



# SOUTH CAROLINA STATE UNIVERSITY

## INTERNAL AUDIT and PROCESS IMPROVEMENT CHARTER

Internal Audit, as defined by the Institute of Internal Auditors, “is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.”<sup>1</sup>

Process Improvement is about making things better, rather than maintaining the status quo. It is defined as “the systematic examination and improvement of processes”<sup>2</sup> or “Improving quality, productivity, and response time of a business process, by removing non-value adding activities and costs through incremental enhancements.”<sup>3</sup>

This charter defines the mission, authority and responsibilities of ***The Office of Internal Audit and Process Improvement*** established by policy of South Carolina State University’s Board of Trustees.

### **MISSION**

The mission of the Office of Internal Audit and Process Improvement is to assist the Board of Trustees and University management in the discharge of their oversight, management and operating responsibilities. This mission is achieved by: (1) reviewing key processes at the University, with a focus on eliminating waste of money, people, time, and opportunities; and (2) providing independent and objective assurance and consulting services that are designed to add value and improve organizational efficiencies and effectiveness. Process improvement has been identified as a priority by the University President. Thus, the goal will be to help create an environment in which a process improvement mentality permeates throughout all levels at the University on a regular basis resulting in more efficient and effective operations.

### **ACCOUNTABILITY, AUTHORITY & SCOPE**

The Office of Internal Audit and Process Improvement reports administratively to the president in support of the day to day administrative needs; and functionally to the Board of Trustees via its

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<sup>1</sup> <http://www.theiia.org/>

<sup>2</sup> The Power of Business Process Improvement, Susan Page, American Management Association, 2010, p. 1.

<sup>3</sup> BusinessDictionary.com definition

Audit Committee as established by the Bylaws of the SC State Board of Trustees. This reporting relationship promotes independence and objectivity, which assures adequate consideration of recommendations and planned corrective actions.

Internal Audit and Process Improvement has complete independence with respect to the units under audit or review and, consequently, is not subject to restriction in the scope of its work by operating unit or staff management. Further, university management does not place any restrictions on the scope of the audits; however, it is acknowledged that university management via the University president and the Board Audit Committee provide concurrence as to the scope of work and activities to be audited or reviewed, and may request special investigations or audits.

In performing its function, Internal Audit and Process Improvement has no direct responsibility or authority over any of the activities it reviews. Internal Audit is authorized full, free and unrestricted access to all areas, activities, records, property, information sources and personnel of the university necessary to carry out its activities. Documents and information provided to Internal Audit and Process Improvement staff during an examination are handled in the same discreet manner as by those employees normally accountable for them. The staff is obligated to protect the privacy of confidential and proprietary information accessed during the course of its examinations.

The Office of Internal Audit and Process Improvement shall be free from control or undue influence in carrying out the following functions:

- Selection and application of audit techniques, process reviews, assessments, procedures and programs;
- Determination of facts revealed by the examination or in the development of recommendations for process improvements as a result of the examination; and
- Selection of areas, processes, activities, personal relationships and managerial policies to be examined.

The scope of work of Internal Audit and Process Improvement is to determine whether the university's network of risk management, control, and governance processes is adequate. Internal Audit and Process Improvement will assist management in addressing strategic, financial, operational, compliance, and reputational risks and exposures, with a focus on both University-wide and departmental level control systems and processes.

Thus, the scope of work include, but is not limited to the following:

- Identifying deficiencies in key processes that impact the University and make recommendations for improvement using the Basic Process Improvement Model. For processes selected for analysis, the focus will be on evaluating the economy and efficiency with which inputs, controls, outputs and resources are employed.

- Reviewing and appraising the soundness of controls and the reliability and integrity of financial, managerial and operating data.
- Ascertaining compliance with the university's policies and procedures.
- Reviewing operations or processes to assess whether they are being carried out as planned and whether results are consistent with the established overall objectives of the university.
- Facilitating self-assessments to help divisions and department identify objectives and evaluate business risks and controls as a means of assisting departments with ongoing risk management.
- Performing consulting services where necessary and appropriate.

## **PROFESSIONAL STANDARDS AND CODE OF ETHICS**

*The Institute of Internal Auditors, Inc.*, an international organization dedicated solely to the advancement of the internal auditing profession, has adopted “**Standards for the Professional Practice of Internal Auditing**”. Internal Audit recognizes the benefits of these standards and hereby adopts the “Standards for the Professional Practice of Internal Auditing” as an integral part of its Charter.

*The United States General Accounting Office* promulgates “**Generally Accepted Government Auditing Standards**” (**GAGAS**), for use by auditors who audit governmental organizations, programs, activities and functions. These standards are commonly referred to as “Yellow Book”. Internal Audit recognizes the benefits of GAGAS and adopts the use thereof.

*\*\*\*In the rare circumstance where conflict of standards call for a determination of which standard would be most appropriate, Internal Audit will make the determination based on the standard that will allow for the more conservative approach. Additionally, to the extent of any inconsistencies between the standards (red book vs. yellow book), GAGAS, yellow book, should prevail as the controlling (authoritative) source as applicable to governmental organizations such as SC State University.*

Additionally, Internal Audit staff members have an obligation of self-discipline above and beyond the requirements of laws and regulations. They must uphold and demonstrate qualities of integrity, honesty, loyalty, morality, dignity, and confidentiality consistent with the “**Institute of**

**Internal Auditors Code of Ethics”.*****RESPONSIBILITY***

At a minimum, Internal Audit and Process Improvement is charged with the following responsibilities:

- Develop and implement a process improvement methodology to determine how we perform key processes and make recommendations for improvements.
- Develop a flexible annual audit and process improvement plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval, as well as periodic updates.
- Implement the annual audit and process improvement plan, as approved, including as appropriate any special tasks or projects requested by university management and the Audit Committee.
- Coordinate and provide support to external auditors and regulators. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university at a reasonable overall cost.
- Assist in the investigation of suspected irregularities or fraudulent activities impacting the university and provide necessary reporting to university management and to the Audit Committee.
- Provide reports to the Audit Committee and to university management to communicate the final results of audits and reviews performed.
- Provide quarterly and annual status reports to the Audit Committee and to university management summarizing outstanding issues related to audit and process improvement activities.

Internal Audit and Process Improvement has a professional responsibility to conduct reviews with an attitude of professional skepticism. Internal Audit recognizes that the application of internal auditing and process improvement procedures may produce evidence indicating the possibility of errors, irregularities, or fraud; however, Internal Audit cannot be solely responsible for the detection and prevention of all errors, irregularities or fraud which may occur. This is a responsibility shared by all members of university management.



