

EXECUTIVE SUMMARY

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ACTION ITEM: The Arkansas State University System (ASU System) requests approval to revise the Internal Audit Charter.

ISSUE: The Board of Trustees must approve revisions to the Internal Audit Charter.

BACKGROUND:

- The Internal Audit function for Arkansas State University was transferred to the ASU System from the Arkansas State University-Jonesboro campus effective January 1, 2008.
- The ASU System Internal Audit mission is to “support the campuses of the ASU System in the pursuit of their mission by evaluating the adequacy of internal controls, accuracy of financial records, and compliance with standard accounting practices, government and state regulations, and University policies and procedures.”
- The Internal Audit Charter, approved by the Board on March 6, 2009, and revised September 9, 2011, requires revisions to reflect edits made to the Introduction, Purpose, Organization, Responsibility, Audit Planning, Reporting, and Audit Standards and Ethics sections.
- The revised Internal Audit Charter is attached to this resolution.

RECOMMENDATION/RESOLUTION:

Be it resolved that the Arkansas State University System revised Internal Audit Charter is approved, effective immediately.

Christy Clark, Secretary

Stacy Crawford, Chair

Arkansas State University System

Internal Audit Charter

INTRODUCTION

The Board of Trustees approves the Internal Audit Charter that establishes the Internal Audit function within the Arkansas State University System (ASU System). The 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 ASU System administrators.

PURPOSE

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

1. Assets are safeguarded and their use is properly accounted for;
2. Accurate financial and managerial controls 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 Executive Vice President (EVP) and reports to the ASU System President in coordination with a trustee appointed as a liaison for Internal Audit affairs. The EVP 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 of audit reports issued by the AVPA and to follow-up on audit issues.

AUTHORITY

The ASU System Internal Audit staff is authorized to have 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 they are 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 remain 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, ASU System President, and EVP;
- 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 ASU System President and the EVP (the ASU System President distributes the report(s) to the Board of Trustees);
- Perform investigations of suspected fraudulent activities within the ASU System and notify the EVP, General Counsel, and trustee-appointed liaison in the case of suspected unlawful activity. A report of such an investigation will be provided to the ASU System President, EVP, General Counsel, and appropriate members of campus management (the ASU System President distributes the report to the Board of Trustees); 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, procedures, and systems in place to safeguard ASU System 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 that internal audit goals and objectives, staffing plans, financial budgets, and audit activities provide adequate support of ASU System goals and objectives;
- Ensure that the audit planning process, including the risk assessment methodology, considers appropriate aspects of the ASU System's operations and executive management's concerns;
- Approve the annual audit plan and any revisions;
- 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 the internal audit annual report; and
- Support the Internal Audit function and communicate this support within the ASU System Administration.

ASU 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 ASU 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 the ASU System management and each respective campus for this purpose. Once completed, the audit plan will be submitted to the ASU System President 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.

The AVPA shall notify the ASU System President when advisory and related client service activities are requested. The nature and scope of these activities will be agreed upon with the client, and the agreement must include a release of the internal audit department from management responsibility. 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 ASU System President and the trustee-appointed liaison.

REPORTING

Internal Audit will ensure that 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 that operational objectives are achieved.

Copies of completed audit reports will be provided to the ASU System President, EVP, and appropriate members of campus management. The ASU System President distributes the report to the Board of Trustees.

Internal Audit will produce a follow-up report quarterly on the status of management's implementation of each observation to the ASU System President and EVP. The ASU System President distributes the follow-up report to the Board of Trustees.

AUDIT STANDARDS AND ETHICS

Internal Audit staff members shall subscribe to and rely on the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* promulgated by the Institute of Internal Auditors, Inc. 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.

Revised 06-04-2020