



Audit & Compliance

September 2023

September 7, 2023

8:00 AM

Boardroom, McNamara Alumni Center

AUD - SEP 2023

1. 2023-24 Committee Work Plan

Docket Item Summary - 3

2023-24 Committee Work Plan - 6

2. Updates to the Institutional Risk Profile

Docket Item Summary - 8

Presentation Materials - 9

3. Overview of the Internal Audit Process

Docket Item Summary - 24

Presentation Materials - 25

4. Amendments to the Office of Internal Audit Charter - Review

Docket Item Summary - 39

Internal Audit Charter Proposed Updates - 40



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 7, 2023

AGENDA ITEM: 2023-24 Committee Work Plan

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Regent James Farnsworth
Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss the committee’s 2023-24 work plan.

BACKGROUND INFORMATION

Board of Regents Policy: *Board Operations and Agenda Guidelines* describes the role of the Audit & Compliance Committee as follows:

The Audit & Compliance Committee oversees the University’s system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. The committee is to assist the Board in discharging its oversight responsibilities related to the audit and compliance functions by:

- promoting the development of an effective, efficient, and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal control;
- overseeing the University's integrated framework of internal control, risk management practices, and institutional compliance program to ensure that the administration executes the provisions of Board of Regents Policy: *Internal Control*;
- serving as an informed voice on the Board by relaying the audit and compliance perspective when related issues are brought before the Board and its standing committees; and
- providing a direct channel of communication to the Board for the chief auditor and the independent public auditor.

Consistent with Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section X, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the chief auditor; review

audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Specific duties of the Audit & Compliance Committee include the following:

- (a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit & Compliance Committee. The committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The committee shall approve in advance all audit and non-audit services provided by the independent auditor with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in the United States General Accounting Office Government Auditing Standards. Engagements not requiring approval by the Board shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee. The committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.
- (b) Oversight of the Internal Audit Function. The Audit & Compliance Committee shall recommend for Board approval changes to the Office of Internal Audit's charter and any material revisions to internal audit plans or budgets. In consultation with management and the chief auditor, the committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.
- (c) Review of the Annual Financial Report. The Audit & Compliance Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.
- (d) Review of Audit Results. The Audit & Compliance Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, chief auditor, and management. The committee shall monitor management's progress in addressing audit recommendations.
- (e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit & Compliance Committee shall be apprised of investigations conducted under administrative policy.
- (f) Requests for Audits. The Audit & Compliance Committee is authorized to request supplemental reviews or other audit procedures by the chief auditor, the independent auditor, or other advisors.
- (g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit & Compliance Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in (a) of this section. Engagements not requiring approval by the Board shall be reported to the committee at the next scheduled meeting of the committee.
- (h) This committee provides additional oversight of compliance initiatives and enterprise risk management processes, including risk identification and mitigation.

This committee also reviews:

- The annual financial statements, prior to issuance.
- The annual report on institutional risk and financial reports.
- The independent auditor's annual audit and management letter.
- The chief auditor's annual audit plan.
- Responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, investigations conducted under administrative policy, and other items relevant to the audit function.
- The annual institutional compliance report.
- The institutional conflict of interest report.
- External auditor engagements not requiring approval by the Board. Any engagements shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.

**Audit & Compliance Committee
2023-24 Work Plan**

Date	Topics
2023	
September 7-8	<ul style="list-style-type: none"> • 2023-24 Committee Work Plan • Updates to the Institutional Risk Profile The committee will discuss and provide input on updates to the University's Institutional Risk Profile. The updates to the profile will mark the start of an annual review of the profile. Included in the presentation will be an update on the Enterprise Risk Management (ERM) Program and how it will leverage the profile. • Overview of the Internal Audit Process This item will provide the committee with an overview of the University's internal audit function and processes. • Amendments to the Office of Internal Audit Charter – Review The committee will review proposed changes to the Office of Internal Audit Charter. The charter establishes the purpose, authority, responsibilities, reporting, and independence for the Office of Internal Audit; any amendments to the charter require Board approval.
October 12-13	<ul style="list-style-type: none"> • Overview of Review of Annual Financial Statements This item will provide an overview of the annual financial statements review process. The item will prepare committee members for the October review of the FY 2023 financial statements prior to final issuance. • Safety Training Process Updates This item will provide an update on the Health Safety and Risk Management's Safety Training Centralization Project, which is expected to remediate the outstanding essential issue from the September 2020 University Health and Safety audit report. • Amendments to the Office of Internal Audit Charter – Action • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations. <p style="text-align: center;">-----</p> <p style="text-align: center;"><i>Review of Annual Financial Statements</i> <i>The committee is required to review the annual financial statements prior to their finalization. The committee will review the financial statements outside of the meeting and provide any feedback to the chair.</i></p>
December 7-8	<ul style="list-style-type: none"> • External Auditor Report & 2023 Annual Financial Report The committee will receive and discuss the results of the FY 2023 external auditor report and other audit-like work from the University's external auditor. The item will also include the University's 2023 Annual Financial Report. • Recommendation for Engagement of External Auditor – Review/Action The committee will review and act on the engagement of an external auditor. The item will include a discussion of the external auditor RFP process that was used and justification for the recommended finalist. • Institutional Compliance and Conflict of Interest Reports The Chief Compliance Officer will present the annually required reports.
2024	

February 8-9	<ul style="list-style-type: none"> • External Auditor’s Review of Completed Audit Work The external auditor will discuss the results for the audit and audit-like services performed since July 2023. • FY 2024 External Audit Plan The external auditor will present its proposed plan for FY 2024 audit engagements including the financial statement audit and the federal uniform guidance audit. • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations.
May 9-10	<ul style="list-style-type: none"> • Identity and Access Management (IAM) Collaborative Assessment Implementation Update The committee will receive an update on program improvements and mitigation efforts associated with risks identified in the FY 2020 collaborative assessment of the University’s identity and access management. This will include assertions on updated risk levels expected to be reviewed in a FY 2025 internal audit. • Overview of the University’s Approach to Data Privacy The committee will receive a primer on the University’s approach to data privacy. The item will outline current practices and the new governance structure being implemented. • Enterprise Risk Management (ERM) Program Update This item will provide an update on the continued implementation of the University’s Enterprise Risk Management Program. The committee will discuss the program’s structure and operations, and how the program is using the Institutional Risk Profile. • Information Items: <ul style="list-style-type: none"> ○ Annual Report on Institutional Risk and Financial Reports ○ Review of External Auditor Relationship and Services Provided
June 13-14	<ul style="list-style-type: none"> • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations. • Internal Audit Plan The committee will review and discuss the Internal Audit plan for FY 2025.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 7, 2023

AGENDA ITEM: Updates to the Institutional Risk Profile

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Katharine Bonneson, Associate Vice President, Health, Safety, & Risk Management
Matt Reiersen, Senior Manager, Baker Tilly

PURPOSE & KEY POINTS

The purpose of this item is to engage the committee in a discussion of updates to the University's Institutional Risk Profile (risk profile). The Enterprise Risk Management (ERM) plan, a component of the MPact 2025 Systemwide Strategic Plan, is currently underway. A major milestone of the program is the creation of the risk profile and the opportunity to check in with the committee on progress and alignment. This presentation provides an opportunity to solicit feedback and discuss elements of the profile, its application, and potential governance structures. Specific discussion questions include:

- Does the initial risk profile feel like it is accurately capturing major risks relevant to the University system?
- Are there key risk areas that should be more evident in the initial risk profile?
- Is the proposed governance structure an effective framework to ensure deep engagement on this program?
- What types of deliverables or reports would be most beneficial for the Board to stay informed on ERM progress?

BACKGROUND INFORMATION

The Board previously discussed this topic at the following meetings:

- May 2023: *Enterprise Risk Management (ERM) Program update*, Audit & Compliance
- February 2023: *Enterprise Risk Management (ERM) Program Update*, Audit & Compliance
- May 2022: *Enterprise Risk Management Update and Discussion*, Audit & Compliance
- December 2021: *Enterprise Risk Management Plan*, Finance & Operations

Updates to the Institutional Risk Profile

September 2023



HEALTH, SAFETY,
AND RISK MANAGEMENT

UNIVERSITY OF MINNESOTA

Agenda

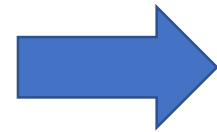
- Enterprise Risk Management (ERM) project overview
- Governance
- Introduction to the Risk Profile
- Intersections with MPact2025
- Mitigation planning and next steps



What is ERM?

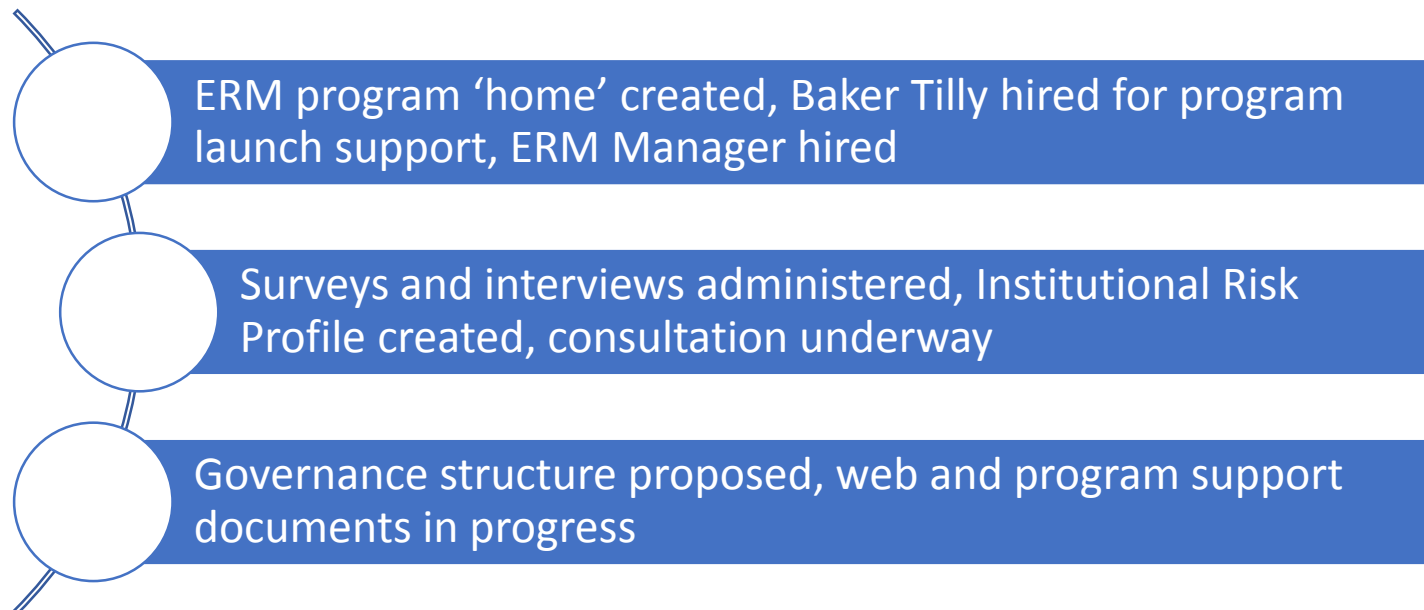
ERM is the process of identifying risks and opportunities that have the greatest potential to upset or enhance the University's strategic goals. ERM can provide senior leaders with tools to effectively anticipate, respond or capitalize on risks.

- In practice, ERM is an ongoing process, not a 'one and done'



University of Minnesota ERM Program Progress

- The Senior Vice President's Office along with the Chancellors were charged with the goal to *Enhance risk management through innovative technology and processes* as part of MPact 2025.
- Tasks completed:



Proposed Governance Structure



Three general governing bodies supporting ERM

- Board of Regents: Inform and endorse the University's Risk Profile and prioritize activities. Set the tone by promoting the value of creating a risk aware community, lead discussions through the lens of risk management where appropriate and provide external expertise to analysis and discussion
- Senior Leadership: Inform and approve risk profile, set priorities, serve as institutional risk owners, empower teams to proactively manage risks
- Operational: Consult and inform on institutional risk profile, develop mitigation strategies and key performance indicators, serve as operational risk leads, implement risk mitigation strategies and work plans

**** *ERM Program is responsible for facilitation, analysis and driving work plans, broad decision making occurs through governance structures***

Developing the Risk Profile

Objective of developing a risk profile - identify and prioritize risks that could impact achievement of MPact 2025

Methodology

- Administer survey questionnaire online to 68 individuals across administration and faculty
- Survey statistics:
 - 48 responses received
 - 71% response rate
 - Facilitated individual discussion with 16 selected individuals from Senior Leadership

Risk categories utilized in survey and interviews:

Environmental	Strategy	Organization	Process & Ops	Information	Infrastructure	Students and Campus
External factors (political, legal, regulatory)	Factors impacting strategic objectives	University resources (personnel, finances)	Factors impacting how we work, our efficiency	Data, access, privacy, IP, redundancy, continuity	Facilities, reliability of systems, utilities	Safety, mental health, student experience

Initial Risk Profile

The **16 risks** below were selected by key stakeholders in order of **highest priority** based on the participant's view of the most important challenges and opportunities facing the University.

These risks do not necessarily represent current problems but risks that would have the **greatest impact to the achievement of strategic objectives** in the absence of any actions management might take to alter either the risk's likelihood or impact.



Note, senior leaders have expressed overall belief that University of Minnesota is taking steps to address each of these high priority risk areas and to improve current risk management capabilities on an ongoing basis.

Risk Profile Alignment to MPact 2025

The chart below aligns the key risks with the five strategic commitments from [MPact 2025](#)

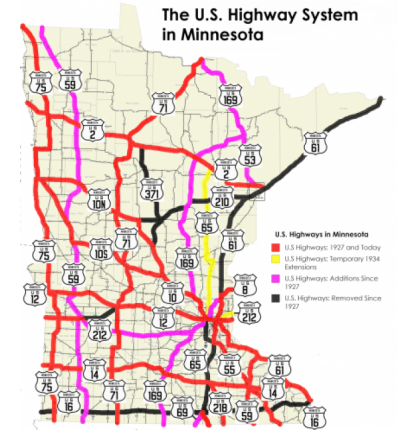
1. Student Success	2. Discovery, Innovation, and Impact	3. MNtersections	4. Community and Belonging	5. Fiscal Stewardship
Enrollment Strategy	Political	Cybersecurity	Campus Safety	Facilities and Maintenance
Student Retention	Privacy / Security	Reputation	Crisis Management	Economic Conditions
Student Experience and Success	Research	Leadership	Employee Retention and Morale	Strategic Financial Planning & Budgeting
			Public Safety	

Complete risk mitigation plans over the next 1 – 10 months.

Complete risk mitigation plans over the next 11 – 17 months.

Complete risk mitigation plans over the next 18 – 24 months.


Applying the Risk Profile



- Requires consultation and feedback
- Is a living, breathing document that should be evaluated annually
- Is a roadmap, but allows for flexibility
- Requires that risks be prioritized and paired down for action
- All risks should map back to strategic goals and priorities
 - Development of reports and scorecards will support these next steps

Applying the Risk Profile

- This score card provides a glimpse of how the risk profile can be operationalized and numerically assessed to help support risk prioritization

 UNIVERSITY OF MINNESOTA Driven to Discover® Enterprise Risk Management						<h2 style="color: red;">Risk Scorecard</h2>				
Risk Impact	1 Incidental	2 Minor	3 Moderate	4 Major	5 Extreme					
Financial	Less than \$100,000	\$100,000 to \$5 million	\$5 million to \$25 million	\$25 million to \$50 million	Greater than \$50 million					
Mission & Operations	Event does not impact operations <ul style="list-style-type: none"> • Operations are unaffected • Risk awareness and monitoring is appropriate 	Failure of operations with minimal scope limited to one operating unit <ul style="list-style-type: none"> • Difficulty meeting accreditation standards • Minor degradation of services provided 	Failure of operations with minimal affect on multiple units or significant affect on one unit <ul style="list-style-type: none"> • Noncompliance with one or more accreditation standards • Difficulty providing specific services for 6 months 	Failure of operations which significantly limits the function of multiple operating units <ul style="list-style-type: none"> • Placed on probation by accrediting agency • Unable to provide specific services for 6 months 	Systemic failure of operations which ceases the function of multiple key University units <ul style="list-style-type: none"> • Loss of accreditation • Loss of intellectual property • All services stopped • Unit eliminated 					
Safety and Wellbeing	Individual exposed to harm <ul style="list-style-type: none"> • No injuries • No environmental impact 	More than one individual exposed to harm <ul style="list-style-type: none"> • Multiple individuals exposed to harm but no injuries • Minimal environmental damage 	Multiple individuals exposed to harm and one or more physical injuries <ul style="list-style-type: none"> • Injuries may occur requiring first aid • Reversible environmental damage 	Multiple individuals exposed to harm, requiring medical assistance <ul style="list-style-type: none"> • Injuries are extensive and may require hospitalization • Reversible environmental damage 	One or more serious injuries, including loss of life <ul style="list-style-type: none"> • Severe permanent injuries including death • Irreversible damage to the environment 					
Regulatory	No regulatory impact <ul style="list-style-type: none"> • No violation of law or regulations 	No ad-hoc regulatory notification required <ul style="list-style-type: none"> • Possible violation of laws or regulations • Difficulty meeting regulatory requirements or granting agency terms & conditions 	Ad-hoc regulatory notification required <ul style="list-style-type: none"> • Breach of regulations or policies that may trigger a letter of warning 	Significant regulatory action and/or fine <ul style="list-style-type: none"> • Assigned significant penalties by governing agencies • Identified violation of law or regulation 	Major regulatory action and/or fine <ul style="list-style-type: none"> • Significant penalties and debarment from further research funding • Significant fines for regulatory noncompliance • Felony violations of laws 					
Reputational	No external impact or awareness <ul style="list-style-type: none"> • Unconfirmed rumor • No news coverage 	Only impacts University service providers/partners <ul style="list-style-type: none"> • Confirmed • No third-party actions 	Students and personnel aware, not likely the public <ul style="list-style-type: none"> • Minor local news coverage, often not mainstream coverage • Possible third-party action 	Highly visible to students and personnel, disclosed publicly <ul style="list-style-type: none"> • Moderate news profile, local/regional • Third party-actions 	Widespread publicity <ul style="list-style-type: none"> • Loss of public trust • Sustained high visibility • National news attention • Significant third-party actions 					
Risk Likelihood	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain					
Description	Not likely to occur in the next 10 years (10%); has not happened in the past and unlikely to happen in the future.	Not likely occur in the next 5 years (20%); has not happened in recent past and unlikely to happen in the foreseeable future.	May occur in the next 3 years (33%); could happen or has happened once or twice.	Probably will occur in the next 2 years (50%); approaching equal chance of occurring or not occurring.	Expected to occur in the next year (100%); expected to happen or occurs regularly.					

Sample Risk Portfolio Dashboard

Risk Information				Risk Assessment		Key Mitigation Action Plans	Risk Outlook	Risk Owner
Type	Statement of Risk	Risk Statement	Prior	Current				
1	Talent Management	Recruiting	The risk that the organization fails to recruit qualified employees to ensure optimal staffing levels in a balanced workforce environment and support the organization's growth strategy.			Process improvements for efficiencies, Focus on rehires.		Human Resources VP
2	Talent Management	Retention	The risk that the organization fails to engage and retain qualified employees to ensure optimal staffing levels in a balanced workforce environment.			Marketing employee value proposition		Human Resources VP
3	Technology	Cybersecurity	The risk of (i) network attacks by malicious insiders and/or outsiders, (ii) the failure to maintain system security (iii) the failure to protect information and data from unauthorized access, disclosure or use and (iv) loss of availability of vendor-provided SaaS (e.g., Ultipro HRIS).			Focus on cybersecurity supply chain risks		Chief Information Officer
4	Technology	Information/Data Management	Failure to adequately restrict access and safeguard information (data or programs) which may result in unauthorized knowledge and/or use of proprietary or confidential information. This risk includes the failure to comply data requirements.			Transition to GCC high; use business rules for data marking and retention		Chief Information Officer

Legend:

- High: High impact/likelihood, high urgency for action
- Medium: Medium impact/likelihood, further action required
- Low: Lower impact/likelihood, continue to monitor
- Threat to organization expected to increase
- Threat to organization expected to decrease
- Threat to organization expected to remain unchanged

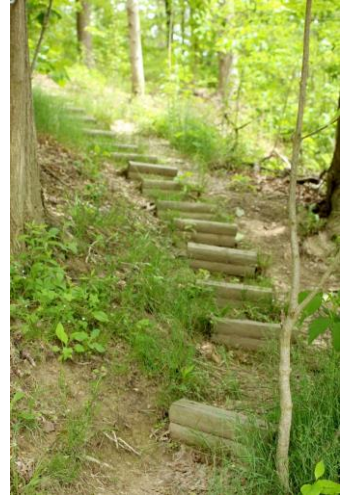


Why Implement ERM, the Value Question

- Standing up an ERM program is not focused on developing new products and resources. The goal is to align and coordinate current risk management activities in an organized, system wide manner and identify and prioritize gaps. Development costs to set up the program are minimal.
- ERM provides a structure and toolkit for leaders to understand risks and make quick, informed decisions, mitigating avoidable risks and maximizing opportunities.
- ERM provides a framework for the University to assess and accept risk in a holistic, systematic way by reducing silos, leveraging existing mitigation strategies and appropriately elevating risks across the system.
- Development of an ERM program supports a risk aware culture across our campuses

Next Steps

- Continue to consult on and seek feedback and endorsement on the initial Institutional Risk Profile; make adjustments as recommended.
- Prioritize and identify top 3 actionable risks
- Assign risk owners
- Establish governance structure along with communication and planning framework
- Walk through a sample mitigation plan with University leadership to help operationalize ERM.





For Your Consideration

- Does the initial risk profile feel like its accurately capturing major risks relevant to our University system?
- Are there key risks areas that you feel should be more evident in the initial risk profile?
- Does the proposed governance structure feel like an effective framework to ensure deep engagement on this program?
- Ideas on what sort of deliverables or reports would be most beneficial for the Board to keep them informed on ERM progress?

Thank you for your support!





BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 7, 2023

AGENDA ITEM: Overview of the Internal Audit Process

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with an overview of the University’s internal audit functions. The presentation will provide a summary of audit work performed at the University generally and the Office of Internal Audit (OIA) and its processes specifically. This will include an overview of:

- Audit functions at the University;
- Development and updates to OIA’s annual audit plan;
- Types of audit services and risk-based audit approach;
- Audit reporting process;
- Follow-up on essential report issues;
- OIA’s Audit Charter; and
- External Quality Assessment Reviews (QARs) (last performed in January 2020 and required every 5 years).

BACKGROUND INFORMATION

Audit plans are discussed annually with the Committee, which includes a summary of the development process. The fiscal year 2024 audit plan was discussed with the Committee at the June 2023 meeting.

Internal Audit at the University of Minnesota

Quinn Gaalswyk, Chief Auditor

Audit & Compliance Committee

September 7, 2023



Office of Internal
Audit (OIA)

Auditing at the University

- External Auditors
 - Current: Deloitte and Touche (RFP underway)
 - Financial Statement Audit
 - Audit of Federal Programs (Uniform Guidance)
 - NCAA Agreed Upon Procedures
- Office of the Legislative Auditor (OLA)
- Federal Auditors
- Office of Internal Audit (OIA)



OIA Reporting

- Report directly to the Board of Regents
 - Audit & Compliance Committee: functional oversight
 - Board leadership: administrative oversight
- Audit Report distribution
 - Board, senior leaders, management & OLA
- OIA ACC regular updates
 - Internal Audit Updates: October, February, June
 - Annual Audit plan and results: June



What We Do

- Conduct internal audit assurance work
 - Planned Audits (per audit plan and/or continual risk assessments)
 - Special requests from the BOR & President
- Perform investigations into allegations of operational or financial misconduct
- Provide advisory services and reviews on issues of risk and controls



How We Approach Auditing

- Institute of Internal Audit (IIA) standards
- Risk categories:
 - Compliance with regulations and University policies
 - Emerging risks & potential impacts to strategic initiatives
 - Process improvements (efficiency)
- Third-line of defense



Developing the Annual Audit Plan

- Broad consultation
- Risk assessment
 - External/Internal risk assessments
 - Operational risk assessment (“audit universe” Assessment)
- Identify unit and process audits
- Align with institutional risk profile and MPact 2025
- Review with ACC (June)



Newer Types of Audit Engagements

- Senior Leader Transition Audits
- SNAP Reviews
 - Targeted process or activity review
 - Timely information to process owners
 - Often leverage data analytics
- Collaborative Assessments
 - Multi-Unit and complex processes
 - Joint risk assessment

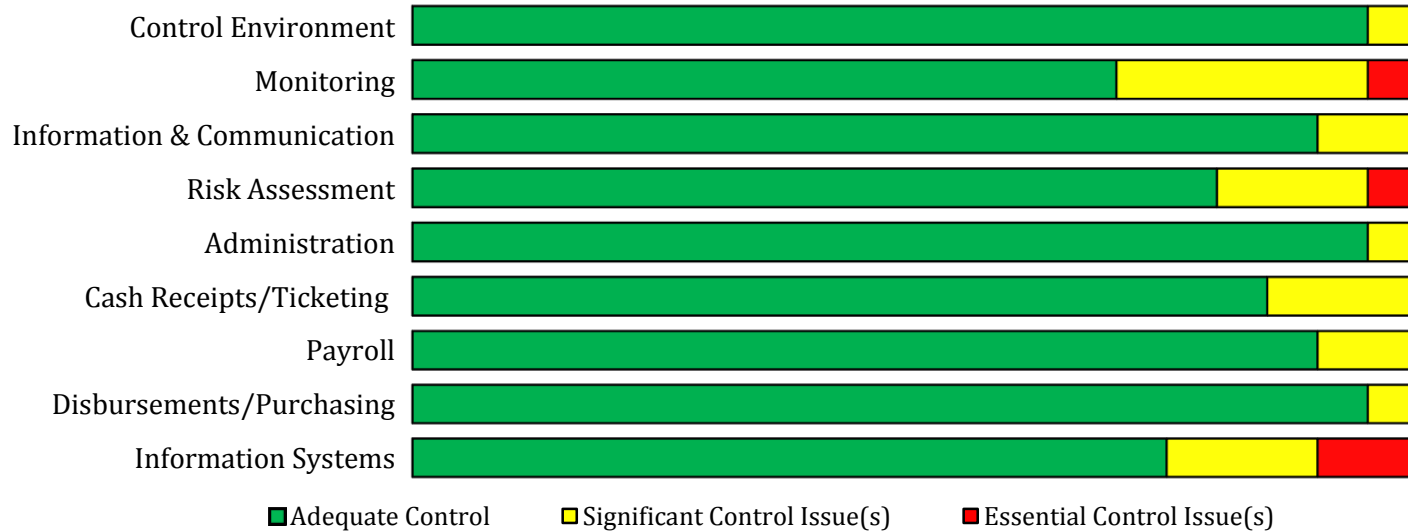


How We Conduct an Audit

- Review controls in place to manage risks
 - Risk = Likelihood x Impact
 - Residual Risk = Inherent risk - Controls
- Audits conducted in three phases:
 - Planning (survey and scoping)
 - Fieldwork (process reviews & testing)
 - Reporting (includes Management Action Plan)



Example Control Chart



Management Action Plan & Follow-up

- Leadership prepares a response to audit issues
 - Includes remediation plan & timeline
- OIA performs follow-up on essential items every four months until remediated
 - Results reported to ACC in Internal Audit Updates



Internal Audit Charter

- Defines OIA's: purpose, authority, responsibilities, reporting, and independence
- Aligns with Board of Regents policy: *Reservation and Delegation of Authority*
- Periodically reviewed with ACC



Quality Assessment Reviews (QARs)

- External review of OIA function
- Approach:
 - External assessment performed by audit professionals
 - Reviews and verifies results of internal self-assessment
- Required by IIA standards every 5 years
- Last QAR performed in January 2020
 - OIA “Generally Conforms” with IIA standards (highest rating)
 - Found University has a, “very strong internal audit function”



Other Important Things to Know About the Office of Internal Audit

- University's only internal audit function
 - Established in 1929
- Our audit reports are generally public documents
- Units & process owners can accept risk
 - Residual essential levels of risk are presented to the ACC



Additional Information

- We have a fulsome website with additional information
(Audit Charter, contact information, audit approach, recent audits, reports to the Board, etc.)
audit.umn.edu





BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 7, 2023

AGENDA ITEM: Amendments to the Office of Internal Audit Charter

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to review proposed amendments to the Office of Internal Audit’s Charter (charter). The charter establishes the purpose, authority, responsibilities, reporting, and independence for the Office of Internal Audit (OIA). The committee is responsible for periodically reviewing the charter as part of its oversight of the internal audit function and any amendments to the charter require Board approval.

The proposed amendments provide additional clarity and seek to ensure ongoing alignment with professional standards, guidance, and Board of Regent Policy: *Reservation and Delegation of Authority*.

BACKGROUND INFORMATION

The Office of Internal Audit Charter was last updated in September 2019.

Amendments were adopted by the Board in October 2021 to Article I, Section X and Article II, Section V of Board of Regents Policy: *Reservation and Delegation of Authority* related to the Chief Auditor’s reporting lines and notification requirements. These changes are reflected in the proposed updates to the charter. Article I, Section X. Audit Function: “The Board reserves to itself authority to adopt policies regulating the audit function; approve selection of independent auditors and the chief auditor; and evaluate the performance of the independent auditor and the chief auditor.”

Audit Charter ~~HARTER~~

Mission and Scope of Work

The purpose of the Office of Internal Audit is to provide independent, objective assurance and advisory services designed to add value and improve the operations of the University of Minnesota. The mission of the Office of Internal Audit is to enhance and protect organizational value by providing stakeholders with risk-based and objective assurance, advice, and insight. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Office of Internal Audit is to determine whether the University of Minnesota's network system of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed to optimize the achievement of institutional strategic objectives.
- Governance processes provide sufficient oversight and direction and are coordinated where necessary. Interaction between governance groups occurs as needed.
- Important financial, managerial, and operating information is accurate, reliable, and timely.
- ~~The results of Operations or programs~~ are consistent with established goals and objectives and are carried out effectively and efficiently.
- Employees' actions ~~are in compliance~~ comply with policies, standards, procedures, and applicable laws and regulations.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvement are fostered in the University's control processes.
- Significant legislative or regulatory issues impacting the University are recognized and addressed appropriately.

The Office of Internal Audit considers risks broadly and includes within its scope all activity posing financial, operational, technological, regulatory or reputational risk to the University. Opportunities for improving management control, efficiency and the University's image may be identified during audits. They will be communicated to the appropriate level of management.

Accountability

The Chief Auditor, in the discharge of his/her duties, is accountable per Board of Regents policy to the Board of Regents Audit & Compliance Committee and the Chair of the Board of Regents ~~the President~~ to:

- Provide assessments on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

- Report significant issues relating to the processes for controlling University activities including potential improvements to those processes.
- Report the acceptance of risk by the administration, as appropriate.
- Provide information concerning outstanding issues through their resolution.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate efforts with other control and monitoring functions (e.g., compliance, security, legal environmental, external auditors, etc.).

Independence

—To provide for the independence of the Office of Internal Audit, the Board of Regents delegates directly to the Chief Auditor the authorities necessary to perform the duties set forth in the mission and scope of work. The Chief Auditor will have full and free access to the Board of Regents leadership and Audit & Compliance Committee.

Additionally, the Chief Auditor's ~~is delegated~~ administrative and operational authorities are directly delegated and overseen by the Board of Regents.

In addition to audit activities identified by the Chief Auditor or requested by the Audit & Compliance Committee, the Office of Internal Audit may perform audit assurance and advisory services in alignment with the department's mission and scope of work requested by the University's President including the Chief Auditor serving on the President's cabinet by invitation. ~~of the University.~~

The Office of Internal Audit is to be free from undue influence in the selection of activities to be examined, the audit techniques and procedures to be used, and the reporting of its results.

Responsibility

The Chief Auditor and staff of the Office of Internal Audit are responsible for:

- Developing a flexible annual audit plan using an appropriate risk based methodology, including any risks or control concerns identified by management, and submitting that plan to the Audit & Compliance Committee for review and concurrence, as well as providing periodic updates as to the status of and/or changes to the plan.
- Implementing the annual audit plan, as approved, including any special tasks or projects requested by management and the Audit & Compliance Committee.
- Following up on engagement findings and corrective actions, and report periodically to the President and the Audit & Compliance Committee any corrective actions not effectively implemented.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Disclosing any impairment of audit independence or objectivity, in fact or appearance, to appropriate parties.

- Maintaining an ongoing audit quality assurance and improvement program that covers all aspects of the internal audit function, which promotes the continuous improvement of the internal audit practice and includes periodic assessment by independent external resources.
- Considering the scope of, and placing reliance on, the work of the external auditors, regulators, and internal oversight units as appropriate, for the purpose of providing optimal audit coverage to the University at a reasonable overall cost.
- Issuing periodic reports to the Audit & Compliance Committee and management summarizing results of audit activities.
- Keeping the Audit & Compliance Committee informed of emerging trends and successful practices in internal auditing.
- Conducting investigations of allegations of financial and operational misconduct.
- Notifying the Board of any matter that significantly involves the authority and role of the Board, including its fiduciary, oversight, and public accountability responsibilities, or if it raises unusual questions of public interest or public policy, has significant impact on the University's mission, or poses a significant risk to the University.

Reporting

The Chief Auditor will report periodically to the President, the Chair of the Board of Regents, and the Audit & Compliance Committee regarding:

- The Office of Internal Audit's purpose, authority, and responsibility.
- The Office of Internal Audit's plan and performance relative to its plan.
- The Office of Internal Audit's conformance with the Institute of Internal Auditor's Code of Ethics and **Standards**, and any actions to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit & Compliance Committee.
- Results of audit engagements and other audit activities.
- Resource requirements.
- The acceptance of risk by leadership.

Authority

The Chief Auditor and staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all University functions, records, property, and personnel, subject to state and federal law and accountability for confidentiality and safeguarding of records and information.
- Allocate departmental resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives, and report content without subordinating their judgment on audit matters to others.
- Obtain the necessary assistance of personnel in units of the University where they perform audits, as well as other specialized services from within or outside the institution.

The Chief Auditor and staff of the Office of Internal Audit are not authorized to:

- Perform any operational duties for the University.
- Initiate or approve accounting transactions external to the Office of Internal Audit.
- Direct activities of any University employee not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to audit teams or to otherwise assist the internal auditors.

Standards of Audit Practice

The Office of Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, The Code of Ethics, the ***International Standards for the Professional Practice of Internal Auditing***, and the Definition of Internal Auditing. The Chief Auditor will report periodically to senior leadership and the Audit & Compliance Committee regarding the Office's conformance to the Code of Ethics and the *Standards*.

Board of Regents Chair

Audit & Compliance Committee Chair

President

Chief Auditor

Dated _____