

**POLICIES**

**Issued:** ~~May 19, 2017~~

**Responsible Official:** Chief Audit Officer

**Responsible Office:** Office of Internal Audit

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**Policy Statement**

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It is the policy of Austin Peay State University that the internal audit function contributes to the improvement of the university's operations by providing objectives and relevant assurance regarding risk management, control, and governance processes to management and the Board. Management is responsible for evaluating the university's risks and establishing and maintaining adequate controls and processes. To provide relevant information, the internal audit function will consider the goals of the university, management's risk assessments and other input from management in determining its risk-based audit activities.

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**Purpose**

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The purpose of the policy is to address staffing, responsibilities of the internal audit function, audit planning and reporting on internal audit activities.

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**Procedures**

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**Internal Audit Standards**

- A. The internal audit function shall adhere to [mandatory guidance issued by](#) The Institute of Internal Auditors' (IIA) ~~International Standards for the Professional Practice of Internal Auditing and Code of Ethics (T.C.A. § 4-3-304(9)).~~

~~The Institute of Internal Auditors, International Professional Practices Framework (IPPF), incorporates the mandatory guidance of the definition of internal auditing, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, Core Principles for the Professional Practice of Internal Auditing and Code of Ethics into one document.~~ It includes the following ~~definition of internal auditing:~~ internal audit purpose statement:

1. Internal Auditing strengthens the organization's ability to create, protect and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight. ~~is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IPPF 2013).~~

B. To assure compliance with the IIA mandatory guidance Standards, the internal audit function must implement and maintain a quality assurance and improvement program that incorporates both internal and external review activities.

1. Internal reviews include both ongoing and periodic review activities.
2. External reviews must be performed at least every five years by a qualified, independent reviewer.
3. Results of quality assurance reviews will be communicated to the Board of Trustees Audit Committee and management.

#### **Internal Audit Personnel**

A. APSU shall employ at least two individuals with full-time responsibility as internal auditors. Additional internal audit staff shall depend upon the size and structure of the university.

B. Titles of internal audit staff shall be consistent within the overall university structure.

C. Internal Audit Staff

1. Internal audit staff must possess the professional credentials, knowledge, skills, and other competencies to perform their individual responsibilities and collectively

must possess or obtain knowledge, skills, and other competencies needed to perform its responsibilities.

2. The Chief Audit Officer must be licensed as a Certified Public Accountant or a Certified Internal Auditor, maintain an active license and annually complete sufficient, relevant continuing professional education to satisfy the requirements for the professional certification held.
3. Audit staff should annually complete sufficient, relevant continuing professional education to satisfy the requirements for their related professional certifications or, at a minimum, eighty hours of relevant continuing professional education every two years.
4. The Chief Audit Officer should communicate concerns to management and the Board regarding the lack of sufficient resources to complete the objectives of an engagement or the audit plan.
5. Such resources may include the need for additional personnel or personnel with specialized knowledge, such as those with knowledge of fraud, information technology or other technical areas.

#### D. Appointments

1. The appointment of the Chief Audit Officer as recommended by the President is subject to approval by the Audit Committee of the Board of Trustees.

#### E. Compensation

1. Compensation of the internal auditors is subject to approval by the Audit Committee of the Board.

#### F. Termination or Change of Status

1. The termination or change of status of Chief Audit Officer requires the prior approval of the President and the Audit Committee of the Board of Trustees.

### **Internal Audit Role and Scope**

#### A. Reporting Structure

1. The Chief Audit Officer reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes. This reporting structure assures the independence of the internal audit function.

- B. The internal audit function will maintain a manual to guide the internal audit activity in a consistent and professional manner.

- C. The internal auditors' responsibilities include:
1. Working with management to assess university's risks and developing an audit plan that considers the results of the risk assessment.
  2. Evaluating university controls to determine their effectiveness and efficiency.
  3. Coordinating work with external auditors, program reviewers, and consultants.
  4. Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
  5. Testing the timeliness, reliability, and usefulness of institutional records and reports.
  6. Recommending improvements to controls, operations, and risk mitigation resolutions.
  7. Assisting the university with its strategic planning process to include a complete cycle of review of goals and values.
  8. Evaluating program performance.
  9. Performing consulting services and special requests as directed by the Board of Trustees Audit Committee or the President.
- D. The scope of internal auditing extends to all aspects of university operations and beyond fiscal boundaries. The internal audit staff shall have access to all records, personnel, and physical properties relative to the performance of duties and responsibilities.
- E. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.
- F. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.
- G. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the university's objectives. Auditors continually evaluate the risk management, internal control, and governance processes. To facilitate these responsibilities, Internal Audit will receive notices or copies of external audit reviews,

program reviews, fiscally related consulting reports, cash shortages, physical property losses, and employee misconduct.

### **Audit Plans and Activity Reports**

- A. Internal Audit shall develop an annual audit plan using an approved risk assessment methodology.
- B. At the beginning of each fiscal year, after consultation with the President, the Board of Trustees Audit Committee and other university management, Internal Audit will prepare an annual audit plan. The audit plan must be flexible to respond to immediate issues and will be revised for such changes during the year.
- C. Audit plans and any significant revisions will be approved by the Board of Trustees Audit Committee.
- D. At the end of each fiscal year, Internal Audit will prepare an annual activity report of all significant audit services performed.
- E. Annual activity reports and approved audit plans will be provided to the Comptroller's Office, Division of State Audit.

### **Audit Engagements**

- A. Audit engagements will be planned to provide relevant results to management and the Board of Trustees Audit Committee regarding the effectiveness and efficiency of processes and controls over operations. To ensure management's expectations are met, auditors will communicate with management regarding the objectives and scope of the engagement.
- B. In planning and during the engagement, auditors should consider and be alert to risks that affect the university's goals and objectives, operations and resources. Auditors should consider risks based on the operations under review, which include but are not limited to the risk of financial misstatements, noncompliance, and fraud.
- C. An audit work program will be designed to achieve the objectives of the engagement and will include the steps necessary to identify, analyze, evaluate, and document the information gathered and the conclusions reached during the engagement.

D. Working papers that are created, obtained, or compiled by an internal audit staff are confidential and are not an open record (T.C.A. § 4-3-304(9)).

### **Communicating Audit Results**

A. A written report that documents the objectives, scope, conclusions, and recommendations of the audit will be prepared for audit engagements providing assurance to the Board and management. Management will include corrective action for each reported finding.

B. Internal Audit will perform audits to follow-up on findings or recommendations included in internal audit reports, investigation reports, and State Audit reports. A written report will be prepared and for any findings that have not been corrected, management will be asked to include a revised corrective action plan. The President, along with the Board of Trustees Audit Committee, will be notified at the conclusion of a follow-up audit if management has not corrected the reported finding or implemented the recommendation.

C. A written report that documents the objectives, scope, conclusions, and recommendations will be prepared for investigations resulting from allegations or identification of fraud, waste or abuse. As appropriate in the circumstances, management will include corrective action for each reported finding. In a case where allegations are not substantiated by the review and there are no other operational concerns to report to management regarding the review, the case may be closed by writing a memo to the working paper file documenting the reasons for closing the case.

D. Reports on special studies, consulting services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.

E. All internal audit reports will be signed by the Chief Audit Officer and transmitted directly to the President in a timely manner.

F. The Chief Audit Officer will present significant results of internal audit reports to the Board of Trustees Audit Committee quarterly.

G. The Chief Audit Officer will provide a copy of each report to the Comptroller's Office, Division of State Audit.

**Revision Dates**

[APSU Policy 1:015 \(previously 4:001\) – Rev.:](#)

APSU Policy 1:015 (previously 4:001) – Rev.: May 19, 2017

APSU Policy 1:015 – Rev.: March 28, 2017

APSU Policy 1:015 – Rev.: September 14, 2015

APSU Policy 1:015 – Rev.: October 21, 2011

APSU Policy 1:015 – Issued: October 7, 2002

**Subject Areas:**

Academic	Finance	General	Human Resources	Information Technology	Student Affairs
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**Approved**

President: signature on file