



10.01 Internal Auditing

Approved September 28, 2007 (MO 217-2007)
Next Scheduled Review: September 28, 2009

Policy Statement

The internal auditing program provides the Board of Regents, Chancellor, University Presidents and Agency Directors independent, objective assurance and consulting services designed to add value and improve the The Texas A&M University System's operations. The internal auditing program helps the A&M System members accomplish their goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the Members' risk management, control, and governance processes. Additionally, the internal auditing program provides useful and timely information on both the internal and external auditing activities occurring within the A&M System.

Reason for Policy

This policy develops a framework for the implementation of the auditing activities within the A&M System and defines the authority and scope of the internal auditing program as an effective management tool for use by the Board of Regents, Chancellor, University Presidents and Agency Directors. The Texas Internal Auditing Act (Government Code, Chapter 2102) requires the A&M System to have an internal auditing function and recognizes internal auditing as a professional management support and control activity.

Procedures and Responsibilities

1. AUTHORITY AND SCOPE OF THE INTERNAL AUDIT PROGRAM

The A&M System Internal Audit Department, under the advice and consent of the Committee on Audit of the Board of Regents, has sole authority and responsibility for providing the internal auditing program for The Texas A&M University System. The program shall perform its duties in accordance with the Texas Internal Auditing Act (Government Code, Chapter 2102), the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics, and generally accepted government auditing standards. The scope of work includes reviewing and determining if the networks of risk management, control, and governance processes, as designed and implemented by management system-wide, are adequate and functioning in a manner to ensure that the A&M System's:

- Risks are appropriately identified and managed.

- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently, and adequately protected.
- Accountability systems are in place to make sure organizational and program missions, goals, plans and objectives are achieved.

The Chief Auditor and staff of the A&M System Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, information, property, and personnel of the A&M System.
- Have full and free access to the Committee on Audit.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within the A&M System, as well as other specialized services from outside the organization, to assist in the conduct of planned audits.

The Chief Auditor and staff of the A&M System Internal Audit Department will not:

- Perform any operational duties for the A&M System or its affiliates that would impair its ability to conduct independent and objective reviews.
- Initiate or approve accounting transactions external to the internal auditing department.
- Direct the activities of any A&M System employee not employed by the A&M System Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

2. INDEPENDENCE

To provide for the independence of the internal auditing program, the Chief Auditor reports functionally to the Committee on Audit of the Board of Regents and administratively to the Chancellor, with the exception of annual performance and compensation reviews which shall be conducted by the Committee on Audit. In accordance with Section 1.5 of System Policy *01.03, Appointing Power and Terms and Conditions of Employment*, "The Board shall appoint the Chief Auditor. . . . The Chief Auditor shall report to the Board through the Committee on Audit of the Board, with access to the Chancellor. The Board may dismiss or reassign the Chief Auditor without cause."

3. RESPONSIBILITIES

The Chief Auditor, in the discharge of his/her duties, shall be accountable to the Committee on Audit and the Board of Regents to:

- Develop an annual audit plan using an appropriate risk-based methodology and submit the plan to the Board of Regents through the Committee on Audit for review and approval.
- Implement the annual audit plan and report results to the Board of Regents, Chancellor and the University Presidents and Agency Directors.
- Investigate allegations of fraud or fraudulent actions in accordance with the A&M System fraud policy.
- Provide reports to the Committee on Audit and Chancellor on the implementation status of prior audit recommendations.
- Provide information periodically to the Committee on Audit and Chancellor on the status and results of the annual audit plan and the sufficiency of department resources.
- Act as the A&M System's general liaison with any external audit agency.
- Provide reports to the Committee on Audit and Chancellor on any issues related to significant external audits, including audits conducted by the Texas State Auditor's Office.
- Provide advisory and consulting services to assist management in meeting their objectives, including participating in the development or modification of major information systems.

Management has responsibility to:

- Furnish the Chief Auditor, within 30 calendar days, a written report of planned or completed actions to address the recommendations outlined in the internal audit report provided to the University President or Agency Director. The report shall include a timetable for the planned actions.
- Report to the Chief Auditor the status of implementation of prior audit recommendations.
- Notify the Chief Auditor of any external audits, investigations, or inspections to be conducted at their institution or agency.
- Obtain authorization by law or through a delegation of authority from the State Auditor's Office when contracting for an external audit.
- Provide the Chief Auditor information on audit issues from all external audits, investigations, or inspections conducted at their institution or agency, including a copy of the final audit report with management's responses, if applicable.

Related Statutes, Policies, or Requirements

[Texas Internal Auditing Act \(Government Code, Chapter 2102\)](#)

[The Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing and Code of Ethics](#)

[U.S. Government Accountability Office, Government Auditing Standards \(The Yellow Book\)](#)

This new policy supersedes:

Policy 21.02, *Compliance with Recommendations of the State Auditor*

Regulation 21.02.01, *Audits by the State Auditor*

Regulation 21.02.02, *External Audits Other than by State Auditor*

Policy 21.03, *Internal Auditing*

Regulation 21.03.01, *Internal Auditing*

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