Financial and Operational Audits

Policy 1001

1 Introduction

The Office of Internal Audits serves as an independent control and appraisal activity. A primary mission of the office is the review and evaluation of all institutional operations of the University. This includes an evaluation of internal control with recommendations for improvements of controls. Also included is audit coverage through Information Systems audits of computer applications and administrative systems.

In accomplishing the mission of the office, the Director of Audits is authorized full, free and unrestricted access to all University functions, property, personnel and records maintained by all units of the University. Such access shall be with or without prior notice to or specific approval by any level of management, depending on the nature and sensitivity of the audit. The Director of Audits will exercise appropriate professional judgment in the use of this authority.

The Director of Audits reports to the Chancellor of the University. The Office of Internal Audits serves as a constructive link between the Office of the Chancellor and all operational and administrative levels of the University. The staff also serves as resource persons for financial management of the University.

The Director of Audits determines the audit coverage and schedule based on the risk analysis of the operational areas of the University and available personnel to perform the audits. He may also receive advice and counsel from the North Carolina State Auditor as to areas that should be reviewed before the annual State audit. As the need arises, the Director may adjust the schedule in order to perform special audits/reviews as requested by senior administrators of the University. These special audits/reviews may be requested as outlined in this section of the RESOURCE MANUAL.

Operations of the University are audited within established policy guidelines and provide managers and senior administrators with audit reports, containing statements of operations and financial position. Also included are audit deficiencies and recommendations for corrective action.

The audits also serve as an element of managerial control and are responsible for measuring and evaluating the effectiveness of this control within the University for the Chancellor and other senior administrators.

2 Scope

3 Definitions

3.1 Definition phrase or word

   Definition summary

4 Policy and Procedure Statements

4.1 Internal Audit Standards

The staff of the Office of Internal Audits performs internal audits of the financial activities of the University. The basic audit examination includes but is not limited to the following:

1. Reviewing and appraising the soundness, adequacy and application of accounting, financial and operating controls.
2. Determining the extent of compliance with University, state and federal policies, and procedures.
3. Determining the extent to which University assets are accounted for, and safeguarded from losses of all kinds.
4. Determining the reliability of accounting and other financial data developed within the University.

The audit examination is made in accordance with generally accepted auditing standards and includes tests of the accounting records and other auditing procedures that are considered necessary in the circumstances.

The audit tests made during the examination and the written audit report are prepared according to standards of the Institute of Internal Auditors, the EDP Auditors Association and the National Association of College and University Business Officers.
4.2 Requesting An Audit

The Director of Audits maintains a schedule of audits to be performed during the fiscal year. The schedule is developed by the director and is based on risk analysis. If it is felt that an audit is needed in a financial area before the regularly scheduled audit, it should be requested using the procedures outlined in Procedure 1 of this section of the RESOURCE MANUAL.

As the need arises, the director may adjust the schedule in order to perform special audits and reviews of other operational areas as requested by senior administrators of the University. Occasional special investigations of a confidential nature are also done at the request of appropriate senior administrators and management personnel.

A request for an internal audit or a review of a University activity is made by memorandum and addressed to the Director of the Office of Internal Audits. The request should state the particular coverage desired and any pertinent related facts. The request will be followed up by an individual conference with all parties concerned with the request.

4.3 Interim Audit Comments

During the course of an audit, the auditor in charge will discuss with the auditee, areas that need corrections and/or improvements. At the completion of the field work, the auditor will write an audit report and prepare financial statements, where appropriate, to summarize the activity's operation.

4.4 Reply To Audit Report

To insure that consistent practices and procedures are followed regarding the correction of audit deficiencies, the following policies are applicable:

Audit Conference - At the completion of the audit, a formal audit conference will be held to discuss the audit report. The audit conference shall consist of the following persons:

1. The Auditor
2. The Director of Audits
3. The Auditee/Manager of the area
4. The Vice Chancellor responsible for the activity audited

The manager or director of the audited area will respond to the audit report findings/errors and recommendations as agreed at the audit conference.

Written Reply - A formal written reply to all audit findings/errors mentioned in the audit report should be addressed to the Director of Audits with copies going to the Vice Chancellor responsible for the activity audited. The written reply to the audit report is due within fifteen (15) days of the date of the audit conference.

The reply should consist of the action taken to correct each audit finding/error. Where applicable, it should also give attention to changes in operating procedures, that would alleviate the problem in the future.

If it is felt that the reply to the audit letter is unsatisfactory in corrective action, it will be resolved through consultation of all parties concerned.

4.5 Requesting Services of the Office of Internal Audits


Procedure Description - The following services provided by the Office of Internal Audits may be requested by memorandum addressed to the Director of Audits:

1. Financial Audits
2. Operational Audits
3. Information Systems Audits

4.6 Request A Financial, Operational or Information Systems Audit

Procedure Steps

1. Write a memorandum to the Director of Audits describing the particular coverage needed and any pertinent related facts.
2. The request will be followed up by an individual conference.
The Director of Audits will review the audit report and the audit response with the Chancellor.

5 Additional References

6 Authority

7 Contact Information

8 Effective Date

9 Revision Dates

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