



Policy & Procedures Manual

Office of Internal Audit

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Introduction

The purpose of this manual is to outline the authority and scope of the internal audit function within Northwestern State University (NSU or University) and to provide standards, guidelines, and procedures for the Internal Audit Office. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of the members comprising the Internal Audit Office. The overall objective of the internal audit activity is to provide all levels of University management and the Board of Supervisors of the University of Louisiana System (Board) with an independent assessment of the quality of the University’s internal controls and administrative processes and provide recommendations and suggestions for continuous improvement. This manual provides guidance; however, individual auditor’s judgment is required in applying this information to specific assignments.

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Purpose, Authority, and Responsibility

Standard: 1000

Definition of Internal Auditing: Internal auditing 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.

Mission of Internal Audit: The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Core Principles for the Professional Practice of Internal Auditing: The following Core Principles, taken as a whole, articulate the internal audit activity's effectiveness in achieving its mission. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization.

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organization
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement

Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) which became effective on August 1, 2015, provides that any board with an appropriation in the general appropriation bill of thirty million dollars or more shall establish an internal audit function and shall establish an office of the Chief Audit Executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The purpose, authority, and responsibility of the internal auditing function are defined in formal written charters (University of Louisiana System-Internal Audit Charter & Northwestern State University-Internal Audit Activity Charter). The University's original and revised charters were approved by the University President and the Board of Supervisors of the University of Louisiana System. The system charter was approved by the Board. The charters (1) establish internal audit's position within the system and University; (2) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (3) define the scope of internal auditing activities. As provided in the audit charters, the Internal Audit Office has full, free, and unrestricted access to all activities, records, property, and personnel of the University.

University of Louisiana System – Internal Audit Charter

Introduction

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity for the University of Louisiana System (System). The charter establishes the internal audit activity's position within the System and the Universities within the System; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The University of Louisiana System supports a System Director of Internal Audit (Chief Audit Executive) as a staff function and as a coordinator of a System-wide, independent appraisal function to examine and evaluate the business and administrative activities of the System's universities. The System supports this staff function as a service to System executive management and the Board of Supervisors (Board). The System Director reports functionally to the Board of Supervisors and administratively to the System President. In carrying out his/her duties and responsibilities, the System Director will have full, free, and unrestricted access to all activities, records, property, and personnel within the entire System.

The coordination of the System's internal auditing function is the responsibility of the System Director. The Board, on recommendation from the System President, appoints the System Director. The internal auditing function consists of the Campus Offices of Internal Audit, whose Directors (Chief Audit Executives) report to their respective Presidents and to the Board through the System Director. The System Director will prepare, for approval by the System President, a consolidated System-wide audit plan. Such plan will incorporate each campus' proposed audit plan, each of which shall include input from the President and CFOs as to areas of audit concern and areas subject to increased risk. The proposed individual plans will identify the audits to be conducted at each campus during the year. The System-wide audit plan will identify areas of audit concern on a campus-by-campus basis, as well as a System-wide approach. The final plan shall be reviewed and, if necessary, revised by the Finance Committee and then approved by the Board at an open meeting.

Purpose and Mission

The purpose of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the System and the Universities within the System. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the System and the Universities within the System accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the System and the Universities within the System.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The System Director will report periodically to the System President and the Board of Supervisors for the University of Louisiana System regarding the internal audit activity's

conformance to the Code of Ethics and the Standards. Also, the Campus Directors will report periodically to their University Presidents and, through the System Director, to the Board of Supervisors for the University of Louisiana System regarding the Campus internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The System or University's internal audit activity is established by the Board. The internal audit activity's responsibilities are defined by the Board as part of their oversight role. To establish, maintain, and assure that the internal audit activities of the System and the Universities within the System have sufficient authority to fulfill their duties, the Board of Supervisors will:

- Approve the internal audit activity's charter.
- Approve the risk based internal audit plan.
- Approve the internal audit activity's budget and resource plan.
- Receive communications from the Directors of Internal Audit on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Directors of Internal Audit.
- Approve the remuneration of the Directors of Internal Audit.
- Make appropriate inquiries of management and the Directors of Internal Audit to determine whether there is inappropriate scope or resource limitations.

Internal Audit will have unrestricted access to and communicate and interact directly with the System Director, the Finance Committee of the Board of Supervisors, and the Board of Supervisors, including in private meetings without management present.

The Board of Supervisors authorizes the internal audit activity 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.
- Audit or review any function, activity, or unit of the System or Universities within the System and the accounts of all organizations required to submit financial statements to the Universities.
- Have direct and unrestricted access and present to the System President or University President any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel of the System or University where they perform audits, as well as other specialized services from within or outside the System or University, in order to complete the engagement.

Independence and Objectivity

The System Director and the Campus Directors will ensure that the internal audit activity 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 System or Campus Directors 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, the Universities within the System or affiliated organizations.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any System or University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, campus internal audit personnel will report to the Campus Directors of Internal Audit, who reports functionally to the Board of Supervisors through the System Director of Internal Audit and administratively to the President of their University.

Where the System or Campus Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the System Director will confirm to the System President and the Board of Supervisors for the University of Louisiana System the organizational independence of the internal audit activity. Also, the Campus Directors will confirm to the University Presidents and, through the System Director, to the Board of Supervisors for the University of Louisiana System, the organizational independence of the internal audit activity. The System and Campus Directors will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

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 Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of the System and the Universities within the System. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the strategic objectives of the System and the

Universities within the System are appropriately identified and managed.

- The actions of the officers, directors, employees, and contractors of the System and the Universities within the System are in compliance with applicable policies, procedures, 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 or the Universities within 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 System Director and the Campus Directors will report periodically to senior management and the Board regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The System Director and the Campus Directors also coordinates activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The System or Campus Director has the responsibility to:

- Annually develop and submit to senior management and the Board a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.

- Communicate to senior management and the Board the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls of the System and the Universities within the System.
- Communicate to senior management and the Board any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that Internal Audit staff collectively possess or obtain the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the System Director and the Campus Directors assure the operations of the internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the System, or the Universities within the System are considered and communicated to senior management and the Board as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the System or the Universities within the System and notify management and the Finance Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to relevant policies and procedures of the System and the Universities within the System, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board.
- Submit written and timely reports to appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations

and/or recommendations for correction or improvement.

- Ensure that Campus auditors forward a copy of each internal audit report and a summary to the System Director.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the System or Campus Director will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the System or Campus Director will ensure that the internal audit department conforms with the Standards, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

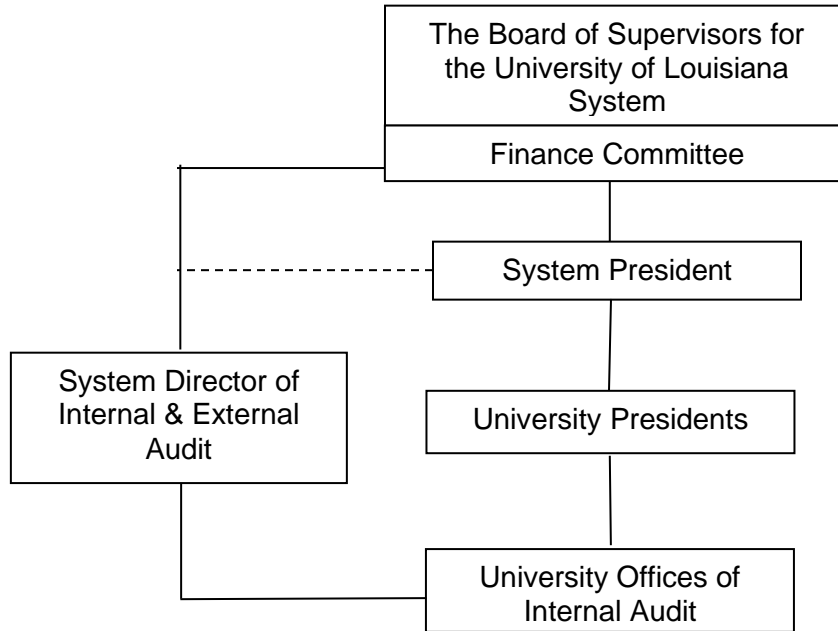
Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) became effective on August 1, 2015. Therefore, an external assessment will be required to be completed by July 31, 2020, which is five years of the effective date of Act 314 of 2015. The System or Campus Director will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

Meetings

Prior to each Finance Committee meeting, the System Director will provide the Committee members with information relating to the status of audit activities. Such information should include, but not be limited to, audit reports, audit follow-up and the implementation of recommendations, management services, external audits, and other relevant information. In addition, annual audit plans, staffing plans, financial and budget reports, and other appropriate information will be provided and reviewed as necessary.

Organizational Chart - THE BOS UL SYSTEM - INTERNAL AUDITING FUNCTION



Note: Each campus Director of Internal Audit reports functionally to the Board of Supervisors through the System Director of Audits and administratively to their respective President. Prior to each Finance Committee meeting the System Director of Audits provides a report of the status of audit activities.

Northwestern State University – Internal Audit Activity Charter

This charter sets forth the purpose, mission, objectives, authority, and responsibility of the internal audit activity at the Northwestern State University. The charter establishes the internal audit activity's position within the University; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Purpose and Mission

The purpose of the University's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The internal audit activity is guided by a value-driven philosophy of partnering with other Department units to continuously improve the operations of the University.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the *Mandatory Guidance* of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards. The Director of Internal Audit (Chief Audit Executive) will report periodically to the University President and, through the System Director of Internal & External Audit, to the Board of Supervisors of the University of Louisiana System (Board) regarding the internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The University's internal audit activity is established by the Board. The internal audit activity's responsibilities are defined by the Board as part of their oversight role. The Director of Internal Audit will report administratively (i.e., day-to-day operations) to the President of the University and functionally to the Board, through the System Director of Internal & External Audit and the Finance Committee. To establish, maintain, and assure that University's internal audit activity has sufficient authority to fulfill its duties, the Board of Supervisors will:

- Approve the internal audit activity's charter.
- Approve the risk based internal audit plan.
- Approve the internal audit activity's budget and resource plan.
- Receive communications from the Director of Internal Audit on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit.
- Approve the remuneration of the Director of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director of Internal Audit will have unrestricted access to and communicate and interact directly with the System Director of Internal & External Audit, the Finance Committee of the Board of Supervisors, and the Board of Supervisors, including in private meetings without management present.

The Board of Supervisors authorizes the internal audit activity 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.
- Audit or review any function, activity, or unit of the University and the accounts of all organizations required to submit financial statements to the University.
- Have direct and unrestricted access and present to the President of the University any matter considered to be of sufficient importance to warrant attention or that has been brought to the internal audit activity for review.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel of the University where they perform audits, as well as other specialized services from within or outside the University, in order to complete the engagement.

Independence and Objectivity

The Director of Internal Audit will ensure that the internal audit activity 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 Director of Internal Audit 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 University or its affiliates.
- Initiating or approving transactions external to the Office of Internal Audit.
- Directing the activities of any University employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

To provide for the independence of the internal audit activity, its personnel will report to the University's Director of Internal Audit, who reports functionally to the Board of Supervisors through the System Director of Internal & External Audit and administratively to the President of the University. The University President has authority to handle all personnel matters regarding Internal Audit. Therefore, internal audits and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.

- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

At least annually, the Director of Internal Audit will confirm to the University President and, through the System Director of Internal & External Audit, the Board of Supervisors of the University of Louisiana System the organizational independence of the internal audit activity. The Director of Internal Audit will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

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 Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The actions of the University's officers, directors, employees, and contractors are in compliance with the University'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 University.
- 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 Director of Internal Audit will report periodically to senior management and the Board regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive has the responsibility to:

- Annually develop and submit to senior management and the Board a risk-based internal audit plan for review and approval. The flexible annual audit plan (summary of the audit work schedule, staffing plan, and time budget) will be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.
- Communicate to senior management and the Board the impact of resource limitations on the internal audit plan.
- Review and adjust the annual internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant interim changes from the approved internal audit plan will be communicated to senior management and the Board through periodic activity reports.
- Communicate to senior management and the Board any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Establish a Quality Assurance and Improvement Program by which the Director assures the operations of internal auditing activities are acceptable.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives.
- Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the Board as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the University and notify management and the finance committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit Office.
- Ensure adherence to the University's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board.

- Submit written and timely reports to the President of the University and appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement.
- Forward a copy of each internal audit report and a summary to the System’s Director of Internal & External Audit.
- Ensure conformance of the internal audit Office with the Standards, with the following qualifications:
 - If the internal audit Office is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies (e.g., AICPA, GAO, etc.) the Chief Audit Executive will ensure that the internal audit Office conforms with the Standards, even if the internal audit Office also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The internal audit activity will maintain a Quality Assurance and Improvement Program (program) that covers all aspects of the internal audit activity. The program is detailed in the Audit Manual of the NSU Office of Internal Audit. The program will include an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The program will include both internal and external assessments. The internal assessments will include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. The IIA Standards provide that external assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) became effective on August 1, 2015. Therefore, an external assessment will be required to be completed by July 31, 2020, which is five years of the effective date of Act 314 of 2015. The Director of Internal Audit will communicate to senior management and the Board on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments.

Charter reviewed updated and approved 7/27/19 and included in hardcopy manual.

Independence and Objectivity Standard: 1100

Organizational Independence and Direct Interaction with the board

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

The Internal Audit Office is independent of the activities audited. The organization independence of the University's internal audit activity is achieved through a dual-reporting relationship established in the University's Charter. The University's Director of Internal Audit reports functionally to the Board of Supervisors through the System Director of Internal & External Audit and administratively to the President of the University. The System Director of Internal & External Audit reports functionally to the Board of Supervisors and administratively to the System President. The System Director of Internal & External Audit has direct communication with the board. The System Director regularly attends and participates in those meetings of the board which relate to its oversight responsibilities for auditing and finance. The System Director regularly makes written and/or oral reports to the board.

The NSU Director of Internal Audit has unrestricted access to the President of the University and to the System Director of Internal & External Audit. NSU Director of Internal Audit attends monthly meetings with the President and communicates with the President and Director of Internal & External Audit on a regular basis. Meetings may be called by any of the parties.

The University President and the Board approve the internal audit charter, the risk-based internal audit plan, the internal audit budget and resource plan, and receive communications from the Director of Internal Audit on the internal audit activity's performance relative to its plan and other matters. The President of the University employs the University's Director of Internal Audit and determines his/her remuneration. The employment of the Director and the amount of his/her salary must be approved by the Board.

All internal audit reports and executive summaries are submitted to the University President and the System Director of Internal & External Audit. The System Director routinely submits status reports to the Finance Committee, System President, and University President.

At least annually, the University's Director of Internal Audit will confirm to the University President and, through the System Director of Internal & External Audit, the Board of Supervisors of the University of Louisiana System the organizational independence of the internal audit activity. The Internal Audit Office has full, free, and unrestricted access to all activities, records, property, and personnel of the University. The Office is free from interference in determining the scope of internal auditing, performing work, and communicating results.

The CAE will also disclose to those parties any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Chief Audit Executive Roles Beyond Internal Auditing

The Director of Internal Audit may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. If

the Department of Internal Audit is asked to take on roles and responsibilities which fall outside of internal auditing, safeguards will be placed in operation to limit impairments to independence or objectivity.

If senior management directs the Internal Audit Office to perform non-audit related work, the Internal Audit Director will inform management that the activity is not audit related, the employee is not functioning as an internal auditor; and, therefore, audit-related conclusions should not be drawn.

Management Control Policy

Northwestern State University
MANAGEMENT CONTROL POLICY

Management

Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of Northwestern State University in a manner which provides the Board of Supervisors reasonable assurance that:

- The University's plans, programs, goals and objectives are achieved.
- Data and information provided and/or published (internally and/or externally) is accurate, reliable, and timely.
- The actions of executive management, deans, directors, faculty, staff and other employees are in compliance with the University's policies, standards, plans and procedures, and all relevant laws and regulations.
- The University's resources (including its people, systems, data/information bases, and assets) are adequately protected.
- Financial resources are used economically and effectively, with quality business processes and continuous improvement emphasized.

Controlling is a function of management, and is an integral part of the overall process for managing operations. As such, it is the responsibility of managers at all levels of the University to:


- Identify and evaluate the exposures to loss which relate to their particular areas of operation.
- Specify and establish policies, procedures, plans, operating standards, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.
- Establish practical controlling processes that require and encourage executive management, deans, directors, faculty, staff and other employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined above.
- Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to the processes.

Internal Audit Activity

The internal audit activity is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the University are adequately designed and are functioning in an effective manner. Internal auditing is also responsible for reporting to management and the audit committee of the board of directors on the adequacy and effectiveness of the University's systems of internal control, together with ideas, counsel, and recommendations to improve the systems.

Audit Committee (University of Louisiana System)

The audit committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of the internal audit activity, management, and the external auditors as related to the University's processes for controlling its operations. The audit committee is also responsible for determining that all major issues reported by the internal audit activity, the external auditor, and other outside advisors have been satisfactorily resolved. Finally, the audit committee is responsible for reporting to the full board all important matters pertaining to the University's controlling processes.

Approved:  Date: 10-26-17
Northwestern State University - President

Individual Objectivity

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Members of the internal audit Office are required to be objective and maintain an independent mental attitude in performing assignments. They must have an impartial, unbiased attitude and avoid conflicts of interest. Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her

duties and responsibilities objectively. Staff of the internal audit activity shall be objective and maintain an independent mental attitude in performing engagements.

Members of the NSU Internal Audit Office are required to refrain from assessing specific operations for which they were previously responsible. Providing assurance services for an activity for which the members of the Internal Audit Office had responsibility within the previous year is not allowed. Assurance engagements for functions over which the Director of Internal Audit has responsibility will be overseen by a party outside the internal audit activity. The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement. Internal audit personnel may provide consulting services relating to operations for which they had previous responsibilities. If internal audit personnel have potential impairments relating to proposed consulting services, disclosure will be made to appropriate personnel prior to acceptance of the project.

As detailed in the audit charter, internal auditors do not assume operating responsibilities. In performing their work, the Director of internal audit have no direct authority over, nor responsibility for, any of the activities reviewed. The Internal auditor will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them. The drafting of procedures for systems is not an audit function. The Director of Internal Audit reviews the results of internal auditing work before the related audit report is released to provide reasonable assurance that the work was performed objectively.

Impairment to Independence or Objectivity

Internal audit personnel complete a conflict of interest statement during the planning stage of each engagement concerning potential conflicts of interest. Internal Auditor has been instructed to report to the System Director of Internal & External Audit any situations in which a conflict of interest or bias is present or may reasonably be inferred. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. Independence is addressed in the audit planning memoranda of individual audits to remind internal auditor of the importance of maintaining an independent mental attitude when conducting audits.

Conflict of Interest and Ethics Compliance Statement

It is essential internal auditors be objective and impartial to maintain confidence in the integrity of the Northwestern State University. Please answer all of the following questions and provide detailed explanations to any “No” answers in the “comments” section at the bottom.

- | | | |
|---|-----|----|
| 1. I have read, understand, and comply with the Code of Ethics of the State of Louisiana and the Code of Ethics as defined by the Institute of Internal Auditors | Yes | No |
| 2. I possess the knowledge, skills, and other competencies required to perform the engagement. | Yes | No |
| 3. I practice due professional care in performance of my assigned duties | Yes | No |
| 4. I am free from personal or external impairments of independence in relations to the activity under review. | Yes | No |
| 5. I maintain confidentiality of all personnel, student, audit and other applicable information | Yes | No |
| 6. I did not have any previous authority or responsibility for the entity or program within the past year that would affect current operations of the entity being audited? | Yes | No |
| 7. I enhance my knowledge, skills, and other competencies through continuing professional development. | Yes | No |

COMMENTS

My signature below indicates that all answers are true and correct to the best of my knowledge, information, and belief.

Signature

Date

CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

Issued: January 2009 - Code of Ethics

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Proficiency and Due Professional Care Standard: 1200

Every internal auditor is responsible for performing engagements with proficiency and due professional care. This begins with an understanding of the Mandatory Guidance of the International Professional Practices Framework (IPPF), including the IIA's Code of Ethics. Both are discussed in depth throughout the relevant sections of this manual.

Proficiency

The Chief Audit Executive ensures that persons assigned to each engagement collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly and each auditor possesses the knowledge, skills, and other competencies needed to perform his/her individual responsibilities. Criteria of education and experience has been established for the audit position, giving due consideration to scope of work and level of responsibility. Education and experience criteria are included in employee's job description. Through the use of school transcripts, position descriptions, job announcements, and personal interviews the Internal Audit Office obtains reasonable assurance of prospective auditor's qualifications and proficiency.

The internal audit staff is expected to have sufficient knowledge to identify the indicators of fraud; however, is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

The internal audit staff is expected to have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform assigned work. However, the auditor is not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

The Chief Audit Executive must obtain competent advice and assistance if he/she lacks the knowledge, skills, or other competencies needed to perform all or part of an engagement. For consulting engagements, the Chief Audit Executive must decline the engagement or obtain competent advice and assistance if the internal auditor lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

If the Chief Audit Executive decides to use and rely on the work of an outside consultant or service provider, the director will assess the competency, independence, and objectivity of the outside service provider.

Fraud

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the University, and by persons outside as well as inside the University.

The preliminary survey portion of each audit in part is designed to assess the control environment and the inherent potential for fraud or other operating problems. Audit risk analysis and audit selection is based, in part, on the degree of change and "pressure" in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety.

All auditors should remain aware of the potential for fraud in all the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in

the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas.

Theft of State Property

Louisiana Revised Statute 24:523 states that, “An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. “Reasonable cause” shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency funds or assets has occurred. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation. When misappropriation is discovered and reported, the attorney general, at the request of the legislative auditor, shall be authorized to recover misappropriated funds from the responsible party by civil suit. Upon a finding of misappropriation, the attorney general shall also seek restitution from the responsible party of those costs incurred by the legislative auditor to audit, investigate, or report an allegation of misappropriation, and all costs and reasonable attorney fees incurred by the attorney general in the civil suit shall be recoverable from the responsible party. For the purposes of this Section the terms “agency head” and “his agency” shall have the same meanings as provided in R.S. 42:1102. For the purposes of this Section, “responsible party” means the person or entity actually responsible for the reported misappropriation.”

To ensure compliance with this statute, all reports that evidence theft, damage, embezzlement, vandalism, or misuse of State property will be promptly reported to the District Attorney, the Office of Louisiana Legislative Auditor, and the Director of Internal & External Audit at the University of Louisiana System by an Act 1101 of the 2001 Legislative Session letter sent from the Office of the President. A copy of the police report and Act 1101 letter received by the Office of Internal Audit will be retained.

Any agency or entity as defined in La. R.S. 24:513 that receives state or local government funds should use the “Online Fraud Report Form” to report known or suspected losses of public funds or other illegal activity to the Legislative Auditor’s Office.

Contact information of the University’s Director of Internal Audit and Louisiana Legislative Auditor Fraud Hotline is posted on the University’s Internal Audit website. <https://internalaudit.nsula.edu/>. The Office of Internal Audit will investigate any received allegations of fraud, if deemed substantive.

Upon completion of the investigation, observations will be presented in the form of a formal written report to the appropriate parties. If misappropriations are identified, the observations will be reported to the District Attorney and the Legislative Auditor in accordance with LRS 24:523.

Due Professional Care

Members of the Internal Audit Office are required to exercise due professional care in performing assurance services. The auditor is expected to use reasonable audit skill and judgment in performing the audits and consider the following:

- Extent of audit work needed to achieve the audit objectives.
- Relative materiality or significance of matters to which audit procedures are applied.
- Adequacy and effectiveness of risk management, control, and governance processes.
- Audit cost relative to potential benefits.
- Probability of significant errors, irregularities, or noncompliance.
- The use of computer-assisted audit tools and other data analysis techniques.

The auditor is expected to exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

The internal audit staff is required to be alert to the possibility of errors and/or fraud and the significant risks that might affect operations. However, assurance procedures alone do not guarantee that all significant risks will be identified. The internal audit office documents their assessment of at-risk areas in the planning memo/preliminary survey and the audit program.

Continuing Professional Education

The NSU Director of Internal Audit is responsible for continuing their education in order to maintain their professional proficiency and professional licenses. Continuing education is obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs. Audit staff are allowed time to take continuing educational courses sufficient to maintain professional certifications. Auditors are allowed a reasonable amount of work time to participate in professional organizations. Through membership in organizations such as the American Institute of Certified Public Accountants, Society of Louisiana CPAs, Institute of Internal Auditors, Louisiana Association of College and University Auditors (LACUA) and Association of College and University Auditors (ACUA), auditors keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Subject to budgetary constraints, the internal audit office pays for the reasonable costs of training. The internal auditor is responsible for maintaining documentation of his/her continuing education.

The Director of Internal Audit is encouraged to obtain professional certification, such as:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)

**Director of Internal Audit - Job Description
Northwestern State University**

Job Title	Director of Internal Audit
College/School/Office/Office	Office of Internal Audit
Reports to	Administratively - President of the University Functionally - ULS Board through the Board's Director of Internal & External Audits
Months Employed	12 Months

Job purpose

The purpose of the position of Director of Internal Audit is to provide University management and the ULS Board with the following: (1) An independent assessment of the quality of the University's internal controls and administrative processes and recommendations and suggestions for continuous improvement; (2) Independent and objective assurance and consulting services designed to add value and improve the University's operations, (3) A systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes and help the University accomplish its objectives, (4) A value-driven philosophy of partnering with other Department units to continuously improve the operations of the University.

Duties and responsibilities

The Office of Internal Audit is within the Division of the President. The Director reports administratively to the President of the University and functionally to the Board of Supervisors of the University of Louisiana System through the Board's Director of Internal & External Audits. Within the restraints of time and staff, the Director of Internal Audit is responsible for:

- Establishing policies for the audit activity and directing technical and administrative functions.
- Developing and executing an annual plan to include planning and performance of financial audits, compliance audits, fraud audits, and special projects within the University.
- Examining the effectiveness of all levels of management, under guidance of the President in his stewardship of University resources and in compliance with established policies and procedures.
- Recommending improvements in the internal control environment design to safeguard University resources, promote University growth, and ensure compliance with government laws and regulations.
- Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under audit review.
- Authorizing the publication of reports on the results of audit examinations, including recommendations for improvement.
- Appraising the adequacy of the action taken by operating management under the guidance of the President to correct reported deficient conditions; accepting adequate corrective action; continuing reviews with appropriate management personnel on action he considers

inadequate until there has been a satisfactory resolution of the matter.

- Identifying those activities subject to audit coverage, evaluating their significance, and assessing the degree of risk inherent in the activity in terms of cost, schedule, and quality.
- Establishing the Department structure.
- Obtaining, training, and maintaining an audit staff capable of accomplishing the internal audit function.
- Assigning audit areas, staff, and budget to auditors.
- Planning, supervising, directing, and delegating the work of audit staff.
- Developing a system of schedule control over audit projects.
- Establishing and monitoring accomplishment of objectives directed toward increasing his or her Office's ability to serve management.
- Planning and controlling the internal audit budget.

Qualifications/Requirements

The following is required:

- A bachelor's degree in accounting.
- A CPA or CIA certification or candidate must obtain either certification within 2 years of original employment date.
- At least five years of experience as an auditor or in accounting.
- Working knowledge of Generally Accepted Accounting Principles and Generally Accepted Auditing Standards.
- Ability to communicate effectively with professional educators, regulatory authorities, and other university professional level staff.
- Working knowledge of Microsoft Office products, including Excel and Word.

The following are preferred:

- An advanced degree.
- Knowledge of Generally Accepted Governmental Auditing Standards.
- Experience with SunGard Banner.
- University auditing experience.

Working conditions

The Director works in the Office of Internal Audit suite located in Caspari Hall.

Physical requirements

Physical requirements are limited.

Direct reports

There are no direct reports in the Office of Internal Audit as this is has been since inception, a one-person audit shop.

Quality Assurance and Improvement Program Standard: 1300

The NSU Director of Internal Audit has developed and maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The program is designed to help the internal auditing activity add value, improve the University's operations, assess the efficiency and effectiveness of the internal audit activity in meeting the needs of its stakeholders, identify opportunities for improvement, and enable an evaluation of the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). The program includes ongoing monitoring of the performance of the internal audit activity and periodic internal self-assessments. Selected sections of the checklists contained in Appendices of the Institute of Internal Auditors' Quality Assessment Manual or similar checklists are tailored and used to assist with ongoing monitoring and periodic internal self-assessments.

Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351) became effective on August 1, 2015. As required by the IIA Standards, an external assessment of NSU's internal audit activity must be completed by a qualified, independent assessor or assessment team from outside the organization by July 31, 2020, which is five years of the effective date of the Act. External assessments will be required to be conducted at least once every five years thereafter.

The CAE will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of internal assessments (ongoing monitoring and periodic internal assessments) and external assessments. The program will be reviewed and revised, if needed, to ensure continued compliance.

Ongoing Monitoring

Ongoing internal assessment or monitoring is conducted throughout the fiscal year via the implementation of routine policies and work practices. Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. It included oversight by the System Director of Internal & External Audit and incorporated into the routine policies and practices used to manage the internal audit activity. It used processes, tools considered necessary to evaluate conformance with the Code of Ethics and Standards. It is achieved primarily through continuous activities such as engagement planning and supervision, standardized work practices, workpaper procedures and signoffs, report reviews, as well as identification of any weaknesses or areas in need of improvement and action plans to address them. The Director of Internal Audit does the following:

- Ensures that he/she possess the requisite knowledge and skills and have no conflicts of interest. For each engagement, this is documented in the planning document and Conflict of Interest Certification, which is signed by the auditor.
- Establishes or approves the objectives and scope of the engagement.
- Prepares or approves the planning document and the audit/engagement program for each engagement.
- Provides daily supervision of staff, if applicable which would include providing instructions and feedback during the planning, evidence gathering, and reporting stages of each audit. Performing detailed reviews of the working papers completed by staff. Initials and dates the working papers indicating the date reviewed. Prepares review, supervision, and to do notes as considered necessary and includes them in the audit files. These procedures would be performed of staff to ensure the audit procedures are performed in compliance with the applicable IIA Standards and to verify the working papers adequately support the audit

findings, conclusions, and report.

- Ensures that the approved audit/engagement program is properly carried out and the audit objectives are met.
- Ensures the audit reports are accurate, objective, clear, concise, constructive, and timely and are cross referenced to the supporting working papers.
- Monitors reasonableness of the time charged to the audit project. Generally, the time budget is included in the audit planning document.
- Provides opportunities for developing the knowledge and skills of internal audit staff if applicable.
- Ensures that, upon completion of individual engagements, questionnaires/surveys are sent to auditee personnel to obtain feedback regarding the internal audit activity's performance. These self-assessments can sometimes result in suggestions to make the Internal Audit Office more effective and responsive to management's needs.
- Analyzes performance to improve the internal audit activity's effectiveness and efficiency. The following tools are used to analyze performance to improve the internal audit activity's effectiveness and efficiency.
 - Formal performance evaluations are conducted of office personnel annually, in accordance with the policies and procedures for the unclassified staff, which are posted on the HR website of the University and can be located at the following link: <https://www.nsula.edu/hr/>.
- At each meeting of the Leadership Team, the NSU Director of Internal Audit presents a schedule of audits completed, audits in progress, and audits pending follow-up.
- At the end of each audit, the NSU Director of Internal Audit submits each audit report.
- Prior to each meeting of the UL System Board of Supervisors, the NSU Director of Internal Audit submits a schedule of audits completed, audits in progress, and audits pending follow-up to the UL System Director of Internal & External Audits. The UL System Director combines NSU's schedule with the schedules of all the other UL System Universities and presents the combined summary to the Board of Supervisors.

Periodic Internal Self-Assessments

Periodically (at least annually), the Office conducts self-assessments to evaluate the internal audit activity's conformance with the mandatory elements of the International Professional Practices Framework (IPPF). During the self-assessments, audit files are reviewed and assessed. The IIA does not specify how many audits should be reviewed but suggest a minimum of between 10-20 percent. We have determined that our assessment of audit files will be conducted every other fiscal year beginning with fiscal year 2019. The audits assessed will be chosen by random selection from audits completed in the previous two-year period. At the end of the 5-year period we will have assessed 10-20 percent of our completed audits.

Internal Audit performance metrics and best practices may be considered during the assessments; however, the self-assessments are geared toward verifying compliance with the mandatory elements of the IPPF. Some of the best practices that may be considered include;

- Chief Audit Executive's attendance and participation in Leadership Team meetings
- requests for input from management on the annual audit plan
- use of an internal auditing web site to educate clients
- Board approval of the internal audit activity's charter
- Board approval of the internal audit plan
- summary reports to the System Director of Internal & External Audit after each audit
- established employee annual performance targets

- having audit staff with suitable education, experience and applicable certifications
- continuing professional development of employees
- electronic distribution and archiving of reports
- use of a standardized working paper system
- use of engagement final review checklist

Due to the small number of personnel in the NSU Internal Audit Office, limited resources, and turnover in personnel, the internal self-assessment program has been adapted to take into consideration the structure of the office and degree of involvement of the Director in individual audits.

External Assessments

External Assessments are conducted to determine whether the internal audit activity conforms with the Code of Ethics and the Standards. Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351), which became effective on August 1, 2015, requires the following:

- Any board with an appropriation of \$30 million or more must establish an internal audit function and shall establish an office of the Chief Audit Executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.
- The Chief Audit Executive shall maintain organizational independence in accordance with the standards and shall have direct and unrestricted access to the management board.
- The Chief Audit Executive shall annually certify to the management board that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing.

The IIA Standards require that external assessments of the internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. An external assessment of NSU's internal audit activity will be conducted by August 1, 2020, which is within five years of the effective date (August 1, 2015) of Act 314 of the 2015 Regular Legislative Session (L.R.S. 17:3351). *The external assessment will be in the form of either a full external assessment or a self-assessment with independent external validation.* The following will be discussed with University management and the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Reporting on the Quality Assurance and Improvement Program

To demonstrate conformance with the Code of Ethics and the Standards, the results of periodic internal and external assessments will be communicated to University management and the System Director of Internal & External Audit upon completion of such assessments and the results of ongoing monitoring will be communicated at least annually. The results will include the scope and frequency of the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team (including any potential conflicts of interest), conclusions of assessors, and any corrective action plans.

Use of Terminology: “Conforms with the Standards”

The internal audit activity cannot indicate that it conforms to the Standards until supported by the results of the quality assurance and improvement program. The results of the quality assurance and improvement program include the results of both internal and external assessments. Therefore, NSU's internal audit activity will not indicate conformance with the

Standards in its internal audit reports until the results of an external assessment is received that achieves the outcomes described in the Code of Ethics and the Standards.

Disclosure of Nonconformance

If nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the Chief Audit Executive will disclose the nonconformance and the impact to senior management and the board.

Example E-mail and Customer Survey

TO: (Name of Dept. Head of Audited Activity)
FROM: Emily Posey
Director of Internal Audit
SUBJECT: Auditee Survey

We recently completed an engagement in your area of responsibility **(title of the engagement)**. To assist us in evaluating the effectiveness of the internal audit function at the Northwestern State University, I would appreciate your response to the survey link below. Your response will help us maintain a high level of service and add value to the university's operations.

Thank you for your constructive comments. If you have any questions or concerns regarding this survey, please telephone me at extension 4421.

Customer satisfaction survey

<https://www.surveymonkey.com/r/internal-auditor-process-survey-fy20>

Managing the Internal Audit Activity Standard 2000

Annual Audit Plan

The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the University's goals. The annual audit plan is a guide for the utilization of the Internal Audit Office's resources. To assist in preparing the annual audit plan and assessing risk, input is obtained or requested from the System Director of Internal & External Audit, University President, and the University Vice Presidents. Audits required by the Board (i.e., Student Technology Fee), prior external and internal audit findings, Single Audit findings, and emerging issues determined from discussions with other internal auditors throughout the State are also considered in developing the plan. Projects included in the audit plan are those areas that represent the greatest risk to the University based on an annual risk assessment conducted by Internal Audit. The Director of Internal Audit assesses the risks related to the potential audit areas. Risk factors such as the date and results of the last audit, potential financial exposure and potential loss, potential public perception, major changes in operations, and impact of government regulations are considered. Based on the input previously described and assessed risks, the director, prepares a plan to outline the priorities of the internal audit activity for the year. In addition to assurance services, potential consulting engagements may be accepted for inclusion in the plan, based on the engagement's potential to improve management of risks, add value, and improve the University's operations.

The annual audit plan is prepared in the standardized format established by the University of Louisiana System. The audit plan includes the following:

1. Standard hours available based on number of staff
2. List of individual audits or projects
3. Budgeted Hours for each project
4. Objective of each audit project
5. Type of Review (Internal Control, Financial, Compliance)
6. Risk Priority (High, Medium, and Low) and reason for the priority (For example: Requested by the President)

Communication and Approval

After the plan is prepared, the Director of Internal Audit obtains the University President's approval of the plan. The plan is then sent, with other Board related items, to the Board for approval and to the System Director of Internal & External Audit for inclusion in the system-wide audit plan. Significant interim changes in the plan or resource requirements are communicated to the University President and the Board.

Resource Management

The Internal Auditing Office attempts to set measurable goals that are capable of being accomplished within specified operating plans and budgets. The goals are included in the audit plan and are accompanied by targeted hours to complete. If necessary, the Director of Internal Audit adjusts the audit plan during the year. In most cases any unfinished audits are carried forward to the following years' audit plan.

Annually, the University's financial budget, is submitted to the Board of Supervisors for approval. Any significant interim changes are also submitted to the board for approval.

Policies and Procedures

Internal audit policies and procedures have been formalized in the NSU Internal Audit Manual to provide guidance to the employees of the Internal Audit Office. The form and content of the policies and procedures have been adapted to the relatively small size and uncomplicated structure of the Office and the specialization of its work. Due to the small number of staff (Director) and uncomplicated structure of the Office, management is more informal than in a larger audit Office.

Coordination and Reliance

To the extent allowed, the Office of Internal Audit shares information and coordinates activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts. Before relying on the work of others, the Director considers the competency, objectivity, and due professional care of the other service providers and obtains a clear understanding of the scope, objectives, and results of their work. As a part of their audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana, the Office of the Legislative Auditor of the State of Louisiana (external auditor) performs procedures at NSU to provide assurances on financial information that is significant to the System's financial statements, evaluate the effectiveness of NSU's internal controls over financial reporting and compliance, and determine whether NSU complied with applicable laws and regulations. In contrast, NSU Internal Audit is concerned with a comprehensive program of audits, which places emphasis on risk management, control, governance processes, and efficient profitable operations. Coordination of Internal Audit's activities with the Office of the Legislative Auditor principally involves collaborating with each other to ensure: (1) maximum audit coverage is obtained; (2) there is an exchange of information, and (3) there is minimal duplication of effort and expense on routine phases of audit work. When performing the external audit, members of the staff of the Office of Legislative Auditor periodically review the working papers of the Office of Internal Audit to verify our qualifications and determine whether or not they can rely on our work. The external auditors are allowed unrestricted access to the Internal Audit Office's audit programs, working papers, and reports.

The Internal Audit Office and the external auditors periodically discuss matters of mutual interest. The Office of Internal Audit routinely follows up on the findings contained in the audit reports of the Office of the Legislative Auditor. When requested, the Office of the Legislative Auditor may allow the Internal Audit Office access to some of their working papers. The Office of Internal Audit and the external auditors discuss significant control weaknesses, errors and irregularities, illegal acts, disagreements with management, and any difficulties encountered in performing the audit. If time is available, the Internal Audit Office may agree to perform work for external auditors in connection with their annual audit of the financial statements (for example, observations of physical inventory counts).

Reporting to Management

As discussed further in section 1300 of this manual, the Director of Internal Audit reports periodically to senior management of the University and to the Board of Supervisors through the System Director of Internal & External Audit. The Director sends the risk-based audit plan, work schedule, and staffing plan to the University President and the Board for approval. The approved audit plan is shared with the President's Leadership team. All internal audit reports and executive summaries are electronically submitted to University management and the System Director of Internal & External Audit. The System Director routinely submits summaries of the reports to the UL System Finance committee and the System President. In addition, the

System Director routinely submits reports on the status of the internal audit plans to those individuals. Reports of audits in progress, audits completed, and audits awaiting follow-up are presented to the University's President and submitted to the System Director of Internal & External Audit for presentation to the Board. Updates to the internal audit activity's charter are sent to the President and the Board for approval. The Director of Internal Audit also reports significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Board of Supervisors.

The Director of Internal Audit periodically presents the Management Control Policy to the University President for approval and shares it with the Administrative Council. The Chief Audit Executive periodically confirms to the President and to the Board through the System Director of Internal & External Audits, the organizational independence of the internal audit activity. This was last completed on May 31, 2019. The Internal Audit budget is combined with the President's Office. Request for expenditures require seeking approval from the President's Office. If the Director of Internal Audit discovers that management's response to risk may be unacceptable to the organization, he will report it to senior management and the Board.

Nature of Work Standard 2100

As discussed in the University's audit charter, the mission of the internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control, processes. The internal audit activity is guided by a value-driven philosophy of partnering with other Department units to continuously improve the operations of the University. The scope of work of the internal audit activity is to determine whether the University's network of governance, risk management, and control, processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, applicable laws, regulations and governance standards.
- Resources are acquired economically, used efficiently, and adequately protected.
- Quality and continuous improvement are fostered in the University's control process.
- Significant trends, legislative or regulatory issues impacting the University are recognized and addressed properly.
- Results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established systems and processes enable compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.

The University's internal audit activity includes the following general objectives:

- Determining that the University's overall system of internal control and the controls in each Department unit or activities under audit are adequate, effective, efficient, and functioning by conducting audits on a periodic basis so that all major systems are reviewed.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient.
- Conducting investigations as required or directed related to the general objectives previously stated.

The management process of planning, organizing, and directing is evaluated by internal audit to determine whether reasonable assurance exists that objectives and goals will be achieved. All

business systems and processes within the University are subject to evaluation by internal audit.

Governance

University employees are required to comply with the Code of Governmental Ethics (L.R.S. 42:1101-1170) of the State of Louisiana. The Code clearly identifies prohibited ethics related activities and conflicts of interest. **Louisiana Revised Statute 42:1170 requires each State agency to designate a person to provide employees with information relative to ethics.** The statute also requires the agency to provide instruction to educate employees about the particular ethics laws to which they are subject and the procedures by which such laws are enforced. Management communicates its views regarding ethical behavior to employees, as follows:

- Policies and rules of the Board of Supervisors establish procedures for reporting misappropriations and illegal acts in accordance with Act 1101 of 2001 (Revised Statute 24:523) and conducting investigations of allegations of misconduct or impropriety.
- The University's Faculty and Staff Handbooks inform employees that all employees are governed by the Code of Governmental Ethics and provide that faculty and staff should familiarize themselves with the code. The handbooks also require that university employees properly use and protect university resources (money, equipment, other physical properties, and services of employees).
- In accordance with the Louisiana Code of Governmental Ethics employees of the University must complete a minimum of one (1) hour of education and training in governmental ethics each calendar year [Louisiana Revised Statutes 42:1170(3)(a)(i)]
- The University is required to send a semiannual Bond and Crime Exposure Report to the Office of Risk Management.
- The University has detailed hiring procedures and personnel policies and appropriate conduct for employees is detailed in the various personnel policies.

In all engagements, Internal Audit remains alert for potential violations of the Code of Governmental Ethics.

Risk Management

The State of Louisiana, through the Office of Risk Management, retains risk for property, casualty, and worker's compensation insurance, as well as coverage for all State property, with virtually no upper limits. Auto liability, comprehensive, and collision coverage is provided for the State fleet and other coverage, such as bonds, crime, aviation, and marine insurance, is provided as needed.

The University's risk management process is relatively informal. The internal audit activity assists the University by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. The key objectives of the University's risk management process are, as follows:

1. Risks arising from business strategies and activities are identified and prioritized.
2. Management and the board have determined the level of risks acceptable to the University, including the acceptance of risks designed to accomplish the University's strategic plans.
3. Risk mitigation activities are designed and implemented to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
4. Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.

5. The board and management receive periodic reports of the results of the risk management processes. The corporate governance processes of the University provide periodic communication of risks, risk strategies, and controls to stakeholders.

Management's expectation of the internal audit activity in relation to the University's risk management process is documented in the internal audit charter. The internal audit activity monitors and evaluates the effectiveness of the University's risk management system. Risk exposures relating to the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts are subject to evaluation.

During consulting engagements, the University's internal auditor is expected to address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. Knowledge of risks gained from consulting engagements may be incorporated into the process of identifying and evaluating significant risk exposures.

OFFICE OF RISK MANAGEMENT

The Office of Risk Management was created within the Division of Administration by R.S. 39:1527, et seq., in order to provide a comprehensive risk management program for the state. The mission of the Office of Risk Management (ORM) is to develop, direct, achieve and administer a cost effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana. R.S. 39:1527, et seq., further designates the Office of Risk Management to be solely responsible for all Property and Casualty and Worker's Compensation insurance purchased by ORM or self-insured by ORM for all State departments, agencies, boards, and commissions. The Office of Risk Management provides Workers' Compensation coverage to all of the State's approximately 89,439 employees. Coverage is provided for State property and contents, which is valued at approximately \$16,486,469,434.63 (excluding LSU-BR, LSU Board of Supervisors, Paul M. Hebert Law Ctr). ORM also provides coverage for employee bonds, crime, automobile liability and physical damage, comprehensive general liability, personal injury liability, boiler and machinery, medical malpractice, road hazards and miscellaneous tort coverage for those tort claims not otherwise covered. Other coverages are provided as needed, such as excess over self-insurance, specific excess for crime, aviation, wet marine, and bridge property damage.

Internal Control

The internal audit activity assists the University in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal audit evaluates the adequacy and effectiveness of controls encompassing the University's governance, operations, and information systems regarding

- the reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations, and contracts.

The internal audit activity is responsible for ascertaining the extent to which operating, and program goals and objectives have been established and conform to those of the University. Operations and programs are reviewed to ascertain the extent to which results are consistent

with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. Internal audit ascertains the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal audit uses such criteria in their evaluation. If inadequate, internal audit works with management to develop appropriate evaluation criteria. During consulting engagements, the internal auditors are expected to address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. Knowledge of controls gained from consulting engagements is to be incorporated into the process of identifying and evaluating significant risk exposures of the University.

Legal Considerations

Internal Audit will review the revised statutes, Attorney General's Opinions, and other laws and regulations available on-line as situations are encountered requiring specific details relating to laws or regulations. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors or the University's Internal Counsel.

Information Security

Internal audit assesses the University's information security practices. General and application control reviews may be performed. Reviews of disaster recovery, business continuity plans, and electronic funds transfers may also be conducted. In most cases, such assessments are integrated into other engagements conducted as part of the approved audit plan. However, separate stand-alone engagements may be conducted. These audits are conducted to evaluate the quality of the controls and safeguards over the University's assets, the effective use of IT resources, adherence to University policies, and to encourage the design and implementation of adequate controls over computer applications and the computing environments in which they are used.

These overall objectives are designed to:

- Evaluate the adequacy of IT operations, policies, procedures, and controls; promoting operational efficiency and effective controls at a reasonable cost considering the risks involved.
- Determine the extent the University's IT assets and data are accounted for and safeguarded from losses.
- Provide management with recommendations for operating improvements identified during the course of these audits.
- Promote the development of IT management accountability and self-review concepts throughout the University.

When conducting field work, the internal auditor is alert for the key information technology risks and controls. Use of available technology-based audit techniques are considered in performing assigned work. The auditor use Microsoft Excel to extract data. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests the Director obtains competent advice and assistance.

Environmental Risks

The University has an Office of Environmental Health and Safety. The State of Louisiana Office of Risk Management routinely conducts audits of the Environmental Health and Safety Program. The University's internal audit office sometimes performs follow-ups on the risk management audits to determine that appropriate corrective actions have been implemented to correct any findings.

Privacy Risks

Privacy can encompass personal privacy (physical and psychological); privacy of space (freedom from surveillance); privacy of communication (freedom from monitoring); and privacy of information (collection, use, and disclosure of personal information by others). When evaluating the University's privacy framework, the internal audit staff is expected to consider applicable laws and regulations relating to privacy. During the course of an engagement, as situations are encountered requiring specific details relating to privacy laws or regulations, the auditors may review the revised statutes, Attorney General's Opinions, and other laws available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors. Information may also be obtained from the University's information technology specialists.

Risk Management Processes

The internal audit office could be asked to act in a consulting role to assist the University in identifying, evaluating, and implementing risk management methodologies and controls. The University has a risk management program that is appropriate given the nature of the University's activities and its relatively small size.

Business Continuity

Business interruption can have significant financial and operational ramifications. With the assistance of an outside consultant, the University has developed a comprehensive disaster recovery and business continuity plan. The University's internal auditors and external auditors perform periodic assessments of the adequacy of the plan to determine if the plan has been updated, tested, and ensure that senior management is aware of the state of disaster preparedness and ready to deal with business interruptions.

Scope of Work

The scope of the work of the Office of Internal Audit includes evaluations of the adequacy and effectiveness of the University's system of internal control and the quality of performance in carrying out assigned responsibilities. The Office of Internal Audit is responsible for reviewing the processes to determine the following:

1. The reliability and integrity of information.
2. Compliance with policies, plans, procedures, laws, regulations, and contracts.
3. The safeguarding of assets.
4. The economical and efficient use of resources.
5. The accomplishment of established objectives and goals for operations or programs.

The purpose of the reviews is, as follows:

- Reviews of the adequacy of the system of internal control are conducted to ascertain whether the system established provides reasonable assurance that the University's objectives and goals will be met efficiently and economically. Reviews of the effectiveness of the system of internal control are conducted to ascertain whether the system is functioning as intended.
- Reviews of the quality of performance are conducted to determine whether the University's objectives and goals have been achieved.

Since these evaluations are performed at specific points in time, the auditors are expected to be alert to actual or potential changes in conditions which affect the ability to provide assurance.

Reliability and Integrity of Information

University management is responsible for establishing systems to ensure reliability and integrity of information. The Office of Internal Audit is responsible for reviewing the processes to determine whether financial and operating records and reports contain accurate and useful information. Internal Audit is also responsible for determining whether controls over record keeping and reporting are adequate and effective. These audits may include the following:

- Determining if transactions have been properly reviewed and approved.
- Determining if information systems produced data that was useful, accurate, complete, timely, and relevant.
- Identifying and documenting key controls designed to ensure the reliability and integrity of information.
- Testing key controls.

Compliance with Laws and Regulations

University management is responsible for establishing systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts. The Office of Internal Audit is responsible for reviewing the systems to determine whether the University is in compliance with the policies, plans, procedures, laws, regulations, and contracts. These audits may include the following:

- Obtaining background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items that could have a significant impact on operations.
- Identifying key controls designed to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Testing key controls.
- Determining if the auditee is compliance with the relevant policies, plans, procedures, laws, regulations, and contracts.

Safeguarding of Assets

University management is responsible for safeguarding the university's assets. The Office of Internal Audit is responsible for performing audits to test the means used by management to safeguard assets from various types of losses such as theft, fire, improper or illegal activities, and exposure to elements. These audits may include the following:

- Determining the adequacy of the separation of duties.
- Testing the rotation of sensitive duties among employees.
- Ascertaining that reconciliation procedures are timely, thorough, and appropriately reviewed.
- Verifying the adequacy of management's periodic surprise reviews.
- Testing the review and approval of transactions by authorized individuals.
- Determining the adequacy of the physical protection of assets and records.
- Identifying key controls designed to prevent or detect errors and fraud.
- Testing key controls.
- Verifying the physical existence of university assets.

Economical and Efficient Use of Resources

University management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. The Office of Internal Audit may perform economy and efficiency audits to determine whether:

- Operating standards have been established for measuring economy and efficiency.

- Established operating standards are understood and are being met.
- Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
- Corrective action has been taken.

These audits may include the following:

- Identifying the operating standards.
- Determining whether the standards are appropriate in keeping with the auditee's goals and objectives.
- Determining if the information used by management to measure its success is accurate, current and relevant.
- Ascertaining whether management has procedures to ensure that they met their standards.
- Determining whether management identified and analyzed deviations from the standards.
- Determining whether management discussed deviations with the appropriate individuals.
- Identifying any inefficient or uneconomic use of resources.
- Identifying key controls designed to ensure compliance with the auditee's goals, measures, or targets.
- Testing key controls designed to ensure compliance with the auditee's goals, measures, or targets.

Accomplishment of Established Objectives and Goals for Operations or Programs

Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing the desired operating or program results. The Office of Internal Audit is responsible for the following:

- Ascertaining if management identified relevant objectives and goals and developed a system for measuring their accomplishment.
- Appraising whether management established criteria for evaluating their program's effectiveness.
- Assessing whether management determined if their objectives and goals were met.
- Determining if the techniques and data used by management to measure effectiveness is appropriate.
- Reviewing for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals.
- Determining whether management has estimated the costs and benefits of not meeting goals.

The Office of Internal Audit reviews operations (purchasing, human resources, finance, governmental assistance, etc.) or programs (fund-raising campaigns, capital expenditures, etc.) to determine whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. These audits may include the following:

- Identifying key controls designed to ensure compliance with established objectives and goals.
- Testing the effectiveness of the key controls.

Engagement Planning

Standard 2200

Each engagement will be properly planned, and the strategies, objectives, scope, timing, and resource allocations will be documented in the plan.

Planning Considerations

In planning the engagement, the internal audit staff is expected to consider such things as

- the objectives of the activity being reviewed and the means by which the activity controls its performance;
- the significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- the adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model;
- and the opportunities for making significant improvements to the activity's governance, risk management, and control processes.

If an engagement for parties outside the organization is accepted, the internal audit office will establish a written understanding with them about strategies, objectives, scope, respective responsibilities, restrictions on distribution of the results of the engagement, and access to engagement records. Internal audit will also establish an understanding with consulting engagement clients about the strategies, objectives, scope, respective responsibilities, and other client expectations.

Engagement Objectives and Scope of Work

Based on requests from administrators or others and the auditors' perception of the work needed, the internal audit activity will determine the objectives of the engagement (i.e., intended accomplishments). Objectives will be in enough detail to guide the audit program development and reflect the results of the preliminary risk assessment of the engagement area. The probability of significant errors, irregularities, noncompliance, and other exposures will be considered when developing the engagement objectives. Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the Board. Internal auditors must establish an engagement scope sufficient to achieve the objectives of the engagement. Generally, an engagement cannot cover everything, internal auditors must determine what will and will not be included. The established scope will include consideration of relevant systems, records, and personnel. To obtain a thorough understanding of how best to link the engagement scope to the objectives, internal auditors must review planning considerations and the engagement objectives. It is important for internal auditors to carefully consider the boundaries of the engagement, to ensure the objectives can be accomplished under the established scope parameters. If internal auditors encounter scope limitations, these must be reported in the final engagement communication. The objectives and scope must be approved by the Director.

Objectives of consulting engagements will be agreed upon with those requesting the engagement. If a consulting engagement or an engagement for parties outside the organization is planned, the internal audit activity will establish an understanding with the appropriate parties about objectives, scope, distribution of the results of the engagement, and access to

engagement records. The scope of consulting engagements will be sufficient to address the agreed-upon objectives and will address risks, controls, and governance processes to the extent agreed upon with the client. During the consulting engagement, any reservations about the scope shall be discussed with the client to determine whether to continue with the engagement.

Entrance Conference/Audit Notification

Every audit should include an entrance conference with appropriate personnel. This may consist of a face-to-face meeting but may take the form of correspondence or a telephone call (notification of audit). The form is a matter of professional judgment and the desires of management. The following may be included in the entrance:

1. Planned audit objectives.
2. Scope of audit work.
3. Timing of audit work.
4. Personnel assigned to the audit.
5. The process of communicating throughout the audit
 - a. Methods.
 - b. Time frames.
 - c. Individuals who will be responsible.
6. Concerns or any requests or management.

Documentation of the entrance conference or notification of audit will be prepared and retained in the audit working papers.

Preliminary Survey

Every audit will include a preliminary survey to gather information on the activity being examined and assess risks. The focus of the survey will vary depending upon the nature of the engagement. A survey may involve use of the following procedures:

- Discussions with the client.
- Interviews with individuals affected by the activity, e.g., users of the activity's output.
- On-site observations.
- Review of management reports and studies.
- Analytical auditing procedures.
- Flowcharting.
- Functional "walk-thru" (tests of specific work activities from beginning to end). This may include tracing a transaction or two through the system to obtain an understanding of how the system operates and how transactions and documents are processed through the internal control system and whether or not these controls are operating as prescribed by management.
- Documenting key control activities and weaknesses.
- Consideration of the probability of significant errors, irregularities, noncompliance, and other exposures.
- Assessing risks relevant to the activity under review.

As part of the preliminary survey, the Internal Audit Office will obtain background information for the activity to be audited. This may include reviewing and documenting such items as the following:

- Mission, objectives, and goals of the audited activity.
- Policies, plans, procedures, laws, regulations, and contracts which could have a significant

impact on operations and reports.

- Organizational information, e.g., services provided, number and names of employees, key employees, job descriptions, and details about recent changes in the organization, including major system changes.
- Budget information, operating results, and financial data of the activity to be audited.
- Prior audit working papers.
- Results of other audits, including the work of external auditors, completed or in process.
- Correspondence files to determine potential significant audit issues.
- Authoritative and technical literature appropriate to the activity.
- Nature of any federal/state compliance auditing requirements.

Staffing/Engagement Resources

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care. Internal auditors assigned to an engagement must possess the necessary knowledge, skills, experience, and additional competencies to perform the engagement competently and thoroughly.

Considerations to meet these requirements are as follows:

- Available technology that may be helpful or necessary to perform a quality engagement
- Whether additional outside resources or technology are necessary to complete the engagement
- How much time each step is expected to take
- The number of hours budgeted for the engagement, as well as any time, language, logistical, or other constraints for any relevant party
- Whether the internal audit activity has appropriate and sufficient resources on staff (if the internal audit activity does not, the chief audit executive is expected to obtain competent advice or assistance to fill any gaps: additional training, closer supervision, guest auditor or subject matter expert)

Engagement Audit Program

A properly developed audit program, detailing each of the engagement steps to be performed during the course of the review, will be completed for each assignment. Audit programs may vary in form and content depending upon the nature of the engagement. The audit programs will establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The Director of Internal Audit must approve the audit program prior to implementation and upon amendment.

Each of the steps in the program will be cross-referenced to the corresponding work paper which shows evidence of the work performed. The audit program is a key document and should be located at WP0.6 (in most cases) of the work paper.

Upon completion of each step, the auditor should initial the audit program in the appropriate box indicating its completeness. In some cases (when not readily apparent), the reason for the step should be included in the program.

Personal Information

When conducting engagements, the internal audit staff will comply with applicable laws regarding protection of personal privacy and information.

Performing the Engagement Standard 2300

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

When performing engagements, the internal audit staff will analyze sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers. The procedures performed during most engagements may include reviewing applicable laws, regulations, policies and procedures; interviewing selected employees and others; examining selected documents and records; comparing relationships among financial and non-financial information; and performing observations.

Identifying Information

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved Audit Program. Evidential matter obtained during the course of the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in the audit report. As Internal Auditors, we are obligated by our professional standards to act objectively, exercise due professional care, and collect sufficient, reliable, relevant, and useful information to provide a sound basis for audit observations and recommendations.

Throughout fieldwork, professional judgment should be used to (a) determine whether evidence gathered is sufficient, relevant, competent, and useful to conclude on the established objectives; and (b) based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective).

- **Sufficient Information** - factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the internal auditor
- **Reliable Information** - the best attainable information when using appropriate engagement techniques
- **Relevant Information** - supports engagement observations and recommendations and is consistent with the objectives for the engagement
- **Useful Information** - helps the organization meet its goals

Reliability of audit information depends on the use of appropriate engagement techniques.

Engagement techniques include (but are not limited to):

- Researching System and University Policies and Procedures
- Researching applicable Louisiana Laws, Regulations and Revised Statutes
- Researching applicable Federal Laws, Regulations and Policies
- Researching interdepartmental Policies and Procedures
- Inspecting physical evidence, such as the physical property of the area under review
- Examining documentation from either the engagement client or outside sources
- Gathering testimonial evidence through interviews, surveys, or risk and control self-assessments
- Conducting a walk-through to observe a process in action
- Examining data that is continuously monitored via technology

The sufficiency and reliability of information increase when the information is current, corroborated, and/or obtained directly by an internal auditor or from an independent third party. Information is also more reliable when it is gathered from a system where the controls are operating effectively. Information should be gathered and documented such that a prudent, informed person would be able to repeat the steps and tests described in the workpapers, achieve the same results, and logically reach the same conclusions as the original internal auditors who performed the work. Therefore, the Director of Internal Audit has established a system of documentation, including preferred terminology and standardized notations for internal auditors to consistently use. Examples are as follows:

- **Identify** - to establish or indicate who or what (someone or something) is.
- **Analyze** - to break into significant component parts to determine the nature of something.
- **Check** - to compare or recalculate to establish accuracy or reasonableness.
- **Confirm** - to prove to be accurate, usually by written inquiry or by inspection.
- **Evaluate** - to reach a conclusion as to worth, effectiveness, or usefulness.
- **Examine** - to look at or into closely and carefully to arrive at accurate, proper, and appropriate opinions.
- **Inspect** - to examine physically.
- **Investigate** - to ascertain facts about suspected or alleged conditions.
- **Review** - to study critically.
- **Scan** - to look over rapidly in order to test general conformity to pattern, noting apparent irregularities, unusual items, or other circumstances appearing to require further study.
- **Test** - to examine representative items or samples to arrive at a conclusion regarding the group from which the sample is selected.
- **Verify** - to establish accuracy.
- **Document** - to record (something) in written, photographic, or other form.

Engagement resources are not unlimited, and it is important for internal auditors to identify and prioritize the most relevant and useful information.

Fieldwork includes:

- Gaining an understanding of the activity, system, or process under review and the prescribed policies and procedures, supplementing and continuing to build upon the information already obtained in the preliminary survey.
- Observing conditions or operations.
- Interviewing appropriate personnel.
- Examining assets and accounting, business, and other operational records.
- Analyzing data and information.
- Reviewing systems of internal control and identifying internal control points.
- Evaluating and concluding on the adequacy (effectiveness and efficiency) of internal controls.
- Conducting compliance testing.
- Conducting substantive testing.
- Determining if appropriate action has been taken in regard to significant audit observations and corrective actions reported in prior audits.

Audit sampling is performing an audit test on less than 100 percent of a population. In 'sampling' the auditor accepts the risk that some or all errors will not be found, and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. The type of sampling used, and

the number of items selected should be based on the auditors understanding of the relative risks and exposures of the areas audited and include the following:

- Statistical or probability sampling - allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor.
- Attribute sampling - is used when the auditor has identified the expected frequency or occurrence of an event.
- Variables sampling - is used when the auditor samples for values in a population which vary from item to item.
- Judgment sampling - is used when it is not essential to have a precise determination of the probable condition of the universe, or where it is not possible, practical, or necessary to use statistical sampling.

In general, all audit work performed should be documented. Each audit procedure should be supported by work papers (schedules, memos, spreadsheets) on which testing performed and results achieved are documented.

Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors are to analyze and evaluate the information obtained during the engagement before drawing conclusions. Detailed workpapers (refer to Documenting Information section of this manual) are used to document the results of analyses and evaluations that are used in performing the engagement. These may include (but are not limited to):

- **Vouching** – testing the validity of documented or recorded information by following it backward to a tangible resource or a previously prepared record
- **Tracing** - testing the completeness of documented or recorded information by tracking information forward from a document, record, or tangible resource to a subsequently prepared document
- **Reperformance** - testing the accuracy of a control by reperforming the task, which may provide direct evidence of the control's operating effectiveness
- **Independent confirmation** - soliciting and obtaining written verification of the accuracy of information from an independent third party
- **Root Cause Analysis** - a systematic method for identifying “root causes” of problems or events
- **Analytical Procedures**
 - Ratio, trend, and regression analysis
 - Reasonableness tests
 - Period-to-period comparisons
 - Forecasts
 - Benchmarking information against similar industries or organizational units

Internal auditors must critically assess all of the engagement information as a whole, rather than relying on singular examples, as their conclusions and advice must be based on the evidence analyses and evaluations as a whole.

Documenting Information

Working papers (Audit Evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented.

Engagement working papers serve the following purposes:

- Provide a systematic record of work performed;
- Provide a record of the sufficient, reliable, relevant, and useful information and evidence obtained and developed to support findings, conclusions, and recommendations;
- Provide information to the Audit Director to enable him to supervise and manage assignments and to evaluate auditor performance; and
- Provide a record of information for future use in planning and carrying out subsequent assignments.

The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up.

Working papers must be neat, competent, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations. To the extent possible, all working papers will contain the following data:

At the top left of the working paper, a heading will indicate:

- Northwestern State University
- Name of the engagement area (Office, center, system, etc.)
- Name of working paper (e.g., test of expenditures, cash count)
- Audit period
- Engagement Number

At the top right section of the working paper, a heading will indicate:

- The WP indexed number
- The date
- The initials of the auditor completing the work

Below the heading, the following will be documented on each working paper or referenced to the working paper where documented:

- The **source** of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title.
- The **purpose** of working paper will be recorded. Unless one can clearly define exactly why one is gathering data, one cannot prepare meaningful papers containing relevant matter.
- **Procedures** performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper.
- Relevant **findings** from testing. This should be a short summary of the finding or a reference to the finding form where the finding will be discussed. Finding forms will be completed for each finding. The finding forms will include the condition, criteria, cause, effect, and recommendation.
- **Conclusions and recommendations** should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should

relate to the nature of the findings and work performed.

Relative to the body of the working paper, the following should be considered:

- Keep the working paper neat and legible.
- Keep in mind that the working paper is being prepared for someone other than you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.
- If a working paper or a set of working papers contains tic marks, the first page of a set of papers should also contain a legend explaining the tic marks.
- Working papers should be prepared after completing each audit step. Pertinent oral conversations should also be recorded promptly.

The internal audit activity maintains and updates, as needed, several workpaper templates including:

- Conflict of Interest and Ethics Compliance
- Research & Regulations
- Preliminary Meeting/Interview
- Audit Program
- Follow-up Audit Program
- Prior Audit Findings
- Follow-up to Reported Recommendations and Description of Corrective Actions Taken
- Corrective Actions
- Fieldwork
- Request for Response
- Final Report
- Follow-up Final Report
- Audit Engagement Final Review Checklist
- Follow-up Engagement Final Review Checklist
- Post-Audit Survey

Additionally, the internal audit activity maintains and updates, as needed, several engagement correspondence templates including:

- Engagement Letter
- Internal Control Self-Assessment Questionnaire
- Email for Follow-up Documents Request
- Follow-up Instructions Memo
- Final Report Memo
- Final Report Email

Permanent Files

Permanent files are not always used. In many cases, the information below may be included in the general working paper file. If used, this file will contain information necessary to gain an understanding of (a) the function of the Office/area to be audited; (b) its organization and resources; (c) how it relates to other Offices; (d) internal control adequacy and effectiveness; and (e) general information about relevant policies and procedures. The file generally contains the following types of information:

- Monitoring reports

- Contracts
- Description of the accounting records, management reports, Office budget, and FRS Screens
- Department mission statement
- Background/history on the Office and/or area to be examined
- Important permanent correspondence (other than that pertaining to the current audit)

Data contained in the permanent file should be updated whenever a new engagement of the Office or area is started. An index should be maintained of the data/material contained in the permanent file.

Indexing and Referencing

At a minimum, all working papers prepared on each assignment should be indexed and include a table of contents listing working paper titles and index numbers. Working papers indexed as permanent file working papers will be retained for future use. The first working paper in each file will be an index for the remaining working papers. This method of indexing is to be used as a guide and strict adherence to this method of indexing is not required and every engagement is not expected to have all of these working papers.

WP #	General File
0.1	Engagement Planning Document
0.2	Entrance Notification
0.3	Conflict of Interest Certification
0.4	Preliminary Survey/Meeting
0.5	Research and Regulations
0.6	Audit Program
1.0-1.9	Evidence working papers
2.1	Draft Internal Audit Report
2.2	Final Internal Auditor's Report
2.3	Exit Conference & Findings

The Director of Internal Audit controls access to engagement records to the extent allowed by applicable laws and regulations (e.g., Public Records Law). Approval of senior management and/or legal counsel will be obtained prior to releasing such records to external parties. Retention requirements for engagement records have been developed and these retention requirements are consistent with the University’s guidelines and pertinent regulatory requirements (Louisiana Revised Statutes Title 44-36: “All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Office of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made. However, where copies of an original record exist, the original alone shall be kept; when only duplicate copies of a record exist, only one copy of the duplicate copies shall be required to be kept. Where an appropriate form of the micro photographic process has been utilized to record, file, and otherwise preserve such public records with microforms produced in compliance with the provisions of R.S. 44:415, the microforms shall be deemed originals in themselves, as provided by R.S. 44:39(B), and

Communication Results Standard 2400

Internal auditors must communicate the results of each engagement to the appropriate parties. It is essential that internal auditors consider the criteria for communicating, the quality of the communications, and the dissemination of results as a whole before communicating results. At the completion of each project, the Director of Internal Audit will issue a written report, addressed to the University President, to communicate the engagement's results. The Director of Internal Audit is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. If the Chief Audit Executive delegates these duties, he retains overall responsibility.

Criteria for Communicating

Communications must include the engagement's objectives, scope and results. The final communication of engagement results includes applicable conclusions, as well as applicable recommendations and/or action plans. In order to ensure criteria for communications are met, internal auditors must review the Engagement Planning, Engagement Objectives, Engagement Scope, Performing the Engagement, Identifying Information, Analysis and Evaluation, Documenting Information and Engagement Supervision sections of this manual. Once it has been determined that the communication requirements in this manual have been met, final communication documents are drafted. During this process, internal auditors should:

- Consider initial discussions and interim communications with management of the area/process under review
- Carefully review all relevant workpapers and workpaper summaries
- Consider stakeholder expectations
- Consider engagement objectives, scope and any scope limitations
- Consider strategic goals of the area/process being reviewed
- Carefully review the results of the engagement

The Director of Internal Audit will prepare a written preliminary draft report. The preliminary draft report will be forwarded to the UL System Director for review. Once such authorization has been obtained, the preliminary draft report will be provided to the appropriate University management for review and discussion at a closing conference. The Office of Internal Audit strives to keep the auditee apprised of the audit's progress throughout the engagement. Communication with management is an ongoing process throughout the engagement, and progress is conveyed to the auditee through emails and meetings. By the end of the audit engagement, there should be no surprises for the auditee. As such, a formal closing conference may or may not occur. Auditees are given an opportunity to meet with Internal Audit upon request.

The Director of Internal Audit will request a management's response letter via email. The request for response from the responsible parties requires:

- A reference to the observation and recommendation by title
- A statement as to whether you concur, concur in part, or do not concur with the individual observation and recommendation and the reasons you concur in part or do not concur
- A corrective action plan including the status of action taken or action planned to correct the internal control weaknesses or a statement why corrective action is not necessary
- The name(s) of the contact person(s) responsible for corrective action
- The anticipated completion dates

- Only one response regardless of whether there are multiple departments involved in writing the response
- A corrective action plan including explanations and specific reasons should the responsible party not agree with the issue or believe corrective action is not required

Generally, responses are requested to be provided within ten working days. In some cases, it may be appropriate to allow additional time. The Director of Internal Audit should review the departmental response and corrective action plan for sufficiency. Any deficiencies in the corrective action plan or disagreements with the response should be brought to management's attention. Should Internal Audit be unable to obtain an adequate response and corrective action plan, the deficiencies should be documented in the report. The final engagement report must include (but is not limited to):

- Title Page
- Transmittal letter signed by IA
- Table of Contents
- Executive Summary
- Purpose and Scope
- Summarized Results
- Background
- Engagement Objectives and Scope
- Methodology
- Detailed Engagement Results supported by workpapers, including findings, conclusions or opinions and recommendations
- Report Disclaimer
- Managements response and/or Action Plan
- Schedules and Attachments as appropriate

Where appropriate, the internal auditor's opinion is provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders. Additionally, it must be supported by sufficient, reliable, relevant, and useful information. Internal auditors are also encouraged to acknowledge satisfactory performance and should include any statements on limitation of distribution and/or use of the results.

Fact Finding Form Description

A Fact Finding (Observation) Form will be generated for each potential finding to ensure the weakness is factual, unbiased, and free from distortion. The auditor will document the following (five elements of a finding) on the Fact-Finding Form and the Director of Internal Audit will approve the finding:

- Issue (Statement of condition/what is incorrect)
- Condition
 - The condition attribute is used to describe what the internal auditor found through observation, questions, analysis, verification and investigation. The condition is the heart of the finding. It is a story of what the auditor saw. The information gathered should be sufficient, competent, and relevant. It must be representative of the total population or system under review or, in an isolated instance; it should be a significant defect.

- Criteria - what should exist or what is required).
 - The criteria are the standard we use in judging the condition. Many observations stand or fall on criteria. In any audit, the goals of efficiency, economy, and effectiveness are implied. All resources should be used with a minimum of waste to accomplish some sanctioned purpose. To see how efficient, how economical, and how effective an operation is, auditors must have standards of measurement.
 - Standards may already exist. On the other hand, management may not have established standards. In that case, the internal auditor will have to assert one that is reasonable. There is no place for subjectivity in practice of professional auditing.
 - Procedures and practices are closely related to criteria and condition, respectively, and refer to established ways of doing things to meet goals and standards. Procedures are management's instructions (criteria), usually in writing. Practices are the way things are being done (condition), right or wrong. Procedures may contribute to an unsatisfactory condition or practices may violate an adequate procedure. In developing audit observations, auditors should seek to determine what the procedures are, or should be, and what practices are being followed.
 - Internal auditors should consider whether or not:
 - Established procedures or existing practices are designed to attain desired goals.
 - Established procedures are being followed. Often the root of the problem is the failure to follow adequate procedures.
 - Procedures and practices are complete. Do they include all steps required to get the job done economically and efficiently?
 - The existence or absence of procedures and practices is the reason why corrective action is needed.
- Effect - The risk or exposure encountered because of the condition.
 - While the legitimacy of an audit finding may stand or fall on criteria, the attention that the audit finding gets after it is reported depends largely on its significance. Significance is judged by effect. Effect is the element needed to convince the auditee and higher management that the undesirable condition, if permitted to continue, will cause serious harm and would cost more than the action needed to correct the problem.
 - Efficiency, economy, and effectiveness are useful measures of effect, and frequently can be stated in quantitative terms such as dollars, time, number of procedures and processes, or transactions. Where past effects cannot be ascertained, potential future effects may be presented. Sometimes, effects are intangible but nevertheless of major significance.
 - In economy and efficiency audit observations; the effect is usually measured in dollars. In effectiveness audit observations; the effect is usually the inability to accomplish some desired or mandated end result. Effect is the convincer. It is indispensable in any audit finding. If it is not adequately presented to management, the chances are slim that corrective action will be taken.
- Cause - The reason for the difference between the expected and actual conditions.
 - The underlying cause explains why standards were deviated from, why goals were not met, and why objectives were not attained. The identification of the cause is essential to the cure. When we know why something happened, we more readily consider how to prevent it or continue it, as the case may be. Unless it is known, we run the risk of recommending corrective action that may address only the symptom and not the disease.
 - Every deficiency audit finding can be traceable to a departure from what is expected. Only when causes are known and the departures identified can the problem be resolved. Seek input from the auditee in determining the cause of the audit finding. Determining causes may be an exercise in problem solving. Specify the problem with particularity. What is the deviation? Where is the deviation? When did it occur? How did it occur?

- Recommendation The actions which the auditor feels would correct the problem areas and to improve operations supported by sufficient, reliable, relevant, and useful information presented in the workpaper
 - Constructive recommendations are dependent on the cause. In all cases, the relationship between the stated cause and the audit recommendation should be clear and logical so that both attributes are presented in a harmonious manner. If it is not
 - possible to recommend a specific or better way to achieve corrective action, a more general recommendation or suggested approach to the problem is appropriate.
 - The recommendation should be achievable and practical; that is, it should be attainable within the limits of existing resources and not cost more than it is worth. Finally, a good recommendation should not be ambiguous. It should indicate precisely who should do what in order to correct the deficiency.

Description of Reportable Conditions

Reportable Conditions or Comments: Matters coming to the auditor's attention that, in his judgment, represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. Comments and/or recommendations designed to enhance University operations may also be reported to management.

Non-reportable or Discussion Only Comments: Matters the auditor chooses to communicate, verbally or in writing, for the benefit of management or others that do not represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. These are normally communicated in a correspondence separate from the internal audit report. Sometimes insignificant items may be verbally discussed and documented in the auditor's working papers.

Quality of Communications

Every attempt will be made to make the report accurate, objective, clear, concise, constructive, timely, and complete. The report will include the engagement objectives and scope as well as applicable conclusions, recommendations, and responses and corrective action plans. In general, the layout for assurance related reports will be as follows:

- Cover page
- Executive summary
- Background information
- Objective (Purpose): Explanation of why the audit was performed
- Scope and methodology: The audit scope is a description of the depth and coverage of work conducted (period and number of locations covered). The audit methodology is an explanation of the nature and extent of the evidence gathering and analysis techniques used to meet the objectives.
- Noteworthy accomplishments (If applicable-When appropriate, satisfactory performance will also be communicated in the report.)
- Overall opinion, results, or conclusions
- Specific observations (findings) and recommendations
- General section: Acknowledge appreciation and includes limitations on use of the results
- Responses and corrective action plan communications must be accurate, objective, clear, concise, constructive, complete, and timely.
- **Accurate** – The IIA's Interpretation notes that accurate communications are free from errors and distortions and faithful to the underlying facts. To maintain accuracy, it is important to

use precise wording supported by evidence gathered during the engagement. Additionally, according to the IIA's Code of Ethics, internal auditors are required to "disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review". If an error in communications does occur, the Chief Audit Executive must communicate the corrected information, as described in the Errors and Omissions section of this manual.

- **Objective** – The IIA's Interpretation states that to ensure objectivity in communications, internal auditors use unbiased phrasing and focus on deficiencies in processes and their execution. Objectivity begins with the unbiased mental attitude that internal auditors should possess when performing engagements. Objectivity is an ethical principle described in the IIA's Code of Ethics and the Individual Objectivity section of this manual. The Core Principles for the Professional Practice of Internal Auditing also highlight the importance of objectivity and specify that for an internal audit activity to be considered effective, the internal auditors and the internal audit activity should be objective and free from undue influence (independent).
- **Clear** – The IIA's Interpretation states that clarity in communications is increased when internal auditors use language that is easily understood by the intended audience and is consistent with terminology used in the industry and by the organization. Furthermore, clear communications avoid unnecessary technical language. The Interpretation of Standard 2420 also points out that clear communications are logical, a hallmark of the systematic, disciplined, and risk-based approach of internal audit work. As such, clarity is enhanced when internal auditors communicate important observations and findings and logically support recommendations and conclusions for a particular engagement.
- **Concise** – The IIA's Interpretation states that internal auditors ensure that communications are appropriately concise by avoiding redundancies and excluding information that is unnecessary, insignificant, or unrelated to the engagement.
- **Constructive** – The IIA's Interpretation states it is helpful for internal auditors to use a constructive tone throughout the communication that reflects the severity of the observations. Constructive communications enable a collaborative process for determining solutions that facilitate positive change in the subject of the engagement and/or the organization. Ultimately, as indicated by the Definition of Internal Auditing, internal auditors seek to help the organization accomplish its objectives
- **Complete** – The IIA's Interpretation states to ensure completeness of communications, it is helpful for internal auditors to consider any information essential to the target audience. Complete written communications generally enable the reader to reach the same conclusion as the internal audit activity did
- **Timely** – The IIA's Interpretation states it is important that internal auditors submit all communications by the deadlines established during the planning phase. Timeliness may be different for each organization. To determine what is timely, internal auditors often benchmark and conduct other research relative to the engagement subject. Additionally, the CAE or the internal auditor may establish key performance indicators that measure timeliness.

The internal audit activity maintains and updates, as needed, engagement correspondence and workpaper templates to help facilitate quality communications as detailed in the section Documenting Information in this manual. Additionally, the Engagement Supervision section of this manual detail's approvals by the Chief Audit Executive to further ensure quality communications.

Errors and Omissions

If a final communication contains a significant error or omission, the Chief Audit Executive must communicate corrected information to all parties who received the original communication. In determining the significance of an error or omission, the Chief Audit Executive should:

- Determine whether the error or omission would change the results of the engagement
- Determine whether the error or omission would change someone’s mind about the severity of the finding(s)
- Determine whether the error or omission would change a conclusion
- Determine whether the error or omission would change an opinion
- Determine whether the error or omission would change a recommended action

If the Chief Audit Executive determines that the error or omission is significant, corrected information will be communicated to all parties who received the original communication. Additionally, the Chief Audit Executive should determine the cause of the error or omission to aid in preventing any future similar occurrences and determine whether the cause needs to be communicated to senior management and the board. In disseminating the corrected information, the Chief Audit Executive must use the appropriate medium to ensure it is received by all parties who received the original communication.

Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program. The internal audit activity conforms with the Code of Ethics and the Standards when it achieves the outcomes described therein. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments. Therefore, The University of New Orleans will not issue Internal Audit reports indicating, “Conforms with the International Standards for the Professional Practice of Internal Auditing” until an external assessment has been completed supporting this statement.

Engagement Disclosure of Nonconformance

If nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results will disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement and the communicated engagement results.

If nonconformance (independence and/or objectivity of an internal auditor is impaired, or an internal auditor encounters unreliable data, a lack of information, a scope limitation, etc.) affects the results of an engagement, engagement communications are required to describe why the nonconformance occurred and how the results and communications were affected.

Disseminating Results

The general section of engagement reports provide that the report is intended solely for the information and use of management of the university and is not intended to be used by others. Prior to releasing results to parties outside the organization the Chief Audit Executive will assess the potential risk to the organization and consult with senior management and/or internal counsel, as appropriate. The reports by the Internal Audit Office are considered public records; therefore, the distribution and use of the results cannot be restricted. The Director of Internal Audit will obtain permission from senior management prior to distribution to parties outside the University and members of the public. Public Records requests are handled by the University's Internal Counsel. Copies of completed audit reports and working papers are provided to the Office of Legislative Auditor during the conduct of the external audit.

A copy of the final report, including an executive summary, will be submitted to the responsible personnel of the engagement area, members of University management, and the Director of Internal & External Audit of the University of Louisiana System. These parties can ensure that the results are given due consideration. The System's Director of Internal Audit presents a summary of the results to the finance committee of the Board of Supervisors at their routine meetings.

Communication of the results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. The Director of Internal Audit is responsible for communicating the final results of consulting engagements to clients. If significant risk management, control, or governance issues are identified during a consulting engagement, the issues will be communicated to senior management and the board.

Prior to issuing the final report, the Office of Internal Audit may utilize interim reports to communicate information which requires immediate attention, communicate a change in audit scope for the activity under review, or to keep management informed of audit progress when audits extend over a long period.

If the University's Director of Internal Audit discovers that a final report contains a significant error or omission, the Director of Internal Audit will communicate corrected information to all parties who received the original communication.

Overall Opinions

An overall opinion is the rating, conclusion, and/or other description of results provided by the Chief Audit Executive when addressing at a broad level governance, risk management, and/or control processes of the University. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other similar activities such as reviews by other assurance providers for a specific time interval.

When an overall opinion is issued, it will take into account the strategies, objectives, and risks of the organization and the expectations of senior management, the board, and other stakeholders. The overall opinion will be supported by sufficient, reliable, relevant, and useful information. The communication will include the following:

- The scope, including the time period to which the opinion pertains.
- Any scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.

- The risk or control framework or other criteria used as a basis for the overall opinion.
- The overall opinion, judgment, or conclusion reached.

A statement of the reasons for an unfavorable overall opinion

Monitoring Progress Standard 2500

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. In accordance with the Standards and as requested by the finance committee of the Board, the Office of Internal Audit follows up on reported findings. Internal Audit attempts to follow-up within six months after an internal audit report is issued. However, various factors can affect the actual follow-up date. The purpose of the follow-up is to determine whether (1) adequate corrective actions have been implemented to correct the findings or (2) senior management has assumed the risk of not taking corrective action on the reported findings. University management may decide to accept the risk of not correcting the reported conditions because they feel the costs exceed the benefits or the corrective action is too complex. Management may decide to accept the risk of not correcting the reported conditions due to other considerations. The NSU Director of Internal Audit will notify the UL System Director of Internal & External Audit if University management decides to accept the risk of not correcting significant engagement observations and recommendations. Management's acceptance of risk is to be documented and formally approved by University's management and communicated to the ULS Director of Internal & External Audit.

The Office considers the following factors in determining the procedures to be employed in the follow-up:

- The significance of the reported finding.
- The degree of effort and cost needed to correct the reported condition.
- The risks that may occur should the corrective action fail.
- The complexity of the corrective action.
- The time period involved.

The follow-up process is summarized as follows. Working papers and engagement programs generated for follow-ups are generally not as extensive as those for a full-scope audit project.

- Internal audit personnel obtain a copy of the original internal audit report and become familiar with the findings, recommendations, and planned corrective actions.
- Internal audit personnel prepare an email or a memorandum notifying responsible parties and senior management that a follow-up is being performed. The memorandum/email generally includes:
 - A copy of the original audit report including the findings, recommendations, and responses/planned corrective actions.
 - A summary of the findings, recommendations, and/or responses.
 - A date by which a response is required.
 - A request that responsible parties indicate what corrective actions have been implemented for each finding.
- When the response is received, internal audit personnel evaluate the reasonableness of the implemented corrective actions and determine which of the responses need to be tested and the required level of testing.
- Internal audit personnel determine if the corrective actions are adequate and whether another follow-up will be necessary.

Internal Audit continues to follow the auditee's progress toward implementing appropriate improvements until it is determined sufficient corrective action takes place for all significant deficiencies addressed in an internal audit report.

Communicating the Acceptance of Risks Standard: 2600

As previously described in the monitoring progress section, if management's response indicates they will not take corrective action, the Director of Internal Audit will determine if the level of risk is acceptable. If the Director of Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organization, the Director of Internal Audit will discuss the matter with senior management and obtain an explanation. If the matter has not been resolved, the Director of Internal Audit and senior management will communicate the matter to the Board.

Significant risks that the Director of Internal Audit judges to be beyond the University's acceptable risk level may include:

- Those that may harm the University's reputation
- Those that could harm people
- Those that would result in significant regulatory fines, limitations on business conduct, or other financial or contractual penalties
- Material misstatements.
- Fraud or other illegal acts
- Significant impediments to achieving the University's strategic objectives