

Section IV AUDIT

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41.01 Internal Auditing

To develop a frame work for the implementation of the internal audit function within the university, and to define the scope of the internal audit function as an effective management tool for use by the board and president in evaluating the university’s fiscal integrity and compliance with the Texas internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved board policies, the board adopts the following policy:

41.01.1 Philosophy

- A. A primary responsibility of the board is to ensure the legal and fiscal integrity of the university. To that end, the board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the university’s resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.
- B. Internal audits are resource tools for management and enable the university to monitor the effectiveness with which policies are followed, objectives met, and control systems function.
- C. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the university’s operations. It supports the university to accomplish its objectives by bringing a systematic, strategic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- D. The Office of Internal Audit is objective and independent; and will be free of any operational duties, development and installation of systems, implementation of procedures, initiation or approval of accounting transactions, preparation of records or engagement in any other management responsibilities that would impair the ability to make independent reviews of all aspects of the University
- E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full free, and unrestricted access to all university activities, records, property, and personnel. The

Office of Internal Audit may also request access to the financial records of private support organizations and foundations chartered for the benefit of Texas Southern University or any part thereof.

41.01.2 Organizational Responsibility

- A. The Director of Internal Audit will report directly to the chair of the Audit Committee of the board, and have access to the president.
- B. The Audit Committee is responsible for making recommendations to the board specific to the appointment, dismissal or reassignment of the Director of Internal Audit, annual performance evaluation and compensation decision related to the Director.
- C. The Audit Committee will ensure, as required by the Texas Internal Auditing Act. That the internal auditing activity of Texas Southern University is complying with the IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics, and Generally Accepted Government Auditing Standards.

41.01.3 The Internal Auditing Process

- A. In October of each year, the Office of Internal Audit will present to the Audit Committee and board an annual audit plan for the board's review and approval.
- B. The Director of Internal Audit and staff will meet with the Audit Committee on a by-monthly or as required basis, to review audits performed, audits in progress, and future audits.
- C. Internal Audit reports will be distributed internally to the Audit Committee of the board, Chairman of the board, the president, and the president's cabinet. Internal Audit reports shall be distributed externally to the State Auditor's Office, the Governor's Office of Planning and Budgeting, the Legislative Budget Board and the Sunset Advisory Commission, as required by the Texas Government Code, Section 2102.

41.01.4 Objectives

The internal audit function supports the continuous improvement of the

university's system of risk management, control and governance systems by addressing the following strategic objectives:

- A. **Risk Management:** Office of Internal Audit utilizes a risk-based approach to identify inherent risks and establish acceptable residual risk values by contributing to the enhancement of control systems.
- B. **Control Systems:** The Office of Internal Audit supports the development, implementation, and the maintenance of controlled activities to mitigate exposure, improve effectiveness and efficiency and promote continuous improvement.
- C. **Governance:** The Office of Internal Audit contributes to the governance of the university through the promotion of control systems whereby: objectives are documented and communicated, accountability and performance are measured, and control systems are preserved.
- D. **Internal** audit activity will evaluate risk exposures, adequacy and effectiveness of controls relating to the university's governance, operations and information systems regarding the:
 - Reliability and integrity of financial and operational information
 - Effectiveness and efficiency of operations
 - Safeguarding of assets
 - Compliance with applicable laws, regulations, board policies and the university's manual of administrative policies and procedures.
- E. The Office of Internal Audit will coordinate audit efforts with the State Auditor's Office, external audit firms, and other applicable oversight agencies as appropriate, for the purpose of ensuring optimal audit coverage to the university.

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