



INTERNAL AUDIT OFFICE

January 25, 2021

To: Members of the Audit and Enterprise Risk Committee

Vanessa Castagna, Chair
JoAnn Brouillette
Theresa Carter

Fr: Peg Fish, Senior Director of Audits

Re: Audit Plan for Calendar Year 2021

The global pandemic has had a major impact on the risk landscape. Given these considerations, and with a focus on organizational and staffing resilience, audit projects planned for 2021 will be reassessed throughout the year to ensure that critical risks are appropriately considered. The plan is intended to maximize audit resources and provide reasonable coverage that aids the Board of Trustees, leaders, and managers in discharging governance, executive, and management responsibilities.

The enclosed plan provides a summary of the anticipated use of audit resources. It is based on a staffing level of five auditors, and it allows for a flexible risk-based approach. Potential staffing increases will be reconsidered throughout 2021 with recognition of the velocity of change and staffing skills necessary to address current and future risks.

Enclosure

c: Chairman Mike Berghoff
President Mitch Daniels
Treasurer Chris Ruhl
Provost Jay Akridge
Assistant Treasurer Jim Almond
Corporate Secretary Janice Indrutz
Legal Counsel Steve Schultz

The purpose of this report is to communicate the adaptability of planned audit activities with consideration of emerging industry risks, organizational and staffing resiliency, and the velocity of change.

AUDIT PLAN DEVELOPMENT

Research and advisory firms have surveyed risk, audit, and compliance leaders regarding threats that various industries have identified. These are utilized in the development of this audit plan.

Emerging industry risks

- remote workplace infrastructure
- cloud strategy
- third-party management
- work-life convergence
- data governance
- security incident management
- information technology governance
- talent resilience
- regulatory compliance
- business continuity
- disaster recovery
- user access
- confidentiality and privacy
- cyber vulnerabilities
- data and analytics
- key risk indicators

Risk assessment impact measures

- Fiscal (incurred cost and lost opportunity)
- Interruption (in mission critical activities)
- Reputation
- Safety (loss of life or injury)
- Strategic (not aligned with the strategic plan)

Digital and work transformation, prompted by the pandemic, drives the need for increased risk assessments. It is with this concept and the current velocity of change that this plan is designed. As each audit is planned, an additional risk assessment will be performed. Results will then allow for changes to be made in real time with consideration given to predictive indicators, risk responsiveness, and reporting.

AUDIT RESOURCE PLANNED ALLOCATION

Planned Allocation of Audit Resources		
	Estimated Project Hours	Percent of Total
Audits (Planned)	6,580	76%
Audits (Unplanned)	500	6%
Client Support	570	6%
Non-Client Contact	1,020	12%
Total	8,670	100%

Total audit coverage (planned and unplanned) is estimated at 82% and is based on a budget of five professional staff. Six percent (6%) of total projected audit resources have been reserved for unplanned audits. This will allow for flexibility in addressing emerging risks, anonymous allegations, and requests.

Six percent (6%) of staff total resources are budgeted for client support. This category includes estimates

for overseeing the anonymous reporting program, external audit support, and risk initiatives.

Non-client contact, twelve percent (12%), consists primarily of office initiatives and professional staff development. It is anticipated that additional training pertaining to data analytics, cybersecurity, and root cause analysis will be expanded in 2021.

Communications from various organizations including The Institute of Internal Auditors, Association of College and University Auditors, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Information Systems Security Association, and Information Systems Audit and Control Association aid staff in gaining knowledge of current trends and issues impacting higher education and the auditing profession.

Fifty-three (53) audits are included in the plan, 45 new and 8 in-process.

AUDIT COVERAGE PLANNED

Campus Coverage

Planned Percentage, Audit Hours, and Number of Audits by Campus

	<u>Audit Hours</u>	<u>Number</u>
PFW (15%)	1,020	9
PG (3%)	200	1
PNW (10%)	635	5
PWL (43%)	2,795	25
System wide (29%)	1,930	13

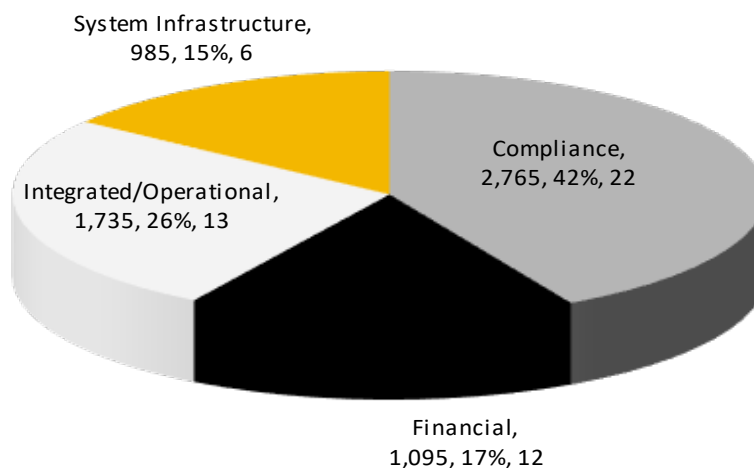
Primary Audit Classification

Four audit classifications will be used during 2021. These are shown below with a brief definition of each.

- **Compliance**, conformity with internal policies or external regulatory requirements
- **Financial**, financial controls as they relate to reporting
- **Integrated/Operational**, the relationship between information technology, financial, application, and operational controls in establishing an effective and efficient internal control environment
- **System Infrastructure**, security and general controls for the overall infrastructure, network, and systems that are maintained in support of the goals of the University

Audit Classification for 2021

(estimated audit hours, percentage of total, and number of planned audits)



Audits planned include:

- Compliance: contracts, external regulations, internal policies, and research
- Financial: cash, foundations, investments, expenses, and revenues
- Integrated/Operational: applications supporting operations, team travel, and remote work
- System Infrastructure: account provisioning, cloud implementation, data security, identity and access management, remote work infrastructure, and research computing

The COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control - Integrated Framework will continue to be emphasized based on the three categories of objectives:

- Compliance pertains to adherence to laws and regulations.
- Operations pertain to effectiveness and efficiency of operations, including performance goals, and safeguarding assets against loss.
- Reporting encompasses all types of reporting as well as reliability, timeliness, and transparency.

The five COSO components and seventeen principles of internal control will also be considered in each audit.