

To: Cathy Anderson, Chief Financial Officer, the Institutional Policy Committee, and the Academic Senate

From: Hollie Andrus, Chief Audit Executive

Policy Owner(s): Hollie Andrus, Chief Audit Executive

Date: September 13, 2024

Re: *Proposed Revisions to Policy 3-019: University of Utah Internal Audit Policy*

Introduction and Background

- 3-019: University of Utah Internal Audit Policy was last reviewed and revised (excluding an editorial update) April 2020.
- The Institute of Internal Auditors (IIA), the governing body for the internal audit profession, recently revised the international internal audit standards. These new standards will be effective January 9, 2025.
- The State of Utah’s Internal Audit Act and USHE R567 require the University of Utah’s Internal Audit Department to perform its work in accordance with the IIA standards.
- Revisions to 3-019 are proposed to align university policy with these new standards.

Proposed Changes

The following lists the key changes proposed for 3-019:

- Adding Section III.D. to describe the general procedures for advisory engagements.
 - These engagements do not follow the same reporting process as assurance/audit engagements.
 - The current 3-019 does not distinguish between the 2 types of engagements for the reporting process.
- Clarifying III.C. header to differentiate assurance/audit processes from III.D. (see previous bullet).
- Changing III.D.6.a. from “six months” to “as determined appropriate by the audited department or functional activity and Internal Audit” for audit follow-up.
 - Corrections for some audit recommendations require new budget requests before corrections can be made and this typically takes more than 6 months.

- Some audit recommendations are quite complex and need more realistic time frames in order for effective change to occur.
- Wording changes to II.A., III.A.2., III.A.4., III.B.1., III.B.2 so as to conform to the new IIA internal audit standards.
- Other minor wording changes are proposed to reflect the Internal Audit Department's current practices. Current practices have changed slightly with a new Chief Audit Executive being hired June 2023.

Regulation Development Process

- The policy was originally developed in 1985, with periodic updates driven by changes to the IIA standards
- The current Chief Audit Executive, CAE, compared 3-019 as it currently reads to the new IIA standards which will be effective January 9, 2025.
- This policy was reviewed by the Institutional Policy Committee and was approved by the Chief Financial Officer

Policy 3-019: University of Utah Internal Audit Policy

Revision **56**. Effective date: ~~April 14, 2020~~ November 12, 2024

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I. Purpose and Scope

A. Purpose.

To establish the University's policy regarding internal audits and the role, authority and responsibilities of the Department of Internal Audit-~~Department~~.

B. Scope.

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

II. Definitions

The following definitions apply for the limited purposes of this policy and any associated regulations.

- A. Internal Auditing. An independent, objective assurance and ~~consulting activity~~ advisory service designed to add value and improve an organization's operations. ~~This is achieved~~ It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to ~~the evaluation and improvement of University processes related to~~ evaluate and improve the effectiveness of governance, risk management, ~~internal~~ and control, ~~and governance processes~~.

III. Policy

- A. Internal Audit Department Authority and Function.
1. Authority and Structure: The Department of Internal Audit ~~Department~~ is established in accordance with ~~the~~ Utah Code Title 63I, Chapter 5, Utah Internal Audit Act and ~~policy R567 of the~~ Utah Board of Higher Education ~~(formerly Board of Regents)~~ Policy R567. It derives its authority directly from the Board of Trustees and the ~~president,~~ President and is authorized to conduct such reviews of ~~University~~ university organizational units or functional activities as are necessary to accomplish ~~its~~ the University's objectives. The Chief Audit Executive reports functionally to the President and to the ~~Chair of the Board of Trustees'~~ Audit Committee, ~~and will have~~ has 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~~ advisory services. It is intended to be a protective and constructive link between policy-making and operational levels.
 - a. Assurance services involve an objective examination of evidence for the purpose of providing an independent assessment of various processes.

Internal audit may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

b. Advisory services, the nature and scope of which are agreed ~~with the client, are~~ to by the relevant stakeholders, are services through which internal auditors provide advice and are intended to add value and improve processes ~~without the internal auditor assuming.~~ Internal audit does not assume management responsibility or provide assurance when performing advisory, or consulting, services.

3. Access: Internal Audit is authorized access to all records, personnel, and physical properties 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 Global Internal Audit Standards, as promulgated by 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. Responsibilities.

Responsibilities of the Department of Internal Audit ~~Department~~ include:

1. ~~Development~~ The 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.
2. ~~Conduct of audits~~ The conducting of assurance and advisory services in accordance with standards established for the professional practice of internal auditing.

3. ~~Investigation~~The 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~~an 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~~Assurance Engagements (Audits).
1. 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, and plans, ~~and Procedures~~ will be discussed. ~~Surprise audits may also be undertaken if~~Internal Audit may undertake surprise audits when appropriate ~~in the circumstances~~.
 2. Conduct of Fieldwork: ~~Audit fieldwork~~Fieldwork consists of interviews with responsible employees, observation of ~~Procedures~~procedures, examination of documentation, and other audit or analytical procedures considered necessary in the circumstances. ~~Audit observations~~Observations and tentative findings and recommendations will normally be discussed with responsible employees of the ~~audited~~ department ~~during~~or functional activity throughout the audit.
 3. 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.
 4. Response to Final Audit Report.
 - a. 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~~chief audit executive. The response should indicate with respect to each finding and recommendation:
- i. A statement of agreement or disagreement. If disagreement, specific provisions of the report to which exception is taken should be identified and
 - ii. A concise statement of actions undertaken or planned in response to the recommendation, ~~as well as~~the employee responsible, and a timetable for implementation.
- b. 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 that ~~he/she has~~they have reviewed the audit report and response.
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~~President, with copies to the Board of Trustees ~~audit committee~~' 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~~shall be included in the final report.
6. Follow-up Review.
- a. Within a reasonable time following the release of the audit report, ~~ordinarily six months~~as determined appropriate by the audited department or functional activity and Internal Audit, Internal Audit will conduct a review of actions taken in response to the audit report. At the completion of the review, Internal Audit shall distribute a follow-up report ~~will be distributed~~ to those who received the original audit report.

- b. The follow-up report ~~will~~shall state if appropriate steps have been initiated by the audited department, and ~~will~~ identify any items where further action is ~~considered~~ necessary.

D. General Procedures for Advisory Engagements.

1. Opening Conference: Internal Audit shall provide advance notice of the advisory engagement to relevant stakeholders. An opening conference shall be arranged where specific objectives and plans will be discussed.
2. Conduct of Fieldwork: Fieldwork consists of interviews with responsible employees, observation of procedures, examination of documentation, and other analytical procedures considered necessary in the circumstances. Observations and tentative findings and recommendations shall normally be discussed with responsible employees of the department or functional activity throughout the advisory engagement.
3. Closing Conference: A closing conference shall ordinarily be held in which a preliminary draft of the report will be reviewed.
4. Final Report.
 - a. Internal Audit shall provide a written report to the relevant stakeholders within a reasonable time following the completion of its fieldwork.
 - b. The report shall include a summary of Internal Audit's scope of work and observations made during the engagement.

Sections IV- VII are for user information and are not subject to the approval of the Academic Senate or the Board of Trustees. The Institutional Policy Committee, the Policy Owner, or the Policy Officer may update these sections at any time.

IV. Policies/ Rules, Procedures, Guidelines, Forms and other Related Resources

- A. Policies/ Rules. [reserved]
- B. Procedures, Guidelines, and Forms. [reserved]

C. Other Related Resources. [reserved]

V. References

- A. Utah Code Title 63I, Chapter 5, Utah Internal Audit Act
- B. Utah Board of Higher Education Policy R567: Internal Audit Program
- C. Institute of Internal Auditors ~~International~~[Global Internal Audit Standards](#) ~~for the Professional Practice of Internal Auditing~~

VI. Contacts

The designated contact officials for this regulation are

- A. Policy Owner(s) (primary contact person for questions and advice): Chief Audit Executive
- B. Policy Officer(s): Vice President for Administrative Services

See Rule 1-001 for information about the roles and authority of policy owners and policy officers.

VII. History

- A. Current version. Revision ~~5~~[6](#)
 - 1. Presented for Information of the Academic Senate ~~March 30, 2020~~
[November 4, 2024](#) and Approved by the Board of Trustees ~~April 14, 2020~~
[November 12, 2024](#) with Effective Date of ~~April 14, 2020~~ [November 12, 2024](#)
 - 2. Legislative History
 - 3. Editorial Revisions
- B. Previous Versions
 - 1. [Revision 5. Effective April 14, 2020.](#)
 - 2. ~~4~~-Revision 4. Effective April 3, 1985

C. Renumbering

1. Renumbered from Policy and Procedures Manual 3-23

Summary report: Litera Compare for Word 11.2.0.54 Document comparison done on 9/6/2024 11:16:45 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 3-019.r5.docx	
Modified filename: 3-019.r6_Clean.docx	
Changes:	
<u>Add</u>	81
Delete	69
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	2
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	152