

Internal Audit

Montana University System



What is the Definition of Internal Audit?

Merriam-Webster Definition of *internal audit*

1: a usually continuous examination and verification of books of account conducted by employees of a business —contrasted with *independent audit*

2: a review of systems of internal check and internal control of a business



What is the Definition of Internal Audit?

“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.”

The Institute of Internal Auditors



How Does Internal Audit Add Value?



IIA's Value Proposition: Internal Auditing's Value to Stakeholders

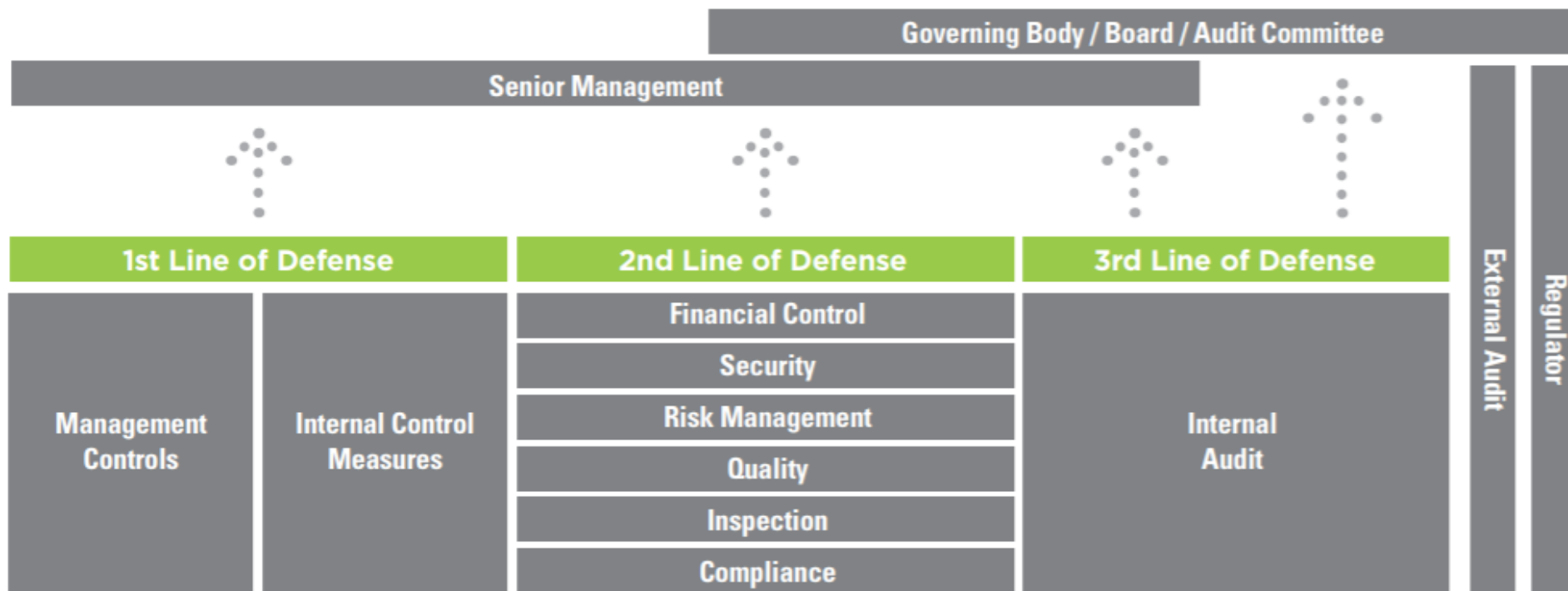
Assurance: Organization is operating as management intends.

Insight: For improving controls, processes, performance, and risk management.

Objectivity: Objective and independent in assessments.



Three Lines of Defense Model¹



¹ Leveraging COSO Across the Three Lines of Defense (2015), Committee of Sponsoring Organizations of the Treadway Commission. Available at coso.org



What We Do

- Identify risks
- Establish and carry out an audit plan
- Catalyst for improving effectiveness and efficiency
- Add value as an objective source of independent advice and counsel

What We Don't Do

- Assume management responsibilities
- Address human resource issues
- Handle civil rights issues
- Audit specific individuals
- Play “Gotcha”



Current Steps

- Working with internal audit staff at MSU and UM.
- Reviewing other university systems' internal audit structures and processes.
- Developing a system wide strategic plan for internal audit.
- Developing a system wide audit charter.
- Developing a system wide audit manual.
- Reviewing Board policy.

Next Steps

- Discuss risks, needs, and expectations. How will the internal audit function add the most value in the upcoming years?
- Risk review and assessment at system wide level; putting formality behind what's already being done.
- Audit Prioritization (Board Involvement)
- Audit Plan (Board Approval)
- Fieldwork
- Reporting (Board Involvement)
- Follow-up (Board involvement)

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