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Community
& Technical
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LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

To: Mr. Joe Potts
LCTCS Audit Committee Chair

From: Michael Redmond
Director of Internal Audit

Date: April 10, 2019

Subject: Update to Portions of the Internal Audit Policies and Procedures Manual

APPROVED
SLR 4/10/19
LCTCS BOARD OF SUPERVISORS

FOR COMMITTEE ACTION

Recommendation: Staff recommends that the Audit Committee approve the updates to the following sections of the Internal Audit Policies and Procedures Manual:

- C-2 Internal Audit Organizational Chart
- D-1 Internal Audit Charter
- E-1 Annual Internal Audit Risk Assessment
- F-13 Certification Exam Leave
- F-14 Professional Organizations and Continuing Professional Education
- G-2 Internal Assessments
- Appendix B Strategic Goals

Background: As part of its biennial internal quality assessment, Internal Audit has reviewed is Policies and Procedures Manual to bring it in line with current guidance from professional bodies, including the model internal audit charter from the Institute of Internal Auditors, and to reflect changes in procedures due to the adoption of automated project management software. While the entire manual is presented to the committee for review and comment, only the item marked with an "*" in the Table of Contents require Audit Committee approval and, of those items, only the items shown above have been modified in this current review.

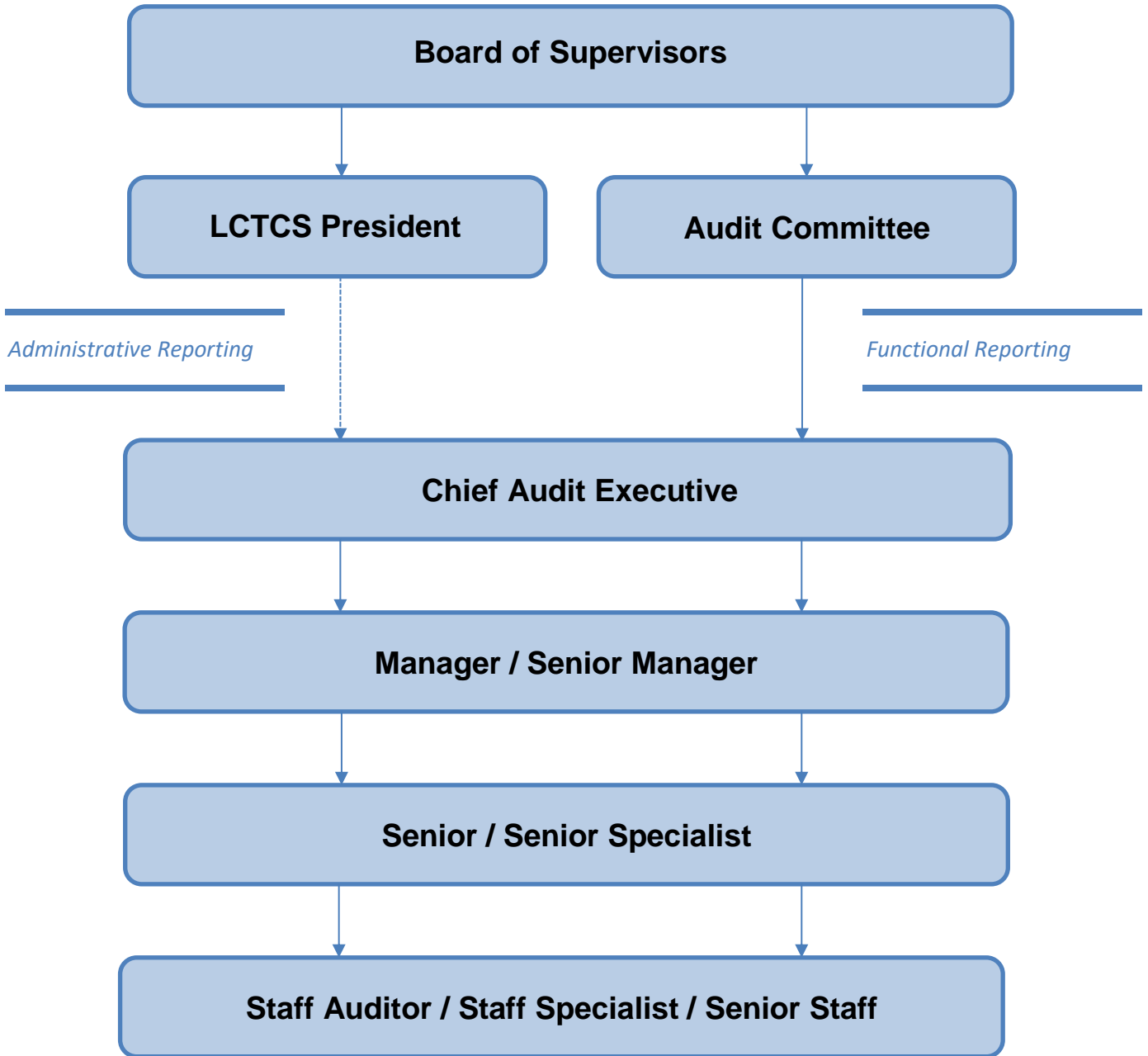
History of Prior Actions: The Internal Audit Policies and Procedures Manual was last reviewed as part of the department's 2016 Quality Assurance Self-Assessment with External Validation. The department now undertakes a review of the manual every two years as part of its interim internal quality assessment.

Benefits to the System: The manual provides guidance to the department and to its stakeholders as to the performance of its duties and the standards of its work.

Approved for Recommendation to the Committee
Joe Potts, Committee Chair

4/10/19
Date

Section	Title	Standards Reference
C-2	Internal Audit Organization Chart	



Version		Adopted Date	Effective Date
2.0			7/1/2016
<u>2.1</u>	<u>Reviewed and Updated</u>	<u>04/10/2019</u>	<u>04/10/2019</u>

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Standard Operating Procedures Manual

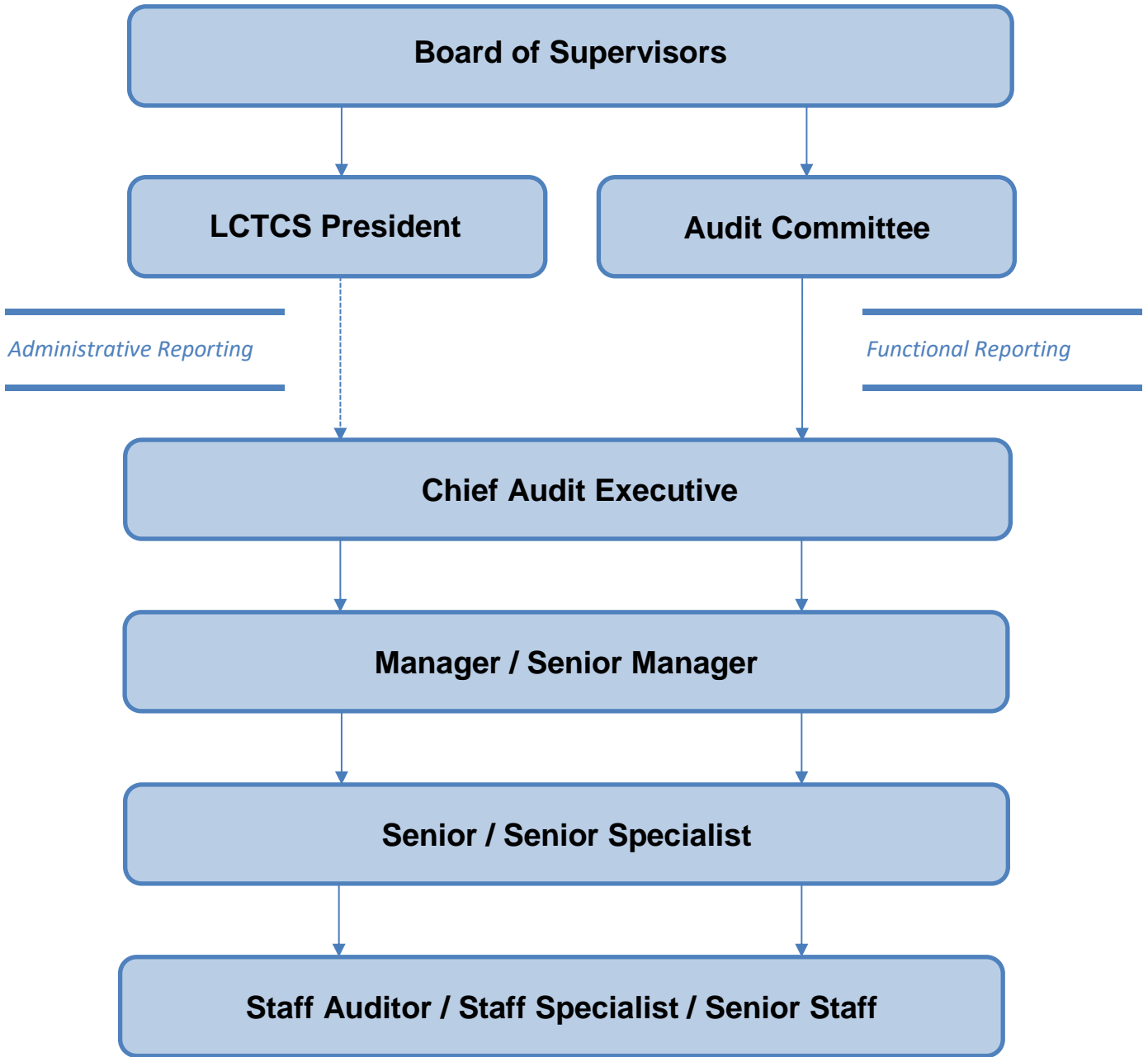
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Chief Audit Executive Reporting Relationships

- ◆ Functional reporting to Audit Committee
 - Annual Audit Report
 - Annual Audit Plan
 - Budget and Resource Requirements
 - Open Issues File
 - ~~Copy of a~~ All Audit Reports
- ◆ Administrative Reporting to LCTCS President
 - Budget
 - Office facilities
 - Performance evaluations
 - Travel
 - Staffing issues
 - Hiring and termination of DIA requires approval of Audit Committee
 - Annual Audit Plan
 - Annual Audit Report
 - Open Issues File
 - Copy of all Audit Reports

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2.0			7/1/2016
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Section	Title	Standards Reference
C-2	Internal Audit Organization Chart	



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Chief Audit Executive Reporting Relationships

- ◆ Functional reporting to Audit Committee
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2.0			7/1/2016
2.1	Reviewed and Updated	04/10/2019	04/10/2019

Section	Title	Standards Reference
D-1	Internal Audit Charter	

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 Louisiana Community and Technical College System (LCTCS). The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It assists the LCTCS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control, and governance processes.

ROLE:

The internal audit activity is established by the Board of Supervisors, and its responsibilities are defined by the Audit Committee as part of their oversight function.

PROFESSIONAL STANDARDS:

The internal audit activity shall govern itself by adherence to the mandatory guidance of the Institute of Internal Auditor’s ~~mandatory guidance~~ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing; including the Definition of Internal Auditing, the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These documents shall constitute the operating procedures for the activity and the measure for evaluating the effectiveness of the internal audit activity’s performance. They are, by reference, made a part of this charter.

The Institute of Internal Auditors’ Practice Advisories, Practice Guides and Position Papers will be adhered to as applicable. In addition, the internal audit activity will adhere to LCTCS policies and procedures and internal audit activity’s Policies and Procedures Manual.

AUTHORITY:

Authority is granted for full, free, and unrestricted access to any and all of LCTCS records, physical properties, and personnel relevant to any function under review. Authority is granted to the Chief Audit Executive to allocate resources, set frequencies, select subjects, determine scopes of work and apply techniques required to accomplish audit objectives and issue reports. All employees are requested to assist the internal audit activity in fulfilling their function. The internal

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audit activity shall also have free and unrestricted access to the Chairman of the Board of Supervisors and the Audit Committee.

Documents and information given to the internal audit activity during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

ORGANIZATION:

The Chief Audit Executive shall report administratively (i.e. day to day activities) to the President and functionally to the Audit Committee of The Board of Supervisors.

INDEPENDENCE:

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and will disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. 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. Internal auditors will not subordinate their judgement on audit matters to others.

~~The Chief Audit Executive will confirm to the board, at least annually, the organizational independence of the internal audit activity.~~

AUDIT SCOPE:

The scope of internal auditing encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, the Audit Committee, senior management and others stakeholders on ~~the examination and evaluation of~~ the adequacy and effectiveness of the organization's governance, risk management process, system of internal

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control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

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It includes:

- Evaluating risk exposure to achievement of the organization’s strategic objectives.
- Reviewing and evaluating the actions of LCTCS officers, directors, employees and contractors for compliance with LCTCS policies, procedures and applicable laws, regulations and governance standards.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing 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 organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing 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 effectively and efficiently.
- Monitoring and evaluating the effectiveness of the organization’s risk management system.
- Monitoring and evaluating governance processes.
- Reviewing the quality of performance of other audit functions and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization
- Reviewing specific operations at the request of the President, Chancellors, Audit Committee, Finance Committee or Board of Supervisors, as appropriate.

AUDIT PLANNING AND REPORTING:

The chief audit executive shall:

- ~~Annually; the Chief Audit Executive shall~~ submit to the President and the Audit Committee, for review and approval, a summary of the proposed risk-based audit work schedule, staffing plan, and budget for the following fiscal year. ~~The audit work schedule is to be developed based on a prioritization of the audit universe using a risk-based methodology. The Chief Audit Executive will also seek input from the President, Audit Committee, and the Chancellors in developing the audit plan.~~

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- ~~The Chief Audit Executive will r~~Review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems and controls.
- ~~Communicate to the President and Audit Committee through periodic activity reports.~~Any significant deviation from the formally approved work schedule ~~shall be communicated to the President and the Audit Committee through periodic activity reports.~~

REPORTING:

- ~~Prepare A~~ written report ~~will be prepared and issued by the Chief Audit Executive or designee~~ following the conclusion of each audit ~~and will~~to be distributed as appropriate.
 - A copy of each audit report and a summarization will be forwarded to the President, the Chairman of the Audit Committee, and the appropriate Chancellor.
 - The Chief Audit Executive may include in the audit report the auditee’s response and corrective action taken or to be taken in regard to the specific findings and recommendations.
 - Management’s response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.
 - In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within thirty days of publication to Internal Auditing and those on the distribution list.
- ~~The internal audit activity shall b~~Be responsible for appropriate follow-up on audit findings and recommendations.
 - All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Audit Committee.
- ~~The Chief Audit Executive will e~~Confirm to the board, at least annually:
 - ~~–t~~The organizational independence of the internal audit activity.
 - The adequacy of the purpose, authority, and responsibility granted by the Audit Charter.
 - Any scope limitations or other restrictions preventing internal audit from performing its duties.
 - The internal audit activity’s performance relative to its plan.
 - The internal audit activity’s conformance to the IIA’s Code of Ethics and Standards and any actions necessary to address conformance issues.
 - Significant risks exposures and control issues.
 - Deficiencies in resources, staffing and training that may impair internal audit’s ability to perform its duties.

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PERIODIC ASSESSMENT QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

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.

~~The Chief Audit Executive should also periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The Chief Audit Executive will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified assessor or assessment team from outside LCTCS. The result of these periodic assessments should be communicated to senior management and the Board of Supervisors.~~

CHARTER OF INTERNAL AUDITING ACTIVITY

Approved this _____ day of _____.

Chair of the Board of Supervisors

Chair of the Audit Committee

Chief Audit Executive

President

A SIGNED AND DATED COPY OF THE INTERNAL AUDIT CHARTER IS ON FILE IN THE OFFICE OF THE DIRECTOR OF INTERNAL AUDIT.

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D-1	Internal Audit Charter	

INTRODUCTION:

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Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and will disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. 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. Internal auditors will not subordinate their judgement on audit matters to others.

AUDIT SCOPE:

The scope of internal auditing encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, the Audit Committee, senior management and others stakeholders on the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

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It includes:

- Evaluating risk exposure to achievement of the organization’s strategic objectives.
- Reviewing and evaluating the actions of LCTCS officers, directors, employees and contractors for compliance with LCTCS policies, procedures and applicable laws, regulations and governance standards.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
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- Monitoring and evaluating the effectiveness of the organization’s risk management system.
- Monitoring and evaluating governance processes.
- Reviewing the quality of performance of other audit functions and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization
- Reviewing specific operations at the request of the President, Chancellors, Audit Committee, Finance Committee or Board of Supervisors, as appropriate.

AUDIT PLANNING AND REPORTING:

The chief audit executive shall:

- Annually submit to the President and the Audit Committee, for review and approval, a summary of the proposed risk-based audit work schedule, staffing plan, and budget for the following fiscal year.
- Review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems and controls.

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- Communicate to the President and Audit Committee through periodic activity reports, any significant deviation from the formally approved work schedule.
- Prepare a written report following the conclusion of each audit to be distributed as appropriate.
 - A copy of each audit report and a summarization will be forwarded to the President, the Chairman of the Audit Committee, and the appropriate Chancellor.
 - The Chief Audit Executive may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations.
 - Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.
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- Be responsible for appropriate follow-up on audit findings and recommendations.
 - All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Audit Committee.
- Confirm to the board, at least annually:
 - The organizational independence of the internal audit activity.
 - The adequacy of the purpose, authority, and responsibility granted by the Audit Charter.
 - Any scope limitations or other restrictions preventing internal audit from performing its duties.
 - The internal audit activity's performance relative to its plan.
 - The internal audit activity's conformance to the IIA's Code of Ethics and Standards and any actions necessary to address conformance issues.
 - Significant risks exposures and control issues.
 - Deficiencies in resources, staffing and training that may impair internal audit's ability to perform its duties.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

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

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efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified assessor or assessment team from outside LCTCS.

CHARTER OF INTERNAL AUDITING ACTIVITY

Approved this _____ day of _____.

Chair of the Board of Supervisors

Chair of the Audit Committee

Chief Audit Executive

President

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Section	Title	Standards Reference
E-1	Annual Internal Audit Risk Assessment	<u>2010</u>

Introduction

The selection of internal audit projects to be included in the annual audit plan is one of the most important problems confronting internal audit management. If the objectives of the internal audit activity are to be achieved, and if internal audit resources are to be allocated in an effective and efficient manner, this aspect of audit planning must be given very careful consideration. Failure to select appropriate projects results in unexploited opportunities to enhance control and operational efficiency.

IIA Standard 2010 – Planning says:

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

~~In its official interpretation of the standard, the IIA says:~~

~~*If a[n official organizational risk] framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board.*~~

Standard 2010.A1 requires that:

The internal audit activity’s plan of engagements ... be based on a documented risk assessment, undertaken at least annually.

Standard 2010.C1 states:

The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value, and improve the organization’s operations. Accepted engagements must be included in the plan.

The assumption underlying the described audit priority plan is that an evaluation of prospective audit projects will be more effective if a formal process is followed for gathering the information necessary to make project selection decisions.

In its official interpretation of the standard, the IIA says:

If a[n official organizational risk] framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board.

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The approach described herein provides a framework in which to apply common sense and professional judgment.

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Auditable Units

Risk Management

~~Risk is defined by The Institute of Internal Auditors as~~

~~*The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.*~~

~~The identification and management of risk is the responsibility of LCTCS management. Risk management encompasses the establishment of controls to prevent the occurrence of a risk event, the detection of a risk event that does, in fact, occur and the mitigation of the effects of a risk event that occurs. The remaining risk, sometimes called residual risk, should be as low as possible and within the risk tolerance of LCTCS senior management and the Board.~~

~~The~~Traditionally, the first step in the risk assessment process is to identify the auditable units (AU) within the LCTCS organization. There are many ways to define an AU. For the LCTCA, aAn AU could be a business process within a college (Tuition, Fees, Waivers and Receivables, Purchasing and Payables, HR On-boarding, Off-boarding and Payroll, etc.), a college department (Human Resources, Student Affairs, Financial Aid, etc.), a program (Nursing, Welding, Information Technology, Business Management, etc.), a funding source (state general funding, state grants such WISE and FastStart, federal grants such Carl D. Perkins, Adult Education, etc.) or some other identifiable unit or activity. The totality of all the AUs constitute the audit universe (AUv).

Internal Audit Risk Assessment

Like our planetary universe, the LCTCS AUv is vast and expanding. In a system the size of LCTCS with its geographical dispersion, diversity of programs and funding and given existing and future budget realities and staffing limitations, it is not feasible to expect a comprehensive audit coverage of the entire AUv. Instead, the Director of Internal Audit (DIA) must critically evaluate the identified AUs using his/her experience and knowledge of system and college processes to identify those risks that can most effectively be beneficially addressed.

The DIA will annually gather information from the LCTCS Board and senior management regarding its strategic goals for the coming year. The DIA will then conduct the necessary interviews, surveys and analyses to determine the risks that exist to prevent the attainment of these goals and the AUs impacted by those risks. The DIA will formulate the annual Risk Assessment report which will then be used to prepare the Annual Audit Plan. The Risk Assessment will be reported to the LCTCS Audit Committee at its first regular meeting ~~in June~~ of each fiscal year.

The methodology presented herein is relatively simple; however, in a great majority of cases, it should suffice to reach reasonable, prudent, and defensible audit project selection decisions. The

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following pages of this document (1) describe why risk exposure analysis and audit project prioritization are important, and (2) provide a framework to use in performing a risk exposure analysis and establishing an audit project priority schedule.

Risk Management Exposure Analysis

Risk is defined by The Institute of Internal Auditors as

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

For each of the AUs identified above, Internal Audit will develop a bank of possible risk exposures and controls. It is important to remember that someone within each AU, herein called the risk owner, must be responsible for the implementation of controls that either prevent a risk event, detect an event occurrence or mitigate an event result. Absent these, the risk owner of each identified risk is responsible for the remaining *residual risk*. This residual risk, should be as low as possible and within the risk tolerance of LCTCS senior management and the Board.

In conjunction with the identified risk owner, Internal Audit will rank the identified risks, according to certain identified criteria, from 1 to 5, with the higher number indicative of greater risk.

Each risk's score is then weighted according to the table below:

The identification and management of risk is the responsibility of LCTCS management. Risk management encompasses the establishment of controls to prevent the occurrence of a risk event, the detection of a risk event that does, in fact, occur and the mitigation of the effects of a risk event that occurs. The remaining risk, sometimes called residual risk, should be as low as possible and within the risk tolerance of LCTCS senior management and the Board.

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Criteria	Evaluated By		Weight
	Risk Owner	Internal Audit	
Probability of occurrence	X	X	10%
Impact of occurrence	X	X	15%
Perceived opportunity for fraud		X	10%
Degree of regulatory requirements	X		5%
Complexity of activity	X		5%
Change in Personnel / procedures	X		5%
Prior audit findings		X	10%
Public disclosure implications	X		10%
Degree of reliance on IT	X		10%
Time since last audit		X	5%
Dollar volume		X	10%
Raw number of transactions		X	5%
			100%

After all identified risks are ranked and weighted, they can then be sorted and the appropriate projects can be selected for internal audit's annual plan (See E-2 Audit Planning).

* * * * *

The refinement of the risk assessment model will remain an ongoing priority of internal auditing. The audit committee will be involved in this process. Our objective will be to assign internal audit resources in the optimum manner to audits with the greatest risk, potential improvements, and potential savings or recoveries.

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2.0			7/1/2016
<u>2.1</u>	<u>Reviewed and Updated</u>	<u>04/10/2019</u>	<u>04/10/2019</u>

Section	Title	Standards Reference
E-1	Annual Internal Audit Risk Assessment	2010

Introduction

The selection of internal audit projects to be included in the annual audit plan is one of the most important problems confronting internal audit management. If the objectives of the internal audit activity are to be achieved, and if internal audit resources are to be allocated in an effective and efficient manner, this aspect of audit planning must be given very careful consideration. Failure to select appropriate projects results in unexploited opportunities to enhance control and operational efficiency.

IIA Standard 2010 – Planning says:

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

Standard 2010.A1 requires that:

The internal audit activity’s plan of engagements ... be based on a documented risk assessment, undertaken at least annually.

Standard 2010.C1 states:

The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value, and improve the organization’s operations. Accepted engagements must be included in the plan.

The assumption underlying the described audit priority plan is that an evaluation of prospective audit projects will be more effective if a formal process is followed for gathering the information necessary to make project selection decisions.

In its official interpretation of the standard, the IIA says:

If a[n official organizational risk] framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board.

The approach described herein provides a framework in which to apply common sense and professional judgment.

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Auditable Units

Traditionally, the first step in the risk assessment process is to identify the auditable units (AU) within the organization. There are many ways to define an AU. For the LCTCA, an AU could be a business process within a college (Tuition, Fees, Waivers and Receivables, Purchasing and Payables, HR On-boarding, Off-boarding and Payroll, etc.), a college department (Human Resources, Student Affairs, Financial Aid, etc.), a program (Nursing, Welding, Information Technology, Business Management, etc.), a funding source (state general funding, state grants such WISE and FastStart, federal grants such Carl D. Perkins, Adult Education, etc.) or some other identifiable unit or activity. The totality of all the AUs constitute the audit universe (AUv).

Internal Audit Risk Assessment

Like our planetary universe, the LCTCS AUv is vast and expanding. In a system the size of LCTCS with its geographical dispersion, diversity of programs and funding and given existing and future budget realities and staffing limitations, it is not feasible to expect a comprehensive audit coverage of the entire AUv. Instead, the Director of Internal Audit (DIA) must critically evaluate the identified AUs using his/her experience and knowledge of system and college processes to identify those risks that can most effectively be beneficially addressed.

The DIA will annually gather information from the LCTCS Board and senior management regarding its strategic goals for the coming year. The DIA will then conduct the necessary interviews, surveys and analyses to determine the risks that exist to prevent the attainment of these goals and the AUs impacted by those risks. The DIA will formulate the annual Risk Assessment report which will then be used to prepare the Annual Audit Plan. The Risk Assessment will be reported to the LCTCS Audit Committee at its first regular meeting of each fiscal year.

The methodology presented herein is relatively simple; however, in a great majority of cases, it should suffice to reach reasonable, prudent, and defensible audit project selection decisions. The following pages of this document (1) describe why risk exposure analysis and audit project prioritization are important, and (2) provide a framework to use in performing a risk exposure analysis and establishing an audit project priority schedule.

Risk Exposure Analysis

Risk is defined by The Institute of Internal Auditors as

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

For each of the AUs identified above, Internal Audit will develop a bank of possible risk exposures and controls. It is important to remember that someone within each AU, herein called the risk owner, must be responsible for the implementation of controls that either prevent a risk event,

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detect an event occurrence or mitigate an event result. Absent these, the risk owner of each identified risk is responsible for the remaining *residual risk*. This residual risk, should be as low as possible and within the risk tolerance of LCTCS senior management and the Board.

In conjunction with the identified risk owner, Internal Audit will rank the identified risks, according to certain identified criteria, from 1 to 5, with the higher number indicative of greater risk.

Each risk’s score is then weighted according to the table below:

Criteria	Evaluated By		Weight
	Risk Owner	Internal Audit	
Probability of occurrence	X	X	10%
Impact of occurrence	X	X	15%
Perceived opportunity for fraud		X	10%
Degree of regulatory requirements	X		5%
Complexity of activity	X		5%
Change in Personnel / procedures	X		5%
Prior audit findings		X	10%
Public disclosure implications	X		10%
Degree of reliance on IT	X		10%
Time since last audit		X	5%
Dollar volume		X	10%
Raw number of transactions		X	5%
			100%

After all identified risks are ranked and weighted, they can then be sorted and the appropriate projects can be selected for internal audit’s annual plan (See E-2 Audit Planning).

* * * * *

The refinement of the risk assessment model will remain an ongoing priority of internal auditing. The audit committee will be involved in this process. Our objective will be to assign internal audit resources in the optimum manner to audits with the greatest risk, potential improvements, and potential savings or recoveries.

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Louisiana Community and Technical College System
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Louisiana Community and Technical College System
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Section	Title	Standards Reference
<u>F-13</u>	<u>Certification Exam Leave</u>	

1. The Director of Internal Audit may approve up to two days of educational leave to take the CIA, CPA, CFE or CISA exam. The employee must request such leave and specifically state that the leave will be used to sit for a specific exam. Should the Director sit for an exam, the approval request will be submitted to the President of the System.

2. The Director of Internal Audit may approve up to two days of educational leave to prepare for the CIA, CPA, CFE or CISA exam. The employee must request such leave and specifically state that the leave will be used to prepare for a specific exam.

3. The employee must present proof that they have taken the exam within 10 working days after taking the exam. If the employee does not present such proof within those days, all leave granted under paragraphs 1 and 2 will be changed to (depending on balances) compensatory leave, annual leave, or leave without pay.

4. To make a false request for leave under these provisions subjects the employee to disciplinary action to include termination.

CIA – Certified Internal Auditor
CISA – Certified Information Systems Auditor
CFE – Certified Fraud Examiner
CPA – Certified Public Accountant

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2.1	04/10/2019	04/10/2019

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Section	Title	Standards Reference
F-143	Professional Organizations and Continuing Professional Education	1210 1230

LCTCS Internal Audit requires certain staff to be professionally certified upon hire and encourages all to obtain certification within two years of hire. Promotion beyond staff auditor requires certification at the time of advancement.

Professional organizations provide the required certification and continuous training. The LCTCS benefits from well trained and skilled staff, both in terms of operational performance and in staff retention.

Therefore, Internal Audit encourages membership in professional organizations by reimbursing membership dues in up to two (2) such organizations that have been approved in advance by the Director of Internal Audit. Internal Audit also encourages staff participation in these professional organizations by reimbursing costs of attending periodic chapter meeting at which Continuing Professional Education credit is offered.

Approved Organizations:

- | | |
|--|--|
| AICPA - American Institute of Certified Public Accountants | AGA - Association of Government Accountants |
| LCPA - Society of Louisiana Certified Public Accountants | ACFE - Association of Certified Fraud Examiners |
| IIA - The Institute of Internal Auditors | CPA - State Board of Certified Public Accountants of Louisiana |
| ISACA - Information Systems Audit and Control Association | |

Other professional organizations may be added from time to time with the review and approval of the Director of Internal Audit.

~~The Director of Internal Audit works with all staff members to provide opportunities for continuing education, especially in support of certification requirements.~~

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<u>2.1</u>	<u>Reviewed and Updated</u>	<u>04/10/2019</u>	<u>04/10/2019</u>

Documentation:

You will need to provide:

- A copy of the invoice from the organization. This copy should be provided to the Director of Internal Audit for approval and forwarding to accounting for payment.
- A receipt of payment from the periodic chapter meetings of the professional organization.

Limitations:

- Payment for membership in professional organization can be made directly to the organization on behalf of the member or to the member in reimbursement of payment.
- Payment for chapter meetings of professional organizations are on a reimbursement basis only.
- All reimbursements are subject to budgetary availability
- Reimbursements are limited to 2 organizations per calendar year.

Continuing Professional Education

IIA standards require that internal auditors enhance their knowledge, skills and other competencies through continuing education. In addition to reimbursing staff members who attend monthly meetings of professional organizations, described above, ~~t~~The Director of Internal Audit will work with all staff members to provide opportunities for continuing education, especially in support of certification requirements.

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Section	Title	Standards Reference
G-2	Internal Assessments	<u>1311</u>

A. Ongoing Monitoring – Quality must be built into the procedures of the Internal Audit activity not onto it. The most fundamental element of a QAIP is management’s ongoing oversight of Internal Audit’s work. Steps involved in this oversight include:

- Adequate planning and supervision of engagements (2200¹, 2300)
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff (2300)
- The use of standardized tools and the application of appropriate audit policies and procedures.
- Feedback from customer survey on individual engagements
- Analyses of performance metrics established to improve the IAA effectiveness and efficiency
- ~~AH-F~~Final reports and recommendations ~~are~~ reviewed and approved by a DIA

B. Periodic Assessments – Periodic assessments are designed to assess conformance with Internal Audit’s Charter, the *Standards*, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Bi-annual customer survey
- Annual risk assessments for purposes of audit planning
- Semi-annual work paper reviews for performance in accordance with internal audit policies and with the *Standards*
- Review of internal audit performance metrics and benchmarking of best practices, prepared and analyzed in accordance with Audit Policies and Procedures
- Periodic activity and performance reporting to the President and the Audit Committee

¹ Numbers in parentheses refer to specific standards of the IIA’s International Standards for the Professional Practice of Internal Auditing (Standards)

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<u>2.1</u>	<u>Reviewed and Updated</u>	<u>04/10/2019</u>	<u>04/10/2019</u>

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Strategic Goal #1

Become a trusted partner to our senior stakeholders in the achieving of their identified goals

Critical Success Factor

Increase the number of college initiated performance or consulting projects to two (2) per year.

SWOT Mapping:

S – 1, 2, 3, 4, 6, 7, 10

W – 3, 5, 6, 7, 9

O – 1, 2, 4

T – 1, 2, 3

Key Tasks

1. Raise the awareness of Internal Audit performance and consulting services among stakeholders
 - a. Internal Audit web presence
 - b. Newsletters
 - c. Formal and informal meetings with senior stakeholders
2. Increase IA visibility (LCTCS Conference days, entrance/exit attendance requirements, and presentations around the state).
3. Make stakeholders feel like the lines of communication between them and IA are always open.
4. Keep track of informal interactions and requests with college personnel and track response rates.
5. Identify champions of the Internal Audit mission.

Metrics

- Share IA information with:
 - CFOs once per quarter
 - Chancellors twice per year

Timeframe

24-36 months

Strategic Goal #2

Provide increasingly substantive audit report content with:

- Data analytics
- Root cause analysis
- Actionable findings

Critical Success Factor

Documented, substantive process or policy changes as a result of internal audit projects.

SWOT Mapping:

S – 4, 6, 7, 8

W – 2, 6, 7

O – 3

T – 2, 3

Key Tasks

1. Review each proposed internal audit project and identify project objectives that can be achieved or enhanced through the use of data analytics
2. Use the **5-Whys** process to identify and document root causes of control weaknesses or process failures.
3. Assure that every finding or observation reported has a reviewable, action oriented recommendation for change or remediation

Metrics

1. 100% of internal audit projects contain documentation of the consideration of data analytics.
2. 100% of internal audit findings and recommendations are reviewable and action oriented.

Timeframe

Initial reviews in 24-36 months

REPORT OF STATUS OF INITIAL GOALS

Strategic Goal #1

Provide assurance as to the quality of data being accumulated by the colleges and used for reporting in assessing achievement of the goals of *Our Louisiana 2020*.

Internal Audit performed a project in fiscal year 2016-2017, which reviewed the accuracy of data submitted in support of *Our Louisiana 2020* - Goal 1 from the academic year 2015-2016. We determined that the data submitted was accurate for the purposes submitted, but we did not attempt to provide the 95% confidence rating that was anticipated in the strategic goal's statement.

We did not issue a report on our review because the delay in the report's issuance would have made the information irrelevant to stakeholders. The data from the subsequent year was already being submitted and any recommended process modifications could not be made in time to affect the data being submitted.

Internal Audit did not complete reviews of any of the other *Our Louisiana 2020* goals and does not anticipate doing so.

Strategic Goal #2

Become a trusted partner to our senior stakeholders in the achieving of their *Our Louisiana 2020* goals.

Internal Audit completed one college initiated consulting project last year, an analysis of tuition refunds due to students in the Flying Tigers Agricultural Aviation Program at Louisiana Delta Community College.

We believe that Internal Audit will be called upon to perform more of these types of consulting projects and have chosen to keep this as one of our strategic goals.

INTERNAL AUDITING ACTIVITY STRATEGIC PLAN

Approved this _____ day of _____.

Chair of the Board of Supervisors

Chair of the Audit Committee

Chief Audit Executive

President

A SIGNED AND DATED COPY OF THE INTERNAL AUDIT STRATEGIC PLAN IS ON FILE IN THE OFFICE OF THE DIRECTOR OF INTERNAL AUDIT.