

Utah Tech University Policy

140: Internal Audit



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I. Purpose

- 1.1 To establish Utah Tech University's ("the University") policy regarding internal audits, the authority and responsibilities of the Internal Audit Department, and general procedures for conducting audits.

II. Scope

- 2.1 The scope of internal audits encompasses the examination and evaluation of the adequacy and effectiveness of the following:
 - 2.1.1 Internal controls and the quality of performance in carrying out assigned responsibilities.
 - 2.1.2 Reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information. Reviews may involve objective standards, such as generally accepted accounting principles, or subjective standards, such as sound business and management practices.
 - 2.1.3 Review of systems to ensure compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations.
 - 2.1.4 Verification and valuation of department assets.
- 2.2 The scope of internal audits is limited to auditing functions only to maintain the independence of the auditor. Management functions remain the responsibility of the University administration and university personnel.

2.3 The first responsibility for University operations and internal controls lies with Management. Internal Audit may have no operational duties that might compromise audit independence. By the independent nature of audit activities, no one within Internal Audit shall assume authority or responsibility for any activities audited, investigated, or reviewed (Utah Code 63I-5-302-(1)(b)(ii)). Internal Audit's involvement in no way relieves any department heads, supervisors, or others in managerial positions of the responsibilities assigned to them.

III. Definitions

3.1 **Audit:** An audit is a systematic process of measuring intended results against actual conditions. An audit results in communicating the results to interested users in a report format. Audits may follow various objectives determined by the audit scope. They may include a number of areas of focus, such as the following types:

3.1.1 **Department Review:** A department review is a current period analysis of administrative functions to evaluate the adequacy of controls, safeguarding of assets, efficient use of resources, compliance with related laws, regulations, University policy, and integrity of financial information.

3.1.2 **Financial Audit:** A financial audit is a historically oriented, independent evaluation performed for the purpose of attesting to the fairness, accuracy, and reliability of financial data.

3.1.3 **Operational Audit:** An operational audit is a future-oriented, systematic, and independent evaluation of organizational activities. Financial data may be used, but the primary sources of evidence are the operational policies and achievements related to organizational objectives.

3.1.4 **Performance Audit:** A performance audit is an independent examination of a program, function, and/or operation or management system to assess whether the entity is achieving economy, efficiency, and effectiveness in the use of available resources.

3.2 **Consulting Service:** A consulting service is an advisory service activity, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor

assuming management responsibility.

3.3 **Information Systems (IS) Audit.** There are three basic kinds of IS Audits that may be performed:

3.3.1 **Application Controls Review:** An application controls review is a review of controls for a specific application system. This would involve an examination of the controls over the input, processing, and output of the system data. Data Communications issues, program and data security, system change control, and data quality issues are also considered.

3.3.2 **General Controls Review:** A general controls review is a review of the controls that govern the development, operation, maintenance, and security of application systems in a particular environment.

3.3.3 **System Development Review:** A system development review is a review of the development of a new application system. This involves an evaluation of the development process as well as the product. Consideration is also given to the general controls over a new application, particularly if the new operating environment or technical platform will be used.

3.4 **Internal Controls:** Internal controls is the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, increase compliance with applicable rules and regulations, and encourage adherence to prescribed managerial policies.

3.5 **Investigative Audit:** An investigative audit is an audit that takes place as a response to a report of perceived concern with an individual's or a department's compliance to University policy, federal law, or Utah State law. Members of the university community may report concerns of improper activity to the Internal Audit Director on a confidential basis or through the Silent Whistle reporting system.

3.6 **Limited Review:** A limited review is a systematic process of inquiries and analytical procedures that are designed to detect material weaknesses and/or nonconformance to generally accepted accounting principles and other applicable standards. A limited review provides a narrow scope but with specific answers to the questions raised. Consequently, a review may disclose certain important matters, but not necessarily all matters disclosed in a full audit. Limited reviews usually require no follow-up actions to determine compliance. However, requests from the appropriate

authority (Trustee Audit Committee, University Administration, USHE Commissioner's Office, USHE Board of Regents, etc.), may require a compliance review.

- 3.7 **Special Project:** A special project is a work product that summarizes information gathering on a specific subject, reviews-specific work performed by a department within the institution, or provides answers to specific questions that may require clarification. These projects generally cover one-time concerns and do not require any follow-up unless requested by the proper authority. Special projects generally aim to satisfy questions, so they may follow a memorandum format or another style best suited to convey the required information.

IV. Policy

- 4.1 The University will maintain an Internal Audit Department to oversee a comprehensive program of reviews and audits under the direction of the Board of Trustees Audit Committee as specified in the Utah State Board of Higher Education policy R567-4.2.
- 4.2 The Internal Audit Department derives its authority from the University Board of Trustees Audit Committee as specified in Utah Code 63I-5-302 and is authorized to access all institutional records and physical properties relevant to the performance of audits, except as prohibited by law.

V. References

- 5.1 USHE Policy R567 (Internal Audit Program)
- 5.2 Utah Code 63I-5-302

VI. Procedures – N/A

VII. Addenda

- 7.1 Addendum 1 Internal Audit: Guidelines and Procedures

Policy Owner: President

Policy Steward: Vice President of Administrative Affairs

History:

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