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BOARD OF REGENTS

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AGENDA

AUDIT COMMITTEE

Wednesday, August 24, 2022

10:40 a.m.

Claiborne Building, 1st Floor
Thomas Jefferson Rooms A&B 1-136
1201 North Third Street
Baton Rouge, LA 70802

- I. Call to Order
- II. Roll Call
- III. External Assessment Report Results
- IV. Internal Audit Presentation
 - A. LOSFA GO Grants Internal Audit Report Fiscal Year 2022
 - B. Approval and Review of Internal Audit Charter for Fiscal Year 2023
 - C. Approval of the Proposed Internal Audit Plan for Fiscal Year 2023
- V. Other Business
- VI. Adjournment

Committee Members: T. Jay Seale III, Chair, Sonia Pérez, Vice Chair, Randy Ewing, Gary Solomon, Jr, Felix Weill, and Judy Williams-Brown
Staff: Kim Hunter Reed, Commissioner of Higher Education

**Audit Committee
Executive Summary
August 24, 2022**

Agenda Item III.

External Assessment Results

To ensure compliance with the Institute of Internal Auditor’s (IIA) Standards, the Board of Regents’ Internal Audit activity is required to undergo an independent external assessment, as part of the overall quality assurance and improvement program every five years. The Board of Regents contracted with the independent accounting firm HORNE, LLP to conduct the External Assessment Review (Attachment I), which was completed in June 2022. HORNE’s overall opinion is that the Board of Regents’ Internal Audit function “Generally Conforms” with the Standards and the IIA Code of Ethics. The rating “Generally Conforms” is the highest rating an Internal Audit activity can achieve on an External Assessment Review.

Senior Staff recommends the Audit Committee receive the Internal Audit External Assessment Report.

Agenda Item IV.A.

LOSFA GO Grants Internal Audit Report for Fiscal Year 2022

Postlethwaite & Netterville (P&N) conducted an internal audit of the LOSFA’s GO Grant Program to evaluate the program’s processes and internal controls. There were no reportable observations identified.

No motion is required.

Agenda Item IV.B.

Approval and Review of Internal Audit Charter for Fiscal Year 2023

The Audit Committee is required to review and approve the Internal Audit Charter annually. The Internal Audit Charter provides the purpose, authority, responsibility, and position within the organization. Since the Charter was last updated, there were no changes to the Institute of Internal Auditing Standards that would necessitate a change. Postlethwaite & Netterville (P&N) has reviewed the most recently updated charter (Attachment II), approved June 16, 2021. Based on P&N’s review, no changes are recommended to the Charter at this time.

RECOMMENDATION

The Audit Committee Chair recommends reapproval of the Internal Audit Charter.

Agenda Item IV.C.

Approval of the Proposed Internal Audit Plan for Fiscal Year 2023

The Audit Committee is required to review and approve the Internal Audit Plan annually. The annual risk assessment process and resulting Internal Audit Plan provides for the allocation of internal audit resources to higher-risk activities within the Board of Regents' programs for the upcoming fiscal year. P&N developed this audit plan using a risk-based approach in compliance with the Institute of Internal Auditors' standards and Louisiana Revised Statute 17:3138.6.

RECOMMENDATION

The Audit Committee Chair recommends approval of P&N's Internal Audit Plan for FY 2023.



Louisiana Board of Regents

External Assessment Review of Internal Audit

June 2022

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EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Executive Summary

Louisiana Board of Regents ("BOR") implemented its internal audit ("IA") function in 2018 in response to a recently passed law by the Louisiana Legislature (ACT 314 of the 2015 Regular Session). BOR chose to outsource IA to a third-party firm ("TPF"). The TPF's engagement requires that the firm prepare an annual risk assessment, identify higher risk auditable areas, and perform audits as approved by BOR's Audit Committee. The TPF's size and depth of talent allows it to bring competent staff to the engagements with the teams having the requisite technical knowledge to audit the various areas of BOR's operations.

ACT 314 of the 2015 Regular Session requires that the IA function adhere to the Institute of Internal Auditor's ("IIA") *International Standards for the Professional Practice of Internal Auditing* ("Standards"). The Standards require that a quality assessment ("QA") of an internal audit activity must be conducted at least once every five years. BOR management engaged HORNE LLP ("HORNE") to perform the QA. The purpose of a QA is an assessment of IA's conformance with the Standards and the IIA's Code of Ethics.

Opinion as to Conformance with the Standards and Code of Ethics

It is our overall opinion that BOR's IA function Generally Conforms with the Standards and the IIA Code of Ethics. A list of conformity with individual standards and the Code of Ethics is detailed in Attachment A.

The IIA *Quality Assessment Manual for the Internal Audit Activity* identifies a scale of three rankings when opining on an internal audit activity: "Generally Conforms," "Partially Conforms," and "Does Not Conform."

The ranking of "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics. "Partially Conforms" means that deficiencies in practice are noted and are judged to deviate from the *Standards* and/or the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means that deficiencies in practice are judged to deviate from the Standards and/or the Code of Ethics and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. A detailed description of conformance criteria can be found in Attachment A.

The QA team rated one of the 52 Standards as 'Partially Conforms' related to improvement opportunities in the policies and procedures supporting the execution of IA's operations. The remaining 51 Standards were assessed as "Generally Conforms." Individual assessments of each of the Standards are detailed in Attachment A.

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Objectives, Scope, and Methodology

Objectives

- The principal objective of the QA was to assess IA's conformance with the Standards and the Code of Ethics.
- HORNE also evaluated IA's effectiveness in carrying out its mission (as set forth in the IA charter and expressed in the expectations of BOR's management); identified successful internal audit practices demonstrated by IA; and identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value IA brings to BOR's stakeholders.

Scope

- The scope of the QA included IA, as set forth in the internal audit charter and approved by the Audit Committee, which defines the purpose, authority, and responsibility of IA.
- The QA was concluded on June 17, 2022 and provides BOR senior management and the Audit Committee with information about IA as of that date.
- The Standards and the Code of Ethics in place and effective as of June 2022, were the basis for the QA.

Methodology

- At the request of HORNE, IA and BOR management provided information in a detailed planning document checklist and answered questions related to internal audit governance, staff, management, and process.
- Key stakeholders (IA staff, BOR senior management, and the Audit Committee Chair) were sent surveys and the results were tabulated by HORNE. Summarized survey results were shared with IA as part of the QA.
- Prior to and as part of the on-site portion of the QA, HORNE held meetings with IA and BOR management to discuss the status of preparation of planning materials, identification of key stakeholders to be interviewed, and finalization of logistics related to the QA.
- To accomplish the QA objectives, HORNE reviewed information prepared by IA at the assessment team's request; conducted interviews with selected key stakeholders, including the Audit Committee chair, senior management of BOR, external examiners, and IA management and staff; reviewed a sample of audit projects and associated workpapers and reports; reviewed survey data received from BOR stakeholders and IA management and staff; and prepared diagnostic tools consistent with the methodology established for a QA in the *Quality Assessment Manual for the Internal Audit Activity*.

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Categories of Observations Identified in the QA

Observations identified during the QA are divided into three categories:

- **Successful Internal Audit Practices** – Areas where IA is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these items is intended to provide IA stakeholders with actions IA is doing in a leading practice manner when compared to other internal audit activities.
- **Gaps to Conformance with the Standards or the Code of Ethics** – Areas identified during the QA where the assessment team has concluded that IA is operating in a manner that falls short of achieving one or more major objectives, with the Standards or the Code of Ethics that results in an opinion for an individual standard of "partially conforms" or "does not conform." These items include recommendations offered by HORNE for actions to be implemented for achieving "generally in conformance" with the Standard and include an IA response to address the gap.
- **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of IA's infrastructure of processes. These items do not indicate a lack of conformance with the Standards or the Code of Ethics, but rather offer suggestions on how to better align with criteria defined in the Standards or the Code of Ethics. These operational ideas are based on the experiences of the external assessment team from working with other internal audit activities.

The following provides the observations identified during the QA.

Successful Internal Audit Practices

1. The IA charter language aligns with the International Professional Practice Framework's mandatory elements.
2. The IA outsourcing arrangement assists in supporting IA's independence. The TPF's size and breadth of experience allows it to leverage technical expertise to support audits across disciplines and helps ensure staff have the necessary training.
3. The Chief Audit Executive ("CAE") has a "seat at the table" with BOR management that allows for IA to best execute its role.
4. IA's reporting structure (functionally to the Audit Committee and administratively to the Commissioner of Higher Education) provides IA with sufficient access to raise issues as needed.
5. The Quality Assurance & Improvement Program ("QAIP") leverages good tools to assess Standards, provide interpretations, and evidence approach to compliance.
6. IA's conformance to the Standards and the Code of Ethics allows it to use the language in IA's reports 'conforms with the International Standards for the Professional Practice of Internal auditing' which helps elevate IA's value to BOR.
7. IA's annual risk assessment approach leverages wide engagement across BOR management and the Board providing opportunities to fully understand the risks facing BOR.

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

8. IA audit reports are concise, with recommendations and comments being viewed by BOR management as value-added. IA's root cause assessment reflected in the audit reports demonstrate a willingness by IA to delve into an understanding of the true nature of the cause of an issue and assess the needed actions to appropriately address the risk.
9. The TPF performs timely follow-up reviews to validate and issue formal reports on the status of actions taken to remediate issues identified. BOR management responses to issues identified are meaningful and demonstrate genuine commitment to timely resolution.

Gap to Conformance with the Standards or the Code of Ethics

As part of the QA, an assessment was performed against each of the 52 Standards and the Code of Ethics. The QA team identified one Standard which was assessed as 'Partially Conforms'. The following provides a summary of the identified gap and IA's response:

Standard 2040 "Policies and Procedures" states that the CAE must establish policies and procedures to guide the internal audit activity. The QA team was able to obtain comfort through review of IA's audit workpaper support, discussions with IA management and staff, and other select documentation, that IA operates with a level of policies and procedures that allow it to create consistent and adequately supported audits and overall general compliance with the Standards. However, given there was a lack of clarity of alignment of the TPF's policies and procedures and how they were used in the execution of the audits, the QA team concluded that there was only partial conformance with Standard 2040.

HORNE suggests that IA develop specific operating procedures that align the TPF's current operating policies and procedures to its internal audit specific activities. Additionally, mapping the operating procedures to the Standards and Code of Ethics would further document conformance.

IA Response/Action Plan:

IA will evaluate current policies and procedures and make updates as necessary to ensure clarity of alignment with respect to how they are used in execution of audits, including mapping the policies and procedures to the IIA Standards and Code of Ethics.

Opportunities for Continuous Improvement

BOR's IA function has sufficient access to staff with the necessary technical knowledge and understanding of the Standards and the Code of Ethics. IA has access to suitable audit tools and implements appropriate practices to execute its function. Consequently, the following comments and recommendations are intended to build on this foundation already in place in IA.

1. Establish an Internal Audit Strategic Plan which may assist in guiding IA as it matures and may help provide a perspective of what an 'End State' Internal Audit may look like.
2. Continue to educate BOR management on the value that IA can bring to the organization, IA's roles and responsibilities, and IA's ability to assist BOR management with consulting opportunities.
3. Establish a separate Audit Committee Charter.

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

4. Expand the documented Annual Risk Assessment Plan and related reporting to the Audit Committee and senior BOR management including:
 - Presentation of the full audit universe and risk ratings
 - Roll-forward of auditable entities (i.e., changes in auditable entities period over period)
 - Extent of auditable entity coverage (e.g., last time entities were audited; entities subjected to 'process assessments' vs 'full internal audits') (Standards 2010 and 2020)
5. Clear documentation on an annual basis of the TPF's independence from BOR to the Audit Committee. (Standard 1110)
6. Establish an annual assessment by the Audit Committee of IA's performance which would help evidence their oversight of IA. (Standard 1110)
7. Clearer documentation of engagement team members understanding of IIA Standards and Code of Ethics. (Standard 1200)
8. Consider implementing post-engagement client surveys to help assess IA's performance and identify opportunities for improvement. (Standard 2000)
9. For individual audit engagements, continue to enhance documentation of the individual engagement risk assessment, including for example utilizing a management questionnaire to enhance the planning and scoping process. (Standard 2200)
10. Enhance IA's audit reports including:
 - Explicitly acknowledging satisfactory performance, where appropriate
 - Clearly delineating consulting and assurance activities
 - Defining "Substantially Remediated" in follow-up audits
 - Consistently including timeframe for remediation and name of responsible party for issues. (Standard 2060)
11. Enhancement opportunities for the QAIP process include:
 - Formally document the QAIP program, including for example the QAIP framework, expected QAIP procedures, frequency of execution and reporting requirements for on-going monitoring and periodic self-assessments to the Audit Committee (Standards 1311 and 1320)
 - Evidence that BOR remains responsible for internal auditing activities (Standard 2070)
12. For issues that were identified by IA, consider implementing the following:
 - Monitoring on an interim basis, the status of actions taken by management to remediate higher risk issues that remain open
 - Establishing a clear process for adjusting an issue's targeted remediation date
 - Periodically reporting to the Audit Committee, the status of issues, including a roll-forward of issue counts (e.g., open issues at the beginning of the period, new issues, closed/remediated issues and ending issues) and highlighting past due issues or changes to remediation dates (Standard 2500)

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

IA Response/Action Plan:

The BOR appreciates the comprehensive insights and opportunities for continuous improvement provided by HORNE. In collaboration with the Audit Committee and senior management, BOR will evaluate each of the enhancement opportunities provided and implement actions, as appropriate, to ensure internal audit is best positioned to meet the needs of the BOR, the Audit Committee, and key stakeholders.

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Attachment A – Evaluation Summary and Rating Definitions

	GC	PC	DNC
Overall Evaluation	X		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Attribute Standards (1000 through 1300)		GC	PC	DNC
1300	Quality Assurance and Improvement Program - continued			
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Nonconformance	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures		X	
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

Performance Standards (2000 through 2600)		GC	PC	DNC
2200	Engagement Planning - continued			
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communication	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

EXTERNAL ASSESSMENT REVIEW OF INTERNAL AUDIT

RATING DEFINITIONS

GC – "Generally Conforms" means that the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – "Partially Conforms" means that the assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics or a section or major category but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – "Does Not Conform" means that the assessor has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Louisiana Board of Regents

Internal Audit Charter

INTRODUCTION

As defined by the Institute of Internal Auditors, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Louisiana Board of Regents (hereafter referred to as Board of Regents). Internal Audit assists Board of Regents in accomplishing its goals and objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

ROLE

The internal audit activity and its responsibilities are established by the Audit Committee. The Audit Committee consists of no less than five voting members that are independent of the Board of Regents staff and collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk and control. The internal audit activity's role is to examine and evaluate the adequacy and effectiveness of Board of Regents' governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve Board of Regents' goals and objectives. The internal audit activity furnishes impartial, independent analyses, appraisals, recommendations, and pertinent comments on the business activities of Board of Regents.

The Chief Audit Executive will be the contract manager for the outsourced internal audit provider, and will be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Consulting Contract.

Management of each Board of Regents' divisions has the responsibility to ensure that assets are properly safeguarded, internal controls are established and are sufficient to ensure compliance with applicable laws and regulations, and procedures are sufficient to detect errors and fraud in a timely manner. Management is also responsible for providing input into the risk assessment and audit plan and for ensuring that internal audit findings are resolved in a timely manner.

PROFESSIONALISM

The internal audit activity will govern itself by adhering to the Institute of Internal Auditor's mandatory guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance provides principles and fundamental requirements that allow for the evaluation of the effectiveness of the internal audit activity's performance.

AUTHORITY

The internal audit activity is authorized to full and unrestricted access to Board of Regents' records, personnel, and physical properties pertinent to the engagement being conducted. The internal audit activity will uphold accountability and confidentiality in regards to safeguarding records and sensitive information. All 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 members of the Board of Regents.

ORGANIZATION

The internal audit activity reports functionally to the Audit Committee of Board of Regents and administratively to the Commissioner of Higher Education. Board of Regents Audit Committee will:

- Review and approve the internal audit charter.

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- Review and approve the risk based internal audit plan, including all major changes to the plan.
- Review and approve the internal audit budget and resource plan.
- Receive communications on the internal audit activity's performance relative to its plan and other matters.
- Review and approve decisions regarding the appointment and removal of the outsourced internal audit provider.
- Make appropriate inquiries of management and the internal audit activity to determine whether there is inappropriate scope or resource limitation.
- Receive communications on any complaints reported through the Louisiana Legislative Auditor (LLA) Hotline or other reporting mechanisms as designed and implemented by the Board of Regents and coordinate with Board of Regents external audit staff on any matters reported where incorrect, inaccurate or misleading data may have been submitted to the Board of Regents or the Institution Management Boards.

The outsourced internal audit provider will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings, as appropriate.

INDEPENDENCE AND OBJECTIVITY

While the internal audit activity will remain free from interference in the Board of Regents and will provide recommendations related to matters of audit selection, scope, procedures, frequency, timing, or report content and best practices; the Audit Committee of Board of Regents and Commissioner of Higher Education will make a final decision related to audit plan, scope and budget as detailed in the Consulting Contract with the outsourced internal audit provider.

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 may impair the internal auditor's judgment.

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.

RESPONSIBILITIES

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

- Facilitating an annual risk assessment process to evaluate risk related to specific auditable areas of the Board of Regents, Louisiana Office of Student Financial Assistance (LOSFA), and Louisiana Universities Marine Consortium (LUMCON), including any agency or program focused audit and compliance areas. The primary purpose of this process is to assess and prioritize focus on the organization's high risk areas in developing the internal audit plan.
- Evaluating risk exposure relating to achievement of Board of Regents' strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

Louisiana Board of Regents Internal Audit Charter

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on Board of Regents.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- 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.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of Board of Regents' risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for Board of Regents.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Board of Regents.
- Reviewing and investigating any matters related to the integrity of Board of Regents management.
- Evaluating specific operations at the request of Board of Regents management or Audit Committee, as appropriate.
- Advising the Audit Committee on matters within the scope of its authority.

INTERNAL AUDIT PLAN

At least annually, the outsourced internal audit provider will submit to senior management and the Audit Committee an internal audit plan for review and approval based on the results of the risk assessment. The internal audit plan will consist of a work schedule based on the annual budgeted hours for the next fiscal/calendar year. The outsourced internal audit provider will communicate the impact of resource limitations and significant interim changes to senior management and Board of Regents.

The internal audit plan will be developed based on a prioritization of the audit universe by facilitating a risk-based methodology, including input of senior management and the Audit Committee. The outsourced internal audit provider will review and adjust the plan, as necessary, in response to changes in Board of Regents' business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports, and approval will be obtained by the Audit Committee for such changes.

The outsourced internal audit provider will supply professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

REPORTING

A written report will be prepared and issued by the outsourced internal audit provider following the conclusion of each engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

Management's response with corrective actions taken or to be taken in regards to specific findings and recommendations, whether included within the original audit report or provided thereafter (i.e. within thirty days) will include a timetable for anticipated completion of action to be taken and an explanation

**Louisiana Board of Regents
Internal Audit Charter**

for any corrective action that will not be implemented. The outsourced internal audit provider will evaluate management’s corrective action plan to determine if identified risk is being adequately addressed.

The outsourced internal audit provider will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The outsourced internal audit provider will periodically report to senior management and the 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 senior management and the Audit Committee.

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 outsourced internal audit provider will communicate to senior management and the 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.

APPROVAL AND AMENDMENT OF CHARTER

The Audit Committee will review the Internal Audit Charter on an annual basis and approve changes as required.

Internal Audit Activity Charter

Approval date _____

Outsourced Internal Audit Provider

Chairman of the Audit Committee

Commissioner of Higher Education