INTERNAL AUDIT MANUAL

FY 2018

Standards, Guidelines, Processes and Procedures for the NDUS Internal audit Department

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Introduction

The purpose of this manual is to outline the authority and scope of the internal audit function within the North Dakota University System (NDUS Internal audit) and to provide standards, guidance and procedures for the internal audit department. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance and a means of effectively coordinating efforts.

The overall objective of the internal audit department is to provide all institutions within the university system with independent assessments of the quality and effectiveness of established internal controls and administrative processes and provide recommendations and suggestions for continuous improvement. This manual provides guidance; however, individual auditor’s judgement is required in applying this information to specific engagements or assignments.
Authority, Organization and Standards

INTERNAL AUDIT CHARTER

The internal audit charter is part of the 800 series of SBHE Policies and outlines the obligations, authority and responsibility of the internal audit department.

SUBJECT: 800s: Financial Affairs          EFFECTIVE: June 17, 2016

Section: 802.8 Internal audit Charter

1. INTRODUCTION:
   Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the North Dakota University System (NDUS). It assists NDUS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

2. ROLE AND OBLIGATION:
   The internal audit activity is established by the State Board of Higher Education (Board). The internal audit activity's responsibilities are defined by the Board and the Audit Committee as part of their oversight role.

   It is the responsibility of each institution and the NDUS system office to have internal audit activity. Minimum internal audit activity is defined as one overall or one specific risk based engagement per year, and must be in place no later than the beginning of fiscal 2018. The needs and resources of each institution or the system office, will determine the means of internal audit activity, including, but not limited to:

   a. Direct employment of internal audit staff, or;
   b. Shared employment (between 2 or more institutions) of internal audit staff, or;
   c. Participation in a shared services agreement with an institution or institutions with direct or shared internal audit staff, or;
   d. Contracting with independent audit firms, or:
   e. Combination of any of the above.
The Audit Committee strongly encourages a regionally based, shared services approach to the internal audit function.

3. **PROFESSIONALISM:**
   a. The internal audit activity will govern itself by adherence to The Institute of Internal auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.
   
   b. The Institute of Internal auditors’ Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to relevant Board policies and procedures and the internal audit activity’s standard operating procedures manual.

4. **AUTHORITY:** The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all NDUS (and affiliated organizations) records, physical properties, and personnel pertinent to carrying out any engagement. All NDUS (and affiliated organizations) employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board and Audit Committee.

5. **ORGANIZATION:**
   a. The internal audit activity of NDUS will consist of the NDUS Director of Audit Services (Director) and any internal audit staff or consultants hired by the system office or any of the institutions which comprise the NDUS system.
   
   b. The Director will report functionally to the Audit Committee and eventually to the Board and administratively (i.e. day to day operations) to the NDUS Chief of Staff.
   
   c. Institutionally based internal audit activity will report functionally and administratively to the institution President and if warranted, to the Audit Committee.
   
   d. In the event that institutionally based internal audit activity is performed at other than a home institution, said internal audit activity will report functionally to the President of the institution where the work is being performed. Administrative reporting is unchanged.
   
   e. All internal audit activity, regardless of location, have an indirect report to the Director and the Audit Committee.
f. The Board and Audit Committee will:
   i. Approve the internal audit charter.
   ii. Approve the risk based internal audit plan.
   iii. Approve the internal audit budget and resource plan.
   iv. Receive communications from the Director on the internal audit activity’s performance relative to its plan and other matters.
   v. Make decisions regarding the appointment and removal of the Director.
   vi. Recommend and approve the remuneration of the Director.
   vii. Make appropriate inquiries of management and the Director to determine whether there is inappropriate scope or resource limitations.

g. The Director will communicate and interact directly with the Board and Audit Committee, including in executive sessions and between Board meetings as appropriate.

6. INDEPENDENCE AND OBJECTIVITY:
   a. The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

   b. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that would normally be subject to review. However, internal audit may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

   c. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

   d. The Director will confirm to the Board, at least annually, the organizational independence of the internal audit activity.
7. **RESPONSIBILITY:**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

a. Evaluating risk exposure relating to achievement of the organization's strategic objectives.

b. Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.

c. Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.

d. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

e. Evaluating the effectiveness and efficiency with which resources are employed.

f. 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.

g. Monitoring and evaluating governance processes.

h. Monitoring and evaluating the effectiveness of the organization's risk management processes.

i. Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.

j. Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization.

k. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

l. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

m. Evaluating specific operations at the request of the Board or Chancellor, or institution presidents, as appropriate.
8. **INTERNAL AUDIT PLAN:**

   a. At least annually, the Director will submit to the Chancellor, institution presidents, and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Director will communicate the impact of resource limitations and significant interim changes to the Chancellor, institution presidents, the Board, and Audit Committee.

   b. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of the Chancellor, institution presidents, and the Board. The Director will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

   c. The majority of audits are planned, however that does not preclude internal audit from conducting unplanned audits, following the same standards of engagement and reporting as planned audits. As unplanned projects are required, they are included in the overall plan for the year. Any significant deviation from the approved internal audit plan will be communicated to the Chancellor, institution presidents, the Board, and Audit Committee through periodic activity reports.

9. **REPORTING AND MONITORING:**

   a. A written report will be prepared and issued by the Director, designee, or institutional internal audit staff or designee following the conclusion of each internal audit engagement and will be provided to the Chancellor and appropriate institution president(s).

   b. Internal audit reports issued by any institutional internal audit activity will be submitted to the Director in a timely manner.

   c. Internal audit results will also be communicated to the Board and Audit Committee.

   d. The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
e. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

f. The Director will periodically report to the Chancellor, institution presidents, the Board, and Audit Committee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chancellor, institution presidents, the Board, and Audit Committee.

10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

a. The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

b. The Director will communicate to the Chancellor, institution presidents, the Board, and Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

History:
New Policy, SBHE Minutes, November 4, 2010.
SBHE Amendment, September 26, 2012.
SBHE Amendment, March 27, 2014.
SBHE Amendment, June 17, 2016
ORGANIZATIONAL CHART

NDUS Internal audit has a direct functional report to the SBHE Audit Committee and an administrative report to the NDUS Chief of Staff. Additionally, institutionally based internal audit staff have a direct functional and administrative report to the respective institutional President, with an indirect report to the NDUS Director of Audit Services as well as the SBHE Audit Committee (if needed). As of September 2017, the organizational chart for NDUS Internal audit is:

Position descriptions for NDUS internal audit staff can be found in Appendix A.1-A.3.
PROFESSIONAL STANDARDS AND ETHICS

The internal auditing profession is governed by a set of standards, the Institute of Internal Auditors’ (IIA) International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards). These pronouncements provide guidance to internal auditors on the practice of the internal auditing profession and protect the interests of those served by internal auditors. NDUS internal audit has adopted the Standards and the Code of Ethics. The Internal Audit Manual incorporates these principles in addition to SBHE Policies, NDUS Procedures and the Code of Conduct.

INSTITUTE OF INTERNAL AUDITORS ATTRIBUTE STANDARDS

<table>
<thead>
<tr>
<th>Standard #</th>
<th>Focus Area</th>
<th>Description of Standard</th>
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<tr>
<td>1000</td>
<td>Purpose, Authority, and Responsibility</td>
<td>The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management for approval.</td>
</tr>
<tr>
<td>1100</td>
<td>Independence and Objectivity</td>
<td>The internal audit activity must be independent, and internal auditors must be objective in performing their work. Threats to independence or objectivity must be managed at the individual auditor, engagement, functional or organizational levels. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</td>
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<tr>
<td>1200</td>
<td>Proficiency &amp; Due Professional Care</td>
<td>Engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities and must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</td>
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<tr>
<td>1300</td>
<td>Quality Assurance &amp; Improvement Program</td>
<td>The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects, internal and external, of the internal audit activity, and should encourage board oversight in the program.</td>
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## INSTITUTE OF INTERNAL AUDITORS PERFORMANCE STANDARDS

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<th>Standard #</th>
<th>Focus Area</th>
<th>Description of Standard</th>
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<td>2000</td>
<td>Managing the Internal audit Activity</td>
<td>The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization. Responsibilities include Planning, Resource Management, Policies &amp; Procedures, Coordination &amp; Reliance, Reporting to Senior Management &amp; the Board.</td>
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<td>2100</td>
<td>Nature of Work</td>
<td>The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact. Areas of focus are Governance, Risk Management, and Control.</td>
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<tr>
<td>2200</td>
<td>Engagement Planning</td>
<td>Internal auditors must develop and document a plan for each engagement, including the scope, objectives, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.</td>
</tr>
<tr>
<td>2300</td>
<td>Performing the Engagement</td>
<td>Internal auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.</td>
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<tr>
<td>2400</td>
<td>Communicating Results</td>
<td>Internal auditors must communicate the engagement results that are accurate, objective, clear, concise, constructive, complete and timely.</td>
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<tr>
<td>2500</td>
<td>Monitoring Progress</td>
<td>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</td>
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<tr>
<td>2600</td>
<td>Communicating the Acceptance of Risks</td>
<td>When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</td>
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General Operating Policies

Internal audit personnel are expected to conduct themselves in a professional manner at all times and adhere to general NDUSO human resources and office policies. To support the unique requirements of an internal audit department, the following additional requirements apply.

CONFIDENTIALITY
Internal audit regularly deals with information of a confidential or sensitive nature. It is expected that all employees will treat confidential information in an appropriate manner.

FILES AND WORKING PAPERS
All engagement specific files and/or workpapers are to be maintained in a secure environment. In the home office, manual files must be in locked file cabinets and electronic files must be on a SharePoint site that is access-limited, or in a file that is password protected.

When an auditor is working in the field, care should be taken to secure audit workpapers. The workpapers should be in the physical possession of the auditor at all times, and should be taken with the auditor at the end of each workday.

CONTINUING PROFESSIONAL EDUCATION
Internal audit staff are encouraged to advance their knowledge, skills and abilities through continuing professional education. A goal of 40 training hours is established, to be attained and tracked by each staff member annually.

The composition of training requirements by individual professional auditing/accounting associations varies. As a result, training plans should ensure that specific requirements of the professional auditing associations are met for individual members of the audit staff.

OPEN MEETINGS & OPEN RECORDS
All NDUS employees must adhere to open meetings and open records laws and requirements. Internal audit has a direct functional report to the SBHE Audit Committee. As such, communication with board members may be required on a more regular basis. This requires structured procedure regarding communication and notification, see Appendix B.1.

CONFLICT OF INTEREST
Internal audit staff are aware that any real or perceived conflict of interest must be reported to the Director as soon as such conflict arises. The Director is required to report such conflicts to the SBHE Audit Committee. See Appendix C.1 for the Conflict of Interest Certification.
Audit Planning

DEVELOPING THE AUDIT PLAN

The Director is responsible for developing a risk-based audit plan each biennium, separated by fiscal year. The plan is a written document showing specific audits, follow-ups, reviews or assessments, some by institution, to be performed by the NDUS internal audit staff. The audit plan is presented to the SBHE Audit Committee, biennially, for approval.

The development of the audit plan is risk-based and can include evaluation of many factors, including, but not limited to:

- Financial value
- Executive assessment
- Regulatory guidelines
- Process complexity
- Asset liquidity
- Public image
- Recent audit history
- Technology initiatives
- Environmental factors

The majority of audits are planned. However, that does not preclude internal audit from conducting unplanned audits. Prior to any audit, the internal auditor assigned to the engagement will discuss with management the scope, purpose, and estimated timeframe of the audit. As unplanned projects are required, they are included in the overall audit plan for the year.

Any substantial changes to the audit plan will be presented to the SBHE Audit Committee at subsequent meetings.

PLANNING AN INDIVIDUAL AUDIT

NDUS internal audit develops and documents a plan for every audit prior to the commencement of the audit fieldwork that includes the project objectives, scope, timing, and resource allocations.

Adequate audit planning requires definition of an appropriate preliminary audit scope that considers relevant systems, records, personnel, and the resources needed for the audit. In planning the project, the following should be considered:

- 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 managed at an acceptable level;
• The adequacy and effectiveness of the activity’s risk management and control processes, compared to a relevant control framework or model; and
• The opportunities for making significant improvements to the activity’s risk management and control processes.

The auditor-in-charge should evaluate the potential risks, compensating controls and review the adequacy of the initial procedures for the audited entity and should communicate the goals and objectives, risks and other relevant information to other internal audit personnel in order to provide the guidance and understanding necessary to conduct a high quality audit.

The auditor-in-charge should maintain communication with other internal audit personnel as needed throughout the audit to ensure that risks, findings and errors are adequately addressed and resolved, when possible.

COMMUNICATION
A member of the internal audit department should notify the parties responsible for the entity to be audited that an audit is scheduled. Notification should generally be sent via written memo or e-mail to the audit client with copies to senior officials as appropriate.

The audit timing and preliminary project scope and objectives typically are communicated to the client in writing in advance of the beginning of fieldwork. This information may be included in the engagement letter or other documents sent to the client.

PRELIMINARY SURVEY
Every audit will include a preliminary survey to gather information on the institution or activity being audited and assess risk. The focus of the survey will vary depending upon the nature of the engagement and may include review of the following types of background information (as applicable to audit scope):

• Discussion with client or others affected by the activity (users);
• SBHE policies, NDUS procedures, institution specific policies and procedures, OMB policies, NDCC laws, regulations and contracts having significant impact on operations;
• Institutional information, such as number and names of employees, job descriptions, organizational charts, process flowcharts, details about recent significant changes, etc.;
• Budget information, operating results and financial data;
• Systems, records and physical properties including those controlled by a third party; and
• Prior audit workpapers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature.
AUDIT PROGRAM

A properly developed audit program, detailing each of the engagement steps to be performed during the course of the audit will be completed for each assignment. Audit programs may vary in form and content depending upon the nature of the engagement, but generally will establish the procedures for identifying, analyzing, evaluating and documenting information during the audit.

Each of the steps in the audit program will be cross-referenced to the corresponding workpaper that shows evidence of the work performed.

Upon completion of each step, the auditor should initial the audit program in the appropriate box. In some cases (when not readily apparent), the reason for the step should be included in the program.
Objectives and Resources

GENERAL OBJECTIVES
As noted in the internal audit charter, the mission of the internal audit activity is to provide independent, objective services designed to add value and improve NDUS operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity is guided by a value-driven philosophy of collaborating with institutions and other departmental units to continuously improve operations. The scope of work of the internal audit activity is to determine whether the network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources and assets are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved; and
- Significant legislative or regulatory issues affecting the NDUS are recognized and addressed properly.

LEGAL CONSIDERATIONS
During the course of an engagement, as situations are encountered requiring specific details relating to laws or regulations internal audit may solicit the advice of designated NDUS legal counsel, as assigned by the Attorney General.

INFORMATION TECHNOLOGY
When conducting fieldwork, the auditors are alert for the key information technology risks and controls. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests, advice or assistance from Core Technology Services (CTS) experts may be solicited.

PERSONAL INFORMATION
When conducting engagements, the internal audit staff will comply with applicable laws regarding protection of personal privacy and information.
Reporting

STANDARD REPORTING
At the completion of each project, the audit department will issue a written report, addressed to the institution President or appropriate department senior leader as well as to the SBHE Audit Committee, to communicate the engagement’s results. Every attempt will be made to ensure the report is accurate, objective, clear, concise, constructive, timely, and complete. The report will include the engagement objectives and scope as well as applicable conclusions, recommendations, and responses and corrective action plans. In general, the layout for an assurance related report will be as follows:

- Conveyance Letter
- Executive summary
- Objectives, Scope and Methodology
- Significant Recommendations (and management responses)
  Considered a high risk area due to one or more of the following; repeat internal control weakness, significant potential for misappropriation or losses (intentional or unintentional), inadequate segregation of duties, significant policy violation or any other matter that internal audit believes to be significant.
- Control Weakness Recommendations (and management responses)
  Considered a medium risk area due to one or more of the above noted conditions that currently exist in a lesser state.
- Process Enhancement Recommendations (and management responses)
  Considered a low risk area and is intended to enhance current processes and improve controls, productivity and/or effectiveness.

Internal audit reports are intended solely for the information and use of management of the institution or department, the SBHE or the NDUS and not intended to be used by others. Internal audit reports are considered public records; therefore, the distribution and use of the results cannot be restricted. Copies of completed audit reports are provided, as requested, to the State Auditor’s Office.

SPECIAL REPORTS
From time to time, internal audit will be asked to work on special projects, which are either audits that are not specifically included in the approved audit plan or ad-hoc investigations, joint projects with Compliance, Legal or other departments, or are unique projects that are requested by the SBHE Board, an SBHE Committee, the Chancellor, or NDUSO Senior Staff. Scope and objectives for these engagements will need to be clear and documented, and the communication and report format will vary depending on the engagement.
Enterprise Risk Management

RESPONSIBILITY FOR ERM

The current NDUS ERM process was introduced in March 2017 with the Introduction and Application guide, formal rollout, ERM tools and a process timeline ending in March 2018. The ERM cycle begins again annually in April of every year. In July of 2017, the ERM process was moved onto the Strategic Planning On-Line (SPOL) platform. This allows institutions to link strategic goals with ERM and provides additional functionality and control to institution management.

While ERM was introduced by NDUS Internal audit, the actual process of ERM (identification and assessment of risks, identification of current and planned controls, and monitoring and communication) is the responsibility of the management of every institution and the NDUSO and Core Technology Services. NDUS Internal audit will continue to support the institutions as they work through the ERM process each year.
QUALITY ASSURANCE

Quality Assurance

QUALITY ASSURANCE PROCESS

NDUS Internal audit maintains a system-wide quality assurance program in order to assist in effectively performing its appraisal function and in controlling audit risk. The system-wide program consists of internal assessments and external quality assurance reviews. The process provides reasonable assurance that the internal audit activity:

- Performs in accordance with the internal audit charter, which is consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the IIA and NDUSO Standards.
- Operates in an effective and efficient manner.
- Is perceived as adding value and improving the organization’s operations.

INTERNAL ASSESSMENT PROCESS

In accordance with IIA Standards, the NDUS internal assessment process includes both ongoing monitoring of internal audit performance and periodic internal assessment process reviews. The periodic internal assessment process is designed to assess conformance with the internal audit charter, the Standards, the Code of Ethics, the efficiency and effectiveness of internal auditing in meeting the needs of its various stakeholders and the identification of best practices and areas for improvement.

Reviews may include:

- Periodic independent work paper reviews for performance in accordance with the NDUS Internal Audit Manual and IIA Standards. The NDUS Director of Audit Services (Director) will establish minimum requirements for selection criteria, frequency, and achieving adequate level of independence of review.
- Self-assessments (including campus/audit interviews and customer feedback reviews).
- Evaluations of select performance metrics.
- Interviews of campus and system-wide management and audit staff.
Appendix

A  Internal Audit Position Descriptions
B  Communication/Notification Flowchart
C  Conflict of Interest Certification
APPENDIX A.1 – POSITION DESCRIPTION - DIRECTOR OF AUDIT SERVICES

Title: Director of Audit Services, NDUS
Agency: North Dakota University System Office
Supervisor: SBHE/Chief of Staff
Status: Full-Time; Exempt from FLSA; Non-Broadband position
Location: Location of this position in North Dakota is negotiable

Job Summary
Reporting functionally to the State Board of Higher Education (SBHE) Audit Committee and administratively to the NDUS Chief of Staff, this senior level position is responsible for leading and managing the North Dakota University System’s internal audit function, and the conduct of audits to mitigate risk.

Minimum Qualifications
• Bachelor’s degree in accounting or other appropriate area from an accredited college or university
• At least five years of senior level audit experience in a complex organization
• Supervisory experience
• Demonstrated ability to communicate clearly, effectively, and collegially with the many constituencies
• Demonstrated ability to adhere to appropriate standards of conduct and ethics
• Demonstrated knowledge in auditing standards, compliance standards, enterprise risk management, and audit best practices
• Demonstrated knowledge of complex information systems audits
• Demonstrated use of Microsoft software (i.e. word, excel)

Preferred Qualifications
• Advanced degree
• Certified Public Accountant (CPA), Certified Internal Auditor (CIA) or similar certification/designation
• Experience in a comparable position in a major university, University System Office or large corporate environment

Duties & Responsibilities
• Coordinate and compile the annual system-wide Enterprise Risk Management risk assessment cycle and the NDUSO and campuses annual audit plans.
• Direct and supervise NDUS internal audit staff.
• Monitor annual NDUS audit activity and provide periodic progress reports to the SBHE Audit Committee.
• Develop or update audit programs for financial, operational, compliance and IT audit fieldwork.
• Facilitate financial, operational, compliance and IT audits for the ND University System Office, consistent with audit plan, and in conformance with the International Standards for the Professional Practice of Internal auditing, to include objective and practical recommendations for management action, as appropriate.
• Review NDUSO internal audit and consulting reports to ensure they are complete and meet appropriate standards.
• Review institutional responses to externally issued (SAO) audit reports. Ensure system wide consistency and appropriateness.
• Review action plans developed by the system office and the eleven institutions.
• Communicate the results of audit projects via written reports and oral presentations to management and SBHE Audit Committee, and others.
• Manage and conduct periodic follow-up reviews to assess and report on progress or completion of management’s corrective actions in response to audit observations and recommendations.
• Work with NDUS Compliance Officer to identify improvements to policy and procedure.
• Manage and conduct investigations of suspected irregular conduct in conjunction with other University System resources as appropriate.
• Ensure good communication with SBHE Audit Committee, SBHE Executive Committee and other SBHE committees, institutions, State Auditor’s Office and other agencies, as appropriate.
• Act as coordinator and resource for the eleven institutions with regard to internal control or other audit related questions or issues.
• Ensure internal audit functions are consistent with the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and applicable Practice Advisories as promulgated by the Institute of Internal Auditors.
• Develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity in accordance with the Standards.
• Ensure an external assessment of the internal audit’s quality assurance programs, at least once every five years in accordance with the Standards.
• Meet with the campus internal audit staff to ensure coordination across the NDUS; and facilitate efficient and effective audit and consulting activities for the entire System.
• Maintain professional competencies related to the internal audit profession, internal control issues and other relevant higher education topics through appropriate continuing professional education opportunities.
• Build relationships in the Chancellor’s Office and with key college and university constituents and serve as a resource of professional advice, as appropriate.

Reporting Structure
The Director of Audit Services reports functionally to the SBHE and administratively to the NDUS Chief of Staff. At least once per year, the SBHE Audit Committee will review the performance of the Director of Audit Services and recommend the annual compensation and salary adjustment in consultation with the Chancellor. The SBHE Audit Committee will also appoint, replace, or terminate the Director of Audit Services in consultation with the NDUS Chancellor.

In-state and limited out-of-state travel required.
APPENDIX A.2 – POSITION DESCRIPTION – SENIOR INTERNAL AUDITOR

Title: Senior Internal auditor, NDUS
Agency: North Dakota University System Office
Supervisor: NDUS Director of Audit Services
Status: Full-Time; Exempt from FLSA; Broadband position
Location: Location of this position in North Dakota is negotiable

Job Summary
Reporting to the NDUS Director of Audit Services, this position is responsible for advancing the internal audit function efficiency and effectiveness and acts as an independent objective assurance and consulting function designed to add value and improve the NDUS operations. The position operates in compliance with the IIA Standards and brings a systematic and disciplined approach to evaluating and improving governance, risk management and internal control to NDUS operations.

This position reports to the NDUS Director of Audit Services, and works with institutional management and operating personnel within the institutions of the NDUS.

Minimum Qualifications
• Bachelor’s degree in accounting or other appropriate area from an accredited college or university
• At least four years of audit experience
• Ability to communicate clearly, effectively, and collegially with the many constituencies
• Ability to adhere to appropriate standards of conduct and ethics
• Knowledge in auditing standards, compliance standards, enterprise risk management, and audit best practices
• Proficient use of Microsoft software (i.e. word, excel)

Preferred Qualifications
• Advanced degree
• Certified Public Accountant (CPA), Certified Internal Auditor (CIA) or similar certification/designation
• Experience in a comparable position in a university or corporate environment

Duties and Responsibilities
• Assist in the annual system-wide Enterprise Risk Management risk assessment cycle.
• For the assigned campus locations, conduct financial, operational and compliance audits in conformance with the International Standards for the Professional Practice of Internal Auditing, to include objective and practical recommendations for management action, as appropriate. Prepare internal audit and consulting reports for the audits completed, and submit them to the NDUS Director of Audit Services for review to ensure they are complete and meet appropriate standards.
• Review audit responses and action plans developed by the audit client, as assigned.
• Communicate the results of audit projects via written reports and oral presentations to institutional management and others, as assigned.
• Conduct periodic follow-up reviews to assess and report on progress or completion of management’s corrective actions in response to internal audit observations and recommendations.
• Review and update annual Internal Control training and facilitate distribution to campuses and assist with completion monitoring.
• Suggest improvements to policy and procedure.
• Ensure good communication with NDUS internal audit staff, institution management and others, as appropriate.
• Ensure internal audit procedures are consistent with the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and applicable Practice Advisories as promulgated by the Institute of Internal Auditors.
• Assist in developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity in accordance with the Standards.
• Build relationships with key college and university constituents and serve as a resource of professional advice, as appropriate.
• Maintain professional competencies related to the internal audit profession, internal control issues and other relevant higher education topics through appropriate continuing professional education opportunities.
• Other duties as assigned.

**Reporting Structure**
The senior internal auditor reports to the NDUS Director of Audit Services. At least once per year, the NDUS Director of Audit Services will review the performance of the Senior Internal auditor and shall recommend, in consultation with the NDUS Chief of Staff, the annual compensation and salary adjustment. The NDUS Director of Audit Services will also consult with the NDUS Chief of Staff regarding other personnel actions (including initiation of dismissal or termination proceedings for the internal auditor) consistent with policies applicable to other NDUS Office professional staff.

In-state and limited out-of-state travel required.
APPENDIX A.3 – POSITION DESCRIPTION – INTERNAL AUDITOR

Title: Internal auditor, NDUS
Agency: North Dakota University System Office
Supervisor: NDUS Director of Audit Services
Status: Full-Time; Exempt from FLSA; Broadband position
Location: Location of this position in North Dakota is negotiable

Job Summary
Reporting to the NDUS Director of Audit Services, this position acts as an independent objective assurance and consulting function designed to add value and improve the NDUS operations. The position operates in compliance with the IIA Standards and brings a systematic and disciplined approach to evaluating and improving governance, risk management and internal control to NDUS operations.

This position reports to the NDUS Director of Audit Services, NDUS, and works with institutional management and operating personnel within the institutions of the NDUS.

Minimum Qualifications
• Bachelor’s degree in accounting or other appropriate area from an accredited college or university
• At least two years of audit experience
• Ability to communicate clearly, effectively, and collegially with the many constituencies
• Ability to adhere to appropriate standards of conduct and ethics
• Knowledge in auditing standards, compliance standards, enterprise risk management, and audit best practices
• Proficient use of Microsoft software (i.e. word, excel)

Preferred Qualifications
• Certified Public Accountant (CPA), Certified Internal Auditor (CIA) or similar certification/designation
• Experience in a comparable position in a university or corporate environment

Duties & Responsibilities
• For the assigned campus locations, conduct financial, operational and compliance audits in conformance with the International Standards for the Professional Practice of Internal Auditing, to include objective and practical recommendations for management action, as appropriate.
• Prepare internal audit and consulting reports for the audits completed, and submit them to the NDUS Director of Audit Services for review to ensure they are complete and meet appropriate standards.
• Review audit responses and action plans developed by the audit client, as assigned.
• Communicate the results of audit projects via written reports and oral presentations to institutional management and others, as assigned.
• Conduct periodic follow-up reviews to assess and report on progress or completion of management’s corrective actions in response to internal audit observations and recommendations. Suggest improvements to policy and procedure.
• Ensure good communication with NDUS internal audit staff, institution management and others, as appropriate.
• Ensure internal audit procedures are consistent with the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing
(Standards), and applicable Practice Advisories as promulgated by the Institute of Internal Auditors.

- Build relationships with key college and university constituents and serve as a resource of professional advice, as appropriate.
- Maintain professional competencies related to the internal audit profession, internal control issues and other relevant higher education topics through appropriate continuing professional education opportunities.
- Other duties as assigned.

**Reporting Structure**

The internal auditor reports to the NDUS Director of Audit Services. At least once per year, the NDUS Director of Audit Services will review the performance of the internal auditor and shall recommend, in consultation with the NDUS Chief of Staff, the annual compensation and salary adjustment. The NDUS Director of Audit Services will also consult with the NDUS Chief of Staff regarding other personnel actions (including initiation of dismissal or termination proceedings for the internal auditor) consistent with policies applicable to other NDUS Office professional staff.

In-state and limited out-of-state travel required.
APPENDIX B.1 – COMMUNICATION/NOTIFICATION FLOWCHART

Excerpt from: Administrative processes of the Office of Audit and Compliance (OAC), 7/21/17

Regular Communication:
- On a monthly basis, the SBHE Audit Committee receives an update from both Audit and Compliance.
- On a quarterly basis, the SBHE Audit Committee will receive and update on the approved audit plan.
- Audit and Compliance are schedule for a bi-weekly update meeting with the Chancellor.
- Audit and Compliance regularly provide an update to NDUSO Senior Staff.

Standard Report Notification:
Audit and Compliance regularly complete standard job duties, as outlined in the audit and compliance plans approved by the SBHE. Assuming limited low to medium priority issues are identified, these are considered routine and will follow the below notification process.

High Priority/Sensitive Information Notification:
Audit and Compliance occasionally work on, or discover, high priority or sensitive issues. These may require special handling. The OAC is equally committed to transparency and confidentiality of sensitive information. While each situation is unique, in general, the below notification process will be followed:
APPENDIX C.1 – CONFLICT OF INTEREST CERTIFICATION

Name:  
Title:  

Please check the appropriate box below:

☐ NO CONFLICT - In relation to my responsibilities as an employee of the NDUS Internal Audit Department, there are no impairments to my professional independence as defined by the "International Standards for the Professional Practice of Internal Auditing".

☐ POTENTIAL CONFLICT - In relation to my responsibilities as an employee of the NDUS Internal Audit Department, there are potential, perceived or real, impairments to my professional independence as defined by the "International Standards for the Professional Practice of Internal Auditing".

If you checked the “POTENTIAL CONFLICT” box, you must complete the below with a full description of the potential conflict.

Description of potential conflict:

I hereby certify that I have read and understand my responsibilities as an auditor, as related to conflict of interest. I further certify that, to the best of my knowledge, the contents of this Conflict of Interest Disclosure are complete and accurate. If after signing this form my situation changes that would create a conflict of interest, I will notify NDUS Internal Audit management immediately.

__________________________ ______________________________________  
Employee Signature                    Date  
Employee Printed Name

________________________________________________________________
Supervisor Signature     Date  
Supervisor Printed Name
## Contact Information

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**SENIOR AUDITOR**  

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**Fax** [Fax]  
[Email Address]

**NAME**  
**INTERNAL AUDITOR**  

**Tel** [Telephone]  
**Fax** [Fax]  
[Email Address]