200 hours	320	925	Review of SUNO Management of Human Resources Terminations, etc.	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
40	SUNO	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	605	Review of SUNO Compliance with Internal Controls over Registration	FY 2020	Assurances of that expectations of critical functions are met contribute to SUS effectiveness and efficiency.
41	SUNO	G. Auxiliary and Service Departments	15 days/ 120 hours	25 days/ 200 hours	320	285	Review of SUNO Policies and Procedures over On- Campus housing.	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
42	SUNO	D. Plant Operations and Maintenance	15 days/ 120 hours	25 days/ 200 hours	320	-35	Review of Internal Controls over SUNO Motor Pool Management Practices	FY 2020	Effective management practices require a periodical look at key operations to ensure expectations are met.
43	SUS	A. Information Technology	15 days/ 120 hours	25 days/ 200 hours	320	2845	Review of SUS general controls over IT Contingency (disaster) planning.	FY 2019	Failure to adequately address IT contingency planning could reduce SUS ability to repond to and recover from service interruptions.

SUS Internal Audit Services FY 2018-20 Audit Priorities

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
44	SUSLA	J. Asset and Risk Management	15 days/ 120 hours	25 days/ 200 hours	320	2525	Review of SUSLA Risk Management policies and practices.	FY 2019	Poor risk management practices could increase SUSLA liability insurance costs and costs of operations.
45	SUSLA	J. Asset and Risk Management	15 days/ 120 hours	25 days/ 200 hours	320	2205	Review of SUSLA safety and security planning program.	FY 2019	Failure to adequately address contingency planning could reduce SUSLA ability to protect its community, respond to and recover from service interruptions.
	SUSLA	 B. Financial Management 	15 days/ 120 hours	25 days/ 200 hours	320	1885	Review of SUSLA compliance with contract management expectations.	FY 2019	Failure to properly scope and manage contracts put SUSLA at risk of wasting limited resources and not achieving its intended goals.
	SUSLA	D. Plant Operations and Maintenance	15 days/ 120 hours	25 days/ 200 hours	320	1565	Review of SUSLA utilities management practices.	FY 2020	Failure to closely manage utilities usage could lead to wasting of limited SUSLA financial resources.
48	SUSLA	C. Instructions and	15 days/ 120 hours	25 days/ 200 hours	320	1245	Review of SUSLA Electronic Learning Management practices.	FY 2020	Assurances are needed to reduce the potential for fraud in distance education programs in obtaining federal student aid.
49	SUSLA	E. Student Services	15 days/ 120 hours	25 days/ 200 hours	320	925	Review of SUSLA Financial Aid policies, procedures and practices	FY 2020	Assurances are needed that millions of dollars entrusted to SUSLA are reaching the intended recipients.
12855			15 days/	25 days/	320	605	Review of SUSLA End of Fiscal Year Academic Reporting requirements	FY 2020	Assurances are needed of the effectiveness of SUSLA controls to ensure that reported data are accurate and reliable.

SUS Internal Audit Services FY 2018-20 Audit Priorities

	Campus	Project / Line of Effort	Survey days / hours	Review days / hours	Hours Allotted	Hours Remaining	Engagement Title	Rank	Comments
51	SUSLA	D. Plant Operations and Maintenance	15 days/ 120 hours	25 days/ 200 hours	320	285	Review of SUSLA oversight of planning, management and reporting for capital construction projects.	FY 2020	Assurances are needed of the effectiveness of SUSLA processes for managing capital construction projects.

SUS INTERNAL AUDIT DEPARTMENT CHARTER (Attachment II)

1.0.11.00

1

11

INTERNAL AUDIT CHARTER

INTRODUCTION

The Southern University System Internal Audit (IA) function is an objective assurance and consulting activity that is independently managed within the Southern University System and guided by a valuedriven philosophy to improve the Southern University System operations and help management accomplish its objectives by bring a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

There are three components of IA's mission:

- > To audit the governance around risk management and system of internal controls,
- > To audit the system of internal controls itself, and

a company of the second company is an experimental second s

> To audit the risk management of operation.

Internal Audit is centrally managed by the Southern University System Internal Audit Executive Director (Executive Director for the System).

ROLE

Management of each of the System's component institutions has the responsibility to ensure that assets are properly safeguarded, internal controls are established and sufficient to ensure compliance with applicable laws and regulations, and procedures are sufficient to detect errors and fraud in a timely manner. Campus management is also responsible for providing input into the annual risk assessment and audit plan and for establishing and enforcing a policy to ensure effective and timely resolutions of all audit findings.

Internal Audit's role is to measure and evaluate the effectiveness of internal controls within accounting, financial and operating systems of the Southern University System. Internal Audit provides and an independent analyses, appraisals, recommendations, and pertinent comments on the business activities of the institution.

ORGANIZATION

The Southern University System Internal Audit Executive Director will continue to directly report to the System President with a line of direct communication with the Chair of the Audit and Finance Committees. Campus internal audit directors will report to the System Executive Director with informational disclosure to the campus chancellors, unless directed by the System Executive Director, System President, and/or the Audit Committee Chair. Hiring, promotion, and other related personnel decisions regarding campus audit directors and staff shall be made jointly with the System President, Audit Committee Chair, and System Audit Executive Director after appropriate consultation with the affected campus chancellor.

PROFESSIONAL STANDARDS

Professionalism and commitment to excellence are facilitated by operating within a framework of professional practice. The internal audit activity will govern itself by adherence to the Institute of Internal Auditor's Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal audit activity's performance.

In addition, Government Auditing Standards promulgated by the Comptroller General of the United States will be followed when required by law, regulation, agreement, contract, or policy. Also, Internal Audit staff members have a responsibility to act in the best interest of those they serve and should refrain from entering into any activity that may create a conflict of interest and should disclose any potential conflicts of interest to the System Executive Director. They have an obligation of self-discipline above and beyond the requirements of laws and regulations. They should demonstrate qualities to include integrity, objectivity, confidentiality, and competency consistent with the Institute of Internal Auditors Code of Ethics.

AUTHORITY

The Southern University System Internal Audit office is authorized full and unrestricted access to all areas and information sources (i.e. records, property, and personnel, etc.) within the entire Southern University System. Documents and information given to the Internal Audit staff during and engagement are handled in the same prudent manner as by those employees normally accountable for them. The confidential and privileged character of the documents and information is not affected solely by disclosure to the Audit Staff.

Acting in the capacity of an Internal Auditor, audit staff should not perform any operational duties for the Southern University System or its component institutions, initiate or approve accounting transactions external to Internal Audit, or direct the activities of any Southern University employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or otherwise assist the internal auditors.

RESPOSNIBILITIES

The System Executive Director with the assistance of campus directors has a responsibility to:

- Develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the President and Audit Committed for review and approval, as well as periodic updates.
- Implement the audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Board of Supervisors.
- > Maintain a professional audit staff with sufficient knowledge, skills, and experience,

The second second

Issue periodic reports to the Board of Supervisors and management summarizing results of audit activities.

.

- Keep the Board of Supervisors and President informed of emerging trends and successful practices in internal auditing.
- Implement a follow-up process to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action.
- Determine University controls are adequate, effective, and functioning by conducting audits on a periodic basis so that all major systems are reviewed.
- Determine reliability and accuracy of accounting, financial, and reporting systems and procedures.
- Determine on a test basis, grants and contracts received are made in conformance with University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determine if assets are accounted for and safeguarded against losses of all kinds and as appropriate verify on a test basis the existence of such assets.
- Evaluate operational procedures to determine whether results are consistent with established be objectives and goals and whether the procedures are being carried out as planned.
- Evaluate the design of major electronic data processing systems and major modifications to existing systems.
- Perform consulting services beyond the traditional assurance services provided by Internal Audit to assist management in meeting objectives. Examples may include facilitation process design, training advisory service, etc.
- Conduct investigations as required or directed related to the general objective previously stated.

IRREGULARITIES, ILLEGAL ACTS AND OTHER NONCOMPLIANCE

The responsibilities of IA for these areas are clearly defined in the professional standards, previously mentioned in this document.

IA has the responsibility for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of control, commensurate with the extent of the potential exposure/risk in the various systems of operations. In carrying out this responsibility, we will determine whether the Southern University System and its component institutions:

- Organizational environment fosters control consciousness.
- > Realistic organization goals and objectives are set.
- Written policies (code of conduct) exist that describes prohibited activities and the action required whenever violations are discovered.
- > Appropriate authorization policies for transactions are established and maintained.
- Policies, practices, procedures, reports, and other mechanisms are developed to monitor activities and safeguard assets, particularly in high risk areas.
- > Communication channels provide management with adequate and reliable information.
- Recommendations are made for the establishment or enhancement of cost-effective controls to help deter fraud.

If our investigations should reveal dishonest or fraudulent activities, reports will be issued to the System President and the appropriate campus chancellor. In addition, through coordination with Southern University System Legal Counsel (internal and external), the appropriate law enforcement and/or regulatory agencies will be notified for their independent investigation and final determination. The

a a particular of a larger many as a contract set. The first of a set of a set of the set of a ball of the set of th

University is required to immediately notify the Louisiana Legislative Auditor of any occurrence of suspected and/or know fraudulent activity.

All employees of IA will be expected to adhere to the professional standards. This will provide reasonable assurance of detecting irregularities, illegal acts, or other noncompliance which are material to the financial statements of Southern University System.

All employees of IA will be required to adhere to the professional standards. This will provide reasonable assurance of detecting irregularities, illegal acts, or other noncompliance which are material to the financial statements of the Southern University System.

MANAGEMENT REQUEST

IA is expected to be a constructive service engaging in activities which will be of measurable benefit to the Southern System. Consequently, sufficient flexibility is to be maintained to be responsive to management requests for services that are consistent with the objectives and priorities of IA.

PLANNING

An internal audit plan based on a facilitated risk assessment process shall be systematically developed annually for the System as a whole. The risk assessment shall consider risks within and across all components of the System. Each campus audit director is responsible for soliciting input from appropriate members of management at their respective campus for this purpose. These data are to be used to develop a risk-based audit plan for each campus. Once the System Executive Director concurs with the plan and opportunity for review and comment has been afforded the appropriate campus head, the System Executive Director will incorporate these plans into a System-wide plan that will be submitted for comment to the President and System Executive Officers. The plan and any comments will then be submitted to the Audit Committee for review and approval and reported to the Board of Supervisors. The objective is to continually assess all high-risk areas of the Southern University System and to evaluate critical business processes throughout the System as resources permit. When special projects are requested by campus management, the campus internal audit director shall notify the System Executive Director who will consult with the affected campus chancellor in establishing the scope, objectives, and methodology to be employed related to the proposed special project.

When demands for services exceed available resources that would significantly impact the approved work plan, each director will establish project priorities subject to the approval of the System Executive Director or, if the changes to the plan are substantial, the approval of the System President and Audit Committee.

REPORTING

Internal Audit ensures that the results of audits and other services are properly communicated to the appropriate management or operating personnel in the form of written reports, consultation advice, or any other means. Written reports include, or will be followed by, management comments itemizing specific actions taken or planned to resolve the reported finding and to ensure that operational objectives are achieved. All internal audit reports will be issued by the authorization of the System

Executive Director. The System Executive Director shall distribute copies of all reports issued to the Southern University Board of Supervisors Chair, Audit Committee Chair, and the Southern University President upon initial release.

RELATINSHIPS WITH EXTERNAL AUDITORS AND CONSULTANTS

Internal Audit works cooperatively with external auditors and consultants to avoid duplication of efforts to ensure optimum audit coverage is obtained.

CONTINUINING PROFESSIONAL DEVELOPMENT

Audit work will be conducted by a staff of recognized professional auditors who posses a high level of technical knowledge of, or experience in, internal auditing techniques. Professional development activities will be planned and carried out by both Internal Audit offices and the auditor. In addition to on-the-job guidance, each director will provide for training through courses offered by internal and external sources, in appropriate circumstances. Also, auditors with professional certifications should obtain sufficient continuing professional education to satisfy requirements related to the professional certifications are encouraged to pursue an educational program that supports efforts to obtain professional certification(s).

STAFFING

The administrative office of the Internal Audit Services will be located on the 4th floor of the J. S. Clark Administration building on the Baton Rouge campus. The exception being the New Orleans and Shreveport campuses, where the primary auditor will continue to be domiciled. Based on specific audit engagement, auditors maybe assigned to the various campuses within the System that many not be their primary domiciled.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit will maintain a quality assurance and improvement 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 Definition of Internal Auditing and the Standards and an evaluation of whether Internal Audit applies apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The System Executive Director will communicate to management and the Board on the internal audit activity's quality and improvement plan.

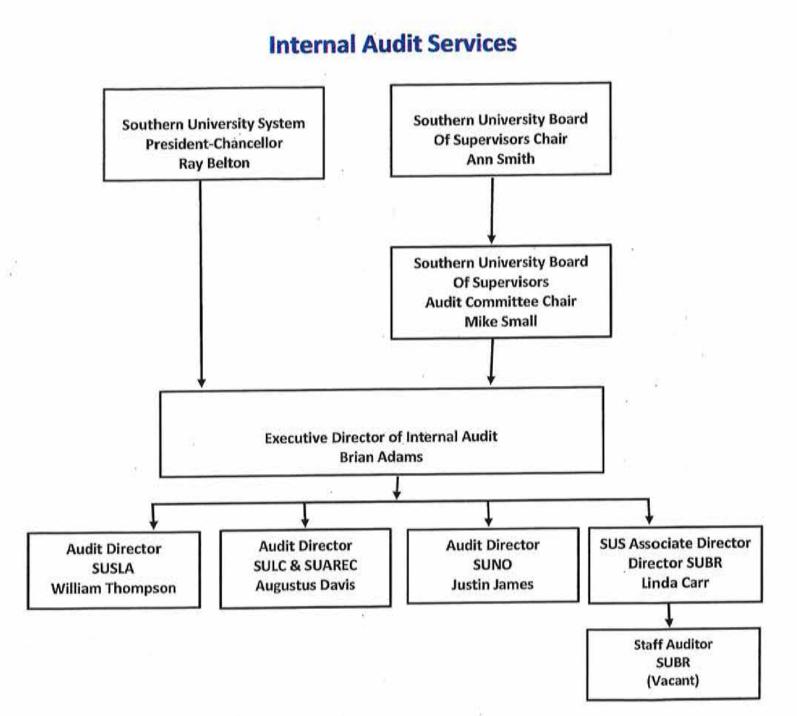
a man an an an an a sin an an a service and the second

Approved this _____day_____

Chairman of Board/Audit Committ

A THE REPORT OF A DESCRIPTION OF A DESCR

5 | Page



Note: The Executive Director of Internal Audit reports administratively to the Southern University System President-Chancellor and functionally to the Southern University Board of Supervisors' Internal Audit Committee Chair

LOUISIANA ACT 314 – INTERNAL AUDIT FUNCTION IN STATE GOVERNMENT (Attachment III)

WHEN DO NOT THE OWNER AND A REAL PROPERTY OF

10

I	IB NO. 286 ENROLLED
1	Internal Auditors, International Standards for the Professional Practice of Internal
2	Auditing.
3	
4	§3138.5. Internal auditing function of the Board of Regents
5	In addition to any other powers and duties authorized for the Board of
6	Regents by this Chapter, the board shall establish an internal audit function and shall
7	establish an office of the chief audit executive who shall be responsible for ensuring
8	that the internal audit function adheres to the Institute of Internal Auditors,
9	International Standards for the Professional Practice of Internal Auditing. The chief
10	audit executive shall maintain organizational independence in accordance with these
11	standards and shall have direct and unrestricted access to the board. The chief audit
12	executive shall annually certify to the board that the internal audit function conforms
13	to the Institute of Internal Auditors, International Standards for the Professional
14	Practice of Internal Auditing.
15	
16	§3351. General powers, duties, and functions of postsecondary education
17	management boards
18	
19	H. In addition to any other powers and duties authorized by this Section, any
20	board with an appropriation in the general appropriation bill of thirty million dollars
21	or more shall establish an internal audit function and shall establish an office of the
22	chief audit executive who shall be responsible for ensuring that the internal audit
23	function adheres to the Institute of Internal Auditors, International Standards for the
24	Professional Practice of Internal Auditing. The chief audit executive shall maintain
25	organizational independence in accordance with these standards and shall have direct
26	and unrestricted access to the management board. The chief audit executive shall
	annually certify to the management board that the internal audit function conforms
27	to the Institute of Internal Auditors, International Standards for the Professional
28	Practice of Internal Auditing.
29	Section 2. R.S. 24:553(D) is hereby enacted to read as follows:
30	Section Z. R.S. 24.555(D) is neleby enabled to read as renormal

14

Page 2 of 4

CODING: Words in struck through type are deletions from existing law; words underscored are additions.

ENROLLED

ł

	HB NO. 286
1	§553. Duties
2	· · ·
3	D. If the legislative auditor finds that a state agency required by law to have
4	an internal audit function does not have an effective internal audit function, including
5	a finding that the agency is not adhering to the Institute of Internal Auditors,
6	International Standards for the Professional Practice of Internal Auditing, the council
7	shall hold a hearing on such finding.
8	Section 3. R.S. 36:8.2 is hereby enacted to read as follows:
9	§8.2. Internal auditing function
10	A. The secretary of a department that includes an agency that has an
11	appropriation in the general appropriation bill or the ancillary appropriation bill of
12	thirty million dollars or more shall establish an internal audit function and shall
13	establish an office of the chief audit executive who shall be responsible for ensuring
14	that the internal audit function adheres to the Institute of Internal Auditors,
15	International Standards for the Professional Practice of Internal Auditing. The chief
16	audit executive shall maintain organizational independence in accordance with these
17	standards and shall have direct and unrestricted access to the secretary. The chief
18	audit executive shall annually certify to the secretary that the internal audit function
19	conforms to the Institute of Internal Auditors, International Standards for the
20	Professional Practice of Internal Auditing,
21	B. For the purpose of this Section, "secretary" means the chief administrative
22	officer of each department in the executive branch of state government, except
23	"secretary" means the following in the case of the listed departments:
24	(1) For the Department of State Civil Service, the State Civil Service
25	Commission through the director.
26	(2) For the Department of Agriculture and Forestry, the commissioner of
27	agriculture and forestry,
28	(3) For the Department of Education, the state superintendent of education,
29	except as otherwise provided in Title 17 of the Louisiana Revised Statutes of 1950
30	relative to the internal audit function for the Louisiana Student Financial Assistance

Page 3 of 4

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

н	IB NO. 286 ENROLLED
1	Commission, the Board of Regents, and the postsecondary education management
2	boards and institutions and agencies under the authority of those agencies.
3	(4) For the Department of Insurance, the commissioner of insurance.
4	(5) For the Department of Justice, the attorney general.
5	(6) For the Department of Public Service, the Public Service Commission.
6	(7) For the Department of State, the secretary of state.
7	(8) For the Department of the Treasury, the state treasurer.
8	(9) For the Louisiana Workforce Commission, the executive director.
9	(10) For the office of the governor and all of the agencies transferred or
10	placed within the office of the governor, the commissioner of administration.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

ï

APPROVED: _____

.

CODING: Words in struck through type are deletions from existing law; words underscored are additions.



a how every a section was

\$ \$

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:

- Guide adherence with the mandatory elements of the International Professional Practices Framework.
- 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 International 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

Revised: October 2016 Effective: January 2017 Page 2 of 25

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS)

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 ٠
- 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 ٠
- 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

Page 7 of 25

Revised: October 2016 Effective: January 2017

© 2016 The Institute of Internal Auditors

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, ٠
- including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a selfassessment 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

Revised: October 2016 Effective: January 2017

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.

Revised: October 2016 Effective: January 2017

- 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

r

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 fairminded 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 informations 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 guality 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

ř.

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).

Revised: October 2016 Effective: January 2017

Page 24 of 25

Revised: October 2016 Effective: January 2017

•

Page 25 of 25

17

CONTACT INFORMATION Brian D. Adams SUS Executive Director, Internal Audit Services brian_adams@sus.edu 225.771.2520 (office) 225.241.4361 (cell) i.

5

J. S. Clark Administration Building 4th Floor Baton Rouge, LA 7