

University of Utah

Legislative History for Policy 3-019 Revision 5

As presented to the Academic Senate Executive Committee March 16, 2020,
presented for the Information and Recommendations of the Academic Senate March 30, 2020,
and approved by the Board of Trustees April 14, 2020,
with Effective Date of April 14, 2020

Prepared by Bob Flores, Senate Policy Liaison, for the Institutional Policy Committee

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- Policy 3-019 Revision 5, Clean version (showing content with all proposed changes accepted) [includes editorial corrections made 2020-7-15 during posting to Regulations Library] Page 7



Memorandum

To: Dr. Robert Flores, [REDACTED] Senate Policy Liaison
From: Randy Van Dyke, Chief Audit Executive
Date: March 3, 2020
Subject: Internal Audit Policy Revisions

The University Internal Audit Policy (3-019) dates back to 1985. Since then, the Utah Internal Audit Act was enacted and the State Board of Regents policy on Internal Audit was substantially revised. Updates to the University policy are needed to make it consistent with the statute and Regents policy. *Nothing in the revised policy represents a substantive change from the current policy and long-standing practice.*

The Internal Audit Act requires that “the University of Utah ... establish an internal audit program under the direction of the Board of Regents.” Regents Policy R567 requires each USHE institution to maintain an internal audit function. Both the statute and the Regents Policy require compliance with professional standards promulgated by the Institute of Internal Auditors (IIA).

Policy 3-019, which serves as Internal Audit’s charter, currently lacks some mandatory items per IIA Standards. Including these items in the charter is also required by the Regents Policy, which states “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the [IIA’s] Definition of Internal Auditing, the Code of Ethics, and the Standards.”

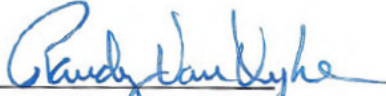
Proposed changes were prepared considering the IIA requirements and peer institution charters. Changes include:

- The definition of internal auditing has been added. This specific definition is required by IIA Standards.
- The Chief Audit Executive’s reporting lines are described in more detail. Also, a statement has been added about assurance and advisory services. These are required elements per the IIA.
- A statement regarding access to records and personnel, which is also required, remains. A comment has been added that this is subject to accountability for confidentiality and safeguarding information.
- A positive statement requiring adherence to professional standards has been added. This is needed for consistency with the Internal Audit Act and the Regents policy.


Internal Audit’s responsibility to administer the Ethics & Compliance hotline has also been added. This has been in place since 2007, and is an expectation of the Board of Regents Audit Subcommittee and the Board of Trustees Audit Committee.

Dr. Robert Flores
Page Two
March 3, 2020

I have attached a clean version and a redline version of the proposed policy. If there are any questions, please don't hesitate to contact me. Thank you for your consideration of this.


Randy Van Dyke, CAE

Approved:


Cathy Anderson, CFO

cc: Jane Laird, Administrative Officer, Academic Senate
Jeff Herring, Chief Human Resources Officer
Sarah Tice, Administrative Manager, Human Resources

Policy 3-019: University of Utah Internal Audit Policy
Draft Revisions 2/12/20

I. Purpose and Scope

A. Purpose: To establish the university's policy regarding internal audits, and the role, the authority and responsibilities of the Internal Audit Department, and general Procedures for conducting audits.

B. Scope. This policy applies to all University of Utah organizations and employees.

II. Definitions

A. Internal Auditing. An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This is achieved by bringing a disciplined approach to the evaluation and improvement of university processes related to risk management, internal control, and governance.

III. Policy

A. Internal Audit Department Authority and Function

1. Authority and Structure

The Internal Audit Department is established in accordance with the Utah Internal Audit Act and policy R567 of the Utah State Board of Regents. It derives its authority directly from the Board of Trustees and the president, and is authorized to conduct such reviews of university organizational units or functional activities as are necessary to accomplish its objectives. The Chief Audit Executive reports functionally to the President and to the Chair of the Board of Trustees Audit Committee, and will have unrestricted access to communicate and interact directly with the audit committee.

2. Mission and Function

Internal Audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance and advice. The Internal Audit Department is charged with the responsibility to review the fiscal operational and administrative operations of the university. It is intended to be a protective and constructive link between policy-making and operational levels. Based on audit findings the department shall make a report to the president which shall include recommendations for improvements in internal control and/or operating efficiency. Assurance services involve an objective examination of evidence for the purpose of providing an independent assessment of various processes. Advisory services, the nature and scope of which are agreed with the client, are intended to add value and improve processes without the internal auditor assuming management responsibility.

3. Access

Internal Audit is authorized access to all records, personnel, and physical properties relevant to the performance of audits pertinent to any audit engagement, subject to accountability for confidentiality and safeguarding of records and information.

4. Adherence to Professional Standards

The Internal Audit Department shall adhere to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. This includes adherence to standards regarding independence and objectivity.

B.A. Function

The Internal Audit Department is charged with the responsibility to review the fiscal operational and administrative operations of the university. It is intended to

~~be a protective and constructive link between policy making and operational levels. Based on audit findings the department shall make a report to the president which shall include recommendations for improvements in internal control and/or operating efficiency.~~

~~H.~~ **Scope**

~~The scope of internal audits encompasses the examination and evaluation of the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. Included within this scope are:~~

- ~~A. Reviews of the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information. Reviews may involve objective standards such as generally accepted accounting principles, or subjective standards such as sound business and management practices.~~
- ~~B. Reviews of the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations to determine if compliance is adequate.~~
- ~~C. An evaluation of the means employed to safeguard assets.~~
- ~~D. Verification and valuation of department assets.~~
- ~~E. Evaluation of the effectiveness and efficiency with which resources are employed.~~
- ~~F. An evaluation of the accomplishment of established objectives and goals.~~

~~III.~~ **IV. Responsibilities**

Responsibilities of the Internal Audit Department include:

- ~~A.~~ Development of an orderly, risk-based program for the audit of selected university departments or functional activities. Unscheduled audits regarding particular transactions and issues may also be conducted, as circumstances warrant.
- ~~B.~~ Conduct of audits in accordance with standards established for the professional practice of internal auditing.
- ~~C.~~ Investigation, review, or referral to appropriate management of reports received through the university's ethics and compliance hotline.
- ~~C-D.~~ Timely communication to appropriate officers of any serious deficiencies noted in any audit engagement.
- ~~D-E.~~ Preparation of a formal report of findings, conclusions, and recommendations upon completion of the audit.
- ~~E-F.~~ Review of the implementation of recommendations or of other actions taken as a result of the audit.

~~IV.~~ **V. General Procedures for the Conduct of Audits**

A. Opening Conference

Internal Audit will ordinarily provide advance notice of the audit to the department head and other responsible administrators. An opening conference will be arranged where specific audit objectives, plans, and Procedures will be discussed. Surprise audits may also be undertaken if appropriate in the circumstances.

B. Conduct of Fieldwork

Audit fieldwork consists of interviews with responsible employees, observation of Procedures, examination of documentation, and other audit or analytical ~~p~~Procedures considered necessary in the circumstances. Audit observations and tentative findings and recommendations will normally be discussed with responsible employees of the audited department during the audit~~throughout the course of fieldwork~~.

C. Closing Conference

A closing conference will ordinarily be held in which a preliminary draft of the audit report will be reviewed, any differences of fact or interpretation discussed, and any appropriate corrections or revisions made.

D. Response to Final Audit Report

Within a reasonable time following the audit, normally not to exceed two weeks, the head of the audited department shall deliver a written response to the Chief Audit Executive~~manager of Internal Audit~~.

The response should indicate with respect to each finding and recommendation:

1. A statement of agreement or disagreement. If disagreement, specific provisions of the report to which exception is taken should be identified and
2. A concise statement of actions undertaken or planned in response to the recommendation, as well as a timetable for implementation.

Upon receipt of the response, Internal Audit shall forward the draft audit report and response to the cognizant vice president, together with explanatory comments. The vice president should respond in writing to the Chief Audit Executive~~Internal Audit Manager~~ that he/she has reviewed, ~~agrees or disagrees with~~ the audit report and response.

E. Final Audit Report

After considering the responses of the audited department head and the cognizant vice president, and after making any changes which may be appropriate, the final audit report shall be submitted to the president, with copies to the Board of Trustees audit committee chairperson of the Board of Regents, Regents audit review subcommittee members, chairperson of the Board of Trustees, and line management through the cognizant vice president, ~~vice president for administrative services, head of the audited department, the commissioner of higher education, and the associate commissioner for business affairs, and the supervising general auditor~~. A copy of the responses of the department head and the cognizant vice president will be included in the final report.

F. Follow-up Compliance Review

Within a reasonable time following the release of the audit report, ordinarily six months, Internal Audit will conduct a review of actions taken in response to the audit report. At the completion of the review, a follow-up compliance report will be distributed to those who received the original audit report. The follow-up compliance report will state if appropriate steps have been initiated by the audited department, and will identify any items where further action is considered necessary.

~~If the report indicates substantial noncompliance, the cognizant vice president shall investigate the reasons for noncompliance, and submit a letter of explanation and resolution to the president, with a copy to Internal Audit who will submit the letter to the Regents audit review subcommittee.~~

VI. References

Utah Code §63I-5, Utah Internal Audit Act

Utah State Board of Regents Policy R567, Internal Audit Program

Utah State Board of Regents Policy R565, Audit Committees

Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing

Policy 3-019: University of Utah Internal Audit Policy.

Revision 5. Effective date: April 14, 2020

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2. Conduct of audits in accordance with standards established for the professional practice of internal auditing.
3. Investigation, review, or referral to appropriate management of reports received through the University's ethics and compliance hotline.

4. Timely communication to appropriate officers of any serious deficiencies noted in any audit engagement.
5. Preparation of a report of findings, conclusions, and recommendations upon completion of the audit.
6. Review of the implementation of recommendations or of other actions taken as a result of the audit.

C. General Procedures for the Conduct of Audits.

1. Opening Conference.

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5. Final Audit Report.

After considering the responses of the audited department head and the cognizant vice president, and after making any changes which may be appropriate, the final audit report shall be submitted to the president, with copies to the Board of Trustees audit committee and line management through the cognizant vice president. A copy of the responses of the department head and the cognizant vice president will be included in the final report.

6. Follow-up Review.

Within a reasonable time following the release of the audit report, ordinarily six months, Internal Audit will conduct a review of actions taken in response to the audit report. At the completion of the review, a follow-up report will be distributed to those who received the original audit report. The follow-up report will state if appropriate steps have been initiated by the audited department, and will identify any items where further action is considered necessary.

[Note: Parts IV-VII of this Regulation (and all other University Regulations) are Regulations Resource Information – the contents of which are not approved by the Academic Senate or Board of Trustees, and are to be updated from time to time as determined appropriate by the

cognizant Policy Officer and the Institutional Policy Committee, as per Policy 1-001 and Rule 1-001.]

IV. Rules, Procedures, Guidelines, Forms and other Related Resources:

[Reserved]

V. References:

[Utah Code §631-5](#), Utah Internal Audit Act

Utah State Board of Regents [Policy R567](#), Internal Audit Program

Utah State Board of Regents [Policy R565](#), Audit Committees

Institute of Internal Auditors, [International Standards](#) for the Professional Practice of Internal Auditing

VI. Contacts:

The designated contact officials for this Regulation are

- A. Policy Owner (primary contact person for questions and advice): Chief Audit Executive, 801-581-5988
- B. Policy Officer: VP for Administrative Services, 801-581-6940

These officials are designated by the University President or delegee, with assistance of the Institutional Policy Committee, to have the following roles and authority, as provide in University Rule 1-001:

“A ‘Policy Officer’ will be assigned by the President for each University Policy, and will typically be someone at the executive level of the University (i.e., the President and his/her Cabinet Officers). The assigned Policy Officer is authorized to allow exceptions to the Policy in appropriate cases...”

“The Policy Officer will identify an ‘Owner’ for each Policy. The Policy Owner is an expert on the Policy topic who may respond to questions about, and provide interpretation of the policy; and will typically be someone reporting to an executive level position (as defined above), but may be any other person to who the President or a Vice President has delegated such authority for a specified area of University operations. The Owner has primary responsibility for maintaining the relevant portions of the Regulations Library... [and] bears the responsibility for determining –requirements of particular Policies....”
University Rule 1-001-III-B & E

VII. History:

Renumbering: Renumbered as Policy 3-019 effective
9/15/2008, formerly known as PPM 3-23.

Revision History:

A. Current version: Revision 5, effective April 14, 2020

Presented for the Information &

Recommendations of the Academic Senate:

March 30, 2020

Approved by Board of Trustees: April 14, 2020

Legislative History of Revision 5.

B. Earlier revisions:

[Revision 4](#): effective dates- April 3, 1985- April 14, 2020