



## What is the Internal Audit Mission?

As defined by our governing organization (Institute of Internal Audit- IIA):

*“The mission for internal auditing is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”*

## What are the Internal Audit Myths?

Internal audits only look backward!

Internal Controls - That’s why we have auditors!

Internal audits are only focused on financial transactions!

Internal Audit is out to get us!

## How Do We Add Value?

Internal audit has matured from providing simple hindsight to providing insight and foresight. Forward thinking allows for anticipation of risk and for units to have the ability to become proactive and intervene prior to a risk materializing. We want to work with our clients to provide a valuable audit for their business function while giving university management key insight to a university function.





## What are Our Professional Responsibilities?

We are responsible for affirming University units and/or processes are operating according to:

- University policy
- Federal/state/grant policy
- Best practices to ensure risk reduction/avoidance and efficiency
- Acceptable governance and culture

We are doing more of this through 100% data analytic testing versus through sample testing.

## What Rules Do We Follow?

- Office of Internal Audit (OIA) is a member of the Institute of Internal Audit (IIA) and conforms to the IIA's Standards.
  - The IIA Standards provide internal auditors with guidance and requirements for conducting internal audits.
  - External assessments of the internal audit function are required to be completed at least once every five years (Yes we get audited too).
- IIA's Code of Ethics
- University of Minnesota's Code of Conduct
- Audit Charter
  - To support our independence and objectivity we report to the Board of Regents.
  - We are granted broad access to all University records and personnel required to perform our duties by the Board of Regents.

## Board of Regents Policy on Internal Controls

The control model for the University of Minnesota (University) is the Integrated Framework of Internal Control established by the Committee of Sponsoring Organizations (COSO).

Some examples of what the BOR policy requires include (all of which can be reviewed during an audit):

- Effective and efficient operations
  - Compliance with laws, regulations and University policies
  - Accurate and reliable financial information
  - Identification and assessment of material risk
  - Protecting and safeguarding University resources
  - Proactively designed controls
  - Monitored controls
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## What is the Audit Process?



## How is Risk Defined?

According to The IIA, risk is defined as the possibility that an event will occur, which will impact an organization's achievement of objectives. The main forms of risk include:

- IT risk
- Financial risk
- Operational risk
- Compliance risks
- Reputational risk

When a financial/reputational/compliance/IT risk exists we work to see how it is mitigated and/or managed, most often through one of the three types of controls (preventative, detective, or corrective).

There can be overcontrol of risk which does not allow a unit to function optimally. Too much focus on risk aversion may not allow a unit to meet the University's mission. All have to be appropriately balanced. Management has the authority to accept risks if appropriately vetted.

## What are Types of Controls?

Internal controls may be:

- Preventative (proper separation of duties, limiting access, proper approval level)
- Detective (reconciliations, exception reports, monitoring for unusual activity)
- Corrective (payroll/journal entry adjustment, restoring backups)

## Where Do I Find More Information About the Internal Audit Office?

Our website address is: <http://audit.umn.edu/>