

MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet

Audit Committee

Date: June 16, 2015

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

Purpose (check one):

- 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

of the

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

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MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD ACTION

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 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

BOARD OF TRUSTEES

Part 54. Services. Internal Auditing shall be an advocate to improve and maintain accountability and promote the proper management oversight of the office, and college and university programs and activities. Internal Auditing is intended to complement, and not replace, other services available either on campuses or systemwide. 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 as 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. Systemwide 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, monitor and ensure that management actions have been effectively implemented or that senior management has accepted the findings if not taking action, and ensure 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 or leadership on any issues that may involve criminal action or reveal potential legal exposure. 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 procedures, professional accounting and auditing standards, and best practices in management 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,

Part 65. Authority and Responsibilities. Internal ~~Auditing~~ auditing has the authority to audit all parts of ~~MnSCU the 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~~ must be granted without limitation, by contract, to relevant records of all ~~MnSCU system~~ related foundation agreements, contracts, 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 and other applicable law.

Internal ~~Auditing~~ auditing shall have no direct authority over or responsibility for any of the activities or operations ~~they~~ it 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~~ internal auditing. Internal ~~Auditing~~ 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~~ shall 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 systemwide audit risk assessment. The plan shall include ~~the~~ 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 ~~Trustees 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 ~~Trustee~~ notification. Internal ~~Auditing~~ 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~~ accordance with Minnesota Statutes Section 13.392, Subdivision 1, data notes, and preliminary drafts of reports created, collected, and maintained ~~by 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~~ accordance with Minn. Stat. § 13.392 subd. 2 data on an individual supplying information for an audit or investigation that could reasonably be used to determine ~~the individual's identity 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 ~~by internal auditing~~ without an assurance to the individual.

Part 98. Reporting.

Subpart A. Distribution of Reports. Internal ~~auditing~~ reports resulting from services requested by the Audit Committee shall be distributed ~~to 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 administrator, or a president to direct the distribution of ~~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~~

| 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 Part 2 & 4-7.