10.01 Internal Auditing

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Policy Summary

The internal auditing program of The Texas A&M University System (system) provides the Board of Regents (board), chancellor, university presidents and agency directors independent, objective assurance and consulting services designed to add value and improve the system’s operations. The internal auditing program 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 program provides useful and timely information on both the internal and external auditing activities occurring within the system.

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 program as an effective management tool for use by the board, chancellor, university presidents and agency directors. The Texas Internal Auditing Act 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. AUTHORITY AND SCOPE OF THE INTERNAL AUDIT PROGRAM

The System Internal Audit Department (SIAD), under the advice and consent of the board’s Committee on Audit, has sole authority and responsibility for providing the internal auditing program for the system. The program 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, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. 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 activity’s performance.
To establish, maintain, and assure that SIAD has sufficient authority to fulfill its duties, the Committee on Audit will:

- Approve the risk-based internal audit plan.
- Receive communications from the chief auditor on SIAD’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the chief auditor.
- Approve the remuneration of the chief auditor.
- Make appropriate inquiries of management and the chief auditor to determine whether there is inappropriate scope or resource limitations.

The chief auditor will have unrestricted access to, and communicate and interact 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 assessments 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, employees, and contractors are in compliance with the system’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the 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 SIAD are authorized to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- 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 program, 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 shall be 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 shall appoint the chief auditor. ...The chief auditor shall report 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 will periodically report to the Committee on Audit SIAD’s purpose, authority, and responsibility; and its conformance with The Institute of Internal Auditor’s Code of Ethics and Standards, and action plans to address any significant conformance issues.

The chief auditor will ensure that SIAD 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 will be disclosed to appropriate parties.

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

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

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

3. RESPONSIBILITIES

The chief auditor, in the discharge of his/her duties, shall be accountable to the Committee on Audit and the system board to:
• 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, Fraud, Waste and Abuse.

• 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 resources.

• Act as the system’s general liaison with any external audit agency.

• 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 and consulting services to assist management in meeting its objectives, including participating in the procurement, development, implementation or modification of major information systems.

• Report any response to risk by management that may be unacceptable to the system.

• Maintain a quality assurance and improvement program that covers all aspects of the internal audit department.

• Communicate to senior management and the Committee on Audit on SIAD’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.

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 shall include a timetable for the planned actions.

• 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)
The Institute of Internal Auditors, International Professional Practices Framework
U.S. Government Accountability Office, Government Auditing Standards (The Yellow Book)

This policy supersedes:
System Policy 21.02, Compliance with Recommendations of the State Auditor
System Regulation 21.02.01, Audits by the State Auditor
System Regulation 21.02.02, External Audits Other than by State Auditor
System Policy 21.03, Internal Auditing
System Regulation 21.03.01, Internal Auditing

Member Rule Requirements

A rule is not required to supplement this policy.

Contact Office

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