

## **408. Internal Audit Policies and Standards**

### **I. Introduction**

This Rule contains the policies and standards by which the Internal Audit functions of The University of Alabama System (System) will be governed.

### **II. Mission, Scope, and Nature of Work**

- A. The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the System's operations. Internal Audit helps the System accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. The scope and nature of work of the Internal Audit department is to determine whether the System's risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:
  - 1. Risks are appropriately identified and managed,
  - 2. Significant financial, managerial, and operating information are accurate, reliable, and timely,
  - 3. Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations,
  - 4. Resources are acquired economically, used efficiently, and adequately protected,
  - 5. Programs, plans, and objectives are achieved,
  - 6. Quality and continuous improvement are fostered in the control processes, and
  - 7. Significant legislative or regulatory issues impacting the System are recognized and addressed properly.

### **III. Authority**

The General Auditor and staff of the Internal Audit department are authorized to:

- A. Have unrestricted access to all functions, records, property, and personnel,

- B. Have full and free access to the Audit Committee,
- C. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives, and
- D. Obtain the necessary assistance of personnel in units where they perform audits, as well as other specialized services from within or outside the System.

The General Auditor and staff of the Internal Audit department are not authorized to:

- A. Perform any operational duties for the System or its campuses,
- B. Initiate or approve accounting transactions external to the Internal Audit department, or
- C. Direct the activities of any System or campus employee not employed by the Internal Audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

#### IV. Accountability

The General Auditor shall report administratively to the Chancellor and functionally to the Audit Committee. In the discharge of his/her duties, the General Auditor shall:

- A. Report significant issues related to the processes for controlling the activities of the System, including potential improvements to those processes, and
- B. Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.

#### V. General Auditor Responsibilities

The General Auditor, or his/her designee, will carry out the following responsibilities:

- A. Develop a flexible annual audit plan using appropriate risk-based methodology (including any risks or control concerns identified by management) and submit the plan to the Chancellor and the Audit Committee for review,
- B. Implement the annual audit plan as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee,

- C. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications (may use outside sources, as necessary),
- D. Establish a quality assurance and continuous improvement program,
- E. Create a culture of support and accessibility to campus management; and assist management in meeting objectives by performing consulting services in addition to assurance services,
- F. Issue periodic reports to the Audit Committee and management summarizing results of audit activities,
- G. Serve as liaison between the System and the external auditor,
- H. Assist in the investigation of significant suspected fraudulent activities within the System,
- I. Consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the System, and
- J. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit), as appropriate.

VI. Campus Management Responsibilities

The President of each campus, or his or her designee, will carry out the following responsibilities:

- A. Participate with Internal Audit to formulate the campus audit plan,
- B. Meet routinely with Internal Audit to review the status of audit work,
- C. Communicate to Internal Audit unanticipated audit needs as they arise,
- D. Review with Internal Audit all audit reports and ensure all recommendations are implemented,
- E. Provide requested information and assistance to external audit firm and keep General Auditor informed about status of audit requests and issues,
- F. Participate with the General Auditor in presenting the audit results to the Audit Committee, when necessary, and

- G. Issue an audit charter reinforcing Internal Audit access to personnel, records and other property or information necessary to conduct audits.

VII. Campus Management Acceptance of Risks

When a difference of opinion exists between Internal Audit and management, the General Auditor will exercise the following process until the difference is resolved.

- A. The General Auditor and Campus President will meet to discuss the matter,
- B. The General Auditor and Campus President will meet with the Chancellor to discuss the matter, or
- C. When the General Auditor believes that management has accepted a level of risk that may be unacceptable to the System, the General Auditor will discuss the matter with the Audit Committee.

VIII. Standards of Audit Practice

Internal Audit will operate under standards that the Board has approved. Current standards are the [\*International Standards for the Professional Practice of Internal Auditing\*](#) of The Institute of Internal Auditors and will disclose areas of noncompliance to the Audit Committee. On occasion, other standards such as the *Government Auditing Standards* will apply.

Internal auditors will uphold the principles of integrity, objectivity, confidentiality, and competency as defined in The Institute of Internal Auditors *Code of Ethics*.

(Adopted May 12, 1979 as Rule 431; completely revised April 10, 1992; amended April 21, 1995; amended and renumbered December 5, 1997; amended June 17, 2011 and June 15, 2012.)