Internal Auditing Department
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Overview

Internal Audit Process

1. Definition of Internal Auditing
2. Texas Internal Auditing Act
3. UHS Board of Regents Policy
4. UHS Administrative Memoranda
5. IIA Code of Ethics
Overview

Internal Audit Process (cont.)

6. Standards for the Professional Practice of Auditing
7. Internal Audit Planning Process
8. Internal Audit Reporting Process
9. Legislation - H.B. 2906 (75th Legislature)
Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity 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 risk management, control, and governance processes.
Texas Internal Auditing Act
(Texas Government Code, Section 2102)

Sect. 1. Short Title - Texas Internal Auditing Act

Sect. 2. Purpose - Establish Guidelines for Internal Auditing Programs

Sect. 3. Definitions - Administration, Audit, Agency

Sect. 4. Applicability - budgets > $10 million; receive or process cash > $10 million; or more than 100 employees
Texas Internal Auditing Act (cont.)

Sect. 5. Requirements - Annual Audit Plan & Periodic Audits of Systems and Controls

Sect. 6. Appointment and Qualifications of the Internal Auditor, Staffing & Resources

Sect. 7. Duties of the Internal Auditor

Sect. 8. Approval of the Audit Plan and Audit Reports
Texas Internal Auditing Act (cont.)

Sect. 9  Annual Report
Sect. 10 Consulting with the Governing Board, Governor’s Office,
        State Auditor, Legislative Agencies or Committees
Sect. 11 Internal Audit Standards
Sect. 12 Professional Development
Sect. 13 & 14 – Risk Assessment to SAO
UHS Board of Regents
Internal Auditing Policy

(No. 41)

Sect 41.01. To develop a framework for the internal audit function. Should be an effective management tool for use by the chancellor (other levels of management) and the board. To evaluate the system’s fiscal integrity and compliance with laws and policies.
UHS Board of Regents

Internal Auditing Policy

(No. 41)

Sect. 41.01.1 PHILOSOPHY:

1. Are resources being properly managed and accounted for?

2. Are policies followed, objectives met, and control systems functioning?

3. Provides an INDEPENDENT examination/evaluation function for the system.

4. In carrying out their duties, members of the internal auditing department have full, free, and unrestricted access to all systems, records, property, and personnel.
UHS Board of Regents

Internal Auditing Policy (cont.)

(No. 41)

Sect. 41.01.2 ORGANIZATIONAL RESPONSIBILITY

5. Board responsible for employment/dismissal of auditor

6. Auditor reports to Board

7. Compliance with the Standards for the Professional Practice of Internal Auditors
UHS Board of Regents

Internal Auditing Policy (cont.)

(No. 41)

Sect. 41.01.3. INTERNAL AUDITING PROCESS:

8. August of each year: Submit Audit Plan

9. Meet with Audit & Compliance Committee Chair/Chancellor to review audit performed, audits in progress and future audits

10. Audit reports distributed to Chancellor, Board, State Auditor, LBB, Governor's Office of Planning and Budgeting and the Sunset Advisory Commission
UHS Board of Regents
Internal Auditing Policy (cont.)
(No. 41)

Sect. 41.01.4. OBJECTIVES:

11. Risk Management: Assist by identifying and evaluating risks

12. Control: Evaluate effectiveness and efficiency and promote continuous improvement

13. Governance: Evaluate and improve process by which values and goals are established, monitored and accounted for
14. Evaluate Big 4: Reliability & integrity of information, effectiveness & efficiency of operations, safeguarding of assets and compliance with laws & regulations

15. Coordinate internal audit efforts with those of other CPA firms and the SAO
UHS Administrative Memoranda

A.M. 04.A.01 AUDITS BY EXTERNAL AUDITORS

Coordination of internal and external audit efforts, audits by SAO, audits by external agencies and audits by independent outside auditors.

A.M. 04.A.02 AUDITS BY INTERNAL AUDITING

Reiterates B.O.R. policy

Provides for solicitation of management’s input on the annual risk analysis and audit plan.
UHS Administrative Memoranda

A.M. 04.A.02 AUDITS BY INTERNAL AUDITING (cont.)

Explains the reporting process

Follow-up procedures
UHS Administrative Memoranda

A.M. 01.C.04 REPORTING / INVESTIGATING FRAUDULENT ACTS

Explains responsibilities of employees, management and institution

Requirement to report to State Auditor
The Institute of Internal Auditors Code of Ethics

The Code of Ethics defines the standards of conduct for the practice of internal auditing. The Code of Ethics is applicable to all members of the Institute of Internal Auditors.
STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

ATTRIBUTE STANDARDS

1000 Purpose, Authority, and Responsibility
1100 Independence and Objectivity
1200 Proficiency and Due Professional Care
1230 Continuing Professional Development
1300 Quality Assurance and Improvement Program

PERFORMANCE STANDARDS

2000 Managing the Internal Audit Activity
2100 Nature of Work
2120 Control
2200 Engagement Planning
2300 Performing the Engagement
2400 Communicating Results
2500 Monitoring Progress
2600 Management’s Acceptance of Risks
Internal Audit Planning Process

I. Internal Audit Activities

A. Financial and compliance reviews
B. Economy and efficiency reviews
C. Evaluation of program performance
D. Special projects, management requests, police investigations
E. Evaluation of computer system internal controls
F. Coordinating work with external auditors

11/16/11
AUDIT–C-27
Internal Audit Planning Process

II. Identification of Auditable Areas/Risk Analysis

A. Review of component financial information
B. Schedule Departmental Reviews – 5 yrs
C. Component risk assessment
D. System-wide risk assessment

III. Component Management Input
Internal Audit Planning Process (cont.)

IV. Finalize Audit Plan
A. Review the component management
B. Present to Board of Regents for approval
C. Plan can be amended with approval of the Audit & Compliance Committee of the Board of Regents
Internal Audit Reporting Process

1. Circulate report draft in IA Department

2. Distribute report draft to IA Chief Audit Executive

3. Distribute report draft to auditee

4. Distribute report draft for management response

5. Distribute report draft with responses and management action plan for comments

6. Attend exit conference

7. Distribute final draft with draft of transmittal letter (executive summary) to the Chancellor and the BOR Audit & Compliance Committee Chair for comments
Internal Audit Reporting Process (cont.)

8. Submit a Briefing Booklet on internal audit activities to Board of Regents for each regularly scheduled Audit & Compliance Committee meeting

9. Board of Regents meeting

10. Internal report distribution

11. External report distribution to Governor’s Office of Budgeting and Planning, the Legislative Budget Board, Sunset Advisory Committee, and the State Auditor’s Office (State of Texas, Government Code, Section 2102.0091)

12. Include Summary of Results in Annual Report to Governor before November 1st
House Bill 2906
(75th Legislature)

Sect. 4 - Agencies are required to report on implementation status of SAO findings and recommendations

Sect. 6 - Requirements for agencies employing a private auditor

Sect. 7 - Coordination of investigations

Sect. 10 - Open records exception for internal auditing working papers