



UNIVERSITY SYSTEM OF GEORGIA

Office of Internal Audit, Ethics, and Compliance

Enterprise Audit Manual

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Fundamentals

Internal auditing is conducted in diverse legal and cultural environments within organizations that vary in purpose, size, complexity, and structure; and, by persons within or outside the organization. The Office of Internal Audit, Ethics, and Compliance (OIAEC) provides independent, objective assurance and advisory activity designed to add value and improve an organization's operations. OIAEC consists of both system-office employees and institutional audit staff who collectively make-up the University System of Georgia (USG) internal audit function (IA). IA staff across the system accomplish their objectives by bringing a systematic, disciplined approach to evaluate and recommend improvements to the effectiveness of risk management, control, and governance processes.

IA is authorized by the Board of Regents (BOR) and the Chancellor of the USG in the effective fulfillment of their responsibilities and in meeting the objectives of the USG or institution's strategic plans. The IA is comprised of internal audit staff at the system office led by the Associate Vice Chancellors of Internal Audit and IT Internal Audit (AVCs) and at the campuses led by the Institutional Chief Auditors (ICAs). The IA is overseen by the USG Chief Audit Officer (CAO). The USG CAO prepares, for approval by the Chancellor and the Board of Regents Internal Audit, Risk, and Compliance Committee, a USG Internal Audit Annual Plan that defines the audits to be conducted for the USG and its institutions during the year. The USG IA function complies with the Institute of Internal Auditors' *Global Internal Audit Standards* as well as BOR policy and procedures.

Purpose Statement

This manual is intended to be a basic reference document for all IA organizations across the USG. For the interpretation of this manual, the words "shall" and "must" mean that the area or topic included in the manual is applicable to all audit departments across the system. Conversely, the word "should" is used to convey that, although strongly suggested, the particular topic or area may not be applicable or implemented uniformly across all audit departments. To ensure the manual's usefulness, it should be kept up to date to reflect changes in audit standards, organizational needs, and the overall audit environment. The purpose of this manual is to further supplement existing USG policies and rules. Information in this manual does not replace or supersede existing laws, rules, or other USG policies.

Manual Changes and Updates

Suggestions for revisions or discrepancies to the manual are welcomed and should be brought to the attention of the USG CAO or appropriate designee. All updates will be disseminated for comment or review prior to publication.

Mission Statement

The IA mission is to support management in meeting its governance, risk management, compliance, and internal control responsibilities while helping to improve organizational and operational effectiveness and efficiency. The IA function is a core activity that provides management with timely information, advice and guidance that is objective, accurate, balanced and useful. The IA function promotes an organizational culture that encourages ethical conduct.

Individuals in IA accomplish the mission by:

- Reviewing the accuracy and propriety of financial and operating information and the means used to identify, measure, classify and report such information.
- Examining established systems to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on operations.
- Validating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Assessing operational practices and organizational efficiencies.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing the status of information technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
- Advisement and providing guidance on financial and operational processes, controls, related risks, and exposure; providing guidance and advice on control and risk aspects of new policies, systems, processes, and procedures.
- Conducting special audits and/or reviewing specific operations at the request of the institutional presidents, the BOR, or other individuals.

Vision Statement

The vision of IA is to create an integrated team of assurance, advisory, and compliance professionals that significantly contributes to the improvement of governance, risk management, compliance, and internal control within the USG.

Values

IA departments 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

IA departments have three strategic priorities:

1. Anticipate and help prevent and mitigate high risk and significant issues;

2. Foster enduring cultural change which results in consistent and quality management of USG operations; and,
3. Build and develop a comprehensive team of highly qualified audit professionals.

Governing Authority

There are four primary documents that govern the practice of IA:

1. BOR *Policy Manual* Section 7.9 – Auditing
(<https://www.usg.edu/policymanual/section7/C474>)
2. BOR Committee on Internal Audit, Risk, and Compliance Charter
(https://www.usg.edu/audit/assets/audit/documents/SIGNED_Committee_Charter_for_2025.pdf)
3. USG OIAEC Charter
(https://www.usg.edu/audit/assets/audit/documents/SIGNED_Audit_Charter_for_2025.pdf)
4. USG *Business Procedures Manual* Section 16 – Audits, Ethics & Compliance, Other Engagement Services (https://www.usg.edu/business_procedures_manual/section16/)

Collectively, these documents outline the purpose and authority of the IA function, key roles and responsibilities, core processes, and senior management expectations and guide the IA team in conducting the independent appraisal function.

Other relevant governing documents pertaining to enterprise risk management and compliance include:

- BOR *Policy Manual* Section 7.11 – Risk Management
(<https://www.usg.edu/policymanual/section7/C480>)
- BOR *Policy Manual* Section 7.12 – Compliance Policy
(<https://www.usg.edu/policymanual/section7/C490>)
- BOR *Policy Manual* Section 8.2.18.1 – University System of Georgia Ethics Policy
(https://www.usg.edu/policymanual/section8/C224/#p8.2.18_personnel_conduct)

All IA staff should be familiar with these documents and ensure compliance with the enumerated requirements.

Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the *Global Internal Audit Standards*, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Audit Services

The scope of the audit work across the organization is to determine whether USG's internal systems of risk management, control, and governance processes, as designed and represented by management at all levels, and operating policies, procedures, and practices are adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Individual actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability is fostered.

- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports USG's strategies, objectives, and the organization's privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules, and regulations.
- Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

Generally, audit activities consist of three types of projects:

- **Audits** – Audits are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.
- **Advisory Services** and **Special Requests** – The nature and scope of these projects are agreed to 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.
- **Investigations** – 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. Investigations are not conducted in accordance with *Standards*.

Domain II: Ethics and Professionalism

Principle 1: Demonstrate Integrity

Standards and Employee Conduct

IA staff are required to act in accordance with BOR policies and USG procedures, particularly those regarding codes of conduct and ethical behavior outlined in BOR *Policy Manual* Section 8.2.18 – Personnel Conduct. IA staff are similarly compelled to perform their work while maintaining the ethical standards and expectations outlined by the *Global Internal Audit Standards* as issued by the Institute of Internal Auditors (IIA) (<https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/free-documents/complete-global-internal-audit-standards/>). Finally, IA staff shall consider the United States Sentencing Commission *Guidelines Manual* for an effective compliance and ethics program when conducting their work (<https://www.ussc.gov/guidelines/2024-guidelines-manual/annotated-2024-chapter-8#8b21>).

Honesty and Professional Courage

IA must perform their work with honesty and professional courage. IA must be truthful, accurate, clear, open and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. IA must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communication. IA must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

IA must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

Ethical Behavior

All IA staff must act in accordance with applicable ethical requirements established by USG and the *Global Internal Audit Standards*. In addition, IA staff must acknowledge an understanding of and commitment to acting in accordance with relevant legal and professional expectations.

IA staff will consider ethics, laws and regulation related risks and controls when planning each audit. IA staff should notify the ICA and USG CAO if they identify any ethical, legal, or regulatory violations. The ICA and USG CAO will report all such instances to the individuals or entities that have the authority to take appropriate actions.

Principle 2: Maintain Objectivity

Employee Conduct

In the course of their work, employees may likely be in contact with personnel at all levels of authority and will have responsibilities to both operational areas and individuals being audited and management. Auditors are expected to exhibit professional skill, maturity of behavior, and tact in their relations with all of these parties. Employees should guard against any conduct or mannerisms which may impair their objectivity or independence. Auditors should not engage in any acts that might discredit the profession of IA, USG, or an individual institution.

See Principle 7 for further information.

Principle 3: Demonstrate Competency

Professional Certifications and Continuing Professional Education

Each auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. To increase the professionalism and credibility of the IA function, employees in the IA department are encouraged to achieve professional certifications, particularly the following designations: Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Management Accountant (CMA), Certified Fraud Examiner (CFE), or other appropriate certifications or skills. Employees are encouraged to become members of and participate in the activities offered by professional organizations, particularly the Institute of Internal Auditors (IIA) and the Association of College and University Auditors (ACUA). Employees are also encouraged to pursue advanced degrees that increase and strengthen their skills.

Employee Involvement, Satisfaction and Commitment

IA strives to ensure employees are involved in decisions, are committed to the organization and team, and are adequately supported in their job responsibilities. IA seeks to ensure employees are respected and feel their contributions are valued.

Performance Evaluation and Review

IA fosters an environment where all employees should be recognized for the importance of their individual contributions and understand the impact that their contributions have on the organization's achievements, goals, and objectives. The performance evaluation process is an opportunity to highlight the importance of each employee's individual contributions and provide valuable feedback that can enhance the opportunity for ongoing professional growth.

Personnel and 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 the auditor's performance, and this 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 as part of the performance evaluations of ICAs and will discuss performance goals and expectations with these individuals. Additional information regarding the performance assessment process can be found in the *USG Human Resources Administrative Practices Manual* (https://www.usg.edu/hr/assets/hr/hrap_manual/Performance_Evaluation.pdf).

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 accounting and auditing or help support the mission of the University in some way. IA departments shall track CPE completion for all audit staff.

Principle 4: Exercise Due Professional Care

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

The USG CAO and the AVCs/ ICAs may evidence due professional care by maintaining notes showing risk assessments including errors, noncompliance and fraud, performance reviews, training on due professional care, feedback from stakeholders, and various other methods. To evidence professional skepticism, review of engagement workpapers by supervisor, records of training, or documentation that false or misleading information was handled as an engagement finding may be provided. These lists are not all inclusive.

Principle 5: Maintain Confidentiality

IA staff will likely have access to information of a sensitive or confidential nature. These employees must be prudent in their use of information acquired in the course of their duties, as well as other information which is available to them. They must not discuss any confidential information with any parties except for official purposes. Employees shall not use confidential information for any personal gain or in a manner which would be detrimental to the USG, nor any employee or student of a USG institution.

Employees should not improperly disclose sensitive or otherwise confidential information. Employees must take adequate measures to prevent the unauthorized release of confidential materials or information in any medium, including paper copies or computer files. Sensitive, personal, or confidential information should be adequately secured from theft, reproduction, or casual observation as prescribed by the USG *Business Procedures Manual* and USG *IT Handbook*.

Domain III: Governing the Internal Audit Function

Principle 6: Authorized by the Board

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 officer'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 charter resides with the board. Annually, the USG Chief Audit Officer (CAO) will obtain approval for the OIAEC audit charter. Should changes in circumstances justify any alteration to the approved audit charter the USG CAO will discuss these needs with senior management and the board and seek their approval. Institutional Chief Auditors (ICAs) will obtain the USG CAO's approval for and signature on institutional audit charters.

The nature of assurance services provided to the organization must be defined in the IA charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the IA charter. The nature of advisory services or other services provided by the IA department must be defined in the IA charter. The USG CAO is responsible for establishing the USG audit charter and institutional audit directors must establish the audit charter for the institutions. A sample audit charter can be found in Appendix A.

Principle 7: Positioned Independently

Scope and Applicability

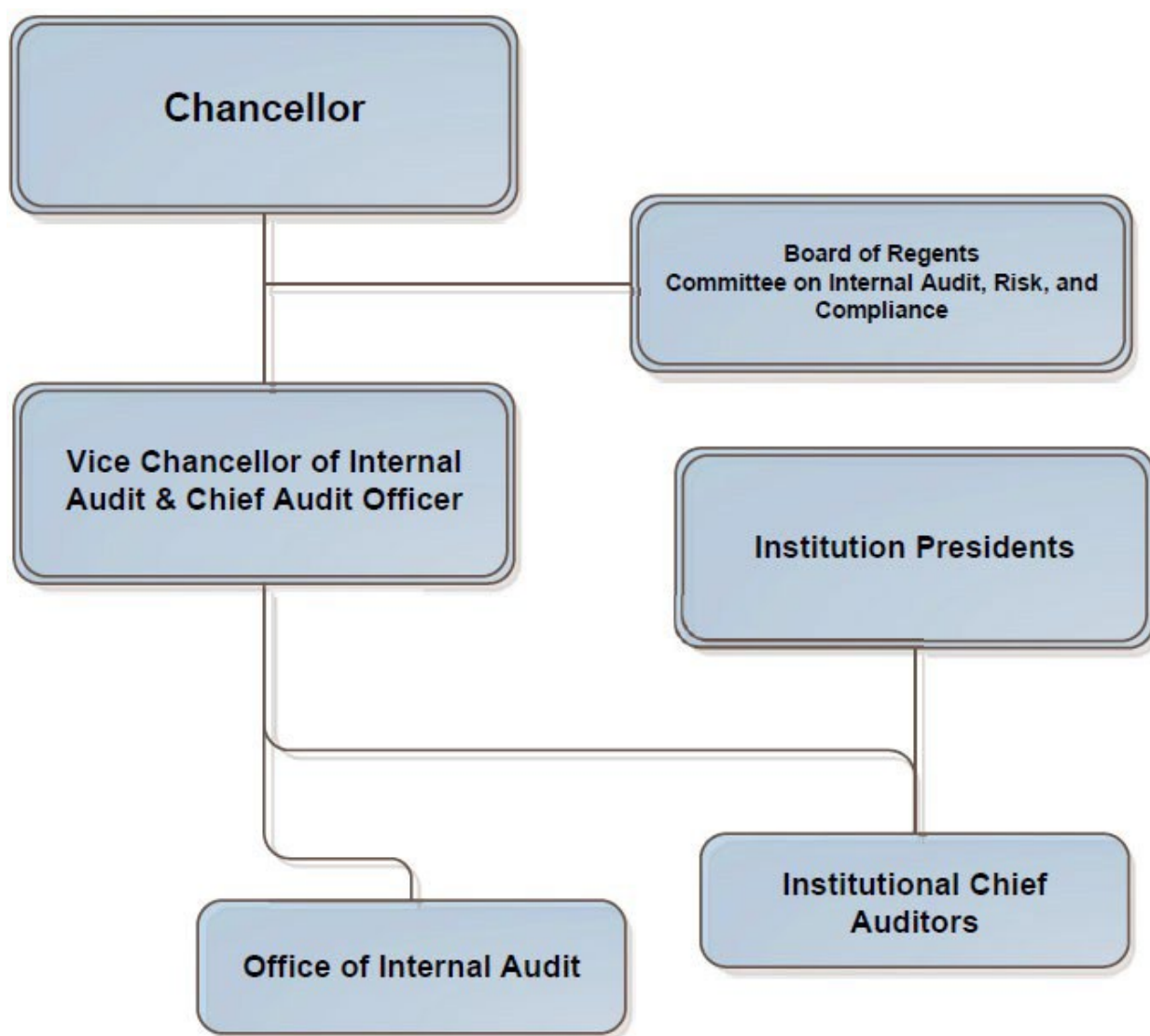
IA reports to a level within the enterprise that allows the IA activity to fulfill its responsibilities. Auditors will maintain independence and objectivity and avoid conflicts of interest when performing audit work. All auditors within the USG are required to implement and follow policies, procedures and other requirements consistent with the policies and guidelines outlined in this manual.

Organization

One of the goals of the USG and institutional IA teams is to establish an effective IA program and maintain an internal independent appraisal function. Individuals in the IA function assist management by assessing the effectiveness of organizational practices, evaluating organizational policies and procedures, and by making recommendations that add value to the organization. IA examines and evaluates business and administrative activities in order to assist all levels of

management and members of the BOR in the effective discharge of their responsibilities. IA teams may furnish management with analyses or recommendations and might provide counsel or other appropriate information concerning activities, processes, and records reviewed.

The Governor appoints members of the BOR to a seven-year term and Regents may be reappointed to subsequent terms. The BOR appoints a Chancellor who serves as its chief executive officer and the chief administrative officer of the USG. IA is led by the USG CAO who reports to the BOR and the Committee on Internal Audit, Risk, and Compliance, and to the Chancellor. University System Office audit staff report to the USG CAO. To maintain independence, ICAs have a dual reporting relationship and report to the USG CAO and institutional presidents. The following offers a high-level organizational chart that depicts the reporting structure of the IA department.



Independence and Reporting Structure

To be effective in performing audit engagements, the audit staff must be independent and objective both in actuality and perception. Professional objectivity requires audit staff to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant documents. Also, auditors will take great care to prevent even a perception of partiality by maintaining a professional distance from the staff of a USG entity/department while performing an engagement. If independence is impaired in fact or appearance (*i.e.*, any conflicts of interest/relationships with auditees or potential auditees should be fully disclosed to the appropriate parties to include engagement clients and IA leadership. In addition, as a general expectation, auditors will not accept any gifts from an employee of the institution which would impair or be perceived to impair their professional independence or objectivity. Employees must adhere to the State of Georgia's Gratuity Clause and abide by requirements outlined in the *USG Human Resources Administrative Practices Manual* and *BOR Policy Manual* Section 8.2.18.4 – Gratuities.

IA may provide assurance services where they had previously performed advisory services, provided the nature of the advisement did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement. The CAO and ICAs may have roles and/or responsibilities that are outside of internal auditing, therefore safeguards must be in place to limit impairments to independence or objectivity.

Dual Reporting

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, IA will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by industry standards. Independence and accountability are essential to the IA function to have credibility and will be paramount in resolving conflicts or issues arising in the implementation of the dual reporting relationships. The IA function is free from interference in determining the scope of engagements, performing work, and communicating results. The USG CAO must disclose any interference of duties to the audit committee chair and/or the entire committee. ICAs must disclose any interference to the USG CAO.

Appointment Changes

Any action to appoint, demote, or dismiss the USG CAO requires the approval of the BOR. Any action to appoint, demote, or dismiss an ICA require the concurrence of USG CAO.

Principle 8: Overseen by the Board

Directing the IA Activity

The USG CAO and 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 *Standards* and authorizing charters.

Reporting to Senior Management and the Board

The USG CAO will meet periodically with the BOR and the Committee on Internal Audit, Risk, and Compliance to provide updates. Furthermore, the CAO and ICAs must keep management informed of significant risk exposures and control issues, including fraud risks.

Reporting on Management Acceptance of Risk

When the USG CAO and ICAs conclude that management has accepted a level of risk that may be unacceptable to the institution or USG, the USG CAO and ICAs will discuss the matter with senior management. If they determine that the matter has not been resolved, the USG CAO and ICAs will communicate the matter to the Board. The identification of risk accepted by management may be observed through an assurance or advisory services engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means.

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 use of external service providers, in part or in whole, must ensure the work meets with the quality standards of the professional practice of IA.

Quality Assurance and Improvement Program

Requirements of the Quality Assurance and Improvement Plan

Internal Audit maintains a system-wide Quality Assurance and Improvement Program in order to assist in effectively performing its appraisal function and in controlling audit risk. The Quality Assurance Program provides reasonable assurance that audit work conforms to both IIA and USG standards. The system-wide Quality Assurance and Improvement Program (QAIP) consists of internal reviews and external quality assurance reviews.

Each IA function is expected as part of the system-wide QAIP to have periodic self-assessments, or assessments by other persons within the organization with sufficient knowledge of IA practices, and ongoing monitoring of the performance of the IA activity.

Sufficient knowledge of IA practices requires at least an understanding of all elements of the *Standards*. Ongoing monitoring of the performance of the IA activity is conducted by USG internal auditors via several activities which may include internal risk assessments combined with the annual audit plan, and the delivery of value-added reports to audit clients. Periodic self-assessments shall be documented and completed at least annually. ICAs may partner with other ICAs within the USG to complete this activity. Results from the self-assessments along with any corrective plans will be communicated to the USG CAO at the annual performance evaluation.

The system-wide QAIP will be updated periodically and communicated with appropriate institutional leadership. The QAIP is intended to answer the following questions:

- How have the AVCs/ICAs assessed the efficiency and effectiveness of the IA activity?
- What opportunities for improvement have been identified and what is the plan for capitalizing on those opportunities?

Establishing Objectives

The USG CAO must develop objectives to evaluate the IA function's performance, and a performance methodology to assess progress towards achieving objectives.

External Assessments of the Internal Audit Function

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization; alternatively, a self-assessment may be performed which includes external validation. The team reviews the overall system-wide University audit program. The scope of the review should include all University internal audit locations. The USG CAO must discuss the following with the Board:

- The scope and frequency of assessments.
- The competencies and independence of the external assessor or assessment team.
- The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of IA and the external assessment process.

Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. However, when selecting the independent assessor or assessment team, the USG CAO must ensure at least one person holds an active Certified Internal Auditor designation.

The USG CAO uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. An independent assessor or

assessment team may not have a real or an apparent conflict of interest and may not be a part of, or under the control of, the organization to which the IA activity belongs.

The USG CAO will present the plan for the QAR process, to include the selection of an external assessor, to senior leadership and the Board, and seek approval for this process prior to commencement of the review.

Assessors may not be currently serving in a USG IA role. All QAR working papers, reports and commentary shall be stored in USG Onspring.

Communicating Assessment Results

Reporting on the Quality Assurance and Improvement Program

The USG CAO must communicate the results of the quality assurance and improvement program to senior management and the Board. The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the Board and considers the responsibilities of the IA activity and Chief Audit Officer as contained in the IA charter. To demonstrate conformance with the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance. Upon final release of the QAR report, all results will be communicated to the USG CAO and appropriate management.

Conformance with the Standards

IA departments may note that organizations “conforms to the IIA’s *Global Internal Audit Standards*.” The USG CAO may state that the IA activity conforms with the *Standards* only if the results of the quality assurance and improvement program support this statement. The IA activity conforms to the *Standards* when it achieves the outcomes described in that document. The results of the quality assurance and improvement program include the results of both internal and external assessments.

Audit Quality and Disclosure of Nonconformance

When nonconformance with the *Standards* impacts the overall scope or operation of the IA activity, the CAO must disclose the nonconformance and the impact to senior management and the Board. Prior to any disclosures of nonconformance, an ICA should consult with the USG CAO to discuss all issues related to nonconformance. As a result of the external assessments, ICAs may also disclose any nonconformance with the *Standards* with management and the Board.

Domain IV: Management of the Internal Audit Function

Principle 9: Plan Strategically

Risk Assessment, Planning, Selection, and Schedule of Engagements

The ICA at each institution submits an audit plan to OIAEC in the prescribed format provided by the USG CAO. Based upon this input and a risk-based audit model, the OIAEC 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 OIAEC risk assessment will focus on issues that present a high degree of risk to the USG and/or USG institutions. The OIAEC risk assessment will be ongoing and will include input from the BOR, USG and institutional leadership, the Committee on Audit, Risk, and Compliance, and other sources as appropriate.

During the risk assessment process, auditors may consider:

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

ICAs continually maintain a risk assessment in the mandatory audit software and provide an audit plan for annual presentation to the Committee on Audit, Risk, and Compliance 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 OIAEC 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 the 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 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 advisory services to the USO and to USG institutions, and conducts special reviews and investigations. Services provided by IA can take the form of various engagement types:

- **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.
- **Financial Audit** – Financial audits determine the accuracy and propriety of financial transactions and reporting.
- **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, and other criteria are applicable. 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.
- **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.
- **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.
- **Advisory Services** – Advisory services engagements are client-directed activities, the nature and scope of which are agreed with the client, and 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.
- **Investigations** – Investigations 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 and/or regulations; BOR policies and USG procedures; or, waste and/or the inefficient use of resources. Investigations are not subject to the *Standards*.

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

Principle 10: Manage Resources

As part of the submission of the annual audit plan, the USG CAO will present information related to the budget of internal audit to the Board of Regents Committee on Internal Audit, Risk and Compliance. The USG CAO will also communicate the impact of insufficient financial resources as well as the sufficiency of human resources. The Board will approve the related budgets in connection with its annual review and approval of the audit plan.

Principle 11: Communicate Effectively

The USG CAO and ICAs must disclose to senior management and the Board nonconformance with the *Standards* which impacts the overall scope or operation of IA activity. Auditors must disclose anything that prohibits or restricts nonconformance to audit standards. Effective implementation of this procedure will help to ensure ongoing compliance with IA professional standards.

Adherence to this standard will normally occur through an ICA's disclosure to the USG CAO, and as needed, the USG CAO's disclosure to the chair of the Committee on Internal Audit, Risk, and Compliance, or when appropriate, to the entirety of the 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 mathematical or clerical mistakes in the underlying records and accounting data from which the financial statements or other reports are prepared, mistakes in the application of accounting principles and oversight or misinterpretation of facts that existed at the time the reports were prepared. If the IA function believes that a material error or an irregularity exists in an area under review, the implications of the error or irregularity and its disposition should be reviewed with the responsible management. If it has been determined that an irregularity does exist, IA will notify appropriate management that an irregularity has been identified and the audit steps needed to determine the extent of the problem. If the auditor suspects that an act of malfeasance has occurred, he or she must follow appropriate malfeasance reporting procedures outline in the USG *Business Procedures Manual* Section 16.6 – Reporting Wrongdoing (https://www.usg.edu/business_procedures_manual/section16/C2909).

Responsibility

ICAs working with the USG CAO are responsible for the final determination as to whether a particular situation rises to the level of a mandated disclosure. The USG CAO is also responsible for making the disclosure to the Chancellor and/or the Committee on Internal Audit, Risk, and Compliance. The USG CAO shall determine the methods by which the disclosure is made. Employees are required to bring matters that may potentially generate a mandated disclosure to the attention of the USG CAO, ICA, or other appropriate individuals.

Communication with Stakeholders

The USG CAO and ICAs must promote formal and informal communication between the IA function and stakeholders to contribute to a mutual understanding of the following:

- Organizational interests and concerns;
- Approaches for identifying and managing risks and providing assurance;
- Roles and responsibilities of all parties and opportunities for collaboration;
- Relevant regulatory requirements; and,
- Significant organizational processes, including financial reporting.

This may be accomplished by various means including, but not limited to, system-wide communications from the USO, newsletters or other documented forms of communication at the institution level, minutes of meetings with stakeholders, participation on committees, and presentations across the institution.

Principle 12: Enhance Quality

The CAO must establish a methodology for internal assessments that includes ongoing monitoring of the internal audit's conformance with the *Standards* and progress toward performance objectives, periodic self-assessments and communication with the board and senior management about the results of the internal assessments.

Review and Approval of IA Performance Objectives

The USG CAO will work with IA department leadership to identify key performance indicators and other metrics to describe the IA activity to internal and external stakeholders. These metrics and measures should provide reasonable and useful insight into the IA activity and allow for comparative analysis of its performance with historical data. The USG CAO will present these performance indicators to senior leadership and the Board for approval on an annual basis.

The CAO must establish and implement methodologies for engagement supervision, quality assurance and the development of competencies. This may include, but is not limited to documented signoff in OnSpring, completion of checklists, approval of audit programs, etc. Engagement reviews may be completed at the Institutional level to provide feedback on performance throughout the year.

Additional information regarding current performance objectives and the methodology used to obtain these metrics can be found in Appendix B.

Domain V: Performing Internal Audit Services

Principle 13: Plan Engagements Effectively

Engagement Communication

Internal auditors must communicate effectively throughout the engagement (see also Principle 11 and its related standards, and Principle 15). Internal auditors must communicate the objectives, scope, and timing of the engagement to management. Any subsequent changes must be communicated with management in a timely manner.

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review. If a mutual understanding cannot be reached, internal auditors must not be obligated to change any portion of the engagement results unless there is a valid reason to do so. Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the reasons for any differences of opinion regarding the engagement results (see also Principle 9 and Principle 14).

Internal auditors must communicate effectively at all stages of the audit, ensuring transparent, consistent communication with the management of the audited activity. This begins at the onset of the engagement and continues through the conclusion of the audit.

Engagement Risk Assessment

Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.

To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding the following:

- The organization's strategies, objectives, and risks relevant to the activity under review;
- The organization's risk tolerance, if established;
- The risk assessment supporting the internal audit plan;
- The governance, risk management, and control processes of the activity under review; and,
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes. Internal auditors must review the information gathered to understand how processes are intended to operate.

Internal auditors must identify the risks to review by performing the following activities:

- Identifying the potentially significant risks to the objectives of the activity under review;
- Considering specific risks related to fraud; and,

- Evaluating the significance of the risks and prioritizing them for review.

Internal auditors will identify the criteria that management uses to measure whether the activity is achieving its objectives. When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.

During engagement planning, IA must perform a thorough risk assessment of the activity under review, considering the likelihood of significant errors, fraud, non-compliance, and other exposures. This risk assessment will inform the audit's objectives and scope. IA must also evaluate whether management and/or the board have established suitable criteria to determine whether the activity's goals and objectives have been achieved. If no adequate criteria exist, IA works with management and/or the board to identify compensating or mitigating controls or adjust the audit work program.

Engagement Objectives and Scope

IA establishes and documents the objectives and scope for each engagement to articulate the purpose of the engagement and to describe the specific goals to be achieved. Considerations for setting the objective and scope include those mandated by laws and/or regulations. The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, the time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

During engagement planning, IA conducts a risk assessment of the activity under review and sets the objectives of the engagement based on this assessment (refer to Section Engagement Risk Assessment above). When setting objectives, IA considers the following:

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

In the event IA determines adequate criteria have not been established to determine whether goals and objectives have been accomplished, IA will work with management and/or the Board to determine adequate compensating or mitigating controls or adjust the audit work program to account for the lack of suitable criteria. 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 needed for the audit, as well as the following:

- The objectives of the activity being reviewed and how the activity manages performance;

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

Once the engagement objectives have been established, IA will set the engagement scope and ensure it is sufficient to achieve the objectives of the engagement. Considerations for setting scope include relevant systems, personnel, and physical properties, including those in control of third-parties. In addition, considerations when setting scope may include, but is not limited to the following:

- Policies, plans, procedures, laws, regulations and contracts having significant impact on operations; and,
- Organizational information, such as number and names of employees, job descriptions, process flowcharts, or recent changes in the environment.

Scope limitations must be discussed with management when identified, with a goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal auditors from performing the work as expected in the audit work program.

If a resolution cannot be achieved with management, the ICA must elevate the limitation to the USG CAO who must elevate the scope limitation issue to the board accordingly if a resolution still cannot be reached. Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses. AVCs/ICAs must approve the engagement objectives and scope and any changes that occur during the engagement. The USG CAO must approve any changes that affect the audit plan.

Evaluation Criteria

Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must assess the extent to which the board and/or senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals. If such criteria are adequate, internal auditors must use them for the evaluation. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with the senior management, the USG CAO, and the Board, accordingly.

Engagement Resources

When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives. Internal auditors must consider the following:

- The nature and complexity of the engagement;
- The timeframe within which the engagement is to be completed; and,
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

If the available resources are inappropriate or insufficient, internal auditors must discuss the concerns with the ICA and the USG CAO to obtain the necessary resources to conduct the work.

Work Program

Internal auditors must develop and document an engagement work program to achieve the engagement objectives. The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment. The engagement work program must identify the following:

- Criteria to be used to evaluate each objective;
- Tasks to achieve the engagement objectives;
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks; and,
- Internal auditors assigned to perform each task.

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:

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

The AVC/ICA must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made. For single person audit departments at the individual institution level, work programs should be reviewed by the OIAEC prior to the commencement of fieldwork.

Principle 14: Conduct Engagement Work

Gathering Information for Analyses and Evaluation

To perform analyses and evaluations, internal auditors must gather information that meets the following criteria:

- **Relevant** – The information is consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- **Reliable** – The information is factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable.
- **Sufficient** – The information enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.

Reliability is strengthened when the information has the following characteristics:

- It is obtained directly by an internal auditor or from an independent source;
- It can be corroborated; and,
- It is gathered from a system with effective governance, risk management, and control processes.

Internal auditors must evaluate whether the information is relevant and reliable and whether it is sufficient such that analyses provide a reasonable basis upon which to formulate potential engagement findings and conclusions. Internal auditors must determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient to support engagement findings. If relevant evidence cannot be obtained, internal auditors must determine whether to identify that as a finding and potentially identify and test sufficient mitigating and/or compensating controls.

Fieldwork is the process of gathering evidence and analyzing and evaluating that evidence as directed by the approved audit program. Evidentiary 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. Internal auditors are obligated by our professional standards to act objectively, exercise due professional care/professional skepticism, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit observations and recommendations. Throughout fieldwork, professional judgment must be used to determine the following:

- Whether the evidence gathered is sufficient, relevant, competent, and useful enough to form a conclusion based on the established objectives; and,
- Whether based on the information available there is a need to reassess the audit objectives, scope, and procedures to accommodate appropriate changes to the nature, timing, scope, objectives, resources, and effort for the engagement.

Fieldwork may include, but is not limited to the following activities:

- 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 testing; and,
- Determining if appropriate action has been taken in regard.

Analyses and Potential Engagement Findings

Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services projects, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders. Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the “condition” (see also Principle 13).

Internal auditors must determine the condition by using information and evidence gathered during the engagement. A difference between the criteria and the condition indicates a potential engagement finding that must be noted and further evaluated. If initial analyses do not provide sufficient evidence to support a potential engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required. If additional analyses are required, the work program must be adjusted accordingly and approved by the AVC/ICA.

If internal auditors determine that no additional analyses are required and there is no difference between the criteria and the condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity’s governance, risk management, and control processes.

Evaluation of Findings

Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding. Internal auditors must determine whether to report other risks as findings, based on the circumstances and established methodologies. Internal auditors must prioritize each engagement finding based on its significance, using the methodologies established by the AVC/ICA.

Recommendations and Actions Plans

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to accomplish the following:

- Resolve the differences between the established criteria and the existing condition;
- Mitigate identified risks to an acceptable level;
- Address the root cause of the finding; and,
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review. If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution (see also Principle 9).

Engagement Conclusions

Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the USO or Institution level internal audit department identifies themes related to the organization's governance, risk management, and control processes, the theme must be communicated timely, along with insights, advice, and/or conclusions, to senior management and the board. This communication must be documented.

Engagement Documentation

Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The project lead must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant laws and/or regulations, as well as the policies and procedures of the IA function and the organization.

Working papers (audit evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented. Engagement working papers serve the following purposes:

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

Working papers must be neat, 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.

Based on reporting structure, the project lead (or ICA, AVC, as appropriate) 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. The internal audit team should review all working papers throughout the engagement to include a detailed review, engagement supervisor review, and where applicable, a review by the ICA, AVC and/or USG CAO.

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 the 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; and,
- 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 the original auditor. It is appropriate to assume the reader knows nothing about the subject matter and write accordingly; and,
- Whenever referring to data appearing elsewhere in the working papers, cross reference both working papers.

Engagement Record Access -The 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 Principle 8 of this manual.

Principle 15: Communicate Engagement Results and Monitor Action Plans

Final Engagement Communication

For each engagement, internal auditors must develop a final communication that includes the engagement's objectives, scope, recommendations and/or action plans if applicable, and conclusions. The final communication for assurance engagements also must include the following:

- The findings and their significance and prioritization;
- An explanation of scope limitations, if any; and,
- A conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication. The final communication must be accurate, objective, clear, concise, constructive, complete, and timely, as described in Principle 11.

If the engagement is not conducted in conformance with the *Standards*, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved;
- Reason(s) for nonconformance; and,
- Impact of nonconformance on the engagement findings and conclusions.

Report Overview

BOR *Policy Manual* Section 7.9.2 – Internal Audits assigns to the BOR Committee on Internal Audit, Risk and Compliance the responsibility for reviewing audit results, reports and recommendations.

The audit report is a tool to communicate the results of the engagement. Based on the nature of work, audit subject and needs of the client, the engagement team decides the best report format to present the engagement results. The audit report generally has the following two phases:

- Working or discussion draft report
- Final Report

Draft Report

The working draft report is the initial or first version of the audit report. The engagement team, specifically, the Project Lead completes the working draft report and submits to the Audit Director and/or Chief Audit Officer for further review and edits. ICAs are encouraged to share their draft reports with OIAEC personnel prior to release, to enhance the report quality. Single person audit departments, are required to share their draft for feedback with USG CAO as a means to enhance the report quality.

The final reviewer in the IA shop completes a final review and approves the discussion draft for sharing with the audit client. The engagement team solicits feedback on the discussion draft report from the audit client. Feedback from the audit client can be obtained through face-to-face discussion, email discussion, edits on the face of the draft report, virtual meeting, teleconference or other suitable means.

USG *Business Procedures Manual* Section 16.4.4 – Engagement Close-Out and Report Preparation Close-Out and Report Preparation states the following:

“... at the conclusion of the end of engagement, the engagement team will prepare a draft report that details the engagement executive summary, background, issue ratings (for assurance engagements), engagement observations, and recommendations. This draft report will be shared with the client’s management prior to conducting a formal exit conference. At the exit conference, the engagement team will review the draft report with

management, focusing on ratings, observations and recommendations with specific emphasis on areas where improvement is needed.”

The draft is formally released to the audit client as a draft report. The audit client in turn submits a formal management response to the audit shop. The ICA or AVC evaluates the management response whether it satisfactorily addresses the audit recommendations. If the management response is not acceptable and further discussion proves unproductive, escalation to senior leadership and the USG CAO may be necessary. Once the auditor has determined, along with management, that the management response satisfactorily addresses the audit recommendations, then management responses are included in the final report.

Final Report

The ICA or AVC incorporates the management response into the draft report and releases it as the final audit report. USG *Business Procedures Manual* Section 16.4.4 – Engagement Close-Out and Report Preparation 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 the following:

“OIAEC 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 Issues

The issues in the audit report generally have the following sections:

- **Condition**—What is? (Opportunity for improvement supported by facts and test results)
- **Criteria**—What should be (Standards)
- **Effect**—So what? (Impact/Risk)
- **Cause**—Why did it happen?
- **Recommendation**—What should be done? (Auditor suggestion)
- **Management Response**—What you will do and when? (Your plan)

Audit Observations Rating

USG BPM 16.4.6 - Exception Ratings - States “individual ratings are assigned to each assurance engagement observation contained in reports issued.” ICAs must use the USG Internal Audit rating system. All issues would be included in the audit report but “Comments” would not be presented in a full audit finding format. The scales for the USG Internal Audit rating systems are listed below.

Report Item Rating Scale

- **Advisory** (Consulting Engagements only)
 - Categorized by area reviewed
 - Used to identify recommendations contained in a consulting engagement report

Assurance Engagements Rating Scale

Likelihood	Impact/Magnitude		
	Low	Medium	High
Not Likely	No Issue	Comment	Moderate
Likely	Moderate	Significant	Material

- **No Issue**
 - Engagement Team did not identify any reportable issue
- **Comments**
 - Nominal or minor violations of procedures, rules, or regulations.
 - Issue(s) identified are not likely but could have a medium impact on the organization.
 - Minor opportunities for improvement.
 - Not included in report but are communicated to management during the exit conference or at the end of the engagement.
- **Moderate**
 - Violation of policies/procedures/laws and/or lack of internal controls that either does or could pose a notable level of exposure to the organization.
 - Issue(s) identified are (a) either not likely but could have a high impact or are (b) likely and could have a low impact on the organization.
 - Notable opportunities to improve effectiveness and efficiency exist.
 - Corrective action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
- **Significant**
 - 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.

- Issue or issues identified are likely and could have a medium impact on the organization.
- Substantial opportunities to improve effectiveness and efficiency exist.
- Prompt corrective action by management is essential in order to address the noted concern(s) and reduce the risk to the organization.
- **Material**
 - Violation of policies/procedures/laws and/or unacceptable level of internal controls that either does or could pose an unacceptable level of exposure to the organization.
 - Issue or issues identified are likely and could have high impact on the organization.
 - Major opportunities to improve effectiveness and efficiency exist.
 - Immediate corrective action by management is required.

Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the institution; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information including:

- Scope, the time period to which the opinion pertains and scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment, or conclusion reached.
- The reasons for an unfavorable overall opinion must be stated.

Communicating Themes in Audit Reports

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the USO or Institution level internal audit department identifies themes related to the organization's governance, risk management, and control processes, the theme must be communicated timely, along with insights, advice, and/or conclusions, to senior management and the board. This communication must be documented.

Elements of Audit Report

The audit report may include some or all of the following elements:

- Purpose/Objective, Scope and Methodology
- Background
- Executive Summary
- Table of Contents
- Findings and Recommendation
- Conclusion
- Management Response
- Exceptions Rating Criteria
- Appendix

Considerations for Audit Reporting

In finalizing the audit report, the USG CAO and ICAs perform overall evaluation of the engagement's objectives, scope and results as well as the conclusions, recommendations, and action plans. Other considerations include the following.

- The final communication of engagement results must, where appropriate, contain the auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.
- Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.
- When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

Attributes of Audit Report

The USG CAO and ICAs issue audit reports that are accurate, objective, clear, concise, constructive, complete, and timely.

- **Accurate** communications are free from errors and distortions and are faithful to the underlying facts.
- **Objective** communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances.
- **Clear** communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information.

- **Concise** communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness.
- **Constructive** communications are helpful to the engagement client and the organization and lead to improvements where needed.
- **Complete** communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions.
- **Timely** communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

Correcting Audit Report Previously Released

If a final report that has been released is subsequently detected to contain a significant error or omission, the USG CAO and ICAs communicate corrected information to all parties who received the report.

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. During advisory engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the institution, they must be communicated to senior management and the board.

The ICA or AVC must disseminate the final communication to parties who can ensure that the results are given due consideration (see also Principle 11). 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:

- State of Georgia Stakeholders, including the Public
- USG Board of Regents (BOR)
- BOR Committee on Audit and Compliance
- Chancellor
- USG Senior Executives
- Institution President and Senior Management
- Audit Client and Staff
- Federal Government cognizant Agency

In addition, the USG CAO and ICAs should consider how much the audience knows about the audit subject, how the audit issues impact the audience, and why the audience should care about the audit and its recommendations. In writing the audit report, the USG COA and ICAs keep the audience as the central focus viewing the audit subject from the audience's perspective.

Confirming the Implementation of Recommendations or Action Plans

Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes the following:

- Inquiring about progress on the implementation;
- Performing follow-up assessments using a risk-based approach; and,
- Updating the status of management's actions in a tracking system.

The extent of these procedures must consider the significance of the finding. If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the ICA (or AVC). The ICA (or AVC) should discuss the issue with the USG CAO and to determine whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance (see also Principle 11).

The USG CAO and ICAs utilize Onspring (the USG enterprise resource planning system for the IA function) 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 *Business Procedures Manual* Section 16.4.5 – Follow-Up Review states the following:

“Follow-up is required of all issues classified as material. Each material issue shall be reviewed by appropriate internal audit personnel until the 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 IARC 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.”

In addition, the USG CAO periodically reports the status of significant issues to the Committee on Internal Audit, Risk, and Compliance.

The USG IA Charter states the following:

“The USG CAO and USO AVCs monitor the implementation of audit recommendations system-wide. The ICAs and USO AVCs 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.”

Appendix A: Sample System-Wide Audit Charter

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

Purpose of Internal Audit

Internal auditing provides independent and objective assurance and advisory services to the Board of Regents (Board), the Chancellor, and institution leadership in order to add value and improve operations while promoting accountability and transparency within the University System of Georgia (USG) to maintain public trust. The internal audit activity helps the University System Office (USO) and 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.

Internal Audit Mandate

Role of the Internal Audit Function

The USG Office of Internal Audit (OIA) is made up of the USO Internal Audit and the institutional internal audit staff which will provide internal audit services for the University System of Georgia. All institutional chief auditors at institutions having an internal audit function shall have a direct reporting relationship to the President of that institution and to the Chief Audit Officer / Vice Chancellor (CAO). The CAO shall have the authority to direct the institutional internal audit functions to audit specific areas at their institutions as needed to fulfill the system-wide audit plan. The CAO will report all significant audit issues directly to the Chair of the Committee on Internal Audit, Risk, and Compliance (Committee) and to the Chancellor.

Institutional Chief Auditors (ICAs) who are responsible for non-audit services at their institutions will share those responsibilities with the CAO for approval and document those responsibilities within the institutional audit charter to include how to manage actual, potential, or perceived impairments associated with the non-audit services. The CAO is responsible for advising the board and USG senior management of these non-audit services and the safeguards in place.

Organizational Responsibilities

1. The CAO has the responsibility to develop a System-wide audit plan for approval by the Committee based on a documented risk assessment that encompasses all components of the System. The CAO will communicate the resources dedicated to the internal audit plan and the impact of resource limitations on the internal audit plan to USG senior management and the Committee. The Committee will approve this plan while the CAO may

approve minor changes to the Audit Plan as needed. The CAO will coordinate audit plan implementation with USG institutional internal auditors and with the State Department of Audits and Accounts through the USG Associate Vice Chancellor of Accounting and Reporting.

2. The CAO is responsible for providing functional coordination and guidance for System-wide audit activities to include:
 - a) Meet with appropriate component officials to review the status of institution audit work and available resources.
 - b) Approve institutional internal audit charters.
 - c) Review audit results from all institutional internal auditors and the State Department of Audits and Accounts.
 - d) Monitor the implementation of audit recommendations system-wide. Institutional Chief Auditors/Associate Vice Chancellors for Internal Audit and IT Internal Audit will prepare a report of the implementation status of all audit recommendations, have it approved by the campus President and submit it to the CAO on a periodic basis using the procedures established by the CAO. Implementation status of significant and material audit recommendations will be reported periodically to the Committee.
 - e) Periodically prepare a summary of internal audits and highlight matters of interest for audits conducted at each institution and present such data to the Committee and to the Chancellor.
 - f) Attend meetings of the Committee and Board as required.
 - g) 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.
 - h) Provide formal input to the performance evaluations of Institutional Chief Auditors in consultation with the respective institutional president.
3. The USG OIA and the USG internal audit function shall comply with the Global Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors (IIA). The USG OIA shall comply with the IIA Code of Ethics. The CAO will report periodically to the Committee regarding the USG internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authorization

To the extent permitted by law, the USG OIA has full access to all activities, records, properties, and personnel within the USG to include cooperative organizations created to serve the USG and/or its institutions. The USG OIA is authorized to review and appraise all operations, policies, plans, and

procedures. Documents and other materials provided to the USG OIA will be handled in the same prudent manner as handled by those employees normally accountable for them.

Administrative and Functional Reporting of the USG Chief Audit Officer

The CAO shall be directly responsible for reporting to the USG Chancellor and the Chair of the Committee on all substantive matters relating to governance, risk management, compliance and internal control processes. The CAO shall have final signature authority for all reports issued and risk assessments. The USG Chancellor and the Chair of the Committee, with relevant and appropriate input from others, will be responsible for the performance evaluation of the CAO. The CAO will have an administrative reporting line to the Chief Operating Officer for time reporting, human resource management, travel expenses, and budget monitoring. The CAO shall at all times have unfettered and direct access to the Chancellor and the Chair of the Committee.

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:

1. Review the effectiveness of governance processes to include the:
 - a) Promotion of ethical behavior within the organization;
 - b) Efficiency of organizational performance management and accountability;
 - c) Communication of risk and control information to appropriate areas of the organization; and,
 - d) Coordination of activities and information among the Board, external and internal auditors, and management.
2. Review the effectiveness of risk management processes to include the:
 - a) Alignment of organizational objectives in support of the USG and institutional missions;
 - b) Identification and assessment of significant risks;
 - c) Alignment of risk responses with the USG's risk appetite; and,
 - d) Capturing and communication of relevant risk information across the USG and its institutions so as to enable staff, management, and the Board to carry out their responsibilities.
3. Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
4. Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the System is in compliance.
5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
6. Review and appraise the economy and efficiency with which resources are employed.

7. Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
8. Review the status of Information Technology policies and procedures, verifying that required hardware, software and process controls have been implemented and that the controls are functioning properly.
9. Conduct special audits at the request of the Committee Chair, the Chancellor or institution presidents.
10. Analyze and review public private ventures associated with the USG, USG institutions, and cooperative organizations.
11. Provide advisory services at the request of institution management and with the CAO's approval consistent with the IIA standards governing advisory engagements. Advisory engagements undertaken by the USG OIA should have the potential to contribute to the improvement of governance, risk management, compliance, and/or internal controls within the USG or within a USG institution.

Other Responsibilities of the Audit Function

Other responsibilities of the audit function will vary by institution or area and may include:

1. Investigate reported occurrences of fraud, waste, and abuse and recommend controls to both prevent and detect such occurrences.
2. Coordinate enterprise risk management activities while expressly avoiding making management decisions on risk appetite, risk response, etc.

Required Actions by USG Institution Presidents

The President of the institution receiving an internal audit report from the USG OIA 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 CAO.

Appendix B: IA Performance Objectives

1) Percentage of the audit plan completed during the previous year

- The audit plan is adjusted throughout the year as part of the normal course of activity, and this metric will be based on the most recent version of the plan at the time of measurement.

2) Percentage split of issue status: open or closed

- Metric will be based on those issues with a scheduled completion date occurring during the period (year) under review.
- Measure data will be derived from the Onspring application.

3) Number of management requests completed during the previous year

- Metric is intended to describe any work requested outside of the audit plan.
- Can be tracked through time management in Onspring. Typically, this would be a project with more than 40 hours of work performed on tasks not otherwise associated with a project on the audit plan.
- Would include limited advisory services if not on the audit plan.

4) Status of corrective actions from Quality Assessment Review (QAR)

- Metric is intended to satisfy new requirement to report this information to BOR.
- Binary measure indicating that all corrective actions identified in the most recent QAR are complete, or incomplete. If incomplete, provide additional information describing which items are incomplete and the anticipated resolution process and timeline.

Appendix C: Standard Operating Procedures

Standard 13.1: Engagement Communication

Objective: Ensure effective and transparent communication with management at all stages of an audit engagement.

- **Pre-engagement Communication**
 - Before starting an engagement, internal auditors must communicate the engagement's objectives, scope, and timing to management.
 - Any subsequent changes to the objectives or scope must be communicated promptly.
 - Documentation of these communications should be maintained in the audit workpapers.
- **Ongoing Communication**
 - Maintain consistent communication with the auditee throughout the engagement. This includes periodic updates on the status of the engagement.
 - Any changes in the audit's direction or focus should be clearly communicated.
- **Post-Engagement Communication**
 - At the conclusion of the audit, results should be discussed with management.
 - If management disagrees with the engagement results, internal auditors should facilitate a discussion to reach a mutual understanding.
 - Should disagreements persist, the internal audit team must follow the established methodology in the audit charter for documenting and addressing these differences.

Standard 13.2: Engagement Risk Assessment

Objective: Conduct thorough risk assessments to inform the audit objectives and scope.

- **Understanding the Activity**
 - Gather reliable, relevant, and sufficient information regarding the activity under review, including organizational strategies, objectives, risks, and governance processes.
 - Review applicable frameworks, guidance, and criteria used to assess the effectiveness of processes.
- **Risk Identification**
 - Identify and evaluate risks that may significantly impact the objectives of the activity under review, including fraud risks.
 - Prioritize these risks based on their significance for review.
- **Criteria Assessment**
 - Review the criteria management uses to measure whether the activity is achieving its objectives.

- If previous risk assessments exist for the activity, review and update them as needed.

Standard 13.3: Engagement Objectives and Scope

Objective: Clearly define and document the objectives and scope of each engagement.

- **Setting Objectives**
 - Establish the objectives based on a thorough risk assessment of the activity under review.
 - Consider the probability of significant errors, fraud, and non-compliance, and whether management has adequate criteria to measure the achievement of the activity's objectives.
- **Defining Scope**
 - The scope must define the focus, boundaries, and key elements of the engagement, including activities, processes, systems, time period, and third-party involvement.
 - Address significant risks, governance processes, and opportunities for improvement in governance and control processes.
 - Identify and document any scope limitations, and discuss these with management. Escalate unresolved limitations to the ICA. If a resolution cannot be achieved with management, the ICA must elevate the limitation to the USG CAO who must elevate the scope limitation issue to the board accordingly if a resolution still cannot be reached.

Standard 13.4: Evaluation Criteria

Objective: Identify appropriate criteria for evaluating the effectiveness of the activity under review.

- **Criteria Identification**
 - Identify the most relevant criteria for assessing the achievement of the engagement objectives.
 - If management has established criteria, use them. If the criteria are inadequate, work with senior management, the USG CAO, or the board, accordingly, to define appropriate criteria.

Standard 13.5: Engagement Resources

Objective: Ensure the availability of appropriate resources for the engagement.

- **Resource Identification**
 - During the planning phase, identify the resources needed to achieve the engagement objectives, including personnel, financial, and technological resources.

- Consider the complexity of the engagement and the time frame for completion.
- **Resource Shortage**
 - If resources are insufficient, discuss the issue with the ICA and USG CAO to adjust allocations or obtain additional resources.

Standard 13.6: Work Program

Objective: Develop a detailed work program to guide the audit engagement.

- **Work Program Development**
 - The work program must be based on the engagement objectives, scope, and risk assessment.
 - It should detail the criteria for evaluation, tasks, methodologies, and tools needed to accomplish the engagement objectives.
- **Program Approval**
 - Ensure that the AVC/ICA reviews and approves the work program prior to the start of fieldwork and any subsequent changes.
 - Maintain detailed documentation of tasks assigned, including methodologies and sampling procedures.

Standard 14.1: Gathering Information for Analyses and Evaluation

Objective: To gather relevant, reliable, and sufficient information to support engagement analyses and findings.

Procedure:

1. Internal auditors must begin fieldwork by gathering information related to the engagement's objectives and scope.
2. All information collected must meet the following criteria:
 - **Relevant:** Consistent with engagement objectives and within the scope of the engagement.
 - **Reliable:** Factual, current, and independently corroborated where possible. Professional skepticism should be used to verify reliability.
 - **Sufficient:** Information must be enough to allow another competent auditor to reach the same conclusions.
3. Evidence collection involves:
 - Observing operations.
 - Conducting interviews with personnel.
 - Reviewing relevant records and documentation.
 - Conducting substantive and compliance testing.
4. Continuously evaluate whether the evidence is sufficient and whether additional information is needed.

5. If relevant evidence cannot be obtained, determine if it should be documented as a finding.
6. Maintain documentation of all evidence collected, noting its source, the date collected and the period to which it pertains, relevance, and reliability. Documentation should also explain how the auditor determined that the information gathered was sufficient to perform an analysis.

Standard 14.2: Analyses and Potential Engagement Findings

Objective: To analyze information gathered to develop potential engagement findings.

Procedure:

1. Analyze information collected to identify differences between the evaluation criteria and the current state of the activity under review (condition).
2. Document any potential findings where there is a gap between the criteria and the actual condition.
3. If initial analyses are insufficient to support a finding, determine whether additional analyses are required and adjust the work program accordingly.
4. If no difference is found between criteria and condition, provide assurance regarding the effectiveness of the governance, risk management, and control processes.
5. Document the results of the analysis, ensuring they align with the evidence collected during the engagement.

Standard 14.3: Evaluation of Findings

Objective: To assess the significance of each potential engagement finding.

Procedure:

1. Collaborate with management to identify the root causes of the potential findings.
2. Determine the potential effects of the findings, considering their impact on governance, risk management, or control processes.
3. Evaluate the likelihood and significance of the risks associated with the findings.
4. Prioritize findings based on their significance using methodologies set by the chief audit executive.
5. Document significant findings and determine whether less significant risks should also be reported.

Standard 14.4: Recommendations and Action Plans

Objective: To resolve differences between established criteria and actual conditions by providing recommendations and action plans.

Procedure:

1. Develop recommendations or request action plans from management to:
 - Resolve differences between criteria and condition.
 - Mitigate risks to an acceptable level.
 - Address the root cause of the finding.
2. Collaborate with management to agree on corrective actions or improvements for the activity under review.
3. If disagreements arise between internal auditors and management, follow established methodologies in the audit charter to ensure both parties can present their rationale.
4. Document agreed-upon action plans and any remaining disagreements.

Standard 14.5: Engagement Conclusions

Objective: To summarize engagement results and provide a conclusion on the overall effectiveness of the activity under review.

Procedure:

1. Summarize the engagement results based on the established objectives.
2. The engagement conclusion must reflect the internal auditor's professional judgment regarding the significance of aggregated findings.
3. For assurance engagements, provide a conclusion on the effectiveness of governance, risk management, and control processes.
4. If applicable, identify patterns or trends observed across multiple engagements and communicate themes or insights to senior management and the USG CAO to share with the Board as necessary.

Standard 14.6: Engagement Documentation

Objective: To document all information, analyses, and evidence supporting engagement results.

Procedure:

1. Document all evidence gathered, analyses performed, and conclusions reached.
2. Ensure documentation is sufficient for an informed, competent auditor to repeat the work and reach the same conclusions.
3. The engagement supervisor must review the documentation for accuracy, relevance, and completeness.
4. Retain all documentation in accordance with relevant laws, regulations, and organizational policies.
5. Working papers must clearly document:
 - Sources of evidence.
 - Procedures performed.
 - Findings and conclusions.

- Cross-references to related documents.
6. Supervisors must ensure workpapers are neat, logical, and easily understandable by third parties.

Standard 15.1: Final Engagement Communication

Objective: To develop and issue a final communication for each engagement that clearly presents the engagement's objectives, scope, recommendations, and conclusions.

Procedure:

1. Prepare the Final Communication
 - Include the following in the final communication:
 - Engagement Objectives: Clearly state what the engagement aimed to achieve.
 - Scope: Define the scope of the engagement, including any limitations.
 - Findings and Recommendations: Summarize significant findings, including their prioritization and significance, along with recommendations or action plans.
 - Conclusions: Provide conclusions regarding the effectiveness of governance, risk management, and control processes.
 - Scope Limitations: If applicable, explain any limitations encountered during the engagement.
 - Management's Actions: Acknowledge any actions management has taken before final communication to address the findings.
2. Format and Review
 - Ensure that the communication is accurate, objective, clear, concise, constructive, complete, and timely (per Standard 11.2).
 - The AVC/ICA must review and approve the final communication.
3. Dissemination
 - Distribute the final communication to individuals responsible for addressing the findings.
 - Ensure that key stakeholders receive the communication so they can give it due consideration.
4. Disclosure of Nonconformance
 - If the engagement does not conform to relevant standards, disclose the following in the communication:
 - The standard(s) not met.
 - The reasons for nonconformance.
 - The impact of nonconformance on the engagement's findings and conclusions.

Standard 15.2: Confirming the Implementation of Recommendations or Action Plans

Objective: To ensure that management implements the internal auditors' recommendations or action plans, and to monitor progress based on a defined methodology.

Procedure:

1. Inquiry
 - Periodically inquire with management about the progress of implementing recommendations or action plans.
2. Follow-Up Assessments
 - Use a risk-based approach to conduct follow-up assessments of the recommendations or action plans, focusing on the significance of the original findings.
 - If the issue is material or significant, confirm the corrective action through testing or review.
3. Tracking System
 - Update the status of recommendations or action plans in the audit tracking system (Onspring) as part of ongoing monitoring.
4. Escalation of Delays
 - If management has not progressed according to the agreed-upon completion dates, obtain an explanation and discuss with the USG CAO.
 - The ICA and USG CAO determine if the risk resulting from delay or inaction exceeds the organization's risk tolerance.
5. Reporting
 - Communicate the status of open, closed, or unresolved issues to senior management or the board, as required.
 - Include unresolved or delayed actions in regular reports to the audit committee or the board, particularly where material risks remain unaddressed.

Report Formats

Objective: To manage the phases of the audit report, ensuring clarity and accountability at each stage.

Procedure:

1. Working/Discussion Draft Report
 - The engagement team prepares an initial draft detailing the executive summary, background, issue ratings (for assurance engagements), observations, and recommendations.
 - Share the draft with client management prior to a formal exit conference. Discussions should focus on the issue ratings, key observations, and areas needing improvement.
2. Final Report

- Once management's responses have been obtained and reviewed, the final report is prepared.
- Incorporate management's responses into the report.
- The report is formally issued after review and approval by the USG CAO.
- The final report is shared with senior management, the board, or audit committees, as appropriate.

Engagement Close-Out

Objective: To finalize and close out the engagement after the exit conference.

Procedure:

1. After the exit conference, incorporate any feedback or revisions into the final report.
2. Prepare and issue the final report within a timely period post-exit conference.
3. Ensure that all relevant documentation is stored in the audit system (Onspring) for follow-up and monitoring.

Monitoring Action Plans and Follow-Up Reviews

Objective: To track and verify the effective implementation of audit recommendations.

Procedure:

1. Monitor Material Issues
 - For all material findings, conduct follow-up reviews until the issues are resolved or closed.
 - Test the effectiveness of corrective actions taken by management to ensure they have adequately addressed the findings.
2. Significant Issue Follow-Up
 - For all significant findings, conduct follow-up reviews until the issues are resolved or closed.
 - Test the effectiveness of corrective actions taken by management to ensure they have adequately addressed the findings.
3. Acceptance of Risks
 - In cases where management chooses not to implement recommendations and accepts the associated risks, document this as an unresolved exception.
 - Periodically report the status of these unresolved issues to the audit committee.
4. Audit Reporting
 - Prepare periodic reports on the implementation status of all material and significant audit recommendations, ensuring they are approved by the institution's president and submitted to the USG CAO.
 - Regularly update the tracking system for any open or partially resolved engagement issues.

Appendix D: Requests 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 shall produce for inspection all records responsive to a request within an OPEN RECORDS ACT 2012 -2- reasonable amount of time not to exceed three business days of receipt of a request; provided, however, that nothing in this chapter shall require agencies to produce records in response to a request if such records did not exist at the time of the request. In those instances, where some, but not all, records are available within three business days, an agency shall make available within that period those records that can be located and produced. In any instance where records are unavailable within three business days of receipt of the request, and responsive records exist, the agency shall, within such time period, provide the requester with a description of such records and a timeline for when the records will be available for inspection or copying and provide the responsive records or access thereto as soon as practicable.

In accordance with the Georgia statute, any copies would be provided at the cost provided for in O.C.G.A. §50-18-71(b). The USG CAO and institutional audit personnel will respond to Open Records Act Requests in the spirit expected of public servants and with the openness the Open Records Act anticipates; it tries to be helpful to those who are endeavoring to gain information from the government. IA must respond and maintain records documenting the response to all public records requests in accordance with state law and institutional procedures. The USG CAO and, if applicable, the ICA shall be made aware of all public records requests pertaining to audit work and/or records. Requests for sensitive or high profile information shall be coordinated through the appropriate counsel.

Contact with Outside Auditors, Legal Counsel, or Media

Generally, all initial/formal contact with outside auditors, legal counsel, or media is to be referred to the USG CAO or appropriate designee. The USG CAO or appropriate designee may work with or have general contact with outside agents. The USG CAO or designee will coordinate the retrieval and release of information with appropriate counsel, designated institutional representatives, or other institutional personnel.