



System Wide Audit Manual

Contents

Introduction.....	4
Purpose Statement	4
Manual Changes and Updates	4
SECTION 1000 PURPOSE, AUTHORITY, RESPONSIBILITY, AND ORGANIZATION	5
1100 Internal Audit Charter and Vision.....	5
Mission, Vision, Values	5
Vision Statement	5
Values	6
Strategic Priorities	6
Audit Charter	6
1200 Reporting, Authority, Proficiency and Due Professional Care	7
Authority.....	7
Organization and Applicability	8
Independence and Personnel	9
Personnel and Training	10
1300 Quality Assurance, Improvement, and Assessment.....	12
Quality Assurance and Improvement Program.....	12
Communicating Quality and Assessment Results.....	13
1400 Professional Standards, Ethics, and Disclosures.....	15

Fieldwork	24
Working Papers	24
Engagement Supervision	25
2400 Communicating Results.....	27

management, compliance, and internal control within the USG.

Values

IA departments within the USG 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

Audit teams within the USG have three strategic priorities:

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

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 chief audit executive'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. Final approval of the IA

1200 Reporting, Authority, Proficiency and Due Professional Care

Authority

Governing Authority

There are four primary documents that govern the practice of IA within the USG.

1. Board Policy 7.9 Auditing
<https://www.usg.edu/policymanual/section7/C474>
2. Committee on IA, Risk, and Compliance Charter
[https://www.usg.edu/assets/audit/documents/IARC - Compliance and Ethics Charter -](https://www.usg.edu/assets/audit/documents/IARC_-_Compliance_and_Ethics_Charter_-)

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

each employee's individual contributions and provide valuable feedback that can enhance the opportunity for ongoing professional growth.

Personnel & 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 performance and the assessment might include input from other supervisors within the department. In addition to an annual assessment, each employee may also have a mid-year review. 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 into the performance evaluations of ICAs and discuss performance goals and expectations. Additional information regarding the performance assessment process can be found at <https://www.usg.edu/hr/manual/>.

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 requirements for auditors should be consistent with the requirements of other professional certifications, such as the IIA, ISACA, 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, in order to enhance employee development, employees are encouraged to participate in professional and community organizations that promote the profession of acco

all issues related of nonconformance. As a result of the external assessments, ICAs may also disclose any non-conformance of the IIA standards with management and the Board.

1400 Professional Standards, Ethics, and Disclosures

Employee Conduct and Ethics

Standards and Employee Conduct

IA activity must be formally defined in an IA charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics,

Mandatory Disclosures

Introduction and Purpose

USG CAO and ICAs must disclose to senior management and the Board nonconformance with the Code of Ethics or the Standards that impacts the overall scope or operation of IA activity. Auditors must disclose anything that prohibits or restricts non-conformance to audit standards. Effective implementation of this procedure will help to ensure ongoing compliance with IA professional standards. Adherence to this standard normally will occur through ICA's disclosure to the USG CAO and, as needed, the USG CAO's disclosure to the audit committee chair and/or the entire audit 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 math

1500 Request 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 sha

SECTION 2000 INTERNAL AUDIT FUNCTION, THE ENGAGEMENT, AND COMMUNICATING RESULTS

2100 Internal Audit Function

Audit Services

The scope of the audit work acr

systems security and due diligence engagements.

- x Special Request, Consulting and Advisory Services the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.
- x Investigations – are independent evaluations of allegations generally focused on improper activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions. These investigations are not conducted in accordance with IIA Standards.

Risk Assessment, Planning, Section and Schedule of Engagements

The ICA at each institution submits an audit plan to the USG Office of Internal Audits (OIA) in the prescribed format provided by the USG CAO. Based upon this input and a risk-based audit model, the OIA develops a system-wide audit plan. The implementation of the system-wide audit plan is coordinated with the institutional IA plans to ensure major risks are addressed while minimizing duplication of effort and disruption of auditee operations. Engagements may be pursued at the system-level or at an institutional-level. The USG CAO has the authority to direct the ICAs to audit specific functions at their institutions.

IA professional standards mandate an audit risk assessment and audit plans. IA will meet these professional standards through maintaining a risk assessment. The OIA risk assessment will focus on issues that present a high degree of risk to the USG and/or USG institutions. The OIA risk assessment will be ongoing and will include input from the BOR, USG and institutional leadership, the Audit, Risk, and Compliance Committee and other sources as appropriate.

During the risk assessment process, auditors may consider:

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

IAs continually maintain a risk assessment in the mandatory audit software and provides an audit plan for the annual presentation to the Audit Committee in May. All audit plans are reviewed for appropriateness and effectiveness by the USG CAO prior to submission to the Committee for approval. As part of this process, ICAs and/or OIA may recommend new engagements or revised timing for planned engagements. The USG CAO will consider these recommendations and may authorize revisions to the audit plan and engagement schedule as needed.

It is understood that not every key risk will be included in 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.

The USG IA function conducts operational, financial and information technology assurance engagements of USG institutions and the USO, performs system-wide reviews of specific programs and processes, provides consulting services to the USO and to USG institutions, and conducts special reviews and investigations. Audit and assurance provided by IA can take the form of various engagement types:

- x 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. An operational audit focuses on the efficiency, effectiveness, and economy of operations.
- x Financial Audit - Financial audits determine the accuracy and propriety of financial transactions and reporting.
- x Compliance Audit - Compliance audits determine whether, and to what degree, there is conformance to certain specific requirements of policy, procedures, standards, or laws and governmental regulations. The auditor must know what policies, procedures, standards, etc., are required. 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.
- x 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.
- x 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.
- x Consulting - Advisory and related client service activities, the nature and scope of which are agreed with the client, 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.
- x Special Investigations- Investigations that are designed to identify responsibility for and measure the impact of an act of wrongdoing that has allegedly occurred. This act often will be a violation of state laws/regulations, BOR policies/procedures; or waste/inefficient use of resources.

Directing the IA Activity

The USG CAO and the ICAs will establish policies and procedures for guiding and directing the IA activities of the USG. The identification purpose, authority and responsibility of IA should come primarily from the Audit Charter, the IIA Standards of Professional Practice, the definition of Internal Auditing and the IIA's Code of Ethics.

Reporting to Senior Management and the Board

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

External Service Providers

The USG CAO and ICAs are responsible for providing assurance to the BOR and audit committee that any form of IA activity, even with externally provided in part or in whole, must ensure the work meets with the quality standards of the professional practice of IA.

2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

Planning the Audit

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 need for the audit, as well as the following:

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

Engagement Objectives

During engagement planning, IA conducts a risk assessment of the activity under review and sets the objectives of the engagement based on this assessment. When setting objectives, IA considers the following:

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

- x Budget information, operating results and financial data
- x Prior audit work papers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature

Work Program

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:

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

Work programs are reviewed and approved prior to beginning engagement fieldwork. For single person audit departments at the individual institution level, work programs should be reviewed by the USO OIA prior to the commencement of fieldwork.

Consulting Engagements

Documents an understanding with the client(s) related to objectives, scope, responsibilities, and other expectations. IA may perform engagements that are consulting in nature. These engagements generally follow the planning steps outlined above and in addition, IA performs the following steps:

- x Ensures the scope is sufficient to address the agreed upon objectives
- x Addresses controls consistent with the objectives and considers significant control issues
- x Discusses scope related reservations with the client(s) to determine whether to continue with the engagement

2300 Performing the Engagement

Examining & Evaluating Information

When performing engagements, IA will analyze sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers. The procedures performed during most engagements may include reviewing applicable laws, regulations, policies and procedures; interviewing selected employees and others; examining selected documents and records; comparing relationships among financial and nonfinancial information; and performing observations.

Fieldwork

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved audit program. Evidential matter obtained during the course of the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in the audit report. As internal auditors, we are obligated by our professional standards to act objectively, exercise due professional care, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit observations and recommendations. Throughout fieldwork, professional judgment should be used to (a) determine whether evidence gathered is sufficient, relevant, competent, and useful to conclude on the established objectives; and (b) based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective). Fieldwork includes:

- 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 ing.

- 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, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up.

Working papers must be neat, competent, 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.

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 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.
- 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 you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.

Engagement Supervision

As detailed in other sections of this manual, the Project Lead/CAO/EAD and IT ED 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/or initials/dates on working papers are prepared

and retained in the working papers.

Engagement Record AccessThe 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.

Quality Assurance and Improvement- Quality Assurance Policies and Procedures can be found in Section 3000 of this manual

2400 Communicating Results

IA must communicate the results of engagements. (IPPF 2400)

response whether it satisfactorily addresses the audit recommendations. If the management response is not acceptable and further discussion proves unproductive, escalation to senior leadership may be necessary.

Final Report

The ICA incorporates the management response into the draft report and releases it as the final audit report.

USG BPM 16.4.4 - Closing the Engagement – 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 “OIA and institutional auditors across the system work closely with senior leadership, departmental directors, institutional leadership committee members, institutional department heads, and other appropriate personnel as required to conduct audit procedures and determine final audit results. The President of the institution receiving an IA report from audit directors will respond within 30 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 Report Distribution

The USG CAO’s approval is required for release of all OIA reports. Institutional engagement reports must be submitted to the OIA. All significant and material issues are summarized for reporting to the BOR Committee on Internal Audit, Risk, and Compliance.

The USG CAO and ICAs must communicate results to the appropriate parties. The CAO and ICAs are responsible for reviewing and approving the final engagement communication before

Audit Issues

- o Notable opportunities to improve effectiveness and efficiency exist.
- o Corrective action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
- x Significant
 - o Violation of policies/procedures/laws, and/or lack of internal controls that either does or could pose a substantial level of exposure to the organization.
 - o Issue or issues identified are likely a

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

The USG CAO and ICAs identify the audience for the audit report. To identify the audience, the USG CAO and ICAs consider 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 are:

- x State of Georgia Stakeholders, including the Public
- x USG Board of Regents (BOR)
- x

Attributes of Audit Report

2500 Follow-Up Reporting

The USG CAO and ICAs utilize Onspring (USG IA Enterprise System) to monitor the disposition of results communicated to management. The USG CAO and ICAs develop a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

USG BPM 16.4.5 - Follow-Up Review - states “follow-up is required of all issues classified as material. Each material issue shall be reviewed by appropriate internal audit personnel until issue is closed or resolved. Significant issues may be reviewed after being reported as closed but this review is not required. The actions taken to resolve the issues are to be reviewed and may be tested to ensure that the desired results were achieved. 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 exception. The CAO shall periodically report the status of material issues to the IAR Committee to include the status of 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.”

USG IA Charter states “the USG CAO monitors the implementation of audit recommendations system-wide. Chief Business Officers and/or ICAs will prepare a report of the implementation

APPENDIX AND SUPPLEMENTAL INFORMATION

Appendix A: Sample System-wide Audit Charter

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

Introduction

Internal Audit (IA) within the USG system provides independent and objective assurance and consulting services to the BOR, the Chancellor, and institution leadership in order to add value and improve operations. The IA activity helps 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.

Role of the Internal Audit Function

In order to add value and improve operations, the system-wide audit function provides independent and objective assurance and consulting services to across the system. IA professionals accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and internal control processes. Audit staff provide recommendations to improve systems, processes, and internal controls designed to safeguard resources, promote system and institutional mission toward academic excellence, and ensure compliance with state and federal regulations. Audit teams evaluate and assess established policies, procedures, and sound business practices.

OIA and the institutional IA staffs will provide IA services for the USG. All ICAs at institutions

- x Approve institutional IA charters.
- x Review audit results from all institutional internal audits and the State Department of Audits and Accounts.
- x Monitor the implementation of audit recommendations system-wide. Chief Business Officers and/or ICAs 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 CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee.
- x Periodically prepare a summary of IAs and highlight matters of interest for audits conducted at each institution and present such data to the Committee and to the Chancellor.
- x Attend meetings of the Committee and Board as required.
- x 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.
- x Provide formal input to the performance evaluations of institutional chief auditors in consultation with the respective institutional president.

Institutional IA function may also include the following:

- x Conduct audits for management in order to contribute to the improvement of governance, risk management, internal controls, and compliance;
- x Perform audit planning and quality assurance activities in order to ensure their contributions to the improvement of governance, risk management, internal controls, and compliance;
- x Manage and oversee professional and administrative audit staff;
- x Coordinate audits involving external auditors and other regulatory personnel to help ensure appropriate cooperation with external agencies;
- x Recommend policy, business procedures, and other process improvements impacting the institutional operations.
- x Prepare and submits audit findings and reports to appropriate management;
- x Perform special investigations, management reviews, special projects, or other assignments as assigned by institution management or the USG CAO;
- x Assist senior management and administrators in the interpretation and application of policies, rules, and regulations;
- x Analyze operational issues impacting enterprise-wide processes and organizational areas;
- x Advise on issues pertaining to financial management and fraud prevention;
- x Manage and investigate hotline and ethics complaints consistent with procedures outlined in the BPM.

All IA professionals and system-wide IA functions shall comply with the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors (IIA). All USG internal auditors, including institutional and System Office auditors, shall comply with the IIA Code of Ethics.

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:

- x Review the effectiveness of governance processes to include the:
 - o

Reporting Procedures

ICAs across the system work closely with senior leadership, departmental directors, institutional leadership committee members, institutional department heads, and other appropriate personnel as required to conduct audit procedures and determine final audit results. The President of the institution receiving an IA report from audit directors will respond within 30 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.

Authorization

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

Appointment Changes

Action to appoint, demote or dismiss the USG CAO requires the approval of the BOR. Action to appoint, demote, or dismiss ICAs require the concurrence of the USG CAO.

Approved by the Board of Regents of the University System of Georgia on **insert approval date here:**

Sachin Shailendra.
Chair of the Board of Regents

Date

Philip A. Wilheit Sr.
Chair of the Committee on Internal
Audit, Risk, and Compliance

Date

Henry “Hank” M. Huckaby

Date