

R567, Internal Audit Program¹

R567-1 Purpose: To establish policies and standards for internal audit departments within the Utah System of Higher Education (“USHE”).

R567-2 References

- 2.1** [Utah Code § 53B-6-102](#), Standardized Systems Prescribed by the Board
- 2.2** [Utah Code § 53B-7-101](#), Financial Affairs Under the General Supervision of the Board
- 2.3** [Utah Code Title 63I, Chapter 5](#), Utah Internal Audit Act
- 2.4** [Board Policy R565](#), Audit Committees
- 2.5** [Board Policy R141-3.9](#), Functions of the Commissioner of Higher Education
- 2.6** [International Standards for the Professional Practice of Internal Auditing](#), INSTITUTE OF INTERNAL AUDITORS

R567-3 Definitions

3.1 Audit Charter: The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of internal auditing, the Code of Ethics, and the International Standards for Professional Practice of Internal Auditing (“IIA Standards”). The chief audit executive must periodically review the internal audit charter and present it to senior management and the Utah Board of Higher Education (“Board”) for approval. The audit charter should grant appropriate access to data, information, records, and personnel needed to fulfill the internal audit activity’s purpose and responsibilities.

¹ Adopted April 24, 1973, amended May 29, 1973, June 26, 1973, November 27, 1973, January 28, 1975 and April 22, 1975; replaced January 17, 1992, amended April 17, 1992, March 18, 2005, March 31, 2017, November 16, 2018, March 25, 2021, May 21, 2021, and July 14, 2022.

3.2 Institution Audit Committee: Institution audit committees provide functional oversight of the internal audit activities, as described in the *Internal Audit Act*, and in accordance with the “IIA Standards”. The Board shall appoint institution audit committee members in adherence to the Utah Internal Audit Act and Board Policy R565, Audit Committees.

3.3 Internal Auditing: An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3.4 Institution Internal Audit Activity: Any activity administered by the institution’s internal auditing organization. Each institution’s audit committee shall establish an audit charter, granting the internal audit unit authority to engage in audit activities.

3.5 Board of Higher Education Audit Director: The audit director reports functionally to the Higher Education Audit Committee and administratively to the Associate Commissioner for Finance, Facilities, and Research within the Office of the Commissioner. The audit director provides audit support to the Board and to institution audit activities.

R567-4 Policy

4.1 General Standards: Internal audit activities shall comply with IIA Standards. Other professional standards (such as the American Institute of Certified Public Accountants’ *Generally Accepted Auditing Standards*, or the United States Comptroller’s *Government Auditing Standards*) may also apply to particular audit assignments, as determined by the institution’s audit committee or the Board.

4.2 Internal Audit Activities Required at All Institutions: Each USHE institution is required to maintain an internal audit activity plan.

4.3 Internal Audit Activities at Technical Colleges: Internal audit activities, functions, and all required audits outlined in subsections 4.5 and 4.6 at technical colleges may be performed under the direction of the Board Audit Director. The Commissioner may permit the Audit Director to hire staff to serve the internal auditor function for the purposes of this policy.

4.4 Internal Audit Activity Independence and Objectivity: Internal audit activities shall remain independent and objective. Institutions and internal auditors may foster independence by adhering to applicable standards, including:

4.4.1 Organizational Independence: Each institution should maintain organizational independence by establishing functional and administrative reporting relationships consistent with IIA Standards 1110 and 1111.

4.4.2 Internal Audit Activity Objectivity: Internal auditors shall adhere to standards of independence and objectivity under IIA Standards 1100 and 1120.

4.4.3 Independence Impairment Disclosure: Internal auditors shall properly disclose impairments to independence, as required by IIA Standard 1130.

4.4.4 Role in Institution Operations: System and institution internal auditors shall not participate in institution management or operational responsibilities that would impair independence.

4.5 Institution Audits: In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee. Institution presidents and executive cabinets may also request audit activities.

4.6 Required Audits: Institution internal auditors shall annually conduct the following audits according to relevant Board policy:

4.6.1 Presidential Travel: Conducted in accordance with Board Policy R212-1.2.

4.6.2 Institutional Investments: Conducted in accordance with Board Policy R541-11.

4.6.3 Auxiliary Enterprises: Conducted in accordance with Board Policy R550-7.3.

4.6.4 Information Systems Audits: Each degree granting institution shall conduct regular information systems audits to ensure adequate controls exist to promote the integrity of data security, access, and governance. The audit committee for each degree granting institution also shall prioritize regular information systems audits on auditable risks identified in their institution's annual risk assessment.

4.7 Institution Risk Assessment: Internal auditors shall participate in institution risk assessments at least annually and report the results to the institution audit committee. Institution risks may include financial, operational, efficiency, fraud, compliance, internal control, information systems, data loss, reputation and political.

4.8 Institution Audit Communication: Upon completion of internal audit activities, institution auditors shall communicate the results to the institution audit committee.

4.9 Communication with Institution Management: The chief audit executive shall meet with the institution president at least annually to review completed audits, institution responses, and other pertinent issues.

4.10 Audit Committee Responsibilities: The audit committee shall fulfill the responsibilities established in the Utah Internal Audit Act and Board Policy R565.

4.11 Coordination of System-Wide Audits: Under the direction of the Board's Audit Subcommittee, the Commissioner of Higher Education and institution presidents shall coordinate assignments to conduct system-wide internal audits.

4.12 Special Audits Directed by the Commissioner: Under the direction of the Board's Audit Subcommittee, the Commissioner may schedule and conduct an audit at an institution, separately or in cooperation with a resident chief audit executive. *See Board Policy R141-3.9.*

4.13 Audit Notification: The institution's vice president of finance or chief audit executive shall promptly notify the Board Audit Director about apparent fraud or misconduct with any of the following attributes:

4.13.1 Significant embezzlement, theft, or other fraud;

4.13.2 Concerns that may damage an institution's reputation;

4.13.3 Apparent misuse of institutional resources of at least \$25,000;

4.13.4 Issues that may be covered by the media; or

4.13.5 Any other issue that requires attention from the Board or the Commissioner.