NEWSLETTER

WKU Office of Internal Audit

Issue 2

CONTENTS

ETHICS & COMPLIANCE HOTLINE-AN UPDATE

The University's Ethics & Compliance Hotline went live on August 1, 2014. It has received between five and ten reports during its inaugural period. The types of incidents reported have been placed in categories such as misuse of resources, time abuse, and conflict of interest. The University continues to encourage its employees, students and the general public to promptly report suspected or known fiscal misconduct by WKU or by WKU personnel. Reporting such events is appreciated.

As a reminder, the University contracted with a third party service provider to operate an ethics and compliance hotline and web site. The third party provides a toll free telephone number and a web site to use for reporting fiscal misconduct activities. Anyone reporting can remain anonymous through these tools. You may contact the Office of Internal Audit if you have any questions.

Hotline and Web Site Information

Toll free: 1-877-318-9178

Web site: www.wku.ethicspoint.com

Please share this information with your faculty and staff.

THE FY2015 AUDIT PLAN PROGRESS

The fiscal year 2015 Audit Plan is underway and includes thirteen planned audits. A portion of those audits are annual audits that are mandatory for Internal Audit to perform, which include, but is not limited to the annual audit of the President's travel and entertainment expenses, NCAA agreed upon procedures and the Special License Plate Program audit. To review the FY2015 Audit Plan in its entirety, click on the link provided.

http://www.wku.edu/finadmin/ia/documents/fy15-internal-audit-plan.pdf

AUDIT VERSUS REVIEW – WHAT'S THE DIFFERENCE?

Internal audits are periodic, predetermined projects that are performed to address the effectiveness of risk management at the University. Each fiscal year, audits are scheduled on the annual Audit Plan, either based on the University's annual risk assessment or because the audits are mandatory. The risk assessment is a collaboration between all Administrative Council members to discuss all business risks faced by the University and gain an understanding of those risks and the controls that may be in place to mitigate them. Audits include tasks such as interviewing personnel, performing a walkthrough of a process or transaction, and validating financial information. During an audit, observations and recommendations for improvement of processes or controls may be noted and included in the final audit report. Management is required to provide action plans to mitigate the observations or accept the risk and continue current operations.

Management reviews may be planned or unplanned requests from an Administrative Council member or Regent. The objective is to evaluate processes and controls and determine if improvements are needed. Reviews typically include interviewing of personnel, but exclude the substantive work that would be included in an audit. The final review document may include suggestions for improvement based on the interviews. There are no required action plans that need to be taken by management.

ENTERPRISE-WIDE RISK MANAGEMENT – INTERNAL AUDIT'S ROLE

You may be asking yourself, "What is Enterprise-wide Risk Management?" First things first, the definition of Enterprise Risk Management, a.k.a. ERM: a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.

ERM is a fundamental element of University governance. The Board of Regents has overall responsibility for ensuring that risks are managed. The board delegates the actual operation of risk management to President Ransdell. Although the primary responsibility for identifying risks and managing those risks lies with the Administrative Council, everyone at the University plays a role in ensuring a successful ERM. Risk is often associated with financial matters; however, there are many types of risks. Such risks involve reputation, compliance, data security, and physical safety.

Internal Audit's core role is to provide assurance to the Board of Regents and the Administrative Council on the effectiveness of risk management. Internal Audit provides value to the University by being an independent, objective assurance and consulting activity that evaluates the management of major business risks and the University's internal control framework.

According to the *International Standards for the Professional Practice of Internal Auditing*, the internal audit activity should NOT perform the following tasks related to ERM:

- Set the risk appetite,
- Impose risk management processes,
- Make decisions on risk responses,

- Implement risk responses on management's behalf, and
- Be accountable for risk management.

Due to the aforementioned tasks, Internal Audit may provide consulting services that improve the University's governance, risk management, and control processes. Consulting activities may include supporting managers in identifying a best practice to mitigate risk, acting as a central point for reporting on risks, or providing advice on risks and controls.

ERM can contribute to an institution's achievement of its objectives by creating an environment that is focused on doing the right things the right way. It also drives management to focus on major business risks and prepare for those risks so that there are fewer surprises. It improves the University's understanding of key risks and their wider implications.

As employees of the University, we are all "risk managers" and we are all presented with risk in the workplace. Your core role is two-fold: be aware of and understand the risks that are present in your current position and consider the impact of those risks on yourself, your department, and the University. Assess the risk areas by asking yourself the following questions:

- Does this action meet the University's standards?
- How would this look on the front page of the newspaper?
- Does this action meet my professional standards?

If you have trouble determining the answer, call me.