

10.01 Internal Auditing

Revised [November 7, 2024](#) (MO – 2024)
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Click to view [Revision History](#).



Policy Summary

This policy develops a framework for the implementation of the auditing activities within the system and defines the authority and scope of the internal auditing function as an effective management tool for use by the board, chancellor, university presidents, and agency directors. The system's internal audit function mandate is found in the Texas Internal Auditing Act which requires the system to have an internal auditing function and recognizes internal auditing as a professional management support and control activity. This policy serves as the system's internal audit charter.

Definitions

Click to view [Definitions](#).

Policy

1. PURPOSE, AUTHORITY AND SCOPE OF THE INTERNAL AUDIT FUNCTION

The internal auditing function of The Texas A&M University System (system) provides the Board of Regents (board), chancellor, university presidents, and agency directors independent, objective assurance and advisory services designed to add value and improve the system's operations. The internal auditing function helps the members accomplish their goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the members' risk management, control and governance processes. Additionally, the internal auditing function provides useful and timely information on both the internal and external auditing activities occurring within the system.

The System Internal Audit Department, under the advice and consent of the board's Committee on Audit, has sole authority and responsibility for providing the internal auditing function for the system. department must perform its duties in accordance with the Texas Internal Auditing Act, generally accepted government auditing standards, and the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the Committee on Audit:

- Discusses with the chief auditor and chancellor the appropriate authority, role, responsibilities, scope, and services of the internal audit function.
- Approves the risk-based internal audit plan.
- Reviews the internal audit policy periodically with the chief auditor to consider changes affecting the organization, such as employment of a new chief auditor, changes in the system organizational structure, changes to auditing standards, or changes in risks to the system.
- Approves the internal audit function's performance objectives annually.
- Ensures a quality assurance and improvement program has been established and reviews the results annually.
- Reviews and approves the chief auditor's plan for the performance of an external quality assessment including the scope and frequency, competencies and independence of the external assessor, and rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment, as applicable.
- Receives communications from the chief auditor on the internal audit department's performance relative to its plan and other matters, including budgetary and staffing resources.
- Participates in discussions with the chief auditor and senior management about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approves decisions regarding the appointment and removal of the chief auditor, ensuring adequate competencies and qualifications and conformance with auditing standards
- Approves the remuneration of the chief auditor and the budget of the internal audit department.
- Makes appropriate inquiries of management and the chief auditor to determine whether there are inappropriate scope or resource limitations.
- Ensures the chief auditor has unrestricted access to, and communicates and interacts directly with, the Committee on Audit, including in private meetings without management present.

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

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

information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

The chief auditor and staff of the internal audit department are authorized to:

- Have full, free, and unrestricted access to all functions, data, records, information, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from necessary system personnel, as well as other specialized services from within or outside the system, in order to complete the engagement.

2. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the internal auditing function, the chief auditor reports functionally to the board's Committee on Audit and administratively to the chancellor, with the exception of annual performance and compensation reviews which are conducted by the Committee on Audit. In accordance with Section 2.5 of System Policy *01.03, Appointing Power and Terms and Conditions of Employment*, "The board appoints the chief auditor. ...The chief auditor reports to the board through the Committee on Audit of the Board, with access to the chancellor. The board may dismiss or reassign the chief auditor without cause."

The chief auditor periodically reports to the Committee on Audit the internal audit department's purpose, authority, and responsibility; and its conformance with The Institute of Internal Auditor's Global Internal Audit Standards, and action plans to address any significant conformance issues.

The chief auditor ensures that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment are disclosed to appropriate parties.

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

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the system or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any system employee not employed by the internal audit

department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to the chief auditor at least annually.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

3. RESPONSIBILITIES

The chief auditor, in the discharge of the chief auditor's duties, is accountable to the Committee on Audit and the system board to:

- Develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the system and aligns with the expectations of the board, chancellor, and other key stakeholders. The chief auditor will periodically review the internal audit strategy with the board and chancellor.
- Develop an annual audit plan using an appropriate risk-based methodology and submit the plan to the board through the Committee on Audit for review and approval.
- Implement the annual audit plan and report results to the board, chancellor and the university presidents and agency directors.
- Review and adjust the internal audit plan, as necessary, in response to changes in the system's risks, operations, programs, systems, and controls.
- Communicate to the Committee on Audit and chancellor any significant changes to the internal audit plan.
- Review allegations of fraud or fraudulent actions in accordance with the system fraud policy, *Policy 10.02, FraudPrevention*.
- Provide reports to the Committee on Audit and chancellor on the implementation status of prior audit recommendations.
- Provide information periodically to the Committee on Audit and chancellor on the status and results of the annual audit plan and the sufficiency of department budgetary and staffing resources.
- Provide reports to the Committee on Audit and chancellor on any issues related to significant external audits, including audits conducted by the Texas State Auditor's Office.
- Provide advisory services to assist management in meeting its objectives, related to the procurement, development, implementation or modification of major information systems.
- Report any response to risk by management that may be unacceptable to the system.
- Identify and communicate significant risk exposures and control issues to the Committee on Audit and chancellor that could interfere with the achievement of the system's objectives.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of audit standards and the Texas Internal Auditing Act.

- Ensure compliance/conformance with applicable auditing standards including the Texas Internal Auditing Act, generally accepted government auditing standards, and the Global Internal Audit Standards.
- Maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include external and internal assessments of the internal audit function's compliance/conformance with the Texas Internal Auditing Act, generally accepted government auditing standards and the Global Internal Audit Standards. These assessments will include plans to address deficiencies identified and opportunities for improvement.
- Communicate to senior management and the Committee on Audit on the internal audit department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside the system. These qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Management has the responsibility to:

- Within the time period determined by the chief auditor, furnish a written report of planned or completed actions to address the recommendations outlined in the internal audit report provided to the university president or agency director. The report must include a timetable for the planned actions and the position(s) responsible for implementing the action.
- Report to the chief auditor the status of implementation of prior audit recommendations.
- Notify the chief auditor of any external audits, investigations or inspections to be conducted at its institution or agency.
- Obtain authorization by law or through a delegation of authority from the Texas State Auditor's Office when contracting for an external audit.
- Provide the chief auditor information on audit issues from all external audits, investigations or inspections conducted at its institution or agency, including a copy of the final audit report with management's responses, if applicable.
- Notify the chief auditor when its institution or agency begins the procurement, development, implementation or modification of a major information system.

Related Statutes, Policies, or Requirements

[Texas Internal Auditing Act \(Government Code, Chapter 2102\)](#)

[Global Internal Audit Standards and Topical Requirements](#)

[U.S. Government Accountability Office, Government Auditing Standards \(The Yellow Book\)](#)

Member Rule Requirements

A rule is not required to supplement this policy.

Contact Office

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