Arkansas State University System
Internal Audit Charter

INTRODUCTION

The Arkansas State University System (ASU System) Internal Audit function performs an independent appraisal activity for the review of internal controls, financial and compliance aspects, and operating procedures as a service to the Board of Trustees and university administrators.

PURPOSE

The Internal Audit function is a continuous independent management control and appraisal activity established within the University to review accounting, financial and other operations to determine for the ASU System President and Board of Trustees that:

1. Assets are safeguarded and their use is properly accounted for;
2. Accurate financial and managerial control exist and function properly;
3. Recommendations are made for appropriate improvements in controls; and
4. Management plans, policies and procedures are carried out and executed efficiently and effectively.

ORGANIZATION

The coordination of the ASU System’s internal auditing function is the responsibility of the Assistant Vice President for Administration (AVPA). The AVPA operates under the general administrative oversight of the Vice President for Finance (VP) and reports to the ASU System President in coordination with a trustee appointed as a liaison on Internal Audit affairs. The VP is assigned responsibility for the day to day operation of the internal audit program to provide support and supervision of Internal Audit and to assure the adequacy of the management responses to audit reports issued by the AVPA and follow-up on audit issues.

AUTHORITY

The ASU System Internal Audit staff is authorized full, free, and unrestricted access to all university functions, records, property, and personnel relevant to the subject under review within the entire ASU System. Documents and information given to the Internal Audit staff during an engagement are handled in the same prudent manner as by those employees normally accountable for them. The confidential and privileged character of the documents and information is not affected solely by disclosure to the audit staff.

Internal Audit has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, Internal Audit does not develop or write policies or procedures that they may be later called upon to evaluate. Draft materials, developed by management, may be reviewed for propriety and/or completeness. However, ownership and responsibility for any materials remains with management.

Acting in the capacity of an Internal Auditor, audit staff should not perform any operational duties for the ASU System or its affiliates, initiate or approve accounting transactions external to Internal Audit, or direct the activities of any ASU System employee not employed by Internal Audit, except to the extent such employees have been assigned to otherwise assist the internal auditors.
RESPONSIBILITY

Meaningful internal auditing requires cooperation among the Internal Auditors, trustee appointed liaison, campus administration, and the auditee. Each party’s responsibilities in this regard include, but are not limited to the following:

AVPA:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the trustee appointed liaison and VP;
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management or the Board of Trustees;
- Maintain a professional audit staff with sufficient knowledge, skills, and experience;
- Issue periodic reports summarizing results of audit activities to the Board of Trustees, ASU System President, and the VP;
- Perform investigations of suspected fraudulent activities within the ASU System and notify the VP, University Counsel, and trustee appointed liaison in the case of suspected unlawful activity. A report of the investigation will be provided to the Board of Trustees, ASU System President, VP, University Counsel and appropriate members of campus management; and
- Consider the scope of work of external auditors and other regulatory agencies, as appropriate, for the purpose of providing optimal audit coverage to the ASU System at a reasonable overall cost.

Internal Audit Office

- Examine and evaluate the controls, policies and procedures, and systems in place to safeguard university assets;
- Evaluate the reliability and integrity of information and the efficient and effective use of resources;
- Review compliance with policies, procedures, laws and regulations; and
- Report results and make recommendations to the AVPA and management.

Trustee Appointed Liaison

- Ensure internal audit goals and objectives, staffing plans, financial budgets, and audit activities provide adequate support of System goals and objectives;
- Ensure the audit planning process, including the risk assessment methodology, considers appropriate aspects of the System’s operations and executive management’s concerns;
- Approve the annual audit plan;
- Review the results of significant audit activities, audit reports, and auditee responses and monitor the adequacy and timeliness of corrective actions taken in response to audit activities;
- Review internal audit annual report; and
- Support the Internal Audit function and communicate this support within System Administration.

System Administration

- Support the Internal Audit function and communicate this support within campus units;
- Participate in the audit process;
- Provide appropriate, clear and consistent direction to the System community through written policies and procedures; and
- Follow-up on progress of corrective actions for audit findings within campus units.
Auditee

- Cooperate with the audit process by providing unrestricted access to facilities, books and records, information, and personnel;
- Respond in writing, within 30 days, to all audit recommendations. Disagreements with recommendations or alternative solutions to identified findings are acceptable when justified in writing. Each response should contain an estimated implementation date; and
- Implement agreed-upon corrective action plans.

AUDIT PLANNING

An annual audit plan, based on a risk assessment process, will be systematically developed for the ASU System as a whole. The risk assessment shall consider risks within and across all components of the ASU System. Input will be solicited from the appropriate members of management at the System and each respective campus for this purpose. Once completed, the audit plan will be submitted to the VP and trustee appointed liaison for comment and approval. The objective is to continually assess all high-risk areas to evaluate critical business processes throughout the ASU System as resources permit.

When special projects are requested by campus management, the AAVP shall notify the VP. When demands for services exceed available resources that would significantly impact the approved annual audit plan, project priorities will be established and the audit plan amended subject to the approval of the VP, or if the changes to the plan are substantial, the trustee appointed liaison.

REPORTING

Internal Audit will ensure the results of audits are properly communicated to appropriate management or operating personnel in a formal written report to the ASU System President under the signature of the AVPA. Management’s responses to the audit observation(s) will be incorporated into the formal report and will itemize specific actions taken or planned to resolve the reported observation(s) or to ensure operational objectives are achieved.

Copies of completed audit reports will be provided to the Board of Trustees, the VP, and appropriate members of campus management.

Internal Audit will produce a follow-up report on the status of management's implementation of each observation to the VP on a quarterly basis.

AUDIT STANDARDS AND ETHICS

Internal Audit staff members shall subscribe to and rely on the Standards for the Professional Practice of Internal Auditing and Code of Ethics promulgated by the Institute of Internal Auditors, Inc. and the Government Auditing Standards by the Comptroller General of the United States. The department is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment, independence, and discretion. Members maintain a professional image and protect auditee confidences and confidential information.

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