Title: Proposed Amendment to Policy 1D.1 Office of Internal Auditing (Second Reading)

Purpose (check one):

- [X] Proposed New Policy or Amendment to Existing Policy
- [ ] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

Policy 1D.1 Office of Internal Auditing was reviewed by the Office of Internal Auditing. Changes are proposed throughout the policy to clean up language and to comply with changes to the International Standards for the Professional Practice of Internal Auditing.

The proposed amendment was reviewed by the Office of General Counsel, cabinet, then sent out for formal consultation from the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

Policy 1D.1 was presented to the Audit Committee for a first reading in May 2015.

Scheduled Presenter(s):
Beth Buse, Executive Director, Office of Internal Auditing
PROPOSED AMENDMENT TO POLICY 1D.1 OFFICE OF INTERNAL AUDITING
(SECOND READING)

Board Policy 1D.1 Office of Internal Auditing was adopted by the Board of Trustees and implemented on July 19, 2000. The policy was last reviewed in 2011 and amended to clean up language and comply with International Standards for the Professional Practice of Internal Auditing. Language about consulting services were removed at that time as well. Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies.

PROPOSED AMENDMENTS

The proposed amendments to Policy 1D.1 are identified by strikethrough and underlining in the policy on the following pages. Changes are proposed throughout the policy to clean up language and to comply with changes to the International Standards for the Professional Practice of Internal Auditing.

REVIEW PROCESS

The proposed amendment was reviewed by the Office of General Counsel, cabinet, then sent out for formal consultation from the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

Policy 1D.1 was presented to the Audit Committee for a first reading in May 2015.

RECOMMENDED COMMITTEE ACTION:

*The Audit Committee recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

*Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the recommended changes to Policy 1D.1 Office of Internal Auditing as submitted.*

*Date Presented to the Board of Trustees: June 16, 2015*
1D.1 OFFICE OF INTERNAL AUDITING.

Part 1. Mission. The mission of the Office of Internal Auditing is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Minnesota State Colleges and Universities. Internal Auditing helps the Board of Trustees, presidents, and all other levels of management accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Part 2. Values and Principles. The Office of Internal Auditing is committed to:

- Supporting the success of public higher education, including student success and learning;
- Practicing with integrity, honesty, and objectivity;
- Complying with professional and ethical standards;
- Protecting confidentiality of information;
- Conveying results first to appropriate management (no public surprises) and as necessary to other stakeholders;
- Promoting accessibility to internal auditing services, both geographically and by fostering relationships with campus personnel;
- Understanding the unique needs of individual institutions;
- Maintaining excellence through innovative and proactive methodologies, professional development, and continuous learning; and
- Celebrating success.

Part 3. Vision Statement. The Office of Internal Auditing is a catalyst for improvement.

Part 4. Standards of Practice. Internal Auditing activities must be conducted in compliance with the Minnesota State Colleges and Universities board policies and system procedures. In addition, the Office of Internal Auditing shall comply with relevant professional standards and 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).
Part 54. Services. Internal Auditing shall be an advocate to improve and maintain accountability and promote the proper management oversight of the system office, and college and university programs and activities. Internal Auditing is intended to complement, and not replace, other services available either on campuses or in the system office. It has particular expertise in topics such as auditing, accounting, internal controls, financial risk management, and information technology. When dealing with matters outside its expertise, Internal Auditing shall seek the assistance of other experts in the organization or obtain external consultative services, if necessary. It offers the following types of services in order to assist the Board of Trustees, Chancellor and presidents in accomplishing their objectives and in improving operations.

a. Subpart A. Assurance Services consist of examinations designed to inform interested stakeholders about the reliability and accuracy of information and information systems. System-wide topics may be selected by formal action of the Board of Trustees. Internal Auditing may also enter into agreements to conduct special studies requested by the Chancellor or a president. Studies may focus on (1) compliance with board policies, laws, and regulations, (2) reliability of information, (3) economy and efficiency of operations, (4) effectiveness in meeting goals and objectives, (5) design and effectiveness of information technology security controls, or (6) safeguarding of assets. Internal Auditing shall coordinate all audit-related activities conducted by the Office of the Legislative Auditor and external auditors within MnSCU. Internal Auditing must follow-up on audit findings generated by either internal or external audits to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. Findings are satisfactorily resolved.

b. Subpart B. Fraud Inquiry and Investigation Support Services are intended to augment the efforts of colleges and universities to ensure that evidence of fraud or dishonest acts is investigated professionally and promptly. Internal Auditing shall look to consult with legal counsel for leadership on any issues that may involve criminal action or reveal potential legal exposures. Internal Auditing shall notify it is recognized that these matters must be reported to the Legislative Auditor as required by state law.

c. Subpart C. Professional Advice shall promote an understanding and implementation of state laws and rules, federal laws and regulations, board policies and system procedures, professional accounting and auditing standards, and best practices in management and organizational development. Advice may be communicated in response to questions for which Internal Auditing has expertise, through availability of self-assessment tools, by broadly relaying or publicizing information on selected topics, or by offering workshops, offering education and training opportunities workshops and inservices on-site or via technology such as webinars.
Part 65. Authority and Responsibilities. Internal Auditing has the authority to audit all parts of MnSCU system and shall be granted full and complete access to all MnSCU system records (manual or electronic), physical properties and personnel relevant to any services provided according to this policy. Access is also shall be granted without limitation by contract, to relevant records of all MnSCU-system related foundation agreements, contractors, and partners other written agreements. The internal audit activity shall be free from interference in determining the scope of work and communicating results. Documents and information given to internal auditors shall be handled in compliance with provisions of the Minnesota Government Data Practices Act and other applicable laws.

Internal Auditing shall have no direct authority over or responsibility for any of the activities or operations reviews. Unless extenuating circumstances dictate, internal auditors should not develop and implement procedures, prepare records or engage in activities which would normally be reviewed by Internal Auditing. Internal Auditing may review proposed systems and processes prior to implementation to assure adequate controls will exist.

Part 76. Organization.

Subpart A. Reporting Structure. The Executive Director of Internal Auditing reports directly to the Board of Trustees through the Chair of the Board of Trustees-Audit Committee. The executive director has direct and unrestricted access to the Board. The Chancellor will handle matters related to audit departmental operations in consultation with the Chair of the Audit Committee.

Subpart B. Annual Audit Plan. The Executive Director of Internal Auditing shall present and seek approval from the Audit Committee on an annual audit plan based on a system-wide audit risk assessment. The plan shall include all Internal Auditing and external audit activities planned for the ensuing fiscal year. In addition, the plan shall include the Internal Auditing budget and resource allocation. The Executive Director shall report to the Audit Committee any significant changes to the audit plan throughout the year.

Subpart C. Reporting Significant Violations. The Executive Director has direct and unrestricted access to the Board of Trustees. The Executive Director has the right and responsibility to report to the Board any circumstances that are significant violations of internal MnSCU controls, board policies or system procedures and any other matters that the Executive Director believes warrant Board notification. Internal Auditing is a function shared with the Chancellor and the presidents. Therefore, the Executive Director has the right and responsibility to report any matters to the Chancellor and presidents that warrant their notification or assist them in improving their operations.

The appointment, removal, and compensation of the executive director shall be consistent with Policy 1A.4, Part 5.
Part 87. Internal Auditing Data. As required by Minnesota Statutes Section § 13.392, Subdivision-subd. 1, data notes, and preliminary drafts of reports created, collected, and maintained by Internal - Internal Auditing are confidential data on individuals or protected nonpublic data while work is in progress. The final report is public data, except as provided under the Minnesota Government Data Practices Act Minn. Stat. ch. 13 or other applicable law.

Also, as required by Minnesota Statutes Section 13.392, Subdivision 2, data on an individual supplying information for an audit or investigation that could reasonably be used to determine the individual’s identity, are shall be classified as private data on individuals if the information supplied was needed for an audit or investigation and would not have been provided to Internal - Internal Auditing without an assurance to the individual that the individual’s identity would remain private.

Part 98. Reporting.

Subpart A. Distribution of Reports. Internal Auditing reports resulting from services requested by the Audit Committee shall be distributed to all members of the Board of Trustees. Copies of these reports also shall be distributed to management as appropriate. The Executive Director shall enter into an agreement with the chancellor, other senior administrators, or a president to direct the distribution of Internal - Internal Auditing reports resulting from services not requested by the Audit Committee. Such reports shall be distributed to the Board of Trustees if warranted under the circumstances that are cited in Part 76 of this policy are revealed.

Subpart B. Follow-up Reporting. The Executive Director shall provide present periodic follow-up reports to the Audit Committee that shows on progress toward implementing internal and external audit findings previously reported to the committee.

Subpart C. Annual Report. The Executive Director shall present provide an annual report to the Audit Committee including:

1. that shows the results of Audits conducted during the previous fiscal year, including a summary of significant audit results.
2. Whether Internal Auditing was organizationally independent and free of any scope and resource limitations in performing its audits.
3. Review of the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards) with senior management and the Board of Trustees.

Date of Implementation: 7/19/00
Date of Adoption: 7/19/00
Date and Subject of Revisions: XX/XX/15 - Amended throughout to clean up language and comply with changes to the
International Standards for the Professional Practice of Internal Auditing.

11/16/11 - Amended throughout to clean up language and comply with International Standards for the Professional Practice of Internal Auditing. Removed Part 5c, Consulting Services.

7/19/00 - repealed MnSCU Policy 7.2 Parts 1-2 & 4-7.