

# **WESTERN MICHIGAN UNIVERSITY**

## **INTERNAL AUDIT DEPARTMENT CHARTER**

### **INTRODUCTION:**

This Charter documents the authority and responsibility conferred upon the Internal Audit Department by the Board of Trustees and President of Western Michigan University to assist the University in meeting its fiduciary responsibilities.

### **PURPOSE AND DEFINITION:**

The Internal Audit Department is an independent, objective assurance and consulting unit designed to add value and improve Western Michigan University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

### **RESPONSIBILITY:**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the University.
- Report significant matters such as risk exposures and control issues, including fraud, governance issues, and other matters needed or requested by the Board and/or President.
- Evaluating specific operations at the request of the Board or senior management, as appropriate.

#### AUTHORITY:

The internal audit staff, with strict accountability for confidentiality and safeguarding of records and information, is authorized full, free, and unrestricted access to any and all of the University's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the Internal Audit Department in fulfilling its roles and responsibilities.

The Director of Internal Audit reports administratively (i.e. day to day operations) to the University President and functionally to the Board of Trustees via the Audit Committee. The Director of Internal Audit has free and unrestricted access to the Board of Trustees and members of the Audit Committee. This charter provides the framework for the Internal Audit Department, its activities and functions in the University as defined by the Audit Committee.

#### INDEPENDENCE AND OBJECTIVITY:

The Internal Audit Department will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

#### PROFESSIONAL STANDARDS:

The Internal Audit Department's responsibilities will be performed in accordance with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and Code of Ethics. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing. Any assurance provided to external parties will be conducted in accordance to auditing standards generally accepted in the United States of America. Other relevant authoritative guidance such as that issued by the IIA, American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), or the Governmental Accounting Standards Board (GASB) will be adhered to when applicable. In addition, the Internal Audit Department will adhere to the University's policies and procedures.

#### INTERNAL AUDIT PLAN:

At least annually, the Director of Internal Audit will submit to the President and the Audit Committee an internal audit plan for review and approval. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved internal audit plan will be communicated to the President and the Audit Committee through periodic activity reports.

#### REPORTING AND MONITORING:

A written report will be prepared and issued by the Internal Audit Director or designee following the conclusion of each internal audit and will be distributed as appropriate. Internal audit results will also be communicated to the President and the Audit Committee.

The internal audit report may include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area, should include a timetable for anticipated completion of the action to be taken and justification for any recommendation not implemented.

The Internal Audit Department will be responsible for appropriate follow-up on significant engagement findings and recommendations.

#### QUALITY ASSURANCE

To ensure the quality of the internal audit function, the Director of Internal Audit shall develop and maintain a quality assurance and improvement program. The program will evaluate whether the internal audit function has complied with this Charter. The program will also allow for the assessment of the efficiency and effectiveness of the internal audit function and identify opportunities for improvement.

Internal Audit Department Charter

Approved by the WMU Board of Trustees on July 25, 2012