

A. Internal Audit Department Charter

Section 1. Purpose

The purpose of the Internal Audit Department is to strengthen the Nevada System of Higher Education's (NSHE) ability to create, protect, and sustain value by providing the Board of Regents and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Department enhances the NSHE's successful achievement of its objectives, governance risk management, and control processes, decision-making and oversight, reputation and credibility with its stakeholders, and ability to service the public interest.

The NSHE's Internal Audit Department is most effective when internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors' Global Internal Audit Standards (which are set in the public interest), the internal audit function is independently positioned with direct accountability to the Board of Regents, and internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The NSHE's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Internal Auditor will report periodically to the Board of Regents and executive management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

(B/R 6/24)

Section 2. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of the NSHE's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Regents and management on the adequacy and effectiveness of governance, risk management, and control processes for the NSHE.

The nature and scope of advisory services may be agreed upon with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

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. Internal audit engagements may include:

1. Reviewing and appraising the soundness, adequacy, and efficient application of accounting, financial, and operational controls at executive and staff levels. This includes the actions of the NSHE's officers, management, employees, and contractors complying with the NSHE's policies, procedures, and applicable laws, regulations, and governance standards.
2. Determining the extent established processes and systems enable compliance with policies, laws, regulations and procedures that could significantly impact the NSHE.
3. Determining whether significant risks relating to the achievement of the NSHE's strategic objectives are appropriately identified and managed.
4. Ascertaining the integrity and reliability of information and data provided by management and the means used to identify, measure, analyze, classify, and report such information within the NSHE.
5. Evaluating whether operations and programs are being carried out effectively and efficiently by recommending appropriate improvements in internal accounting and operations where controls have been found to be inefficient/ineffective, or where controls should be instituted, and none exist. This includes appraising the effectiveness of procedures, as modified, to ensure that deficiencies are satisfactorily resolved.
6. Recommending appropriate improvements to systems, processes, and organizational structures to provide accurate, timely and reliable financial and operational information. This includes evaluating whether the results of operations and programs are consistent with established objectives.
7. Fostering quality and continuous improvement in the NSHE's risk management and control processes. Additionally, the results of examinations and corrective actions will be reported in a timely manner to remain relevant.
8. Confirming information technology and data governance supports the NSHE's strategies and objectives.
9. Ascertaining whether information security practices adequately safeguard the NSHE data assets and comply with applicable policies and regulations.
10. Sharing information and coordinating activities with other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
11. 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 6/24)

Section 3. Mandate

Authority

The internal audit activity is established by the Board of Regents. The internal audit activity's responsibilities are defined by the Board of Regents as part of its oversight role. The Board of Regents grants the Internal Audit Department the mandate to provide the Board of Regents and executive management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit, Compliance and Title IX Committee. Such authority allows for unrestricted access to the Board of Regents.

The Board of Regents authorizes the Internal Audit Department to:

- Have full and unrestricted access to all the NSHE functions, data, records, information, properties, and personnel relevant to carrying out internal audit responsibilities. The Department is free to review and appraise policies, plans, procedures, and records. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from personnel of the NSHE and other specialized services from within or outside the NSHE to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Chief Internal Auditor shall be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management (See "Mandate – Authority" section above), thereby establishing the independence of the internal audit function. The Chief Internal Auditor shall report functionally to the Chair of the Audit, Compliance and Title IX Committee and administratively (for example, day-to-day operations) to the Chief Financial Officer. This positioning provides the organizational authority and status to bring matters directly to executive management and escalate matters to the Board of Regents, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity. In cases where there could be impairments to objectivity or independence, such as reviewing an area that reports directly to the Chief Financial Officer, administrative reporting for these engagements shall be to the Chancellor.

The Chief Internal Auditor will confirm to the Board of Regents, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Chief Internal Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Internal Auditor will disclose to the Board of Regents any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate. The Audit, Compliance and Title IX Committee should evaluate whether the Chief Internal Auditor remains impartial and not unduly influenced by the administrative reporting line.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Internal Auditor, Board of Regents, and executive management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- Significant changes in the Global Internal Audit Standards.
- Significant acquisition or reorganization within the organization.
- Significant changes in the Chief Internal Auditor, Board of Regents, and/or executive management.
- Significant changes to the NSHE's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

(B/R 6/24)

Section 4. Roles and Responsibilities

Board of Regents Oversight

To establish and protect the NSHE internal audit function's independence and qualifications, the Board of Regents shall:

- Approve the roles and responsibilities of the Chief Internal Auditor and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Authorize the Chair of the Board of Regents and members of the Audit, Compliance and Title IX Committee to jointly conduct any search for Chief Internal Auditor, including approving the job description, reviewing candidates' resumes, and participating in interviews before a candidate is selected.
- Authorize the appointment and removal of the Chief Internal Auditor.
- Establish remuneration for the Chief Internal Auditor.
- Provide input into the performance evaluation of the Chief Internal Auditor.

To establish, maintain, and ensure that the NSHE's internal audit function has sufficient authority to fulfill its duties, the Audit, Compliance and Title IX Committee shall:

- Discuss with the Chief Internal Auditor and executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Internal Auditor has unrestricted access to and communicates and interacts directly with the Audit, Compliance and Title IX Committee.
- Participate in discussions with the Chief Internal Auditor and executive management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Identify with the Chief Internal Auditor when changes affecting the organization, such as the employment of a new Chief Internal Auditor or changes in the type, severity, and interdependencies of risks to the organization, would require updates to the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Department's human resources and audit budgets.

- Receive communications from the Chief Internal Auditor about the internal audit function, including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the Chief Internal Auditor to determine whether scope or resource limitations are appropriate.

Note: Additional standing committee duties of the Audit, Compliance and Title IX Committee are stated in Title 1, Article VI, Section 3.a.

Chief Internal Auditor

Ethics and Professionalism

The Chief Internal Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Where the Internal Audit Department is expected to have roles or responsibilities that fall outside of internal auditing, safeguards will be in place to limit impairments to independence or objectivity. The Internal Audit Department may provide assurance services where it has previously performed advisory services, provided the nature of the services does not impair objectivity, and provided individual objectivity is managed when assigning resources to an engagement.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the NSHE or its affiliates.
- Initiating or approving transactions external to the internal audit function.

- Directing the activities of any NSHE employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Chief Internal Auditor, Audit, Compliance, and Title IX Chair, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Recommend changes to policy or required practices to sustain an effective balance between the magnitude of risk, the materiality of failed control, and the cost of compliance.
- Coordinate all activities of the Department with others so as to best achieve the audit objectives and the objectives of the NSHE, including spreading adoption of effective practices and consideration of trends and emerging issues that could impact the NSHE.
- Maintain the capacity to:
 - Perform audits to independently assess governance, risk management and control processes throughout the NSHE.
 - Provide advisory services, with the mutual agreement of the “client,” to improve the NSHE governance, risk management, and control processes.
 - Investigate, as necessary, allegations of improper activities, including fraud, misuse of resources, and unethical behavior or actions. The Chief Internal Auditor serves as the clearinghouse for matters requiring his or her investigatory activity and shall establish a mechanism for incident management.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

In performing these functions, the internal auditors neither have 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.

Managing the Internal Audit Function

The Chief Internal Auditor has the responsibility to:

- At least annually, develop a risk-based internal audit plan that will include evaluation of the effectiveness of financial and related operational controls and review of compliance by the NSHE personnel with the NSHE policies and procedures. This plan will be discussed with the Audit, Compliance, and Title IX Committee and executive management and submitted to the Audit, Compliance, and Title IX Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit, Compliance, and Title IX Committee and executive management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the NSHE’s business, risks, operations, programs, systems, and controls.
- Communicate with the Audit, Compliance, and Title IX Committee and executive management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.

- Periodically measure and continually improve the efficiency of internal audit activity by means of a quality control program, effective use of technology, and proactive performance management. Appropriate budgetary and cost control over the auditing program should be considered.
- Institute controls to ensure 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 Audit, Compliance and Title IX Committee.
- 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, if possible.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit, Compliance and Title IX Committee and executive management during quarterly meetings and for each engagement as appropriate.
- Maintain a staff that collectively possesses or obtains the skills, experience and professional certifications to meet the Department's scope of responsibilities and ensure alignment with the NSHE's risks.
- Identify and consider trends and emerging issues that could impact the NSHE and communicate to the Audit, Compliance and Title IX Committee and executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the NSHE's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit, Compliance and Title IX Committee and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Internal Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and, if necessary, escalated to the Audit, Compliance and Title IX Committee.

Communication with the Audit, Compliance and Title IX Committee and Executive Management

The Chief Internal Auditor will report at least annually to the Audit, Compliance and Title IX Committee and executive management regarding:

- The internal audit function's mandate.
- 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 CFO and the Audit, Compliance and Title IX Committee.
- The internal audit plan will be communicated at least biannually. This includes budgeted hours and performance relative to its plan.
- Any significant deviations from the approved internal audit plan and budget.

- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Compliance and Title IX Committee.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the NSHE's risk appetite.

(B/R 6/24)

Section 5. Audit Requests

The Chief Internal Auditor may determine during the year that an unscheduled audit should be performed. The Chief Internal Auditor will inform the Chair of the Audit, Compliance and Title IX Committee of special audits.

The Chair of the Audit, Compliance and Title IX Committee may request an audit be performed based upon specific information provided to the Chief Internal Auditor. If the Chief Internal Auditor is in agreement that the audit should be performed, the audit will be added to the audit schedule. If the Chief Internal Auditor is not in agreement that the audit should be performed, the Chair of the Audit, Compliance and Title IX Committee may place the item on the next Audit, Compliance and Title IX Committee agenda for review and action by the Audit, Compliance and Title IX Committee.

Any member of the Board of Regents may request that the Chair of the Audit, Compliance and Title IX Committee Chair place a request for an audit on the Audit, Compliance and Title IX Committee agenda. The Chief Internal Auditor will make a recommendation to the Audit, Compliance and Title IX Committee regarding the audit request.

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

(B/R 12/18)

Section 6. Quality Assurance and Improvement Program

The Chief Internal Auditor will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of opportunities for improvement.

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

(B/R 6/24)

Section 7. Institution Audit Response Requirements

1. Time Period for Response. In response to audit findings, institutions at times must adopt new institution policies or amend existing institution policies to address the issues identified in the audit. The adoption of new policies or amendment of existing policies in response to an audit finding must be completed within 150 calendar days after the audit and institutional response have been discussed at a Board of Regents Audit, Compliance and Title IX Committee meeting.
2. Expedited Procedure and Consultation with Faculty Senate. Each institution shall develop a procedure for the expedited adoption of new policy and for the amendment of existing policy to comply with the 150 calendar day requirement set forth above. The institution procedure must include an expedited process for consultation with the Faculty Senate.

(B/R 6/24)

B. Finance and Administration Charter

Section 1. Objectives and Scope

1. Finance and Administration is a part of System Administration. The Chancellor, as Chief Executive Officer and Treasurer of the NSHE, has delegated certain of the financial duties of his or her office, as prescribed by the Board of Regents at Article VII, Section 3, of the By-Laws, to the Chief Financial Officer. The Senior Budget Officer and Director for Banking and Investments for the NSHE report to the Chief Financial Officer.
2. While the primary financial accounting and control functions are maintained at the institutional level, the System through the Chief Financial Officer is responsible for the accurate and timely development and reporting of financial information. The System will ensure the adherence of the institutions to the most recent national financial accounting standards and support continuing internal and external audit reviews of programs and funding.

(B/R 10/96)

Section 2. Budget Director: Authority and Responsibility

Reporting to the Chief Financial Officer, the NSHE Senior Budget Officer is provided with the authority and responsibility for establishing policies and procedures under which the budgetary administration will be conducted.