INTRODUCTION

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, internal controls, operational and governance processes.

PURPOSE

The purpose of the Office of Internal Audits (OIA) is to enhance and protect the University’s value by providing risk-based and objective assurance, advice and insight. The OIA was established to assist the University achieve its goals and objectives, identify and address risk, and continuously improve processes and operations as a service to the Board of Regents, the President, and management.

The OIA is responsible for providing executive management with information about the adequacy and effectiveness of the University’s system of internal administrative and accounting controls and the quality of operating performance when compared with established standards.

AUTHORITY

The internal audit activity is established per the Texas Internal Auditing Act, Texas Government Code, Chapter 2102. The MSU Board of Regents’ Audit, Compliance, and Management Review Committee provides oversight.

The OIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles, the Code of Ethics, the Definition of Internal Auditing, and the International Standards for the Professional Practice of Internal Auditing, as well as Generally Accepted Governmental Auditing Standards as required by the Texas Internal Auditing Act, herein, collectively referred to as “standards.” In addition, the OIA will adhere to relevant MSU policies and procedures and the OIA’s policy and procedures manual.

The Director of Internal Audits (Director) will have unrestricted access to, and communicate and interact directly with the Board of Regents’ Audit, Compliance, and Management Review Committee, including private meetings without management present.

The Board of Regents authorizes the internal audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary University personnel, as well as other specialized services from within or outside the University, in order to complete the engagement.
ORGANIZATION

The OIA is an integral part of MSU and functions in accordance with the policies established by the Board of Regents. To provide for the independence of the department, the Director is appointed by the Board of Regents and reports functionally (directly) to the board’s Audit, Compliance and Management Review Committee and reports administratively to the President.

To establish, maintain, and assure that MSU’s internal audit department has sufficient authority to fulfill its duties, the Board of Regents will:

- Approve the internal audit department’s charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department’s budget and resource plan.
- Receive communications from the Director on the internal audit department’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director.
- Approve the remuneration of the Director.
- Make appropriate inquiries of management and the Director to determine whether there is inappropriate scope or resource limitations.

INDEPENDENCE AND OBJECTIVITY

The Director will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the appropriate parties. At least annually, the Director will confirm the organizational independence of the internal audit department to the Board of Regents.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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, install systems, prepare records, or engage in any other activity that may impair audit judgment.

Internal auditors will:

- Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Not be unduly influenced by their own interests or by others in forming judgments.
- Disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

Safeguards will be established to limit impairments to independence or objectivity where the Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing.

The Director will disclose to the Board of Regents any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.
SCOPE OF ACTIVITIES

The internal audit department's scope of work encompasses, but is not limited to, examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University's goals and objectives, including:

- Risks, including strategic risks, are appropriately identified and managed.
- Employees' actions are in compliance with polices, standards, procedures and applicable laws and regulations.
- Operations and programs are being carried out effectively and efficiently and their results are consistent with established goals and objectives.
- Processes and systems are established to enable compliance with the policies, procedures, laws, and regulations.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director will report periodically to senior management and the Board of Regents regarding the internal audit departments:

- Purpose, authority, and responsibility.
- Conformance with the Standards.
- Resource requirements.
- Impact of resource limitations on the internal audit plan, if any.

RESPONSIBILITY

The Office of Internal Audits has responsibility to:

- Ensure compliance with the Texas Internal Auditing Act.
- Develop a flexible, annual audit plan using an appropriate risk-based methodology, and submitting that plan to the President and Audit, Compliance, and Management Review Committee for review and to the Board of Regents for approval on an annual basis.
- Implement the annual audit plan, as approved, including, as appropriate, any special projects requested by senior management or the Board of Regents.
- Review and adjust the audit plan, as necessary, in response to changes in risk, operations, programs, systems, and controls. Communicate to senior management and the Board of Regents any significant changes.
- Ensure each audit engagement is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board of Regents any corrective actions not effectively implemented.
- Promptly communicate the results of engagements with applicable conclusions and recommendations to the appropriate individuals.
- Issue periodic reports to the President and Board of Regents summarizing results of audit activities, including progress on the annual audit plan, audit accomplishments, and highlights of any significant audit findings and recommendations.
- Keep the President and the Board of Regents informed of emerging trends and successful practices in internal auditing.
- Conduct special audits requested by the Board of Regents or the President.
• Have and maintain a professional audit staff with sufficient knowledge, skills, abilities, experience, and professional certifications to meet requirements of this charter and the Texas Internal Auditing Act.

• Establish and ensure adherence to policies and procedures designed to guide the internal audit department and conform to the Standards.

• Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

• Provide consulting and advisory services at the request of management consistent with the Institute of Internal Auditors standards for consulting engagements. The nature and scope of these engagements will be agreed with the client, provided the internal audit department does not assume management responsibilities.

• Develop relationships throughout the University to become a trusted advisor to management on governance, risk management and internal control matters.

• Guide the University on control self-assessments by assisting managers with risk self-assessments and conducting self-audits.

• Serve as liaison, coordinate the efforts and consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the University.

• Assist in the investigation of suspected fraudulent activities (e.g., defalcation, misappropriation, and other fiscal irregularities) at the University, including possible improvements (e.g., policies, procedures, and compliance reviews) to prevent the likelihood of potential frauds occurring, and notify the President and the Board of Regents of the results.

• File internal audit reports and related responses or action plans as required with the Office of the Governor, the State Auditor’s Office, the Sunset Advisory Commission, and the Legislative Budget Board within thirty days after presentation to the Board of Regents and the President.

• Prepare the annual report required by the Texas Internal Auditing Act and submit the report by the due date to the Office of the Governor, the State Auditor’s Office, the Sunset Advisory Commission, the Legislative Budget Board, and the University’s Board of Regents and President.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Office of Internal Audits will maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include an evaluation of the internal audit department’s conformance with the Definition of Internal Auditing, the Core Principles, and the International Standards for the Professional Practice of Internal Auditing, and an evaluation of whether internal auditors apply the Code of Ethics, as well as Generally Accepted Government Auditing Standards and the Texas Internal Audit Act as applicable. The program will also assess the efficiency and effectiveness of the department and identify opportunities for improvement.

The Director will communicate to senior management and the Board of Regents on the internal audit department’s quality assurance and improvement program, including results of internal assessments and external assessments conducted at least once every three years by qualified, independent reviewers.

RELEVANT STATUTES AND POLICIES

• Texas Internal Auditing Act, Texas Government Code, Chapter 2102
• MSU Policy 2.31, Administration Selection Process
• MSU Policy 2.323, President’s Office (Organization)
• MSU Policy 4.117, Suspected Dishonest or Fraudulent Activities
APPROVAL

The Office of Internal Audits Charter was submitted by the Director for review and approval by the Board of Regents on August 3, 2017.

Dates Approved or Amended:

11/13/2015
08/12/1988