

Office of Audit Services Organizational and Charter Changes

BACKGROUND

The Executive & Audit Committee charter requires the committee to approve the internal audit charter and confirm the Office of Audit Services' organizational independence. The charter documents the duties and responsibilities of the Office of Audit Services (OAS) and outlines for the president, Board, and university management services of the office. The charter and the organizational placement of the Office of Audit Services were established in accordance with the *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors.

The chief audit executive confirms the organizational independence of the Office of Audit Services as required by *IPPF Attribute Standard 1110*. We are proposing an organizational change that will impact the charter, but will not impact organizational independence.

Throughout the past four years, the Office of Audit Services and the Office of University Compliance have partnered with the university community to help strengthen and ensure the meeting of accountability expectations. The Office of General Counsel has also played an important advisory role to the offices and the OSU community. Working collaboratively, these offices' efforts have further enhanced our ability to address and manage cyber security, lab safety, and hazard planning. We have also taken significant measures to prevent and respond to sexual violence and enhance employee knowledge of key risk areas through the implementation of critical employee training.

PROPOSED CHANGES

As a result of the synergy between the audit and compliance functions, we propose realigning the audit, compliance and risk functions under one unit titled the Office of Audit, Risk, and Compliance under a newly titled Chief Audit, Risk, and Compliance Executive (Patricia Snopkowski). Proposed changes to the Office of Audit Services charter are shown in red text and strikethrough in Attachment 1.

Under the proposed changes, the Office of Audit, Risk, and Compliance (OARC) will perform independent internal audits, plan and oversee the university enterprise risk management process, and oversee the institutional compliance program. The OARC's mission will be to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as follows:

Audit: Provide independent, objective assurance and advisory activity designed to add value and improve university operations. Audit helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risk Management: Facilitate the enterprise risk management (ERM) program by creating and maintaining the framework to effectively identify, assess, and manage enterprise risk.

Compliance: Coordinate the institutional compliance program and the distributed processes that support compliance across the university. Compliance serves in a

consultative role, meaning the position does not have specific programmatic or operational duties, but does have authority to escalate matters as needed.

In addition to the office's existing reporting to the OSU Board of Trustees Executive and Audit Committee, the compliance function will also continue to receive support of a high-level senior leadership committee, which is led by the Provost. The compliance executive committee consists of the Provost; Senior Vice Provost; General Counsel; Chief Audit, Risk, and Compliance Executive; Vice President for Finance and Administration; Vice President for Research, and the Faculty Senate President.

The reorganization of the functions allows essential communication to flow vertically and horizontally and sends a strong message that demonstrates OSU leadership places a high value on effective compliance and ethics programs, a critical element to our long-term success.

RECOMMENDATION

Staff propose that the Executive & Audit Committee approve the changes to the Office of Audit Services charter as provided in Attachment 1.

Office of Audit, Risk, and Compliance Services Charter

Purpose

The authority and responsibilities of the Oregon State University Office of Audit, Risk, and Compliance Services ~~(OAS)~~ (OARC) are defined in this charter, which is approved by the president and the Executive & Audit Committee of the OSU Board of Trustees.

The OARC will perform independent internal audits, plan and oversee the university enterprise risk management process, and oversee the institutional compliance program. The OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance and advice as follows:

Audit: Provides independent, objective assurance and advisory activity designed to add value and improve university operations. Audit helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risk Management: Facilitates the enterprise risk management (ERM) program by creating and maintaining the framework to effectively identify, assess, and manage enterprise risk. The role will not include supervision of the enterprise risk services department that administers the university insurance programs

Compliance: Coordinates the institutional compliance program and the distributed processes that support compliance across the university. Compliance serves in a consultative role, meaning the position does not have specific programmatic or operational duties, but does have authority to escalate matters as needed.

~~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 evaluating and improving the effectiveness of the risk management, control, and governance processes.~~

The OARCAS shall uphold the principles of integrity, objectivity, confidentiality, and competency as defined in the *Institute of Internal Auditors' Code of Ethics* and shall adhere to the *International Standards for the Professional Practice of Internal Auditing* (Standards). The OARCAS is to utilize the Committee of Sponsoring Organizations (COSO) as the model for evaluating the adequacy of internal controls within Oregon State University.

Authority

The chief audit, risk, and ~~executive compliance executive of the OAS~~ reports administratively to the president and functionally to the Executive & Audit Committee of the OSU Board of Trustees.

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties, and personnel relevant to an audit engagement. Documents and information given to internal auditors during a periodic review will be handled in a confidential and prudent manner, as required by the *Institute of Internal Auditors' Code of Ethics*.

University management is responsible for the risk management and internal control structure over the areas audited. Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They ~~do not should-not~~ develop and ~~implement install~~ procedures, prepare records, or engage in activities which would normally be ~~audited by OARC. reviewed by the OAS.~~

Responsibility

The ~~OARCAS~~ is responsible for developing and implementing an annual ~~internal-audit~~ plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is to include the consideration of any risks or control concerns identified by management and is reviewed and approved by the president and the Executive & Audit Committee. The ~~OARCAS~~ performs five types of engagements:

1. Assurance Services: Assurance services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of the internal controls and the quality of performance in carrying out assigned responsibilities. The scope includes reviewing and evaluating:
 - internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations, and contracts;
 - the means with which assets are safeguarded;
 - the reliability and integrity of financial and operating information;
 - the economy, efficiency and effectiveness with which resources are employed; and,
 - IT systems to determine whether they are appropriately managed, controlled, and protected.
2. Consulting Services: Advisory and related client service activities, the nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. ~~Examples Activities~~ include counsel, advice, facilitation, and training ~~related to enterprise risk and compliance matters.~~
3. Investigative Engagements: Investigations evaluate allegations of ~~non-compliant~~, unethical business practices and/or financial and operational misconduct to determine whether allegations are substantiated and to prevent future occurrences. The OAS maintains the OSU Accountability & Integrity Hotline and coordinates investigations with university management and the Oregon Secretary of State Audits Division.
4. Follow-up Engagements: Follow-up engagements evaluate plans and actions taken to correct reported conditions.
5. External Audit: The ~~OARCAS~~ coordinates with the external auditors to ensure efficient and economical utilization of audit resources and is responsible for overseeing all external audits. The ~~OARCAS~~ meets with the external auditors to discuss audit plans, risks, and coordination. The ~~OARCAS~~ attends external audit entrance and exit conferences and may perform follow-up activity on external audit recommendations.

A written report will be prepared and issued by the chief audit, **risk, and compliance** executive following the conclusion of each engagement and will be distributed appropriately. University management shall respond in a timely manner. This response will indicate what actions were taken or are planned and an anticipated completion date in regard to the specific recommendations. Copies of final reports will be distributed to the president as well as appropriate university personnel.

The chief audit, **risk, and compliance** executive will provide progress reports to the Executive & Audit Committee at each regular meeting, summarizing the results of engagement activities and reports. In addition, the chief audit, **risk, and compliance** executive will keep the president, campus executives, and the Executive & Audit Committee apprised of high-risk engagement issues.