

BOARD OF REGENTS
BRIEFING PAPER

1. Agenda Item Title: Handbook Revision, Title 4, Chapter 9

**Meeting Date: February 28, 2014 (Audit Committee)
March 6-7, 2014 (Board)**

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

The Internal Audit Department has a Charter that is part of the Handbook, Title 4, Chapter 9, Section A.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Revision of the Internal Audit Department Charter to comply with the Institute of Internal Auditor (IIA) Standards that were revised in October 2012.

4. IMPETUS (WHY NOW?):

The IIA revised their standards in October 2012. A new model internal audit department charter was included as part of the Standards revision. The NSHE Internal Audit Department Charter is being updated to reflect these changes. The NSHE Internal Audit Department follows these standards in the completion of their audit work.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

-revised Charter to include the changes to the IIA Standards.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

None.

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

None.

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Board Policy: Title #_4_ Chapter #9__ Section #_A__
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other: _____
- Fiscal Impact: Yes____ No__X__
Explain: _____

**POLICY PROPOSAL - HANDBOOK
TITLE 4, CHAPTER 9, SECTION A**

Title 4, Chapter 9, Section A. Internal Audit Department Charter

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

Title 4, Chapter 9, Section A. Internal Audit Department Charter

Section 1. Nature

The Internal Audit Department is established as an independent [~~appraisal~~] *and objective assurance and consulting activity* within the Nevada System of Higher Education (NSHE) for the review of operations as a service to management. [~~It is a managerial control function by measuring and evaluating the effectiveness of other controls.~~] *It assists NSHE in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organizations risk management, control and governance processes.*

Section 2. Objective and Scope

The objective of internal auditing is to assist all levels of the NSHE management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The Internal Audit Department is concerned with any phase of activity where it can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective involves such activities as:

1. Reviewing and appraising the soundness, adequacy, and application of accounting, financial, and operational controls at executive and staff levels.
2. Ascertaining the extent of compliance with established policies, plans, and procedures.
3. Ascertaining the extent to which assets of the NSHE are accounted for and safeguarded from losses of all kinds.
4. Ascertaining the reliability of management data developed and reported within the NSHE.
5. Recommending appropriate improvements in internal accounting and operations where controls have been found to be malfunctioning, or where controls should be instituted and none exist.
6. Recommending appropriate improvements in the accountability and safeguarding of NSHE assets and the reliability of management data.
7. Reporting the results of examinations in a timely manner and reviewing the timeliness of corrective actions.
8. Appraising the effectiveness of procedures, as modified, to ensure that deficiencies are satisfactorily resolved.

Section 3. Authority and Responsibility

The internal audit activity is established by the Board of Regents. The internal audit activity's responsibilities are defined by the Board as part of its oversight role. The Internal Audit Department is provided with authority for full access to all of the NSHE records, properties, and

personnel relevant to the subject of review. The Department is free to review and appraise policies, plans, procedures, and records.

The responsibilities of the Department are as follows:

1. Develop a sophisticated internal audit program that will include evaluation of the effectiveness of financial and related operational controls and review of compliance by NSHE personnel with NSHE policies and procedures.
2. Safeguard the scope, technical aspects and efficiency of internal audit activity by means of a quality control program, including thorough review of plans, programs and field visits.
3. Institute controls to assure that audit findings have been reviewed with the management responsible for operations of the functions examined; see that findings are presented to management at various levels so as to motivate corrective actions; and arrange for the development of appropriate comments and recommendations for inclusion in periodic condensed reports to be presented to the Board of Regents' Audit Committee.
4. Designing, installing, and operating systems are not audit functions; however, the internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented. (B/R 12/94)
5. Make available to the independent public accountants working papers, copies of audit reports, and pertinent analyses to aid them in determining the scope of their examination. Inform the independent public accountants and other outside audit agencies of the internal audit schedule to avoid duplication of effort and to maximize the benefits of the total investment in audit activities.
- ~~6. Oversee the preparation of responses to government and other external audit agencies and develop effective professional relationships with these agencies.]~~
- 6[7]. See to the recruitment and training of the audit staff.
- 7[8]. Institute appropriate budgetary and cost control over the auditing program.
- 8[9]. ~~[Discharge all responsibilities in a manner that is consistent with the Code of Ethics of the American Institute of Certified Public Accountants.]~~ ***The internal audit activity will govern itself by adherence to appropriate internal auditing standards including, but not limited to, The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards).***
- 9[10]. Coordinate all activities of the Department with others so as to best achieve the audit objectives and the objectives of the NSHE.

In performing its functions, the Internal Audit Department has neither direct responsibility for, nor authority over, any of the activities that are reviewed. Therefore, the review and appraisal activity does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Section 4. Independence

In order to maintain independence from the System Administration and maximize public accountability, the ~~[Director of Internal Audit]~~ **Chief Internal Auditor** reports to the Audit Committee of the Board of Regents for primary oversight and general direction. The ~~[Director of Internal Audit]~~ **Chief Internal Auditor** also has a secondary reporting relationship to the Vice Chancellor for **Budget and Finance** ~~[and Administration]~~ for day-to-day supervision, technical direction, and personal performance evaluation. In order to maintain objectivity, the Internal Audit Department will not undertake to develop and install procedures, prepare records, or engage in any other activity that it would normally review and appraise, and that could reasonably be construed to compromise its independence. Objectivity shall not be adversely affected by the recommendation of the standards of control to be applied in the development of systems and procedures under review.

Section 5. Audit Requests

The ~~[Assistant Vice Chancellor for Internal Audit and Risk Management]~~ **Chief Internal Auditor** may determine during the year that an unscheduled audit should be performed. The ~~[Assistant Vice Chancellor]~~ **Chief Internal Auditor** will inform the Audit Committee chair of special audits.

The Chair of the Audit Committee may request an audit be performed based upon specific information provided to the ~~[Assistant Vice Chancellor for Internal Audit]~~ **Chief Internal Auditor**. If the ~~[Assistant Vice Chancellor]~~ **Chief Internal Auditor** is in agreement that the audit should be performed, the audit will be added to the audit schedule. If the ~~[Assistant Vice Chancellor]~~ **Chief Internal Auditor** is not in agreement that the audit should be performed, the Audit Committee chair may place the item on the next Audit Committee agenda for review and action by the Audit Committee.

Any member of the Board of Regents may request that the Audit Committee Chair place a request for an audit on the Audit Committee agenda. The ~~[Assistant Vice Chancellor for Internal Audit]~~ **Chief Internal Auditor** will make a recommendation to the Audit Committee regarding the audit request.

The policy of the Audit Committee is to only perform special audits based on specific factual information and assessment of risk that would justify an audit.

Section 6. Internal Audit Plan

Annually, the Chief Internal Auditor will submit to the Chancellor and the Board an internal audit plan for review and approval. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee.

Section 7. Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results and institution responses will be communicated to the Audit Committee.

Section 8. Periodic Assessment

The NSHE Chief Internal Auditor will communicate to the Chancellor and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of external assessments conducted at least every five years.