

MEMORANDUM

TO: VSCS Audit Committee
Linda Milne, Chair
Lynn Dickinson, Vice Chair
Megan Cluver
Karen Luneau
David Silverman
Jeffrey Kellar – State Auditor’s Office

FROM: Steve Wisloski, CFO
Sheilah M. Evans, System Controller/Senior Director of Financial Operations

DATE: January 28, 2020

SUBJECT: Audit Committee Meeting scheduled for February 3, 2020

The Audit Committee of the VSC Board of Trustees will meet at 2:15 pm in Conference Room 101 at the Office of the Chancellor, Montpelier, VT.

If you have any questions, I can be reached at (802) 224-3038.

Thank you.

cc: Other Trustees
Council of Presidents
Business Affairs Council
Sam Winship, Dept. of Finance and Management
Douglas Hoffer, State Auditor

**Vermont State College Board of Trustees
Audit Committee Meeting**

**February 3, 2020
2:15 pm at the Office of the Chancellor**

AGENDA

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the October 21, 2019 Meeting of the Audit Committee

B. ITEMS FOR INFORMATION AND DISCUSSION

1. Review FY2020 Internal Audit Plan Proposal
2. Review Summary of Whistleblower reports
3. Disaster Recovery Planning Discussion Preparation

B. ITEMS FOR INFORMATION AND DISCUSSION

1. **Review FY2020 Internal Audit Proposal**

The internal audit function is an important process that 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. Our process is governed by VSC Board Policy 432 “Internal Audits”.

For FY20, we once again utilized the version of an internal controls questionnaire that has now been in place for 3-4 years. This has proven to be a significant improvement from our prior version and provides far more depth that has been helpful in the identification of areas of risk for internal audit consideration. This year, the Business Office at each institution, mainly the Controllers/Deans of Administration, completed the questionnaires and returned them to Stephen T. Wisloski, CFO to kickstart the internal audit process.

When selecting a topic for internal audit we consider multiple factors, including the questionnaire results, the current regulatory environment and trends, current VSC projects underway, as well as the last time we audited a particular function or topic area. Based on our analysis, the Internal Audit Committee is recommending that Payroll/Benefits be the scope of the FY20 Internal Audit.

Please refer to the Internal Audit Plan Proposal herein for detail.

Respectfully,

Internal Audit Committee: Sharron R. Scott, Dean of Administration, NVU
Toby Stewart, Controller, NVU

2. Review Summary of Whistleblower reports

As part of an annual review, the Audit Committee shall receive a summary of the VSC Whistleblower reports. Please see the excerpts taken from “Board Briefing: Whistleblowing and corporate governance”, Chartered Institute of Internal Auditors, June 19, 2017.

Whistleblowing and Corporate Governance

- Whistleblowing is an essential safety valve, an important element in a healthy corporate culture, and should be part of the internal control environment.
- Whistleblowing procedures should encourage individuals to disclose concerns using appropriate channels before these concerns become a serious problem, thus avoiding reputational damage through negative publicity, regulatory investigation, fines and/or compensation.
- Boards need to consider the effectiveness of whistleblowing policies and procedures on a regular basis as part of their oversight of the system of internal control.

Key issues for Boards / Audit Committees

While the responsibility for establishing and operating effective internal whistleblowing procedures lies with...*management*..., boards should maintain oversight and require independent assurance that the organization's whistleblowing policies and procedures are effective in achieving the appropriate outcomes.

3. Disaster Recovery Planning Discussion Preparation

The goal of a Disaster Recovery & Business Continuity Plan is to facilitate the process by which an organization is able to recover and restore critical business processes after a disaster or business disruption has been declared. Organizations should prepare for incidents that could disrupt key business processes for extended periods. Lack of preparedness can expose an organization to a degree of risk that can be detrimental.

Last year at this time, the committee set this important topic on its agenda for discussion and oversight. At the June 2019 Board of Trustees meeting, the Presidents shared the details regarding their extensive individual campus Disaster Recovery Plans and processes. Additionally, the Office of the Chancellor provided an update on the Business Continuity Plan that heavily involves IT and technology requirements. The intent is for management to provide an annual update to the Committee/Board regarding efforts/updates in Disaster Recovery & Business Continuity Plan. At this time, I have attached an article by Deloitte that speaks to the

Audit Committee's role in Disaster Recovery Planning. Although it is from 2015, and with a focus on the UK, it is still very relevant and addresses the key elements the Audit Committee should be considering in regard to this critical topic. This article was provided to the Committee last year as well, but received lots of positive feedback, so we wanted to make it available for those who have not yet seen it. We hope it will help facilitate good discussion for the meeting in the Spring.

A. ITEMS FOR DISCUSSION AND ACTION

Item 1:

Minutes of the October 21, 2019

Meeting

**UNAPPROVED Minutes of the VSC Board of Trustees Audit Committee held Monday,
October 21, 2019, at the Office of the Chancellor in Montpelier, VT – UNAPPROVED**

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Audit Committee met on October 21, 2019, at the Office of the Chancellor in Montpelier, VT.

Committee members present: Linda Milne (Chair), Lynn Dickinson (Vice Chair), Megan Cluver (via phone), Karen Luneau (11:15 a.m.), David Silverman (via phone)

Other Trustees: Church Hindes

Presidents: Elaine Collins, Joyce Judy, Karen Scolforo

Chancellor's Office Staff: Jeb Spaulding, Chancellor
Todd Daloz, Associate General Counsel
Sheilah Evans, System Controller & Sr. Director of Financial Operations
Jen Porrier, Administrative Director
Sophie Zdatny, General Counsel
Steve Wisloski, Chief Financial Officer

From the Colleges: Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
Tom Mauhs-Pugh, Provost, Castleton University
Maurice Ouimet, Dean of Enrollment, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont
Toby Stewart, Controller, Northern Vermont University
Littleton Tyler, Dean of Administration, Vermont Technical College

Others: Kieth Goldie, CPA, Partner, O'Connor & Drew, P.C.
Christopher Evans, CPA, Senior Accountant, O'Connor & Drew, P.C.

Chair Milne called the meeting to order at 11:00 a.m.

ITEMS FOR DISCUSSION AND ACTION

1. Approval of the Minutes of the April 29, 2019 Meeting of the Audit Committee

Trustee Dickinson moved and Trustee Silverman seconded the approval of the minutes. The minutes were approved unanimously.

2. Review and Approval of FY2019 Draft Audited Financial Statements and Uniform Guidance Single Audit Report

Auditors Kieth Goldie and Christopher Evans of O'Connor & Drew, PC, Certified Public Accountants, presented the FY2019 draft audited financial statements and uniform guidance single audit report and answered questions from the Committee.

Trustee Dickinson moved and Trustee Luneau seconded Resolution 2019-009: Acceptance of the FY2019 Audited Financial Statements and Uniform Guidance Single Audit Report, recommending the Board accept FY2019 draft Audited Financial Statement. The motion passed unanimously.

Trustee Dickinson moved and Trustee Luneau seconded that the Audit Committee of the VSCS Board of Trustees enter executive session, pursuant to 1 V.S.A. § 313(a)(3), for the purpose of evaluating public officers or employees, consistent with Government Auditing Standards. Along with the members of the Audit Committee (and other members of the Board of Trustees present), the Committee invited the outside auditors from the firm of O'Connor & Drew, P.C. to attend. The Committee entered executive session at 11:46 a.m. The Committee exited executive session at 12:13 p.m. and took no action.

Chair Milne adjourned the meeting at 12:13 p.m.

B. ITEMS FOR INFORMATION AND DISCUSSION

Item 1a:

**Review FY2020 Internal Audit Plan
Proposal**



Internal Audit Plan

Fiscal Year 2020

Payroll and Benefits

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1. GENERAL INFORMATION

1.1 Purpose/Objective

The Internal Audit process is extremely important as it is designed to evaluate and improve the effectiveness of risk management, control and governance processes, as well as add value by improving an organization's operations. Assessing internal controls ensures that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

The overall objectives of an internal audit are to determine whether the colleges:

- Managed and used resources in an efficient, effective, and economical manner.
- Administered funds in compliance with applicable laws, regulations, policies and procedures.
- Implemented internal controls to prevent or detect material errors and irregularities.

The specific objective in this audit is to:

- Assist management with the assessment of the adequacy of internal controls related to the processing of payroll and benefits.

1.2 Scope

The Vermont State Colleges internal audit group, through the direction and oversight of the Audit Committee of the Board of Trustees, prepares an internal audit plan, conducts the annual internal audit and issues a final report to the Committee. The audit is of the current fiscal year. The scope of the FY20 internal audit will be a risk assessment of management controls as they relate to VSC Payroll and Benefits.

1. Does the VSCS have adequate controls to ensure payroll and benefits transactions are managed effectively throughout the payroll and benefits lifecycle?
2. Are employees accurately added to, and termed from the system? Are position and wage changes processed effectively?
3. Are employees and supervisors complying with stated VSC policies and procedures?
4. Are payroll and benefits transactions accurately calculated?
5. Are leave times calculated and accrued correctly?
6. Are benefits changes accurately processed and reflected within our benefits systems?
7. Is the employer and employee share of benefits accurately calculated and processed?
8. Do payroll transactions accurately flow to the general ledger and benefits companies?
9. Do payroll transactions accurately flow to state and federal taxing authorities?
10. Do all VSC institutions have adequate access to payroll and benefit information to manage their respective institutions?
11. Are there methods in place to detect waste, fraud or abuse?

1.3 Overview

The Vermont State College system is comprised of four institutions of higher education, Vermont Technical College, Northern Vermont University, Castleton University, and the Community College of Vermont, as well as the Office of the Chancellor. Each of the institutions operates as a single business unit in that most administrative functions exist at each location with the exception of the following functions:

- Accounts Payable
- General Accounting
- Grants Compliance
- Benefits Administration¹
- Payroll Administration²

With the last payroll of June 2019 the Vermont State Colleges implemented two new systems for Payroll (UltiPro) and Benefits Administration (Benefits Prime). With these implementations, all transactions related to payroll, employee management and benefits administration were moved from the institutions to the Office of the Chancellor. This change impacted every faculty member, staff member, retiree, and student worker within the Vermont State Colleges. The change was dramatic, and involved revising nearly every process and procedure related to employee payroll management, as well as all benefits administration activities.

As with all major software implementations of this size, the VSC should expect that there will be a period of adjustment, typically estimated at 18-36 months from the date of first implementation, before it arrives at a business processing “steady state”. Throughout the intervening period the VSC should expect to see steadily improving accuracy, reliability and compliance.

There are three primary drivers regarding the speed with which an organization can achieve steady-state business operations post-software implementation. These include:

- Software readiness and accuracy
- Human ability to rapidly take on change, and level of communication with constituents
- Effectiveness of, and necessary revisions to, processes and procedures

¹ On July 1, 2019 the Office of the Chancellor (OC) took on full responsibility for managing benefits for all personnel and retirees. Prior to this date, the OC was responsible for processing the benefits of retirees, as well as administration of the VSC benefits plans including contract/plan negotiation, reconciliation and escalated problem resolution.

² Prior to July 1, 2019, the OC was responsible for tax administration/processing, bank statement/account reconciliation, and electronic funds transfer. Effective with the implementation of UltiPro, the OC became responsible for all aspects of payroll processing including adding new employees, terming employees from the system, calculating payouts upon termination, adjusting wages based on contractual obligations as well as bi-weekly payroll processing for the enter VSC.

The benefits of centralized payroll and benefits systems include:

- Greater compliance with state, federal and local laws
- Improved compliance and consistency related to collective bargaining agreements
- Increased efficiency of benefits administration and payroll processing
- Reduced cost for the Vermont State Colleges

However, the VSC should be aware of, and guard against many of the red flags that can be associated with benefits and payroll administration such as:

- Noncompliance with state, federal, local or municipal tax laws
- Inaccuracies or irregularities with overtime calculations
- Incomplete or absent documentation associated with employment changes
- Frequent late completion and/or approval of time sheets
- Requests for payment lacking appropriation authorization or incomplete authorization
- Inadequate written controls

There are comprehensive industry standards for administration and oversight of benefits and payroll administration functions. Necessary controls, both preventive and detective, are important to reduce the likelihood of misuse, abuse, fraud, waste, and errors.

The following are examples employee actions that may raise red flags and require additional review:

- Frequent late submission of time sheets (employees)
- Frequent late approval of time sheets (supervisors)
- Overtime entries in excess of a specific standard for a department or unit (employee entry, supervisor approval)
- Manual and/or undocumented entries into the benefits and or payroll system (benefits/payroll personnel)
- Override of benefits and/or payroll transaction documents (benefits/payroll personnel)
- Incomplete or inaccurate payment requests and/or employment change documents from institutions (HR personnel at institutions)
- Unsigned/unapproved wage change and/or payment requests (HR personnel)
- Requests for payment that exceed payment authority (supervisors)
- Requests for payment by the employee for herself, a family member of significant other (employees)
- Application of incorrect wage rate, position title, grade, bargaining unit or related activities within payroll/benefits system (benefits personnel)
- Payouts for terminated employees are calculated incorrectly (benefits personnel)
- Employment start/end dates are not accurately recorded (benefits personnel, HR personnel)
- Inaccurate or incorrect assignment of benefits (benefits personnel)

- Incomplete or absent federal and/or state documents such as I-9, W-4, W-4VT, Health Care Declaration (benefits personnel, HR personnel at institutions)

The following are examples of preventive controls should be in place for any benefits and payroll administration system:

- Incoming requests for all employee changes should be date stamped and logged upon receipt
 - Requests are for reviewed for accuracy, authorization levels, and completeness and returned to institution if incomplete. A note is made in the log that rework has been requested
 - Rework is returned by the institution on the same form, with appropriate changes, and a secondary review is conducted. A note is made in the log if complete
 - Complete entries are processed into the appropriate benefits/payroll system. A note is made in the log that the entries are complete
 - Termination calculations for employee payouts are reviewed by a second person, and with institution HR to verify accuracy before entry
 - Quality control is executed on completed entries on a daily, weekly, or payroll basis to ensure accuracy of entries
 - Inaccurate entries are corrected in the appropriate system. Notes are made in the log about any issues with data entry to improve processes and procedures
 - Accurate entries are recorded in the log
 - Frequent, recurring, quality control issues by an employee is considered a performance deficiency and is addressed as such
- Bi-weekly timesheets for non-exempt employees are reviewed by each supervisor for each pay period
 - Supervisors ensure the accuracy of the time recorded by the employees, specifically confirming leave time taken, overtime and total hours worked, and approve timesheets
 - Timesheet inaccuracies are corrected by the supervisor. Frequent timesheet inaccuracies by an employee are considered a performance deficiency, as is frequent failure to log time.
 - Frequent failure to review and approve timesheets by a supervisor is considered a performance deficiency.
- Bi-weekly payroll for all employees is evaluated for accuracy
 - High volume exceptions (i.e. more than 8 hours of overtime in a 24-hour period) are automatically identified and noted for review by Payroll
 - Payroll reviews exceptions and resolves each exception through discussion/evaluation with HR at the involved institutions
 - Using the change log, all associated payroll transactions are reviewed for accuracy against the original documentation

- Inaccuracies are returned for rework.
- The number of inaccuracies are tracked
- Unchanged records are evaluated electronically to confirm consistency with prior payroll

Detective controls are retrospective actions to identify questionable transactions. As implied, these controls identify potential issues after the transactions have occurred, but they cannot stop fraudulent transactions from occurring. However, detective measures can assist in quickly identifying potential issues. Some of the more common detection controls associated with benefits and payroll transactions include:

- Reconciliation review of employees and dependents eligible for benefits programs with those actually enrolled in benefits.
- Periodic reports:
 - Report summarizing payroll transactions (number of hours, leave time taken, amount of overtime) by employee sent to supervisors for review.
 - Student employee report summarizing all hours by employee, by job by payroll to be reviewed by institution
 - Overtime report summarizing all overtime by institution, department, and employee by payroll.
 - Duplicate transaction report. This report identifies automatically transactions that appear to be duplicated for the same person
- Three-strike rule: If a person repeatedly fails to enter time or approve time entries, proceed with performance deficiency actions.
- Random Audits: periodically conduct an audit of payroll and benefit transactions.
- Anonymous tip line: Most frauds are discovered as the result of a tip. A tip line allows employees to report suspected p-card misuse.

2. AUDIT EVALUATION

2.1 Metrics

DESIGN MATRIX (PAYROLL AND BENEFITS ADMINISTRATION)

Objectives	Information Required & Sources	Scope and Methodology	Limitations	What this analysis will likely say
What are the objectives this audit is trying to address?	What information is needed to address the objective? From where will the information be received?	How will each objective be addressed?	What are the design limitations and how will it affect the audit?	What are the expected results of the work?
To determine if the Vermont State Colleges has the appropriate policies and procedures involving the administration of payroll and benefits to comply with laws, rules, regulations, collective bargaining agreements and industry best practices	<p>The most recently completed self-assessment questionnaires.</p> <p>Written policy and procedure documentation.</p> <p>Collective bargaining agreements</p> <p>Information and data from institutions</p>	<p>Inquiry and review of selected documents in scope to ensure compliance and adequacy of internal controls.</p> <p>A sample of payrolls, and incoming requests for payment, and benefits changes will be identified. The number and nature of transactions, the amounts and levels of oversight of the process will be considered</p>	<p>The sampling method will not allow us to identify every error or make statements about payroll and benefits as a whole.</p> <p>A portion of the audit will use inquiry as our testing method; therefore, we will rely on personnel's responses, which is not the most reliable form of supporting documentation.</p>	<p>The audit will be able to report whether or not the internal controls and policies/procedures are function properly as designed.</p> <p>The VSC will have current written documentation of the existing policies and procedures and will be able to identify and implement best practices to improve accuracy and compliance.</p>
The plan is to review the internal controls involving payroll and benefits administration and assess the extent that these controls are proper and working as intended	<p>Interviews and discussions with personnel</p> <p>Review of sampling of payroll, benefits and related data</p>	<p>Necessary documents to support good internal control will be collected</p> <p>Interviews and walk-throughs with personnel relevant to audit objectives</p>		<p>Recommendations will provide a path forward for improving the overall usefulness of the new systems and will speed the time to "steady state".</p>

3. AUDIT PLAN

3.1 Method of Internal Audit

The internal audit team will use the FY20 self-assessment questionnaires, review relevant VSC and institution policies and procedures, and conduct interviews with personnel regarding current practices related to benefits and payroll administration.

Sample payroll and benefit transactions will be selected to determine compliance with established policies, procedures, laws, regulations, collective bargaining agreements, and industry best practices.

Additionally, the team will provide guidance and written recommendations to management that will assist in the improvement of the internal control structure of payroll and benefits administration.

3.2 Procedures

1. Review written policies and procedures regarding payroll and benefits administration
2. Confirm employees listed are employees
 - a. Obtain list of employees from UltiPro and ask HR directors to confirm the employees are actually employees, and that the bargaining unit is correct
 - b. Verify employee start and end dates are accurate
3. Verify rates of pay (faculty and staff)
 - a. Obtain list of bargaining unit employees and confirm rate of pay is accurate according to collective bargaining agreements (annual increases as of July 1 or other)
 - b. Obtain list of employees who received increases in pay and verify:
 - i. Was an appointment letter, PAF or other document provided to reflect increase in pay
 - ii. If retroactive increase was necessary (back-date) the calculation was correct and accurately applied
 - iii. The increase was applied at the appropriate date
 1. If the increase was applied part-way through a payroll that the increase was applied accurately for the partial period.
 - c. Obtain list of part-time faculty and verify
 - i. Assignment contracts are applied properly and calculated correctly
4. Payroll verification:
 - a. Using list of active employees (faculty, staff, students), verify each was paid in the payroll system
 - b. Verify leave times were entered and use correctly (i.e. use of floating holidays over December break)

- c. Verify leave times were accrued properly according to bargaining unit contracts and years of service
 - d. For student workers, verify:
 - i. Position selected for data entry was correct for student's contract(s) and positions(s)
 - ii. Hours worked were within student's free time (not during a scheduled class period)
 - iii. Hours did not exceed 20 hours a week
 - iv. Where the student had more than one position, the correct rates of pay were used for hours logged
 - e. For non-exempt personnel, verify:
 - i. Hours calculated correctly
 - ii. Overtime rates calculated correctly according to bargaining unit agreements or federal law as required
 - iii. Call in pay calculated correctly
 - iv. 2nd and 3rd Shift pay calculated correctly
 - f. Verify deductions
5. For one or more payrolls verify:
- a. Transactions have appropriate documentation
 - b. All transactions have been completed accurately
 - c. Payroll deductions have been calculated properly and have appropriate documentation
6. Using a list of employees receiving benefits:
- a. Verify that deductions are being properly calculated
 - b. That all benefits recipients are eligible to receive the benefit
7. Terminated and Retired employees verify:
- a. Obtain list of terminated and retired employees from institutions and verify term date(s) in UltiPro
 - b. Employee term date in the benefits system is correct
 - c. Vacation payouts (if necessary) were accurately calculated, applied for the correct payroll, and was taxed correctly.
 - d. Employees on partial year assignments (less than 1.0 FTE or full-time faculty) the final pay date is accurately calculated and any partial payment (or payment owed to the employee) is accurately calculated
8. Verify state, local, municipal taxes are calculated properly and remitted to the appropriate authority.
9. Using sample transactions of each type (grant eligible, split grant, multiple positions, single position, multiple institutions, multiple bargaining units, student employees, full-time faculty, staff, etc.) verify transactions accurately flow to the general ledger.
- a. Verify payroll, benefits, and all other deductions accurately flow with adequate documentation in the record to support business operations

3.3 Roles and Responsibilities

Audit Team (name, role, title, institution)

- Sharron Scott, Audit Manager, Dean of Administration, Northern Vermont University
- Toby Stewart, Audit Supervisor, Controller, Northern Vermont University
- TBD, Audit Staff

Internal Stakeholders

- Board of Trustees
- Chancellor and Presidents
- Deans of Administration
- Collective Bargaining Units
- All current employees, and retirees (faculty, staff, students and retirees)

3.4 Milestones

Activity	Estimated Completion Date
Completion of Audit Plan	February 3, 2020
Completion of Audit Fieldwork / Report to Management	April 6, 2020
Comments back from Management	April 10, 2020
Final Report Issuance	April 15, 2020
Vermont State Colleges Audit Committee Review	April 20, 2020

Total Estimated Staff Hours:

150-200



INTERNAL AUDIT PLAN

Authorization Memorandum

I have carefully assessed the FY20 Internal Audit Plan for the Vermont State Colleges. This document has been completed in accordance with the parameters set forth by the Audit Committee of the VSC Board of Trustees.

MANAGEMENT CERTIFICATION - Please check the appropriate statement.

_____ The document is accepted.

_____ The document is accepted pending the changes noted.

_____ The document is not accepted.

Linda Milne
Audit Committee, Chair

DATE

Stephen T. Wisloski
VSC Chief Financial Officer

DATE

B. ITEMS FOR INFORMATION AND DISCUSSION

Item 1b:

VSC Internal Controls

Questionnaire FY20 Summary



Internal Control Self-Assessment Questionnaire

PURPOSE:

As a Vermont State Colleges director, manager or administrator it is important to periodically determine if good business practices are being observed within your department. You have been asked to complete this questionnaire as part of a scheduled internal audit.

Specifically, completing the questionnaire will help to:

- ◆ Identify operating areas within your department where required business policies, administrative processes and regulatory compliance are important;
- ◆ Assess the adequacy of existing policies and procedures and other internal controls that are designed to ensure compliance in each of the identified areas;
- ◆ Raise awareness concerning certain efficiencies and cost saving opportunities that result from complying with Vermont State College policies and procedures.

We encourage you to engage your co-workers in brainstorming ways to address areas where you believe certain internal controls need to be improved.

HOW TO COMPLETE THE ASSESSMENT QUESTIONNAIRE:

- Please complete the questionnaire below by checking the appropriate box beside each question and adding additional information into the comment box as necessary.
- If certain sections of the questionnaire do not apply to your organizational activities, please write “N/A” in the comment box.
- If you have any questions related to the items covered in the self-assessment questionnaire, please contact Sheilah M. Evans, System Controller/Senior Director of Financial Operations at Sheilah.evans@vsc.edu.
- Please email the completed questionnaire to Stephen.Wisloski@vsc.edu.

SELF-ASSESSMENT QUESTIONNAIRE

Internal Control Assessment Questionnaire Provider Information

College:	Compiled results: CCV, CU, NVU, VTC
Department:	FY20 Internal Audit
Date:	January 2020
Name:	Stephen T. Wisloski
Phone:	802-224-3022
Email:	Stephen.wisloski@vsc.edu

		YES	NO	Do Not Know	COMMENT
A	ORGANIZATIONAL GOVERNANCE				
1	Does your department/organization have a written mission statement?	4			
2	Does management clearly communicate and demonstrate integrity and other ethical values consistent with the College's/University's business conduct policy?	4			
3	Does your department have an organizational chart that defines lines of authority and responsibility?	4			
4	Is the organizational chart up to date?	4			Always a work in process.
5	Has your department documented all internal policies and procedures that are related to performing all significant administrative processes specific to your department or division's operations?	4			
6	Are these policies and procedures reviewed and up to date?	3	1		Updates are in process.
7	Do you believe that responsible persons in your department are sufficiently familiar with Vermont State College policies related to personnel management, financial matters, use of information and related technology, and regulatory compliance?	4			
8	Are administrators within your department aware of how to access on-line policies and procedures from Human Resources, Finance, Procurement, the Public Safety Office, Research Administration and other key areas of the College/University?	4			
B	FINANCIAL PLANNING AND MONITORING				
1	Are funding sources evaluated annually to assess the sustainability of current funding levels?	4			
2	Does the budget process include key members of management?	4			

		YES	NO	Do Not Know	COMMENT
3	Are one or more individuals in your department responsible for reviewing the department's monthly Synoptix financial reports?	4			
4	Are these reports reviewed: <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Every few months <input type="checkbox"/> Infrequently	4			
5	Are budget managers held accountable for financial performance?	4			
6	Are responsibilities divided among staff members (so that no single employee controls all steps of a financial transaction) thereby maintaining appropriate segregation of duties? (If inadequate segregation of duties does exist, please indicate the process or transaction affected in the <i>Comments</i> section.)	4			
7	If segregation of duties is not practical, does supervisory oversight exist at any level over these financial transactions?	4			
8	Are there any important financial reconciliations that are not being routinely performed that you think should be?		4		The responsibility has transitioned along with accounting to the chancellor's office.
C	PERSONNEL				
1	Are up-to-date position descriptions available for each employee in the organization?	3	1		Responsibility of Chancellor's Office.
2	Are sufficient training opportunities provided to improve employee work related competencies in accordance with their job responsibilities?	4			
5	Has the department established cross-training or contingency plans for significant changes in personnel?	3		1	
6	Are Time Entry records pertaining vacation and sick leave up to date?	2	2		
7	Are overtime hours, and other special work requirements (on-call, shift premium) reviewed and approved in advance by the employee's supervisor?	2	2		

8	Are annual performance evaluations given to departmental employees in accordance with the bargaining contracts or personnel handbook?	1	3		Nearly universal coverage. Difficult to achieve 100%.
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DRAFT

		YES	NO	Do Not Know	COMMENT
9	Have procedures been established to ensure that terminating employees return all College/University ID cards, keys, laptops, purchasing/travel related credit cards, equipment, etc., and that appropriate systems administrators are notified to remove all logon privileges to departmental and College/University systems?	4			
10	Are forms completed promptly and submitted to the Payroll/HR for new hires and changes in employment status?	4			
12	Are employees sufficiently trained to perform assigned roles and responsibilities to support payroll processing (time reported, on-line time entry, etc.)?	3	1		
13	Are payroll reports monitored to identify unapproved time, miscodings, etc.?	2	2		
D	BUSINESS CONDUCT POLICY				
1	Are all department personnel aware of the Whistleblower Policy #211?	3		1	
2	Are all faculty and staff members in your department aware of the Vermont State College's Employee Conflict of Interest Policy that requires employees to avoid conflicts (or any appearance of conflicts) between their personal interests and those of the College/University?	4			
3	Do you know of any individual(s) in your department who, because of the nature of his or her position should be asked to complete an annual Conflict of Interest Disclosure Statement?	2	2		
4	Are all department personnel familiar with the Hospitality Policy #425?	4			Responsibility and authorization for social functions and hospitality is limited to a small number of individuals.
E	REPORTING OF FRAUD/ FRAUD INDICATORS				
1	Until completing this questionnaire are you aware of any instances of suspected fraud that should be reported to the College/University President, Chancellor or reported using the VSC's reporting hotline (see below)?		4		
2	Have any unusual trends or discrepancies in department accounts been recently detected?		4		
4	Are there any department assets (property, equipment, supplies, etc.) that you believe are not adequately protected against theft or misuse?		4		

		YES	NO	Do Not Know	COMMENT
5	Have any missing numbers in sequences of numerically controlled documents been recently identified?		3	1	
6	Until completing this questionnaire were you aware that a website exists to report suspected instances of employee misconduct and that it can be done anonymously? http://www.vsc.edu/faculty-and-staff/Pages/Employee-Benefits.aspx . Access is also toll-free: (866)-215-4016	4			
F1	INFORMATION TECHNOLOGY				
1	Are all department personnel familiar with the VSC Computing and Telecommunications Technology Conditions of Use Policy #502?	4			
2	Are all department workstations upgraded with the latest security patches and virus protection?	4			
3	Is critical information backed-up and stored off-site?	4			
4	Is sensitive information protected by operator ID/password?	4			
5	Are all passwords adequately controlled and protected from unauthorized use?	4			
6	Are passwords kept confidential (i.e., not shared or posted at work sites)?	4			
7	Are you aware of any “default” passwords that are still being used for any IT applications rather than having been changed to more secure, personal passwords?	2	2		
8	Are computer applications logged-off when the user is going to be away from the terminal or PC for an hour or more?	4			Time out sessions are in place to lock PC's.
9	Are computers and servers maintained in a secure area?	3		1	
10	Are laptop computers secured when not in use?	2		2	
11	Are electrical surge suppressers used on all computer equipment?	1	1	2	
12	Is each departmental server equipped with an Uninterrupted Power Supply (UPS)?	2	1	1	
13	If a department has a critical information system that is connected to an outside network, is it protected by a firewall?	3		1	
14	Is all software properly licensed using either a site or individual licensing arrangement?	4			
15	Has a disaster recovery/business resumption plan been developed should one of your critical information business systems fail or be destroyed?	2		2	
16	Has the disaster recovery/business resumption plan been tested/simulated and if so, when (indicate in <i>Comments</i> section)?	1	1	2	

		YES	NO	Do Not Know	COMMENT
F2	INFORMATION CONFIDENTIALITY AND DATA PRIVACY				
1	Are all department personnel familiar with the requirements concerning the handling of private and confidential College/University information?	4			
2	Do your computers/applications contain any of the following combinations of confidential data elements that are considered to be “individually-identifiable” information that could be used to assist with identify theft? 1) Name & Social Security # 2) Name & Date of Birth 3) Name & Bank Account # 4) Name & Credit Card # 5) Name and Mother’s Maiden-name 6) User ID & Passwords for University Systems? (NOTE: List those combinations in use by number in the Comment section)	4			
3	Do your computers/applications contain private or confidential information about students?	4			
4	Do your computers/applications contain private or confidential information about faculty/employees?	4			
5	Do your computers/applications contain private or confidential information about donors?	2	2		
6	Does your area collect any (as defined above) individually-identifiable private or confidential University information on paper forms or records?	2	2	1	
7	Do these paper forms/records contain private or confidential information about students?	1	2	1	
8	Do these paper forms/records contain private or confidential information about faculty/employees?	1	2	1	
9	Do these paper forms/records contain private or confidential information about donors?	1	2	1	

		YES	NO	Do Not Know	COMMENT
10	Do these paper forms/records contain any of the following combinations of confidential data elements that are considered to be “individually-identifiable” information that could be used to assist with identify theft? 1) Name & Social Security # 2) Name & Date of Birth 3) Name & Bank Account # 4) Name & Credit Card # 5) Name and Mother’s Maiden-name 6) User ID & Passwords for VSC systems? (NOTE: List those combinations in use by number in the Comment section)	2	1	1	
11	Are these paper forms/records stored in secure cabinets that prevent unauthorized personnel from gaining access to this data?	2	1	1	
12	If you maintain information related to students, have you received FERPA training?	4			
13	If you maintain information related to patients, have you received HIPAA training?	1	1		n/a (x2)
14	Does your department accept payment via credit card?	4			
15	If you answered yes to question 14, are you utilizing Touchnet?	4			
G	BANK ACCOUNTS/PETTY CASH				
1	Does your College/University have a checking account with an outside banking institution?	4			Maintained and reconciled by the Chancellor’s Office.
2	If yes, what it is used for? (use comments section)				To receive payments and deposits.
4	Does your department maintain a petty cash fund? If yes, what is the amount of this fund? (use comments section)	3	1		\$3,700-J/\$1,350-L
5	Was this petty cash fund established with the approval of the Dean of Administration?	3		1	
6	Do more than two individuals have physical access to the petty cash fund cash box or safe? (If so, how many?) (use comments section)		3	1	
7	Is the petty cash fund maintained in a safe or lockable cash box and stored in a secured place?	3		1	
8	Is supporting documentation provided for all petty cash disbursements?	3		1	
9	Is the petty cash fund reconciled and replenished at least monthly? (If not, please indicate how often)	3		1	

		YES	NO	Do Not Know	COMMENT
10	Does a person other than the fund custodian reconcile the fund or perform an independent review of the reconciliation?	3		1	
H	CASH RECEIPTS/REVENUE				
1	Does adequate segregation of duties exist within your department between staff members responsible for receiving, depositing and reconciling cash and checks?	4			
2	Are all checks made payable to the College/University?	4			
3	Are all checks restrictively endorsed immediately upon receipt with a stamp, “ For Deposit Only – College/University ? ”	1	3		Checks are not immediately stamped for deposit only. The digital deposit machine does this at the end of the day.
4	Is a cash receipt log maintained to create supporting documentation to which you can reconcile deposits?	3	1		
5	If cash is accepted, are pre-numbered receipts used to track payment?	4			System generated receipts.
6	Are all unused pre-numbered receipts/tickets accounted for?	2			N/A
7	Are deposits of funds made on the next business day?	2	1		
8	When funds cannot be deposited daily, are they transported or stored in a secure location at the end of the workday?	4			
9	Are cash and checks adequately protected when transferred to the Business Office or bank?	4			
10	Is there adequate physical security where cash handling activities occur?	4			
11	Is all information on cash or checks gifted to the College/University forwarded to the Advancement Office for gift processing?	4			
12	If you have any revenue generating activities, have you consulted with the System Controller at the Chancellor’s Office to determine if any of the revenue is subject to unrelated business income tax (UBIT)?	3		1	UBIT reporting is handled by the Chancellor’s office with support of the campuses as needed.
13	Has your Department consulted with the Chancellor’s Office concerning whether sales tax should be charged to customers and how it should be deposited?	3		1	
I	TRAVEL AND BUSINESS EXPENSES				
1	Are members of your department aware of the VSC online Travel Policies and Procedures?	4			

		YES	NO	Do Not Know	COMMENT
2	Are travel plans made sufficiently in advance to obtain the most favorable transportation rates?	3		1	
3	Is all overnight travel authorized in advance by the traveler's Department Head, Supervisor or Director?	4			
4	Do you know of any instances of non-compliance with policies for reimbursing travel and entertainment expenses in accordance with the VSC's Travel policy or Federal regulations?		4		
5	Do reimbursement requests include exchange rates for receipts submitted for international travel?	2		1	
6	When traveling internationally on federally funded grants, are any international carriers being used when departing from/to the United States?			3	N/A
7	Does someone in your department review travel and meeting expense reports to ensure alcohol expenses are not charged?	3		1	
8	Are travelers required to provide original receipts for all travel expenses over \$25 per day?	4			
9	Are copies in lieu of original receipts ever submitted by travelers in your department?	3			
10	Are all requests for business and entertainment expenses documented in terms of how the activity was College/University or business related, including a listing of attendees (with titles)?	2	1	1	The Accounts Payable personnel would be able to address this question.
J	PROCUREMENT CARDS (Pcard)				
1	Have P-cards been issued to all department personnel who are responsible for procurement?	3	1		
2	Has everyone that has a p-card read the p-card policy and procedures manual?	3		1	
3	Has a formal reconciliation protocol been established for each cardholder to reconcile his or her monthly P-card statements with packing slips, invoices or register receipts? (Note: Certain charges may be automatic such as water or cell phone services.)	4			
4	Is documentation of P-card activity, including supporting documents, sorted and stored by Month and/or Cardholder and by P-card Transaction report?	3		1	The General Ledger group at the Chancellor's Office handles this process.
K	PROCUREMENT OF GOODS AND SERVICES				
1	Does your department rely on someone outside of your department to coordinate bids for goods and services?	2	2		

		YES	NO	Do Not Know	COMMENT
2	Does the department solicit at least 3 competitive bids for any purchase that exceeds \$25,000 and perform a competitive RFP process for purchases exceeding \$100,000?	4			
3	Does the department maintain written documentation for justifying any purchasing of sole source or preferred vendor for purchases that are not bid?	4			
4	Does the department reconcile purchases/goods received to their monthly budget statements?	3		1	
5	Do you ever pay a state sales tax on your purchases?		2	1	
6	Does your department split orders to avoid higher approval levels or to bypass limits, (i.e. Pcard limits or bidding levels)?		4		
L	RECORDS RETENTION				
1	Does your department have a copy of the appropriate records retention policy for your area?	4			
3	Are important documents, including electronic media, stored in a secure area with adequate protection from fire and/or water damage?	4			
M	INVENTORY CONTROL				NVU inventory items are addressed in IT section above. NVU does not sell inventory items.
1	Are inventory items maintained in a secure location?	1		1	
2	Is there adequate protection from fire and water?	1		1	
3	Is inventory well organized?	1		1	
4	Is flammable material stored according to code in a special fireproof cabinet and kept in an isolated location?	1		1	
5	Are any controlled substances stored and dispensed according to Drug Enforcement Agency (DEA) regulations?	1		1	
6	Are receiving documents matched to purchase orders and invoices?	1		1	
7	Are all materials received counted and inspected prior to entry on storeroom/inventory records?	1		1	
8	Are back-ordered items properly followed up on to ensure timely receipt of items ordered?	1		1	
10	Are inventory records maintained based on periodic physical counts or a perpetual system?	1		1	

		YES	NO	Do Not Know	COMMENT
12	Have formal procedures been established for reviewing and disposing obsolete and slow-moving inventory items?			2	
13	Are there currently any items in stock that are obsolete or slow-moving?			2	
14	Is a physical inventory conducted at least annually?		1	1	
15	Are items physically counted matched against inventory records?			2	
16	Has a cycle counting program been considered?			2	
17	Are inventory records adjusted immediately based on the results of a physical inventory or cycle counting program?			2	
18	Do individuals independent of inventory custody investigate unusually large discrepancies, between inventory records and physical counts?			2	
19	Is any inventory stored or consigned at an outside location?		1	1	
N	BUILDING SAFETY & SECURITY				
1	Have all concerns about the safety of the building(s) been brought to the attention of the individual or group responsible for building safety (e.g. lack of building exit routes, trained safety monitors, regular evacuation drills)?	4			
O	COMPLIANCE WITH FEDERAL AND STATE GOVERNMENTAL REGULATIONS				
1	Do you believe that department personnel are sufficiently informed about important federal and state laws and regulations that govern activities performed within your department?	4			
2	Please answer for each of the following that applies: Does your department participate in activities that are governed by:				
	• Occupational Safety and Health (OSHA)	2		N/A	
	• Environmental Protection Agency (EPA)	2		N/A	
	• UG Federally Funded Research	4			
	• IRS	4			
	• HIPAA	4			
	If you answered 'YES' for OSHA				
1	Have employees been trained for workplace safety by the Environmental Health & Safety Office (EH&S) to comply with the appropriate regulatory requirements for their job responsibilities?	2	1		

		YES	NO	Do Not Know	COMMENT
2	Does your department have a policy of conducting (or requesting) periodic walk-through inspections of workspaces to identify and correct any unsafe or potentially hazardous conditions and work practices that could result in OSHA violations in consultation with the Office of Risk Management?	1		2	
If you answered 'YES' for EPA					
1	Has the EH&S notified your department about how to avoid hazards in the handling of hazardous materials and emergency response procedures?	1	1	1	
2	Does your department, research or teaching labs perform any activities using bio-hazardous agents, hazardous chemicals or radioactive material?	2			
3	If so, are they properly labeled and stored?	1			
	Are records maintained concerning inventories of these materials?	2			
4	Do you believe that adequate security exists over access to any bio-hazardous, radioactive or other hazardous materials?	2			
5	Has all hazardous waste been stored and disposed of in accordance with federal regulations and College/University policy as managed by EH&S?	2			
6	Do all individuals working with radioactive materials wear monitoring badges?			2	
7	Do you know of any teaching or research labs within your college that might represent a health or safety risk due to poor housekeeping practices?		1	1	
8	Do individuals in your teaching and research labs know how to correctly respond to a hazardous spill or chemical release?	2			
9	Are you aware of any violations of any existing hazardous materials storage laws or documentation requirements for using such materials?		1	1	
If you answered 'YES' for Uniform Guidance Federally Funded Programs					
1	Are all grant proposals reviewed and approved by the appropriate programmatic Dean, Dean of Administration and President's Office before they are submitted to granting agencies?	3			
2	Are the Forms A, B & C completed in a timely manner for each grant and submitted to the Office of the Chancellor as per Policy 408?	3			

		YES	NO	Do Not Know	COMMENT
3	Do you believe that your department's principal investigators (PIs) and project directors are sufficiently familiar with Uniform Guidance cost principles governing allowable costs and activities?	1	1		
4	Do you believe that your department's principal investigators and project directors are sufficiently familiar with VSC guidelines for charging administrative or clerical salaries and other administrative costs to federal grants and contracts?	2			
5	Do you believe that principal investigators require additional training concerning effort reporting requirements to ensure that salaries charged to federal grants and contracts properly reflect the time and effort directed to the grant or contract activities?	1	1		
6	Do you know of instances where principal investigators are not signing off on Quarterly Time & Effort Reports for those individuals who work on their grants and contracts?		1		
7	Do you believe that principal investigators and project directors require additional training concerning VSC' policies and procedures regarding purchasing, procurement card usage, capital equipment requests, and travel and business expense reimbursement as they relate to charging federal grants and contracts?	1			

If you answered 'YES' to IRS				
1	Is your head department administrator sufficiently familiar with federal and state tax regulations that pertain to department operations (e.g., HR - federal employment taxes, social security, COBRA, foreign students, pension requirements; check writing/AP functions - independent contractors, abandoned property and sales tax)?	4		
2	Has department management contacted the System Controller at the Office of the Chancellor with any questions regarding potential tax liabilities?	1	3	
If you answered 'YES' to HIPAA				
1	Does your department retain medical records for faculty, staff or students?	3		1 Immunization records for students.
2	Does your department maintain any confidential employee/student records that require special treatment for privacy protection?	2		2
3	Do you believe that refresher HIPAA training would benefit individuals responsible for providing treatment or maintaining confidential medical records?	3		1

Comments

Item B3:
Disaster Recovery Planning
Discussion Preparation



The Audit Committee's role in Disaster Recovery, Crisis Management and Resilience



This paper looks at the Audit Committee’s role in Disaster Recovery, Crisis Management and Resilience. It considers some of the potential limitations of current risk management, the nature and frequency of corporate crises and the critical role an Audit Committee can provide in the effective governance before, during and after such events.

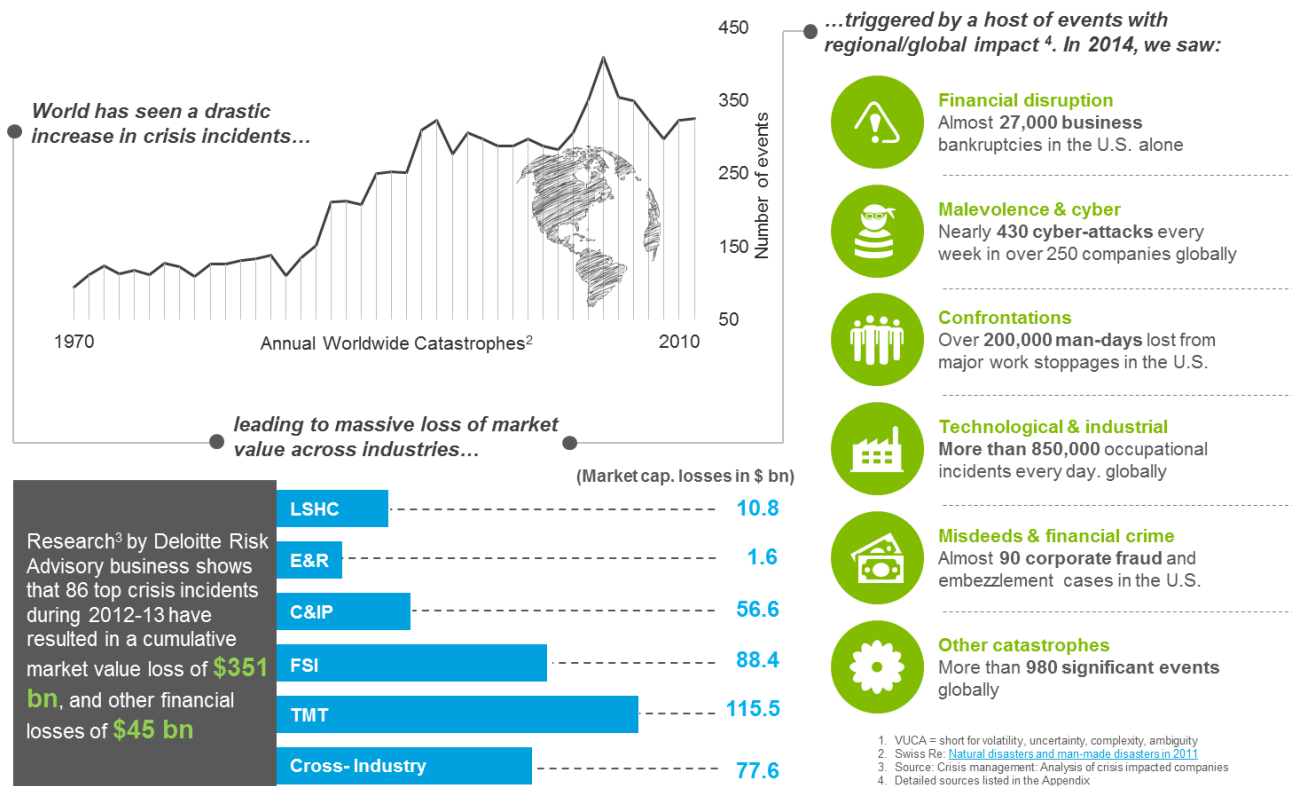
With respect to the Audit Committee’s role in Disaster Recovery, Crisis Management and Resilience, there are three main aspects to consider:

- Its role in seeking assurance over these areas and how it achieves this;
- Its role in supporting the Board in monitoring risk management and internal controls; and
- Its role in respect of the UK Corporate Governance Code, the Principal Risks and longer term Viability Statement.

The relationship between Risk Management, Disaster Recovery, Crisis Management and Resilience

The dynamic, global business environment has led to larger and more frequent crisis events. Risk management processes are often failing to identify or adequately consider an organisation’s readiness to deal with such events.

In part, this is because Disaster Recovery (or business continuity), Crisis Management and Resilience are not always closely integrated with the risk management process or function. As a result they often operate in a narrowly defined context and lack agility in dealing with rapidly emerging risks, leaving organisations exposed to ‘real-world’ events.



Recently, the term Resilience (usually prefixed with other words such as: Operational, Technology or Cyber) has come into increasing use, though often with little clarity or understanding on what is meant by it. At the end of 2014, the British Standards Institution published a new guidance Standard, BS 65000 – Organisational Resilience, which has attempted to define the term and the principles and attributes associated with it. In essence this Standard calls for much closer integration and alignment of Risk Management, Disaster Recovery, Crisis Management and other 'protective disciplines' such as Security.

A key principle of Resilience is the ability to anticipate & assess, protect & control, plan & prepare, and respond & recover in the context of major disruptive or catastrophic risks, whether they are internal or external, known or unknown, in addition to the ability to adapt & reform in the light of longer-term strategic risks such as climate change or changing markets. This provides a more holistic view of the management and mitigation of high impact risks than is commonly adopted.



Developing increased resilience to strategic impact risks or improving 'Risk Resilience' requires risk management, disaster recovery and other disciplines to work together.

The Audit Committee should consider:

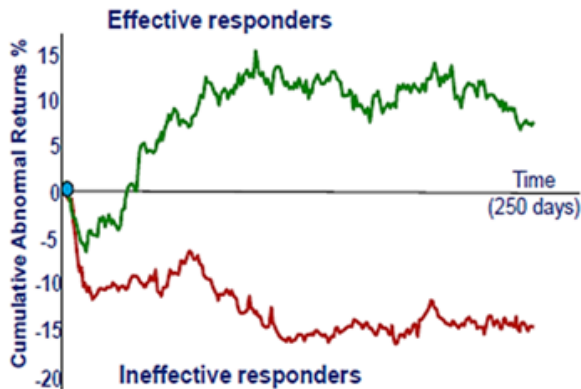
- Whether risk management and other 'risk resilience' related functions are aligned/integrated, and the extent to which 'risk resilience' is being governed and addressed holistically
- How major disruptive or catastrophic risks are identified and assessed, for example, the effectiveness of horizon scanning for external risks, scenario analysis and near-miss reporting, as well

as the organisations willingness to 'think the unthinkable'

- The time horizon over which major disruptive or catastrophic risks are considered
- Whether the scope of risks or scenarios addressed under disaster recovery and crisis management is appropriate
- The robustness of resilience to/planning for major disruption and catastrophic risks (both internally caused and external)
- The extent to which internal audit or external expertise is able/required to provide assurance on the above

Effective Crisis Management is critical now

It is specifically worth considering the importance of effective crisis management in dealing with extraordinary situations, since failure to respond well leads to rapid and prolonged reputational damage/value loss, as illustrated below.



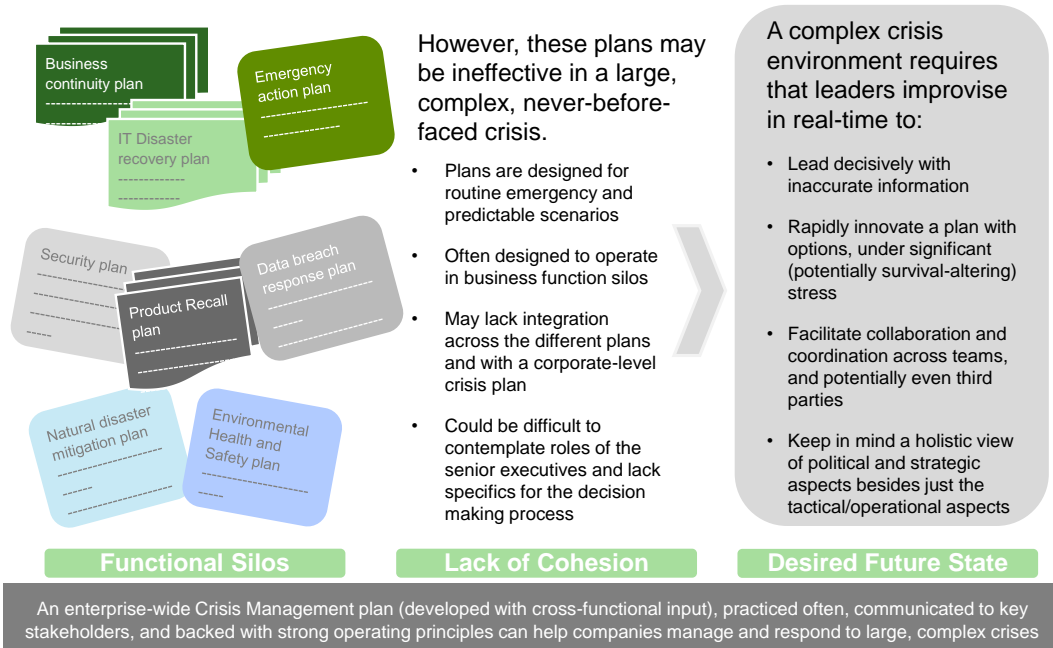
Research from 15 high-profile crises focused on the impact on shareholder value following the crisis

“Reputation Review” (Oxford Metrica and Aon, 2012)

Effective response is about much more than just media, customer and employee communications, vital though these are. It is also about rapidly establishing a highly responsive and adaptive organisation and operating mode, deploying the necessary resources, coordinating effectively across all areas of the business and decision making in a situation which will have a high degree of ambiguity, where there is a lack of information and considerable time pressures.

None of this comes easily, and certainly not without preparation and rehearsal. A well-prepared organisation may have multiple action plans to address the wide range of risks that they face

Crisis communications is a particularly challenging and important area. With the global and pervasive availability of mobile technology, information power has shifted from organisations to consumers. This means in dealing with a crisis, organisations must move with speed, full transparency and empathy. It must communicate at many levels, internally and externally and it should seek to use all channels effectively, including social media.



Executives express confidence in their crisis preparedness

Our own very recent survey (not yet published), conducted by Forbes Insight of over 300 Board members indicates that:

- A solid majority (75%) of board-members surveyed express confidence in their organisations crisis preparedness.
- However, the study also indicated that this confidence is not often backed up by tangible EVIDENCE over what the organisation has actually put in place to be crisis ready.
- Further, there appears to be a significant vulnerability vs planning gap, with many seeing clear vulnerabilities, but far fewer having undertaken robust preparations for them.

These findings, and the points made earlier in this paper, indicate that enhanced governance in this area is necessary. The following sections provide some thoughts on this and the role of the Board and Audit Committee.

The Board and the Audit Committee has two main roles relating to Crisis Management

Under normal business conditions

To ensure that the organisation, including the executive team and Board members are ready to deal with a crisis; the Audit Committee should be seeking this assurance through its oversight of internal audit and related activities on behalf of the Board.

As '**guardians of reputation**' the Audit Committee should ensure that the organisation has a robust crisis communications strategy that engages customers, employees and other stakeholders as part of the organisation's crisis planning and preparations.

During and immediately after crisis

To act in a crisis (often in support of the Executive team, though at times this may include replacing or standing in for key Executives) and to ensure lessons are learnt after the crisis; the Audit Committee members may have

key roles to play as part of the Board or Executive, and the Audit Committee should ensure that independent investigations and reviews post-event are undertaken where appropriate.

The Audit Committee should ask

Under normal business conditions

- Do we have a Crisis Management Plan, with clear roles and responsibilities, and who in the Executive team is responsible for it?
- Have our Executive Management Team been adequately trained and have they taken part in crisis simulation rehearsals; when was the last time they did so?
- Is there a Crisis Plan for the Board and have key Board members taken part in crisis simulation rehearsals?
- Is there a robust crisis communications plan and has this been '*stress tested*' through crisis simulation rehearsals, including the how and by whom?
- What's our perception of the organisation's vulnerabilities and key risks and our confidence in our preparedness to deal with such events should they arise?
- Has our Crisis Management capability been subject to internal audit or external validation?

During and immediately after a crisis

- Is it clear which members of the Board will be responsible for what during a crisis?
- Is the organisation communicating appropriately and transparently to all stakeholders?
- Do we know who we would call upon to support the Board and are arrangements to do this already in place?
- As a matter of course, do we demand an independent review in the wake of a crisis such that lessons may be learned and improvements made in the spirit of full transparency?

FRC and the Updated Code of Practice

The updated code requires a robust assessment of principal risks. This includes:

- Identifying the principal risks, evaluating their likelihood and their impact should they materialise
- Assessing the availability and likely effectiveness of actions they might take, either in advance or when a trigger event occurs, to avoid or reduce the impact
- Be aware of those risks (or combination of risks) that could seriously affect the future performance, solvency or liquidity of the company

It also requires a Viability Statement, which should take account of the organisation's principal risks. This should consider:

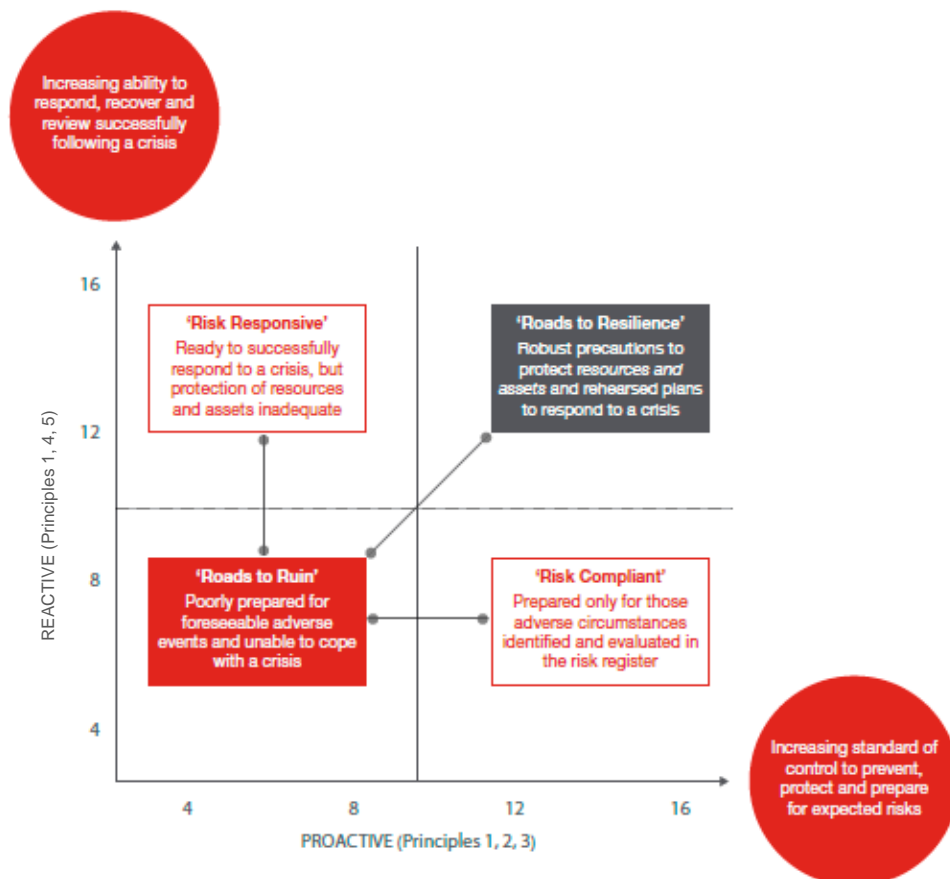
- The timeframe over which such risks should be considered – certainly greater than 12months
- Scenario analysis and modelling of such risks, individually and in aggregate

Many of the points discussed above will contribute to this assessment of Principle Risks and the preparation of the Viability Statement.



In summary

- There is growing acceptance that major disruption and catastrophic risks, often unforeseen, are leaving organisations vulnerable and poorly prepared to respond
- Risk management processes are often failing to either anticipate such risks or ensure the organisation, including the executive management team and the Board, is adequately prepared
- Disaster recovery, crisis management and resilience arrangements have also been found wanting because they have been too narrowly defined and lack agility in dealing with real-world situations
- The pervasive use of mobile technology has dramatically changed the speed at which organisations need to be able to organise and respond to a crisis situation – this is making pre-planning and preparation more essential than ever
- The Audit Committee should seek assurance over the organisation's Risk Resilience and Crisis Readiness.



"The Changing World of Risk" (AIRMIC, 2015)

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