



**MISSISSIPPI STATE INSTITUTIONS
OF HIGHER LEARNING
OFFICE OF INTERNAL AUDIT**

INTERNAL AUDIT OPERATING PROCEDURES MANUAL

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ANNUAL AGREEMENT OF OPERATING PROCEDURES

As a member of the Office of Internal Audit, I hereby affirm my understanding and intent to conform to the Internal Audit Operating Procedures of the Mississippi State Institutions of Higher Learning. I acknowledge that departure from the operating procedures referred hereto may result in disciplinary action, up to and including termination.

Further, I hereby affirm my intent to maintain independence and objectivity when conducting assurance and consulting services for the Mississippi State Institutions of Higher Learning's Office of Internal Audit. Non-disclosure of impairment to independence as detailed in §120.05 of the Internal Audit Operating Procedures Manual, may result in disciplinary action, up to and including termination.

Finally, I hereby affirm my intent to abide by the Institute of Internal Auditors' Code of Ethics. Violations of the Code of Ethics may result in disciplinary action, up to and including termination.

[TYPE YOUR NAME]

[SEE EWP ELECTRONIC PREPARER SIGNATURE AND DATE]

Name

Signature

Date

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ABBREVIATIONS

Abbreviations

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§ 100 AUTHORITY, ORGANIZATION AND PROFESSIONAL STANDARDS

- .01 Authority The Internal Audit Charter approved by the Board of Trustees of the Mississippi State Institutions of Higher Learning (“IHL Board” or “Board of Trustees”) establishes the authority and guidance of the Office of Internal Audit, which encompasses the audit department at the IHL Board Office (“Board Office”) and the institutional audit departments (“Office of Internal Audit”) in carrying out its independent assessment function at the Mississippi State Institutions of Higher Learning, including its research, regional and academic health science center institutions (“IHL System”).

Outlined below are the operating procedures of the Office of Internal Audit.

- .02 Organization The Office of Internal Audit is led by the IHL System Internal Audit Director (“System IAD”) who serves as the Chief Audit Executive (“CAE”) for the entire IHL System. Additionally, the Board of Trustees has directed that each institution shall have an Institution Internal Audit Director (“Institution IAD”). The System IAD also performs the duties of the Institution IAD at the Board Office level. Employment of each Institution IAD is contingent on the approval of the CAE upon consultation with the Institution Executive Officer (“IEO”). Additionally, each IEO is to employ a sufficient number of professional and support staff to assist the Institution IAD in implementing an effective internal auditing function, or where determined to be more effective professional and support staff employed by the Board Office may be used to assist respective institutions in fulfilling the auditing function.

- .03 Professional Standards The Office of Internal Audit complies with the Institute of Internal Auditor’s (“IIA”) *International Professional Practices Framework*, which includes the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* (“Standards”), as well as institution policies and IHL *Standards for Ethical Conduct*.

Audits shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditors, and, when required by law, regulation, agreement, contract or policy, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.



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.01 Overview The IHL Board shall appoint the System IAD to serve as the CAE for the IHL System and employ a sufficient number of professionals and support staff to assist the CAE. The Board of Trustees' Budget, Finance and Audit Committee or certain members designated by the Committee and the Commissioner ("Board of Trustees' Budget, Finance and Audit Committee") may designate one or more members of the committee to serve as a channel of communication with the internal auditors and to have other duties as deemed appropriate. The CAE shall report to the Budget, Finance and Audit Committee and ultimately to the Board of Trustees, but will report administratively to the Commissioner of Higher Education ("Commissioner") and be independent of any other IHL division, section, branch or officer. The CAE along with the internal audit staff shall perform duties as directed by the Budget, Finance and Audit Committee and as set forth in the Internal Audit Charter.

The Internal Audit Operating Procedures Manual ("Manual") shall be regarded as a complement to the Board of Trustees' approved Internal Audit Charter and shall apply to all IHL System internal auditors, whether located at the IHL Board's executive office or at one of the IHL System institutions/universities. The Commissioner may at any time direct the CAE to perform an audit or inquiry of any special program, activity, function or institutional unit of the IHL System.

The Manual is subject to ongoing reviews and updates to keep it current. In addition, the Manual will be reviewed in its entirety by July 1 of every odd numbered fiscal year. After review by all Institution IADs, any major changes will be submitted to the Budget, Finance and Audit Committee for review and staff members will be notified of these updates.

.02 Reporting Structure The Institution IAD shall be functionally responsible to the Budget, Finance and Audit Committee with access to the Board of Trustees through the CAE, but will administratively report to the IEO. The Institution IAD and institution internal audit employees may only be terminated following institution compliance with any applicable state laws, and following notification of the Budget, Finance and Audit Committee upon recommendation of the CAE, after consultation with the IEO. If there is disagreement between the CAE and the IEO regarding a recommendation of termination of an institution internal audit employee, the dispute shall be brought to the IHL Board, which shall make the decision regarding termination.

Functional reporting¹ – The functional reporting line for the internal audit function is the ultimate source of its independence and authority. As such the IIA recommends that the CAE reports functionally to the audit committee, board of directors, or other appropriate governing authority.

¹ Practice Advisory 1110-2: Chief Auditing Executive (CAE) Reporting Lines, The Institute of Internal Auditors, Inc., 2002

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In this context, report functionally means that the governing authority would:

- *Approve the overall charter of the internal audit function;*
- *Approve the internal audit risk assessment and related audit plan;*
- *Receive communications from the CAE on the results of the internal audit activities or other matters that the CAE determines are necessary, including private meetings with the CAE without management present;*
- *Approve all decisions regarding the appointment or removal of the CAE;*
- *Approve the annual compensation and salary adjustment of the CAE; and*
- *Make appropriate inquiries of management and the CAE to determine whether there are in scope or budgetary limitations that impede the ability of the internal audit function to execute its responsibilities.*

Administrative Reporting – Administrative reporting is the reporting relationship within the organization’s management structure that facilitates the day-to-day operations of the internal audit function. Administrative reporting typically includes:

- *Budgeting and management accounting;*
- *Human resource administration, including personnel evaluations and compensation;*
- *Internal communications and information flows; and*
- *Administration of the organization’s internal operating procedures.*

.03 Shared
Responsibilities

There are certain responsibilities shared by institution management and the CAE. However, for many of the shared responsibilities, the CAE has been delegated as having primary responsibility as noted below. These shared responsibilities include the following:

- Approval of the institution Office of Internal Audit annual audit plan (“audit plan”) and triennial audit plan (CAE primary);



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- Approval of changes to the audit plan (CAE primary);
- Selection of the Institution IAD (IEO, with the approval of the CAE);
- Annual performance evaluation of the Institution IAD (IEO primary, with the written evaluation from the CAE on the effective Institution IAD's administration of the audit plan, using a standardized format. Where the IEO chooses not to perform evaluation of the Institution IAD, the responsibility resides with the CAE);
- Determination of the compensation and classification of the Institution IAD (Institution management primary to align with institution compensation plan, consultation with the CAE);
- Provide for physical location and space requirements of the internal audit function and other staffing needs (IEO primary, consultation with the CAE for any changes);
- Establish and fund at an appropriate level the internal audit function's operating budget (IEO primary). The CAE will consult on needs as requested or necessary to support information on comparability or appropriate levels of support;
- Assessment of the adequacy of resources provided to complete the audit plan (e.g. human, financial, technological) (CAE primary);
- Encourage audit clients to provide cooperation to ensure the completion of the audit plan (IEO primary); *and*
- Termination of an Internal Audit Director (IEO, with the approval of the CAE).

.04 CAE and
Institution IADs
Duties

The responsibilities of the CAE, Institution IAD and staff of the internal audit department, in the discharge of their duties, include, but are not limited to:

- Developing an audit plan based on a comprehensive risk assessment, including risks identified by the Board of Trustees, the Commissioner and the IEO. The plan shall detail the individual audits to be conducted during each year and the related resources to be devoted to each of the respective audits. The audit plan shall ensure that internal controls are reviewed on a periodic basis;
- Implementing the audit plan as approved, including special requests by the Commissioner or the IEO, respectively;

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- Conducting financial, operational, compliance and efficiency audits of the system and programs, activities and functions and preparing audit reports of findings;
- Coordinating with and providing oversight of other controls and monitoring functions related to risk management, compliance, security, ethics, and environmental issues;
- Considering the scope of work of the external auditors and regulators in providing wider audit coverage when completing assigned audits;
- Assisting in the investigation of suspected fraudulent activities within the IHL System; *and*
- Not engaging in activities that would impair the objectivity and independence of their position or function.

.05 Audit Report Confidentiality Audit reports shall be confidential, pursuant to Miss. Code Ann. § 25-65-17(1), but shall be provided to the Board of Trustees upon request. The IHL Board hereby delegates to the CAE the responsibility of collecting and reviewing all audit reports on behalf of the IHL Board. The CAE shall then brief the Budget, Finance and Audit Committee regarding the confidential institution audit reports. The Budget, Finance and Audit Committee will forward such reports to the full Board of Trustees with appropriate recommendations for action when warranted.

.06 Scope Limitation IEOs shall periodically meet with the CAE and Institution IADs to discuss pertinent matters, including whether there are any restrictions on the scope of audits. Any perceived limitation imposed by IEOs must be reported to the Budget, Finance and Audit Committee through the CAE.

.07 Authority The Budget, Finance and Audit Committee and/or the Commissioner, may direct the CAE or Institution IADs to investigate any system issues, allegations, or audit matters, in order to carry out the fiduciary duties of the Board. The IEOs and all system employees must cooperate fully with the Board's system and/or the institution's internal audit staff on any system issues, allegations, or audit matters directed to be performed on behalf of the Board, the Budget, Finance and Audit Committee and/or the Commissioner.

In addition, the IEOs may direct the Institution IADs to investigate any institution issues, allegations, or audit matters they determine to be necessary.



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- .08 Understanding of the Operating Procedures Each auditor is required to affirm his/her understanding and intent to conform to the Internal Audit Operating Procedures Manual by signing the statement presented at the beginning of the Manual. Departure from the operating procedures detailed in the Manual may result in disciplinary action, up to and including termination.

§ 120 Reporting Structure for Internal Audit

- .01 Reporting Structure
- This policy is intended to assist the IHL Board and senior administrative officials in the understanding and execution of their responsibilities under the dual reporting relationship of internal auditors to the CAE and Institution IEOs.
- A key to Internal Audit's independence is its reporting structure, which affords both strength and autonomy. The Institute of Internal Auditors states: *"The audit charter should establish independence of the internal audit activity by the dual-reporting relationship to management and the organization's most senior oversight group. Specifically, the chief audit executive should report to executive management for assistance in establishing direction, support and administrative interface; and typically to the audit committee for strategic direction, reinforcement and accountability."*
- .02 Purpose
- The IHL Board, Institution IEOs, and other institution management all have an interest in a capable and effective internal audit function. All recognize the need for objectivity and an appropriate level of institutional independence from day to day operations and management activities. Institution IEOs and management further recognize the benefit of a local internal audit function that is:
- Knowledgeable about local policies, procedures and practices;
 - Available and responsive to local needs; *and*
 - Respectful of institution local authority for decision making.
- The reporting relationship structure is designed to accommodate both interests by providing for a locally operated internal audit function while preserving the institutional independence necessary for objectivity and accountability to the IHL Board.
- .03 Definition
- Consistent with the guidelines of the Institute of Internal Auditors, the defined reporting structure means functional reporting to the IHL Board through the Budget, Finance and Audit Committee, and administrative reporting to management. Institution IADs report functionally to the IHL Board through the CAE.
- Structurally, these relationships are depicted in organization charts by a solid line reporting relationship to the IHL Board through the Budget, Finance and Audit Committee and a dotted-line relationship for the Institution IAD to the IEO.
- Typically, the Institution IAD's avenue for communications with the Budget, Finance and Audit Committee will be through the CAE. However, each Institution IAD has the authority to communicate directly with the Budget,



§ 120 Reporting Structure for Internal Audit

Finance and Audit Committee as necessary in his/her judgment regarding matters of independence.

It is acknowledged as a practical matter that institution management will have primary responsibility for local administrative matters (such as space allocation and funding for the internal audit department), while the CAE will have primary responsibility for the professional and technical aspects of the internal audit function.

- .04 Institution IAD Responsibilities It is the responsibility of institution management to support the Institution IAD in fulfilling the following responsibilities:
- Conducting the audit plan in accordance with the provisions of the Internal Audit Charter, the Internal Audit Operating Procedures Manual, the IIA Professional Standards, IHL policies, and *Standards for Ethical Conduct*,
 - Designating an external audit coordinator at the request of the CAE (Note: all requests for assistance from an external auditor should be directed to the CAE, prior to committing resources);
 - Being involved in the design of major new automated systems;
 - Following existing procedures and/or conducting investigations in accordance with the EthicsPoint policy, keeping the IEO and the CAE informed of major developments in open investigations;
 - Communicating to the CAE all audit and investigation issues deemed at a high importance, before the exit conference. Institution IADs are encouraged to discuss with the CAE about any issues identified during an audit;
 - Participating in benchmarking and other surveys, as requested for the assessment of the Office of Internal Audit;
 - Contributing to the strategic planning efforts and accomplishments or Office of Internal Audit initiatives;
 - Consulting with the CAE regarding any matters that might call to question independence of the internal audit function; *and*
 - Fulfilling reporting requirements as established by the CAE and the audit plan.

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- .05 Impairment of Independence If independence or objectivity is impaired in fact or in appearance, the details of the impairment must be disclosed to the Budget, Finance and Audit Committee. The nature of the disclosure will depend upon the impairment.

Interpretation

Impairment to institutional 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.

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.

Assurance engagements for functions over which the CAE has responsibility must be overseen by a party outside of the Office of Internal Audit.

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the institution engagement client prior to accepting the engagement.

- .06 Certification of Independence Each auditor is required to affirm his/her intent to maintain their independence and objectivity by signing the statement presented at the beginning of the Manual. Non-disclosure of impairment to independence as detailed in §120.05 above, may result in disciplinary action, up to and including termination.



§ 130 Professional Standards and Ethics

- .01 Alignment with the Standards for Professional Practice of Internal Auditing The IHL Internal Audit Operating Procedures Manual incorporates the practices and procedures described in the IIA's *International Standards for the Professional Practice of Internal Auditing*. A matrix has been prepared that cross-references the IIA Standards to the Internal Audit Operating Procedures Manual and demonstrates the alignment of the Office of Internal Audit with the *International Standards for the Professional Practice of Internal Auditing*.
- The matrix cross-referencing the Manual to the International Standards for the Professional Practice of Internal Auditing can be found in Appendix A.***
- .02 Code of Ethics The Office of Internal Audit Professional Code of Ethics incorporates the *Code of Ethics* adopted by the Institute of Internal Auditors in June 2000 and existing IHL policies and standards of ethical conduct. The Code of Ethics applies to all members of the internal audit professional staff and should not be modified from location to location. The CAE and the Institution IADs are responsible for regularly reinforcing the concepts and behaviors embodied in the Code of Ethics, through discussions at staff meetings, during interim or annual performance evaluations, or by other appropriate methods.
- The Office of Internal Audit Professional Code of Ethics can be found in Appendix B***
- .03 Code of Ethics Statement Each auditor is required to affirm his/her intent to abide by the IIA's Code of Ethics each year by signing the statement presented at the beginning of the Manual. Violations of the Code of Ethics may result in disciplinary action, up to and including termination.



§ 200 OFFICE OF INTERNAL AUDIT OVERVIEW

.01 Overview

The Office of Internal Audit is comprised of institution internal audit departments operating under the oversight of the CAE. The Office of Internal Audit provides a broad spectrum of services to assist the Board of Trustees and institution management in the discharge of their oversight, management and operating responsibilities.

The Office of Internal Audit's perspective of its clients and services are in part based on the standards and guidance issued by the Institute of Internal Auditors. The Office of Internal Audit fully adheres to the revised definition including the emphasis on consulting service activities in addition to assurance services.



§ 210 Clients and Services

- .01 Clients of Internal Audit Services
- In the broadest sense, the beneficiaries of the services of the Office of Internal Audit include the taxpayers of the state of Mississippi, donors, federal, state and private research sponsors, and all faculty, students, patients and staff of the IHL System. However, clients are those that are served more directly and who are the recipients of internal audit services, or reports on services provided. The clients of the Office of Internal Audit include those parties with oversight, management and operating responsibilities for the IHL System such as:
- The Board of Trustees;
 - The Budget, Finance & Audit Committee;
 - Senior Management; *and*
 - Operating Management.
- .02 Services Provided by the Office of Internal Audit
- The Office of Internal Audit's primary activity in fulfilling its mission is the conduct of a program of regular audits of the IHL System's business operations. However, it includes additional activities in order to enhance the value of services to its clients. The audit plan outlines internal audit services under three types of activities as follows:
- Assurance** – These services include the planned and supplemental program of regular audits of business units (including academic departments) and business processes that cut across all institutional units (e.g., purchasing, travel, etc.).
- Consulting Services** – Consulting Services encompasses a broad array of activities beyond regular audits. These additional activities are proactive or preventive in nature and are focused in the following areas:
- **Internal Control & Accountability** – Promotes the systems of internal controls through training of the IHL System personnel in concepts of internal control and consultation on their implementation.
 - **Special Projects and Consultations** – Promote effective and efficient operations through special management studies, advisory participation on business process and systems reengineering teams and consultation on business issues (e.g., regulatory compliance matters) and assist department and program managers in dealing with issues before they become audit or investigation problems.
 - **Systems Development and Reengineering** – Involves participation with teams and committees to assist in the continued efforts of the institution to develop and implement new systems, redesign business processes to be more effective and efficient and

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deal with other institution business issues. Involvement of auditors in a consultative manner during the design and development phase helps to ensure that sound business practices, including effective internal controls, are built into the systems and processes.

Investigations – Investigations are conducted by the Office of Internal Audit for suspected financial or operational irregularities whether reported via the whistleblower hotline, uncovered in the course of regular audits, or based upon concerns conveyed by management. See additional guidance and information in the Investigative Services operating procedures document.

.04 Alignment of Services with Clients Needs The Office of Internal Audit’s services are designed to fulfill the varying needs of its clients. The operating plan of the Office of Internal Audit prepared annually aligns these services, across all of the IHL System’s business operations.

.05 Institution Lines of Business The business operations of the IHL System are organized under the following three lines of business.

Board Office – The Board Office, located in the Education and Research Center of Mississippi, is responsible for policy and financial oversight of the Mississippi State Institutions of Higher Learning. The majority of the revenue received by the Board Office is in the form of state appropriations; however, the Board Office does receive revenue from several contracts and grants. The Board Office also has the responsibility of managing several central services including the risk management pool for the IHL System and the state financial aid.

Institution – The IHL System institutions encompass nine main institutions located throughout the state.

Eight of the main institutions are general institutions, and their respective satellite locations. One institution, University of Mississippi Medical Center (“UMMC”), is an academic health science center.

Academic Health Sciences Center – UMMC’s health science and medical instructional program is the state of Mississippi’s only academic health center and encompasses six health science schools: medicine, nursing, dentistry, health related professions, graduate studies and pharmacy.



§ 220 Communications

- .01 Overview Beyond the issuance of reports on audits, consulting services and investigations, the Office of Internal Audit formally communicates with its clients on a systematic basis.
- .02 Board Committee The Budget, Finance and Audit Committee is responsible for establishing an active channel of communication with the CAE and may accomplish this responsibility through meetings with certain designated members, as determined by the Committee. The CAE meets quarterly with the Budget, Finance and Audit Committee or the designated members as determined by the Committee.
- .03 Commissioner The CAE is to meet periodically with the Commissioner to ensure he/she is fully aware of major system wide compliance and audit issues, provide advice on staffing and direction of the internal audit function, and advise on the adequacy of the IHL System and staff pay of the Office of Internal Audit.
- .04 Senior Management A management survey is sent at least annually to gather management's perception of the Office of Internal Audit's ability to fulfill its mission of assisting management in the effective discharge of their responsibilities. All client satisfaction surveys should be returned to the CAE.
- A sample management satisfaction survey is presented at Appendix L.***
- .05 Institution Executive Officer The CAE and Institution IADs are to meet periodically with the IEOs to ensure they and other senior management officials are fully aware of major system wide compliance and audit issues, provide advice on staffing and direction of the internal audit function, and advise on the adequacy of the institution and staff pay of the institution internal audit department.

§ 230 Guidelines for Local Audit Advisory Committees

DELAYED **The implementation of the Local Audit Advisory Committee has been delayed until further notice.**

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§ 300 PLANNING AND REPORTING

- .01 Overview The following section of the Manual sets forth the annual processes by which the operating and strategic plans for the internal audit function are developed, monitored for progress and reported to clients.
- .02 Planning The Office of Internal Audit undertakes an extensive planning process to establish the operating plan for the internal audit function on an annual basis. This plan guides the Office of Internal Audit in its goal of providing the most timely and comprehensive scope of audit and other services possible and in deploying its resources in an effective and efficient manner.
- In addition to the operating plan, a strategic plan for the continuous improvement is established and maintained on an ongoing basis. While the strategic plan goals, objectives and initiatives are reassessed on an annual basis, many elements of this plan may have a multi-year planning perspective.
- .03 Reporting The Office of Internal Audit monitors activities and progress toward both the annual operating and strategic plans and reports the related information to the Budget, Finance and Audit Committee and to the Commissioner on a quarterly and annual basis.



§ 310 Strategic Plan

- .01 Overview The strategic plan is one component of the audit plan and conveys the efforts designed to provide continuous improvement to the Office of Internal Audit.

- .02 Objectives The strategic plan's objectives are driven by the needs and opportunities to improve the internal audit function, recommendations from periodic external reviews and changes in the direction of the Internal Auditing profession.

- .03 Plan Establishment The CAE convenes Institution IADs for the purpose of creating the strategic plan. The strategic plan is a dynamic set of goals and objectives agreed to by the Institution IADs for the purposes of strengthening the internal audit function. The strategic plan is established and revised every two years, although external events needs may dictate a different interval. It is created with a multi-year perspective and with short-term milestones that can be measured to assure progress. The current initiatives are periodically assessed to validate the direction of the Office of Internal Audit.

- .04 Plan Execution Structure and Charter of workgroups – Execution of the strategic plan is carried out by all of the Institution IADs through their institution into various workgroups. The workgroups are charged with execution of the strategic plan on behalf of the Office of Internal Audit. Their efforts are preliminary rather than determinative as significant proposals for policies, initiatives and direction are brought back to the entire group for approval before significant effort or resources are committed.

- .05 Initial Strategic Objectives Currently, the initial strategic objectives of the Office of Internal Audit are to fully implement the risk assessment process and related control assessment audits at the institutional level, and adequately train the entire staff in the use of the TeamMate audit management system ("TeamMate").

§ 320 Operating Plan

- .01 Overview The Operating Plan is the primary component of the IHL System audit plan. The Operating Plan represents the consolidated audit plans of each of the institution internal audit departments, as well as the allocation of human resources necessary to deliver these services to clients. The Operating Plan strives to assure an appropriate balance among IHL System's lines of business as well as the internal audit function's service activities. The Operating Plan also serves as a tool to assist the CAE and Institution IADs in analyzing the mix of clients and services and for measuring and monitoring the risk exposure.
- .02 Annual Audit Planning The Operating Plan is developed annually through a comprehensive risk assessment and audit planning process. The CAE leads a collaborative process to establish the auditable entities, identify strategic and business risk and develop the planning guidelines to complete the annual audit planning process.
- The Annual Audit Planning Timeline is included at Appendix D.***
- .03 Establishment of Audit Universe The audit planning process begins with an understanding of the entity, activity or process to be audited and identification of the auditable elements or components of the entity, referred to as the audit universe. The planning process involves annual reconsideration of transactions, events or conditions which may impact the audit universe such as:
- New activities and programs; *and*
 - Changes within the existing institution, its structure or operating units.
- .04 Identification of Risk The audit plan is driven by consideration of the institution's strategic, financial, operational, regulatory and reputational risks at both a system wide and local level, thus permitting local flexibility and input in determining the allocation of audit resources. The risks identified are organized along the IHL System's lines of business:
- System Wide Risk – Risks which affect the IHL System's mission of teaching, research and public service as well as patient care;
 - Institution Based Risk – Risks which impact the institutions, such as enrollment growth or attrition, capital, operations and research funding; *and*



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- Health Sciences Based Risk – Industry and regulatory risks, such as managed care, medical education and disproportionate share funding, and Medicare/Medicaid enforcement.

A variety of sources are utilized to identify risks for the IHL System as a whole. These sources include: regulatory experts, financial experts, the Budget, Finance and Audit Committee, IEOs, Vice Presidents Finance, and Institution IADs.

.05 Development
of Annual
Planning
Guidelines

Planning guidelines are developed on an annual basis which includes:

- Timeline for audit planning process;
- Risk model, risk analysis worksheets and guidelines for the assignment of predictive risk factors;
- Narrative outline of the lines of business risk; *and*
- Guidelines for resource allocation.

The Annual Audit Planning Timeline is included at Appendix D.

.06 Annual
Planning
Timeline

A specific timeline defining procedures and related deadlines for the audit planning process is distributed each year to Institution IADs. The timeline helps to facilitate the preparation of the Operating Plan for its inclusion in the draft audit plan. The draft plan is presented to the Budget, Finance and Audit Committee at a predetermined meeting each year.

.07 Annual Audit
Planning
Process

The annual audit planning process involves the risk assessment phase and the audit plan preparation phase.

- The risk assessment phase is performed at the beginning of the planning cycle and is focused on gathering current risk information about the audit universe components and assessing the relative risks necessary to prepare the audit plan, all in the context of the institution's risks previously identified.
- The audit plan preparation phase is performed upon completion of the risk assessment phase and represents an exercise in deploying the Office of Internal Audit's resources in the most effective manner possible prioritizing risks and assuring balance in the audit plan.

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- .08 Risk Assessment A comprehensive and thorough risk assessment is the key driver in the development of an effective audit plan. The risk assessment process involves both a high level overview of topical and selected strategic business risk as well as an intensive and comprehensive process to assess risk for all items included in the audit universe.
- .09 Audit Universe and Definitions The audit universe at the institutional level identifies processes and auditable entities. The audit universe should be reviewed at least annually and updated as necessary to address risk priorities in a changing environment. The universe is divided into three to four tiers as follows:
- Tier One consist of the IHL System institution;
 - Tier Two consists of major reporting categories;
 - Tier Three consists of major processes and entity groupings. Tier Three consists of predominantly major process topics and is generic across all sites. This permits comparative evaluation of risk scores across all sites for specific topics; *and*
 - Tier Four, when appropriate, consists of sub processes.
- .10 Relative Risk Assessment The audit risk of each component unit in the audit universe is assessed. Relative risk assessment is necessary to provide a means for rational deployment of limited resources across the audit universe.
- In assessing relative risk, auditors at each location gather information from:
- Financial analyses;
 - Change analyses (management, systems, funding sources/levels, regulations, etc.);
 - Interviews with management;
 - Discussions with the institution compliance function and locally designated officials;
 - Consideration of external audit activities;
 - Audit issues identified and shared by the controllers, other IHL System locations and other universities; *and*
 - Other institution or offsite facility department risk assessment processes.



§ 320 Operating Plan

A formal risk assessment process is required every year and involves collaboration with other functions who may conduct risk assessments. During this formal risk assessment process, each topic included in Tiers Three and Four is ranked after significant data gathering, analysis and discussion with management, and others.

.11 Risk Model

The Risk Model reflects terminology of the Committee of Sponsoring Organizations of the Treadway Commission and is applied to all IHL System lines of business.

In the risk model, each component of the audit universe is assessed for relative risk considering five predictive factors: Quality & Stability of Control Environment, Business Exposure, Public & Political Sensitivity, Compliance Requirements and Information Technology & Management Reporting. These predictive factors are defined below.

.12 Predictive Factors

Quality & Stability of Control Environment – Assessment of control environment is based on factors such as:

- Adequacy of the existing control structure;
- Expertise of management;
- Historical problems;
- Interval since the last audit review;
- Conditions found during recent reviews;
- Adherence to the budget;
- Complexity of operations and technology;
- Overall effectiveness and efficiency of operations;
- Significant downsizing;
- Early retirement programs; *and*
- Reengineering efforts to streamline processes.

The relative performance of a function as perceived by other managers may influence risk. In general, effective management reduces overall risk.

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Business Exposure (Materiality & Liquidity of Operational Resources) – Larger potential losses are normally associated with larger sized activities, as indicated by revenues and expenditures. Other things being equal, large dollar amounts either flowing through a system or committed to an activity or project will increase audit interest. Dollar amount and relative liquidity of assets safeguarded will impact this factor. Other objective information to be considered for each auditable entity includes the dollar amount of cash receipts, receivables, inventory, plant and property safeguarded.

Public & Political Sensitivity – A public relations exposure exists whenever an event occurs which would erode public confidence in the institution. The following conditions influence this factor:

- Probability of adverse publicity;
- Reduced support;
- Tarnished reputation or depletion of goodwill; *and*
- Erosion of the legitimacy of the IHL System's mission or miscommunication of traditional values.

Selected audit topics may not appear to be material, but could nevertheless influence risk. As sensitivity, exposure, or potential for public embarrassment increases, the risk factor assigned will increase. The amount of interest that the Board of Trustees or IEOs expresses in a particular unit or function could also impact this factor.

Compliance Requirements – Complexity and clarity of all internal and external policy, procedure, regulatory and statutory matters affecting the operations of the institution as a whole or any of its sub-units impacts an institution's ability to comply, and therefore influences risk. Risk associated with noncompliance relates to the inability to meet business objectives which can result in monetary loss due to:

- Improper business practices;
- Levy of fines or litigation; *and*
- Loss of funding sources and disallowed costs from funding agencies.

Information Technology & Management Reporting – Reliable information is needed at all levels of an institution to run the business and move toward achievement of the entity's objectives in all categories. Reliable internal measurements are essential for generating information used in:

- Developing financial statements for external dissemination;



§ 320 Operating Plan

- Operating decisions, planning, budgeting and pricing;
- Monitoring performance, providing services and allocating resources; *and*
- Evaluating vendor performance and joint ventures.

Risk factors for information and reporting to be considered for assigning value weights to each auditable unit include:

- Extent to which the process or entity depends upon a computerized information system and the complexity of that system;
- Time sensitivity, mission criticality, support of life safety processes;
- Institution wide impact due to the loss of access to information or reporting;
- Accuracy, availability, and integrity of the information provided either via manual or automated systems; *and*
- Storage of personally identifiable information or protected health information on a system.

.13 Risk Model Scoring and Ranking

These predictive factors are weighted, scored and the relative risk ranking of each component of the audit universe is compiled by IHL System institutions using the TeamRisk module of the TeamMate audit management system ("TeamRisk").

Risk index results for the audit topics in one line of the business environment should be comparable to risk index results for audit topics in other environments.

The Risk Model and Guidelines for the assignment of predictive risk factors are included in Appendix E.

The entire four-tiered package will be made available to the CAE via TeamRisk, and will be rolled up into the consolidated calculated risk ranking analyses and summaries.

.14 Analyses of Risk Assessments

As part of the risk assessment process, the CAE will prepare various analyses of the preliminary risk assessments to assist in the consistent application of the risk assessment methodology among all of the IHL System institutions. The analyses also strive to identify common risks for the purpose of recognizing opportunities for sharing risk mitigation strategies. The analyses and their impact on the audit plan will be discussed among

§ 320 Operating Plan

Institution IADs at a meeting held for this purpose and scheduled as part of the annual planning timeline.

.15 Audit Plan
Preparation

Upon completion of the risk assessment process, each institution internal audit department prepares a local audit plan following the requirements of the planning guidelines. The audit plan is submitted to the CAE along with the final risk assessment results according to the timeline outlined at Appendix D. The local plans and risk assessments results are consolidated into the system audit plan.

.16 Resource
Allocation
Guidelines

General guidelines for the allocation of the percentage of time between assurance and consulting services are provided below. These are only guidelines that may be changed from time to time, and local circumstances may dictate planned levels outside the ranges presented below. When this situation occurs, the Institution IAD should address the unique circumstances with the CAE when submitting the audit plan.

In general, it is anticipated that an average of approximately 85% of total time available should be budgeted for direct time charges. The 15% provides for time charges relating to personal time off, continuing education and other administrative related activities.

The range of regular assurance services time is expected to be between 50% and 70%. This is a very large range and will depend on matters such as demand for consulting services and investigations. In general it is expected that 70% of total direct time charges for regional institutions will be devoted to the audit plan approved by the Budget, Finance and Audit Committee and 30% will be available for institution requested and IEO specific consulting services or investigations. For research institutions which require more time allocated to services not directly related to the approved audit plan (i.e. liaison for external agencies such as research grants, external audit coordination, consulting services for new departments, etc.), the time devoted to the approved audit plan should be sufficient to achieve the three-year audit plan goals and may closer approximate 50%.

The range for consulting services (consisting of consultations, special projects, systems reengineering, and internal control training. including control and accountability initiatives) is expected to initially be between 5% and 10% including External Audit Coordination which is to be a part of this reporting category.

On an overall basis, it is expected that investigation time will be between 10% and 20%. Local offices should budget this category based on their own experience and expectations.



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- .17 Documentation of Planning Process
Institution IADs should maintain documentation of the annual audit planning process. This documentation should include:
- Records of internal planning sessions;
 - Records of management input to the planning process; *and*
 - Financial and other background information collected for selected audit planning topics.
- Institution IADs should also provide a written explanation in the annual audit planning documentation for any topic assessed as a high risk that is not included in the final audit plan.
- The comprehensive risk assessment should be maintained in TeamRisk and updated annually as necessary.
- .18 Approval of Annual Audit Plan
The CAE shall submit the audit plan to the Budget, Finance and Audit Committee for approval after consultation with the Commissioner, Institution IADs and IEOs
- Relatively minor changes to priorities and the contents of the audit plan should be submitted for information to the CAE. If the above guidelines cannot be met, Institution IADs should consult with the IEO and the CAE. The CAE will report any significant interim changes to the system wide audit plan to the Budget, Finance and Audit Committee.
- .19 Request for Assistance
Any location which does not expect to accomplish at least 60% of the approved audit plan as amended should confer with the CAE to determine a mutually acceptable method of obtaining additional resources or implementing an alternative method to provide greater breadth of coverage.
- The CAE must communicate to the Budget, Finance and Audit Committee and the Commissioner, the impact of resource limitations and ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

§ 330 Monitoring and Reporting

- .01 Overview This section of the Manual outlines the processes by which both the Strategic and Operating Plans are monitored and the standard reporting requirements for both internal reporting (within the internal audit function) and reporting to management and the Board of Trustees.
- .02 Strategic Plan The CAE has ultimate responsibility for monitoring the execution of the strategic plan. The “master” version of the plan is maintained and is updated by input from the workgroups as progress is reported. There are no set forms or intervals for changes to the strategic plan.
- .03 Operating Plan The internal audit function demonstrates accountability for its resources as well as communicates its accomplishments through quarterly reports to the Budget, Finance and Audit Committee.
- The Budget, Finance and Audit Committee should be consulted to determine if additional reporting elements would assist in the oversight of the internal audit function.
- Quarterly Reports** – The CAE prepares quarterly reports after the end of each calendar quarter for dissemination to the Budget, Finance and Audit Committee, as requested. The quarterly reports may include the following detail:
- Progress achieved against the audit plan;
 - Significant operational developments;
 - Significant audit results;
 - Personnel changes; *and*
 - Progress achieved against the strategic plan.
- .04 Time Reporting in Quarterly Reports **Standard Time Reporting Categories and Definitions** – Standard time categories and definitions have been adopted by the Office of Internal Audit. The Time and Expense module of the TeamMate audit management system (“TEC”) is used in the interest of consistency and to facilitate consolidation of individual audit plans. Some categories may not be used by certain Institution IADs. Institution IADs will discuss any plans to deviate from the standard categories and definitions with the CAE.

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§ 400 PERSONNEL OVERVIEW

- .01 Overview This section of the Manual describes personnel operating procedures adopted by the Office of Internal Audit. It includes sections on roles and responsibilities, career development and counseling, training and professional development, skills assessment and resource analysis, and performance evaluations



§ 410 Roles and Responsibilities

- .01 Application of the System IHL Policy for Roles and Responsibilities
- Depending on the institution's size, each local internal audit department consists of several levels of staff positions, each having varying responsibilities for carrying out the audit function. Each position is described and the related responsibilities required to perform it are outlined.
- .02 Job Descriptions
- Job descriptions that outline the roles and key responsibilities for each staff level position have been developed. Each member of the internal audit department should have a current job description signed by both the employee and supervisor. The job description should reflect all of the activities and expectations for the particular position. It should also include the knowledge, skills and abilities required to perform the duties of the position.
- .03 Roles and Responsibilities
- Key roles and responsibilities for the various staff levels are summarized below:
- Chief Audit Executive** – The CAE reports jointly to the Board of Trustees and the Commissioner. The CAE assists the Board of Trustees and institution management in the discharge of their oversight, management, and operating responsibilities using independent audits and consulting services designed to evaluate and promote the internal controls system.
- The responsibilities of the CAE, in the discharge of his/her duties, include, but are not limited to:
- Overseeing a highly visible audit function which is both strategically and operationally important to the governance of the IHL System;
 - Developing audit operating procedures and practices applicable to the IHL System;
 - Managing communications with the Commissioner and the Budget, Finance and Audit Committee and applying their direction;
 - Providing an annual assessment on the effectiveness of the IHL System's controls in managing its risks and activities;
 - Submitting the audit plan to the Budget, Finance and Audit Committee for approval after consultation with the Commissioner, Institution IADs and IEOs;
 - Providing IEOs a written evaluation on the Institution IAD's administration of the audit plan, using a standardized format;

§ 410 Roles and Responsibilities

- Overseeing performance standards and works with Institution IADs to continually improve audit productivity and technical skills such as the use of electronic resources; *and*
- Providing oversight of investigations and external review processes affecting the IHL System.

The CAE works closely with institution senior management and institution internal audit personnel.

Institution Internal Audit Director – The Institution IAD guides the institution internal audit department in performing its audit function. The responsibilities of the Institution IAD, in the discharge of his/her duties, include, but are not limited to:

- Completing annual performance reviews of internal auditors under his/her supervision;
- Overseeing a highly visible audit function which is both strategically and operationally important to the governance of the institution;
- Evaluating the effectiveness and contributing to the improvement of risk management processes throughout the institution;
- Determining the nature, scope, and effectiveness of existing compliance structures, processes, and policies for institution activities;
- Formulating strategic long-term plans that ensure application of the system wide philosophy and vision;
- Establishing annual work plans to review significant high-risk auditable entities of institution activities through the conduct of financial, operational, compliance, information systems audit and consulting services projects;
- Ensuring the availability of qualified internal audit resources and their efficient and effective use to meet planned and other obligations;
- Promoting a culture of accountability and ethics through presentations and consultations. Acting as a representative on various institution committees and task forces which impact the internal control environment;
- Contributing to the improvement and enhancement of the Office of Internal Audit through participation in workgroups and meetings; *and*



§ 410 Roles and Responsibilities

- Ensuring that all professional activities comply with IIA Standards and institution/IHL Policy.

Assistant/Associate Director/Manager – The Assistant/Associate Director/Manager assists the Institution IAD and may function as Institution IAD in the Institution IAD’s absence. The responsibilities of the Assistant/Associate Director/Manager, in the discharge of his/her duties, include, but are not limited to:

- Assigning and managing the daily work of the professional audit staff; *and*
- Participating in or being responsible for departmental management responsibilities such as overseeing staff.

In the absence of an Assistant/Associate Director/Manager, these responsibilities will typically be performed by the Institution IAD or his/her designee.

Supervisor/Principal Auditor – The Supervisor/Principal Auditor plans and conducts the most difficult, complex and sensitive assignments and reports results to management. He/she may supervise others, generally works independently with only general direction and should have strong critical decision making skills. A Supervisor/Principal Auditor generally has several years of experience.

Staff/Senior Auditor – The Staff/Senior Auditor plans and conducts assignments and reports results to management. The primary distinctions between the senior and staff positions include the complexity of assignments and degree of supervision. Seniors will conduct complex assignments with direction from the project supervisor while staff auditors will conduct less complex assignments with closer supervision. Seniors may function as team leaders on assigned projects. Generally, a Senior/Staff Auditor has less years of experience than a Supervisor/Principal Auditor and does not work autonomously.

The individual’s specific responsibilities will vary depending upon his/her staff level and assigned audit role.

.04 Related
Guidelines for
Roles and
Responsibilities

Recruitment and Advancement Guidelines – The Office of Internal Audit identifies guidelines for basic educational and professional experience qualifications as well as desired knowledge, skills and abilities for each staff level. The qualifications and knowledge, skills and abilities apply to both candidates who are being recruited as well as staff members who are being

§ 410 Roles and Responsibilities

considered for advancement. They are also a useful reference tool that can assist supervisors in preparing staff evaluations and conducting career development and counseling sessions.

Career Development and Counseling – Each staff member receives career development and counseling in order to continuously enhance his/her knowledge, skills, and abilities and ensure that they are commensurate with his/her assigned roles and responsibilities.

Career Development and Counseling Operating Procedures can be found at §420.

Performance Evaluation – Each staff member's performance is evaluated regularly to assess how his/her knowledge, skills, and abilities compare to the responsibilities outlined in his/her job description. Evaluations should be assessed at least annually.

Performance Evaluation Operating Procedures can be found at §440.



§ 420 Career Development and Counseling

- .01 Policy The Office of Internal Audit requires that a career development and counseling process be implemented at each institution' internal audit department in order to continuously enhance the skills and abilities, guide the career paths and cultivate the varied interests and abilities of its professionals.
- .02 Application of Policy IIA Standard 1230 on Continuing Professional Development state, "*Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.*"
- Every internal audit department is responsible for establishing a process for career development and counseling. A career development and counseling process allows management and professional staff to work in a positive and participatory manner to establish career goals and guide the career paths of individuals interested in long-term careers within internal audit as well as for those who may be interested in internal audit as an avenue to other opportunities within the institution.
- .03 Annual Goal Setting Each member of the professional staff should participate in an annual career development and counseling session to establish goals for the year. Career development and counseling sessions for staff may be conducted by Assistant/Associate Director/Manager. Institution IADs should conduct career development and counseling sessions with Assistant/Associate Director/Manager.
- Objective** – The focus of the meeting should be both the short and long-term career development of the individual in a manner consistent with their aptitude and interests and the current and long-term objectives of the department.
- Goal setting** – Specific, measurable, attainable, realistic and timely goals should be established. The accomplishment should form a part of future performance evaluations (in addition to the handling of assignments and responsibilities during the year). An emphasis should be placed on development of skills necessary to achieve both individual career objectives and departmental objectives. System wide or local efforts may be useful in identifying areas requiring the enhancement of individual skills.
- Appropriate areas for the establishment of goals include, but are not limited to:
- Long-term career objectives;
 - Certification and training;

§ 420 Career Development and Counseling

- Enhancement of existing skills as well as acquisition or development of unique skills;
- Types of future assignments as well as expected performance criteria for them;
- Contributions to the internal audit department and support for departmental objectives; *and*
- Outside activities associated with the institution or profession.

Documentation and Follow-Up – Goals agreed upon by the employee and supervisor should be documented and signed by both parties. Follow-up activities necessary to support the accomplishment of the goals may be the responsibility of either party depending on the nature of the specific goal. Ultimate accomplishment of the goals is the responsibility of the employee.

.04 Annual
Performance
Evaluation

Performance Evaluation – The career development and counseling session is completed in addition to the annual performance evaluation. It may be appropriate to combine the two sessions, particularly when there are performance issues to be dealt with through future improvement efforts.

Performance Evaluation Policy and Procedures can be found at §440.

.05 Supplementary
Guidelines

The internal audit department and the institution benefit from the contributions of internal audit staff with traditional skill sets as well as from the involvement of professionals from varied and diverse backgrounds. Some of these individuals may be interested after some time in career paths outside of internal audit.

In connection with the Career Development and Counseling Program, each professional may establish goals for developing additional or enhanced skills necessary to adapt to changing environments and increase his/her contribution to the Office of Internal Audit. Through the enhancement of individual skills, professionals prepare themselves for advancement opportunities.

The following are suggested guidelines for setting career advancement goals:

- Goals should be aligned with both the individual's aptitude and interests and the objectives of the internal audit program; *and*
- Goal setting should occur in a participatory environment where the short and long term interests of both the individual and the Office of Internal Audit are considered.



§ 420 Career Development and Counseling

Career advancement counseling may be incorporated into the career development and counseling session outlined above. The supervisor should make it clear to the employee that, while enhancing one's skill set increases one's value to the institution, it is not a guarantee of future promotion.

§ 430 Training and Professional Development

- .01 Professional Certifications All auditors are encouraged to have at least one professional auditing related certification (e.g. Certified Internal Auditor (“CIA”), Certified Public Accountant (“CPA”), Certified Information Systems Auditor (“CISA”), and Certified Fraud Examiner (“CFE”)) that is appropriate to their auditing responsibilities. Staff/Senior Auditors and Assistant/Associate Director/Manager Auditors are expected to have at least one certification. Audit Managers and Directors should at a minimum have the CIA or CPA certification (CIA preferred) and other certifications as deemed appropriate.

As an encouragement for audit professionals to obtain appropriate professional certifications, local audit offices may financially assist them by paying for preparatory examination study material, examination days and other costs directly associated with appropriate professional auditing related certifications. Such financial assistance is at the discretion of each Institution IAD and should be guided by a local implementing policy and procedure.

- .02 Participation in Professional Associations Subject to individual institution resource constraints, auditors are encouraged to participate in professional auditing associations that are appropriate to their IHL auditing responsibilities such as – the Institute of Internal Auditors (“IIA”), the Association of College & University Auditors (“ACUA”), the Association of Certified Fraud Examiners (“ACFE”), the Information Systems Audit and Control Association (“ISACA”), the Association of Healthcare Internal Auditors (“AHIA”), the American Institute of Certified Public Accountants (“AICPA”), and any local chapters of the above organizations.

The ACUA and IIA professional associations are considered the most closely connected with the general practice of higher education internal auditing. Each local audit office should have an institutional ACUA membership. The Office of Internal Audit holds a group IIA membership in which all professional staff are members.

As an encouragement for audit professionals to become members of appropriate professional associations, local audit offices may financially assist them by paying for association memberships, the time spent attending meetings and other costs directly associated with participation in the professional associations. Such financial assistance is at the discretion of each Institution IAD and should be guided by a local implementing policy and procedure.



§ 440 Performance Evaluations

- .01 Policy Performance evaluations are required for every staff member to document his/her performance, achievement of agreed upon goals and compliance with departmental standards. Performance evaluations serve several major functions:
- Employee development** – Through performance ratings and constructive comments, the evaluation assists employees in recognizing how their performance levels compare to the expectations of management and provides recommendations for further training or actions for improvement.
- Management decisions** – The evaluation process uses consistent criteria to measure staff performance and, therefore, provides a basis for making relative rankings among staff members. Relative rankings and individual experience levels provide input to salary and advancement decisions.
- Professional standards** – The evaluation is one of the components of the overall process of supervision, quality assurance, and development of the audit staff and demonstrates compliance with IIA and departmental standards.
- .02 Application of Policy Performance evaluations should be conducted for every staff member annually by the Institution IAD and periodically throughout the year by the Assistant/Associate Director/Manager or appropriate project manager.
- The IEO will prepare the Institution IAD's annual evaluation, with the written evaluation from the CAE on the Institution IAD's administration of the audit plan, using a standardized format. Where the IEO chooses not to perform an evaluation of the Institution IAD, the responsibility resides with the CAE
- Annual performance evaluations are to be completed by June 30.
- .03 Interim Performance Evaluations In addition to the annual performance evaluation, staff members should receive feedback on an interim basis. One of the following interim evaluation procedures should be implemented by the institution internal audit department.
- Written project evaluations** – Every staff member who works on an individual project with a significant number of hours will receive, as determined by the Institution IAD, a written performance evaluation from the audit management. Cumulative comments from these evaluations provide a basis for the annual evaluation.
- or
- Periodic evaluations** – Every staff member will receive a written performance evaluation from the project supervisor, Assistant/Associate

§ 440 Performance Evaluations

Director/Manager, or Institution IAD at least quarterly. Cumulative comments from these evaluations provide a basis for the annual evaluation.

Templates for Performance Evaluations are included at Appendix F or a locally-developed equivalent should be used to facilitate and document this requirement.

.04 Supplementary
Guidelines

The following supplementary guidelines may also be considered:

Continuous Feedback – Regular project update meetings may incorporate an element of evaluation in the form of performance feedback and guidance to create a continuous dialogue on the staff member's strengths and weaknesses as observed on the job. These timely assessments materially affect the quality of the work done and the improvement of staff performance.

Ongoing discussions of the staff member's strengths and weaknesses may be documented and used as support for or updates to annual evaluations. Client feedback may also be sought and incorporated into staff performance evaluations.

Career Development and Counseling – The performance evaluation session is in addition to the annual career development and counseling session. It may be appropriate to combine the two sessions, particularly when there are performance issues to be dealt with through future improvement efforts.

Career Development and Counseling Policy and Procedures can be found at §420.

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§ 500 LIAISONS

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| .01 | Section
Overview | This section of the Manual describes the relationships between the Office of Internal Audit and other controls focused departments at the institution level, the legal counsel, external agencies performing audits of the IHL System and law enforcement agencies. |
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§ 510 Control Environment Collaboration

- .01 Overview The Office of Internal Audit works in collaboration with other controls focused departments at the institution level, responsible parties in ethics and compliance services, and those involved in risk services in order to strengthen the IHL System's control environment.
- .02 Control Environment & Responsibilities All employees share responsibility for ensuring an effective and efficient control environment. However, certain groups of employees are charged with more specific and interrelated responsibilities with respect to the control environment.
- Office of Internal Audit** – Assists management in their oversight and operating responsibilities through independent assurance and consulting services designed to monitor, evaluate and improve the effectiveness of risk management, control, and governance systems and processes.
- Office of Finance and Administration** – Responsible for appropriate stewardship of financial resources developing, implementing and maintaining controls to mitigate risks and achieve objectives over accounting and financial reporting.
- Chief Financial Officer** – The Chief Financial Officer ("CFO") at each institution has primary responsibility for providing leadership to ensure effective internal control and accountability practices at the institution.
- Faculty and Staff** – Responsible for ensuring that operations are conducted consistent with institution values, policies, procedures and regulatory requirements.
- .03 Interrelationship Between the Office of Internal Audit and Other Controls-Focused Departments The Office of Internal Audit helps the other parties responsible for ethics and compliance services, risk services and institution finance and administration identify the root cause of challenges that may deter achievement of institution objectives. All of these controls-focused departments have a natural interest in promoting sound controls through such activities as training, development of appropriate policies and procedures, identification of risks and utilization of risk mitigation techniques. These activities are carried out jointly and separately as determined locally, and should be viewed as mutual interests rather than conflicting responsibilities.
- In addition to evaluating controls through traditional audit activities, internal auditors also provide advice and consultation on the design, implementation and monitoring of controls, typically through consulting services. However, responsibility for the controls remains with management.
- The Office of Internal Audit should gain an understanding of all institution control initiative activities as part of their understanding of the control environment and in connection with the annual risk assessment. Jointly the

§ 510 Control Environment Collaboration

Office of Internal Audit and other controls-focused departments have an opportunity to assist departments in the assessment and mitigation of institutional risks. Examples of interrelationships with other controls-focused departments are outlined below.

Responsible Parties for Ethics and Compliance Services – At the system wide and local level, the Office of Internal Audit should maintain communication with compliance groups to share information on compliance risks, related projects and other mitigation efforts to ensure that the departments are leveraging each other's work where possible, avoiding duplication of efforts, and using risk information collected by each department to assist in developing annual plans. Local and system wide governance committees typically include members from the internal audit function and compliance. Risk information should be shared between the two groups during these committee meetings. The most important time for audit and compliance to share information is during the annual risk assessment process and audit plan development.

Institution CFOs – Chief Financial Officers lead management's efforts to design, implement and monitor internal controls while internal auditors evaluate the effectiveness of the controls as designed and functioning.

Control Assessment ("CA") is a useful tool for monitoring and evaluating controls and sometimes utilized by internal auditors to supplement traditional audit techniques.

For institution and academic health science center activities, the CFOs can utilize CA to assist line management in evaluation of controls and their effectiveness. Internal auditors may assist in specific CA activities, or may have little or no role in the CFO's CA activities, as determined locally. Efforts are coordinated so as not to confuse clients or produce duplicative efforts. Whether internal auditors or CFOs employ CA, it should be remembered that CA does not substitute for the validation of functioning controls that occurs within an audit.

Parties Responsible for Risk Services – Risk management and internal audit are both risk-based functions focused on assisting management mitigating risk and protecting institution resources. In fulfilling their duties, the Office of Internal Audit and Office of Risk Management both gather and maintain a significant amount of risk and control information. This information should be shared between the two departments to improve the effectiveness of both functions.



§ 520 Legal – IHL Board and Institution General Counsel

.01 Overview The Office of Internal Audit works in liaison with the IHL Board Legal Counsel or the institution General Counsel (collectively “the IHL GC”) on a number of matters, including many sensitive investigation matters. These or other matters may lead to a request to perform internal audit services for the IHL GC on a privileged basis. This section of the Manual provides guidance on working with this party.

Note: The guidance in this section of the Manual does not purport to represent a legal determination regarding when an internal auditor’s work may be determined to fall under a privilege, but intends only to guide internal auditors on certain procedural requirements when performing services for the IHL GC

.02 Background Communications between internal auditors and attorneys from the IHL GC, in which legal advice is being sought or given, are covered by attorney/client privilege. Additionally, certain internal audit services that are undertaken under the direction and control of IHL GC attorneys are privileged communications under the work-product doctrine.

.03 Internal Audit Guidance In general, it may be appropriate for internal auditors to undertake work for the IHL GC so long as their professional obligations, including required communications, are not compromised.

There are three principal professional obligations to consider:

1. The internal auditor’s independence must not be compromised by agreeing to perform work “at the direction of counsel”. The internal auditor must retain the ability to exercise professional judgment as to the necessary scope and nature of procedures to be carried out.
2. The internal auditor’s obligation to report in a fair and unbiased manner must not be compromised. This does not preclude sharing report drafts with attorneys, but the auditor must retain the freedom to report facts that are both favorable and unfavorable to the institution’s interests, and without undue influence.
3. The internal auditor’s obligation to communicate with senior management and the Board of Trustees (through the CAE) must not be compromised. The internal auditor must retain the ability to report fraud and other irregularities to management and to the IHL Board. As a practical matter, the IHL GC frequently handles such communications in the normal course of the IHL System and institution’s management of the matter. The internal auditor’s

§ 520 Legal – IHL Board and Institution General Counsel

responsibility is met by ensuring that the communication occurs – the internal auditor does not have to communicate directly with management or the Board of Trustees.

- .04 Scope and Procedures Counsel should approve the audit program and direct the internal auditor to perform the work according to the approved program. Any changes to the scope of the approved program should be discussed with and approved by the CAE and the IHL GC before any additional work is undertaken.
- The IHL GC may opt to participate in some of the fieldwork interviews or may conduct some of the work themselves.
- .05 Required Communications / Regular Communication It is expected that work will be undertaken for the IHL GC only in rare circumstances, and as a result of special considerations. Therefore, the Commissioner, IHL Board Legal Counsel, and the CAE, as well as the IEO and the institution General Counsel, as appropriate, should be informed of each instance. An engagement letter, which includes a standard reference to the conditions enumerated above should be prepared for each arrangement and issued by the Institution IAD to the IHL GC with copies to the parties above.
- Communications concerning attorney-client and work-product privileged audits are considered to be conducted at the request of the IHL GC and are privileged. The IHL GC will participate in regular communications (either in person or on conference calls) concerning status of the audit and strategies for moving forward. No parties other than designated by the IHL GC may be part of such communications.
- .06 System Wide Reviews If an attorney-client or work-product privileged audit is being conducted system wide (that is, all institution locations are performing concurrent work using a uniform audit program under the direction of the IHL GC) or in multiple locations, communications will typically occur through Conference Calls (if less than all locations are involved, only those locations conducting work under the direction of the IHL GC will participate on the call). The call will clearly communicate that what is being discussed is under attorney-client or work-product privilege.
- .07 Email Communication Care should be exercised in the use of informal communications, such as email. All communications regarding attorney-client and work-product privileged audits should be marked as attorney-client or work-product



§ 520 Legal – IHL Board and Institution General Counsel

privileged. Correspondence and substantive e-mail related to the audit should be formally incorporated into the workpapers as directed by the IHL GC.

To ensure that privileged email is appropriately disclaimed, the subject line in a privileged email communication should include a reference to attorney-client or work-product privilege and the body of the email should include the following statement:

The information contained in this email message is privileged and confidential information intended for the use of the addressee listed above. If you are neither the intended recipient or the employee or agent responsible for delivering this information to the intended recipient, you are hereby notified that any disclosure, copying, distribution, or taking any action in reliance on the content of this information is strictly prohibited.

.08 Draft Audit Reports

Particular attention should be paid to the handling and distribution of draft audit reports. In contrast with normal procedures, draft reports should be reviewed by the CAE and the IHL GC before any outcomes are discussed with institution management outside of the Office of Internal Audit. Draft reports should be shared with only those directed by the IHL GC (only those on a “need to know” basis) and should be carefully guarded. Distribution of any materials should be clearly defined as attorney-client or work-product privileged and should be collected after distribution as directed by the IHL GC. Draft reports should contain a “DRAFT” marking to clearly identify them as such. The above should be compliant with Miss. Code Ann. § 25-65-17.

.09 Documentation related to Internal Audit Services performed at the request of IHL Legal and Institution General Counsel

Workpapers generated for audits and investigations performed at the request and direction of the IHL GC may be privileged and thus protected from disclosure under the Mississippi Public Records Act of 1983. Workpapers may include the following: documents created specifically by the auditor to document fieldwork, documents reflecting auditor judgments and evaluations, and documents obtained from institution personnel.

Such workpapers should be marked “In Strict Confidence – Attorney/Client Privilege and Work Product”.

The auditor should use discretion in determining what documents or portions of documents to include in the workpapers. Only those documents or portions of documents that are relevant to the audit work being performed and the judgments or evaluations being made should be included in the workpapers. For example, if only a few pages of a multi-page document are relevant to the work or the conclusions drawn, only those few pages that directly relate to the work or conclusions should be included in the workpapers.

§ 520 Legal – IHL Board and Institution General Counsel

Whether action plans developed in response to the audit will be considered protected will be determined in consultation with the attorneys.

.10 Electronic
 Workpapers

Audit workpapers are to be documented as the audit is occurring in the Electronic Working Papers module of the TeamMate audit management system (“EWP”). EWP projects are encrypted and password protected. Access to the workpapers should be allowed only to those working on the audit (meaning there would be no “guest visitor” or “general” access granted).

After completion of the audit (final report submitted to the IHL GC), assuming all relevant documents have been scanned into the workpapers, the internal auditor’s notes, hard copies of institution reports and any other documents collected in connection with the audit but not included in the workpapers should be destroyed/shredded pursuant to existing Manual instructions. Any permanent file or hard copy versions of the report or portions of the workpapers should be double-checked for appropriate labeling and separately stored. Workpaper retention periods are not affected by the attorney/client nature of the audit. The internal auditor, in collaboration with the IHL GC, should determine whether a ruling or a specific statute may require longer retention period.

.11 Reporting

Audit reports related to sensitive investigation matters and other projects for which the Office of Internal Audit works in liaison with the IHL GC, will be written and addressed to the IHL GC with copies to the CAE. There may be a reason to consolidate and summarize the individual institution reports, but consultation with the IHL GC will occur regarding this.

As previously noted, action plans developed in response to the audit may be considered protected. All action plans will be subject to follow-up practices. Inclusion in EWP and normal or special reporting of follow-up on action plans will be determined in consultation with the IHL GC.



§ 530 Audits by External Agencies

.01 Overview The system wide or local internal audit function may delegate responsibility, or share responsibility, for the oversight of external audit activities, including external investigations, at the system wide or local level. In these instances, the Office of Internal Audit should be involved in all matters involving the audit activities and have specific responsibility for:

- Assuring that senior management and the relevant governance committees are kept apprised of the status of external audits and investigations;
- Coordinating responses to audit and investigation reports; *and*
- Coordinating follow-up reports of actions in response to audit or investigation report recommendations.

This section of the Manual outlines the responsibilities and procedures that will be employed in coordinating and managing external audit activities when the Office of Internal Audit has been designated the responsibility for external audit coordination.

These procedures do not specifically apply to the handling of investigations performed by external agencies. Investigation protocols followed by external agencies and related institution actions and responses will differ on a case by case basis.

See additional guidance and information in the Investigative Services operating procedures document.

.02 Background External audits of the IHL System functions are performed by federal, state, local government offices, and the IHL System's external audit firm. In addition, private sponsors may conduct audits of sponsored grant awards and/or retain an audit firm to perform an audit. External audits include the financial and A-133 audits, system wide audits, pricing proposals, administrative reviews, and contract close-outs and on-site monitoring.

.03 Responsibilities The Commissioner and IEOs shall require that the CAE and the Institution IAD's liaise with auditors from the Mississippi Office of the State Auditor, with auditors from the Legislative PEER Committee, with externally funded contracts and grants auditors, and with all external investigators/auditors regarding audits, investigations or inquiries.

The Institution IAD should timely notify the CAE of ALL external audit activities. This may include, but is not limited to, coordination and review of client responses; assistance in resolving questions and issues; coordination

§ 530 Audits by External Agencies

of interdepartmental meetings; tracking, documenting and reporting outside audit activities to management and relevant governance committees; and follow-up on agreed to corrective actions.

Management is required to ensure the Office of Internal Audit and the Institution IAD are notified and included in the following:

- Entrance conferences to clarify the scope of the audit, expected audit procedures, and necessary records and information;
- Significant interim meetings concerning the status of the audit;
- Serious issues arising that require immediate attention;
- Exit-conference at the close of fieldwork to discuss findings and recommendations;
- Draft audit report distribution list. The Office of Internal Audit should review responses for consistency, compliance with institution policy, and institutional perspective. The Office of Internal Audit will suggest and coordinate changes with management, as needed;
- Final audit report distribution list, from the cognizant departments;
- Follow-up on significant external audit findings and recommendations to ensure that departments implement corrective action within the agreed upon time frame; *and*
- Significant external audit concerns and the communication of these concerns proactively, so that appropriate corrective action can be taken, on an ongoing basis;

The IEOs and Institution IAD shall make known to the CAE any determined fraud or reasonably substantiated fraud, waste or abuse uncovered as a result of audits, inquiries, investigations or complaints, upon their notification or discovery. These instances should be communicated to the Commissioner and to the Budget, Finance and Audit Committee to ensure efforts are made to deter such actions in the future.



§ 540 Law Enforcement Agencies

.01 Overview This section of the Manual provides guidance on working with law enforcement agencies while performing investigative activities.

.02 IHL Policy Investigation results that conclude that a crime has probably been committed shall be reported to the Attorney General's Office, Office of the State Auditor and/or the District Attorney or other appropriate law enforcement officials for the purpose of determining whether or not to pursue the matter criminally. The institution police is normally the conduit for communications with law enforcement agencies.

.03 Internal Audit Guidance In cases where the institution police has jurisdiction, it should be the agency to which all investigation conclusions of potential criminality are initially referred. In situations where the institution police do not have jurisdiction, the Institution IAD needs to determine the appropriate agency. Such a determination depends on the nature of the suspected criminality and local conditions. For instance, a case of embezzlement at a rural co-operative unit may be more appropriately handled at the level of county sheriff than a local police department with few resources. The Institution IAD may wish to consult the local institution police unit for aid in making such a determination.

In investigations involving law enforcement agencies, the Office of Internal Audit should normally appoint a person to act as liaison with the law enforcement agency. If the liaison person is other than the Institution IAD, a determination should be made as to the extent to which the person is authorized to speak for the department, and under what circumstances the Institution IAD should be involved.

The Office of Internal Audit should normally provide support and assistance to the extent requested by law enforcement agencies. However, there may be circumstances where the nature of the support or assistance raises questions about the appropriateness of the activity. Consultation with the IHL GC should be sought in those circumstances. In addition, there may be circumstances where the Office of Internal Audit may question whether the support represents the best utilization of resources for the institution. Management consultation and other possible resource avenues should be considered in those circumstances.

Law enforcement officials may instruct internal audit staff to hold confidential information about the investigation matter being jointly addressed. Such instructions do not override the auditor's initial responsibility to communicate with the IHL GC.

See additional guidance and information in the Investigative Services operating procedures document.



§ 600 ASSURANCE SERVICES

- .01 Section Overview This section of the Manual outlines the entire internal audit process from the initial assignment through reporting and follow-up.

Flowcharts of the general audit operating process and the internal audit project process are included at Appendix G and Appendix H to give the auditor an overview of these processes.



§ 610 Planning an Audit

- .01 Policy The Office of Internal Audit develops and documents a plan for every audit prior to the commencement of the audit fieldwork that includes the project objectives, scope, timing, and resource allocations.
- Information on planning operating procedures related to the audit plan can be found at §320.***
- .02 Application of IHL System Policy for Planning Adequate audit planning requires that audit management defines an appropriate preliminary audit scope that considers relevant systems, records, personnel, and the resources needed for the audit.
- In planning the project, internal auditors should consider:
- The objectives of the activity being reviewed and how the activity manages performance;
 - Significant risks to activity objectives, resources and operations and how risk is managed at an acceptable level;
 - The adequacy and effectiveness of the activity's risk management and control processes, compared to a relevant control framework or model; *and*
 - The opportunities for making significant improvements to the activity's risk management and control processes.
- .03 Planning Meeting The Institution IAD or the CAE, as appropriate, must hold a planning meeting with the internal auditors assigned to the project to discuss the potential risks, compensating controls and review the adequacy of the initial procedures identified in the TeamStore module of the TeamMate audit management system ("TeamStore") for the audited entity.
- The Institution IAD or CAE will generally communicate the goals and objectives, risks and other relevant information to the auditor-in-charge in order to provide the guidance and understanding necessary to conduct a high quality audit.
- The Institution IAD, auditor-in-charge, supervisor and staff should maintain communication as needed throughout the audit to ensure that risks, findings and errors are adequately addressed and resolved, when possible.

§ 610 Planning an Audit

.04 Communication with the Client **Notification** – A member of the internal audit team should notify the parties responsible for the entity to be audited that an audit is scheduled. Notification should generally be sent via written memo or e-mail to the audit client with copies to senior officials as appropriate.

Preliminary Scope and Objectives – The audit timing and preliminary objectives should generally be communicated to the client in writing in advance of the beginning of fieldwork. This information may be included in the entrance meeting materials or other documents sent to the client.

Client Input To Audit Project – Typically an entrance conference should be conducted with the client in order to discuss the preliminary scope and objectives, and to obtain management input as to what risks the audit should focus on. If an entrance conference is not held, communication should occur with the client about the preliminary project scope and objectives and to obtain feedback on risks to be covered in the audit. If an entrance conference is held, the following individuals should be invited and encouraged to attend the meeting:

- Directors and department heads responsible for the entity being audited; *and*
- Institution IAD, for all high-risk audits.

.05 Audit Program Development **Process Narrative** – The auditor-in-charge should obtain and review the following types of background information about the entity being audited (as applicable to audit scope):

- Objectives and goals;
- Policies, plans, procedures, laws, regulations and contracts having significant impact on operations;
- Institutional information, such as number and names of employees, job descriptions, process flowcharts, details about recent changes, etc.;
- Budget information, operating results and financial data;
- Systems, records and physical properties including those controlled by a third party;



§ 610 Planning an Audit

- Prior audit workpapers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature; *and*
- TeamStore questionnaires.

The process narrative must be documented in EWP.

Resource Allocation – Based on the nature of the audit, the auditor-in-charge should evaluate the budget allocated in the annual plan to achieve the objectives of the audit.

An important element of any audit budget generally includes time for the internal auditor assigned to learn about new systems and processes. Allocation of time to learn the new systems and processes should be considered. Additionally, the Institution IAD may consider the use of external resources where knowledge, expertise and staffing is lacking.

Audit Program – The audit program must be prepared in advance of fieldwork and should outline:

- Objectives of the audit;
- Scope, sampling methodology and degree of testing required to achieve the audit objectives in each phase of the audit;
- Procedures for identifying, analyzing, evaluating and documenting information obtained during the audit; *and*
- Technical aspects, risks, processes and transactions which should be examined.

The Institution IAD and the CAE should approve the audit program at the end of the process narrative. If there are adjustments to the program, these adjustments should be approved by the Institution IAD prior to beginning the related fieldwork. Changes to the audit budget should be formally agreed to by the Institution IAD as early in the audit timeline as possible.

- .06 Documentation Documentation to evidence the planning procedures must include the following:
- Description of initial notification to the audit client such as a copy of engagement or notification letter or e-mail; *and*
 - Approved audit program, signed by the Institution IAD.

§ 610 Planning an Audit

- .07 Supplementary Guidelines for Audit Planning While applying the planning policy, the auditor may also consider the following supplementary guidelines:

Communication – The preliminary objectives and audit timing should generally be communicated to the client in advance of the beginning of fieldwork to provide adequate preparation time for the client.

Shared Resources – Sharing mechanisms, such as the TeamStore and external resources may be utilized in order to enhance efficient planning and execution of audits.




§ 620 Conducting an Audit

- .01 Policy
- The Office of Internal Audit must identify sufficient, reliable, relevant and useful information to achieve the audit's objectives. The Office of Internal Audit must document relevant information to support the audit conclusions reached. The Institution IAD will assure workpaper documentation is properly filed when an audit is completed.
- Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and the staff is developed. The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. Every audit is properly supervised to ensure that audit staff are adequately guided and have the requisite knowledge and skills to meet the audit objectives as well as to minimize audit risk.
- .02 Application of the IHL System Policy for Conducting an Audit
- Conducting an audit involves identifying, analyzing, evaluating and documenting the information pertinent to the entity under audit in order to support audit results.
- Guidance on the IIA Performance Standards (2000-2600) that address criteria against which performance of internal audit is evaluated can be found at: <http://www.theiia.org/guidance/standards-and-guidance>
- Guidance on the IIA Standards that address the characteristics of institutions performing internal audit, including Due Professional Care Standard (1220), can be found at: <http://www.theiia.org/guidance/standards-and-guidance>
- .04 Workpaper Documentation
- Purpose** – The workpapers document the work the internal auditor has performed. The workpapers serve as the connecting link between the audit assignment, the internal auditor's fieldwork and the final report. Workpapers contain the records of planning and process narrative, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the workpapers document the internal auditor's conclusions, the reasons those conclusions were reached, and whether the objectives were achieved.
- Workpapers are also generally one element evaluated as part of a Quality Assurance Review of the internal audit function.
- Quality Assurance Operating Procedures can be found at §800.**
- Contents** – Workpapers should include the audit program along with documentation supporting findings, testing, interviews and other analyses. All changes to the scope or audit program should be documented and approved by the CAE and/or Institution IAD. Workpapers that are created and later determined to be unnecessary should be deleted.

§ 620 Conducting an Audit

Format – Audit workpapers are to be documented as the audit is occurring in EWP.

Findings – Findings are to be documented as an “Issue” object  in EWP to provide for a systematic process of monitoring findings to their final disposition.

Specific guidance on proper use of EWP can be found in the TeamMate protocol document, available in the TeamStore.

.04 Workpaper Review

All workpapers should be independently reviewed to ensure that there is sufficient evidence to support conclusions and all audit objectives have been met. The reviewer should evaluate whether workpapers appear to be accurate, objective, clear, concise, constructive and timely. Responsibilities for workpaper review are summarized as follows:

Manager’s Responsibilities – The supervisor of the auditor-in-charge should perform a detailed review of the workpapers. The Assistant/Associate Director/Manager must also review and approve all changes to the scope of the audit and to the audit program.

Institution IAD’s Responsibilities – For each audit engagement, the Institution IAD should perform at least a summary review. A summary review consists of an awareness and/or discussion of audit planning documents, the audit program, and the summary of audit findings and their disposition. The Institution IAD should perform a detailed review of any workpapers that have not been subjected to a detailed review by the Assistant/Associate Director/Manager or subject matter expert or which have been prepared by the Assistant/Associate Director/Manager or subject matter expert. The Institution IAD should review and approve significant changes to the scope of the audit and to the approved audit program.

If a detailed review of the workpapers has not been performed (as in the case where the auditor-in-charge reports directly to the Institution IAD), the Institution IAD performs the detailed review and no summary review is required.

If the Institution IAD prepares the workpapers, the Assistant/Associate Director/Manager or, if there is no Assistant/Associate Director/Manager, another experienced member of the staff should review the workpapers. If the institution has only one internal auditor, then the CAE should perform the independent detailed review.

CAE Responsibilities – The CAE should review and approve significant changes to the scope of the audit and to the audit plan prior to beginning



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testing procedures. The CAE should perform a summary review and/or discussion of the audit and related audit findings.

Timing and extent of review – The level and frequency of review and communication during the audit depends upon the experience of the internal audit staff, the risk associated with the audited entity and the significance of the findings.

Attestation – All audits should include an attestation that the workpapers have, to the best of their knowledge, been prepared in accordance with IIA and institution standards. The Institution IAD should sign-off on all audit attestation statements.

A sample attestation statement can be found at Appendix I.

Workpapers should be electronically signed off in EWP to indicate the level of review performed.

§ 630 Reporting Results

- .01 Policy The Office of Internal Audit maintains a formal process for communicating to the IHL System management and the Budget, Finance and Audit Committee the results and recommendations for all audits conducted. The Institution IAD is responsible for the communication of final audit results to parties who can ensure that the audit results are given due consideration.
- .02 Application of the IHL System Policy for Reporting Results An audit report is issued upon the completion of each project. Reporting of audit results and recommendations assists all levels of the IHL System management and members of the Board of Trustees in the effective discharge of their responsibilities. The process for reporting results includes draft report preparation and reviews, quality assurance reviews and final audit report issuance and distribution.
- All audit reports must contain the objectives, scope, conclusions, and any recommendations and/or action plans developed and agreed to by management, as well as positive elements, such as establishment of well controlled operations.
- .03 Report Elements Audit reports should be generated using the latest report template available in EWP. No changes to the template should be made unless explicitly approved by the CAE. Reports should include the following elements:
- Audited entity: functions or processes review, such as payroll, procurement, travel, accounts receivable, information technology, etc.;
 - Letter of transmittal signed by the Institution IAD (signature attests that the Institution IAD fully endorses and supports the report contents) or e-mail from the Institution IAD transmitting both the draft and final report;
 - Executive summary;
 - Purpose of the audit, including origin or source of the audit, as appropriate;
 - Objectives;
 - Scope of the audit;
 - Audit results, including findings and recommendations for improvement (or its equivalent);
 - Management response or management action plan;



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- Schedules and attachments as appropriate to support or provide additional detail to audit findings and conclusions; *and*
- Draft audit reports should be clearly labeled as a draft and should not be signed.

Any reference to potential non-compliance with laws, rules or regulations should be made only after consultation with the IHL GC. Certain information, such as that which is privileged, proprietary or related to improper illegal acts, may be inappropriate for inclusion in the audit report. Disclosure of this type of information should be documented in a separate report and distributed on a need-to-know basis as determined by the IHL GC.

.04 Report Timeliness

Reports should be issued as soon as practical following the completion of the audit work. The Institution IAD should establish processes for ensuring the timely issuance of audit reports.

- Reports should be reviewed in draft form with responsible operating management on a timely basis following the completion of the audit work; *and*
- A management response should be requested within a prescribed time frame in order to ensure timely issuance of the final report.

The audit report may be issued without the response in the event of unreasonable management delays in responding with a statement by the auditor as to the status of the response (i.e. pending date, unknown, etc.).

The expected audit responses timeline is specified in the **A2.: Audit Wrap-Up** audit program of every EWP project.

.05 Audit Report Quality Assurance

A pre-issuance quality assurance review of draft and final audit reports should be performed by the auditor-in-charge of the engagement or an independent party and should be reviewed by the CAE.

The Institution IAD should review and approve the final report prior to issuance.

The Audit Report Pre-issuance Quality Assurance Checklist included as Appendix J should be used to facilitate and document this process. The checklist should be completed and signed off in EWP prior to issuance of the final report.

§ 630 Reporting Results

.06 Report
Distribution

Draft audit reports – Report copies should be distributed to:

- Management personnel directly responsible for the audited activity or activities to ensure factual accuracy of draft report content; *and*
- Higher level management where necessary to obtain authorized commitment to recommended actions or to inform management timely of a sensitive issue.

Final audit reports – Report copies should be distributed to:

- The director, chairperson or department head directly responsible for the audited activity or activities;
- Management personnel in the chain of command above the report addressee (e.g., Dean, Provost, Vice Chancellor and equivalent positions), as deemed appropriate;
- The local executive to whom the director reports;
- The CAE;
- Other institution officials as applicable and determined by the Institution IAD; *and*
- Refer to §520.08 regarding distribution of audits conducted under attorney-client privilege.

When reports are distributed by electronic means, a copy of the email should be retained in EWP in the “Final Report” folder, with evidence that it was sent to the CAE.

In the event of an error or omission in the final report, the Institution IAD must communicate the corrected information to all parties who received the original communication.

Reports may include that audits are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” only if the results of the quality assurance program support that statement. **Currently this program does not support that statement for any institution.**

Per IIA Standard 1322, *Disclosure of Nonconformance*, when nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the International Standards impacts the audit, the audit report must disclose nonconformance and the impact to senior management and, the CAE.



§ 630 Reporting Results

- .07 Confidentiality of Audit Reports Pursuant to *Miss. Code Ann. § 25-65-17 – Audit reports confidential; production of reports; access to records:*
1. Audit reports shall be confidential but shall be provided on a quarterly basis to the governing board or commission of the university, the community/junior college or the state agency. State agencies without a governing board or commission shall have the quarterly report provided to the Governor and the State Auditor.
 2. When the university, community/junior college or agency internal audit director or a member of his or her staff receives from an individual a complaint or information protected by whistleblower or other legislation, the name or identity of the individual shall not be disclosed without the written consent of the individual, or unless required by law or judicial processes.
 3. The director and the internal audit staff shall have access to all personnel and any records, data and other information of the university, community/junior college or state agency deemed necessary to carry out assigned duties. The university, community/junior college or agency internal audit director shall maintain the confidentiality of any public records that are made confidential by law, and shall be subject to the same penalties as the custodian of those public records for violating confidentiality statutes.

§ 640 Audit Follow-up

- .01 Policy The Office of Internal Audit maintains an audit follow-up process to monitor the disposition of results communicated to management and whether significant risks are resolved by management.
- .02 Application of the IHL System Policy for Audit Follow-up The audit follow-up process assists management and the IHL Board in monitoring and overseeing potential risk exposures identified in the audits. The process involves assessing the adequacy and effectiveness of actions taken by management to resolve and/or minimize the risk area identified and documenting and communicating outstanding follow-up issues to higher levels of management, when appropriate.
- .03 TeamCentral The TeamCentral module of the TeamMate audit management system (“TeamCentral”) is used on a system wide basis to track and manage audit findings and the corresponding management corrective actions (“MCA”). The MCA information captured in TeamCentral includes the responsible manager, the date the MCA will be completed, the auditor responsible for monitoring the completion of the MCA and other information.
- Information stored in TeamCentral may be used for summary reporting to the IHL Board and institution executive management using standardized formats.
- .04 Follow-Up Procedures The internal auditor should follow-up on MCAs on a timely basis. Follow-up requires that the internal auditor uses his/her professional judgment to to:
- Ascertain the implementation status of corrective action items and evaluate the adequacy, progress, and timeliness of actions taken, based on the MCA implementation date agreed to by management;
 - Decide whether there is a need for additional testing and/or follow-up; *and*
 - Document the results of follow-up in TeamCentral.
- The Office of Internal Audit determines if the risk identified was resolved or if management has assumed the risk of not taking action. Where recommendations are provided, management has the option to consider other action as long as the risk is resolved and/or managed to an acceptable level.
- Institution IAD should notify the next higher level of line management of any unsatisfactory or untimely responses or actions.

See *Workpaper Documentation Operating Procedures at §620.*



§ 650 Other Audit Matters

.01 Policy The Office of Internal Audit maintains operating procedures for managing administrative and other matters related to the audit process in order to facilitate the continuing effective and efficient operation of its function.

.02 Application of the IHL System Policy for Other Audit Matters Operating procedures for other audit matters are described in this section of the Manual: project management and reporting, record retention, record destruction, e-discovery, dispute resolution, scope limitations, client satisfaction surveys and access to audit information.

.03 Project Management and Reporting As stated previously, TeamCentral is used on a system wide basis to track the status of management corrective actions. Other modules of the TeamMate audit management system described below are also used on a system wide basis to prepare audit activity reports.

The TeamSchedule module of the TeamMate audit management system ("TeamSchedule") may be used on a system wide basis to capture the following information for each project at a minimum:

- Project Name;
- Location;
- Project Code;
- Type of Project (Assurance Services, Consulting Services, Investigation);
- Audit Universe identifier;
- Audit Team; *and*
- Hours Budgeted.

TEC is used on a system wide basis to capture the following information:

- Actual hours expended for each project; *and*
- Hours expended for administrative work and nonworking events such as vacation.

EWP is used to capture the following information:

- Audit programs and support documentation for the fieldwork performed;

§ 650 Other Audit Matters

- Date fieldwork is completed;
- Draft report issuance date;
- Final report issuance date; *and*
- Exception information to be sent to TeamCentral.

Specific guidance on proper use of the TeamMate modules can be found in the TeamMate protocol document available in the TeamStore.

Institution Management – Institution IADs should meet with their institution supervisor on a periodic basis. The Institution IAD should use these meetings to communicate current and material risk issues identified by audit projects and impending high profile projects and investigations.

Institution Advisory Committee – Each institution has an Advisory Committee. Guidelines for the Local Audit Advisory Committees can be found at §230.

CAE – Institution audit departments are responsible for keeping information in TEC and in TeamCentral current as requested by the CAE. The CAE uses information generated from TeamMate to provide quarterly and annual reports to the Budget, Finance and Audit Committee.

The CAE may require institution departments to supplement information available in the TeamMate audit management system as needed. Generally, quarterly activity reports will be available as system output to the CAE. However, significant audit matters will continue to be communicated to the CAE on a monthly basis. This information is summarized and shared by the CAE with the Commissioner and certain designated members of the Budget, Finance and Audit Committee.

.04 Record
Retention

Audit work products are the property of IHL System. The Office of Internal Audit maintains custody of all audit work products, which are subject to the retention requirements set forth below.

Audit work products – Audit work products include reports and workpapers for all assurance service, consulting service and investigation projects. Audit work products are exclusively kept in electronic format. Sensitive and confidential data should not be stored in TeamMate including, but not limited to social security numbers, protected health information, credit card numbers, etc.



§ 650 Other Audit Matters

Administrative records – Administrative records consist of reports, documents, analyses, and other materials generated to support the department’s functions. Administrative records include:

- Monthly, quarterly and annual reports;
- Client Satisfaction Surveys and summarized results;
- Support for system wide and local audit plans;
- Training records; *and*
- Interim project performance reviews, to the extent they are not covered by other IHL System record retention requirements.

Audit work products should be retained by the local audit departments as follows:

- One signed copy of the final report – permanently;
- Workpapers – 7 years minimum, unless otherwise directed by the IHL GC due to applicable statutes, etc.;
- Administrative records that support our professional program, such as those set forth above – 7 years; *and*
- Other administrative records – at local discretion, but no longer than 7 years.

Administrative records should be retained by the CAE or each Institution IAD, as applicable, as follows:

- Administrative records that support internal audit professionals, such as those set forth above – 7 years; *and*
- Other administrative records – at local discretion, but no longer than 7 years.

.05 Record
Destruction

All other notes, copies of documents and reports relating to a completed audit that are not included in the workpapers (i.e., retained in auditor’s desk files) should be destroyed after the final report has been issued. All versions of the draft audit report should also be destroyed after the final report has been issued.

Privileged Records – Audit work products and administrative records that are covered by attorney-client privilege or related to a lawsuit or other legal

§ 650 Other Audit Matters

action are not to be destroyed until the lawsuit or other legal action has been closed or the 7 year workpaper retention period has been reached, whichever is later.

Disposition Process – Audit work products and administrative records will be destroyed by June 30 of the year in which the records have reached the end of their retention period.

The Institution IAD will be responsible for reviewing the inventory listing of records scheduled for destruction to ensure that there is no reason that their retention period should be extended (i.e. legal action).

Audit work products and administrative records should be destroyed in a manner that gives appropriate consideration to the privacy laws pertaining to the type of information being destroyed which prevent the unauthorized release of proprietary or confidential information.

.06 E-Discovery

E-Discovery Compliance – When a lawsuit is filed against the IHL System in federal or state court, or a lawsuit is reasonably anticipated, the Office of Internal Audit must preserve information, including electronically stored information (“ESI”), relevant to the claims or defenses in the suit (or anticipated suit). The duty to preserve information extends on a go forward basis to any information in the possession or control of any institution employee that relates to the lawsuit or anticipated lawsuit.

Compliance with e-discovery rules requires each location to: (1) determine when litigation is anticipated; (2) issue litigation holds; and (3) preserve relevant ESI until the case is resolved or the statute of limitations expires.

The e-discovery process requires a partnership between the Office of Internal Audit, IHL GC, Risk Management, and IT/Records Management.

E-discovery compliance requires a series of judgments based on the facts and circumstances of each case. If and when litigation the IHL GC is assigned to a matter (either pre-litigation or after a complaint is filed), the institution’s litigation attorneys will manage the e-discovery process, including review and production of relevant ESI.

.07 Dispute Resolution

Disputes Between Audit Staff & Audit Management – The exercise of professional judgment involved in determining reportable conditions and the expression of conclusions in audit reports may lead to differences in professional opinions.



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A process is needed to resolve such differences while respecting both the chain of command within Office of Internal Audit and the obligation of the staff to exercise independent professional judgment.

This process applies only to disagreements having to do with the contents and conclusions in audit reports. It is not intended for personnel matters such as job assignments and performance appraisals where separate institution policy exists. It is likewise not intended for administrative matters such as audit budgets and departmental management matters.

Dispute Resolution Process – In the event that there is a disagreement of professional opinion between audit staff and audit management, the Institution IAD, in the normal course of providing supervision, shall reach an independent conclusion on the matter and attempt to forge a consensus or compromise among the members of the engagement team. No specific record of dispute resolution at this level needs to be created or maintained.

If this process is unsuccessful, or if the disagreement originally involves the Institution IAD, the CAE shall be consulted. The CAE will review draft reports and other written materials, interview the disputing parties and/or convene a meeting for the purpose of forging a consensus or compromise among the disputing parties. A written record of this dispute resolution process, efforts, and outcomes shall be created and maintained outside of the working papers by the CAE.

If consensus or compromise is not achieved from these processes, the final judgment of the CAE will prevail insofar as the issuance of the audit report is concerned. However, no individual's rights as an employee of the institution will be compromised by invoking this process or by its outcome.

Disputes Between the Audit Client & Internal Auditors – Disputes which may arise between audit client and internal auditors can be generally categorized into those regarding the factual accuracy of reported findings, and those dealing with the appropriateness of conclusions or recommendations (the "fairness" of the audit report in total or specific matters). Such disputes are separate from scope limitations imposed by audit clients.

Operating Procedures for Scope Limitations are included at §650.08.

Every effort shall be made to resolve all questions of factual accuracy before the final audit report is issued.

Conclusions and recommendations represent the professional judgment of internal auditors and cannot be overridden or unduly influenced by audit clients. The judgment of the Institution IAD is the prevailing position. Therefore, audit clients do not have the authority to "appeal" an audit report

§ 650 Other Audit Matters

to the CAE or to management at the institution or at the Board Office. The written response to the audit report is the recourse and appropriate vehicle for audit clients to communicate their views.

However, in exercising their professional judgment, Institution IADs should aggressively seek compromise and consensus views that communicate issues clearly and deal with identified audit issues effectively.

.08 Scope Limitations

Definition – Scope limitations include situations in which a client is uncooperative, attempts to limit the scope of planned work or denies access to records, personnel, assets or other information necessary to complete the audit.

The IHL Internal Audit Charter provides internal auditors unrestricted access to all assets, information, reports, records, and personnel required to perform their work.

Resolution Process – The internal auditor should bring all matters involving scope limitations to the attention of the Institution IAD. If the Institution IAD is unable to resolve the matter at the local level, the CAE should be notified and involved in the process to assist in its resolution. The matter should be brought to the attention of the IEO, as warranted or escalated to the Budget, Finance and Audit Committee, if necessary.

All scope limitation discussions should be documented in the audit workpapers.

Operating Procedures for Workpaper Documentation can be located at §620.

Impact on Audit Report – In the event a scope limitation significantly impacts the planned scope of the audit and is not resolved to the satisfaction of the Office of Internal Audit, the audit report should state that the audit team was unable to perform the planned tests.

Audit reports with significant limitations on scope will be distributed to the IEO and other institution officials, including the Budget, Finance and Audit Committee, as determined by the CAE.

.09 Client Satisfaction Surveys

Each internal audit department should measure and monitor the satisfaction level of its clients in order to continuously maintain and improve the quality of services provided.



§ 650 Other Audit Matters

Client Satisfaction Survey – The Client Survey included as Appendix K should be used. A standard rating scale should be implemented in order to facilitate the measuring of results.

Results of the surveys should be tabulated and shared with the auditor-in-charge, Institution IAD, persons to whom the Institution IAD reports and, at least annually, to the CAE.

Management Survey – This type of survey is used on a periodic basis to elicit management's perception of the internal audit function's ability to fulfill its mission assisting members of the institution in the effective discharge of their responsibilities.

The **Management Survey** included as Appendix L should be used.

The CAE will obtain institution feedback regarding the effectiveness of the internal audit function on a periodic basis. Feedback will be communicated to the Institution IAD.

.10 Access to
Audit
Information

The Institution IAD should inform the CAE of all requests for audit materials related to public record requests, investigations or other sensitive matters in advance of their release.

Internal Institution Requests – The Institution IAD should normally grant approval of requests for audit reports by management responsible for the audited activity.

Requests for access to, or copies of, audit reports from institution personnel other than management responsible for the audited activity are subject to the discretion and approval of the Institution IAD.

External Audit Requests – The Institution IAD should normally approve requests for audit documentation by external audit agencies or firms duly engaged by the Board of Trustees and other authorized audit agencies where the report and/or workpaper content is pertinent to the external audit scope.

The Institution IAD should follow the policy established in §530 of the Manual in responding to requests for audit documentation by external agencies.

The Institution IAD should coordinate requests from external audit agencies with the institution external audit coordinator at locations where the Institution IAD does not serve in that capacity.

Outside Party Requests - All other requests for access to and/or copies of audit materials by external parties should be coordinated with the IHL GC,

§ 650 Other Audit Matters

and with the local information practices officer and media relations director as appropriate. The Institution IAD should authorize release of materials only after the IHL GC affirms the legal requirement to do so.

The Institution IAD should inform the CAE of all inquiries regarding sensitive issues.

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§ 700 CONSULTING SERVICES

- .01 Section Overview This section of the Manual establishes the standards for performing consulting services. It includes criteria for determining whether an engagement qualifies as consulting services and, becomes subject to these consulting services standards.



§ 710 Consulting Services Overview

- .01 Overview The following section of the Manual sets forth the process by which the Office of Internal Audit should perform consulting services in a manner consistent with its charter. Operating procedures for the types of consulting services engagements which are performed, and issues concerning objectivity and independence are discussed in this section of the Manual.
- .02 Definition Consulting service engagements, the nature and scope of which are agreed with the client, are intended to add value and improve an institution's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation, training and participation in on-going committees.
- .03 Inclusion in Audit Plan The audit plan should include anticipated consulting services along with unallocated hours for these projects. The audit planning process may include consideration of consulting services engagements to address areas considered high risk.
- .04 Use in Risk Assessment Internal auditors should incorporate knowledge of risks gained in consulting service engagements into the process of identifying and evaluating significant risk exposures of the institution.
- .05 Exceptions to Policy In most cases, consulting services engagements will be treated in accordance with this policy. However, the requirements for a consulting services plan, notification to the engagement client, workpapers, and a formal report may be waived by the Institution IAD for informal consultations involving limited scope contact with an audit client.
- .06 Service Limitations Consulting services engagements should be accepted when the engagement's objectives are consistent with the current or prospective values and goals of the IHL System. The Institution IAD should refrain from providing consulting services for engagements where it is felt that the audit staff cannot be independent. Further, if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement, the Institution IAD should decline to perform the engagement or should obtain the necessary competence either through internal or external sources.
- Additionally, the CAE and Institution IADs should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

§ 710 Consulting Services Overview

- | | | |
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| .07 | Disclosure of Impairments | Disclosure of potential impairments to independence and objectivity should be made to the engagement client prior to accepting the engagement. |
|-----|---------------------------|--|



§ 720 Planning a Consulting Services Engagement

- .01 Policy In most cases, the Office of Internal Audit should develop and record a plan for consulting services engagements.
- .02 Application of the IHL System Policy Planning In general, internal auditors should refer to §610 – *Planning an Audit* with regard to planning a consulting services engagement. Exceptions are noted below.
- .03 Consulting Services Work Plan Development Work plans for consulting service engagements should vary in form and content depending upon the nature of the engagement. In general, a consulting services work plan should be prepared in advance of fieldwork (in lieu of §610 – *Planning an Audit*) and should outline:
- Objectives of the engagement;
 - Scope and degree of procedures required to achieve the objectives in each phase of the engagement;
 - Procedures for collecting, analyzing, interpreting and documenting information during the engagement; *and*
 - Technical aspects, risks, processes and transactions which should be examined.
- .04 Documentation Documentation to evidence the planning procedures should include:
- A record of mutual agreement with the client of the engagement to be performed. This may take the form of an engagement letter or other communication; *and*
 - For larger engagements requiring over forty (40) hours, assignment sheet/work plan with scope, objectives, purpose, timing, budget, and client contacts, signed by the Institution IAD.

§ 730 Conducting a Consulting Services Engagement

.01 Policy The Office of Internal Audit maintains adequate workpaper documentation in EWP to support the consulting services conclusions reached and engagement results.

Every engagement is properly supervised to ensure that audit staff are adequately guided and developed to have the requisite knowledge and skills to meet the engagement objectives and maintain a high quality product.

.02 Workpaper Review All workpapers should be independently reviewed to ensure there is sufficient evidence to support conclusions and that consulting services objectives have been met. The reviewer should evaluate whether workpapers appear to be accurate, objective, clear, concise, constructive and timely. Responsibilities for workpaper review are summarized as follows:

Supervisor – The supervisor of the auditor-in-charge should perform a detailed review of the workpapers.

Institution IAD – For each larger consulting services engagement, the Institution IAD should perform at least a summary review. A summary review consists of an awareness and/or discussion of planning documents, the work plan, and the summary of observations and conclusions. The Institution IAD should review and approve significant changes to the scope of the engagement and to the approved consulting services work plan.

If a detailed review of the workpapers has not been performed by a project supervisor (as in the case where the auditor-in-charge reports directly to the Institution IAD), the Institution IAD performs the detailed review and no summary review is required.

If the Institution IAD prepares the workpapers, the Assistant/Associate Director/Manager or, if there is no Assistant/Associate Director/Manager, another experienced member of the staff should review the workpapers. For institutions where the Institution IAD is the only internal audit professional at the institution, the work should be reviewed in detail by the CAE.



§ 740 Reporting Results of a Consulting Services Engagement

- .01 Policy The Office of Internal Audit maintains a formal process for communicating to the IHL System management and the Budget, Finance and Audit Committee the results and recommendations for all consulting services engagement performed. The Institution IAD is responsible for the communication of final engagement results to parties who can ensure that the results are given due consideration.
- .02 Application of the IHL System Policy for Reporting Results Communication of the progress and results of consulting services engagements should be tailored to meet the needs of clients. The form and content of such reports may vary depending on the nature of the engagement and the services requested. The process for reporting results generally includes draft report preparation and reviews, quality assurance reviews and final report issuance and distribution.
- .03 Written Report Elements Reports can be issued in a variety of formats. In drafting a consulting services report, the auditor should consider whether the inclusion of any and all traditional audit report elements such as purpose, scope, background, summary, and observation statements would be useful to management. All results should be reviewed with management prior to being placed in final format to assure that management's needs and expectations have been met.
- .04 Oral Report Elements In some circumstances, with the agreement of the Institution IAD, consulting services results may be communicated orally. In these cases, presentations should be reviewed in advance with the Institution IAD and the workpapers should contain a record of communications with the client.
- .05 Consulting Services Report Quality Assurance For **larger consulting services projects**, a pre-issuance quality assurance review of draft and final written reports should normally be performed by the auditor-in-charge of the engagement or an independent party and be reviewed by the Assistant/Associate Director/Manager or Institution IAD. The Institution IAD should review and approve the final report prior to issuance.
- Operating Procedures for Quality Assurance report reviews can be found at §630.05 – Audit Report Quality Assurance.***
- .06 Report Timeliness Written and oral reports should be issued as soon as practical following the completion of consulting services work.

§ 740 Reporting Results of a Consulting Services Engagement

- .07 Management Reports A management response to a consulting services engagement is not required.
- .08 Report Distribution Written consulting services reports should be addressed to the management requesting the services. In addition:
- If the consulting services report contains management corrective actions or identifies significant risks, information copies should be provided to the CAE as well as the person to whom the Institution IAD reports to; *and*
 - Other institution personnel may receive a report copy, at the discretion of the Institution IAD in consultation with client management and other institution officials as deemed appropriate.
- When reports are distributed by electronic means, a copy of the email should be retained in EWP in the “Final Report” folder, with evidence that it was sent to the CAE.
- .09 Significant Internal Control Concerns Significant internal control concerns coming to the attention of the auditor during the course of the consulting services engagement should be communicated in writing to appropriate institution personnel who can ensure that the results are given due consideration. These concerns should also be communicated to the CAE.



§ 750 Performing Follow-up for Consulting Services

- .01 Follow-up Policy and Procedures The internal auditor should conduct follow-up in instances where internal control concerns have come to the attention of the internal auditor and recommendations or management corrective actions have been identified during the course of the engagement.
- In these cases, normal follow-up procedures described in §640 should be followed.
- .02 Risk Communication Risk identified as part of a consulting services engagement should be transferred to TeamRisk for the related entity and communicated to the CAE.

§ 760 Other Consulting Services Matters

- .01 Policy The Office of Internal Audit maintains operating procedures for managing administrative and other matters related to the consulting service process in order to facilitate the continuing effective and efficient operation of its function.
- .02 Application of the IHL System Policy for Other Consulting Matters Operating procedures for the following other consulting services matters are described in this section of the Manual: records retention and client satisfaction surveys.
- .03 Records Retention Consulting service projects are considered audit work products for records retention purposes.
Information related to records retention can be found at §650.04.
- .04 Client Surveys For consulting services projects requiring over forty (40) hours completing, client surveys should be processed.
Information related to client surveys can be found at §650.09.

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§ 800 QUALITY ASSURANCE

.01 Overview

This section of the Manual describes the quality assurance processes practiced by the Office of Internal Audit to ensure that audit work conforms to the IIA and each institution's standards and policies and procedures. It includes standards for local as well as system wide quality assurance processes.

The CAE must develop and the Institution IADs must maintain with the assistance of the CAE a quality assurance and improvement program that covers all aspects of the internal audit function and be reviewed annually. The quality assurance and improvement program must include both internal and external assessments.



§ 810 Quality Assurance Processes at the Local Level

- .01 Policy Each local internal audit department maintains a quality assurance program in order to assist in effectively performing its appraisal function and in controlling audit risk. The local quality assurance program provides reasonable assurance that audit work conforms to the IIA, the IHL System and institution standards.
- Operating Procedures for the system wide Quality Assurance Program can be found at §820.***
- .02 Application of the IHL System Policy for Local Quality Assurance The local quality assurance program consists of supervisory procedures and internal reviews. These elements of quality assurance are embedded into the Office of Internal Audit's processes rather than existing as separate processes. The internal assessments are an ongoing monitoring of the performance of the internal audit function.
- .03 Supervision Supervision ensures that staff members receive the appropriate guidance to perform the audit work in a quality manner. Supervision is performed throughout the audit process.
- Supervision Operating Procedures can be found at §620.***
- .04 Internal Reviews **Pre-report issuance internal reviews** ensure that audit work has been performed completely, accurately, in accordance with the audit program and that findings are adequately supported by evidence included in the workpapers.
- Pre-report issuance quality assurance requirements (embedded in audit operating procedures) can be found at Appendix J.***
- Post-report issuance internal review** provides assurance that workpapers are complete and meet internal audit department operating procedures. The internal auditor should complete the Pre-filing Checklist included at Appendix M to evidence compliance with this policy.
- Client Satisfaction Surveys** are another element of the internal audit department's post-report issuance quality assurance program. They seek the client's perspective on the quality of services delivered by members of the audit department. ***Operating Procedures for Client Satisfaction Surveys can be found at §650.09.***

§ 820 System Wide Quality Assurance Program

- .01 Policy The Office of Internal Audit maintains a system wide quality assurance program in order to assist in effectively performing its appraisal function and in controlling audit risk. The quality assurance program provides reasonable assurance that audit work conforms to both the IIA and the IHL System standards.
- Operating Procedure for local quality assurance activities can be found at §810.***
- .02 Application for System wide Quality Assurance The system wide Quality Assurance Program consists of peer reviews and external quality assurance reviews.
- .03 Peer Review Program The peer review program reviews all institution audit departments on a periodic basis. Peer reviews are performed as needed as agreed to by the CAE and the Institution IADs. Peer review teams are comprised of Institution IADs from other institutions.
- The quality assurance and improvement process provides reasonable assurance that the internal audit activity is:
- Performed in accordance with the internal audit charter, which is consistent with the Definition of Internal Auditing, the Code of ethics, and the IIA and the IHL System standards;
 - Operated in an effective and efficient manner; *and*
 - Is perceived as adding value and improving the department's operations.
- The review is performed in accordance with the Quality Assurance Review Manual.
- More information on the IHL Quality Assurance Review Manual can be found at §830.***
- .04 External Quality Assurance Review An external quality assurance review must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the IHL System. The team reviews the overall Office of Internal Audit. The scope of the review should include all institution internal audit locations.



§ 820 System Wide Quality Assurance Program

The CAE must discuss with the Board of Trustees:

- The need for more frequent external assessments; *and*
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

§ 830 Quality Assurance Review Manual

- .01 Policy The Office of Internal Audit maintains a system wide Quality Assurance Review Manual obtained from the IIA and titled “Quality Assessment Manual for the Internal Audit Activity”. The Manual serves as the basis for the work performed by peer review teams in connection with the system wide peer review program. The Quality Assurance Review Manual is located at the office of the CAE.



§ 840 Quality Assurance Reporting

.01 Process The CAE must communicate the results of the quality assurance and improvement program to senior management and the Board of Trustees.

The CAE may state that the internal audit function conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.

When non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the IIA and the IHL System standards impacts the overall scope or operation of the internal audit function, the CAE must disclose the nonconformance and the impact to senior management and to the Board of Trustees.



Appendices

A	Manual Cross-Reference to IIA Standards
B	Office of Internal Audit Professional Code of Ethics
C	Local Audit Advisory Committees – Sample Charter
D	Annual Audit Planning Timeline
E	Risk Model
F	Sample Performance Evaluation Form
G	Flowchart of General Assurance Operating Process
H	Flowchart of Local Assurance Project Process
I	Sample Attestation Statement
J	Audit Report Pre-Issuance Quality Assurance Checklist
K	Sample Client Satisfaction Survey
L	Sample Management Satisfaction Survey
M	Pre-Filing Review Checklist



Appendix A – Manual Cross-Reference to IIA Standards

Standard No.	Short Description of Standard	IHL Audit Manual Reference	Section Title/Description
Attribute Standards			
1000	Purpose, Authority, and Responsibility - The purpose, authority, and responsibility of the internal audit function must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The CAE must periodically review the internal audit charter and present it to senior management for approval.	N/A	Internal Audit Charter
		110	Internal Audit Policy
		120	Reporting Structure for Internal Audit
1100	Independence and Objectivity – The internal audit function must be independent, and internal auditors must be objective in performing their work.	N/A	Internal Audit Charter
		120	Reporting Structure for Internal Audit

Appendix A – Manual Cross-Reference to IIA Standards

Standard No.	Short Description of Standard	IHL Audit Manual Reference	Section Title/Description
1200	Proficiency and Due Professional Care – Engagements must be performed with proficiency and due professional care.	120.04	Reporting Structure for Internal Audit – Institution IAD Responsibilities
		610.04	Planning an Audit – Audit Program Development
		620.01	Conducting an Audit – Policy
		440	Performance Evaluations
1300	Quality Assurance and Improvement Program – The CAE must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit function.	N/A	Internal Audit Charter
		120	Reporting Structure for Internal Audit – Institution IAD Responsibilities
		810	Quality Assurance Processes at the Local Level
		820	System Wide Quality Assurance Program
		830	Quality Assurance Review Manual



Appendix A – Manual Cross-Reference to IIA Standards

Standard No.	Short Description of Standard	IHL Audit Manual Reference	Section Title/Description
Performance Standards			
2000	Managing the Internal Audit Activity – The CAE and Institution IADs must effectively manage the internal audit function to ensure it adds value to the institution.	N/A	Internal Audit Charter
		110.03	System Internal Audit Policy – Shared Responsibilities
		120.04	Reporting Structure for Internal Audit – Institution IAD Responsibilities
		310	Strategic Plan
		320	Planning and Reporting – Operating Plan
2100	Nature of Work – The internal audit function must evaluate and contribute to the improvement of risk management, controls, and governance processes using a systematic and disciplined approach.	410	Roles and Responsibilities
		N/A	Internal Audit Charter – Scope of Work
		320	Operating Plan

Appendix A – Manual Cross-Reference to IIA Standards

Standard No.	Short Description of Standard	IHL Audit Manual Reference	Section Title/Description
2200	Engagement Planning – Internal auditors must develop and document a plan for each engagement, including the scope, objectives, timing, and resources allocations.	610	Planning an Audit
2300	Performing the Engagement – Internal auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.	620	Conducting an Audit
2400	Communicating Results – Internal auditors must communicate the engagement results.	630	Reporting Results
2500	Monitoring Progress – The CAE must establish and maintain a system to monitor the disposition of results communicated to management.	120.04	Reporting Structure for Internal Audit – Institution IAD Responsibilities



Appendix A – Manual Cross-Reference to IIA Standards

Standard No.	Short Description of Standard	IHL Audit Manual Reference	Section Title/Description
2600	Communicating the Acceptance of Risks – When the CAE believes that senior management has accepted a level of residual risk that may be unacceptable to the institution, the CAE must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the CAE must report the matter to the board for resolution.	N/A 650.07	Internal Audit Charter Other Audit Matters – Dispute Resolution

Appendix B – Office of Internal Audit Professional Code of Ethics

The Office of Internal Audit has adopted the following Professional Code of Ethics, which encompasses the Institute of Internal Auditors' Code of Ethics, and applies to both individuals and entities that provide internal auditing services. The Code of Ethics provides guidance for staff in the conduct of their profession and elicits the trust and confidence of those for whom services are rendered.

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 auditing 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 institution.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the institution.



Appendix B – Office of Internal Audit Professional Code of Ethics

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 institution.
- 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 institution.
- 3.3 Shall not disclose information determined to be confidential and restrictive (including compliance with HIPAA guidelines and patient health information).

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 auditing 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.

Appendix C – Local Audit Advisory Committees – Sample Charter

Purpose

The (Institution) Local Audit Advisory Committee (“Advisory Committee”) will assist the institution internal audit department (“Department”) by helping to ensure that its objectives and goals support those of the institution and the IHL System.

Mission

The mission of the Department is to assist institution management and the Board of Trustees in the discharge of their oversight, management, and operating responsibilities through independent assurance and consulting services designed to evaluate and promote the system of internal controls, including effective and efficient operations.

Composition and Chair

The Advisory Committee will be chaired by the (position title of person who will chair the committee) and will be comprised of representatives from (list constituencies represented, which should include representatives from the faculty administrative leadership, the health sciences (where applicable), sponsored programs and/or research perspective, and others as deemed appropriate, such as controller, student and auxiliary services, budget, human resources, etc.). The Chair, Senior Compliance Officers, and the Internal Audit Director are ex-officio members of the Advisory Committee.

Meeting Frequency

The Advisory Committee will meet quarterly (or no less frequently than three times a year).

Independence and Objectivity

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of assurance services, internal auditors are independent of the activities they audit. This independence is based primarily upon institutional status and objectivity.

Regarding institutional status, the Internal Audit Director reports functionally to the CAE, who in turn reports to the Board of Trustees and administratively to the (indicate position to whom the Internal Audit Director reports, who in turn reports to the IEO). In performing the internal audit function, the Department has no direct responsibility for, or authority over, any of the institution/lab processes reviewed.

The internal auditor’s independence is also based on its objectivity. Objectivity is a mental attitude which internal auditors should maintain in performing audits. Internal auditors are not to subordinate their judgment on audit matters to that of others.



Appendix C – Local Audit Advisory Committees – Sample Charter

Scope of Responsibilities

In order for the Advisory Committee to assist the Department in carrying out its mission and maintaining its objectivity and independence, the regular agenda will cover:

- Approval of prior meeting minutes;
- A summary of progress against the annual plan;
- Current project-specific summaries of significant reports issued and their observations including significant investigation activities (and the impact on the ability of the internal audit function to pursue its other activities, if any);
- Staffing changes and their impact on completion of the audit plan;
- A summary of external activities and significant issues identified;
- A summary of open management corrective actions from previously issued audit reports especially for situations where senior management awareness could lead to more rapid action or the removal of barriers to action to improve controls; *and*
- On an annual basis, the regular agenda should include the proposed annual plan and an annual summary report of the activities conducted by the internal audit function during the year.

Appendix D – Annual Audit Planning Timeline

Step	Procedure	Responsibility	Timing
1	Work with Institution IADs to obtain and review current information relevant to the audit universe and determine its effect on the annual planning guidelines.	CAE	October and November
2	Distribute annual planning guidelines to Institution IADs based upon TeamRisk information.	CAE	December
3	Perform the risk assessment process utilizing TeamRisk and validate preliminary results with the IEO.	Institution IAD	December to February
4	Submit the local risk assessment results to the CAE.	Institution IAD	February
5	Perform comparative analyses based on the risk assessment results and distribute the analytical results to the Institution IAD.	CAE	February to March
6	Meet with CAE to discuss preliminary risk results and share information in order to prepare draft local audit plans.	Institution IAD	February
7	Present draft local audit plans to local IEOs.	Institution IAD	February
8	Submit draft local audit plans to the CAE.	Institution IAD	End of February
9	Prepare draft consolidated audit plan.	CAE	March to April



Appendix D – Annual Audit Planning Timeline

Step	Procedure	Responsibility	Timing
10	Combine all institutions' draft of the audit plan into the system wide annual audit plan and submit it to Commissioner.	CAE	April
11	Submit the system wide audit plan to the Budget, Finance and Audit Committee for approval.	CAE	April to May

Appendix E – Risk Model

Quality & Stability of Control Environment	Score
High confidence in control environment, well run institution, good reputation, efficient and effective operations, sound system of internal control, recently audited with good results, stable institution, no increase or decline in budget.	1
Good/reasonable confidence in control environment, audited with moderate issues within the last three to five years with completed follow-up and corrective actions implemented, average turnover in key personnel, average change in prior year budget.	2
Limited confidence in control environment, not audited within the last five years, management changes, significant change in processes, downsizing, early retirements, turnover in key personnel.	3
Little or no confidence in control environment, no prior audit coverage, or fairly recent audit with significant unresolved issues or material cash losses, poor institution reputation, high whistleblower or grievance activity, high turnover, major system changes, significant reengineering, significant change in prior year budget.	4
 Business Exposure (Materiality & Liquidity of Operational Resources)	 Score
Low probability of loss/exposure potential is relatively immaterial.	1
Exposure represents a relatively low percentage of total institution operations, loss probability is moderate.	2
Exposure represents a moderate percentage of total institution operations, loss probability is significant.	3
Exposure represents a significant percentage of total institution operations, loss probability is high.	4



Appendix E – Risk Model

Public & Political Sensitivity	Score
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No press or local press interest in generic topic/exposure potential is relatively immaterial.	1
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Somewhat politically sensitive, but interest is narrowly focused to a limited audience.	2
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State or federal audit interest, high public interest.	3
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Board of Trustees, national exposure, loss of funding, extreme public interest.	4
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Compliance Requirements	Score
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Few or limited regulations, clear and simple policies, procedure, & guidance, flexibility permitted in meeting policies, procedures & regulations.	1
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Moderate or significant percentage of transactions subject to policies, procedures & regulations; effective and efficient business processes.	2
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Significant or high percentage of transactions subject to complex policies, procedures, & regulations; heavy fines, unallowable costs, somewhat inefficient or ineffective processes.	3
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High percentage of transactions subject to complex and changing policies, procedures, and regulations; ineffective or inefficient processes; high probability of monetary or funding source loss.	4
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Appendix E – Risk Model

Information Technology & Management Reporting	Score
High degree of accuracy, availability, timeliness & usefulness of information; information system, application, or entity is secure, stable, utilizes good technology, and has adequate and trained staff. Loss of access to system generated information or reporting capability would have low institution, process or entity impact.	1
Some minor issues of accuracy, timeliness or usefulness of information; system, application, and entity are relatively stable and secure; needs minor enhancements to fully achieve appropriate system objectives and functionality; implementation of system was adequate.	2
Uncertain reliability of data, timeliness of information or usefulness; information system, application, or entity is complex or newly implemented and tested; loss of access to system or reporting will have fairly major institution, process or entity impact; system may be older and unable to provide necessary data; system is complex, impacts other processes or entities or may support life safety process or entities.	3
Low degree of information accuracy, availability, timeliness and usefulness; information system, application, or entity is outdated, unstable, and has poor security; system is highly complex, has institution-wide impact, mission critical or supports life safety processes or activities; computing risks have not been adequately addressed or controlled.	4



Appendix F – Sample Performance Evaluation Forms

IHL Annual Evaluation Form

Auditor: _____ Period under review: _____

Evaluation Ratings:

EE – Exceeds expectations, ME – Meets expectations, NI – Needs Improvement, NA – Not applicable

	EE	ME	NI	NA
QUALITY CLIENT SERVICE and RELATIONSHIP BUILDING				
<ul style="list-style-type: none"> Demonstrates knowledge of the institution’s business, needs and expectations. 				
<ul style="list-style-type: none"> Develops and maintains a strong relationship with entity personnel. 				
<ul style="list-style-type: none"> Communicates audit plans and schedules to audit clients to avoid disruptions. 				
<ul style="list-style-type: none"> Presents a positive image of the internal audit department, and demonstrates poise, maturity and self-confidence. 				
<ul style="list-style-type: none"> Is well respected, and effectively develops and motivates others. 				
<ul style="list-style-type: none"> Works as part of a team, and considers feelings and perspectives of others. 				

Appendix F – Sample Performance Evaluation Forms

	EE	ME	NI	NA
AUDIT PROJECT SKILLS and TECHNICAL KNOWLEDGE				
<ul style="list-style-type: none"> Demonstrates good judgment and analytical ability, and uses common sense in making decisions. 				
<ul style="list-style-type: none"> Develops audit programs timely after completing preliminary survey/risk assessment. 				
<ul style="list-style-type: none"> Identifies high risk areas and designs appropriate tests to achieve audit objectives. 				
<ul style="list-style-type: none"> Demonstrates workpaper documentation skills (e.g. - well documented, cross-referenced, complete, and well-organized) 				
<ul style="list-style-type: none"> Is adequately prepared for Entrance and Exit meetings. 				
<ul style="list-style-type: none"> Identifies and references necessary research and analysis of IHL policies and procedures. 				
<ul style="list-style-type: none"> Demonstrates knowledge of professional auditing standards. 				
<ul style="list-style-type: none"> Demonstrates knowledge and use of technology to improve client service/assignment efficiency. 				



Appendix F – Sample Performance Evaluation Forms

	EE	ME	NI	NA
COMMUNICATION SKILLS				
<ul style="list-style-type: none"> Demonstrates written communication proficiency (e.g. - reports are well written and require minimal edits). 				
<ul style="list-style-type: none"> Produces reports that are factual, supported by workpapers, and include only relevant information. 				
<ul style="list-style-type: none"> Demonstrates verbal communication proficiency (e.g. - communication is clear, concise). 				
TIME MANAGEMENT and ADMINISTRATION				
<ul style="list-style-type: none"> Meets time and budget deadlines while meeting quality requirements 				
<ul style="list-style-type: none"> Is well organized, effectively prioritizes assignments, and minimizes 'down time'. 				
<ul style="list-style-type: none"> Completes and submits department forms and reports timely. 				
<ul style="list-style-type: none"> Is responsive to Manager/Director concerns, and makes timely revisions to audit reports. 				
<ul style="list-style-type: none"> Follows directions and requires minimal supervision. 				
<ul style="list-style-type: none"> Recognizes and promptly advises Manager of important budget, scheduling, and technical issues. 				

Appendix F – Sample Performance Evaluation Forms

	EE	ME	NI	NA
CAREER DEVELOPMENT				
<ul style="list-style-type: none"> Made progress towards achieving previous years' goal/objectives. 				
<p>Employee Comments (Comment particularly on areas rated "exceeds"):</p> <p>Manager Comments:</p> <p>The above Performance Evaluation was discussed with the employee and agreed upon by the employee and IAD.</p> <p>Signatures:</p> <p>_____</p>				
Auditor	Date	Director	Date	



Appendix F – Sample Performance Evaluation Forms

IHL Interim Evaluation Form (Project Based)

Auditor: _____ Audit Code: _____

Report Issue Date: _____ Audit Title: _____

Budgeted Hours: _____ Actual Hours: _____

Evaluation Ratings:

EE – Exceeds expectations, ME – Meets expectations, NI – Needs Improvement, NA – Not applicable

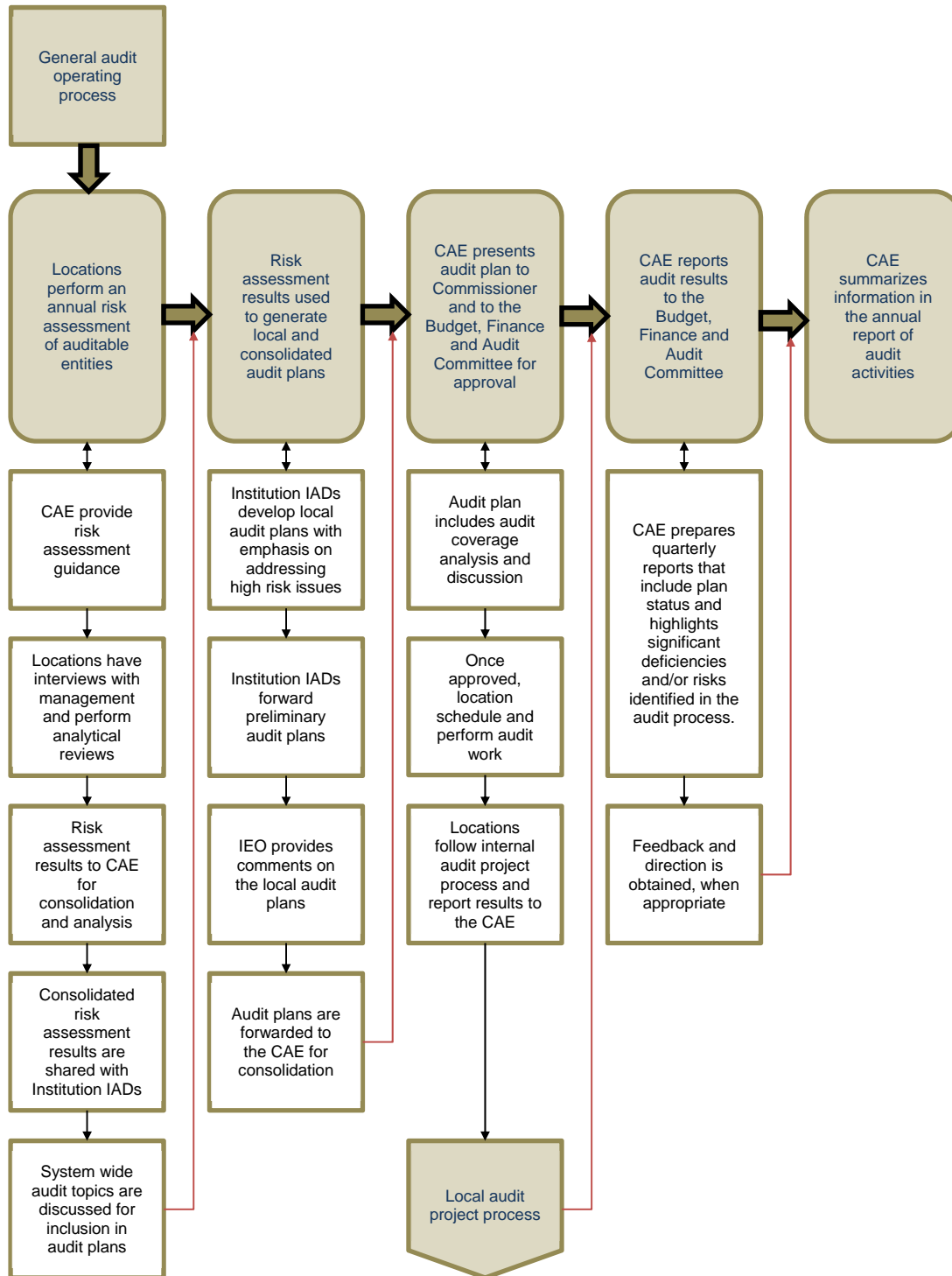
	EE	ME	NI	NA
A. Planning the Audit				
B. Performing the Preliminary Procedures				
C. Examine, Document and Evaluate Information				
D. Working Paper Preparation				
E 1. Communicating Results Orally				
E2. Communicating Results in Writing				
F. Staff Relationships				
G. Audit Client Relationships				

Appendix F – Sample Performance Evaluation Forms

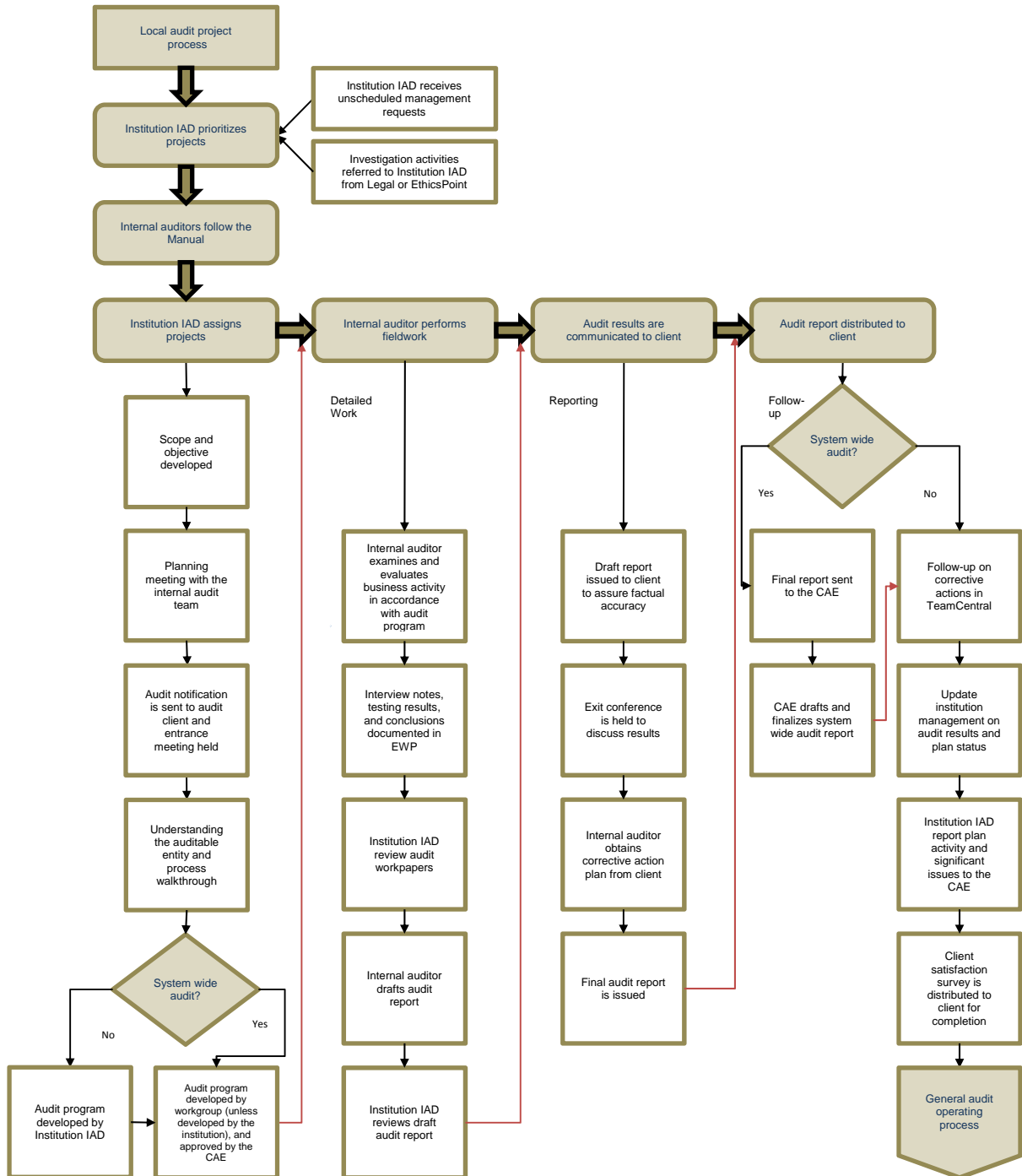
H. Use and Organization of Resources				
<p>Employee Comments (Comment particularly on areas rated “exceeds”):</p> <p>Manager Comments:</p> <p>The above Performance Evaluation was discussed with the employee and agreed upon by the employee and IAD.</p> <p>Signatures:</p> <hr/>				
Auditor		Date	Director	Date



Appendix G – Flowchart of General Audit Operating Process



Appendix H – Flowchart of Local Assurance Project Process





Appendix I – Sample Attestation Statement

This statement was integrated to the “Annual Risk Assessment” EWP project template at A.2: Audit Wrap-Up.

Auditor-in-Charge

I have been the auditor-in-charge for the (assurance services, consulting services, or investigation) performed on (project name and number). In this capacity, I prepared the (audit, advisory service, or investigation) program and working papers or reviewed all working papers prepared by the staff assigned to this project. I also prepared or assisted in the preparation of the report to be issued.

In my opinion, the working papers were prepared in accordance with professional standards established by the IIA and the Office of Internal Audit and comply with our department operating procedures. Also, in my opinion, the working papers support the findings and conclusions in the report, and the report complies with IIA and IHL System standards and department policies.

Appendix J – Audit Report Pre-Issuance Quality Assurance Checklist

This statement was integrated to the “Annual Risk Assessment” EWP project template at A.2: *Audit Wrap-Up*.

REPORT ELEMENTS

1. The audit report includes:
 - a. Audited entity: functions or processes review, such as payroll, procurement, travel, accounts receivable, information technology, etc;
 - b. Letter of transmittal signed by the Institution IAD (signature attests that the Institution IAD fully endorses and supports report contents) or e-mail from the Institution IAD transmitting the report;
 - c. Executive summary;
 - d. Purpose of the audit, including origin or source of the audit, as appropriate;
 - e. Objectives;
 - f. Scope of the audit;
 - g. Audit results:
 - i. Audit findings; *and*
 - ii. Audit recommendations (or its equivalent).
 - h. Management response or management action plan; *and*
 - i. Schedules and attachments, as appropriate, to support or provide additional detail for report content.
2. Draft report is clearly labeled as a draft



Appendix K – Sample Client Satisfaction Survey

Audit Title: _____ Audit Client: _____

Audit Conducted by: _____ Client Department: _____

In an effort to improve the quality of the Office of Internal Audit, <xxxxxx> requests your feedback and comments about your respective internal audit department, more specifically as it relates to the engagement referred to above. This survey is a valuable tool in assessing the internal audit function and we appreciate your honest feedback. Please mark the appropriate box below and provide any additional comments at the end of the questionnaire. Return the survey to <address>. Anonymous results and comments will be shared with the respective internal audit department.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
1. The audit objectives, purpose and scope were clearly communicated to me.						
2. My business concerns and perspective on key operating areas were adequately considered during the audit.						
3. The auditor(s) demonstrated technical proficiency in the audit areas.						
4. The auditor(s) demonstrated effective communication skills.						
5. The auditor(s) demonstrated courtesy, professionalism, and a construct and positive approach.						

Appendix K – Sample Client Satisfaction Survey

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
6. The disruption of daily activities was minimized as much as possible during the audit.						
7. The audit took an acceptable amount of time (from entrance to exit).						
8. Communication of audit status to me during the audit was timely and adequate.						
9. The audit report was clearly written, logically organized and issued timely.						
10. Audit results were accurately reported and appropriate perspective was provided.						
11. The conclusion and opinions of the auditor(s) were logical and well documented.						
12. Audit recommendations were constructive and actionable.						
13. The objectives of the audit were met.						



Appendix K – Sample Client Satisfaction Survey

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
14. Overall, the audit was “value added” to my institution.						
<p>Please feel free to provide additional comments regarding the performance of Internal Audit in the space provided below. We are especially interested in any thoughts you might have on how we can improve our efforts to provide value at the “Institution Name”.</p> <p>Survey Completed by: _____ Date: _____</p> <p>Please return the completed survey to: <address></p>						

Appendix L – Sample Management Satisfaction Survey

Recipient: _____ Institution: _____

In an effort to improve the quality of the Office of Internal Audit, <xxxxxx> requests your feedback and comments about your respective internal audit department, for FY XX. This survey is a valuable tool in assessing the internal audit function and we appreciate your honest feedback. Please mark the appropriate box below and provide any additional comments at the end of the questionnaire. Return the survey to <address>. Anonymous results and comments will be shared with the respective internal audit department.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
1. My involvement with the audit planning process was adequate.						
2. The audit services work, performed (assurance services, consulting services, investigations) met my needs and expectations.						
3. The audit staff identified and addressed relevant and significant issues and risks.						
4. There was an appropriate balance between assurance and consulting services in my area.						
5. My communication with the Internal Audit Director is sufficient.						



Appendix L – Sample Management Satisfaction Survey

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
6. The audit work performed contributed to improved control, and/or improved operational effectiveness and efficiency within my unit.						
7. The audit staff promotes an image of professionalism and competency.						
8. Audit reports and other written material are of high quality.						
9. The internal audit function is meeting the needs of the institution.						
10. Overall, the Office of Internal Audit provides value to my institutional unit and the institution.						
<p>Please feel free to provide additional comments regarding the performance of Internal Audit in the space provided below. We are especially interested in any thoughts you might have on how we can improve our efforts to provide value at the "Institution Name".</p> <p>Survey Completed by: _____ Date: _____</p> <p>Please return the completed survey to: <address></p>						

Appendix M – Pre-Filing Review Checklist

This statement was integrated to the “Annual Risk Assessment” EWP project template at A.2: *Audit Wrap-Up*.

1. Workpapers contain the following:
 - a. A notification email sent to the audit client
 - b. Entrance conference notes
 - c. Narrative and walkthrough of the main processes
 - d. Review of the audit programs and planning activities the Institution IAD
 - e. Detailed review of the workpaper by the auditor-in-charge or the Institution IAD
 - f. Exit conference notes
 - g. Attestation statements signed by the:
 - i. Auditor-in-charge
 - ii. Institution IAD / CAE
 - h. Final Report
 - i. Final Report Checklist
2. Workpapers were:
 - a. Linked to audit steps
 - b. Signed off by the preparer and reviewer.
3. All versions of draft audit reports have been removed from the workpapers, except the final draft sent to the client for review.
4. Coaching notes have been removed from the project.
5. Extraneous materials have been removed from the workpapers.
6. Trackable findings were released to TeamCentral.

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ABBREVIATIONS

ACFE	Association of Certified Fraud Examiners
ACUA	Association of College & University Auditors
Advisory Committee	Local Audit Advisory Committee
AHIA	Association of Healthcare Internal Auditors
AICPA	American Institute of Certified Public Accountants
audit plan	Office of Internal Audit annual audit plan
Board Office	IHL System Board Office
Board of Trustees	Board of Trustees of the Mississippi State Institutions of Higher Learning
Budget, Finance and Audit Committee	Board of Trustees' Budget, Finance and Audit Committee or certain members designated by the Committee
CAE	IHL System designated Chief Audit Executive
CFE	Certified Fraud Examiner
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
Commissioner	Commissioner of Higher Education
CPA	Certified Public Accountant
CA	Control Assessment
ESI	Electronically Stored Information
EWP	Electronic Working Papers module of the TeamMate audit management system



ABBREVIATIONS

IEO	Institution Executive Officer
IHL Board	Board of Trustees of the Mississippi State Institutions of Higher Learning
IHL GC	IHL Board Legal Counsel or the Institution General Counsel
IHL System	Mississippi State Institutions of Higher Learning, including its research, regional and academic health science center institutions
IIA	Institute of Internal Auditors
Institution IAD	Institution Internal Audit Director
ISACA	Information Systems Audit and Control Association
IT	Information Technology
Manual	Internal Audit Operating Procedures Manual
MCA	Management Corrective Action
Office of Internal Audit	Office of Internal Audit, which encompasses the audit department at the IHL Board Office and the institutional audit departments
System IAD	IHL System Internal Audit Director
TeamCentral	TeamCentral module of the TeamMate audit management system
TeamMate	TeamMate audit management system
TeamRisk	TeamRisk module of the TeamMate audit management system
TeamSchedule	TeamSchedule module of the TeamMate audit management system
TeamStore	TeamStore module of the TeamMate audit management system
TEC	Time and Expense module of the TeamMate audit management system
UMMC	University of Mississippi Medical Center