



PA State System of Higher Education Board of Governors

Effective: October 17, 1991

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Policy 1991-06-A: State System Audit Policy

See Also:

Adopted: October 17, 1991

Amended: July 12, 2001; October 12, 2006;
July 16, 2009; April 7, 2016, and July 20, 2023

I. Audit and Compliance Committee

A. Purpose

The primary mission of the Audit and Compliance Committee shall be to assist the Board of Governors in exercising its due care and diligence in discharging System-wide oversight and monitoring responsibilities. An important objective of the Audit and Compliance Committee shall be to support and oversee the activities of the internal audit function (Internal Audit) and risk assessment, maximizing the function's operations and value across the State System.

B. Policy

1. The Audit, Compliance and Risk Committee shall assist the Board of Governors in discharging its System-wide oversight and monitoring responsibilities by:
 - a. Promoting the development of an effective and continuously improving control environment to achieve the System's goals and objectives;
 - b. Overseeing the System's internal control environment and risk assessment practices;
 - c. Serving as a voice on the Board of Governors and other standing committees by relaying an audit perspective when related issues are brought before the committees; and
 - d. Providing a direct channel of communications to the Board of Governors for the System's independent public accounting firm and Internal Audit.
2. The Audit and Compliance Committee shall review and approve the scope of the System's internal audit annual work plan.

II. Internal Audit Function and Risk Assessment

A. Purpose

To provide policy for establishment and support of a System internal audit function and risk assessment, and pursuant to a resolution exercising the fiduciary responsibilities of the Board of Governors (Board) for efficient, effective, and financially sustainable universities (date/reference). In carrying out their duties and responsibilities, members of Internal Audit shall have full, free, and unrestricted access to all System records, property, and personnel except where such access may be limited or barred by federal or state law, or the provisions of a relevant collective bargaining agreement.

B. Policy

1. Internal Audit shall report functionally to the Audit, Compliance and Risk Committee of the Board of Governors and administratively to the System's Chancellor through the Chief Financial Officer to achieve organizational independence. Internal Audit will have unrestricted access to and communicate and interact directly with the Audit and Compliance Committee.
2. The internal audit function shall be independent and will remain free from interference by any element in the institution, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independence and objectivity. Internal Audit will confirm to the board, at least annually, the organizational independence of the internal audit function.
3. Internal Audit will keep the Audit and Compliance Committee, chancellor, and necessary university executive leadership informed of performance relative to its annual work plan and unusual transactions or other matters of significance identified through the course of internal audit work.
4. Requests for assistance of Internal Audit to conduct special activities can be made at the university and System level at any time.
5. Internal Audit conducts their internal audit services in accordance with professional standards and frameworks.
6. The scope of work of Internal Audit shall encompass all System operations, including affiliated organizations where appropriate, academic instruction by the faculty excepted.
7. Internal Audit, with strict accountability for confidentiality and safeguarding of records and information, is authorized full, free, and unrestricted access to all system records, property, and personnel except where such access may be limited or barred by federal or state law, legal privilege, or the provisions of a relevant collective bargaining agreement.
8. Internal Audit will handle all information obtained during a review in the same prudent manner as the original custodian of the information. Internal audit respects the value and ownership of information received and shall not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

9. The System's internal audit function shall subscribe to the mandatory Code of Ethics established by The Institute of Internal Auditors, as well as adhere to governing policies of the System; the applicable policies of the Commonwealth of Pennsylvania, as well as applicable laws such as the Public Official and Employee Ethics Act.
10. Internal Audit fees shall be funded as Systemwide Program as outlined in Policy 1984-06A: Allocation Formula.

III. Implementation

Procedure/Standards, and guidelines will be issued to address operational details and implementation of this policy.

