


**AUSTIN PEAY STATE UNIVERSITY
POLICIES AND PROCEDURES MANUAL**

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Date: October 7, 2002	Dated: August 1, 1986
Subject: Internal Auditing	
Initiating Authority: President	TBR Policy/Guideline Reference: B-050
Approved:  President:	

General

The internal audit function contributes to the effectiveness of controls that management is responsible for establishing and maintaining. The fundamental purpose of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve the institution's operations. The audit staff is expected to develop a positive image so that there is an awareness of the audit function within the institution and so that action can be taken on findings and recommendations when presented. Each internal audit function shall adhere to The Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*.

Internal Audit Personnel

1. Austin Peay State University shall employ at least two individuals with full-time responsibility as internal auditors. Additional internal audit staff shall depend upon institutional size and structure. Titles of internal audit staff shall be consistent within the overall institutional structure.
2. Internal audit staff shall possess professional credentials and experience requisite to position responsibilities. The director must be licensed as a Certified Public Accountant or a Certified Internal Auditor.
3. The appointment, change of status, termination, and compensation of the chief or lead internal auditor is subject to approval by the Chancellor or designee.

Internal Auditing Role and Scope

1. Internal Audit reports directly to the President. In addition, TBR has an oversight role. TBR hosts periodic meetings and communicates with the audit directors on

matters of mutual interests. The TBR maintains an internal audit manual to guide the internal audit activity in a consistent and professional manner at each institution. This reporting structure assures the independence of the internal audit function.

2. The internal auditors' responsibilities should include:
 - Working with management to assess institutional risks and developing an audit plan that considers the results of the risk assessment.
 - Evaluating institutional controls to determine their effectiveness and efficiency.
 - Coordinating work with external auditors, program reviewers, and consultants.
 - Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
 - Testing the timeliness, reliability, and usefulness of institutional records and reports.
 - Recommending improvements to controls, operations, and risk mitigation resolutions.
 - Assisting the institution with its strategic planning process to include a complete cycle review of goals and values.
 - Evaluating program performance.
3. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The internal auditor shall have access to all records, personnel, and physical properties relative to the performance of duties and responsibilities.
4. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.
5. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.
6. An independent quality assurance review of the internal audit function is required by the *IIA Standards* every five years.
7. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the institution's objectives. The auditors continually evaluate the risk management processes and internal control structures. Internal Audit will receive copies of external audit reviews, program reviews, fiscally

related consulting reports, notices of cash shortages, physical property losses, and employee misconduct. These will be considered in the evaluation of risks.

Audit Plans

Internal Audit shall develop an annual plan using an approved risk assessment methodology.

1. At the beginning of each fiscal year, the Internal Audit director will prepare an annual plan listing proposed areas to be audited. The audit work plan must be flexible to respond to immediate requests. The status of the past year's plan will also be prepared in an annual activity report that may include other significant audit services. The President will submit two copies of the institution's Audit Plan for review by the Chancellor. The Chancellor will forward one copy to the State Comptroller's Office

Audit Reports

1. Each routine internal audit should result in a written report that documents the objectives, scope and conclusion of the audit. Management will include corrective action for each reported finding. Reports on special studies, consulting services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.
2. The president will be notified at the conclusion of a follow-up audit if management has not corrected the reported finding.
3. All internal audit reports will be signed by the director and transmitted directly to the President in a timely manner.
4. The President shall forward two copies of the internal audit report to the Chancellor. The Chancellor of the State Board of Regents will forward one copy to the State Comptroller's Office.

Follow-up action will be taken on all audit report recommendations and the department or activity reviewed will be expected to report to the President the definite action taken on each recommendation made. Department or activity disagreement with recommendations should also be reported promptly in writing.

Exceptions

Any exceptions to the guideline established herein shall be subject to the approval of the President.