

AGENDA TOPIC: Resolution to Renew and Amend the Internal Audit Charter

STAFF CONTACT(S): Neal McNally, Vice President for Finance & Business Operations

BACKGROUND: The Audit Subcommittee of the Board of Trustees maintains separate charters for Internal Audit, and for the Audit Subcommittee. The charter for the Audit Subcommittee establishes a three-year review schedule for reviewing its charter. To remain consistent with this three-year review cycle, it is recommended that the charter for Internal Audit be reviewed at the December 2015 meeting of the Board of Trustees.

SUMMARY AND ANALYSIS: In its current form, the Internal Audit Charter adequately defines the role and mission of the internal audit function, including authority, accountability and scope of work. However, two substantive changes are recommended by University management in the *Scope of Work* section of the charter:

1. Additional language ensuring that a risk assessment is included in the scope of work, regardless of any change in the appointment of Internal Audit in the ensuing contract year, planned or otherwise; and
2. Additional language clarifying that Internal Audit may engage a third party in instances where specialized skills or expertise may be required to fulfill a particular audit.

The proposed new language appears in **red font** in the attached Exhibit.

RESOLUTION:

**RESOLUTION TO RENEW AND AMEND THE
INTERNAL AUDIT CHARTER**

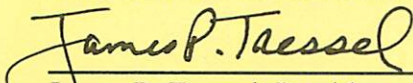
WHEREAS, the Internal Audit Charter is approved by the Board of Trustees; and

WHEREAS, the Internal Audit Charter sets forth the process for adopting the annual audit plan;
and

WHEREAS, the Audit Subcommittee has recommended changes to Internal Audit Charter;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Youngstown State University does hereby approve the changes to the Internal Audit Charter, shown as Exhibit __ attached hereto.

RECOMMEND APPROVAL:


James P. Tressel, President

**Board of Trustees Meeting
December 16, 2015
YR 2016-**

Mission Statement

Internal Audit will assist The YSU Board of Trustees and University management in the discharge of their oversight, management, and operating responsibilities through *independent* audits and consultations designed to evaluate and promote the system of internal controls, including effective and efficient operations.

Definition of Internal Auditing

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

Authority and Accountability

To ensure maximum independence and adequate consideration of recommendations, Internal Audit will report to the Audit Subcommittee of the Board of Trustees and will have direct access to the Audit Subcommittee and/or President. Daily interactions and administration of the internal audit contract will be coordinated by the Vice President for Administration and Finance or his designee.

Internal Audit is authorized to have unrestricted access to University information, including records, computer files, property, and personnel of the University in accordance with the authority granted by the Board's approval of this charter and applicable federal and state statutes. Internal Audit is free to review and evaluate all policies, procedures, and practices of any University-related activity, program, or function except where limited by law or University policy.

Scope of Work

Internal Audit will assess the University's processes of risk management, control, and governance to ensure that:

- Risks are appropriately identified and managed. **A risk assessment shall be included in the scope of work, regardless of any change in the appointment of Internal Audit in the ensuing contract year, planned or otherwise.**
- 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 are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University.

In developing the annual audit plan:

- During the March Audit Subcommittee meeting, Internal Audit will meet with the Audit Subcommittee to present its risk-based methodology. During that meeting, the Board will be notified that Internal Audit will begin to develop the annual audit plan. Feedback from the Board is welcome and desired. Next, Internal Audit will meet with the President and Vice President of Administration and Finance to discuss the risk analysis and specific areas of concern. Following that, Internal Audit will meet with the Chair and Vice Chair of the Audit Subcommittee to further discuss the risk analysis and specific areas of Board concern. Finally, Internal Audit will develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or concerns identified by the Board and/or management, and submit that plan to the President and the Chair of the Audit Subcommittee for signature to commence implementation of the plan.
- Internal Audit will implement the annual audit plan and provide quarterly status reports.
- Internal Audit will maintain a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of this Charter. **As necessary, Internal Audit may engage a third party in instances where specialized skills or expertise may be required to fulfill a particular audit.** At a minimum, **Internal Audit will** comply with relevant professional standards, such as the *International Standards For The Professional Practice of Internal Auditing* and the *Code of Ethics* of the Institute of Internal Auditors, Inc.
- Internal Audit will issue periodic reports to management, and Audit Subcommittee as appropriate, summarizing results of audit activities.