



DEPARTMENT OF INTERNAL AUDIT AUDIT MANUAL

Effective Date: April 1, 1999

Current Revision Date: August 31, 2023

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Introduction

The purpose of this manual is to outline the authority and scope of the internal audit function within the University of Louisiana at Monroe (ULM or University) and to provide standards and guidelines and procedures for the Internal Audit Department. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of the members comprising the Internal Audit Department. The overall objective of the internal audit activity is to provide all levels of University management and the Board of Supervisors of the University of Louisiana System (Board) with an independent assessment of the quality of the University's internal controls and administrative processes, and provide recommendations and suggestions for continuous improvement. This manual provides guidance; however, individual auditor's judgment is required in applying this information to specific assignments.

For more information about the ULM Internal Audit Department and our mission, please visit our website: <https://www.ulm.edu/iaudit/>

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Purpose

Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) which became effective on August 1, 2015, provides that any board with an appropriation in the general appropriation bill of thirty million dollars or more shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

Definition of Internal Auditing: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mission of Internal Audit: The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Core Principles for the Professional Practice of Internal Auditing: The following Core Principles, taken as a whole, articulate the internal audit activity's effectiveness in achieving its mission. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization.

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organization
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement

The purpose, authority, and responsibility of the internal auditing function are defined in formal written charters (University of Louisiana System-Internal Audit Charter & University of Louisiana at Monroe-Internal Audit Activity Charter). The University's original and revised charters were approved by the University President and the Board of Supervisors of the University of Louisiana System. The system charter was approved by the Board. The charters (1) establish internal audit's position within the system and University; (2) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (3) define the scope of internal auditing activities. As provided in the audit charters, the Internal Audit Department has full, free, and unrestricted access to all activities, records, property, and personnel of the University.

University of Louisiana System - Internal Audit Charter

Introduction

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity for the University of Louisiana System (System). The charter establishes the internal audit activity's position within the System and the Universities within the System; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The University of Louisiana System supports a Chief Audit Executive and Chief Compliance Officer as a staff function and as a coordinator of a System-wide, independent appraisal function to examine and evaluate the business and administrative activities of the System's universities. The System supports this staff function as a service to System executive management and the Board of Supervisors Audit Committee (Audit Committee). In carrying out his/her duties and responsibilities, the Chief Audit Executive and Chief Compliance Officer will have full, free, and unrestricted access to all activities, records, property, and personnel within the entire System. The Chief Audit Executive and Chief Compliance Officer shall report to the Board of Supervisors through the Audit Committee directly and to the System President. The System President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation, and compensation of the Chief Audit Executive and Chief Compliance Officer.

The internal auditing function consists of the Campus Offices of Internal Audit, whose Directors report to their respective Presidents and to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer. The Chief Audit Executive and Chief Compliance Officer will prepare, for approval by the System President, a consolidated System-wide audit plan. Such plan will incorporate each campus' proposed audit plan, each of which shall include input from the President and CFOs as to areas of audit concern and areas subject to increased risk. The proposed individual plans will identify the audits to be conducted at each campus during the year. The System-wide audit plan will identify areas of audit concern on a campus-by-campus basis, as well as a System-wide approach. The final plan shall be reviewed and, if necessary, revised by the Audit Committee and then approved by the entire Board of Supervisors at an open meeting.

Purpose and Mission

The purpose of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the System and the Universities within the System. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the System and the Universities within the System accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the System and the Universities within the System.

University of Louisiana System - Internal Audit Charter (Continued)

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The Chief Audit Executive and Chief Compliance Officer will report periodically to the System President and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards. Also, the Campus Directors will report periodically to their University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee regarding the Campus internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The System or University's internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role. To establish, maintain, and assure that the internal audit activities of the System and the Universities within the System have sufficient authority to fulfill their duties, the Audit Committee:

- exercises oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations.
- reviews and approves the annual risk-based internal audit plan and receives interim progress reports at least quarterly.
- reviews and approves the internal audit budget and resource plan, and any significant changes to the resource plan, to achieve the internal audit plan.
- consults with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive and Chief Compliance Officer.
- receives periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Internal Audit will have unrestricted access to and communicate and interact directly with the Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Audit or review any function, activity, or unit of the System or Universities within the System and the accounts of all organizations required to submit financial statements to the Universities.

University of Louisiana System - Internal Audit Charter (Continued)

- Have direct and unrestricted access and present to the System President or University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel of the System or University where they perform audits, as well as other specialized services from within or outside the System or University, in order to complete the engagement.

Independence and Objectivity

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive and Chief Compliance Officer or Campus Directors determine that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the System, the Universities within the System or affiliated organizations.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any System or University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the Campus Directors of Internal Audit, who reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to the President of their University.

University of Louisiana System - Internal Audit Charter (Continued)

Where the Chief Audit Executive and Chief Compliance Officer or Campus Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Chief Audit Executive and Chief Compliance Officer will confirm to the System President and the Audit Committee the organizational independence of the internal audit activity. Also, the Campus Directors will confirm to the University Presidents and, through the Chief Audit Executive and Chief Compliance Officer, to the Audit Committee, the organizational independence of the internal audit activity. The Chief Audit Executive and Chief Compliance Officer and Campus Directors will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of the System and the Universities within the System. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the strategic objectives of the System and the Universities within the System are appropriately identified and managed.
- The actions of the officers, directors, employees, and contractors of the System and the Universities within the System are in compliance with applicable policies, procedures, laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the System or the Universities within the System.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1000

Subject: Purpose, Authority, and Responsibility

University of Louisiana System - Internal Audit Charter (Continued)

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors will report periodically to senior management and the Audit Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Chief Audit Executive and Chief Compliance Officer and the Campus Directors also coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive and Chief Compliance Officer or Campus Director has the responsibility to:

- Annually develop and submit to senior management and the Audit Committee, a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls of the System and the Universities within the System.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.

University of Louisiana System - Internal Audit Charter (Continued)

- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Chief Audit Executive and Chief Compliance Officer and the Campus Directors assure the operations of the internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the System or the Universities within the System are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the System or the Universities within the System and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to relevant policies and procedures of the System and the Universities within the System, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Submit written and timely reports to appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Ensure that Campus Directors forward a copy of each internal audit report and a summary to the Chief Audit Executive and Chief Compliance Officer.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

University of Louisiana System - Internal Audit Charter (Continued)

- If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Chief Audit Executive and Chief Compliance Officer or Campus Director will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (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 Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive and Chief Compliance Officer or Campus Director will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

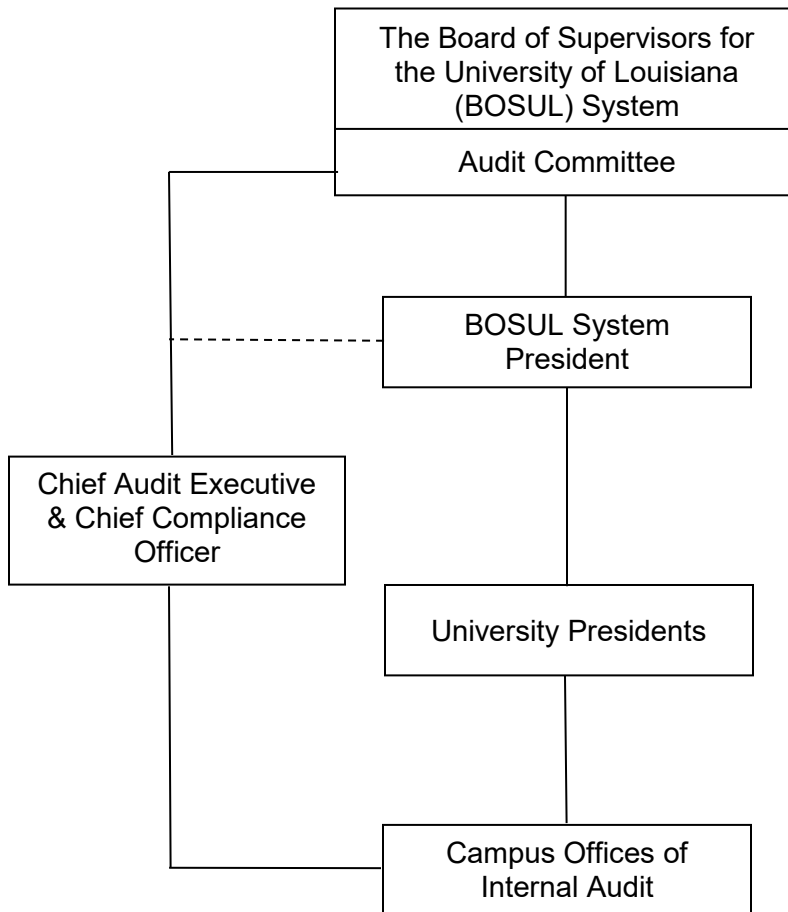
Meetings

Prior to each Audit Committee meeting, the Chief Audit Executive and Chief Compliance Officer will provide the Audit Committee members with information relating to the status of audit activities. Such information should include, but not be limited to, audit reports, audit follow-up and the implementation of recommendations, management services, external audits, and other relevant information. In addition, annual audit plans, staffing plans, financial and budget reports, and other appropriate information will be provided and reviewed as necessary.

Organizational Chart

THE BOSUL SYSTEM

INTERNAL AUDITING FUNCTION



Note: Each campus Director of Internal Audit reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to their respective President. Prior to each Audit Committee meeting the Chief Audit Executive and Chief Compliance Officer provides a report of the status of audit activities.

University of Louisiana at Monroe – Internal Audit Activity Charter

Introduction

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity for the University of Louisiana at Monroe (University or ULM). The charter establishes the internal audit activity's position within the University; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The University of Louisiana Monroe supports a Director of Internal Audit (Director or Chief Audit Executive), and other personnel as needed, as a staff function. The Director is the coordinator of a University-wide, independent appraisal function to examine and evaluate the business and administrative activities of the University. The University supports this staff function as a service to ULM senior management and the University of Louisiana System Board of Supervisors Audit Committee (Audit Committee).

Purpose and Mission

The purpose of the University's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University.

Vision

The vision of the University's internal audit activity is to be a valued partner of the University, the Board of Supervisors of the University of Louisiana System, and other institutions within the University of Louisiana System. The internal audit activity will deliver professional assurance and consulting services to assist these entities in achieving their mission, strategic planning goals, and initiatives in an atmosphere of respect and accountability.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Definition of Internal Auditing. The Director of Internal Audit will report periodically to the University President and, through the System Chief Audit Executive and Chief Compliance Officer, to the Audit Committee regarding the internal audit activity's conformance to the mandatory elements of the IPPF.

Authority

The University's internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.

University of Louisiana at Monroe – Internal Audit Activity Charter (Continued)

The Director of Internal Audit will report administratively (i.e., day-to-day operations) to the President of the University and functionally to the Audit Committee, through the System Chief Audit Executive and Chief Compliance Officer. To establish, maintain, and assure that the internal audit activity of the University has sufficient authority to fulfill its duties, the Audit Committee will:

- approve the internal audit activity's charter.
- exercise oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of University operations.
- review and approve the annual risk-based internal audit plan and receive interim progress reports at least quarterly.
- review and approve the internal audit budget and resource plan, and any significant changes to the resource plan, to achieve the internal audit plan.
- consult with the University President concerning the annual evaluation, compensation, promotion, or dismissal of the Director of Internal Audit.
- receive periodic reports on internal audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

Internal Audit will have unrestricted access to and communicate and interact directly with the System Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors, including in private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Audit or review any function, activity, or unit of the University and the accounts of all organizations required to submit financial statements to the University.
- Have direct and unrestricted access and present to the University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel of the University where they perform audits, as well as other specialized services from within or outside the University, in order to complete the engagement.

Independence and Objectivity

The Director of Internal Audit will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence or objectivity

University of Louisiana at Monroe – Internal Audit Activity Charter (Continued)

may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University or its affiliates.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the University's Director of Internal Audit, who reports functionally to the Audit Committee through the System Chief Audit Executive and Chief Compliance Officer and administratively to the President of the University.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Director of Internal Audit will confirm to the University President and, through the System Chief Audit Executive and Chief Compliance Officer, to the Audit Committee the organizational independence of the internal audit activity. The Director of Internal Audit will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

University of Louisiana at Monroe – Internal Audit Activity Charter (Continued)

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to:

- Assurance services provided to the Audit Committee, management, and outside parties primarily consisting of objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes of the University. Examples may include financial, performance, compliance, information technology, and due diligence engagements.
- Consulting services provided to the Audit Committee, management, and outside parties primarily consisting of advisory and related client service activities, the nature and scope of which will be agreed with the client and be intended to add value and improve the University's governance, risk management, and control processes without the internal audit activity assuming management responsibility. Examples may include counsel, advice, facilitation, and training.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The actions of the University's officers, directors, employees, and contractors are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

University of Louisiana at Monroe – Internal Audit Activity Charter (Continued)

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director of Internal Audit has the responsibility to:

- Annually develop and submit to senior management and the Audit Committee a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Director assures the operations of the internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Assist in the investigation of significant suspected fraudulent activities within the University and notify management and the Audit Committee of the results.

University of Louisiana at Monroe – Internal Audit Activity Charter (Continued)

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to the University’s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Submit written and timely reports to the President of the University and appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Forward a copy of each internal audit report and a summary to the System Chief Audit Executive and Chief Compliance Officer.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Director of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Director of Internal Audit will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program is detailed in the ULM Department of Internal Audit Manual. The program will include an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Director of Internal Audit will communicate to senior management and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1100

Subject: Independence and Objectivity

Organizational Independence

The Director and staff of the Internal Audit Department are independent of the activities they audit. The University's Director of Internal Audit reports functionally to the Audit Committee through the System Chief Audit Executive and Chief Compliance Officer and administratively to the President of the University. The System Chief Audit Executive and Chief Compliance Officer reports functionally to the Board of Supervisors through the Audit Committee and administratively to the System President. The System Chief Audit Executive and Chief Compliance Officer has direct communication with the Audit Committee. The System Chief Audit Executive and Chief Compliance Officer regularly attends and participates in those meetings of the board which relate to its oversight responsibilities for auditing and finance. The System Chief Audit Executive and Chief Compliance Officer regularly makes written and/or oral reports to the Audit Committee.

The ULM internal audit activity has direct access at any time to the System Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors. The University's Director of Internal Audit, the President of the University, and the System Chief Audit Executive and Chief Compliance Officer communicate regularly and meet as needed. Meetings may be called by any of the parties.

The University President and the Audit Committee approve the internal audit charter, the risk-based internal audit plan, the internal audit budget and resource plan, and receive communications from the Director of Internal Audit on the internal audit activity's performance relative to its plan and other matters. The President of the University employs the University's Director of Internal Audit and determines his/her remuneration. The employment of the Director and the amount of his/her salary must be approved by the Board.

The IIA Standards and the Internal Audit Charter of the Board of Supervisors of the University of Louisiana System require that we establish a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the University's goals. The Standards provide that we should consider input from senior management, the Board, and other stakeholders to establish the risk-based audit plan. As a result, when planning our risk based annual audit plan, we send an email to the University President, Vice Presidents, Legal & Compliance Counsel, Controller, System Chief Audit Executive and Chief Compliance Officer, and the Louisiana Legislative Auditor requesting input regarding any frauds, misappropriations, areas of high risk, or processes they would like us to consider in our risk assessment for possible inclusion in the audit plan. We inform them we will also consider consulting projects based on the project's potential to improve management of risks, add value, and improve the University's operations.

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Board of Supervisors for approval. Any significant interim changes are also submitted to the Board for approval.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1100

Subject: Independence and Objectivity

All internal audit reports and executive summaries are submitted to the University President and the System Chief Audit Executive and Chief Compliance Officer. The System Chief Audit Executive regularly provides the Audit Committee members with information relating to the status of audit activities.

Annually, an audit plan is developed by the Internal Audit Department and forwarded to the System Chief Audit Executive and Chief Compliance Officer. The audit plan is based upon the Internal Audit Department's assessment of risks related to potential auditable areas. From the Universities' audit plans, the System Chief Audit Executive and Chief Compliance Officer develops a system wide audit approach. The final system wide audit plan is reviewed and revised if necessary by the Audit Committee of the Board of Supervisors and then approved by the full Board at an open meeting.

The purpose, authority, and responsibility of the University's internal auditing function is defined in a formal written charter approved by the University President and the Audit Committee. The nature of consulting services is also defined in the University's charter.

The purpose, authority, and responsibility of the University of Louisiana System's internal auditing function is also defined in a formal written charter.

The charters establish internal audit's position within the system and University; authorize access to records, personnel, and physical properties relevant to the performance of audits; and define the scope of internal auditing activities. The Internal Audit Department has full, free, and unrestricted access to all activities, records, property, and personnel of the University. The department is free from interference in determining the scope of internal auditing, performing work, and communicating results. The Director of Internal Audit will disclose any such interference to the Audit Committee and discuss the implications.



Management Control Policy

Policy #:	GU005.1
Policy Type:	University
Responsible Executive:	University President
Responsible Office:	President's Office
Originally Issued:	October 29, 2015
Latest Revision:	August 1, 2023
Effective Date:	August 1, 2023

I. Policy Statement

The University of Louisiana Monroe's ("University" or "ULM") Management Control Policy governs the approach management uses to establish and maintain an effective system of internal controls. Internal controls are designed to assure that the University meets its mission; promote performance leading to effective accomplishment of objectives and goals; safeguard assets; provide accurate and reliable financial and other key data; promote operational efficiency and economy; and encourage adherence to applicable laws, regulations, and prescribed management policies and practices.

II. Purpose of Policy

The purpose of the Management Control Policy is to ensure the University has a system of accountability for and oversight of its operations, and to assist the University in reaching its goals and meeting its objectives.

III. Applicability

This policy is applicable to all University employees, ULM affiliate organization employees, and individuals affiliated with the University by contract (including non-employees, such as vendors and independent contractors).

IV. Definitions

Management: the University of Louisiana System Board of Supervisors, University President, Vice Presidents, senior management team (e.g., ULM Executive Council, ULM Administrative Council), college deans, directors, department heads, supervisors, and all other employees responsible for designing and implementing effective internal controls.

Internal 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 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.

Internal Audit Activity: the 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.

University of Louisiana System Board of Supervisors: the highest level governing body of the University of Louisiana System (“System or “Board”) charged with the responsibility to direct and/or oversee the University’s activities and hold ULM management accountable.

V. Policy Procedure

Management

Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the University (i.e., *control processes*) in a manner which provides the University of Louisiana System Board of Supervisors reasonable assurance that:

- Data and information published either internally or externally is accurate, reliable, and timely.
- The actions of directors, officers, and employees are in compliance with the University’s policies, standards, plans and procedures, and all relevant laws and regulations.
- The University’s resources are adequately protected.
- Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasized.
- The University’s plans, programs, goals, and objectives are achieved.

Controlling, or establishing *internal controls*, is a function of *management* and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the University to:

- Identify and evaluate the exposures to loss, which relate to their particular sphere of operations.
- Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.
- Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph.
- Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

Internal Audit Activity

The *internal audit activity* is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the University are adequately designed and functioning in an effective manner. 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. It is also responsible for reporting to management and the audit committee of the Board of Supervisors on the adequacy and effectiveness of the University’s systems of internal control, together with ideas, counsel, and recommendations to improve the systems.

University of Louisiana System Audit Committee

The University of Louisiana System *audit committee* provides oversight to protect and strengthen the System’s audit processes, compliance with laws and regulations, internal controls, enterprise risk management, and ethics.

The audit committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of the internal audit activity, management, and the external auditors as related to the University's processes for controlling its operations. Finally, the audit committee is responsible for reporting to the full Board of Supervisors all significant matters pertaining to the University's controlling processes.

VI. Enforcement

The University President is responsible for enforcement of this policy.

VII. Policy Management

Upon adoption, the University President shall be the Responsible Executive for the management of this Policy.

VIII. Exclusions

N/A

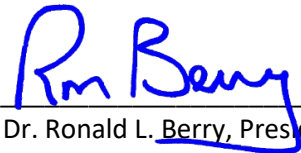
IX. Effective Date

The effective date of this Policy is the date it is adopted and signed by the University President.

X. Adoption

This policy is hereby adopted on this 1st day of August 2023.

Approved by:



Dr. Ronald L. Berry, President

XI. Appendices, References and Related Materials

References:

- University of Louisiana Monroe Internal Audit Manual:
<https://webservices.ulm.edu/policies/download-policy/661>
- University of Louisiana System Audit Committee Charter:
<https://www.ulsystem.edu/wp-content/uploads/2022/09/Audit-Items.pdf>
- International Standards for the Professional Practice of Internal Auditing:
<https://www.theiia.org/en/content/guidance/mandatory/standards/international-standards-for-the-professional-practice-of-internal-auditing/>

XII. Revision History

Original adoption date: October 29, 2015

Revised October 12, 2016: Revisions include placing paragraph headers within the policy and updating the oversight responsibilities of the University of Louisiana System Finance Committee.

Revised August 1, 2023: Revisions include placing the policy in the new policy format and updating language to include the oversight responsibilities of the University of Louisiana System Audit Committee.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1100

Subject: Independence and Objectivity

Objectivity

Internal Audit employees are assigned to engagements so that potential and actual conflicts of interest and bias are avoided. Members of the internal audit department are required to be objective and maintain an independent mental attitude in performing assignments. They must have an impartial, unbiased attitude and avoid conflicts of interest.

Internal audit personnel complete a conflict of interest statement during the planning stage of each engagement concerning potential conflicts of interest. Internal Audit staff have been instructed to report to the Director any situations in which a conflict of interest or bias is present or may reasonably be inferred. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. When any such situations are reported, the Director will then reassign the internal auditor. Independence is addressed in the audit planning memoranda of individual audits to remind the internal auditor of the importance of maintaining an independent mental attitude when conducting audits.

Members of the Internal Audit Department are required to refrain from assessing specific operations for which they were previously responsible. Providing assurance services for an activity for which the members of the Internal Audit Department had responsibility within the previous year is not allowed. Assurance engagements for functions over which the Director of Internal Audit has responsibility will be overseen by a party outside the internal audit activity. 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. Internal audit personnel may provide consulting services relating to operations for which they had previous responsibilities. If internal audit personnel have potential impairments relating to proposed consulting services, disclosure will be made to appropriate personnel prior to acceptance of the project.

As detailed in the audit charters, internal auditors do not assume operating responsibilities. In performing their work, the Director and other members of internal audit have no direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them. The drafting of procedures for systems is not an audit function. The Director of Internal Audit reviews the results of internal auditing work before the related audit report is released to provide reasonable assurance that the work was performed objectively.

If senior management directs the Internal Audit Department to perform non-audit related work, the Director of Internal Audit will inform management that the activity is not audit related, the employees are not functioning as internal auditors; and, therefore, audit-related conclusions should not be drawn.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1100

Subject: Independence and Objectivity

The members of the Department of Internal Audit 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. If the Department of Internal Audit is asked to take on roles and responsibilities which fall outside of internal auditing, safeguards will be placed in operation to limit impairments to independence or objectivity.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1100

Subject: Independence and Objectivity

Each employee of the Department of Internal Audit must complete the Code of Ethics and Conflict of Interest Certification form for each audit in which they are involved, noting N/A for sections not applicable.

Code of Ethics and Conflict of Interest Certification

Complete the entire form and **attach a detailed explanation for any NO answer.**

	YES	NO
1. I did not have authority or responsibility for the activity being audited within the past year.		
2. I am free from personal and external impairments of independence in relation to the activity under review.		
3. I possess the knowledge, skills, and other competencies required to perform the engagement.		
4. I practice due professional care in performance of my assigned duties.		
5. I have read, understand, and comply with the Code of Ethics of the State of Louisiana and the Code of Ethics as defined by the Institute of Internal Auditors.		
6. I maintain confidentiality of all personnel, student, audit, and other applicable information.		
7. I have sufficient knowledge, training, and experience to identify the indicators of fraud.		
8. I enhance my knowledge, skills, and other competencies through continuing professional development.		

I certify that all answers given to the questions listed above are correct and complete to the best of my knowledge.

Employee

Date

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1200

Subject: Proficiency and Due Professional Care

Proficiency

The Director of Internal Audit ensures that persons assigned to each engagement collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly and each auditor possesses the knowledge, skills, and other competencies needed to perform his/her individual responsibilities. Criteria of education and experience has been established for each audit position, giving due consideration to scope of work and level of responsibility. Education and experience criteria are included in employees' job descriptions. Through the use of school transcripts, position descriptions, job announcements, and personal interviews the Internal Audit Department obtains reasonable assurance of prospective auditor's qualifications and proficiency.

The internal audit staff are expected to have sufficient knowledge to identify the indicators of fraud; however, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

The internal audit staff are expected to have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, the auditors are not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

If the internal audit staff does not possess the required expertise to conduct an audit or consulting project, the department has the option of declining the engagement or obtaining the required expertise through training or the use of consultants. If the Director of Internal Audit decides to use and rely on the work of an outside consultant or service provider, the director will assess the competency, independence, and objectivity of the outside service provider.

Fraud**Characteristics**

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the University, and by persons outside as well as inside the University.

Periodic audit training, distribution of audit publications, and other communication methods are in place to apprise auditors of the nature of fraud and the control environment in which fraud may occur.

The preliminary survey portion of each audit in part is designed to assess the control environment and the inherent potential for fraud or other operating problems. Audit risk analysis and audit selection is based, in part, on the degree of change and "pressure" in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

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Subject: Proficiency and Due Professional Care

All auditors should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas.

Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. Internal Audit is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various segments of the entity's operations.

Detection

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the University.

Internal audit members are not expected to have the expertise of a person whose primary responsibility is fraud detection and investigation. Internal auditors are responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control. The internal audit department's responsibilities for fraud *detection* are to:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed. However, the auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
- Be alert to opportunities, such as control weaknesses, that could allow fraud.
- Evaluate the indicators that fraud may have been committed and decide whether any further action is necessary or whether an investigation should be recommended.
- Notify the appropriate authorities within the organization if a determination is made that there are sufficient indicators of the commission of a fraud to recommend an investigation.

Investigation

The internal audit department may perform extended procedures to determine whether fraud has occurred.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1200

Subject: Proficiency and Due Professional Care

When conducting fraud *investigations*, the internal auditor will:

- Assess the probable level and the extent of complicity in the fraud within the University.
- Determine the knowledge, skills, and disciplines needed to effectively carry out the investigation.
- Design procedures to follow in attempting to identify the perpetrators, extent of the fraud, techniques used, and cause of the fraud.
- Coordinate activities with management personnel, legal counsel, and other specialists as appropriate throughout the course of the investigation.
- Be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the University itself.

Once a fraud investigation is concluded, internal auditors will assess the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Design audit tests to help disclose the existence of similar frauds in the future.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

When the incidence of significant fraud has been established to a reasonable certainty, senior management and the board will be notified immediately.

Reporting

The form, nature, and timing of appropriate fraud investigation communication to management will be predetermined by the Director. A preliminary or final report may be made at the conclusion of the detection phase. The report should include the Internal Auditor's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize observations that serve as the basis for such decision. If fraud investigation results are determined to materially affect the reported financial statement results, the Director will advise the President. Significant misstatements would be included in the category of important control issues communicated to top management as appropriate.

SAS 99

According to the Statements on Auditing Standards (SAS) 99, the following conditions may indicate risk factors that are reflective of the attitudes of employees (who have access to assets susceptible to misappropriation) that allow them to justify the misappropriation of such assets:

- Disregarding the need to reduce risks related to the misappropriation of assets.
- Disregarding internal controls related to the misappropriations of assets by:
 - Overriding existing controls.
 - Failing to correct known internal control deficiencies.
- Displaying changes in behavior or lifestyle that may indicate that assets have been misappropriated:
 - Dissatisfaction with the company.
 - Displeasure with the company's treatment of the employee.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1200

Subject: Proficiency and Due Professional Care

Theft of State Property

Louisiana Revised Statute (L.R.S.) 24:523 states that, "An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. "Reasonable cause" shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency funds or assets has occurred. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation. When misappropriation is discovered and reported, the attorney general, at the request of the legislative auditor, shall be authorized to recover misappropriated funds from the responsible party by civil suit. Upon a finding of misappropriation, the attorney general shall also seek restitution from the responsible party of those costs incurred by the legislative auditor to audit, investigate, or report an allegation of misappropriation, and all costs and reasonable attorney fees incurred by the attorney general in the civil suit shall be recoverable from the responsible party. For the purposes of this Section the terms "agency head" and "his agency" shall have the same meanings as provided in L.R.S. 42:1102. For the purposes of this Section, "responsible party" means the person or entity actually responsible for the reported misappropriation."

To ensure compliance with this statute, all reports that evidence theft, damage, embezzlement, vandalism, or misuse of State property will be promptly reported to the District Attorney, the Office of Louisiana Legislative Auditor, and the System Chief Audit Executive and Chief Compliance Officer by an Act 1101 of the 2001 Legislative Session letter sent from the Office of the President. A copy of the police report and Act 1101 letter received by the Department of Internal Audit will be retained.

LLA (Louisiana Legislative Auditor) Fraud Hotline

The Louisiana Legislative Auditors' Fraud Hotline is available for university employees, students, and the general public to report activities they feel might be illegal or improper.

Call toll-free:

1-844-50-FRAUD

(1-844-503-7283)

Or FAX to:

1-844-40-FRAUD

(1-844-403-7283)

Or report via U.S. Mail:

LLA Hotline

P. O. Box 94397

Baton Rouge, LA 70804

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

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Subject: Proficiency and Due Professional Care

For callers' convenience the following information has been posted on the University's Human Resources website (<https://www.ulm.edu/hr/>):



Source: <https://www.la.la.gov/report-fraud>

Any agency or entity as defined in L.R.S. 24:513 that receives state or local government funds should use the "Online Fraud Report Form" to report known or suspected losses of public funds or other illegal activity to the Legislative Auditor's Office. For the convenience of the university employees, students, and the general public, should they have to report activities they feel might be illegal or improper, the form has been included in the next two pages of this manual.

In addition, the contact information of the University's Director of Internal Audit is posted on the University's Internal Audit website. The Department of Internal Audit will investigate any received allegations of fraud, if deemed substantive.

Upon completion of the investigation, observations will be presented in the form of a formal written report to the appropriate parties. If misappropriations are identified, the observations will be reported to the District Attorney and the Legislative Auditor in accordance with L.R.S. 24:523.



FIGHT FRAUD, WASTE & ABUSE!

Fraud, Waste & Abuse Reporting Form

Thank you for helping fight fraud, waste, and abuse in Louisiana. Your information begins the process for holding public officials and employees accountable for their actions. Your name and telephone number, as well as the status of your complaint, are confidential. Again, thank you for helping fight fraud, waste, and abuse in Louisiana.

Contact Information (optional):

Although this information is optional, providing us with your name and telephone number will allow us to contact you with any additional questions that we have.

Name: _____

Title: _____

Phone: _____

Email: _____

Report Information:

What is the name of the entity and department where the fraud, waste, or abuse or illegal activity occurred? (required)

When did the suspected loss or illegal activity occur? (required)

Date(s) _____

What is the suspected amount of loss, if any?

\$ _____

What type(s) of fraud, waste, or abuse are you reporting? (Circle all that apply)

1. Theft of Public Funds and/or Equipment
2. Personal use of Public Funds and/or Equipment
3. Public Official/Employee Doing Business With Himself/Herself
4. Public Official/Employee Accepting Something of Value (or Kickback) From A Vendor
5. Public Official/Employee Paying For Work Not Performed by A Vendor
6. Public Official/Employee Paying Excessive Amounts For Services
7. Public Official/Employee Falsifying Expense Reimbursements
8. Public Payroll Fraud

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

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Subject: Proficiency and Due Professional Care

Please describe the suspected loss or illegal activity. Continue on separate page if necessary. (required)

Name of the person who allegedly performed the illegal activity:

Why do you believe the illegal activity occurred?

Are other public employees or private third parties involved? If "Yes," please include names. (Y/N)

How was the suspected loss or activity detected? (required)

Is the suspected loss or illegal activity continuing? (Y/N)

List the names of the possible witnesses to the suspected loss or illegal activity. (Please include contact information if possible.)

List the names of individuals who would most likely cooperate/help with the investigation. (Please include contact information if possible.)

Is an investigation in progress? If "Yes," please state what agency is investigating. (Y/N)

What actions have you taken to date, if any?

Has a police report been filed? (Y/N)

Has the District Attorney been notified? (Y/N)

Please attach any evidence or documents that support your allegations.

**Please print this form and mail all materials to:
LLA Hotline, P. O. Box 94397 Baton Rouge, LA 70804
or fax to: 1-844-40 FRAUD (403-7283)**

Fraud, Waste & Abuse Reporting Form

Page 2

Source: <https://www.lla.la.gov/report-fraud>

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1200

Subject: Proficiency and Due Professional Care

**Director of Internal Audit - Job Description
University of Louisiana at Monroe**

Job Title	Director of Internal Audit
College/School/Department/Office	Department of Internal Audit
Reports to	Administratively - President of the University Functionally - University of Louisiana System (ULS) Audit Committee through the ULS Chief Audit Executive and Chief Compliance Officer
Months Employed	12 Months

Job purpose

The purpose of the position of Director of Internal Audit is to provide University management and the ULS Audit Committee with the following: (1) An independent assessment of the quality of the University's internal controls and administrative processes and recommendations and suggestions for continuous improvement; (2) Independent and objective assurance and consulting services designed to add value and improve the University's operations, (3) A systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes and help the University accomplish its objectives, (4) A value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University.

Duties and responsibilities

The Department of Internal Audit is within the Division of the President. Within the restraints of time and staff, the Director of Internal Audit is responsible for:

- Establishing policies for the audit activity and directing technical and administrative functions.
- Developing and executing a risk-based annual plan to include planning and performance of financial audits, compliance audits, fraud audits, and special projects within the University.
- Executing a risk-based information system (IS) audit strategy in compliance with IS audit standards to ensure that key risk areas are audited.
- Examining the effectiveness of all levels of management, under guidance of the President in his stewardship of University resources and in compliance with established policies and procedures.
- Recommending improvements in the internal control environment design to safeguard University resources, promote University growth, and ensure compliance with government laws and regulations.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

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- Evaluating the information technology (IT) strategy, including IT direction, and the processes for the strategy's development, approval, implementation and maintenance for alignment with the organization's strategies and objectives.
- Evaluating the information technology, information security, and privacy policies, standards and procedures for completeness, alignment with generally accepted practices and compliance with applicable external requirements.
- Evaluating the design, implementation, maintenance, monitoring and reporting of system and logical security controls to verify the confidentiality, integrity and availability of information.
- Evaluating IT continuity and resilience (backups/restores, disaster recovery plan [DRP]) to determine whether they are controlled effectively and continue to support the organization's objectives.
- Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under audit review.
- Authorizing the publication of reports on the results of audit examinations, including recommendations for improvement.
- Appraising the adequacy of the action taken by operating management under the guidance of the President to correct reported deficient conditions; accepting adequate corrective action; continuing reviews with appropriate management personnel on action he considers inadequate until there has been a satisfactory resolution of the matter.
- Identifying those activities subject to audit coverage, evaluating their significance, and assessing the degree of risk inherent in the activity in terms of cost, schedule, and quality.
- Establishing the departmental structure.
- Obtaining, training, and maintaining an audit staff capable of accomplishing the internal audit function.
- Assigning audit areas, staff, and budget to auditors.
- Planning, supervising, directing, and delegating the work of audit staff.
- Developing a system of schedule control over audit projects.
- Establishing and monitoring accomplishment of objectives directed toward increasing his or her department's ability to serve management.
- Planning and controlling the internal audit budget.

Minimum Qualifications/Requirements

The following is required:

- A baccalaureate degree in accounting
- A certified public accountant (CPA), certified internal auditor (CIA), or certified information systems auditor (CISA) certification
- At least ten years of experience as an auditor, of which at least five years must have been at a supervisory level

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

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- Working knowledge of *Generally Accepted Accounting Principles, Generally Accepted Auditing Standards, International Standards for the Professional Practice of Internal Auditing* and *the Code of Ethics* developed by the Institute of Internal Auditors
- Ability to communicate effectively with professional educators, regulatory authorities, and other university professional level staff
- Working knowledge of Microsoft Office Suite (i.e., Outlook, Excel, Word)

The following are preferred:

- An advanced degree
- Knowledge of *Generally Accepted Governmental Auditing Standards*
- Knowledge of the *Information Systems Audit and Assurance Standards* and *the Professional Code of Ethics* developed by the Information Systems Audit and Control Association
- Experience with the Ellucian Banner platform
- Governmental and higher education auditing experience
- Knowledge of laws and regulations applicable to public universities in the State of Louisiana
- Knowledge of auditing software such as Audit Command Language (ACL) or IDEA

Working conditions

The Director works in the Department of Internal Audit suite located in the University Library.

Physical requirements

Physical requirements are limited.

Direct reports

The Director of Internal Audit provides direct supervision to the Internal Auditor and, when applicable, any Graduate Assistants employed in the Internal Audit Department.

FLSA Exemption Status

This is a Fair Labor Standards Act exempt position.

Compensatory Time Exemption Position

This is a compensatory time exempt position.

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Subject: Proficiency and Due Professional Care

**Internal Auditor - Job Description
University of Louisiana at Monroe**

Job Title	Internal Auditor
College/School/Department/Office	Department of Internal Audit
Reports to	Director of Internal Audit
Months Employed	12 Months

Job purpose

Under the supervision of the Director of Internal Audit, the Internal Auditor conducts financial, internal control, compliance, and information systems/information technology (IS/IT) audits of university processes to ensure the proper accountability of public funds and adequacy of internal controls.

Duties and responsibilities

The type of work performed includes, but is not limited to, the following:

- Assists in the development of the annual risk assessment and audit plan.
- Conducts internal audits, including making arrangements for audits, conducting entrance and exit conferences, preparing and cross-referencing working papers, and preparing audit findings and reports.
- Determines a valid representative sample of transactions to audit, examines journals, ledgers, financial reports, et cetera and tests bank reconciliations, inventories, receipts, receivables, expenditures, vendor invoices, purchase orders, cancelled checks, payroll records, and other individual financial transactions.
- Determines a valid, representative sample of transactions for IT audits; examines security awareness training program documentation, business continuity plan (BCP) and IT disaster recovery plan (DRP) testing documentation, change logs and change requests, Banner access control reports and forms, et cetera; tests IT supplier selection and contract management, problem and incident management, and data classification processes and procedures for alignment with the University's policies, standards, procedures and other requirements.
- Tests compliance with federal and state laws and university and system regulations.
- Evaluates IT operations (e.g., configuration management, change and release management, and project management) to determine whether they are controlled effectively and continue to support the organization's objectives.
- Tests the design, implementation, maintenance, monitoring and reporting of physical and environmental controls to determine whether information assets are adequately safeguarded.

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- Tests the design, implementation, maintenance, monitoring and reporting of system and logical security controls to verify the confidentiality, integrity and availability of information.
- Presents audit findings and provides technical assistance to university departments.
- Performs other job-related duties as assigned.

Minimum Qualifications/Requirements

The following is required:

- A baccalaureate degree in accounting or a baccalaureate degree with at least twenty-four semester hours in accounting
- One or more years of recent professional level experience in auditing
- Proficiency in Microsoft Office (Outlook, Word, Excel, etc.)
- Good verbal, writing, and interpersonal skills

Additional desired qualifications:

- Licensed as a certified public accountant (CPA), certified internal auditor (CIA), or certified information systems auditor (CISA)
- Governmental and higher education auditing experience
- Knowledge of the *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics developed by the Institute of Internal Auditors
- Knowledge of the *Information Systems Audit and Assurance Standards* and the Professional Code of Ethics developed by the IS Audit and Control Association
- Knowledge of laws and regulations applicable to public Universities in the State of Louisiana
- Experience with the Ellucian Banner platform

Working conditions

The Internal Auditor works in the Department of Internal Audit suite located in the University Library.

Physical requirements

Physical requirements are limited.

Direct reports

The Internal Auditor may provide supervision to Graduate Assistants employed in the Internal Audit Department.

FLSA Exemption Status

This is a Fair Labor Standards Act exempt position.

Compensatory Time Exemption Position

This is a compensatory time exempt position.

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Subject: Proficiency and Due Professional Care

Due Professional Care

Members of the Internal Audit Department are required to exercise due professional care in performing audits/assurance services. The auditors are expected to use reasonable audit skill and judgment in performing the audits and consider the following:

- Extent of audit work needed to achieve the audit objectives.
- Relative materiality or significance of matters to which audit procedures are applied.
- Adequacy and effectiveness of risk management, control, and governance processes.
- Audit cost relative to potential benefits.
- Probability of significant errors, irregularities, or noncompliance.
- The use of computer-assisted audit tools and other data analysis techniques.

The auditors are expected to 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.

The internal audit staff are required to be alert to the possibility of errors and/or fraud and the significant risks that might affect operations. However, assurance procedures alone do not guarantee that all significant risks will be identified. The members of the internal audit department document their assessment of at-risk areas in the planning memo/preliminary survey and the audit program.

Continuing Professional Education

Members of the ULM Internal Audit Department are responsible for continuing their education in order to maintain their professional proficiency and professional licenses. Continuing education is obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs. Audit staff are allowed time to take continuing educational courses sufficient to maintain professional certifications. Auditors are allowed a reasonable amount of work time to participate in professional organizations. Through membership in organizations such as the American Institute of Certified Public Accountants, Society of Louisiana CPAs, Institute of Internal Auditors, Louisiana Association of College and University Auditors (LACUA) and Association of College and University Auditors (ACUA), auditors keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Subject to budgetary constraints, the internal audit department pays for the reasonable costs of training. Each internal audit staff member is responsible for maintaining documentation of his/her continuing education.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1200

Subject: Proficiency and Due Professional Care

Certification

Each auditor is encouraged to obtain professional certifications, such as:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)

Quality Assurance and Improvement Program

The ULM Director of Internal Audit has developed and maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The program is designed to help the internal auditing activity add value, improve the University's operations, assess the efficiency and effectiveness of the internal audit activity in meeting the needs of its stakeholders, identify opportunities for improvement, and enable an evaluation of the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). The program includes ongoing monitoring of the performance of the internal audit activity and periodic internal self-assessments. Selected sections of the checklists contained in Appendices of the Institute of Internal Auditors' Quality Assessment Manual or similar checklists are tailored and used to assist with ongoing monitoring and periodic internal self-assessments.

Ongoing Monitoring

Ongoing internal assessment or monitoring is conducted throughout the audit cycle and is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. It is incorporated into the routine policies and practices used to manage the internal audit activity. Ongoing monitoring ensures that audit policies and procedures are in compliance with the applicable planning, fieldwork, and reporting Standards. The main component of the ongoing monitoring consists of the Director of Internal Audit's supervision of all audit engagements during all stages of the audit, from planning to report preparation. The Director of Internal Audit does the following:

- Ensures that the internal audit staff assigned to the projects possess the requisite knowledge and skills and have no conflicts of interest. For each engagement, this is documented in the planning/preliminary survey memorandum (WP 4) and the Code of Ethics and Conflict of Interest Certification which is signed by each member of the audit team (WP 4A).
- Establishes or approves the objectives and scope of the engagement.
- Prepares or approves the planning memorandum/preliminary survey (WP 4) and the audit/engagement program (WP 6) for each engagement.
- Provides daily supervision of staff and provides instructions and feedback during the planning, evidence gathering, and reporting stages of each audit (WP 5).
- Performs detailed reviews of the working papers completed by staff. Initials and dates the working papers indicating the date reviewed. Prepares review, supervision, and to do notes as considered necessary and includes them in the audit files (WP 5). These procedures are performed to ensure the audit procedures are performed in conformance with the applicable IIA Standards and to verify the working papers adequately support the audit findings, conclusions, and report.
- Ensures that the approved audit/engagement program is properly carried out and the audit objectives are met (WP 6).
- Ensures the audit reports (WP 1) are accurate, objective, clear, concise, constructive, and timely and are cross referenced to the supporting working papers.
- Monitors reasonableness of the time charged to the audit project. Generally the time budget is included as WP 5A.

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Policy Number: 1300

Subject: Quality Assurance and Improvement Program

- Provides opportunities for developing the knowledge and skills of internal audit staff.
 - Ensures that, upon completion of individual engagements, questionnaires/surveys (see examples on pages 47-49) are sent to auditee personnel to obtain feedback regarding the internal audit activity's performance. These self-assessments can sometimes result in suggestions to make the Internal Audit Department more effective and responsive to management's needs.
 - Analyzes performance to improve the internal audit activity's effectiveness and efficiency. The following tools are used to analyze performance to improve the internal audit activity's effectiveness and efficiency.
 - Formal performance evaluations are conducted of department personnel annually, in accordance with the policies and procedures for the unclassified staff, which are posted on the HR website of the University and can be located at the following link: <http://www.ulm.edu/hr/unclassified-evals.html>. When the annual performance evaluations are conducted, the Performance Expectation Plans are compared with the employees' actual performance.
 - Unit Evaluations are completed annually and submitted to the ULM Office of Assessment and Evaluation. The evaluations align the Internal Audit Department's mission with the University's mission and contain goals, outcomes/objectives, measure(s), target(s), timeframes for evaluation, responsible persons, results and analysis, and an explanation of any changes made based on the results of the evaluation.
 - At each meeting of the ULM President's Administrative Council, the ULM Director of Internal Audit presents a schedule of audits completed, audits in progress, and audits pending follow-up.
 - At the end of each audit, along with the audit report, the ULM Director of Internal Audit submits a report summary to the UL System Chief Audit Executive and Chief Compliance Officer.
 - Prior to each meeting of the UL System Board of Supervisors, the ULM Director of Internal Audit submits a schedule of audits completed, audits in progress, and audits pending follow-up to the UL System Chief Audit Executive and Chief Compliance Officer. The UL System Chief Audit Executive and Chief Compliance Officer combines ULM's schedule with the schedules of all the other UL System Universities and presents the combined summary to the Audit Committee.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 1300

Subject: Quality Assurance and Improvement Program

Periodic Internal Self-Assessments

Periodically, the department conducts self-assessments to evaluate of the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). During the self-assessments, audit files are reviewed and assessed. The IIA does not specify how many audits should be reviewed but suggest a minimum of between 10-20 percent. We have determined that our assessment of audit files will be conducted at least every other fiscal year. The audits assessed will be chosen by random selection from audits completed in the previous two year period. At the end of the 5 year period we will have assessed 10-20 percent of our completed audits.

Internal Audit performance metrics and best practices may be considered during the assessments; however, the self-assessments are designed for verifying conformance with the mandatory elements of the IPPF. Some of the best practices that may be considered include the use of graphics in reports, electronic distribution of reports, electronic archiving of audit reports, Chief Audit Executive's attendance and participation in Administrative Council meetings, requests for input from management on the annual audit plan, the chief audit executive's annual submission of a risk based internal audit plan, work schedule, and staffing plan to the University President and the Audit Committee for review and approval, alignment of the mission of the internal audit department with the University's mission (Unit Evaluations), maintenance of a library of audit programs (z:/ drive, ACUA & COSAG), audit and follow-up working paper templates, use of a formal audit manual on the University's web site, use of an internal auditing brochure on the University's website to educate clients, use of library of audit reports and reference material, Audit Committee approval of the internal audit activity's charter, Audit Committee approval of the internal audit plan, summary reports to the System Chief Audit Executive and Chief Compliance Officer after each audit, summary reports to the System Chief Audit Executive and Chief Compliance Officer for each Audit Committee meeting, established employee annual performance targets, periodic self-assessments, having audit staff with suitable education and experience, having audit staff with applicable certifications (CPA, CIA, CFE, CISA, etc.), continuing professional development of employees, and use of a standardized working paper system.

Employees are aware that resolution of differences in professional judgment between the director and internal audit staff over significant issues relating to the audit assignment are to be documented in the working papers (WP 5). In instances of a difference in professional judgment over an ethical issue, the issue will be referred to those individuals in the University having responsibility over ethical matters, or, if necessary, the Board of Ethics.

Due to the small number of personnel in the ULM Internal Audit Department, limited resources, and turnover in personnel, the internal self-assessment program has been adapted to take into consideration the structure of the department and degree of involvement of the Director in individual audits.

External Assessments

External assessments include continuous oversight of the department by the System Chief Audit Executive and Chief Compliance Officer and the Audit Committee and reviews of the internal audit reports and working papers by external auditors. Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351), which became effective on August 1, 2015, requires the following:

- Any board with an appropriation of \$30 million or more must establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.
- The chief audit executive shall maintain organizational independence in accordance with the standards and shall have direct and unrestricted access to the management board.
- The chief audit executive shall annually certify to the management board that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.

The IIA Standards require that external assessments of the internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The external assessments will be in the form of either a full external assessment or a self-assessment with independent external validation. The following will be discussed with University management and 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.

Reporting

To demonstrate conformance with the Code of Ethics and the Standards, the results of periodic internal and external assessments will be communicated to University management and the Audit Committee, through the System Chief Audit Executive and Chief Compliance Officer, upon completion of such assessments and the results of ongoing monitoring will be communicated at least annually. The results will include the scope and frequency of the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team (including any potential conflicts of interest), conclusions of assessors, and any corrective action plans.

Use of Terminology: “Conforms with the Standards”

The internal audit activity does indicate that it conforms to the Standards since this statement is supported by the results of the quality assurance and improvement program. The results of the quality assurance and improvement program include the results of both internal and external assessments, which concluded that the internal audit activity generally conforms with the Code of Ethics and the Standards.

Example E-mail and Customer Survey

TO: (Name of Dept. Head of Audited Activity)
FROM: Fernando Cordova, CPA, CISA
Director of Internal Audit
SUBJECT: Auditee Survey

We recently completed an engagement in your area of responsibility (**title of the engagement**). To assist us in evaluating the effectiveness of the internal audit function at the University of Louisiana at Monroe, I would appreciate your completing the online [ULM Internal Audit Customer Satisfaction Survey](#). You can access it using your ULM username and password. If possible, please complete the survey by **(date)**.

Alternatively, you can also complete the attached survey form and send it to the Department of Internal Audit, ULM Library 524, or email the completed survey to me at fcordova@ulm.edu by **(date)**. Your response will help us maintain a high level of service and add value to the university's operations. An explanation for any "NO" answers would be appreciated.

Thank you for your constructive comments. If you have any questions or concerns regarding this survey, please telephone me at extension 1537.

Please respond directly to:

*Fernando J. Cordova, CPA, CISA
Director of Internal Audit
University of Louisiana at Monroe
700 University Avenue
University Library Room 524
Monroe, Louisiana 71209-2210
Telephone: (318) 342-1537*

Example Customer Survey

Area Reviewed: _____
 Report Issue Date: _____

<u>Evaluation Criteria</u>	<u>Yes</u>	<u>No (Please Explain)</u>	<u>Not Applicable</u>
1. The audit was conducted in a courteous and professional manner.	[]	[]	[]
2. The audit was conducted with as little inconvenience to you as possible.	[]	[]	[]
3. The audit objectives, timing, and process were clearly communicated.	[]	[]	[]
4. The auditor(s) had adequate knowledge of the area being audited and our operations/mission/procedures.	[]	[]	[]
5. My key staff members and I were adequately informed of the audit status, audit observations, and final results in a timely manner.	[]	[]	[]
6. The audit observations were accurate and clearly communicated in the draft report.	[]	[]	[]
7. You were offered the opportunity to provide explanations or responses to the audit observations.	[]	[]	[]
8. The audit recommendations were relevant, constructive, and actionable.	[]	[]	[]
9. The final report accurately and clearly communicated the audit results.	[]	[]	[]
10. Overall, the audit provided value for your area of responsibility in achieving ULM's strategic goals and objectives as effectively and efficiently as possible.	[]	[]	[]

11. What aspect(s) of the audit were the most beneficial to you and your area of responsibility?

12. What specific changes can the ULM Department of Internal Audit make to better improve its audit process?

13. Additional Comments:

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2000

Subject: Management of the Internal Audit Activity

Audit Plan

To assist in preparing the annual audit plan and assessing risk, input is obtained or requested from the System Chief Audit Executive and Chief Compliance Officer, Louisiana Legislative Auditor, University President, and the University Vice Presidents. Audits required by the Audit Committee, prior external and internal audit findings, Single Audit findings, and emerging issues determined from discussions with other internal auditors throughout the State are also considered in developing the plan. These engagements usually comprise the majority of or the entire, audit plan and no further risk assessment is necessary. If additional audit hours are available on the plan, based on the Internal Audit Department's knowledge of the auditable areas and the input previously described, the Director of Internal Audit and staff informally assesses the risks related to the potential audit areas. Risk factors such as the date and results of the last audit, potential financial exposure and potential loss, potential public perception, major changes in operations, and impact of government regulations are considered. Based on the input previously described and assessed risks, the Director, with input from the audit staff, prepares a plan to outline the priorities of the internal audit activity for the year. In addition to assurance services, potential consulting engagements may be accepted for inclusion in the plan, based on the engagement's potential to improve management of risks, add value, and improve the University's operations.

The annual audit plan is prepared in the standardized format established by the University of Louisiana System. The audit plan includes the following:

1. Standard hours available based on number of staff.
2. List of individual audits or projects.
3. Budgeted Hours for each project.
4. Objective of each audit project.
5. Type of Review (Internal Control, Financial, Compliance, etc.).
6. Risk Priority (High, Medium, and Low) and reason for the priority (For example: Requested by the President).

Communication and Approval

After the plan is prepared, the Director of Internal Audit obtains the University President's approval of the plan. The plan is then sent, with other Board related items, to the Audit Committee for approval and to the System Chief Audit Executive and Chief Compliance Officer for inclusion in the system-wide audit plan. Significant interim changes in the plan or resource requirements are communicated to the University President and the Audit Committee.

Resource Management

The internal auditing department attempts to set measurable goals that are capable of being accomplished within specified operating plans and budgets. The goals are included in the audit plan and are accompanied by targeted hours to complete. To ensure that audit resources are effectively deployed to achieve the approved plan, actual vs. budgeted time summaries are routinely maintained for each audit. Significant variances between actual audit hours and those budgeted are explained. If necessary, the Director of Internal Audit adjusts the audit plan during the year. In most cases any unfinished audits are carried forward to the following years' audit plan.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL
Policy Number: 2000
Subject: Management of the Internal Audit Activity

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Board of Supervisors for approval. Any significant interim changes are also submitted to the Board for approval.

The Director of Internal Audit has established the following program for selecting and developing the human resources of the internal auditing department.

1. Written job descriptions have been developed for each level of the staff of the department (pages 36-40). Written policy (job descriptions and minimum qualifications) has been developed for selection of qualified and competent individuals.
2. A written policy has been developed and included in the audit manual relative to training and continuing education for members of the Internal Audit Department.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2000

Subject: Management of the Internal Audit Activity

Example Annual Audit PlanUniversity of Louisiana at Monroe
Audit Hours Available and Allocable
Fiscal Year 20XX-20XX
Audit Hours Available

Standard Hours Available (2,080 hrs./auditor) x 2 auditors		4,160
Less: Vacation Time (2 auditors X 120 hrs.)	(240)	
Sick Leave (2 auditors X 40 hrs.)	(80)	
Paid Holidays Per ULM Employee Holiday Schedule (2 auditors)	(246)	
University Closures Per ULM Employee Holiday Schedule (2 auditors)	(80)	(646)
Total Available Audit Hours		3,514
Allocation of Audit Hours: Projects		
1. Employee and Dependent Waivers		200
2. Cash Handling for Alumni Association Functions		240
3. Unclassified Employees' Personnel Actions		220
4. Student Technology Fees		240
5. GRAD Act Controls		200
6. Payroll – Salaries & Withholdings		300
7. Cash Handling - Cash Collection Centers		240
8. Disaster Recovery Planning		120
9. Follow-up on Single Audit University Findings		80
10. 1 st Follow-Up - Termination Payments to Classified Civil Service Employees		120
11. 2 nd Follow-Up – Parking Permits and Tickets		180
12. 1 st Follow-Up – Pharmacy Indirect Cost Fund Expenditures		140
13. 2 nd Follow-Up – Athletic Ticket Reconciliations		160
14. University Police Evidence Room		140
15. Special Projects (Unplanned Audits, Projects, Consulting)		360
16. Update Internal Audit Manual		60
17. Continuing Professional Education and Other Training		140
18. Supervision and Review		174
19. Annual Risk Assessment & Audit Plan, Administrative Council & SACS Subcommittee Meetings, General Administrative Duties		200
Total Hours Allocated		3,514

Example Annual Audit Plan (Continued)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX
<p>1. PROJECT – EMPLOYEE AND DEPENDENT FEE WAIVERS Objective(s): To determine whether waivers granted comply with applicable policies and procedures. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Written Request & Carryover from Prior Plan) Budget Hours: 200</p>
<p>2. PROJECT – CASH HANDLING FOR ALUMNI ASSOCIATION FUNCTIONS Objective(s): To determine the adequacy of internal control over cash collections. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Request) Budget Hours: 240</p>
<p>3. PROJECT – UNCLASSIFIED EMPLOYEES’ PERSONNEL ACTIONS Objective(s) – Determine that employment actions for unclassified employees are in compliance with University of Louisiana System PPM FS.III.II.B,C,D-1, “Personnel Actions.” Type of Review – Internal Control and Compliance Risk: – 1 - High (Board Policy FS.III.II.B,C,D-1 & Interest of ULS VP for Business & Finance) Budget Hours – 220</p>
<p>4. PROJECT – STUDENT TECHNOLOGY FEE ACCOUNT Objective(s): To determine whether the University’s system of internal control ensures the fairness of presentation of the Statement of Changes in Fund Balance and compliance with Louisiana Revised Statute 17:3351.1, PPM number FB-IV.V.-1, the University’s technology plan, and applicable purchasing and property control regulations. Type of Review: Financial, Internal Control, and Compliance Risk: – 1 - High (Audit required by Board of Supervisors’ PPM FB-IV.V.-1) Budget Hours – 240</p>
<p>5. PROJECT – GRAD ACT CONTROLS Objective(s): To determine the adequacy of internal control over Grad Act data reported to the Board of Regents. Type of Review: Internal Control & Compliance Risk: – 1 – High (ULM Response to LLA Memo Regarding Non-Reported GRAD Act Issues dated 5-10-12 & VP for Academic Affairs verbal request). Budget Hours: 200</p>
<p>6. PROJECT – PAYROLL – SALARIES & WITHHOLDINGS Objective(s): To determine the adequacy of internal control over payroll (deferring payroll over 12 months for 9 month faculty and withholding the required and requested payroll deductions). Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Request & Finding at Baton Rouge Community College) Budget Hours: 300</p>
<p>7. PROJECT – CASH HANDLING - CASH COLLECTION CENTERS Objective(s): To determine the adequacy of internal control over cash handling at selected locations and compliance with the University’s “Cash Handling Policy and Procedures”. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s written request that we continue reviewing cash handling & recent frauds at various institutions) Budget Hours: 240</p>

Example Annual Audit Plan (Continued)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX
<p>8. PROJECT – DISASTER RECOVERY PLANNING Objective(s): To determine the adequacy of the University’s disaster recovery & business continuity plan. Type of Review: Internal Control Risk: – 1 – High (Non-reportable finding in prior internal audit of Personnel Actions & questions asked by In-Charge Legislative Auditor). Budget Hours: 120</p>
<p>9. PROJECT - FOLLOW-UP ON SINGLE AUDIT UNIVERSITY FINDINGS Objective(s): To determine whether adequate controls are in place to prevent the Single Audit findings at other universities from occurring at ULM. Type of Review: Internal Control and Compliance Risk: – 1 – High (Ongoing interest of various administrators. Proactive approach to mitigate risks noted at other universities and a form of control self-assessment. Depending on the nature of the findings, there could be a potential for high financial, compliance, and public exposure risks). Budget Hours: 80</p>
<p>10. PROJECT – 1st FOLLOW-UP - TERMINATION PAYMENTS TO CLASSIFIED CIVIL SERVICE EMPLOYEES Objective(s): Follow up on the reportable observations noted in our audit to ensure that adequate corrective action has been implemented. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 120</p>
<p>11. PROJECT – 2nd FOLLOW-UP - PARKING PERMITS AND TICKETS Objective(s): Follow up to ensure that adequate actions have been implemented to correct reportable observations noted in our first follow-up. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 180</p>
<p>12. PROJECT –1st FOLLOW-UP – PHARMACY INDIRECT COST FUND EXPENDITURES Objective(s): Follow up on the reportable observations noted in our audit to ensure that adequate corrective action has been implemented. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 140</p>
<p>13. PROJECT – 2nd FOLLOW-UP - ATHLETIC TICKET RECONCILIATIONS Objective(s): Follow up to ensure that adequate actions have been implemented to correct reportable observations noted in by ULS Director of Internal & External Audits in his 1st follow-up. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 160</p>
<p>14. PROJECT – UNIVERSITY POLICE EVIDENCE ROOM Objective(s): – To determine the adequacy of controls over evidence stored in UPD evidence room. Type of Review: Internal Control and Compliance Risk: – 2 – Moderate (Evidence is Susceptible to Theft, UPD Management Has Changed, and Potential for Negative Impact on the University’s image) Budget Hours: 140</p>

Example Annual Audit Plan (Concluded)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX
<p>15. PROJECT – SPECIAL PROJECTS (UNPLANNED AUDITS, PROJECTS, CONSULTING) Objective(s): Complete special projects during the year at the request of the ULS Office, University President, VP's or others. Conduct research and provide assistance on internal control and compliance issues. Investigate complaints and reports of thefts, fraud, etc. Type of Review: Depends upon the nature of request. Risk: – 1 to 3 – High to Low - Depends upon the nature of request. Budget Hours: 360</p>
<p>16. PROJECT – UPDATE INTERNAL AUDIT MANUAL Objective(s): To update manual for changes in standards, policies, and procedures. Type of Review: N/A Risk: – 1 – High (Upcoming SACS 5 year review & questions by LLA financial auditor) Budget Hours: 60</p>
<p>17. PROJECT - CPE & OTHER TRAINING Objective(s): Obtain continuing professional education required for Internal Audit Director to maintain professional licenses (CPA & CFE) and for Director and Staff to maintain auditing proficiency. Type of Review: N/A Risk: – 1 - High (Required for licensing by the State Board of CPA's and Association of Certified Fraud Examiners) Budget Hours: 140</p>
<p>18. PROJECT – SUPERVISION & REVIEW Objective(s): Review working papers/audit documentation and provide supervision of audit staff. Type of Review: N/A Risk: – 1 - High (Required by professional standards) Budget Hours: 174</p>
<p>19. PROJECT – ANNUAL RISK ASSESSMENT & AUDIT PLAN, MEETINGS, AND GENERAL ADMINISTRATION Objective(s): Prepare the annual risk assessment and audit plan; attend various meetings of the Administrative Council, SACS Subcommittee, and University President; and perform general administrative duties. Type of Review: N/A Risk: 1 to 3 - High to Low - Depends upon the nature of the item. Budget Hours: 200</p>

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2000

Subject: Management of the Internal Audit Activity

Policies and Procedures

Internal audit policies and procedures have been formalized in the ULM Internal Audit Manual to provide guidance to the employees of the Internal Audit Department. In addition, audit staff are directed and controlled through daily, close supervision and written memoranda. The form and content of the policies and procedures have been adapted to the relative small size and uncomplicated structure of the department and the specialization of its work. Due to the small number of staff and uncomplicated structure of the department, management is more informal than in a larger audit department. The Director of Internal Audit reviews the ULM Internal Audit Manual at least annually, updates it as necessary, and submits the manual to the University Policy Coordinator for their approval and posting to the ULM Policies and Procedures website.

Coordination and Reliance

To the extent allowed, the Department of Internal Audit shares information and coordinates activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts. Before relying on the work of others, the Director considers the competency, objectivity, and due professional care of the other service providers and obtains a clear understanding of the scope, objectives, and results of their work. As a part of their audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana, the Louisiana Legislative Auditor of the State of Louisiana (external auditor) performs procedures at ULM to provide assurances on financial information that is significant to the System's financial statements, evaluate the effectiveness of ULM's internal controls over financial reporting and compliance, and determine whether ULM complied with applicable laws and regulations. In contrast, ULM Internal Audit is concerned with a comprehensive program of audits, which places emphasis on risk management, control, governance processes, and efficient profitable operations. Coordination of Internal Audit's activities with the Louisiana Legislative Auditor principally involves collaborating with each other to ensure: (1) maximum audit coverage is obtained; (2) there is an exchange of information, and (3) there is minimal duplication of effort and expense on routine phases of audit work. Upon final issuance, the Director of Internal Audit electronically provides ULM's internal audit reports to the Louisiana Legislative Auditor. When performing the external audit, members of the staff of the Louisiana Legislative Auditor periodically review the working papers of the Department of Internal Audit to verify our qualifications and determine whether or not they can rely on our work. The external auditors are allowed unrestricted access to the Internal Audit Department's audit programs, working papers, and reports.

The Internal Audit department and the external auditors periodically discuss matters of mutual interest. The Department of Internal Audit routinely follows up on the findings contained in the audit reports of the Louisiana Legislative Auditor. When requested, the Louisiana Legislative Auditor may allow the Internal Audit Department access to some of their working papers. The Department of Internal Audit and the external auditors discuss significant control weaknesses, errors and irregularities, illegal acts, disagreements with management, and any difficulties encountered in performing the audit. If time is available, the Internal Audit department may agree to perform work for external auditors in connection with their annual audit of the financial statements (for example, observations of physical inventory counts).

Reporting to Management

As discussed further in section 1300 of this manual, the Director of Internal Audit reports periodically to senior management of the University and to the Board of Supervisors through the System Chief Audit Executive and Chief Compliance Officer. The Director sends the risk based audit plan, work schedule, and staffing plan to the University President and the Audit Committee for approval. The approved audit plan is shared with the President’s Administrative Council. All internal audit reports and executive summaries are electronically submitted to University management and the System Chief Audit Executive and Chief Compliance Officer. The System Chief Audit Executive routinely submits summaries of the reports to the UL System Audit Committee and the System President. In addition, the System Chief Audit Executive routinely submits reports on the status of the internal audit plans to those individuals. Reports of audits in progress, audits completed, and audits awaiting follow-up are presented to the University’s Administrative Council and also submitted to the System Chief Audit Executive and Chief Compliance Officer for presentation to the Audit Committee. Updates to the internal audit activity’s charter are sent to the President and the Audit Committee for approval. The Director of Internal Audit also reports significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Audit Committee.

The Director of Internal Audit periodically presents the Management Control Policy to the University President for approval and shares it with the Administrative Council. The Director periodically (typically annually) confirms to the President and to the Audit Committee through the System Chief Audit Executive and Chief Compliance Officer, the organizational independence of the internal audit activity. Annually, the Director of Internal Audit presents a budget request to the President for his approval. If the Director of Internal Audit discovers that management’s response to risk may be unacceptable to the organization, he will report it to senior management and the Audit Committee.

Nature of Work

As discussed in the University's audit charter, the mission of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University. The scope of work of the internal audit activity is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control process.
- Significant legislative or regulatory issues impacting the University are recognized and addressed properly.

The University's internal audit activity includes the following general objectives:

- Determining that the University's overall system of internal control and the controls in each departmental unit or activities under audit are adequate, effective, efficient, and functioning by conducting audits on a periodic basis so that all major systems are reviewed. Such reviews will be coordinated with the Office of the Louisiana Legislative Auditor to avoid unnecessary duplication of effort.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2100

Subject: Nature of Work

- Conducting investigations as required or directed related to the general objectives previously stated.

The management process of planning, organizing, and directing is evaluated by internal audit to determine whether reasonable assurance exists that objectives and goals will be achieved. All business systems and processes within the University are subject to evaluation by internal audit.

Risk Management

The State of Louisiana, through the Office of Risk Management, retains risk for property, casualty, and worker's compensation insurance, as well as coverage for all State property, with virtually no upper limits. Auto liability, comprehensive, and collision coverage is provided for the State fleet and other coverage, such as bonds, crime, aviation, and marine insurance, is provided as needed.

The University's risk management process is relatively informal. The internal audit activity assists the University by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. The key objectives of the University's risk management process are, as follows:

1. Risks arising from business strategies and activities are identified and prioritized.
2. Management and the board have determined the level of risks acceptable to the University, including the acceptance of risks designed to accomplish the University's strategic plans.
3. Risk mitigation activities are designed and implemented to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
4. Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
5. The board and management receive periodic reports of the results of the risk management processes. The corporate governance processes of the University provide periodic communication of risks, risk strategies, and controls to stakeholders.

Management's expectation of the internal audit activity in relation to the University's risk management process is documented in the internal audit charter. The internal audit activity monitors and evaluates the effectiveness of the University's risk management system. Risk exposures relating to the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts are subject to evaluation.

During consulting engagements, the University's internal auditors are expected to address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. Knowledge of risks gained from consulting engagements may be incorporated into the process of identifying and evaluating significant risk exposures.

Internal Control

The internal audit activity assists the University in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal audit evaluates the adequacy and effectiveness of controls encompassing the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. The internal audit activity is responsible for ascertaining the extent to which operating and program goals and objectives have been established and conform to those of the University. Operations and programs are reviewed to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. Internal audit ascertains the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal audit uses such criteria in their evaluation. If inadequate, internal audit works with management to develop appropriate evaluation criteria. During consulting engagements, the internal auditors are expected to address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. Knowledge of controls gained from consulting engagements is to be incorporated into the process of identifying and evaluating significant risk exposures of the University.

Governance

University employees are required to comply with the Code of Governmental Ethics (L.R.S. 42:1101-1170) of the State of Louisiana. The Code clearly identifies prohibited ethics related activities and conflicts of interest. Louisiana Revised Statute 42:1170 requires each State agency to designate a person to provide employees with information relative to ethics. The statute also requires the agency to provide instruction to educate employees about the particular ethics laws to which they are subject and the procedures by which such laws are enforced. Management communicates its views regarding ethical behavior to employees, as follows:

- Policies and rules of the Board of Supervisors establish procedures for reporting misappropriations and illegal acts in accordance with Act 1101 of 2001 (Revised Statute 24:523) and conducting investigations of allegations of misconduct or impropriety.
- The University's Faculty and Staff Handbooks inform employees that all employees are governed by the Code of Governmental Ethics and provide that faculty and staff should familiarize themselves with the code. The handbooks also require that university employees properly use and protect university resources (money, equipment, other physical properties, and services of employees).
- In accordance with the Louisiana Code of Governmental Ethics employees of the University must complete a minimum of one (1) hour of education and training in governmental ethics each calendar year [Louisiana Revised Statutes 42:1170(3)(a)(i)]
- The University is required to send a semiannual Bond and Crime Exposure Report to the Office of Risk Management.
- The University has detailed hiring procedures and personnel policies and appropriate conduct for employees is detailed in the various personnel policies.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2100

Subject: Nature of Work

In all engagements, Internal Audit remains alert for potential violations of the Code of Governmental Ethics.

Legal Considerations

During the course of an engagement, as situations are encountered requiring specific details relating to laws or regulations the auditors review the revised statutes, Attorney General's Opinions, and other laws and regulations available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors or the University's Legal & Compliance Counsel.

Information Security

Internal audit assesses the University's information security practices. General and application control reviews may be performed. Reviews of disaster recovery, business continuity plans, and electronic funds transfers may also be conducted. In most cases, such assessments are integrated into other engagements conducted as part of the approved audit plan. However, separate stand-alone engagements may be conducted. These audits are conducted to evaluate the quality of the controls and safeguards over the University's assets, the effective use of IT resources, adherence to University policies, and to encourage the design and implementation of adequate controls over computer applications and the computing environments in which they are used.

These overall objectives are designed to:

- Evaluate the adequacy of IT operations, policies, procedures, and controls; promoting operational efficiency and effective controls at a reasonable cost considering the risks involved.
- Determine the extent the University's IT assets and data are accounted for and safeguarded from losses.
- Provide management with recommendations for operating improvements identified during the course of these audits.
- Promote the development of IT management accountability and self-review concepts throughout the University.

When conducting field work, the auditors are alert for the key information technology risks and controls. Use of available technology-based audit techniques are considered in performing assigned work. The auditors use Microsoft Excel to extract data. The use of data extraction software by the internal auditors is not considered cost beneficial due to the small size of the University's internal audit activity and the related costs of training and software updates. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests the Director obtains competent advice and assistance. Information technology personnel in the computing center are often used to extract data through use of FOCUS, E-print, and other programs and reports. If E-Commerce processes are audited, the overall audit objective will be to ensure that all processes have effective internal controls.

Environmental Risks

The University has an Office of Environmental Health and Safety. The State of Louisiana Office of Risk Management routinely conducts audits of the Environmental Health and Safety Program. The University's internal audit department has a close working relationship with the ORM audit staff. The University's internal audit department sometimes performs follow-ups on the risk management audits to determine that appropriate corrective actions have been implemented to correct any findings.

Privacy Risks

Privacy can encompass personal privacy (physical and psychological); privacy of space (freedom from surveillance); privacy of communication (freedom from monitoring); and privacy of information (collection, use, and disclosure of personal information by others). When evaluating the University's privacy framework, employees of the internal audit department are expected to consider applicable laws and regulations relating to privacy. During the course of an engagement, as situations are encountered requiring specific details relating to privacy laws or regulations, the auditors may review the revised statutes, Attorney General's Opinions, and other laws available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors. Information may also be obtained from the University's information technology specialists.

Risk Management Processes

The internal audit department could be asked to act in a consulting role to assist the University in identifying, evaluating, and implementing risk management methodologies and controls. The University has an informal risk management program that is appropriate given the nature of the University's activities and its relatively small size.

Business Continuity

Business interruption can have significant financial and operational ramifications. With the assistance of an outside consultant, the University has developed a comprehensive disaster recovery and business continuity plan. The University's internal auditors and external auditors perform periodic assessments of the adequacy of the plan to determine if the plan has been updated, tested, and ensure that senior management is aware of the state of disaster preparedness and ready to deal with business interruptions.

Scope of Work

The scope of the work of the Department of Internal Audit includes evaluations of the adequacy and effectiveness of the University's system of internal control and the quality of performance in carrying out assigned responsibilities. The Department of Internal Audit is responsible for reviewing the processes to determine the following:

1. The reliability and integrity of information.
2. Compliance with policies, plans, procedures, laws, regulations, and contracts.
3. The safeguarding of assets.
4. The economical and efficient use of resources.
5. The accomplishment of established objectives and goals for operations or programs.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2100

Subject: Nature of Work

The objective of each review is to:

- Evaluate the quality of performance to determine whether the University's objectives and goals have been achieved.
- Evaluate the adequacy of the system of internal control to ascertain whether the system provides reasonable assurance that the University's objectives and goals are met efficiently and economically.
- Evaluate the effectiveness of the system of internal control to ascertain whether the system is functioning as intended.

Since these evaluations are performed at specific points in time, the auditors are expected to be alert to actual or potential changes in conditions which affect the ability to provide assurance.

Reliability and Integrity of Information

University management is responsible for establishing systems to ensure reliability and integrity of information. The Department of Internal Audit is responsible for reviewing the processes to determine whether financial and operating records and reports contain accurate and useful information. Internal Audit is also responsible for determining whether controls over record keeping and reporting are adequate and effective. These audits may include the following:

- Determining if transactions have been properly reviewed and approved.
- Determining if information systems produced data that was useful, accurate, complete, timely, and relevant.
- Identifying and documenting key controls designed to ensure the reliability and integrity of information.
- Testing key controls.

Compliance with Laws and Regulations

University management is responsible for establishing systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts. The Department of Internal Audit is responsible for reviewing the systems to determine whether the University is in compliance with the policies, plans, procedures, laws, regulations, and contracts. These audits may include the following:

- Obtaining background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items that could have a significant impact on operations.
- Identifying key controls designed to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Testing key controls.
- Determining if the auditee is compliance with the relevant policies, plans, procedures, laws, regulations, and contracts.

Safeguarding of Assets

University management is responsible for safeguarding the university's assets. The Department of Internal Audit is responsible for performing audits to test the means used by management to safeguard assets from various types of losses such as theft, fire, improper or illegal activities, and exposure to elements. These audits may include the following:

- Determining the adequacy of the separation of duties.
- Testing the rotation of sensitive duties among employees.
- Ascertaining that reconciliation procedures are timely, thorough, and appropriately reviewed.
- Verifying the adequacy of management's periodic surprise reviews.
- Testing the review and approval of transactions by authorized individuals.
- Determining the adequacy of the physical protection of assets and records.
- Identifying key controls designed to prevent or detect errors and fraud.
- Testing key controls.
- Verifying the physical existence of university assets.

Economical and Efficient Use of Resources

University management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. The Department of Internal Audit may perform economy and efficiency audits to determine whether:

- Operating standards have been established for measuring economy and efficiency.
- Established operating standards are understood and are being met.
- Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
- Corrective action has been taken.

These audits may include the following:

- Identifying the operating standards.
- Determining whether the standards are appropriate in keeping with the auditee's goals and objectives.
- Determining if the information used by management to measure its success is accurate, current and relevant.
- Ascertaining whether management has procedures to ensure that they met their standards.
- Determining whether management identified and analyzed deviations from the standards.
- Determining whether management discussed deviations with the appropriate individuals.
- Identifying any inefficient or uneconomic use of resources.
- Identifying key controls designed to ensure compliance with the auditee's goals, measures, or targets.
- Testing key controls designed to ensure compliance with the auditee's goals, measures, or targets.

Accomplishment of Established Objectives and Goals for Operations or Programs

Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing the desired operating or program results. The Department of Internal Audit is responsible for the following:

- Ascertaining if management identified relevant objectives and goals and developed a system for measuring their accomplishment.
- Appraising whether management established criteria for evaluating their program's effectiveness.
- Assessing whether management determined if their objectives and goals were met.
- Determining if the techniques and data used by management to measure effectiveness is appropriate.
- Reviewing for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals.
- Determining whether management has estimated the costs and benefits of not meeting goals.

The Department of Internal Audit reviews operations (purchasing, human resources, finance, governmental assistance, etc.) or programs (fund-raising campaigns, capital expenditures, etc.) to determine whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. These audits may include the following:

- Identifying key controls designed to ensure compliance with established objectives and goals.
- Testing the effectiveness of the key controls.

Planning the Engagement

Each engagement will be properly planned and the strategies, objectives, scope, timing, and resource allocations will be documented in the plan. In planning the engagement, the internal audit staff are expected to consider such things as the objectives of the activity being reviewed and the means by which the activity controls its performance; the significant risks to the activity, its 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; and the opportunities for making significant improvements to the activity's governance, risk management, and control processes. If an engagement for parties outside the organization is accepted, the Internal Audit Department will establish a written understanding with them about strategies, objectives, scope, respective responsibilities, restrictions on distribution of the results of the engagement, and access to engagement records. Internal audit will also establish an understanding with consulting engagement clients about the strategies, objectives, scope, respective responsibilities, and other client expectations.

Objectives and Scope of Work

Based on requests from administrators or others and the auditors' perception of the work needed, the internal audit activity will determine the objectives of the engagement (i.e., intended accomplishments). Objectives will be in enough detail to guide the audit program development and reflect the results of the preliminary risk assessment of the engagement area. The established scope will include consideration of relevant systems, records, and personnel and must be sufficient to satisfy the objectives of the engagement. The probability of significant errors, irregularities, noncompliance, and other exposures will be considered when developing the engagement objectives. 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. The objectives and scope must be approved by the Director.

Objectives of consulting engagements will be agreed upon with those requesting the engagement. If a consulting engagement or an engagement for parties outside the organization is planned, the internal audit activity will establish an understanding with the appropriate parties about objectives, scope, distribution of the results of the engagement, and access to engagement records. The scope of consulting engagements will be sufficient to address the agreed-upon objectives and will address risks, controls, and governance processes to the extent agreed upon with the client. During the consulting engagement, any reservations about the scope shall be discussed with the client to determine whether to continue with the engagement.

Entrance Conference/Audit Notification

Every audit should include an entrance conference with appropriate personnel. This may consist of a face-to-face meeting but may take the form of correspondence or a telephone call (notification of audit). The form is a matter of professional judgment and the desires of management. The following may be included in the entrance:

1. Planned audit objectives.
2. Scope of audit work.
3. Timing of audit work.
4. Personnel assigned to the audit.
5. The process of communicating throughout the audit
 - a. Methods.
 - b. Time frames.
 - c. Individuals who will be responsible.
6. Concerns or any requests or management.

Documentation of the entrance conference or notification of audit will be prepared and retained in the audit working papers.

Preliminary Survey

Every audit will include a preliminary survey to gather information on the activity being examined and assess risks. The focus of the survey will vary depending upon the nature of the engagement. A survey may involve use of the following procedures:

- Discussions with the client.
- Interviews with individuals affected by the activity, e.g., users of the activity's output.
- On-site observations.
- Review of management reports and studies.
- Analytical auditing procedures.
- Flowcharting.
- Functional "walk-thru" (tests of specific work activities from beginning to end). This may include tracing a transaction or two through the system to obtain an understanding of how the system operates and how transactions and documents are processed through the internal control system and whether or not these controls are operating as prescribed by management.
- Documenting key control activities and weaknesses.
- Consideration of the probability of significant errors, irregularities, noncompliance, and other exposures.
- Assessing risks relevant to the activity under review.

As part of the preliminary survey, the Internal Audit Department will obtain background information for the activity to be audited. This may include reviewing and documenting such items as the following:

- Mission, objectives, and goals of the audited activity.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2200

Subject: Engagement Planning

- Policies, plans, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports.
- Organizational information, e.g., services provided, number and names of employees, key employees, job descriptions, and details about recent changes in the organization, including major system changes.
- Budget information, operating results, and financial data of the activity to be audited.
- Prior audit working papers.
- Results of other audits, including the work of external auditors, completed or in process.
- Correspondence files to determine potential significant audit issues.
- Authoritative and technical literature appropriate to the activity.
- Nature of any federal/state compliance auditing requirements.

Staffing/Engagement Resources

As much as feasible, staffing is based on an evaluation of the nature and complexity of each engagement, time constraints, and available personnel. The knowledge, skills, and other competencies of the internal audit staff is considered in assigning staff to the engagement. The value of on the job training for staff is also considered. Appropriate resources are allocated to achieve the engagement objectives.

Engagement Work Program

A properly developed work program, detailing each of the engagement steps to be performed during the course of the review, will be completed for each assignment. Work programs may vary in form and content depending upon the nature of the engagement. The work programs will establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The Director of Internal Audit must approve the work program prior to implementation and upon amendment.

Each of the steps in the program will be cross-referenced to the corresponding work paper which shows evidence of the work performed. The work program is a key document and should be located at WP6 (in most cases) of the work paper binders.

Upon completion of each step, the auditor should initial the work program in the appropriate box indicating its completeness. In some cases (when not readily apparent), the reason for the step should be included in the program.

The Internal Audit Department may consult the Association of College and University Auditors (ACUA), Louisiana Association of College and University Auditors (LACUA), other universities, U.S. Department of Education (Student Financial Aid Programs), NACUBO - Federal Auditing Information Service for Higher Education, Practitioners Publishing Company, and OMB Compliance Supplement for example work programs; however, these programs will be amended to suit the circumstances of our particular engagement.

Personal Information

When conducting engagements, the internal audit staff will comply with applicable laws regarding protection of personal privacy and information.

Examining & Evaluating Information

When performing engagements, the internal audit staff will analyze sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers. The procedures performed during most engagements may include reviewing applicable laws, regulations, policies and procedures; interviewing selected employees and others; examining selected documents and records; comparing relationships among financial and non-financial information; and performing observations.

Fieldwork

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved Audit Program. Evidential matter obtained during the course of the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in the audit report. As internal auditors, we are obligated by our professional standards to act objectively, exercise due professional care, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit observations and recommendations.

Throughout fieldwork, professional judgment should be used to (a) determine whether evidence gathered is sufficient, relevant, competent, and useful to conclude on the established objectives; and (b) based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective).

Fieldwork includes:

- Gaining an understanding of the activity, system, or process under review and the prescribed policies and procedures, supplementing and continuing to build upon the information already obtained in the preliminary survey.
- Observing conditions or operations.
- Interviewing appropriate personnel.
- Examining assets and accounting, business, and other operational records.
- Analyzing data and information.
- Reviewing systems of internal control and identifying internal control points.
- Evaluating and concluding on the adequacy (effectiveness and efficiency) of internal controls.
- Conducting compliance testing.
- Conducting substantive testing.
- Determining if appropriate action has been taken in regard to significant audit observations and corrective actions reported in prior audits.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Policy Number: 2300

Subject: Performing the Engagement

Audit sampling is performing an audit test on less than 100 percent of a population. In 'sampling' the auditor accepts the risk that some or all errors will not be found and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. The type of sampling used and the number of items selected should be based on the auditors understanding of the relative risks and exposures of the areas audited and include the following:

- Statistical or probability sampling - allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor.
- Attribute sampling - is used when the auditor has identified the expected frequency or occurrence of an event.
- Variation sampling - is used when the auditor samples for values in a population which vary from item to item.
- Judgment sampling - is used when it is not essential to have a precise determination of the probable condition of the universe, or where it is not possible, practical, or necessary to use statistical sampling.

In general, all audit work performed should be documented. Each audit procedure should be supported by work papers (schedules, memos, spreadsheets) on which testing performed and results achieved are documented. The Department of Internal Audit generally uses non-statistical attribute sampling.

Working Papers

Working papers (Audit Evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented. Engagement working papers serve the following purposes:

- Provide a systematic record of work performed;
- Provide a record of the sufficient, reliable, relevant, and useful information and evidence obtained and developed to support findings, conclusions, and recommendations;
- Provide information to the Director of Internal Audit to enable him to supervise and manage assignments and to evaluate auditor performance; and
- Provide a record of information for future use in planning and carrying out subsequent assignments.

The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up.

Working papers must be neat, competent, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations. To the extent possible, all working papers will contain the following data:

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At the top-left of the working paper, a heading will indicate:

- ULM Internal Audit Department
- Name of the engagement area (department, center, system, etc.)
- Name of working paper (e.g., test of expenditures, cash count)
- Audit period

At the top right section of the working paper, the auditor completing the work will initial and date the working paper. The reviewer will initial and date, directly beneath the auditor's initials on the working paper, indicating that the working paper has been reviewed.

Below the heading, the following will be documented on each working paper or referenced to the working paper where documented:

- The **source** of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title.
- The **purpose** of working paper will be recorded. Unless one can clearly define exactly why one is gathering data, one cannot prepare meaningful papers containing relevant matter.
- **Procedures** performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper.
- Relevant **findings** from testing. This should be a short summary of the finding or a reference to the finding form where the finding will be discussed. Finding forms will be completed for each finding. The finding forms will include the condition, criteria, cause, effect, and recommendation.
- **Conclusions and recommendations** should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should relate to the nature of the findings and work performed.

Relative to the body of the working paper, the following should be considered:

- Keep the working paper neat and legible.
- Keep in mind that the working paper is being prepared for someone other than you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.
- If a working paper or a set of working papers contains tic marks, the first page of a set of papers should also contain a legend explaining the tic marks.
- Working papers should be prepared after completing each audit step. Pertinent oral conversations should also be recorded promptly.

The working paper will be indexed (numbered) at either the bottom or the top right-hand section.

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Permanent Files

Permanent files are not always used. In many cases, the information below may be included in the general working paper file. If used, this file will contain information necessary to gain an understanding of (a) the function of the department/area to be audited; (b) its organization and resources; (c) how it relates to other departments; (d) internal control adequacy and effectiveness; and (e) general information about relevant policies and procedures. The file generally contains the following types of information:

- Monitoring reports
- Contracts
- Description of the accounting records, management reports, department budget, and FRS Screens
- Departmental mission statement
- Background/history on the department and/or area to be examined
- Important permanent correspondence (other than that pertaining to the current audit)

Data contained in the permanent file should be updated whenever a new engagement of the department or area is started. An index should be maintained of the data/material contained in the permanent file.

Indexing and Referencing

At a minimum, all working papers prepared on each assignment should be indexed, and include a table of contents listing working paper titles and index numbers. Working papers indexed as permanent file working papers will be retained for future use. The first working paper in each file will be an index for the remaining working papers. This method of indexing is to be used as a guide and strict adherence to this method of indexing is not required and every engagement is not expected to have all of these working papers.

<u>WP #</u>	<u>General File</u>
1	Final Internal Audit Report
1A	Draft Internal Auditor's Report
2	Exit Conference & Findings
3	Entrance Conference/Audit Notification Memo
4	Preliminary Survey/Planning Memo
4A	Code of Ethics and Conflict of Interest Certifications
5	Review & Supervision Notes
5A	Time Budget
6	Audit Program
7 - 10	Evidence working papers
11	Correspondence
12	Organizational chart
13	Fraud Letter
14	Annual Audit Plan
15	Applicable Statutes and Regulations
16	Applicable University Policies & Narratives

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The Director of Internal Audit controls access to engagement records to the extent allowed by applicable laws and regulations (e.g., Public Records Law). Approval of senior management and/or legal counsel will be obtained prior to releasing such records to external parties. Retention requirements for engagement records have been developed and these retention requirements are consistent with the University's guidelines and pertinent regulatory requirements (Louisiana Revised Statutes Title 44-36: "All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made. However, where copies of an original record exist, the original alone shall be kept; when only duplicate copies of a record exist, only one copy of the duplicate copies shall be required to be kept. Where an appropriate form of the micro photographic process has been utilized to record, file, and otherwise preserve such public records with microforms produced in compliance with the provisions of R.S. 44:415, the microforms shall be deemed originals in themselves, as provided by R.S. 44:39(B), and disposition of original documents which have been micro photographically preserved and of duplicates and other copies thereof shall proceed as provided in R.S. 44:411.")

The Louisiana Legislative Auditor is allowed access to working papers upon request in accordance with state law.

Please refer to the next page of this audit manual for a copy of the formal records retention schedule for the University of Louisiana at Monroe – Department of Internal Audit developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State.

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Department of Internal Audit - Records Retention Schedule

Records Retention Schedule


Louisiana Secretary of State
 Division of Archives, Records Management and History
 Post Office Box 94125, Baton Rouge, LA 70804
[Http://www.sos.la.gov](http://www.sos.la.gov)

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Agency No		Agency / Division / Section							
066.000		University of Louisiana Monroe/ Office of the President / Internal Audit							
Item Number	Records Series Title	Retention Period			Security	Archival	State Records Center	Vital	Remarks
		In Office	In Storage	Total Retention					
1	Internal Audit Working Papers	ACT + 3FY	PERM	PERM	M	R	N	U	ACT = until end of FY in which created or received.
Permitted Retention Period Abbreviations ACT – Active Period (when used define term in remarks column) FY – Fiscal Year (July 1- June 30) CY – Calendar Year (Jan 1 – Dec 31) AY – Academic Year (Aug 1 – July 31) FFY – Federal Fiscal Year (Oct 1 – Sept 30) MO – Months WK – Week DY – Day(s) PERM – Permanent		Security Status Codes P – Public Record M – May Contain Confidential Information C – Confidential Information Archival Processing Codes A – Transfer to State Archives R – Retain in Agency Archives S – Review by State Archives O – Other (Specify in Remarks)			State Records Center Use Y – Yes N – No Vital Record Identification Code V – Vital I – Important U – Useful		Agency Abbreviations		


 Agency Approval

9/12/19
 Date Signed


 Secretary of State, State Archives & Records Services

9/17/2019
 Date Approved

Engagement Supervision

As detailed in other sections of this manual, the audit director provides daily supervision of staff and performs detailed reviews of all working papers performed by staff. Evidence of supervision in the form of review checklists, review notes, and/or initials/dates on working papers are prepared and retained in the working papers. The review notes are normally included in the working papers as WP 5.

Communicating & Disseminating Engagement Results

At the completion of each project, the Director of Internal Audit will issue a written report, addressed to the University President, to communicate the engagement's results. The Director of Internal Audit is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. If the chief audit executive delegates these duties, he retains overall responsibility.

Every attempt will be made to make the report accurate, objective, clear, concise, constructive, timely, and complete. The report will include the engagement objectives and scope as well as applicable conclusions, recommendations, and responses and corrective action plans. In general, the layout for assurance related reports will be as follows:

1. Cover page
2. Executive summary
3. Background information
4. Objective (Purpose): Explanation of why the audit was performed
5. Scope and methodology: The audit scope is a description of the depth and coverage of work conducted (period and number of locations covered). The audit methodology is an explanation of the nature and extent of the evidence gathering and analysis techniques used to meet the objectives.
6. Noteworthy accomplishments (If applicable-When appropriate, satisfactory performance will also be communicated in the report.)
7. Overall opinion, results, or conclusions
8. Specific observations (findings) and recommendations
9. General section: Acknowledge appreciation and includes limitations on use of the results
10. Responses and corrective action plans

When an overall opinion is issued, it will 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 will be supported by sufficient, reliable, relevant, and useful information. The communication will include the following:

- The scope, including the time period to which the opinion pertains.
- Any 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.
- A statement of the reasons for an unfavorable overall opinion.

If nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results will disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved.

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- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

The general section of engagement reports provide that the report is intended solely for the information and use of management of the university and is not intended to be used by others. Prior to releasing results to parties outside the organization the chief audit executive will assess the potential risk to the organization and consult with senior management and/or internal counsel, as appropriate. The reports by the Internal Audit Department are considered public records; therefore, the distribution and use of the results cannot be restricted. The Director of Internal Audit will obtain permission from senior management prior to distribution to parties outside the University and members of the public. Public Records requests are handled by the University's Legal & Compliance Counsel. Copies of completed audit reports and working papers are provided to the Louisiana Legislative Auditor during the conduct of the external audit.

A copy of the final report, including an executive summary, will be submitted to the responsible personnel of the engagement area, members of University management, and the Chief Audit Executive and Chief Compliance Officer of the University of Louisiana System and the Louisiana Legislative Auditor. These parties can ensure that the results are given due consideration. The System's Chief Audit Executive and Chief Compliance Officer presents a summary of the results to the audit committee of the Board of Supervisors at their routine meetings.

Communication of the results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. The Director of Internal Audit is responsible for communicating the final results of consulting engagements to clients. If significant risk management, control, or governance issues are identified during a consulting engagement, the issues will be communicated to senior management and the board.

Prior to issuing the final report, the Department of Internal Audit may utilize interim reports to communicate information which requires immediate attention, communicate a change in audit scope for the activity under review, or to keep management informed of audit progress when audits extend over a long period.

If the University's Director of Internal Audit discovers that a final report contains a significant error or omission, the Director of Internal Audit will communicate corrected information to all parties who received the original communication.

Fact Finding Form Description

A Fact Finding (Observation) Form will be generated for each potential finding to ensure the weakness is factual, unbiased, and free from distortion. The auditor will document the following (five elements of a finding) on the Fact Finding Form and the Director of Internal Audit will approve the finding:

- Issue/Condition:

The problem that the internal auditor found in the course of the review (what does exist/what is wrong).

- Criteria:

The standards, measures, or expectations used in making an evaluation and/or verification (what should exist or what is required).

- Cause:

The reason for the difference between the expected and actual conditions.

- Effect:

The risk or exposure encountered because of the condition.

- Recommendation:

The actions which the auditor feels would correct the problem areas and to improve operations.

Example Fact Finding (Observation) Form

ISSUE (One sentence statement of condition/What is wrong):

CRITERIA: (What the Law, Regulation, Internal Control requires)

CONDITION (What is Wrong, expand on the Issue):

- NATURE OF THE EVIDENCE (Dollar amount of errors, number of errors, per cent errors in the sample and universe):
- QUANTITATIVE AND QUALITATIVE IMPACT (\$ amount of errors occurring, \$ amt. of sample, \$ amt. of universe)

CAUSE (What caused the Condition to occur):

EFFECT (What is the result of the Condition)

RECOMMENDATION (What should be done to correct the Condition):

MANAGEMENT'S PLAN TO CORRECT THE FINDING (Attach as necessary):

For Auditor's Use:

=====
Reportable Yes No
Non-Reportable/Discussion Only (If yes, Explain) Yes No
=====

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Description of Reportable Conditions

Reportable Conditions or Comments: Matters coming to the auditor’s attention that, in his judgment, represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. Comments and/or recommendations designed to enhance University operations may also be reported to management.

Non-reportable or Discussion Only Comments: Matters the auditor chooses to communicate, verbally or in writing, for the benefit of management or others that do not represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. These are normally communicated in a correspondence separate from the internal audit report. Sometimes insignificant items may be verbally discussed and documented in the auditor’s working papers.

Monitoring Progress

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. In accordance with the Standards and as requested by the Audit Committee of the Board, the Department of Internal Audit follows up on reported findings. Internal Audit attempts to follow-up within twelve months after an internal audit report is issued. However, various factors can affect the actual follow-up date. The purpose of the follow-up is to determine whether (1) adequate corrective actions have been implemented to correct the findings or (2) senior management has assumed the risk of not taking corrective action on the reported findings. University management may decide to accept the risk of not correcting the reported conditions because they feel the costs exceed the benefits or the corrective action is too complex. Management may decide to accept the risk of not correcting the reported conditions due to other considerations. The ULM Director of Internal Audit will notify the System Chief Audit Executive and Chief Compliance Officer if University management decides to accept the risk of not correcting significant engagement observations and recommendations. Management's acceptance of risk is to be documented and formally approved by University's management and communicated to the System Chief Audit Executive and Chief Compliance Officer.

The department considers the following factors in determining the procedures to be employed in the follow-up:

1. The significance of the reported finding.
2. The degree of effort and cost needed to correct the reported condition.
3. The risks that may occur should the corrective action fail.
4. The complexity of the corrective action.
5. The time period involved.

The follow-up process is summarized as follows. Working papers and engagement programs generated for follow-ups are generally not as extensive as those for a full-scope audit project.

1. Internal audit personnel obtain a copy of the original internal audit report and become familiar with the findings, recommendations, and planned corrective actions.
2. Internal audit personnel prepare an email or a memorandum notifying responsible parties and senior management that a follow-up is being performed. The memorandum/email generally includes:
 - a. A copy of the original audit report including the findings, recommendations, and responses/planned corrective actions.
 - b. A summary of the findings, recommendations, and/or responses.
 - c. A date by which a response is required.
 - d. A request that responsible parties indicate what corrective actions have been implemented for each finding.
3. When the response is received, internal audit personnel evaluate the reasonableness of the implemented corrective actions and determine which of the responses need to be tested and the required level of testing.
4. Internal audit personnel determine if the corrective actions are adequate and whether another follow-up will be necessary.

Communicating the Acceptance of Risks

As previously described in the monitoring progress section, if management’s response indicates they will not take corrective action, the Director of Internal Audit will determine if the level of risk is acceptable. If the Director of Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organization, the Director of Internal Audit will discuss the matter with senior management and obtain an explanation. If the matter has not been resolved, the Director of Internal Audit and senior management will communicate the matter to the Audit Committee.

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:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. 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 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

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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 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 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

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, including any potential conflict of interest.

Interpretation:

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

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.

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

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 fair-minded 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 information and observations to support recommendations and conclusions. Timely communications 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 quality 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 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).

CODE OF ETHICS

Issued: January 2009

Revised:

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Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.
