

**CENTRAL MICHIGAN UNIVERSITY** CHAPTER 12  
**MANUAL OF BOARD OF TRUSTEES**  
**POLICIES, PRACTICES AND REGULATIONS** PAGE 12-9(R)

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**SUBJECT: INTERNAL AUDIT FUNCTION POLICY**

The Internal Audit Function Policy as amended and dated July 15, 2010, is adopted as follows:

**Purpose**

The function of internal audit is established at Central Michigan University to assist the Board of Trustees in fulfilling its responsibility for continuing oversight of the management of the university and to be of service to all levels of management of the university. The position of director of internal audit is established and assigned responsibility for conduct of the university internal audit function. The audit committee chair must concur in the appointment or removal of the director of internal audit.

Internal audit shall be an independent appraisal function to examine and evaluate the activities of the university. The objective is to assist officers and employees of the university in the proper discharge of their responsibilities by providing analysis, appraisals, recommendations, counsel, and information concerning the activities reviewed.

**Authority**

The director of internal audit, in the performance of his/her duties, shall report administratively to the president and functionally to the Board chair and audit committee chair.

The administrative responsibility to ensure an effective system for internal control is assigned to the vice president for finance and administrative services.

It is the intention of the Board that the director of internal audit shall have access to the audit committee at any time with regard to matters affecting conduct of the internal audit function; that the director of internal audit shall provide a report on his/her activities directly to the audit committee or its chair describing the current status of work toward the goals of the annual audit plan; that the director of internal audit shall be present to advise the audit committee, as may be appropriate, when the external auditor presents its audit results to the committee; and that the director of internal audit shall have full access to all of the university records, properties, and personnel relevant to the subject under review.

**Authority:** BTM 7-15-10 at 5634

**History:** BTM 4-1-83 at 1857; BTM 4-6-90 at 2629; BTM 2-18-94 at 2947

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**Statement of Responsibility**

While the approved annual audit plan shall prescribe assignment priorities for the director of internal audit, he/she shall be concerned with any phase of institutional activity where the internal audit function may provide a beneficial service to management. This management service involves going beyond the accounting and financial records to obtain a full understanding of the operations under review and will require the following activities:

1. Examination of transactions for accuracy and compliance with institutional policies.
2. Evaluation of financial and operational procedures for adequate and effective internal controls and safeguarding of assets.
3. Testing of the timeliness, reliability, and usefulness of institutional records and reports.
4. Evaluation of the economical and efficient use of resources.
5. Monitoring the development and implementation of methods, systems, procedures, and major revisions to them, including those pertinent to computer applications.
6. Evaluation and monitoring of the computer center's system of internal control to ensure adequate security and controls related to hardware, software, data, and operating personnel; and to ensure retrieval of necessary data for audit purposes.
7. Determination of the level of compliance with required internal policies and procedures, state and federal laws, and government regulations; and appraisal of the effectiveness and appropriateness of internal policies and procedures under current conditions.
8. Program performance evaluation.
9. Liaison with external auditors.

No member of internal audit shall have authority over or responsibility for any of the activities reviewed.

Internal audit reports will be distributed to the following:

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Chair, Board of Trustees  
Board Audit Committee  
President  
Vice President of the Audit Area  
Director/Dean of the Audit Area  
Manager/Department Head of the Audit Area  
Members of the Board of Trustees upon request

Internal audit reports containing items concerning internal control will also be distributed to the Vice President for Finance and Administrative Services.

It is the exception of the Board that the operations of the internal audit department shall be consistent with the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, and that an evaluation of the university internal audit function shall be conducted on a regular basis as a part of the external audit.

**Annual Audit Plan**

An audit plan shall be prepared by the director of internal audit each year to establish the general scope of audit coverage and the cycle of the plan shall coincide with the fiscal year of the university. Further, the development of the audit plan should include a two-year plan for scheduling audits of university departments and activities. In addition to the audit plan, the director of internal audit shall develop a five-year goal plan.

The audit plan shall be prepared in consultation with the audit committee, the administrative officers of the university, and the external auditor. A formal, written program shall be prepared for each audit including the annual plan.

An audit plan shall be implemented by the director of internal audit upon approval by the audit committee, which approval shall occur no later than July of each fiscal year. Midyear modifications to the plan are subject to the approval of the audit committee.