UNIVERSITY SYSTEM
OF GEORGIA

Office of Internal Audit, Compliance, Ethics and Risk Management

Division of Internal Audit

Enterprise Audit Manual

Updated August 2026

Contents

Fundamentals

Internal auditing is conducted in diverse legal and cultural environments within organizations that vary in purpose, size, complexity, and structure; and, by people within or outside the organization. USG Internal Audit (IA) is a department within the USG Office of Internal Audit, Compliance, Ethics & Risk Management division and provides independent, objective assurance and advisory activity designed to add value and improve an organization's operations. IA staff across the system accomplish their objectives by bringing a systematic, disciplined approach to evaluate and recommend improvements to the effectiveness of risk management, control, and governance processes.

The IA is authorized by the Board of Regents (BOR) and the Chancellor of the University System of Georgia (USG) in the effective fulfillment of their responsibilities and in meeting the objectives of the USG or an institution's strategic plans. The IA is comprised of internal audit staff at the system office led by the Assistant Vice Chancellor of Internal Audit and Associate Vice Chancellor of IT Internal Audit and Risk Management (AVCs) and at the campuses led by the Institutional Chief Auditors (ICAs). The IA is overseen by the USG Chief Audit Officer (USG CAO). The USG CAO prepares, for approval by the Chancellor and the BOR Internal Audit, Risk, and Compliance (IARC) Committee, a USG Internal Audit Annual Plan that defines the audits to be conducted for the USG and its institutions during the year. The USG IA function complies with the Institute of Internal Auditors' (IIA) *Global Internal Audit Standards* (Standards) as well as BOR policy and procedures.

Purpose Statement

This manual is intended to be a basic reference document for all IA organizations across the USG. For the interpretation of this manual, the words "shall" and "must" mean that the area or topic included in the manual is applicable to all audit departments across the system. Conversely, the word "should" is used to convey that, although strongly suggested, the topic or area may not be applicable or implemented uniformly across all audit departments. To ensure the manual's usefulness, it should be kept up to date to reflect changes in audit standards, organizational needs, and the overall audit environment. The purpose of this manual is to supplement existing USG policies and rules. Information in this manual does not replace or supersede existing laws, rules, or other USG policies.

Manual Changes and Updates

The manual will be reviewed by the USG CAO periodically and at least annually. Suggestions for revisions or discrepancies to the manual are welcomed and should be brought to the attention of the USG CAO or appropriate designee. All updates will be disseminated for comment or review prior to publication.

Vision Statement

The vision of the IA is to create an integrated team of assurance, advisory, and compliance professionals that partners with leadership and significantly contributes to the improvement of governance, risk management, compliance, and internal control within the USG.

Values

IA departments adhere to core values of integrity, excellence, accountability and respect. Additionally, audit staff promote competence and maintain confidentiality while adhering to all professional standards.

Strategic Priorities

IA departments have three strategic priorities:

1. Anticipate and help prevent and mitigate high risk and significant issues;
2. Foster enduring cultural change which results in consistent and quality management of USG operations; and,
3. Build and develop a comprehensive team of highly qualified audit professionals.

Governing Authority

There are four primary documents that govern the practice of IA:

1. BOR *Policy Manual* Section 07.09 – Auditing (https://usg.policystat.com/policy/19463413/latest/)
2. BOR Committee on Internal Audit, Risk, and Compliance Charter (https://pxl-usgedu.terminalfour.net/prod01/channel_4/media/usg/audit/assets/audit-documents/USO-Signed-Compliance-2026.pdf)
3. USG Audit Charter (https://pxl-usgedu.terminalfour.net/prod01/channel_4/media/usg/audit/assets/audit-documents/USO-Signed-Audit-2026.pdf)
4. USG *Business Procedures Manual* Section 16.00 – Audits, Ethics & Compliance, Other Engagement Services (https://usg.policystat.com/policy/19655231/latest#autoid-6by4w)

Collectively, these documents outline the purpose and authority of the IA function, key roles and responsibilities, core processes, and senior management expectations and guide the IA team in conducting the independent appraisal function.

Other relevant governing documents pertaining to enterprise risk management and compliance include:

- BOR *Policy Manual* Section 07.11 – Risk Management (https://usg.policystat.com/policy/19463422/latest/)
- BOR *Policy Manual* Section 07.12 – Compliance Policy (https://usg.policystat.com/policy/19463428/latest/)
- BOR *Policy Manual* Section 08.02.18.01 – University System of Georgia Ethics Policy (https://usg.policystat.com/policy/19685863/latest/#autoid-y98j4)
- USG Ethics & Compliance Charter (https://pxl-usgedu.terminalfour.net/prod01/channel_4/media/usg/audit/assets/ethics-documents/Compliance-Charter-for-2026.pdf)

All IA staff should be familiar with these documents and ensure compliance with the enumerated requirements.

Scope of Authority

IA functions under the policies established by the BOR of the USG and by institutional management under delegated authority. In accordance with the authority granted by approval of the BOR and applicable federal and state statues, IA is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel. Except where limited by law, the work of IA is unrestricted. The authority of IA may be restricted by federal classified document rules, which may restrict access in certain cases until required security checks have been performed; by various Federal or State work rules, which may restrict physical access for your individual personal safety and protection (i.e., clean labs or labs with radiation isotopes); and other State authorities (such as the State Attorney General or the Georgia Bureau of Investigation). In the event that access is restricted by federal classified document rules, IA would identify the appropriate parties that could complete the engagement.

In performing the audit function, IA has no direct responsibility for, nor final authority, over any of the activities reviewed. The IA review does not in any way relieve other persons in the organization of the responsibilities assigned to them. The USG CAO and ICAs have the authority to require a written response to audit observations and recommendations contained in audits.

Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Audit Services

The Internal Audit function provides assurance, advisory, and investigative services as defined in BPM Section 16.03. Internal auditors shall conduct engagements consistent with the requirements established in BPM Section 16.00 and the Standards. Additional guidance regarding engagement planning, execution, documentation, and reporting is contained within this manual.

Domain II: Ethics and Professionalism

Principle 1: Demonstrate Integrity

Standards and Employee Conduct

IA staff are required to act in accordance with BOR policies and USG procedures, particularly those regarding codes of conduct and ethical behavior outlined in BOR *Policy Manual* Section 08.02.18 – Personnel Conduct. IA staff are similarly compelled to perform their work while maintaining the ethical standards and expectations outlined by the Standards (https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/free-documents/complete-global-internal-audit-standards/). Finally, IA staff shall consider the United States Sentencing Commission *Guidelines Manual* for an effective compliance and ethics program when conducting their work (https://www.ussc.gov/guidelines/2024-guidelines-manual/annotated-2024-chapter-8#8b21).

Honesty and Professional Courage

IA must perform their work with honesty and professional courage. IA must be truthful, accurate, clear, open and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. IA must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communication. IA must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

IA must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

Ethical Behavior

All IA staff must act in accordance with applicable ethical requirements established by USG and the Standards. In addition, IA staff must acknowledge an understanding of and commitment to acting in accordance with relevant legal and professional expectations. Annually, all audit staff are required to sign an Ethics & Professionalism Agreement attesting to their commitment to the highest degree of professionalism and efficiency possible while adhering the Standards, specifically Domain II: Ethics and Professionalism.

Refer to **Appendix A** for the **Annual Ethics & Professionalism Agreement**.

IA staff will consider ethics, laws and regulation related risks and controls when planning each audit. IA staff should notify the ICA and USG CAO if they identify any ethical, legal, or regulatory violations. The ICA and USG CAO will report all such instances to the individuals or entities that have the authority to take appropriate actions.

Principle 2: Maintain Objectivity

Employee Conduct

In the course of their work, employees may likely be in contact with personnel at all levels of authority and will have responsibilities to both operational areas and individuals being audited and management. Auditors are expected to exhibit professional skills, maturity of behavior, and tact in their relations with all parties. Employees should guard against any conduct or mannerisms which may impair their objectivity or independence. Auditors should not engage in any acts that might discredit the profession of IA, USG, or an individual institution.

See Principle 7 for more information.

Annually, all audit staff are required to sign an Independence Statement identifying audit areas which may affect their independence.

Refer to **Appendix B** for the **Annual Independence Statement**.

Additionally, prior to initiating each audit engagement, the audit team must complete a conflict-of-interest attestation affirming they do not participate in any activity or relationship that may impair an unbiased assessment and have not accepted anything that may impair or be presumed to impair professional judgement.

Principle 3: Demonstrate Competency

Professional Certifications and Continuing Professional Education

Each auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. To increase the professionalism and credibility of the IA function, employees in the IA department are encouraged to achieve professional certifications, particularly the following designations: Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Management Accountant (CMA), Certified Fraud Examiner (CFE), or other appropriate certifications or skills. Employees are encouraged to become members of and participate in the activities offered by professional organizations, particularly the IIA and the Association of College and University Auditors (ACUA). Employees are also encouraged to pursue advanced degrees that increase and strengthen their skills.

Employee Involvement, Satisfaction and Commitment

IA strives to ensure employees are involved in decisions, are committed to the organization and team, and are adequately supported in their job responsibilities. IA seeks to ensure employees are respected and feel their contributions are valued.

Performance Evaluation and Review

IA fosters an environment where all employees should be recognized for the importance of their individual contributions and understand the impact that their contributions have on the organization's achievements, goals, and objectives. The performance evaluation process is an opportunity to highlight the importance of each employee's individual contributions and provide valuable feedback that can enhance the opportunity for ongoing professional growth.

Personnel and Human Resources Information

Auditors within the USG should be aware of any policies and procedures applicable to managing various aspects of personnel and human resources.

Performance Management

Each employee's immediate supervisor will assess the auditor's performance, and this assessment might include input from other supervisors within the department. Minimally, IA employees will meet with appropriate management to review and discuss planned goals and objectives and should meet at least annually to review performance results. The USG CAO will provide feedback as part of the performance evaluations of ICAs and will discuss performance goals and expectations with these individuals. Additional information regarding the performance assessment process can be found in the USG *Human Resources Administrative Practices Manual* (https://usg.policystat.com/policy/19298240/latest).

Training and Professional Development

Internal auditors are expected to enhance their knowledge, skills, and other competencies through continuing professional development. The minimum continuing professional education (CPE) requirements for auditors should be consistent with the requirements of other professional certifications, such as the IIA, Information Systems Audit and Control Association, or similar organizations. Staff of the IA department shall complete 40 hours of professional education each year (internal audit functions may adopt a calendar year, fiscal year, or other consistent measure; however, the year used for a particular staff member will default to their certifying authority's CPE year when applicable). This continuing education should be in a field directly related to the job duties of the staff member, and can include topics other than auditing, such as computer technology, ethics training, fraud identification, leadership, process improvement or other topics deemed timely and pertinent to their job duties at the time the class is taken. Additionally, to enhance employee development, employees are encouraged to participate in professional and community organizations that promote the profession of accounting and auditing or help support the mission of the institution in some way. IA departments shall track CPE completion for all audit staff using a template provided by the USG CAO.

Principle 4: Exercise Due Professional Care

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

The USG CAO and the AVCs/ ICAs may evidence due professional care by maintaining notes showing risk assessments including consideration of errors, noncompliance and fraud, performance reviews, training on due professional care, feedback from stakeholders, and various other methods. Professional skepticism may be evidenced through supervisory review of work papers, documentation of how misleading or incomplete information was evaluated and addressed, records of training on skepticism, and other materials demonstrating a questioning mindset. These examples are illustrative and not exhaustive.

Principle 5: Maintain Confidentiality

IA staff will likely have access to information of a sensitive or confidential nature. These employees must be prudent in their use of information acquired in the course of their duties, as well as other information which is available to them. They must not discuss any confidential information with any parties except for official purposes. Employees shall not use confidential information for any personal gain or in a manner which would be detrimental to the USG, nor any employee or student of a USG institution.

Employees should not improperly disclose sensitive or otherwise confidential information. Employees must take adequate measures to prevent the unauthorized release of confidential materials or information in any medium, including paper copies or computer files. Sensitive, personal, or confidential information should be adequately secured from theft, reproduction, or casual observation as prescribed by the USG *Business Procedures Manual* and USG *IT Handbook*.

Domain III: Governing the Internal Audit Function

Principle 6: Authorized by the Board

Audit Charter

The IA charter is a formal document that defines the IA activity's purpose, authority, and responsibility. The IA charter establishes the IA activity's position within the organization, including the nature of the USG CAO's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of IA activities. The USG CAO is responsible for establishing the USG audit charter while final approval of the IA charter resides with the board. Annually, the USG CAO will obtain approval for the USG audit charter. Should changes in circumstances justify any alteration to the approved audit charter, the USG CAO will discuss these needs with senior management and the board and seek their approval. ICAs will utilize a standard institutional audit charter provided by the USG CAO and obtain the USG CAO's approval for and signature on institutional audit charters.

Refer to **Appendix C** for a **sample institutional audit charter**.

The nature of assurance services provided to the organization must be defined in the IA charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the IA charter. The nature of advisory services or other services provided by the IA department must be defined in the IA charter.

Refer to **Appendix D** for a **sample USG audit charter**.

Principle 7: Positioned Independently

Scope and Applicability

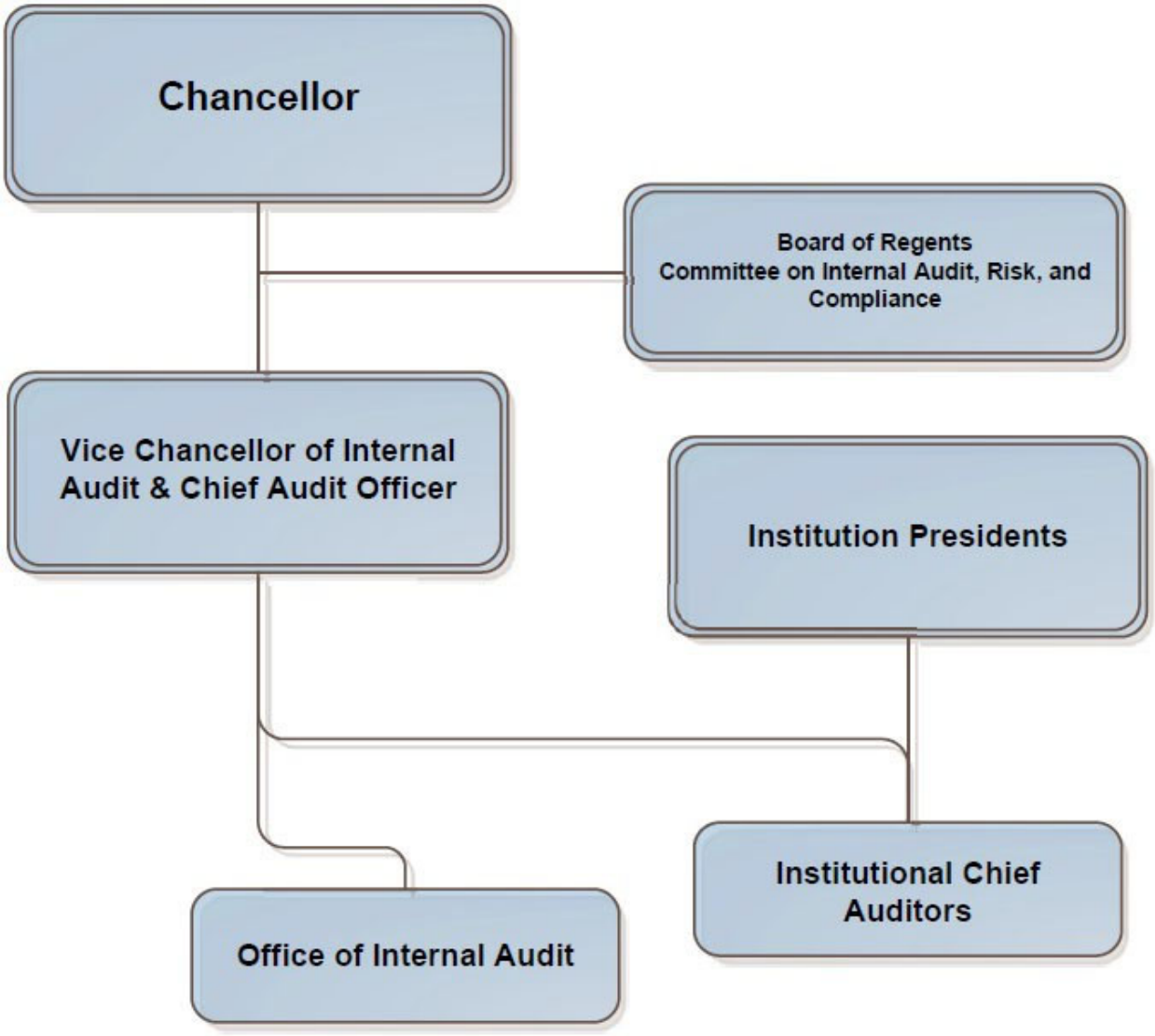
IA reports to a level within the enterprise that allows the IA activity to fulfill its responsibilities. Auditors will maintain independence and objectivity and avoid conflicts of interest when performing audit work. All auditors within the USG are required to implement and follow policies, procedures and other requirements consistent with the policies and guidelines outlined in this manual.

Organization

One of the goals of the USG and institutional IA teams is to establish an effective IA program and maintain an internal independent appraisal function. Individuals in the IA function assist management by assessing the effectiveness of organizational practices, evaluating organizational policies and procedures, and by making recommendations that add value to the organization. IA examines and evaluates business and administrative activities to assist all levels of management

and members of the BOR in the effective discharge of their responsibilities. IA teams may furnish management with analyses, recommendations, counsel or other appropriate information concerning activities, processes, and records reviewed.

The Governor appoints members of the BOR to a seven-year term, and Regents may be reappointed to subsequent terms. The BOR appoints a Chancellor who serves as its chief executive officer and the chief administrative officer of the USG. IA is led by the USG CAO who reports to the BOR, IARC Committee, and to the Chancellor. University System Office audit staff report to the USG CAO. To maintain independence, ICAs have a dual reporting relationship and report to the USG CAO and institutional presidents. The following offers a high-level organizational chart that depicts the reporting structure of the IA department.



Independence and Reporting Structure

To be effective in performing audit engagements, the audit staff must be independent and objective in actuality and perception. Professional objectivity requires audit staff to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant documents. Also, auditors will take great care to prevent even a perception of partiality by maintaining a professional distance from the staff of a USG entity/department while performing an engagement. If independence is impaired in fact or appearance (*i.e.*, any conflicts of interest/relationships with auditee or potential auditees) should be fully disclosed to the appropriate parties including engagement clients and IA leadership. In addition, as a general expectation, auditors will not accept any gifts from an employee of the institution that would impair or be perceived to impair their professional independence or objectivity. Employees must adhere to the State of Georgia's Gratuity Clause and abide by requirements outlined in the USG *Human Resources Administrative Practices Manual* and BOR *Policy Manual* Section 08.02.18.04 – Gratuities.

IA may provide assurance services where they had previously performed advisory services, provided the nature of the advisement did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement. The USG CAO and ICAs may have roles and/or responsibilities that are outside of internal auditing, therefore safeguards must be in place to limit impairments to independence or objectivity.

Dual Reporting

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, IA will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by industry standards. Independence and accountability are essential to the IA function to have credibility and will be paramount in resolving conflicts or issues arising in the implementation of the dual reporting relationships. The IA function is free from interference in determining the scope of engagements, performing work, and communicating results. The USG CAO must disclose any interference of duties to the audit committee chair and/or the entire committee. ICAs must disclose any interference to the USG CAO.

Appointment Changes

Any action to appoint, demote, or dismiss the USG CAO requires the approval of the BOR. Any action to appoint, demote, or dismiss an ICA requires the concurrence of the USG CAO.

Principle 8: Overseen by the Board

Reporting to Senior Management and the Board

The USG CAO will meet periodically with the BOR IARC Committee to provide updates. Furthermore, the USG CAO and ICAs must keep management informed of significant risk exposures and control issues, including fraud risks.

Reporting on Management Acceptance of Risk

When the USG CAO and ICAs conclude that management has accepted a level of risk that may be unacceptable to the institution or USG, the USG CAO and ICAs will discuss the matter with senior management. If they determine that the matter has not been resolved, the USG CAO and ICAs will communicate the matter to the IARC Committee. The identification of risk accepted by management may be observed through an assurance or advisory services engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means.

External Service Providers

The USG CAO and ICAs are responsible for providing assurance to the BOR and IARC Committee that any form of IA activity, even with the use of external service providers, in part or in whole, must ensure the work meets the quality standards of the professional practice of IA.

Quality Assurance and Improvement Program

Requirements of the Quality Assurance and Improvement Plan

IA maintains a system-wide Quality Assurance and Improvement Program (QAIP) to assist in effectively performing its appraisal function and in controlling audit risk.

Refer to **Appendix E** for the **USG Internal Audit Quality Assurance Improvement Plan**.

The QAIP provides reasonable assurance that audit work conforms to both IIA and USG standards. The system-wide QAIP consists of internal reviews and external quality assurance reviews.

Each IA function is expected as part of the system-wide QAIP to have regular self-assessments and annual assessments by other persons within the organization with sufficient knowledge of IA practices, and ongoing monitoring of the performance of the IA activity.

Sufficient knowledge of IA practices requires at least an understanding of all elements of the Standards. Ongoing monitoring of the performance of the IA activity is conducted by USG internal auditors via several activities which may include internal risk assessments combined with the annual audit plan, and the delivery of value-added reports to audit clients. Self-assessments shall

be completed prior to finalizing all audit engagements and documented with the Quality Control Checklist provided by the USG CAO and uploaded to the audit file within Onspring.

Refer to **Appendix F** for the **Quality Control Checklist** used at the completion of all engagements.

Annually, system office and campus-based audit offices will be paired with peer audit offices within USG Internal Audit to perform an internal quality assessment of a sample of engagements conducted across participating institutions using a standardized Quality Assessment Review (QAR) checklist. Results of these assessments will be provided to the USG Chief Audit Officer (CAO), who will summarize the results, identify any corrective action plans, and report the information to the Chancellor and the IARC Committee.

The annual quality self-assessments will include a comprehensive review of the adequacy of the internal audit function's:

- Conformance with the Standards.
- The adequacy of the internal audit function's methodologies.
- How well the internal audit function supports the achievement of the organization's objectives.
- The quality of internal audit services performed and supervision provided.
- The degree to which stakeholder expectations are met and performance objectives are achieved.

Establishing Objectives

The USG CAO must develop objectives to evaluate the IA function's performance, and a performance methodology to assess progress towards achieving objectives.

External Assessments of the Internal Audit Function

Every five years, USG IA will undergo an external QAR performed by a team of reviewers approved by the Chancellor and IARC Committee. The review will assess the administrative compliance of USG Internal Audit department across all campus-based offices and the system office. To evaluate audit work quality, the review team will examine work products from seven of the fourteen audit offices, rotating the selected offices every five years to ensure that all fourteen audit offices are subject to work product review over a ten-year period.

The USG CAO uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. Each member of the external assessment team is not required to possess all competencies; however, the USG CAO must ensure that at least one assessor on the team holds an active Certified Internal Audit designation. An independent assessor or assessment team may not have a real or apparent conflict of interest and may not be a part of, or under the control of, the organization to which the IA activity belongs.

The USG CAO will present the plan for the QAR process, including the selection of an external assessor, to senior leadership and the IARC Committee, and seek approval for this process prior to commencement of the review.

Assessors may not be currently serving in a USG IA role. All QAR working papers, reports and commentary shall be stored in USG Onspring.

The results of this review will be shared with the USG CAO who will summarize the results and corrective action plans and share this information with the Chancellor and the IARC Committee.

Domain IV: Management of the Internal Audit Function

Principle 9: Plan Strategically

Internal Audit Strategy

Per internal audit standards, the USG CAO must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders. The USG CAO must review the internal audit strategy with the IARC Committee and senior management periodically.

Refer to **Appendix G** for the **USG Internal Audit Strategic Plan** approved by the BOR.

Risk Assessment, Planning, Selection, and Schedule of Engagements

Annual audit planning shall be conducted in accordance with BPM Sections 16.01 and 16.04.01. Institutional audit plans, system-wide audit plans, approval authorities, and audit plan modification requirements are governed by BPM.

For purposes of implementing the BPM requirements, IA will utilize a documented risk assessment methodology that considers:

- Prior Audit Result Risk
- Regulatory & Compliance Risk
- Financial Impact Risk
- Quality and Stability of Control Environment Risk
- Reputational Risk
- Information Confidentiality Integrity and Availability Risk
- Fraud Risk
- General Management Concern Risk

It is understood that not every key risk will be included in the audit plan for a given year due to resource constraints and the expectation to audit certain functions or areas that are not captured in the risk assessment process.

Services provided by IA can take the form of various engagement types:

- **Operational Audit** – Operational audits are comprehensive examinations of an operating unit or a complete organization to evaluate its performance, as measured by management's objectives and key performance indicators. An operational audit focuses on the efficiency, effectiveness, and economy of operations.
- **Financial Audit** – Financial audits determine the accuracy and propriety of financial transactions and reporting.
- **Compliance Audit** – Compliance audits determine whether, and to what degree, there is conformance to specific requirements of policies, procedures, standards, or laws and governmental regulations. The auditor must know what policies, procedures, standards, and other criteria are applicable. Compliance audits require little preliminary survey work or review of internal controls, except to outline precisely what requirements are being audited. The audit focuses almost exclusively upon detailed testing of conditions.
- **Presidential Transition Audit** – Presidential transition audits are used to inform an incoming President at an institution of any major control, financial, and/or operational issues and risks that may need to be addressed at the outset of the new institutional administration.
- **Information Technology Audit** – Information technology audits evaluate the accuracy, effectiveness, efficiency and security of electronic and information processing systems that are in production or under development.
- **Advisory Services** – Advisory services engagements are client-directed activities where the nature and scope are agreed with the client and are intended to add value and improve an organization's governance, risk management, and control processes without the internal audit assuming management responsibility. Examples include counsel, advice, facilitation, and training.
- **Special Projects** – non-routine requests from management to answer questions or assist in an advisory capacity that doesn't result in a formal audit report
- **Investigations** – Investigations are designed to identify responsibility for and measure the impact of an alleged act of wrongdoing that has allegedly occurred. This act often will be a violation of state laws and/or regulations; BOR policies and USG procedures; or, waste and/or the inefficient use of resources. Investigations are not subject to the Standards.

Principle 10: Manage Resources

As part of the submission of the annual audit plan, the USG CAO will present information related to the budget of internal audit to the IARC Committee. The USG CAO will also communicate the impact of insufficient financial resources as well as the sufficiency of human resources. The BOR will approve the related budgets in connection with its annual review and approval of the audit plan.

Principle 11: Communicate Effectively

The USG CAO and ICAs must disclose to senior management and the BOR nonconformance with the Standards that impacts the overall scope or operation of IA activity. Auditors must disclose anything that prohibits or restricts nonconformance with audit standards. Effective implementation of this procedure will help to ensure ongoing compliance with IA professional standards. Adherence to this standard will normally occur through an ICA's disclosure to the USG CAO, and as needed, the USG CAO's disclosure to the chair of the IARC Committee, or when appropriate, to the entirety of the Committee.

Definition

"Mandatory Disclosures" refer to those limitations, constraints, impairments, conflicts of interests, or other situations that materially impact an individual's ability to achieve the mission, objectives, or scope of the audit. All items that may materially impact the audit team member must be disclosed under the IA professional standards issued by the IIA.

Errors, Irregularities, or Wrongdoing

Management is responsible for establishing and maintaining controls to discourage perpetuation of fraud. Auditors may examine and evaluate the adequacy and effectiveness of controls. However, audit procedures alone are not designed to guarantee the detection of fraud. An error is an unintentional mistake in financial statements, which includes mathematical or clerical mistakes in the underlying records and accounting data from which the financial statements or other reports are prepared, mistakes in the application of accounting principles, and oversight or misinterpretation of facts that existed at the time the reports were prepared. If the IA function believes that a material error or an irregularity exists in an area under review, the implications of the error or irregularity and its disposition should be reviewed with the responsible management. If it has been determined that an irregularity does exist, IA will notify appropriate management that an irregularity has been identified and the audit steps needed to determine the extent of the problem. If the auditor suspects that an act of malfeasance has occurred, he or she must follow appropriate malfeasance reporting procedures outlined in BPM Section 16.06 – Reporting Wrongdoing (https://usg.policystat.com/policy/20031405/latest/).

Communication with Stakeholders

The USG CAO and ICAs must promote formal and informal communication between the IA function and stakeholders to contribute to a mutual understanding of the following:

- Organizational interests and concerns;
- Approaches for identifying and managing risks and providing assurance;
- Roles and responsibilities of all parties and opportunities for collaboration;
- Relevant regulatory requirements; and,

- Significant organizational processes, including financial reporting.

This is accomplished by the USG CAO, AVCs, and ICAs through various means including participation on various committees, active involvement in USG Ethics Awareness Week, and presentations on varying topics across the institutions.

Principle 12: Enhance Quality

The USG CAO must establish a methodology for internal assessments that includes ongoing monitoring of the internal audit's conformance with the Standards and progress toward performance objectives, periodic self-assessments and communication with the BOR and senior management about the results of the internal assessments.

Review and Approval of IA Performance Objectives

The USG CAO will work with IA department leadership to identify key performance indicators and other metrics to describe the IA activity to internal and external stakeholders. These metrics and measures should provide reasonable and useful insight into the IA activity and allow for comparative analysis of its performance with historical data. The USG CAO will present these performance indicators to senior leadership and the BOR for approval on an annual basis.

The USG CAO must establish and implement methodologies for engagement supervision, quality assurance and the development of competencies. This may include, but is not limited to, documented sign-off in Onspring, completion of checklists, approval of audit programs, etc. Engagement reviews may be completed at the Institutional level to provide feedback on performance throughout the year.

Refer to **Appendix H** for additional information regarding **current performance objectives** and the methodology used to obtain these metrics.

Domain V: Performing Internal Audit Services

Principle 13: Plan Engagements Effectively

Engagement Communication

Internal auditors must communicate effectively throughout the engagement (see also Principle 11 and Principle 15).

Internal Audit personnel shall maintain ongoing communication with management throughout the engagement. Engagement notification, scheduling, entrance conferences, and communication requirements are governed by BPM Section 16.04.02.

Pre-engagement Communication

- Before starting an engagement, internal auditors must communicate the engagement objectives, scope, and timing to management.
- Any subsequent changes to the objectives or scope must be communicated promptly.
- Documentation of these communications should be maintained in the audit workpapers.

Ongoing Communication

- Maintain consistent communication with the auditee throughout the engagement. This includes periodic updates on the status of the engagement.
- Any changes in the audit's direction or focus should be clearly communicated.

Post-Engagement Communication

When disagreements arise regarding engagement results, internal auditors must make reasonable efforts to reach a mutual understanding with management. Internal auditors are not required to alter engagement results unless supported by sufficient and appropriate evidence.

If a disagreement remains unresolved:

- The disagreement shall be documented within the engagement file;
- The matter shall be reviewed by the AVC or ICA;
- Unresolved disagreements shall be escalated to the USG CAO; and
- The USG CAO may elevate significant disagreements to the Chancellor and/or the IARC Committee Chair when appropriate.

Engagement Risk Assessment

Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.

Understanding the Activity

To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding the following:

- The organization's strategies, objectives, and risks relevant to the activity under review;
- The organization's risk tolerance, if established;
- The risk assessment supporting the internal audit plan;
- The governance, risk management, and control processes of the activity under review; and,
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes. Internal auditors must review the information gathered to understand how processes are intended to operate.

Risk Identification

Internal auditors must identify the risks to review by performing the following activities:

- Identifying the potentially significant risks to the objectives of the activity under review;
- Considering specific risks related to fraud; and,
- Evaluating the significance of the risks and prioritizing them for review.

Criteria Assessment

Internal auditors will identify the criteria that management uses to measure whether the activity is achieving its objectives. When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.

During engagement planning, IA must perform a thorough risk assessment of the activity under review, considering the likelihood of significant errors, fraud, non-compliance, and other exposures. This risk assessment will inform the audit's objectives and scope. IA must also evaluate whether management and/or the board have established suitable criteria to determine whether the activity's goals and objectives have been achieved. If no adequate criteria exist, IA works with management and/or the board to identify compensating or mitigating controls or adjust the audit work program.

Engagement Objectives and Scope

IA establishes and documents the objectives and scope for each engagement to articulate the purpose of the engagement and to describe the specific goals to be achieved.

Setting Objectives

Considerations for setting the objective and scope include those mandated by laws and/or regulations. The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, the period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

During engagement planning, IA conducts a risk assessment of the activity under review and sets the objectives of the engagement based on this assessment (refer to Section Engagement Risk Assessment above). When setting objectives, IA considers the following:

- The probability of significant errors, fraud, noncompliance, and other exposures; and,
- The extent to which management and/or the Board has established adequate criteria to determine whether objectives and goals have been accomplished.

In the event IA determines adequate criteria have not been established to determine whether goals and objectives have been accomplished, IA will work with management to determine adequate compensating or mitigating controls or adjust the audit work program to account for the lack of suitable criteria. Prior to conducting fieldwork, IA develops and documents an engagement plan that includes the project objectives, scope, timing, and resource allocations.

In addition, IA considers relevant systems, records, personnel, and the resources needed for the audit, as well as the following:

- The objectives of the activity being reviewed and how the activity manages performance;
- Significant risks to activity objectives, resources and operations and how risk is maintained at an acceptable level;
- The adequacy and effectiveness of the activity's governance, risk management and control processes, compared to a relevant control framework or model; and,
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

Defining Scope

Once the engagement objectives have been established, IA will set the engagement scope and ensure it is sufficient to achieve the objectives of the engagement. Considerations for setting scope include relevant systems, personnel, and physical properties, including those in control of third parties. In addition, considerations when setting scope may include, but is not limited to the following:

- Policies, plans, procedures, laws, regulations and contracts having significant impact on operations; and,
- Organizational information, such as number and names of employees, job descriptions, process flowcharts, or recent changes in the environment.

Scope limitations shall be documented and managed in accordance with BPM Section 16.04.01 which states

> "Scope limitations must be documented and discussed with management when identified, with a goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal audit from performing the work as expected in the audit work program.
>
> If a resolution cannot be achieved with management, the ICA must elevate the limitation to the CAO who must elevate the scope limitation issue to the Chancellor and IARC Committee, accordingly, if a resolution still cannot be reached."

Refer to **Appendix I** for the **scope limitation template**.

IA must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses. Scope changes must be

documented within the audit file in Onspring using the template provided by the USG CAO. AVCs/ICAs must approve the engagement objectives and scope and any changes that occur during the engagement. The USG CAO must approve any changes that affect the audit plan.

Refer to **Appendix J** for the **scope change template**.

Evaluation Criteria

IA must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

IA must assess the extent to which the BOR and/or senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals. If such criteria are adequate, internal auditors must use them for the evaluation. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with senior management, the USG CAO, and the BOR IARC Committee, accordingly.

Engagement Resources

When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives. IA must consider the following:

- The nature and complexity of the engagement;
- The timeframe within which the engagement is to be completed; and,
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

If the available resources are inappropriate or insufficient, IA must discuss the concerns with the ICA and the USG CAO to obtain the necessary resources to conduct the work.

Work Program

IA must develop and document an engagement work program to achieve the engagement objectives. The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment. The engagement work program must identify the following:

- Criteria to be used to evaluate each objective;
- Tasks to achieve the engagement objectives;
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks; and,
- Internal auditors assigned to perform each task.

IA creates work programs based on the scope, objectives and engagement risks to ensure the achievement of the engagement objective. Work programs contain the following information:

- Scope, sampling methodology and degree of testing required to achieve the audit objectives in each phase of the audit
- Procedures for identifying, analyzing, evaluating and documenting information during the audit
- Technical aspects, risks, processes and transactions which should be examined

The AVC/ICA must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made. For single person audit departments at the individual institution level, work programs should be reviewed by the AVCs/USG CAO prior to the commencement of fieldwork.

Principle 14: Conduct Engagement Work

Gathering Information for Analyses and Evaluation

To perform analyses and evaluations, IA must gather information that meets the following criteria:

- **Relevant** – The information is consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- **Reliable** – The information is factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable.
- **Sufficient** – The information enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.

Reliability is strengthened when the information has the following characteristics:

- It is obtained directly by an internal auditor or from an independent source;
- It can be corroborated; and,
- It is gathered from a system with effective governance, risk management, and control processes.

IA must determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient to support engagement findings. If relevant evidence cannot be obtained, IA must determine whether to identify that as a finding and potentially identify and test sufficient mitigating and/or compensating controls.

IA must maintain documentation of all evidence collected, noting its source, the date collected and the period to which it pertains, relevance, and reliability. Documentation should also explain how the auditor determined that the information gathered was sufficient to perform an analysis.

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved audit program. Evidentiary matter obtained during the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in

the audit report. IA is obligated by our professional standards to act objectively, exercise due professional care/professional skepticism, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit observations and recommendations. Throughout fieldwork, professional judgment must be used to determine the following:

- Whether the evidence gathered is sufficient, relevant, competent, and useful enough to form a conclusion based on the established objectives; and,
- Whether based on the information available, there is a need to reassess the audit objectives, scope, and procedures to accommodate appropriate changes to the nature, timing, scope, objectives, resources, and effort for the engagement.

Fieldwork may include, but is not limited to the following activities:

- Gaining an understanding of the activity, system, or process under review and the prescribed policies and procedures, supplementing and continuing to build upon the information already obtained in the preliminary survey;
- Observing conditions or operations;
- Interviewing appropriate personnel;
- Examining assets and accounting, business, and other operational records;
- Analyzing data and information;
- Reviewing systems of internal control and identifying internal control points;
- Evaluating and concluding on the adequacy (effectiveness and efficiency) of internal controls;
- Conducting compliance testing;
- Conducting substantive testing; and,
- Determining if appropriate action has been taken in regard.

Analyses and Potential Engagement Findings

Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services projects, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders. Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the “condition” (see also Principle 13).

Internal auditors must determine the condition by using information and evidence gathered during the engagement. A difference between the criteria and the condition indicates a potential engagement finding that must be noted and further evaluated. If initial analyses do not provide sufficient evidence to support a potential engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required. If additional analyses are required, the work program must be adjusted accordingly and approved by the AVC/ICA. Document the results of the analysis, ensuring they align with the evidence collected during the engagement.

If internal auditors determine that no additional analyses are required and there is no difference between the criteria and the condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity's governance, risk management, and control processes.

Evaluation of Findings

Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding. Internal auditors must determine whether to report other risks as findings and must prioritize each engagement finding based on its significance, using the assurance engagement rating scale established in BPM Section 16.04.06 (https://usg.policystat.com/policy/19338781/latest/#autoid-jz54p).

Recommendations and Actions Plans

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to accomplish the following:

- Resolve the differences between the established criteria and the existing condition;
- Mitigate identified risks to an acceptable level;
- Address the root cause of the finding; and,
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review. If internal auditors and management disagree about the engagement recommendations and/or action plans, the AVC/ICA shall document the disagreement using the method prescribed by the USG CAO and report it to the USG CAO. If disagreement continues, the USG CAO shall report the disagreement to the Chancellor and/or IARC Committee Chairman. A final written report will be prepared and issued by the USG CAO or appropriate designee. Refer to **Appendix K** for the **report disagreement template**.

Engagement Conclusions

Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the USO or Institution level internal audit department identifies themes related to the organization's governance, risk management, and control processes, the theme must be communicated timely, along with insights, advice, and/or conclusions, to senior management. This communication must be documented.

Engagement Documentation

Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The project lead must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant laws and/or regulations, as well as the policies and procedures of the IA function and the organization.

Working papers (audit evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented. Engagement working papers serve the following purposes:

- Provide a systematic record of work performed;
- Provide a record of the sufficient, reliable, relevant, and useful information and evidence obtained and developed to support findings, conclusions, and recommendations;
- Provide information to the Project Lead to enable him/her to supervise and manage assignments and to evaluate auditor performance; and,
- Provide a record of information for future use in planning and carrying out subsequent assignments.

The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, relevant laws and policies, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up.

Working papers must be neat, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations.

Based on reporting structure, the project lead (or ICA, AVC, as appropriate) provides daily supervision of staff and performs detailed reviews of all working papers performed by staff. Evidence of supervision in the form of review checklists, and dates of sign off on working papers are

prepared and retained in Onspring. The internal audit team should review all working papers throughout the engagement to include a detailed review, engagement supervisor review, and where applicable, a review by the ICA, AVC and/or USG CAO.

The following will be documented on each working paper or referenced to the working paper where documented:

- The source of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title;
- The purpose of the working paper will be recorded;
- Procedures performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper;
- Relevant findings from testing. This should be a short summary of the finding. The finding will include the condition, criteria, cause, and recommendation; and,
- Conclusions and recommendations should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should relate to the nature of the findings and work performed.

Relative to the body of the working paper, the following should be considered:

- Keep the working paper neat and legible;
- Keep in mind that the working paper is being prepared for someone other than the original auditor. It is appropriate to assume the reader knows nothing about the subject matter and write accordingly; and,
- Whenever referring to data appearing elsewhere in the working papers, cross reference both working papers.

Engagement Record Access -The USG CAO must control access to engagement records. Onspring (USG IA Enterprise System) has been selected as the mandatory platform for storing engagement records and observations.

Record Retention - Records will be kept and managed in accordance with USG Records Retention Policy. (https://www.usg.edu/records-management/schedules/)

Quality Assurance and Improvement - Quality Assurance Policies and Procedures can be found in Principle 8 of this manual.

Principle 15: Communicate Engagement Results and Monitor Action Plans

Final Engagement Communication

For each engagement, internal auditors must develop a final communication that includes the engagement's objectives, scope, recommendations and/or action plans if applicable, and

conclusions. The final communication for assurance engagements also must include the following:

- The findings and their significance and prioritization;
- An explanation of scope limitations, if any; and,
- A conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication. The final communication must be accurate, objective, clear, concise, constructive, complete, and timely, as described in Principle 11.

If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved;
- Reason(s) for nonconformance; and,
- Impact of nonconformance on the engagement findings and conclusions.

Report Overview

BOR *Policy Manual* Section 07.09.02 – Internal Audits assigns to the BOR IARC Committee the responsibility for reviewing audit results, reports and recommendations.

The audit report is a tool to communicate the results of the engagement. Based on the nature of work, audit subject and needs of the client, the engagement team decides the best report format to present the engagement results. The audit report generally has the following two phases:

- Working or discussion draft report
- Final Report

Draft Report

The working draft report is the initial or first version of the audit report. The engagement team, specifically, the Project Lead completes the working draft report and submits to the AVC/ICA for further review and edits. ICAs are required to share draft reports with the USG CAO and/or AVCs prior to release, to ensure optimal report quality. USG CAO

The final reviewer in the IA department completes a final review and approves the discussion draft for sharing with the audit client. The engagement team solicits feedback on the discussion draft report from the audit client. Feedback from the audit client can be obtained through face-to-face discussion, email discussion, edits on the face of the draft report, virtual meeting, teleconference or other suitable means.

USG *Business Procedures Manual* Section 16.04.04 – Engagement Close-Out and Report Preparation states the following:

> "… at the conclusion of the engagement, the engagement team will prepare a draft report that details the engagement executive summary, background, issue ratings (for assurance engagements), engagement observations, and recommendations. This draft report will be shared with the client's management prior to conducting a formal exit conference. At the exit conference, the engagement team will review the draft report with management, focusing on ratings, observations and recommendations with specific emphasis on areas where improvement is needed."

The draft is formally released to the audit client as a draft report. The audit client, in turn, submits a formal management response to the audit shop. The ICA or AVC evaluates the management response to determine whether it satisfactorily addresses the audit recommendations. If the management response is not acceptable and further discussion proves unproductive, escalation to senior leadership and the USG CAO may be necessary. Once the auditor has determined, along with management, that the management response satisfactorily addresses the audit recommendations, then management responses are included in the final report.

Final Report

The ICA or AVC incorporate the management response into the final audit report for review and approval by the USG CAO prior to release. USG *Business Procedures Manual* Section 16.04.04 – Engagement Close-Out and Report Preparation states "After the exit conference, the engagement team will prepare a final report, taking into account any revisions resulting from the exit conference and other discussions.

The USG IA Charter states the following:

> "The President of the institution receiving an IA report from audit directors will respond within 15 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion for each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the USG CAO or appropriate designee."

Audit Issues

The issues in the audit report generally have the following sections:

- **Condition**–What is? (Opportunity for improvement supported by facts and test results)
- **Criteria**–What should be? (Standards)
- **Effect**–So what? (Impact/Risk)
- **Cause**–Why did it happen?
- **Recommendation**–What should be done? (Auditor suggestion)
- **Management Response**–What you will do and when? (Your plan)

Audit Observations Rating

USG BPM 16.04.06 - Exception Ratings - States "individual ratings are assigned to each assurance engagement observation contained in reports issued." ICAs must use the USG Internal Audit rating system. Each issue identified must be assigned an individual rating. Upon completion of the engagement, individual ratings should be considered in aggregate and the final aggregate rating adjusted as necessary. IA shall use the template prescribed by the USG CAO to document individual and aggregate ratings with proper justification and upload into Onspring before finalizing the engagement.

All issues are included in the audit report except "Comments" are not presented in a full audit finding format. The scales for the USG Internal Audit rating systems are listed below.

Audit observations shall be classified using the rating methodology established in BPM Section 16.04.06. IA shall apply the BPM rating methodology consistently across all assurance engagements.

Overall Opinions

When an overall opinion is issued, it must address the organization's governance, risk management, and internal control processes and consider the strategies, objectives, and risks of the institution; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information including:

- Scope, the period to which the opinion pertains and scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment, or conclusion reached.
- The reasons for an unfavorable overall opinion must be stated.

Communicating Themes in Audit Reports

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the USO or Institution level internal audit department identifies themes related to the organization's governance, risk management, and control processes, the theme must be communicated timely, along with insights, advice, and/or conclusions, to senior management and the board. This communication must be documented.

Elements of Audit Report

The audit report may include some or all of the following elements:

- Purpose/Objective, Scope and Methodology
- Background

- Executive Summary
- Table of Contents
- Findings and Recommendation
- Conclusion
- Management Response
- Exceptions Rating Criteria
- Appendix

Considerations for Audit Reporting

In finalizing the audit report, the USG CAO and ICAs perform overall evaluation of the engagement's objectives, scope and results as well as the conclusions, recommendations, and action plans. Other considerations include the following.

- The final communication of engagement results must, where appropriate, contain the auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.
- Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.
- When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

Communication of the progress and results of advisory engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

Attributes of Audit Report

The USG CAO and ICAs issue audit reports that are accurate, objective, clear, concise, constructive, complete, and timely.

- **Accurate** communications are free from errors and distortions and are faithful to the underlying facts.
- **Objective** communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances.
- **Clear** communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information.
- **Concise** communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness.
- **Constructive** communications are helpful to the engagement client and the organization and lead to improvements where needed.
- **Complete** communications lack nothing that is essential to the target audience and

include all significant and relevant information and observations to support recommendations and conclusions.

- **Timely** communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

Correcting Audit Report Previously Released

If a final report that has been released is subsequently detected to contain a significant error or omission, the USG CAO and ICAs communicate corrected information to all parties who received the report.

Audit Report Distribution

The USG CAO's approval is required for release of all IA reports. All material issues are summarized for reporting to the IARC Committee. During advisory engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the institution, they must be communicated to senior management and the board.

The ICA or AVC must disseminate the final communication to parties who can ensure that the results are given due consideration (see also Principle 11). The USG CAO and ICAs identify the audience for the audit report by considering who will be the most important readers of the report and how such readers will use the report. The audience for USG IA reports generally is:

- State of Georgia Stakeholders, including the Public
- USG Board of Regents (BOR)
- BOR IARC Committee
- Chancellor
- USG Senior Executives
- Institution President and Senior Management
- Audit Client and Staff
- Federal Government cognizant Agency

In addition, the USG CAO and ICAs should consider how much the audience knows about the audit subject, how the audit issues impact the audience, and why the audience should care about the audit and its recommendations. In writing the audit report, the USG CAO and ICAs keep the audience as the central focus viewing the audit subject from the audience's perspective.

Confirming the Implementation of Recommendations or Action Plans

Prior to project close-out, IA must ensure that all relevant documentation is stored in Onspring for follow-up and monitoring. Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes the following:

- Inquiring about progress on the implementation;
- Performing follow-up assessments using a risk-based approach; and,
- Updating the status of management's actions in a tracking system.

The extent of these procedures must consider the significance of the finding. The USG CAO and ICAs utilize Onspring to monitor the disposition of results communicated to management. If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the ICA or AVC. The ICA or AVC should discuss the issue with the USG CAO and to determine whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance (see also Principle 11).

USG *Business Procedures Manual* Section 16.4.5 – Follow-Up Review states the following:

> "Follow-up is required for all issues. Each material issue shall be reviewed by appropriate internal audit personnel until the issue is closed or resolved. Significant and moderate issues may be reviewed after being reported as closed. The actions taken to resolve material and significant issues are to review evidence of corrective actions taken and additional testing may be necessary to ensure that the desired results were achieved. Attestations from management responsible for implementing the corrective action may be used to resolve moderate issues with additional testing as deemed necessary. In some cases, managers may choose not to implement an issue recommendation and to accept the risks associated with the issue reported. The follow-up review will note this as an unresolved issue. The USG CAO shall periodically report the status of material issues to the IARC Committee to include the status of material and significant issues not closed in a timely manner. Open or partially resolved engagement issues/findings will be maintained and periodically updated in Onspring, the USG Internal Audit function enterprise system."

The USG IA Charter states the following:

> "The USG CAO and AVCs monitor the implementation of audit recommendations system-wide. The ICAs andAVCs will prepare a report of the implementation status of all audit recommendations, have it approved by the institutional President and submit it to the USG CAO on a periodic basis using the procedures established by the USG USG CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee."

Requests for Information

Public Records Request

According to O.C.G.A. §50-18-71. (a) All public records shall be open for personal inspection and copying, except those which by order of a court of this state or by law are specifically exempted from disclosure. Records shall be maintained by agencies to the extent and in the manner required by Article 5 of this chapter. (b)(1)(A) Agencies shall produce for inspection all records responsive to a request within an OPEN RECORDS ACT 2012 -2- reasonable amount of time not to exceed three business days of receipt of a request; provided, however, that nothing in this chapter shall require agencies to produce records in response to a request if such records did not exist at the time of the request. In those instances, where some, but not all, records are available within three business days, an agency shall make available within that period those records that can be located and produced. In any instance where records are unavailable within three business days of receipt of the request, and responsive records exist, the agency shall, within such time period, provide the requester with a description of such records and a timeline for when the records will be available for inspection or copying and provide the responsive records or access thereto as soon as practicable.

In accordance with the Georgia statute, any copies would be provided at the cost provided for in O.C.G.A. §50-18-71(b). The USG CAO and institutional audit personnel will respond to Open Records Act Requests in the spirit expected of public servants and with the openness the Open Records Act anticipates; it tries to be helpful to those who are endeavoring to gain information from the government. IA must respond and maintain records documenting the response to all public records requests in accordance with state law and institutional procedures. The USG CAO and, if applicable, the ICA shall be made aware of all public records requests pertaining to audit work and/or records. Requests for sensitive or high profile information shall be coordinated through the appropriate counsel.

Contact with Outside Auditors, Legal Counsel, or Media

Generally, all initial/formal contact with outside auditors, legal counsel, or media is to be referred to the USG CAO or appropriate designee. The USG CAO or appropriate designee may work with or have general contact with outside agents. The USG CAO or designee will coordinate the retrieval and release of information with appropriate counsel, designated institutional representatives, or other institutional personnel.

Appendix A: Annual Ethics & Professionalism Agreement

Institute of Internal Auditor's (IIA)

Domain II: Ethics & Professionalism

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

1. **Integrity**
   The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
2. **Objectivity**
   Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments
3. **Competency**
   Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.
4. **Due Professional Care**
   Internal auditors are prudent in planning and performing internal audit services with diligence, judgment, and skepticism. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.
5. **Confidentiality**
   Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

RULES OF CONDUCT

1. **Integrity**

   Internal auditors:

   1.1. Shall perform their work with honesty and professional courage.

   1.2. Shall be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint.

   1.3. Shall not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications.

   1.4. Shall disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

   1.5. Shall exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

   1.6. Shall understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations.

1.7. Shall encourage and promote an ethics-based culture in the organization and if they identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures.

1.8. Shall observe the law and make disclosures expected by the law and the profession.

1.9 Shall not knowingly be a party to any illegal activity, or engage in acts that would be discreditable to the profession of internal auditing or that may harm the organization or its employees.

1.10. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

2.1. Shall apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.

2.2. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Competency

Internal auditors:

3.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

3.2. Shall perform internal audit services in accordance with the *Global Internal Audit Standards* .

3.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

4. Due Professional Care

Internal auditors:

4.1. Shall plan and perform internal audit services in accordance with the *Global Internal Audit Standards*.

4.2. Shall assess the nature, circumstances, and requirements of the services to be provided.

4.3 Shall exercise professional skepticism when planning and performing internal audit services to critically assess and evaluate information.

5. Confidentiality

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

3.3. Shall not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so.

IIA Ethics & Professionalism Agreement

Internal Audit (IA) is committed to providing audit services to the units and employees of the University System of Georgia with the highest degree of professionalism and efficiency possible. As an IA employee, you are expected to adhere to the Institute of Internal Auditing's (IIA) *Global Internal Audit Standards Domain II. Ethics and Professionalism* during your employment. By signing below, you are acknowledging that you have received a copy of the requirements of the *IIA's Domain II: Ethics and Professionalism* (Pages 1 and 2), you understand what is expected of you, and you will uphold and adhere the requirements of the *IIA's Domain II: Ethics and Professionalism*.

Signature	**Title**	**Date**
Name (Print)	**Institution**	

Appendix B: Annual Independence Statement

Auditor's Annual Independence Statement

The Institute of Internal Auditors (IIA) defines Internal Auditing as: "Internal auditing is an independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes."

Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational structure and objectivity. We expect our auditors to maintain independence of mental attitude in the conduct of all assigned work; to be objective, fair, and impartial; and to conduct themselves so that auditees and third parties will see our office in this way. Each staff member must promptly notify their immediate supervisor, or higher, in writing concerning any situation that would impair the staff member's or the office's independence on an audit, or that might lead others to question it.

In order to maintain independence and objectivity, staff members will not be assigned audits involving the following instances:

1. Any situation in which a conflict of interest or bias is present or may reasonably be inferred.

2. Official, professional, personal or financial relationships that might cause the auditor to limit the extent of inquiry, to limit disclosure or weaken or slant audit findings in any way.

3. Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit.

4. Biases, including those induced by political or social convictions that result from employment in or loyalty to, a particular group, organization or level of government.

5. Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.

6. Offer of or application for a position with the auditee during the preceding year.

7. Any situation that involves a member of the auditor's immediate family.

8. Any activity that the auditor previously performed or supervised unless a reasonable period of time has elapsed. If through your actions or state of mind your audit objectivity is or can be inferred to be impaired, notify their immediate supervisor and/or the Chief Audit Officer or Director immediately.

Identify audit areas which may be affected by the above situations:

_____

_____

_____

_____

_____
_____
_____
_____
_____

Possible Personal Impairments to My Independence

I have reviewed my personal situation with respect to system administration and the component institutions. I am not aware of any circumstances that might impair my ability to be independent on any audit or that might lead others to question it, except as indicated above or on attached pages.

Responsibility to Update This Disclosure

I understand that I am also responsible for making timely written notification in the event any other circumstance arises during the year that might impair or appear to impair my independence with respect to any audit.

Signature	Title	Date

Name (Print)	Institution

Appendix C: Sample Institutional Audit Charter

UNIVERSITY SYSTEM OF GEORGIA (USG) INSTITUTIONAL INTERNAL AUDIT CHARTER

Purpose of Internal Audit

The purpose of the [Institutional Audit Department's Name] is to provide independent and objective assurance and advisory services to [Institution Name] in order to add value and improve operations while promoting accountability and transparency to maintain public trust. The [Institutional Audit Department's Name] helps the institution accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes.

Internal Audit Mandate

The [Institutional Audit Department's Name] provides internal audit services to the institution as defined by the requirements of BOR *Policy Manual* § 7.9.2 – Internal Audits. The scope of these services is further described by USG *Business Procedures Manual* § 16.1 – Internal Audit Functions Across the USG, § 16.3 – Types of Internal Audit, Ethics and Compliance Engagements, and § 16.4 – Internal Audit/Engagement Process.

Role of the Internal Audit Function

Internal Audit reports administratively to the President of the University (the "President"), and functionally to the USG's Chief Audit Officer ("USG CAO"), as required by Board of Regents ("BOR") Policy Manual, 7.9.2. The senior staff member of Internal Audit will serve as the Institutional Chief Auditor ("ICA") as it pertains to system-wide meetings and communications. Internal Audit does not report to any other division or unit of the University.

The USG CAO may direct the ICA to audit specific functions at their institutions as needed to address system-wide issues or directives. The USG CAO is responsible for providing formal input to the performance evaluation of the ICA annually. The President of each institution having an internal auditor shall coordinate with the USG CAO on significant personnel actions involving the institutional internal auditor, to including appointment, performance evaluations, and termination.

Responsibilities

1) The ICA is responsible for developing an institution-wide rolling audit plan using appropriate risk-based methodology, including input from senior management and the USG CAO. The President will review and approve the audit plan before it is submitted to the USG CAO for approval by the BOR Committee on Internal Audit, Risk, and Compliance. Any modifications to the audit plan will be communicated to the USG CAO for approval.

2) The ICA is responsible for performing and/or providing functional coordination and guidance for the following institution-wide audit activities:

   a) Implement the annual audit plan, as approved, including and as appropriate, any specials tasks or projects requested by the appropriate levels of management and approved by the President and USG CAO.
   b) As applicable, recruit, train, and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the objectives of this charter. To the extent that additional or expert/specialized skills are needed to supplement the work, such activities may be co-sourced or out-sourced as necessary.
   c) Evaluate and assess significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
   d) Analyze operational issues impacting enterprise-wide processes and organizational areas.
   e) Conduct follow-up reviews on previously reported recommendations.
   f) Issue periodic reports to the President and USG CAO summarizing results of audit activities.
   g) Pursuant to USG Business Procedures Manual 16.6.5, report all issues of malfeasance to the USG CAO.
   h) Keep the President informed of emerging trends regarding risk management, internal controls, and successful practices in internal auditing.
   i) Investigate reported occurrences of fraud, waste, and abuse and recommend controls to both prevent and detect such occurrences.
   j) [Only include if applicable] Coordinate enterprise risk management (ERM) activities while expressly avoiding making management decisions to include setting the risk appetite, implementing risk responses, taking accountability for risk management, etc.

Authorization

To the extent permitted by law, the [Institutional Audit Department's Name] has free and unrestricted access to all activities, records, properties, and personnel within the institution to include cooperative organizations created to serve the institutions. The [Institutional Audit Department's Name] is authorized to review and appraise all operations, policies, plans, and procedures. Documents and other materials provided to the [Institutional Audit Department's Name] will be handled in the same prudent manner as handled by those employees normally accountable for them.

Confidentiality

The [Institutional Audit Department's Name] will likely have access to information of a sensitive or confidential nature. [Institutional Audit Department's Name] employees must be prudent in their use of information acquired in the course of their duties, as well as other information which is available to them. They must not discuss any confidential information with any parties except for official purposes. Employees shall not use confidential information for any personal gain or in a manner which would be detrimental to the USG, nor any employee or student of a USG institution. Employees should not improperly disclose sensitive or otherwise confidential information. Employees must take adequate measures to prevent the unauthorized release of confidential materials or information in any medium, including paper copies or computer files. Sensitive, personal, or confidential information should be adequately secured from theft,

reproduction, or casual observation as prescribed by the USG Business Procedures Manual and USG IT Handbook.

Due Professional Care

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible. OIA employees shall plan and perform internal audit services in accordance with the IIA *Global Internal Audit Standards*. Further, OIA employees shall exercise professional skepticism when planning and performing internal audit services to critically assess and evaluate information.

Independence and Objectivity

The ICA will ensure the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the ICA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the President and the USG CAO.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, prepare records, or engage in any other activity that may impair internal auditor's judgment. Internal audit will not audit areas for which it has had direct operational responsibility with the previous 12 months.

Internal auditors must disclose any impairment of independence or objectivity, in fact or appearance, to the ICA and ultimately to the USG CAO. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and will not be unduly influenced by their own interests or by others in forming judgments.

Definition of Audit Engagement Scope

The [Institutional Audit Department's Name] encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of governance, risk management, compliance, internal control and the quality of performance in carrying out assigned responsibilities. The scope will vary by area and may include:

1. Review the effectiveness of governance processes to include the:
    a. Promotion of ethical behavior within the organization;
    b. Efficiency of organizational performance management and accountability;
    c. Communication of risk and control information to appropriate areas of the organization; and,
    d. Coordination of activities and information among external and internal auditors and management.
2. Review the effectiveness of risk management processes to include the:
    a. Alignment of organizational objectives in support of the USG and institutional missions;
    b. Identification and assessment of significant risks;
    c. Alignment of risk responses with the institution's risk appetite; and,

    d. Capturing and communication of relevant risk information across the institution to enable staff and management to carry out their responsibilities.
3. Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

4. Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the System complies.

5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

6. Review and appraise the economy and efficiency with which resources are employed.

7. Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

8. Review the status of Information Technology policies and procedures, verifying that required hardware, software and process controls have been implemented, and that the controls are functioning properly.

9. Conduct special audits at the request of the CAO or President.

10. Analyze and review public private ventures associated with the institution and its cooperative organizations.

11. Provide advisory services at the request of institution management and with the CAO's approval consistent with the IIA standards governing advisory engagements. Advisory engagements undertaken should have the potential to contribute to the improvement of governance, risk management, compliance, and/or internal controls within the institution.

The internal audit function shall issue reports on the results of completed reviews, discuss these reports with appropriate levels of management, and share them with the USG CAO before distributing them as final reports to the USG CAO, President, and other levels of management as deemed appropriate.

Required Actions by Management

The institutional areas receiving an internal audit report from the [Institutional Audit Department's Name] will respond within 30 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion of each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the [Institutional Audit Department's Name].

Quality Assurance and Improvement Program

The [Institutional Audit Department's Name] will participate in a quality assurance and improvement program (QAIP) created by the USG CAO that covers all aspects of the internal audit process. The program will include an evaluation of the internal audit activity's conformance with the *Global Internal Audit Standards* and assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The [Institutional Audit Department's Name] will participate in quality assurance external assessments with the USG OIAEC conducted at least every five years as required by *Global Internal Audit Standards*. The ICA will report to the President on the results of the review.

Approved by:

[President's Name], President, [Institution Name]	Date
Jenna Wiese, Vice Chancellor for Internal Audit, Compliance, Ethics & Risk Management, Board of Regents of the University System of Georgia	Date
[Institutional Chief Auditor's Name], [Institutional Chief Auditor's Title], [Institution Name]	Date

Appendix D: Sample System-Wide Audit Charter

UNIVERSITY SYSTEM OF GEORGIA (USG) SYSTEM-WIDE INTERNAL AUDIT CHARTER

Purpose of Internal Audit

Internal auditing provides independent and objective assurance and advisory services to the Board of Regents (Board), the Chancellor, and institution leadership in order to add value and improve operations while promoting accountability and transparency within the University System of Georgia (USG) to maintain public trust. The internal audit activity helps the University System Office (USO) and USG institutions accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes.

Internal Audit Mandate

Role of the Internal Audit Function

The USG Office of Internal Audit (OIA) is made up of the USO Internal Audit and the institutional internal audit staff which will provide internal audit services for the University System of Georgia. All institutional chief auditors at institutions having an internal audit function shall have a direct reporting relationship administratively to the President of that institution and a direct reporting relationship functionally to the Chief Audit Officer / Vice Chancellor (USG CAO). The President of each institution having an internal auditor shall coordinate with the USG CAO on significant personnel actions involving the institutional internal auditor, to include appointment, performance evaluations, and termination. The USG CAO shall have the authority to direct the institutional internal audit functions to audit specific areas at their institutions as needed to fulfill the system-wide audit plan. The USG CAO will report all significant audit issues directly to the Chair of the Committee on Internal Audit, Risk, and Compliance (Committee) and to the Chancellor.

To preserve the independence and objectivity of Internal Audit:

- Internal Audit will not audit areas for which it has had direct operational responsibility within the previous 12 months.

Institutional Chief Auditors (ICAs) who are responsible for non-audit services at their institutions will share those responsibilities with the USG CAO for approval and document those responsibilities within the institutional audit charter to include how to manage actual, potential, or perceived impairments associated with the non-audit services. The USG CAO is responsible for advising the board and USG senior management of these non-audit services and the safeguards in place.

Organizational Responsibilities

1. The USG CAO has the responsibility to develop a System-wide audit plan for approval by the Committee based on a documented risk assessment that encompasses all components of the System. The USG CAO will communicate the resources dedicated to the internal audit plan and the impact of resource limitations on the internal audit plan to USG senior management and the Committee. The Committee will approve this plan while the USG CAO may approve minor changes to the Audit Plan as needed. The USG CAO will coordinate audit plan implementation with USG institutional internal auditors and with the State Department of Audits and Accounts through the USG Associate Vice Chancellor of Accounting and Reporting.

2. The USG CAO is responsible for providing functional coordination and guidance for System-wide audit activities to include:
    a) Meet with appropriate component officials to review the status of institution audit work and available resources.
    b) Approve institutional internal audit charters.
    c) Review audit results from all institutional internal auditors and the State Department of Audits and Accounts.
    d) Monitor the implementation of audit recommendations system-wide. Institutional Chief Auditors/AVCs for Internal Audit and IT Internal Audit and Risk Management will prepare a report of the implementation status of all audit recommendations, have it approved by the campus President and submit it to the USG CAO on a periodic basis using the procedures established by the USG CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee.
    e) Periodically prepare a summary of internal audits and highlight matters of interest for audits conducted at each institution and present such data to the Committee and to the Chancellor.
    f) Attend meetings of the Committee and Board as required.
    g) Ensure that all audits conducted by the University System Office have been thoroughly reviewed and discussed with appropriate institutional officials prior to being released to the Chancellor or to the Committee Chair.
    h) Provide formal input to the performance evaluations of Institutional Chief Auditors in consultation with the respective institutional president.

3. The USG OIA and the USG internal audit function shall comply with the *Global Internal Audit Standards* (Standards) as published by the Institute of Internal Auditors (IIA). The USG OIA shall comply with the IIA Code of Ethics. The USG CAO will report periodically to the Committee regarding the USG internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authorization

To the extent permitted by law, the USG OIA has full access to all activities, records, properties, and personnel within the USG to include cooperative organizations created to serve the USG and/or its institutions. The USG OIA is authorized to review and appraise all operations, policies, plans, and procedures. Documents and other materials provided to the USG OIA will be handled in the same prudent manner as handled by those employees normally accountable for them.

Confidentiality

OIA staff will likely have access to information of a sensitive or confidential nature. These employees must be prudent in their use of information acquired in the course of their duties, as well as other information which is available to them. They must not discuss any confidential information with any parties except for official purposes. Employees shall not use confidential information for any personal gain or in a manner which would be detrimental to the USG, nor any employee or student of a USG institution.

Employees should not improperly disclose sensitive or otherwise confidential information. Employees must take adequate measures to prevent the unauthorized release of confidential materials or information in any medium, including paper copies or computer files. Sensitive, personal, or confidential information should be adequately secured from theft, reproduction, or casual observation as prescribed by the USG *Business Procedures Manual* and USG *IT Handbook*.

Due Professional Care

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible. OIA employees shall plan and perform internal audit services in accordance with *the* Standards. Further, OIA employees shall exercise professional skepticism when planning and performing internal audit services to critically assess and evaluate information.

Administrative and Functional Reporting of the USG Chief Audit Officer

The USG CAO shall be directly responsible for reporting to the USG Chancellor and the Chair of the Committee on all substantive matters relating to governance, risk management, compliance and internal control processes. The USG CAO shall have final signature authority for all reports issued and risk assessments. The USG Chancellor and the Chair of the Committee, with relevant and appropriate input from others, will be responsible for the performance evaluation of the USG CAO. The USG CAO will have an administrative reporting line to the Chief Operating Officer for time reporting, human resource management, travel expenses, and budget monitoring. The USG CAO shall at all times have unfettered and direct access to the Chancellor and the Chair of the Committee.

Definition of Audit Engagement Scope

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of governance, risk management, compliance, internal control and the quality of performance in carrying out assigned responsibilities. The scope will vary by institution or area and may include:

1. Review the effectiveness of governance processes to include the:
    a) Promotion of ethical behavior within the organization;
    b) Efficiency of organizational performance management and accountability;
    c) Communication of risk and control information to appropriate areas of the organization; and,
    d) Coordination of activities and information among the Board, external and internal auditors, and management.
2. Review the effectiveness of risk management processes to include the:
    a) Alignment of organizational objectives in support of the USG and institutional missions;
    b) Identification and assessment of significant risks;
    c) Alignment of risk responses with the USG's risk appetite; and,
    d) Capturing and communication of relevant risk information across the USG and its institutions so as to enable staff, management, and the Board to carry out their responsibilities.
3. Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
4. Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the System is in compliance.
5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
6. Review and appraise the economy and efficiency with which resources are employed.
7. Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
8. Review the status of Information Technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
9. Conduct special audits at the request of the Committee Chair, the Chancellor or institution presidents.
10. Provide advisory services at the request of institution management and with the USG CAO's approval consistent with the Standards. Advisory engagements undertaken by the USG OIA should have the potential to contribute to the improvement of governance, risk management, compliance, and/or internal controls within the USG or within a USG institution.

Other Responsibilities of the Audit Function

Other responsibilities of the audit function will vary by institution or area and may include:

1. Investigate reported occurrences of fraud, waste, and abuse and recommend controls to both prevent and detect such occurrences.
2. Coordinate enterprise risk management activities while expressly avoiding making management decisions on risk appetite, risk response, etc.

Required Actions by USG Institution Presidents

The President of the institution receiving an internal audit report from the USG OIA will respond within 15 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion of each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the USG CAO.

Approved by:

[BOR Chair's Name], Chair of the Board of Regents, BOR	Date
[IARC Chair's Name], Chair of Internal Audit, Risk, and Compliance Committee, BOR	Date
[Chancellor's Name], Chancellor, BOR	Date

Appendix E: USG Internal Audit Quality Assurance Improvement Plan

USG Internal Audit Quality Assurance Improvement Plan

Per our internal audit professional standards, "the chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards (Standards) and progress toward performance objectives.

The chief audit executive must establish a methodology for internal assessments that includes:

- Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the board and senior management about the results of internal assessments."

Ongoing Monitoring

Following each audit engagement, the institutional and University System Office (USO) audit teams will complete a quality control review for each engagement using a standardized quality control checklist to ensure our engagements comply with the Standards. The checklists will be included in the workpapers of the engagement.

Annual Quality Self-Assessments

Annually the USG Internal Audit function will complete an internal quality assessment for a sample of engagements performed across all institutions utilizing a standard quality assessment review (QAR) checklist. The results of this review will be shared with the USG Chief Audit Executive who will summarize the results and corrective action plans and share this information with the Chancellor and the IARC Committee . The annual quality self-assessments will include a comprehensive review of the adequacy of the internal audit function's:

- Conformance with the Standards.

• The adequacy of the internal audit function's methodologies.

• How well the internal audit function supports the achievement of the organization's objectives.

• The quality of internal audit services performed and supervision provided.

• The degree to which stakeholder expectations are met and performance objectives are achieved.

External Quality Assessments Every Five Years

Every five years, the USG Internal Audit function will have an external quality assessment performed by a team of reviewers approved by the Chancellor and IARC Committee on. The review will cover the administrative compliance of all USG internal audit shops with a focus on evaluating the work product of 7 of the 14 shops, rotating the 7 shops every five years, to ensure coverage of all 14 audit shops in 10 years. The number of institution-based internal audit shops reviewed will be adjusted as needed to account for any change in the total number of institution-based shops, and to ensure every shop is reviewed at least once every 10 years. The external quality assessment will include a comprehensive review of the adequacy of the internal audit function's:

• Conformance with the Standards.

• Mandate, charter, strategy, methodologies, processes, risk assessment, and internal audit plan.

• Compliance with applicable laws and/or regulations.

• Performance criteria and measures as well as assessment results.

• Competencies and due professional care, including the sufficient use of tools and techniques, and focus on continual development.

• Qualifications and competencies, including those of the chief audit executive role, as defined by the organization's job description and hiring profile.

• Integration into the organization's governance processes, including the relationships among those involved in positioning the internal audit function to operate independently.

• Contribution to the organization's governance, risk management, and control processes.

• Contribution to the improvement of the organization's operations and ability to attain its objectives.

- Ability to meet expectations articulated by the board, senior management, and stakeholders.

Per our internal audit professional standards, “the chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation.”

Appendix F: Quality Control Checklist

Project:	☑
Engagement Management	
Engagement letter is signed, distributed, and included in Onspring	☐
Conflict of interest statement is signed by all participating staff and included in Onspring	☐
Entrance conference held, template and/or other notes included in Onspring	☐
Draft report shared with client for feedback, and noted or documented in Onspring	☐
Exit conference held, and template and/or other notes included in Onspring	☐
Final report is signed and distributed with transmittal letter, and included in Onspring	☐
QAR checklist is completed, reviewed, and included in Onspring	☐
Onspring Management	
Project metadata is complete (title, description, inclusion on current year audit plan)	☐
Project plan is approved and populated with program procedures	☐
Audit workpapers exist for all procedures	☐
Workpapers have been reviewed and approved	☐
Audit issues have been reviewed and approved	☐
Overall Engagement Results and Overall Controls Evaluation included in final report	☐
Final reports have been reviewed and approved by USG CAO or USG AVC Internal Audit and evidence uploaded to Onspring	☐
Copies of files produced during engagement management are included in Onspring project (*see Engagement Management)*	☐
Project milestone dates populated	☐
Project Completion	
Notes, working documents, and other temporary information appropriately disposed of, to include personal computer and shared drive	☐
Shared drive project folders retaining only necessary materials	☐
Engagement letter	☐
Entrance and exit conference templates, notes, and/or correspondence	☐

Transmittal letter	☐
Final report	☐
Client feedback and/or response	☐
Confirm that any system access removal requests have been submitted and processed appropriately.	☐
Verify that management responses have been entered in Onspring and that all issues have been fully approved.	☐

QC Checklist Completed: **Date**:

Appendix G: USG Internal Audit Strategic Plan

USG Office of Internal Audit Strategic Plan

2025 - 2029

Vision

OIAEC strives to be a trusted advisor and partner to leadership that independently and objectively ensures organizational effectiveness and efficiency to support USG's mission of teaching, research, and service through proactive engagement and collaboration across the system's 26 institutions.

Mission

Our mission is to create transparency and accountability throughout USG with a focus on enhancing performance, protecting resources, and supporting a culture of continuous improvement.

Strategy

To support the strategic plan of the USG, OIAEC developed its own goals to support the 4 strategic objectives of the USG.

1) Student Success

The University System of Georgia will increase degree completion through a robust and intensive approach to access and student success, utilizing data analytics and best practices.

OIAEC Goals

1) Enhance awareness and visibility of OIAEC across the system by educating stakeholders about the internal audit process, ethics & compliance program, services offered, and ongoing value.

2) Strengthen collaboration with stakeholders by aligning services—such as advisory work and continuous monitoring—with the launch of new initiatives.

3) Strengthen integration across internal audit, compliance, and enterprise risk management functions to support shared intelligence and the creation of a dynamic risk universe, enabling coordinated efforts to monitor and mitigate threats to strategic goal achievement.

Action Plans

1) Develop a quarterly systemwide newsletter from OIAEC that highlights hot topic issues identified through our work and preventative measures to take to prevent future issues.

a. Near Term (FY27)

2) Focus USG's audit plan and continuous monitoring on significant system-wide risks and key initiatives.

a. Near Term (FY27)

3) Bring internal audit, compliance, and enterprise risk management functions within the same software to facilitate reporting and collaboration on risk management.

a. Near Term (FY27)

Performance Measures

- Audit stakeholder surveys
- Audit Plan and continuous monitoring alignment with USG strategic plan
- Number of advisory engagements

2) Responsible Stewardship

The University System of Georgia will ensure affordability for students through the wise stewardship of resources and optimizing efficiency across the system.

OIAEC Goals

1) Integrate artificial intelligence and data analytics into audit and investigative processes to drive deeper insights and deliver greater organizational value.
2) Sustain unified efforts across the system by exchanging information and leveraging

shared knowledge.

Action Plans

1) Leverage data analytics to establish a continuous monitoring program that proactively detects noncompliance, errors, and potential fraud.

a. Near Term (FY28)

2) Maintain regular monthly training sessions across internal audit, compliance and ERM throughout the system to capitalize on information learning and shared knowledge.

a. Long Term (FY30)

3) Build and develop a sustainable and highly skilled audit department.

a. Long Term (FY30)

Performance Measures

- Audit stakeholder surveys
- Monthly training session feedback surveys
- Auditors meeting continuing education requirements with positive performance Reviews

3) Economic Competitiveness

The University System of Georgia will play a critical role in developing the talent and knowledge for current and future industry needs in the state of Georgia and beyond.

OIAEC Goals

1) Promote consistency and support USG institutions in meeting research compliance requirements to safeguard critical research dedicated to developing talent and knowledge.

2) Uphold a culture of integrity, transparency, and accountability to all stakeholders, ensuring these values are actively instilled in the student experience and

development.

Action Plans

1) Develop a continuous monitoring plan for research compliance to allow for targeted training education to aid in prevention.

a. Near Term (FY27)

2) Active involvement in major initiatives on campus, training opportunities, and involvement in Ethics Awareness Week each year.

a. Long Term (FY30)

Performance Measures

- Number of training events conducted
- Ethics Awareness Week activities conducted or participated in

4) Community Impact

University System of Georgia institutions will connect and collaborate with the communities and regions in which they serve to drive innovation and create opportunities for continued economic and quality of life impact.

OIAEC Goals

1) Identify and help mitigate risks associated with off-campus activities, community partnerships, volunteer programs, and regional initiatives that may carry reputational, financial, or operational exposure.

2) Monitor adherence to federal, state, and institutional regulations, especially in externally funded programs involving community engagement and economic development.

3) Promote a culture that supports responsible stewardship of institutional resources while encouraging collaboration across departments and with community partners.

Action Plans

1) Include off-campus activities in the annual risk assessment and part of the rolling audit plan to promote efficiency, effectiveness, and compliance in these areas.

a. Long Term (FY30)

2) Develop a continuous monitoring plan for research compliance to allow for targeted training education to aid in prevention.

a. Near Term (FY27)

3) Active involvement in major initiatives on campus, training opportunities, and involvement in Ethics Awareness Week each year.

a. Long Term (FY30)

Performance Measures

- Number of engagements focusing on off-campus activities, community partnerships, volunteer programs and regional initiatives
- Number of training events conducted
- Ethics Awareness Week activities conducted or participated in

Appendix H: IA Performance Objectives

1) Percentage of the audit plan completed during the previous year

· The audit plan is adjusted throughout the year as part of the normal course of activity, and this metric will be based on the most recent version of the plan at the time of measurement.

2) Percentage split of issue status: open or closed

· Metric will be based on those issues with a scheduled completion date occurring during the period (year) under review.

· Measure data will be derived from the Onspring application.

3) Number of management requests completed during the previous year

· Metric is intended to describe any work requested outside of the audit plan.

· Can be tracked through time management in Onspring. Typically, this would be a project with more than 40 hours of work performed on tasks not otherwise associated with a project on the audit plan.

· Would include limited advisory services if not on the audit plan.

4) Status of corrective actions from Quality Assessment Review (QAR)

· Metric is intended to satisfy the new requirement to report this information to BOR.

· Binary measure indicating that all corrective actions identified in the most recent QAR are complete, or incomplete. If incomplete, provide additional information describing which items are incomplete and the anticipated resolution process and timeline.

Appendix I: Scope Limitation Template

[Institution Name]

Scope Limitation Memo

Engagement: [Audit Engagement Name]
Date: [Insert Date]
To: [Engagement File / Audit Committee / Chief Audit Executive / Internal Audit Director]
From: [Audit Engagement Lead or Audit Manager]

Background

Provide a concise description of the engagement's purpose and planned audit scope.
Example:
The Internal Audit team initiated an engagement to assess the design and operational effectiveness of the organization's [process or program name], including [key process areas such as governance, identification, remediation, and reporting].

Scope Limitation

Describe the limitation that prevented the audit team from completing certain procedures or obtaining full assurance. Be specific about what was restricted or unavailable.

Examples of limitations:

- Access to [data/system/tool] was restricted, resulting in only partial or summary-level information being provided.
- Evidence to support historical compliance or remediation (beyond [number] days) was unavailable due to system retention or archival settings.
- Certain business units, applications, or environments were excluded from testing due to [reason].

Impact of Limitation:
Because of these restrictions, the Internal Audit team was unable to [describe what conclusions could not be drawn or tests that could not be executed]. This limitation prevented a full assessment of [specific area, such as coverage, remediation effectiveness, or compliance with policy/standards].

Audit Team Response

Outline the alternative audit procedures or mitigating actions taken to address or document the limitation.

- Documented the limitation in the working papers and this memorandum.

- Conducted walkthroughs or discussions with [roles, such as system administrators or process owners].
- Reviewed available configurations or reports from relevant tools.
- Tested a limited selection of evidence where access was granted.
- Communicated the limitation and its potential impact within the draft audit report.

Conclusion

Summarize the effect of the limitation on the audit's overall assurance level.
Example:
This scope limitation prevents Internal Audit from providing full assurance regarding [specific process or control area]. The issue was communicated to [management, CAE, or Audit Committee]. Future follow-up is recommended once complete data access or evidence is available to revalidate control coverage.

Reviewed and Approved By

Reviewed By: [Name, Title]
Date: [Insert Date]
Approved By: [Name, Title]
Date Approved: [Insert Date]

Appendix J: Scope Change Template

[Institutions Name]

[Audit Engagement Name]

Scope Change Memo Template:

To: [Chief Audit Executive], [Relevant Management Representatives]
From: [Audit Engagement Team or Audit Department Name]
Date: [Insert Date]
Subject: Scope Change for [Audit Engagement Name]
Background

Provide a summary of the original audit scope and objectives.
Example:
The original scope of the [audit name] focused on evaluating [key areas, such as policy, process, and controls] related to [specific domain or process]. Objectives included assessing [example objectives—adherence to frequency, compliance, risk prioritization, etc.].

Reason for Scope Change

Describe the circumstances or discoveries that necessitated the scope change.
Example:
During fieldwork, [describe event or discovery], which requires adjustment of the scope. In addition, [reference any management or risk-driven requests prompting the change].

Nature and Extent of Change

List the specific scope areas that were added, removed, or modified.

Added:

- [Describe newly included scope areas, such as new environments, systems, or processes]

Removed:

- [Describe de-scoped areas no longer relevant due to current business or technical changes]

Modified:

- [Describe changes to the sampling approach, population, or control focus areas]

Impact on Audit Objectives and Deliverables

Describe how changes affect audit objectives, testing procedures, or deliverables.

- [State whether objectives remain consistent or are adjusted]
- [Indicate any additional audit procedures required]
- [Note timeline changes or resource impacts]
- [Specify limitations or constraints related to the revised scope]

Stakeholder Communication and Approvals

Document communication and formal agreement with key stakeholders.
Example:
This scope change was discussed and approved by [management role(s)] and the Chief Audit Executive on [date].

Revised Responsibilities and Timelines

Summarize the timeline adjustments and any changes in project responsibilities.

- Additional fieldwork hours required: [Insert estimated hours]
- Revised audit reporting deadline: [Insert new date]
- Management deliverables (e.g., data access, document submission): [Insert actions and deadlines]

Documentation and Record Keeping

Indicate how this scope change memo will be filed and referenced.
Example:
This memo will be appended to the [audit engagement name] workpapers. All related approvals, communications, and supporting documentation will be retained for internal audit records and quality assurance review purposes.

Appendix K: Report Disagreement Template

[Institution Name]

Working Paper: Documentation of Management Disagreement on Finding Rating

Engagement: [Insert Audit Engagement Name]
Audit Area: [Insert Area, e.g., Vulnerability Management]
Working Paper Reference: [Insert Reference Number or ID]
Date: [Insert Date]
Prepared by: [Auditor Name]
Reviewed by: [Reviewer Name]

Finding

[Provide a concise description of the audit issue, highlighting the condition, cause, and effect.
Example:
"Critical patches were not applied timely in accordance with the organization's policy and industry best practices, increasing exposure to security risks."]

Management's Position

[Summarize management's disagreement with the assigned rating or conclusion. Include:

- Specific points of disagreement (e.g., rating severity, underlying criteria, or interpretation of evidence).
- Management's rationale, explaining operational constraints, risk considerations, or mitigating controls.
  Example:
  "Management disagrees with the assigned severity rating of this finding. They acknowledge delays in patch implementation but attribute them to necessary testing cycles, maintenance schedules, and business continuity needs. Management asserts that compensating controls and a risk-based approach mitigate the residual risk sufficiently."]

Auditor Response and Rationale

- Management's disagreement was communicated through [meeting dates, written correspondence, or review sessions].
- Supporting materials reviewed include [policies, procedures, exception requests, evidence, and compensating control descriptions].

- The audit team recognizes the operational challenges but maintains that the control objective requires timely remediation of critical vulnerabilities to align with policy and industry standards.
- The assigned rating reflects the potential impact on the confidentiality, integrity, and availability of systems if delays persist.
- This disagreement does not restrict the audit scope, access to information, or final report issuance.

Supporting Documentation

Include or reference:

- Meeting minutes or correspondence evidencing management's position
- Relevant policies and risk acceptance forms
- Evidence of compensating controls or mitigating measures
- Any analysis or benchmarking supporting the auditor's rating

Conclusion and File Notation

This working paper documents the nature of management's disagreement regarding the finding rating and the auditor's rationale for maintaining the original assessment.
All materials are retained within the audit file for transparency, follow-up actions, and quality review.