



## Office of Internal Audit Charter

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### Mission

The mission of the Office of Internal Audit is to provide senior management and the Board of Governors with an independent, objective assurance and consulting activity designed to add value to and improve the University's operations, and help ensure the University's assets, reputation, and integrity are adequately safeguarded.

### Establishment

The State of Michigan's Constitution provides that the Board of Governors of Wayne State University shall have general supervision of the institution and the control and direction of all expenditures made from the institution's funds.

In connection with the execution of this responsibility, an Internal Auditing department is established to serve as an independent appraisal function to examine and evaluate University operations.

### Independence

In performing its responsibilities, the Office of Internal Audit must be independent of the activities audited. This independence is essential to freely and objectively carry out the mission of the Office of Internal Audit. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. The Office of Internal Audit is responsible to and shall report to the Board of Governors and the President or his designee. For administrative matters, the Office of Internal Audit shall report to the Executive Vice President and Chief of Staff (EVP).

### Scope of Work

The scope of the work of the Office of Internal Audit is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is appropriate and functions as intended. The Office of Internal Audit will perform audits, reviews, and special investigations to determine that:

- The appropriate level of internal control exists within the University to identify, manage, and mitigate risk
- Significant financial, managerial, and operating information is accurate, reliable, and timely
- Policies, standards, procedures, and controls are adequately documented and operating effectively
- Interaction with the various governance groups occurs as needed
- Employees' actions are in compliance with University policies, procedures, and applicable laws and regulations
- Resources are acquired economically and used effectively and efficiently
- Assets exist and are adequately safeguarded

- Appropriate controls are documented and incorporated in the design, implementation, and operation of major information systems
- Appropriate controls are maintained in the enhancements or other modifications to ongoing systems
- Operations and programs achieve their planned goals and objectives
- Appropriate actions are taken on significant audit findings

The Office of Internal Audit shall coordinate, and oversee, as appropriate, audit efforts with the University's public accountants and other external auditors as well as conduct reviews of specific issues, accounts, or incidents upon request. See Exhibit I for a description of the differences between the internal and external auditors.

### Authority

The Assistant Vice President (AVP) of Internal Audit and the audit staff, under direction of the AVP, are authorized to:

- Have unrestricted access to all functions, records, property, and personnel
- Have full and free access to the Audit Subcommittee
- Allocate resources, set frequencies, select subjects, determine scope, and apply the techniques required to accomplish audit objectives
- Obtain the assistance of personnel within the units where audit/reviews are performed, and utilize other specialized services from within or outside the University as needed.

The AVP and the Office of Internal Audit are **not** authorized to:

- Assume the role of management and perform any operational duties
- Initiate or approve accounting transactions external to the Office of Internal Audit
- Develop and/or document policies and procedures external to the Office of Internal Audit
- Direct the activities of any University employee not employed by the Office of Internal Audit, except to the extent such employees are appropriately assigned to auditing teams or to otherwise assist the internal auditors.

### Responsibility

The AVP shall perform the following duties:

- Develop and submit an annual audit plan to the President, EVP, and the Audit Subcommittee for their review and approval
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter
- Evaluate and assess significant merging or consolidating functions and new or changing services, processes, operations, and controls
- Identify opportunities for process and control improvements
- Issue periodic reports to the ASC and management summarizing the results of audit activities
- Communicate the actual results of the annual audit plan to the ASC and senior management
- Provide information on the sufficiency of internal audit resources

## Standards of Audit Practice

The Office of Internal Audit conducts all audits in accordance with the following professional accounting and auditing standards:

*Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing* – These *Standards* encompass the:

- *Independence, proficiency, and professional care of internal auditors*
- *Scope and performance of internal auditing work and assignments*
- *Management of the internal auditing department.*

*Information Systems Audit and Control Association (ISACA) Standards for Information System Auditing* – These *Standards* encompass the audit charter related to the information systems audit function and the:

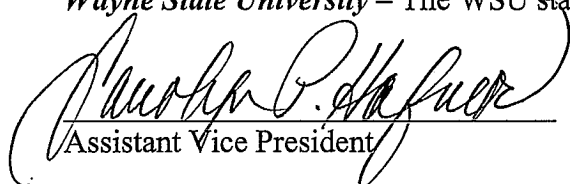
- *Independence, proficiency, and professional care of the information system auditors*
- *Professional ethics to which an information systems auditor should adhere*
- *Planning, performance, reporting and follow-up of information systems audit work.*

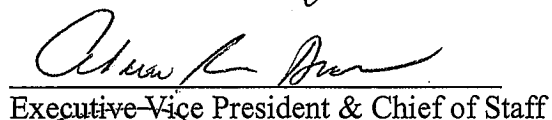
*American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct* – This *Code* provides guidance and rules to all AICPA members in the performance of their professional responsibilities and establishes the general standards and accounting principles.

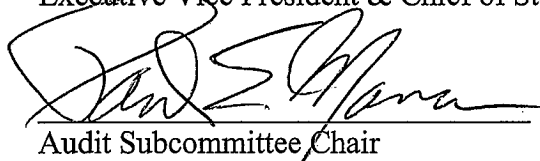
*General Accounting Office (GAO) of the Federal Government* – The Federal Government, through its various agencies, imposes requirements upon the University (i.e., Internal Revenue Regulations, Higher Education Financing Act, costing principles applicable to grants, contracts and other agreements with educational institutions, etc.).

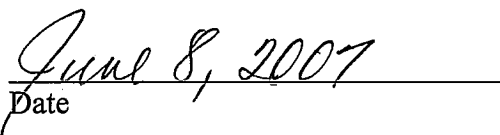
*State of Michigan* - The State of Michigan has a Manual for Uniform Financial Reporting for the State of Michigan Colleges and Universities which provides guidance on reporting on operations as applicable.

*Wayne State University* – The WSU statutes, policies, and by-laws of the Board of Governors.

  
Assistant Vice President

  
Executive Vice President & Chief of Staff

  
Audit Subcommittee Chair

  
Date

Internal vs. External Auditors

<i>Description</i>	<i>Internal Auditors</i>	<i>External Auditors</i>
<b>Organizational Affiliation</b>	Employed by the organization, but demonstrates objectivity in approach pursuant to the professional standards promulgated by the Instituted of Internal Auditors (IIA)	Outside firm engaged by the organization for a set fee. Audit team members are comprised of non-employees
<b>Purpose</b>	Audits the internal controls to determine if they are adequate and operating effectively to ensure the accuracy of financial data and operational efficiency and effectiveness.	To audit the financial statements and provide an opinion on the "fairness" of their presentation
<b>Audit Type</b>	Perform compliance, operational, financial, and technological audits and reviews of the University's departments and operations	Perform audits of the University's financial statements and related disclosures (e.g., Statement of Net Assets)
<b>Other Services</b>	Performs special management requests and investigations; coordinates regulatory reviews; serves on committees/task forces; and provides other business consulting services as requested	May provide a array of consulting services based on expertise for a contracted fee.
<b>Audit Focus</b>	Review business processes for controls over: <ul style="list-style-type: none"> <li>• Reliability and integrity of financial data</li> <li>• Authorization</li> <li>• Segregation of Duties</li> <li>• Safeguarding of Assets</li> <li>• Compliance with Policies and Procedures</li> <li>• Operational Effectiveness and Efficiency</li> <li>• Accomplishment of goals and objectives</li> </ul>	Amounts on the financial statements are: <ul style="list-style-type: none"> <li>• Fairly Stated</li> <li>• Properly Disclosed</li> </ul> <p>May perform a high level of review of internal controls in designated areas in conjunction with the financial statement audit</p>
<b>Technical Guidance</b>	<ul style="list-style-type: none"> <li>• University policies and</li> </ul>	<ul style="list-style-type: none"> <li>• Generally Accepted</li> </ul>

<i>Description</i>	<i>Internal Auditors</i>	<i>External Auditors</i>
	<p>procedures</p> <ul style="list-style-type: none"> <li>• Standards For the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors (IIA)</li> <li>• Generally Accepted Accounting Principles (GAAP)</li> <li>• Generally Accepted Auditing Standards (GAAS)</li> <li>• Financial Accounting Standards Board (FASB)</li> <li>• Governmental Accounting Standards Board (GASB)</li> </ul>	<p>Accounting Principles (GAAP)</p> <ul style="list-style-type: none"> <li>• Public Co. Accounting Oversight Board (PCAOB)</li> <li>• Generally Accepted Auditing Standards (GAAS)</li> <li>• Financial Accounting Standards Board (FASB)</li> <li>• Governmental Accounting Standards Board (GASB)</li> <li>• Other industry guidance</li> </ul>
<i>Authority</i>	Documented in the Internal Audit Charter, recommended by senior management and approved by the Board of Governors	Audit and reporting requirements are codified by the AICPA. Audit services are documented in an engagement letter
<i>Independence</i>	<p>Independence is achieved through:</p> <ul style="list-style-type: none"> <li>• Internal Audit Charter</li> <li>• Organizational structure (reports functionally to the Audit Subcommittee and administratively to the President or his designee)</li> <li>• Professional certification requirements and standards</li> </ul>	<p>Independence is achieved through:</p> <ul style="list-style-type: none"> <li>• Employment by an outside firm</li> <li>• No conflicts of interests</li> <li>• Firm policies and standards</li> </ul>
<i>Audit Process</i>	Planning, fieldwork, and reporting	Planning, fieldwork, and reporting
<i>Reporting</i>	<p>Internal Audit report includes:</p> <ul style="list-style-type: none"> <li>• Findings (e.g., deficiencies/weaknesses in the internal controls)</li> <li>• Recommendations</li> <li>• Management's Response (e.g., corrective action plan)</li> </ul>	<p>External Auditor's report includes:</p> <ul style="list-style-type: none"> <li>• Independent auditor's opinion</li> <li>• Audited financial statements</li> <li>• Footnote disclosures</li> <li>• Internal control letter</li> <li>• Compliance Reports (i.e., A-133, NCAA, WDET/CPB)</li> </ul> <p>If applicable, a Management Letter may be issued discussing findings and recommendations</p>

<i>Description</i>	<i>Internal Auditors</i>	<i>External Auditors</i>
<b><i>Organizational Structure</i></b>	<ul style="list-style-type: none"> <li>• Internal Audit Director</li> <li>• Associate Director</li> <li>• Audit Manager</li> <li>• Senior Auditors</li> <li>• Staff Auditors</li> <li>• Interns</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement and Concurring Partner</li> <li>• Manager</li> <li>• Senior Auditors</li> <li>• Associates or Staff Auditors</li> <li>• Interns</li> <li>•</li> </ul>
<b><i>Qualifications</i></b>	<ul style="list-style-type: none"> <li>• College Degree (e.g., Bachelor's or advanced Degrees in Accounting, Finance, Economics, Information Technology)</li> <li>• Experience – varies with each level</li> </ul>	<ul style="list-style-type: none"> <li>• College Degree (e.g., Bachelor's or advanced Degree in Accounting, Finance, Economics, Information Technology)</li> <li>• Experience – varies with each level</li> </ul>
<b><i>Professional Certification</i></b>	Certified Internal Auditor (CIA) * or Certified Public Accountant (CPA) * Certified Information System Auditor (CISA)*	Certified Public Accountant (CPA)* Certified Information System Auditor (CISA)* Certified Internal Auditor (CIA)
<b><i>Ethical Standards</i></b>	IIA Code of Ethics	AICPA Code of Ethics
<b><i>Governance and Oversight</i></b>	Quality Assurance Reviews required every 5 years by the IIA	Peer reviews required every 3 years by the AICPA

*\*Generally required for management positions*