



**UNIVERSITY SYSTEM  
OF GEORGIA**

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Internal Audit

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**System-Wide Audit Manual**

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## **Introduction**

Internal Auditing is conducted in diverse legal and cultural environments within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. The Internal Audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. IA consists of both system-office employees and institutional audit staff who collectively make-up the University System of Georgia (USG) IA. IA staff across the system accomplish their objectives by bringing a systematic, disciplined approach to evaluate and recommend improvements, the effectiveness of risk management, control, and governance processes. IA is authorized by the Board of Regents (BOR) and the Chancellor in the effective fulfillment of their responsibilities and in meeting the objectives of the University's or institutional strategic plans.

## **Purpose Statement**

This manual is intended to be a basic reference document for all IA organizations across the USG. For interpretation of this manual, the words **shall** and **must** mean that the area or topic included in the manual is applicable to all audit departments across the system. Conversely, the word **should** is used to convey that an area, although strongly suggested, the particular topic or area may not be applicable or implemented across all audit departments. To ensure the manual's usefulness, it should be kept up to date to reflect changes in audit standards, organizational needs, and the overall audit environment. The purpose of this manual is to further supplement existing USG policies and rules. Information in this manual does not replace or supersede existing laws, rules, or other USG policies.

## **Manual Changes and Updates**

Suggestions for revisions or discrepancies to the manual are welcomed and should be brought to the attention of the USG Chief Audit Officer (USG CAO) or appropriate designee. All updates will be disseminated for comment or review prior to publication.

# SECTION 1000 PURPOSE, AUTHORITY, RESPONSIBILITY, AND ORGANIZATION

## 1100 Internal Audit Charter and Vision

### Mission, Vision, Values

#### Mission Statement

The IA function within the USG mission is to support management in meeting its governance, risk management, compliance, and internal control responsibilities while helping to improve organizational and operational effectiveness and efficiency. The IA function is a core activity that provides management with timely information, advice and guidance that is objective, accurate, balanced and useful. The IA function promotes an organizational culture that encourages ethical conduct.

Individuals in IA across the USG accomplish the mission by:

- Reviewing the accuracy and propriety of financial and operating information and the means used to identify, measure, classify and report such information.
- Examining established systems to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on operations.
- Validating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Assessing operational practices and organizational efficiencies.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing the status of information technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
- Consulting and providing guidance on financial and operational processes, controls, related risks, and exposure; providing guidance and advice on control and risk aspects of new policies, systems, processes, and procedures.
- Conducting special audits and/or reviewing specific operations at the request of the institutional presidents, the BOR, or other individuals.

#### **Vision Statement**

The vision of the USG audit function is to create an integrated team of assurance, consulting and compliance professionals that significantly contributes to the improvement of governance, risk

management, compliance, and internal control within the USG.

## Values

IA departments within the USG adhere to core values of integrity, excellence, accountability and respect. Additionally, audit staff promote competence and maintain confidentiality while adhering to all professional standards.

## Strategic Priorities

Audit teams within the USG have three strategic priorities:

1. Anticipate and help to prevent and to mitigate high risk and significant issues
2. Foster enduring cultural change that results in consistent and quality management of USG operations
3. Build and develop a comprehensive system-wide team of highly qualified audit professionals

## Audit Charter

The IA charter is a formal document that defines the IA activity's purpose, authority, and responsibility. The IA charter establishes the IA activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of IA activities. Final approval of the IA charter resides with the board. Annually, the USG Chief Audit Officer (CAO) will obtain approval for the OIA audit charter. Institutional Chief Auditors (ICA) will obtain the USG CAO's approval for and signature on institutional audit charters.

The nature of assurance services provided to the organization must be defined in the IA charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the IA charter. The nature of consulting services or other services provided by the IA department must be defined in the IA charter. Audit departments across the USG must develop an internal charter. The USG CAO is responsible for establishing the USG audit charter and institutional audit directors must establish the audit charter for perspective institutions. A sample audit charter can be found in the **Appendix**.

# 1200 Reporting, Authority, Proficiency and Due Professional Care

## Authority

### Governing Authority

There are **four primary documents** that govern the practice of IA within the USG.

1. **Board Policy 7.9 Auditing**  
<https://www.usg.edu/policymanual/section7/C474>
2. **Committee on IA, Risk, and Compliance Charter**  
[https://www.usg.edu/assets/audit/documents/IARC - Compliance and Ethics Charter - Signed.pdf](https://www.usg.edu/assets/audit/documents/IARC_-_Compliance_and_Ethics_Charter_-_Signed.pdf)
3. **USG OIA Charter**  
[https://www.usg.edu/assets/audit/documents/IARC - Internal Audit Charter - Signed.pdf](https://www.usg.edu/assets/audit/documents/IARC_-_Internal_Audit_Charter_-_Signed.pdf)
4. **Business Procedures Manual Section 16**  
[http://www.usg.edu/business\\_procedures\\_manual/section16/.](http://www.usg.edu/business_procedures_manual/section16/)

Collectively, these documents outline the purpose and authority of the IA function, key roles and responsibilities, core processes, and senior management expectations and guide the USG IA team in conducting the independent appraisal function.

Other relevant governing documents pertaining to enterprise risk management and compliance include:

- Board Policy 7.11 Risk Management  
<https://www.usg.edu/policymanual/section7/C480>
- Board Policy 7.12 Compliance Policy  
<https://www.usg.edu/policymanual/section7/C490>
- Board Policy 8.2.18.1 University System of Georgia Ethics Policy  
[https://www.usg.edu/policymanual/section8/C224/#p8.2.18\\_personnel\\_conduct](https://www.usg.edu/policymanual/section8/C224/#p8.2.18_personnel_conduct)

All IA staff should be familiar with these documents and ensure compliance with the enumerated requirements.

### Scope of Authority

IA functions under the policies established by the BOR of the USG and by institutional management under delegated authority. In accordance with the authority granted by approval of the BOR and applicable federal and state statutes, IA is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel. Except where limited by law, the work of IA is unrestricted. The authority of IA may be restricted by federal classified

document rules, which may restrict access in certain cases until required security checks have been performed; by various Federal or State work rules, which may restrict physical access for your individual personal safety and protection (i.e., clean labs or labs with radiation isotopes); and other State authorities (such as the State Attorney General or the Georgia Bureau of Investigation). Any identified restrictions should be noted in the working papers or in the audit report.

In performing the audit function, IA has no direct responsibility for, nor final authority over any of the activities reviewed. The IA review does not in any way relieve other persons in the organization of the responsibilities assigned to them. The USG CAO and ICAs have the authority to require a written response to audit observations and recommendations contained in audits.

## **Organization and Applicability**

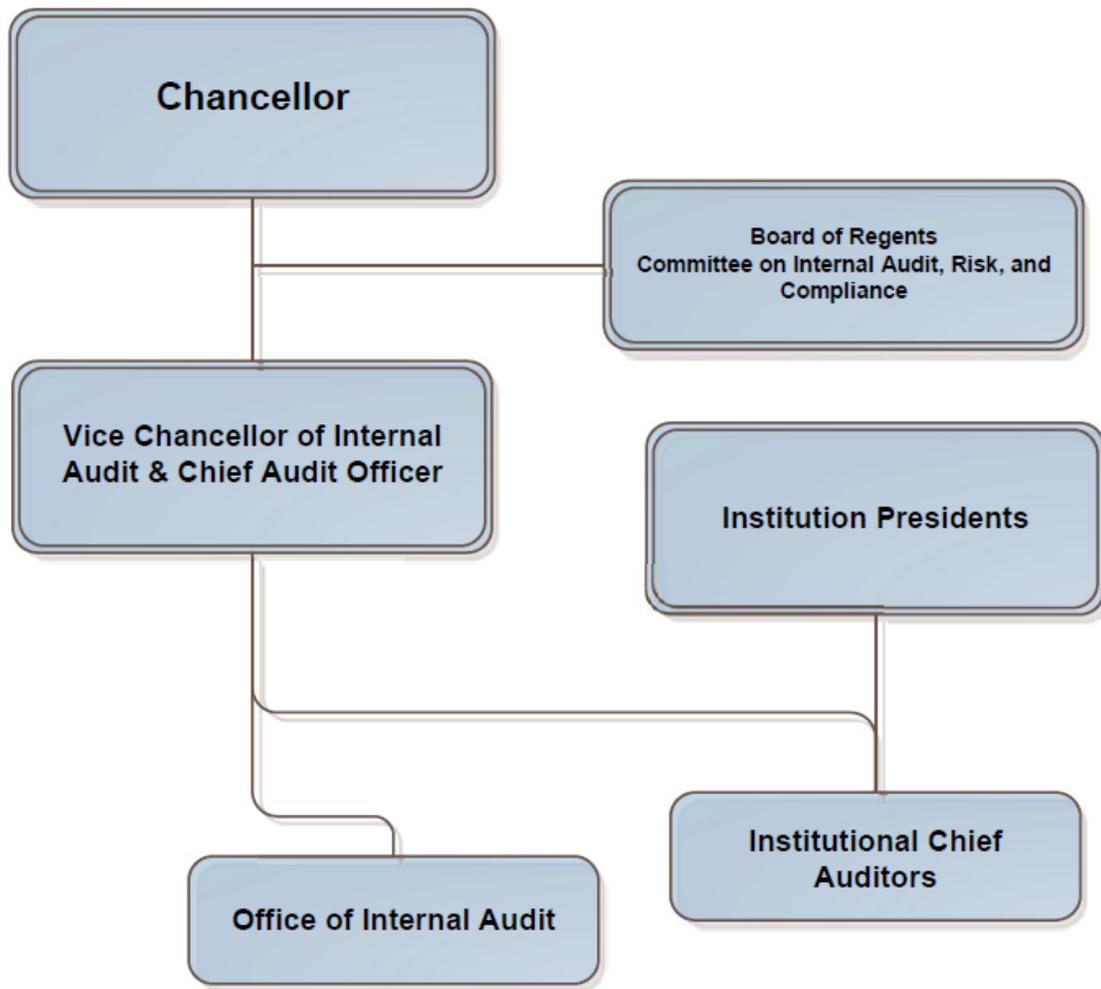
### **Scope and Applicability**

IA reports to a level within the enterprise that allows the IA activity to fulfill its responsibilities. Auditors will maintain independence and objectivity and avoid conflicts of interest when performing audit work. All auditors within the USG are required to implement and follow policies, procedures and other requirements consistent with the policies and guidelines outlined in this manual.

### **Organization**

One of the goals of the USG and institutional IA teams is to establish an effective IA program and maintain an internal independent appraisal function. Individuals in the IA function assist management by assessing the effectiveness of organizational practices, evaluating organizational policies and procedures, and by making recommendations that add value to the organization. IA examines and evaluates business and administrative activities in order to assist all levels of management and members of the BOR in the effective discharge of their responsibilities. IA teams may furnish management with analyses or recommendations and might provide counsel or other appropriate information concerning activities, processes, and records reviewed.

The Governor appoints members of the BOR to a seven-year term and Regents may be reappointed to subsequent terms. The BOR elects a Chancellor who serves as its chief executive officer and the chief administrative officer of the USG. IA is led by the USG CAO who reports to the BOR / Committee on IA, Risk, and Compliance and to the Chancellor. University System Office audit staff report to the USG CAO. To maintain independence, ICAs have a dual reporting relationship and report to the USG CAO and institutional presidents. Listed below is a high-level organizational chart that depicts the reporting structure of the IA department.



## Independence and Personnel

### Independence and Reporting Structure

To be effective in performing audit engagements, the audit staff must be independent and objective both in actuality and perception. Also, auditors will take great care to prevent even a perception of partiality by maintaining a professional distance from the staff of a USG entity/department while performing an engagement. Any conflicts of interest/relationships with auditees or potential auditees should be fully disclosed to the appropriate parties to include engagement clients and IA leadership. In addition, as a general expectation, auditors will not accept any gifts from an employee of the institution which would impair or be perceived to impair their professional independence or objectivity. Employees must adhere to the State of Georgia Gratuity Clause and abide by requirements outlined in the Human Resources Practices Manual and Board Policy 8.2.18.4 concerning gifts.

IA may provide assurance services where they had previously performed consulting services,

provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement. The chief audit executive may have roles and/or responsibilities that are outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

### **Dual Reporting**

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, IA will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by industry standards. Independence and accountability is essential to the IA function to have credibility and will be paramount in resolving conflicts or issues arising in the implementation of the dual reporting relationships. The IA function is free from interference in determining the scope of engagements, performing work, and communicating results. The USG CAO must disclose any interference of duties to the audit committee chair and/or the entire committee. ICAs must disclose any interference to the USG CAO.

### **Appointment Changes**

Action to appoint, demote or dismiss the USG CAO requires the approval of the BOR. Action to appoint, demote, or dismiss the ICA require the concurrence of USG CAO.

## **Personnel and Training**

### **Professional Certifications and Continuing Professional Education**

To increase the professionalism and credibility of the IA function, employees in the IA department are encouraged to achieve professional certifications, particularly the following designations: Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Management Accountant (CMA), Certified Fraud Examiner (CFE), or other appropriate certifications or skills. Employees are encouraged to become members of and participate in the activities offered by professional organizations, particularly the Institute of Internal Auditors (IIA) and the Association of College and University Auditors (ACUA). Employees are also encouraged to pursue advanced degrees that increase and strengthen their skills.

### **Employee Involvement, Satisfaction and Commitment**

IA strives to ensure employees are involved in decisions, are committed to the organization and team, and are adequately supported in their job responsibilities. IA seeks to ensure employees are respected and feel their contributions are valued.

### **Performance Evaluation and Review**

IA fosters an environment where all employees should recognize the importance of their individual contributions and understand the impact that their contributions have on the achievement goals and objectives. The performance evaluation process is an opportunity to highlight the importance of

each employee's individual contributions and provide valuable feedback that can enhance the opportunity for ongoing professional growth.

### **Personnel & Human Resources Information**

Auditors within the USG should be aware of any policies and procedures applicable to managing various aspects of personnel and human resources.

### **Performance Management**

Each employee's immediate supervisor will assess performance and the assessment might include input from other supervisors within the department. In addition to an annual assessment, each employee may also have a mid-year review. Minimally, IA employees will meet with appropriate management to review and discuss planned goals and objectives and should meet at least annually to review performance results. The USG CAO will provide feedback into the performance evaluations of ICAs and discuss performance goals and expectations. Additional information regarding the performance assessment process can be found at <https://www.usg.edu/hr/manual/>.

### **Training and Professional Development**

Internal auditors are expected to enhance their knowledge, skills, and other competencies through continuing professional development. The minimum continuing professional education requirements for auditors should be consistent with the requirements of other professional certifications, such as the IIA, ISACA, or similar organizations. Staff of the IA department shall complete 40 hours of professional education each year (internal audit functions may adopt a calendar year, fiscal year, or other consistent measure; however, the year used for a particular staff member will default to their certifying authority's CPE year when applicable). This continuing education should be in a field directly related to the job duties of the staff member, and can include topics other than auditing, such as computer technology, ethics training, fraud identification, leadership, process improvement or other topics deemed timely and pertinent to their job duties at the time the class is taken. Additionally, in order to enhance employee development, employees are encouraged to participate in professional and community organizations that promote the profession of accounting and auditing or help support the mission of the University in some way. Audit functions shall track CPE completion by all audit staff.

# 1300 Quality Assurance, Improvement, and Assessment

## Quality Assurance and Improvement Program

### **Requirements of the Quality Assessment and Improvement Program**

The Chief Audit Officer must develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the IA activity. A quality assurance and improvement program is designed to evaluate the IA activity's conformance with the Definition of Internal Auditing, the Standards, and the Code of Ethics. The program also assesses the efficiency and effectiveness of the IA activity and identifies opportunities for improvement.

The scope, maturity, and complexity of the QAIP may vary across the USG. However, each IA function is expected to have a QAIP that includes periodic self-assessments, or assessments by other persons within the organization with sufficient knowledge of IA practices, and ongoing monitoring of the performance of the IA activity.

Sufficient knowledge of IA practices requires at least an understanding of all elements of the International Professional Practices Framework (IPPF). Ongoing monitoring of the performance of the IA activity is conducted by USG internal auditors via several activities which may include: Internal Risk Assessments combined with the Annual Audit Plan and the delivery of value-added reports to the audit client. Periodic self-assessments shall be documented and completed at least annually. ICAs may partner with other ICAs within the USG to complete this activity. Results from the self-assessments along with any corrective plans will be communicated to USG CAO at the annual performance evaluation.

The QAIP assessment will be updated periodically and communicated with appropriate institutional leadership and the USG CAO. The QAIP assessment may answer the following questions:

- How have the ICAs assessed the efficiency and effectiveness of the IA activity?
- What opportunities for improvement has the audit department identified and what is the plan for capitalizing on those opportunities?

### **External Assessments of the Internal Audit Function**

External assessments must be conducted by each IA function at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The USG CAO must discuss with the Board:

- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of IA and the external assessment process.

Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified.

The USG CAO uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. An independent assessor or assessment team may not have a real or an apparent conflict of interest and may not be a part of, or under the control of, the organization to which the IA activity belongs.

Assessors may not be currently serving in a USG IA role. The ICA will coordinate with the USG CAO on the selection of the QAR team.

All QAR working papers, reports and commentary may be stored in USG Onspring.

## **Communicating Quality and Assessment Results**

### **Reporting on the Quality Assurance and Improvement Program**

The Chief Audit Executive must communicate the results of the quality assurance and improvement program to senior management and the Board. The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the Board and considers the responsibilities of the IA activity and Chief Audit Executive as contained in the IA charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance. Upon final release of the QAR report, all results will be communicated to the USG CAO and appropriate management.

### **Conformance with the International Internal Audit Standards**

IA departments may note that organizations “conforms to the International Standards for the Professional Practice of Internal Auditing”. The USG CAE may state that the IA activity 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. The IA activity conforms to the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics, and Standards. The results of the quality assurance and improvement program include the results of both internal and external assessments.

### **Audit Quality and Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the IA activity, the Chief Audit Executive must disclose the nonconformance and the impact to senior management and the Board. Prior to any disclosures of nonconformance, the ICA should consult with the USG CAO to discuss

all issues related of nonconformance. As a result of the external assessments, ICAs may also disclose any non-conformance of the IIA standards with management and the Board.

# 1400 Professional Standards, Ethics, and Disclosures

## Employee Conduct and Ethics

### **Standards and Employee Conduct**

IA activity must be formally defined in an IA charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards. IA shall adhere to the International Professional Practices Framework as issued by the Institute of Internal Auditors (IIA) (<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx>) as well as system or institutional policies and standards related to professional or ethical conduct.

### **Professional Code of Ethics**

Auditors must adhere to the IIA *Code of Ethics* and where applicable should adhere to any institutional or system-wide *Code of Ethics requirements*. The most current version of the *Code of Ethics* is located at (<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx>) In addition, auditors shall consider the Federal Sentencing Guidelines for an effective compliance and ethics program when conducting their work. <http://www.usss.gov/guidelines/2015-guidelines-manual/archive>

### **Confidentiality**

Employees may typically have access to information of a sensitive or confidential nature. Employees must be prudent in their use of information acquired in the course of their duties, as well as other information which is available to them. They must not discuss any confidential information with any parties except for official purposes. Employees shall not use confidential information for any personal gain or in a manner which would be detrimental to the institution or any employee or student of an institution.

Employees should not improperly disclose sensitive or otherwise confidential information. Employees must take adequate measures to prevent the unauthorized release of confidential materials or information in any medium, including paper copies or computer files. Sensitive, personal, or confidential information should be adequately secured from theft, reproduction, or casual observation as prescribed by the USG BPM manual and USG IT Handbook.

### **Employee Conduct**

In the course of their work, employees may likely be in contact with personnel at all levels of authority and will have responsibilities to both individuals being audited and management. Auditors are expected to exhibit professional skill, maturity of behavior, and tact in their relations with all of these parties. Employees should guard against any conduct or mannerisms which may impair their objectivity or independence. Auditors should not engage in any acts that might discredit the profession of IA, USG, or an individual institution.

## **Mandatory Disclosures**

### **Introduction and Purpose**

USG CAO and ICAs must disclose to senior management and the Board nonconformance with the *Code of Ethics* or the Standards that impacts the overall scope or operation of IA activity. Auditors must disclose anything that prohibits or restricts non-conformance to audit standards. Effective implementation of this procedure will help to ensure ongoing compliance with IA professional standards. Adherence to this standard normally will occur through ICA's disclosure to the USG CAO and, as needed, the USG CAO's disclosure to the audit committee chair and/or the entire audit committee.

### **Definition**

"Mandatory Disclosures" refer to those limitations, constraints, impairments, conflicts of interests, or other situations that materially impact an individual's ability to achieve the mission, objectives, or scope of the audit. All items that may materially impact the audit team member must be disclosed under the IA professional standards issued by the IIA.

### **Errors, Irregularities, or Wrongdoing**

Management is responsible for establishing and maintaining controls to discourage perpetuation of fraud. Auditors may examine and evaluate the adequacy and effectiveness of controls. However, audit procedures alone are not designed to guarantee the detection of fraud. An error is an unintentional mistake in financial statements which includes mathematical or clerical mistakes in the underlying records and accounting data from which the financial statements or other reports are prepared, mistakes in the application of accounting principles and oversight or misinterpretation of facts that existed at the time the reports were prepared. If IA believes that a material error or an irregularity exists in an area under review, the implications of the error or irregularity and its disposition should be reviewed with the responsible management. If it has been determined that an irregularity does exist, IA will notify appropriate management that an irregularity has been identified and the audit steps needed to determine the extent of the problem. If the auditor suspects that an act of malfeasance has occurred, he or she must follow appropriate malfeasance reporting procedures outline in the BPM 16.4 Reporting Wrongdoing.

### **Responsibility**

IAs are responsible for the final determination as to whether a particular situation rises to the level of a mandated disclosure. The USG CAO is also responsible for making the disclosure to the Chancellor and/or the Committee on IA, Risk, and Compliance. The USG CAO shall determine the methods by which the disclosure is made. Employees are required to bring matters that may potentially generate a mandated disclosure to the attention of the USG CAO, ICA, or other appropriate individuals.

## 1500 Request for Information

### **Public Records Request**

According to O.C.G.A. §50-18-71. (a) All public records shall be open for personal inspection and copying, except those which by order of a court of this state or by law are specifically exempted from disclosure. Records shall be maintained by agencies to the extent and in the manner required by Article 5 of this chapter. (b)(1)(A) Agencies shall produce for inspection all records responsive to a request within an OPEN RECORDS ACT 2012 -2- reasonable amount of time not to exceed three business days of receipt of a request; provided, however, that nothing in this chapter shall require agencies to produce records in response to a request if such records did not exist at the time of the request. In those instances, where some, but not all, records are available within three business days, an agency shall make available within that period those records that can be located and produced. In any instance where records are unavailable within three business days of receipt of the request, and responsive records exist, the agency shall, within such time period, provide the requester with a description of such records and a timeline for when the records will be available for inspection or copying and provide the responsive records or access thereto as soon as practicable.

In accordance with the Georgia statute, any copies would be provided at the cost provided for in O.C.G.A. §50-18-71(b). The USG CAO and institutional audit personnel will respond to Open Records Act Requests in the spirit expected of public servants and with the openness the Open Records Act anticipates; it tries to be helpful to those who are endeavoring to gain information from the government. IA must respond and maintain records documenting the response to all public records requests in accordance with state law and institutional procedures. The USG CAO and, if applicable, the ICA shall be made aware of all public records requests pertaining to audit work and/or records. Requests for sensitive or high profile information shall be coordinated through the appropriate counsel.

### **Contact with Outside Auditors, Legal Counsel, or Media**

Generally, all initial/formal contact with outside auditors, legal counsel, or media is to be referred to the USG CAO or appropriate designee. The USG CAO or appropriate designee may work with or have general contact with outside agents. The USG CAO or designee will coordinate the retrieval and release of information with appropriate counsel, designated institutional representatives, or other institutional personnel.

# SECTION 2000 INTERNAL AUDIT FUNCTION, THE ENGAGEMENT, AND COMMUNICATING RESULTS

## 2100 Internal Audit Function

### Audit Services

The scope of the audit work across the organization is to determine whether USG 's internal systems of risk management, control, and governance processes, as designed and represented by management at all levels, and operating policies, procedures, and practices are adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Individual actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability is fostered.
- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports USG's strategies, objectives, and the organization's privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules, and regulations.
- Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

Generally, audit activities consist of three types of projects:

- **Audits** – are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, performance, compliance,

systems security and due diligence engagements.

- **Special Request, Consulting and Advisory Services** – the nature and scope of which are agreed with the client, are intended to add value and improve an organization’s governance, risk management, and control processes without the auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.
- **Investigations** – are independent evaluations of allegations generally focused on improper activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

### **Risk Assessment, Planning, Selection and Schedule of Engagements**

The ICA at each institution submits an audit plan to the USG Office of Internal Audits (OIA) in the prescribed format provided by the USG CAO. Based upon this input and a risk-based audit model, the OIA develops a system-wide audit plan. The implementation of the system-wide audit plan is coordinated with the institutional IA plans to ensure major risks are addressed while minimizing duplication of effort and disruption of auditee operations. Engagements may be pursued at the system-level or at an institutional-level. The USG CAO has the authority to direct the ICAs to audit specific functions at their institutions.

IA professional standards mandate an audit risk assessment and audit plans. IA will meet these professional standards through maintaining a risk assessment. The OIA risk assessment will focus on issues that present a high degree of risk to the USG and/or USG institutions. The OIA risk assessment will be ongoing and will include input from the BOR, USG and institutional leadership, the Audit, Risk, and Compliance Committee and other sources as appropriate.

During the risk assessment process, auditors may consider:

- Prior Audit Result Risk
- Regulatory & Compliance Risk
- Financial Impact Risk
- Quality and Stability of Control Environment Risk
- Reputation Risk
- Information Confidentiality Integrity and Availability Risk
- Fraud Risk
- General Management Concern Risk

IAs continually maintain a risk assessment in the mandatory audit software and provides an audit plan for the annual presentation to the Audit Committee in May. All audit plans are reviewed for appropriateness and effectiveness by the USG CAO prior to submission to the Committee for approval. As part of this process, ICAs and/or OIA may recommend new engagements or revised timing for planned engagements. The USG CAO will consider these recommendations and may authorize revisions to the audit plan and engagement schedule as needed.

It is understood that not every key risk will be included in audit plan for a given year due to resource constraints and the expectation to audit certain functions or areas that are not captured in the risk

assessment process.

The USG IA function conducts operational, financial and information technology assurance engagements of USG institutions and the USO, performs system-wide reviews of specific programs and processes, provides consulting services to the USO and to USG institutions, and conducts special reviews and investigations. Audit and assurance provided by IA can take the form of various engagement types:

- Operational Audit- Operational audits are comprehensive examinations of an operating unit or a complete organization to evaluate its performance, as measured by management's objectives. An operational audit focuses on the efficiency, effectiveness, and economy of operations.
- Financial Audit - Financial audits determine the accuracy and propriety of financial transactions and reporting.
- Compliance Audit - Compliance audits determine whether, and to what degree, there is conformance to certain specific requirements of policy, procedures, standards, or laws and governmental regulations. The auditor must know what policies, procedures, standards, etc., are required. Compliance audits require little preliminary survey work or review of internal controls, except to outline precisely what requirements are being audited. The audit focuses almost exclusively upon detailed testing of conditions.
- Presidential Transition Audit - Presidential Transition audits are used to inform an incoming President at an institution of any major control, financial, and/or operational issues and risks that may need to be addressed at the outset of the new institutional administration.
- Information Technology Audit - Information Technology audits evaluate the accuracy, effectiveness, efficiency and security of electronic and information processing systems that are in production or under development.
- Consulting - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal audit assuming management responsibility. Examples include counsel, advice, facilitation, and training.
- Special Investigations- Investigations that are designed to identify responsibility for and measure the impact of an act of wrongdoing that has allegedly occurred. This act often will be a violation of state laws/regulations, BOR policies/procedures; or waste/inefficient use of resources.

### **Directing the IA Activity**

The USG CAO and the ICAs will establish policies and procedures for guiding and directing the IA activities of the USG. The identification purpose, authority and responsibility of IA should come primarily from the Audit Charter, the IIA Standards of Professional Practice, the definition of Internal Auditing and the IIA's Code of Ethics.

### **Reporting to Senior Management and the Board**

The USG CAO will meet periodically with the BOR and the Audit Committee to provide updates. Furthermore, the CAO and ICA's must keep management informed of significant risk exposures and control issues, including fraud risks.

### **External Service Providers**

The USG CAO and ICAs are responsible for providing assurance to the BOR and audit committee that any form of IA activity, even with externally provided in part or in whole, must ensure the work meets with the quality standards of the professional practice of IA.

## 2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

### Planning the Audit

Prior to conducting fieldwork, IA develops and documents an engagement plan that includes the project objectives, scope, timing, and resource allocations.

In addition, IA considers relevant systems, records, personnel, and the resources need for the audit, as well as the following:

- 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 maintained at an acceptable level
- The adequacy and effectiveness of the activity's governance, risk management and control processes, compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

### Engagement Objectives

During engagement planning, IA conducts a risk assessment of the activity under review and sets the objectives of the engagement based on this assessment. When setting objectives, IA considers the following:

- The probability of significant errors, fraud, noncompliance, and other exposures; and
- The extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished.

In the event IA determines adequate criteria have not been established to determine whether goals and objectives have been accomplished, IA will identify adequate criteria through discussions with management and/or the board.

### Engagement Scope

Once the engagement objectives have been established, IA will set the engagement scope and ensure it is sufficient to achieve the objectives of the engagement. Considerations for setting scope include relevant systems, personnel, and physical properties, including those in control of third-parties. In addition, considerations when setting scope may include, but is not limited to:

- Policies, plans, procedures, laws, regulations and contracts having significant impact on operations
- Organizational information, such as number and names of employees, job descriptions, process flowcharts, or recent changes in the environment

- Budget information, operating results and financial data
- Prior audit work papers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature

## **Work Program**

IA creates work programs based on the scope, objectives and engagement risks to ensure the achievement of the engagement objective. Work programs contain the following information:

- 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 during the audit
- Technical aspects, risks, processes and transactions which should be examined

Work programs are reviewed and approved prior to beginning engagement fieldwork. For single person audit departments at the individual institution level, work programs should be reviewed by the USO OIA prior to the commencement of fieldwork.

## **Consulting Engagements**

Documents an understanding with the client(s) related to objectives, scope, responsibilities, and other expectations. IA may perform engagements that are consulting in nature. These engagements generally follow the planning steps outlined above and in addition, IA performs the following steps:

- Ensures the scope is sufficient to address the agreed upon objectives
- Addresses controls consistent with the objectives and considers significant control issues
- Discusses scope related reservations with the client(s) to determine whether to continue with the engagement

## 2300 Performing the Engagement

### Examining & Evaluating Information

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

### Fieldwork

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved audit program. Evidential matter obtained during the course of the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in the audit report. As internal auditors, we are obligated by our professional standards to act objectively, exercise due professional care, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit observations and recommendations. Throughout fieldwork, professional judgment should be used to (a) determine whether evidence gathered is sufficient, relevant, competent, and useful to conclude on the established objectives; and (b) based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective). Fieldwork includes:

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

### Working Papers

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

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

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

Working papers must be neat, competent, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations.

The following will be documented on each working paper or referenced to the working paper where documented:

- The source of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title.
- The purpose of working paper will be recorded.
- Procedures performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper.
- Relevant findings from testing. This should be a short summary of the finding. The finding will include the condition, criteria, cause, and recommendation.
- Conclusions and recommendations should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should relate to the nature of the findings and work performed.

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

- Keep the working paper neat and legible.
- Keep in mind that the working paper is being prepared for someone other than you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.

## **Engagement Supervision**

As detailed in other sections of this manual, the Project Lead/CAO/EAD and IT ED provides daily supervision of staff and performs detailed reviews of all working papers performed by staff. Evidence of supervision in the form of review checklists, and/or initials/dates on working papers are prepared

and retained in the working papers.

**Engagement Record Access** -The USG CAO must control access to engagement records. Onspring (USG IA Enterprise System)has been selected as the mandatory platform for storing engagement records and observations.

**Record Retention** - Records will be kept and managed in accordance with USG Records Retention Policy.

**Quality Assurance and Improvement** - Quality Assurance Policies and Procedures can be found in Section 3000 of this manual

## 2400 Communicating Results

IA must communicate the results of engagements. (IPPF 2400)

### Report Overview

USG Policy Manual 7.9.2 assigns the Committee on Internal Audit, Risk and Compliance of the BOR the responsibility for reviewing audit results, reports and recommendations.

The audit report is a tool to communicate the results of the engagement. Based on the nature of work, audit subject and needs of the client, the engagement team decides the best report format to present the engagement results. The audit report generally has the following three phases:

- Working Draft Report
- Discussion Draft Report
- Final Report

### Working Draft Report

The working draft report is the initial or first version of the audit report. The engagement team, specifically, the Project Lead completes the working draft report and submits to the Audit Director and/or Chief Audit Officer for further review and edits. Since the working draft is only a working version of the audit report, it is an internal document that must not be distributed or shared outside of IA. ICAs are encouraged to share their draft reports with OIA personnel prior to release, to enhance the report quality. Single person audit departments, are required to share their draft for feedback with USG CAO as a means to enhance the report quality.

### Discussion Draft Report

The discussion draft report is the next or second version of the audit report. The Project Lead edits the working draft report into the discussion draft report. The final reviewer in the IA shop completes a final review and approves the discussion draft for sharing with the audit client. The engagement team solicits feedback on the discussion draft report from the audit client. Feedback from the audit client can be obtained through face to face discussion, email discussion, edits on the face of the draft report, virtual meeting, teleconference or other suitable means.

USG BPM 16.4.4 - Engagement Close-Out and Report Preparation - states “at the conclusion of the end of engagement, the engagement team will prepare a draft report that details the engagement executive summary, background, issue ratings (for assurance engagements), engagement observations, and recommendations. This draft report will be shared with the client’s management prior to conducting a formal exit conference. At the exit conference, the engagement team will review the draft report with management, focusing on ratings, observations and recommendations with specific emphasis on areas where improvement is needed.”

The discussion draft is formally released to the audit client as draft report. The audit client in turn submits a formal management response to the audit shop. The ICA evaluates the management

response whether it satisfactorily addresses the audit recommendations. If the management response is not acceptable and further discussion proves unproductive, escalation to senior leadership may be necessary.

## **Final Report**

The ICA incorporates the management response into the draft report and releases it as the final audit report.

USG BPM 16.4.4 - Closing the Engagement – states “After the exit conference, the engagement team will prepare a final report, taking into account any revisions resulting from the exit conference and other discussions.”

The USG IA Charter states “OIA and institutional auditors across the system work closely with senior leadership, departmental directors, institutional leadership committee members, institutional department heads, and other appropriate personnel as required to conduct audit procedures and determine final audit results. The President of the institution receiving an IA report from audit directors will respond within 30 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion for each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the USG CAO or appropriate designee.”

## **Audit Report Distribution**

The USG CAO’s approval is required for release of all OIA reports. Institutional engagement reports must be submitted to the OIA. All significant and material issues are summarized for reporting to the BOR Committee on Internal Audit, Risk, and Compliance.

The USG CAO and ICAs must communicate results to the appropriate parties. The CAO and ICAs are responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the USG CAO and ICAs delegate these duties, they retain overall responsibility. The USG CAO and ICAs are responsible for communicating the final results to parties who can ensure that the results are given due consideration. If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the USG CAO and ICAs:

- Assess the potential risk to the institution;
- Consult with senior management and/or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

The USG CAO and ICAs are responsible for communicating the final results of consulting engagements to clients. During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the institution, they must be communicated to senior management and the board.

## Audit Issues

The issues in the audit report generally have the following sections:

- **Condition**–What is? (Opportunity for improvement supported by facts and test results)
- **Criteria**–What should be (Standards)
- **Effect**–So what? (Impact/Risk)
- **Cause**–Why did it happen?
- **Recommendation**–What should be done? (Auditor suggestion)
- **Management Response**–What you will do and when? (Your plan)

## Audit Observations Rating

USG BPM 16.4.6 - Exception Ratings - States “individual ratings are assigned to each assurance engagement observation contained in reports issued.” ICAs must use the USG Internal Audit rating system. All issues would be included in the audit report but “Comments” would not be presented in a full audit finding format. The scales for the USG Internal Audit rating systems are listed below.

### Report Item Rating Scale

- **Advisory** (Consulting Engagements only)
  - Categorized by area reviewed
  - Used to identify recommendations contained in a consulting engagement report

### Assurance Engagements Rating Scale

Likelihood	Impact/Magnitude		
	Low	Medium	High
Not Likely	No Issue	Comment	Moderate
Likely	Moderate	Significant	Material

- **No Issue**
  - Engagement Team did not identify any reportable issue
- **Comments**
  - Nominal or minor violations of procedures, rules, or regulations.
  - Issue(s) identified are not likely but could have a medium impact on the organization.
  - Minor opportunities for improvement.
  - Not included in report but are communicated to management during the exit conference or at the end of the engagement.
- **Moderate**
  - Violation of policies/procedures/laws and/or lack of internal controls that either does or could pose a notable level of exposure to the organization.
  - Issue(s) identified are (a) either not likely but could have a high impact or are (b) likely and could have a low impact on the organization.

- Notable opportunities to improve effectiveness and efficiency exist.
- Corrective action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
- **Significant**
  - Violation of policies/procedures/laws, and/or lack of internal controls that either does or could pose a substantial level of exposure to the organization.
  - Issue or issues identified are likely and could have a medium impact on the organization.
  - Substantial opportunities to improve effectiveness and efficiency exist.
  - Prompt corrective action by management is essential in order to address the noted concern(s) and reduce the risk to the organization.
- **Material**
  - Violation of policies/procedures/laws and/or unacceptable level of internal controls that either does or could pose an unacceptable level of exposure to the organization.
  - Issue or issues identified are likely and could have high impact on the organization.
  - Major opportunities to improve effectiveness and efficiency exist.
  - Immediate corrective action by management is required.

## Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the institution; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information including:

- Scope, the time period to which the opinion pertains and scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment, or conclusion reached.
- The reasons for an unfavorable overall opinion must be stated.

## Criteria for Communicating

Audit engagement communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

## Elements of Audit Report

The audit report may include some or all of the following elements:

- Purpose/Objective, Scope and Methodology

- Background
- Executive Summary
- Table of Contents
- Findings and Recommendation
- Conclusion
- Management Response
- Exceptions Rating Criteria
- Appendix

The USG CAO and ICAs identify the audience for the audit report. To identify the audience, the USG CAO and ICAs consider who will be the most important readers of the report and how such readers will use the report. The audience for USG IA reports generally are:

- State of Georgia Stakeholders, including the Public
- USG Board of Regents (BOR)
- BOR Committee on Audit and Compliance
- Chancellor
- USG Senior Executives
- Institution President and Senior Management
- Audit Client and Staff
- Federal Government cognizant Agency

In addition, the USG CAO and ICAs should consider how much the audience knows about the audit subject, how the audit issues impact the audience, and why the audience should care about the audit and its recommendations. In writing the audit report, the USG COA and ICAs keep the audience as the central focus viewing the audit subject from the audience's perspective.

### **Considerations for Audit Reporting**

In finalizing the audit report, the USG CAO and ICAs perform overall evaluation of the engagement's objectives, scope and results as well as the conclusions, recommendations, and action plans. Other considerations include the following.

- The final communication of engagement results must, where appropriate, contain the auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.
- Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.
- When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

## **Attributes of Audit Report**

The USG CAO and ICAs issue audit reports that are accurate, objective, clear, concise, constructive, complete, and timely.

- **Accurate** communications are free from errors and distortions and are faithful to the underlying facts.
- **Objective** communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances.
- **Clear** communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information.
- **Concise** communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness.
- **Constructive** communications are helpful to the engagement client and the organization and lead to improvements where needed.
- **Complete** communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions.
- **Timely** communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

## **Correcting Audit Report Previously Released**

If a final report that has been released is subsequently detected to contain a significant error or omission, the USG CAO and ICAs communicate corrected information to all parties who received the report.

## **Use of Conformance with IIA Standards**

Stating an audit engagement is “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if the results of the quality assurance and improvement program support the statement.

## **Disclosure of Nonconformance with IIA Standards**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the standard(s) with which full conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

## 2500 Follow-Up Reporting

The USG CAO and ICAs utilize Onspring (USG IA Enterprise System) to monitor the disposition of results communicated to management. The USG CAO and ICAs develop a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

USG BPM 16.4.5 - Follow-Up Review - states “follow-up is required of all issues classified as material. Each material issue shall be reviewed by appropriate internal audit personnel until issue is closed or resolved. Significant issues may be reviewed after being reported as closed but this review is not required. The actions taken to resolve the issues are to be reviewed and may be tested to ensure that the desired results were achieved. In some cases, managers may choose not to implement an issue recommendation and to accept the risks associated with the issue reported. The follow-up review will note this as an unresolved exception. The CAO shall periodically report the status of material issues to the IAR Committee to include the status of issues not closed in a timely manner. Open or partially resolved engagement issues/findings will be maintained and periodically updated in Onspring, the USG Internal Audit function enterprise system.”

USG IA Charter states “the USG CAO monitors the implementation of audit recommendations system-wide. Chief Business Officers and/or ICAs will prepare a report of the implementation status of all audit recommendations, have it approved by the institutional President and submit it to the USG CAO on a periodic basis using the procedures established by the USG CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee.”

### Reporting on Management Acceptance of Risk

When the USG CAO and ICAs conclude that management has accepted a level of risk that may be unacceptable for the institution, the USG CAO and ICAs discuss the matter with senior management. If they determine that the matter has not been resolved, the USG CAO and ICAs communicate the matter to the Board. The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means.

## APPENDIX AND SUPPLEMENTAL INFORMATION

### Appendix A: Sample System-wide Audit Charter



# UNIVERSITY SYSTEM OF GEORGIA (USG) SYSTEM-WIDE INTERNAL AUDIT CHARTER

#### **Introduction**

Internal Audit (IA) within the USG system provides independent and objective assurance and consulting services to the BOR, the Chancellor, and institution leadership in order to add value and improve operations. The IA activity helps USG institutions accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes.

#### **Role of the Internal Audit Function**

In order to add value and improve operations, the system-wide audit function provides independent and objective assurance and consulting services to across the system. IA professionals accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes. Audit staff provide recommendations to improve systems, processes, and internal controls designed to safeguard resources, promote system and institutional mission toward academic excellence, and ensure compliance with state and federal regulations. Audit teams evaluate and assess established policies, procedures, and sound business practices.

OIA and the institutional IA staffs will provide IA services for the USG. All ICAs at institutions having an IA function shall have a direct reporting relationship to the President of that institution and to the USG CAO. The USG CAO shall have the authority to direct the institutional IA functions to audit specific areas at their institutions as needed to fulfill the system-wide audit plan. The USG CAO will report all significant audit issues directly to the Chair of the Committee on Internal Audit, Risk, and Compliance (Committee) and to the Chancellor.

#### **Organizational Responsibilities**

The USG CAO has the responsibility to develop a system-wide audit plan for approval by the Committee based on a documented risk assessment that encompasses all components of the System. The system-wide IA plan includes input from ICA. The Committee will approve this plan while the USG CAO may approve minor changes to the Audit Plan as needed. The USG CAO will coordinate audit plan implementation with ICAs and with the State Department of Audits and Accounts.

The USG CAO is responsible for providing functional coordination and guidance for System-wide audit activities to include:

- Meet with appropriate component officials to review the status of institution audit work and available resources.

- Approve institutional IA charters.
- Review audit results from all institutional internal audits and the State Department of Audits and Accounts.
- Monitor the implementation of audit recommendations system-wide. Chief Business Officers and/or ICAs will prepare a report of the implementation status of all audit recommendations, have it approved by the institutional President and submit it to the USG CAO on a periodic basis using the procedures established by the USG CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee.
- Periodically prepare a summary of IAs and highlight matters of interest for audits conducted at each institution and present such data to the Committee and to the Chancellor.
- Attend meetings of the Committee and Board as required.
- Ensure that all audits conducted by the University System Office have been thoroughly reviewed and discussed with appropriate institutional officials prior to being released to the Chancellor or to the Committee Chair.
- Provide formal input to the performance evaluations of institutional chief auditors in consultation with the respective institutional president.

Institutional IA function may also include the following:

- Conduct audits for management in order to contribute to the improvement of governance, risk management, internal controls, and compliance;
- Perform audit planning and quality assurance activities in order to ensure their contributions to the improvement of governance, risk management, internal controls, and compliance;
- Manage and oversee professional and administrative audit staff;
- Coordinate audits involving external auditors and other regulatory personnel to help ensure appropriate cooperation with external agencies;
- Recommend policy, business procedures, and other process improvements impacting the institutional operations.
- Prepare and submits audit findings and reports to appropriate management;
- Perform special investigations, management reviews, special projects, or other assignments as assigned by institution management or the USG CAO;
- Assist senior management and administrators in the interpretation and application of policies, rules, and regulations;
- Analyze operational issues impacting enterprise-wide processes and organizational areas;
- Advise on issues pertaining to financial management and fraud prevention;
- Manage and investigate hotline and ethics complaints consistent with procedures outlined in the BPM.

All IA professionals and system-wide IA functions shall comply with the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors (IIA). All USG internal auditors, including institutional and System Office auditors, shall comply with the IIA Code of Ethics.

## **Definition of Audit Engagement Scope**

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of governance, risk management, compliance, internal control and the quality of performance in carrying out assigned responsibilities. The scope will vary by institution or area and may include:

- Review the effectiveness of governance processes to include the:
  - Promotion of ethical behavior within the organization;
  - Efficiency of organizational performance management and accountability;
  - Communication of risk and control information to appropriate areas of the organization; and,
  - Coordination of activities and information among the Board, external and internal auditors, and management.
- Review the effectiveness of risk management processes to include the:
  - Alignment of organizational objectives in support of the system-wide and institutional missions;
  - Identification and assessment of significant risks;
  - Alignment of risk responses with the acceptable level of risk appetite; and,
  - Capturing and communication of relevant system-wide or institutional risk to enable staff, management, and the Board to carry out their responsibilities.
- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review established systems and processes to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the System is in compliance.
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- Review and appraise the economy and efficiency with which resources are employed.
- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Review the status of Information Technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
- Conduct special audits at the request of the Committee Chair, the Chancellor or institution presidents.
- Investigate reported occurrences of fraud, waste, and abuse and recommend controls to both prevent and detect such occurrences.
- Analyze and review institutional or system-wide public private ventures and cooperative organizations.
- Provide consulting services at the request of institution management consistent with the IIA standards governing consulting engagements that contribute to the improvement of governance, risk management, compliance, and/or internal controls within the USG or within a USG institution.

**Reporting Procedures**

ICAs across the system work closely with senior leadership, departmental directors, institutional leadership committee members, institutional department heads, and other appropriate personnel as required to conduct audit procedures and determine final audit results. The President of the institution receiving an IA report from audit directors will respond within 30 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion for each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the USG CAO or appropriate designee.

**Authorization**

To the extent permitted by law, the OIA/institutional IA has full access to all activities, records, properties, and personnel within the USG. The OIA/institutional IA is authorized to review and appraise all operations, policies, plans, and procedures. Documents and other materials provided to the OIA will be handled in the same prudent manner as handled by those employees normally accountable for them.

**Appointment Changes**

Action to appoint, demote or dismiss the USG CAO requires the approval of the BOR. Action to appoint, demote, or dismiss ICAs require the concurrence of the USG CAO.

Approved by the Board of Regents of the University System of Georgia on **insert approval date here:**

\_\_\_\_\_  
Sachin Shailendra.  
Chair of the Board of Regents

\_\_\_\_\_  
Date

\_\_\_\_\_  
Philip A. Wilheit Sr.  
Chair of the Committee on Internal  
Audit, Risk, and Compliance

\_\_\_\_\_  
Date

\_\_\_\_\_  
Henry “Hank” M. Huckaby

\_\_\_\_\_  
Date