THE UNIVERSITY OF MICHIGAN

STANDARD PRACTICE GUIDE

SECTION:	Audit Services	**Number:**	505.1
		Revised:	3/1/78
SUBJECT:	Internal Audit	**Date Issued:**	
		Attachment(s)	0
APPLIES TO:			
ISSUED BY:	University Audits		

I. Policy

Regents' Bylaw 3.01(2) states that the Vice President and Chief Financial Officer shall "...cause periodic audits of all University units to be made for the information of the Board and shall file these audits at intervals during the fiscal year."

II. Responsibilities

The Director of University Audits is responsible for supervising the Internal Audit Department and for coordinating all internal and external auditing functions, including the external auditors employed by the Regents to certify the annual financial statements; the State Auditor General; various Federal audit agencies such as DHEW Audit Agency and the General Accounting Office (GAO); any other fiscal auditors representing contractors, granting agencies, or governmental agencies.

III. Internal Audit

The Statement of Responsibilities of the Internal Auditor, issued by the Institute of Internal Auditors, is used as a guide by the Internal Audit Department, and is supported by the Board of Regents and University Executive Officers. The following is quoted:

"Nature of Internal Auditing

Internal Auditing is an independent appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

"Objective and Scope of Internal Auditing

The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review.

The attainment of this overall objective involves such activities as:

- Reviewing and appraising the soundness, adequacy and application of accounting, financial, and other operating controls, and promoting effective control at reasonable cost.

- Ascertaining the extent of compliance with established policies, plans, and procedures.
- Ascertaining the extent to which company assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data developed within the organization.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Recommending operating improvements."

IV. Authority and Responsibility

To accomplish its assigned responsibility, the Internal Audit Department has full access to all University records, properties and personnel relevant to the subject under review and is free to review and appraise policies, plans, procedures and records. All Internal Audit employees have been provided University photo identification cards and proper identification should be established prior to access. Questions regarding the authority of an auditor should be directed to the Director, University Audits, or to the Vice President and Chief Financial Officer.

In performing its functions, the Internal Audit Department has no direct responsibility for nor authority over any of the activities which it reviews. Therefore, the internal audit review and appraisal does not in any way relieve other persons in the organization of the responsibilities assigned to them.

V. Procedure

A complete audit schedule is prepared annually covering a three-year period, designed to provide audit coverage for all University units and operations to the extent of available staff. In addition, special investigations of reported irregularities or areas of special concern are made.

Audit reports are furnished to the heads of units audited, and copies are made available to the Regents. A semi-annual report is submitted to the Regents, listing all audits completed and summarizing the relevant findings, problems and recommendations.

VI. Special Investigations

Individual staff members are urged to contact the Internal Audit Department directly to report financial or operating irregularities or areas of doubt and concern. The identity of any employee making such contact will be kept confidential if so requested. Telephone 647.7500.