

04.500 Audit

04.501 Internal Audit.

1. Objective. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the System Administration's and each Institution's operations. It assists the System Administration and each Institution with accomplishing their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.
 - a. Assurance Services. An objective examination of evidence for the

- iii. communicating risk and control information to appropriate areas of the System Administration and the Institutions; and
 - iv. coordinating the activities of and communicating information among the Board, external and internal auditors, and management.
- f. Scope of Evaluation. Risks and controls relating to the System Administration's and each Institution's governance, operations, and information systems shall be evaluated for:
- i. reliability and integrity of financial and operational information;
 - ii. effectiveness and efficiency of operations;
 - iii. safeguarding of assets; and
 - iv. compliance with laws, regulations, and contracts.

The Internal Audit activity shall evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

- iii. confirming to the Board, at least annually, the organizational independence of the internal audit activity; and
 - iv. discussing with the Board the external assessment needs, qualifications, and independence of external reviewers or review team, and communicating the results of the quality assurance and improvement program.
- b. Develop a consolidated annual internal audit plan based on a documented System-wide risk assessment (input of senior management and the Board shall be considered in this process) and coordinate the plan's implementation;
 - c. Coordinate the reporting of all audit activities;
 - d. Direct audits of the System and the System Administration;
 - e. Direct and evaluate the performance of individuals holding positions that directly report to the Chief Internal Auditor;
 - f. Promote diversity within the System and support existing System programs designed to create a welcoming environment for everyone;
 - g. Provide leadership and oversight of institutional effectiveness efforts, including the use of evaluation and linking results to planning; and
 - h. Perform other duties as assigned by the Board and the Chancellor.
5. Independence. In carrying out their duties and responsibilities, the Chief Internal Auditor and the Internal Audit staff shall have full, free, and unrestricted access to all System Administration and Institution activities, records, personnel, and physical properties. Internal Audit shall not be given any responsibility that would interfere with its ability to perform independent reviews of all aspects of System Administration and/or

- b. Performing the annual audit plan, as approved, including any special tasks or projects requested by management and the Board Audit Committee when appropriate;
 - c. Periodically reviewing major systems and controls, including: (i) accounting systems and controls, (ii) administrative systems and controls, and (iii) information technology systems and controls;
 - d. Reporting each quarter to the Board Audit Committee on (i) whether appropriate action has been taken on significant audit issues, findings, and recommendations, (ii) audits in progress and those completed during the quarter, and (iii) deviations from the audit plan;
 - e. Reporting audit results to members of management who should be informed or who should take corrective action;
 - f. Performing follow-up to determine whether corrective action was taken and is achieving the desired results;
 - g. Performing quality assurance reviews in accordance with professional standards and periodically taking part in a comprehensive external peer review; and
 - h. Annually assessing whether the System Administration and each Institution has adopted the rules and policies required by Texas Education Code 51.9337 and submitting a report of the findings to the state auditor.
7. Standards. Internal Audit shall perform its responsibilities in accordance with the Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code. Internal Audit recognizes the Institute of Internal Auditors (IIA) as its professional and authoritative source. Internal Audit shall conform to the IIA: Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* contained in the International Professional Practices Framework as promulgated by the IIA. Additionally, Internal Audit shall conform to generally accepted governmental auditing standards (GAGAS).

Adopted: November 15, 2007

Effective: November 15, 2007

Revised: February 13, 2009, August 28, 2015, February 26, 2016