

04.500 Audit and Compliance

04.501 Internal Audit.

1. Objective. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the System Administration's and each Institution's operations. It assists the System Administration and each Institution to accomplish their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.
 - a. Risk Management. The internal audit activity assists the System Administration and each Institution by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and controls systems.
 - b. Internal Control. The internal audit activity assists the System Administration and each Institution in maintaining internal controls by evaluating their effectiveness and efficiency and promoting continuous improvement.
 - c. Governance. The internal audit activity assesses and makes appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
 - i. promoting appropriate ethics and values within the System Administration and the Institutions;
 - ii. ensuring effective organizational performance, management, and accountability;
 - iii. effectively communicating risk and control information to appropriate areas of the

- d. direct audits of the System and the System Administration;
 - e. direct and evaluate the performance of individuals holding positions that directly report to the Chief Internal Auditor;
 - f. promote diversity within the System and support existing System programs designed to create a welcoming environment for everyone;
 - g. provide leadership and oversight of institutional effectiveness efforts, including the use of evaluation and linking results to planning; and
 - h. perform other duties as assigned by the Board and the Chancellor.
5. Independence. In carrying out their duties and responsibilities, the Chief Internal Auditor and the Internal Audit staff shall have full, free, and unrestricted access to all System Administration and Institution activities, records, personnel, and physical properties. Internal Audit shall not be given any responsibility that would interfere with its ability to perform independent reviews of all aspects of System Administration and/or Institution operations.
6. Internal Audit Responsibilities. The Chief Internal Auditor shall implement a program of internal auditing that includes:
- a. using risk assessment techniques to develop a flexible annual audit plan that identifies the individual audits to be conducted during the year;
 - b. performing the annual audit plan, as approved, including any special tasks or projects requested by management and the Board Audit Committee when appropriate;
 - c. periodically reviewing major systems and controls, including: (i) accounting systems and controls, (ii) administrative systems and controls, and (iii) information technology systems and controls;

- d. reporting each quarter to the Board Audit Committee on (i) whether appropriate action has been taken on significant audit issues, findings, and recommendations, (ii) audits in progress and those completed during the quarter, and (iii) deviations from the audit plan;
- e. reporting audit results to members of management who should be informed or who should take corrective action;
- f. performing follow-up to determine whether corrective action was taken and is achieving the desired results; and
- g. performing quality assurance reviews in accordance with professional standards and periodically taking part in a comprehensive external peer review.

7. Standards. Internal Audit shall perform its responsibilities in accordance with the Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, and generally accepted governmental auditing standards. Internal Audit recognizes the Institute of Internal Auditors (IIA) as its professional and authoritative source. Internal Audit shall conform to the IIA: *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* contained in the Professional Practices Framework as promulgated by the IIA.

04.502 Compliance. The System Administration and each Institution shall develop and implement a compliance program that supports activities intended to assist the Institution in complying with federal and state laws and regulations.

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