I. Purpose

Purpose and Responsibilities

The Internal Audit Department is to establish policies, procedures, objectives, and authority for effective internal auditing. Responsibilities of the Internal Audit Department include, but are not limited to, the following:

1. Preparing and maintaining immediate and long range audit schedules based on an ongoing evaluation of risk, administration emphasis and exposure to the institution. The long range schedules will cover all major areas and provide for timely audits/reviews of these areas.
2. Planning, conducting, and reporting performance and financial audits or reviews in accordance with audit schedules and the standards established by the institution and the professional practice of internal auditing.
3. Maintaining open communication with audited department supervisors and administrators before, during, and after fieldwork as to objectives, findings, issues, and recommendations.
4. Preparing a formal report of findings, conclusions, and recommendations upon completion of an audit or review.
5. Planning, conducting, and reporting compliance reviews of the department audited to ensure the issues are properly resolved.
6. Planning, conducting, and reporting special investigations as requested by the institution administration in areas of particular concern.

II. Terms

Definitions

1. Financial Audit
   A systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and to communicate the result to interested users.
2. Performance Audit
   A systematic process of 1) examining the faithfulness of administrative adherence to statutes, institutional policies and procedures, and other requirements; 2) determining the degree of efficiency of an auditee by measuring the extent to which the resources (i.e. people, facilities, equipment, supplies, funds) have been efficiently planned, allocated, controlled, and employed to generate output; and 3) determining the extent to which an auditee accomplishes its objectives and ultimately its goals.
3. Review
   A systematic process of inquiries and analytical procedures which are designed to detect material weaknesses and/or nonconformance to generally accepted auditing principles. A review is not an audit since a review would not include the study and evaluation of internal control and other prescribed audit procedures. Consequently, a review may disclose certain important matters, but not necessarily all matters that would be disclosed by an audit.
4. Internal Controls
   The plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.
III. Policy

POLICY

The University will maintain an Internal Audit Department to oversee a comprehensive program of reviews and audits under the direction of the institution Chancellor and within the policies established by the University of Wisconsin System Board of Regents.

1. Objective
   1. The Internal Audit Department is an independent assurance activity within the institution's organization for the audit or review of operations as a service to management. Internal auditing is a managerial control, which functions by measuring and evaluating the effectiveness of other controls and assessing the efficiency and effectiveness of operations.
   2. The objective of internal auditing is to assist all members of management in the efficient and effective discharge of their responsibilities by furnishing them with independent analysis, appraisals, recommendations, and pertinent comments concerning the manager's area of responsibility.

2. Authority
   1. The Internal Audit Department derives its authority directly from the institution’s Chancellor and the University of Wisconsin System and is authorized to conduct such audit/reviews of any institution department, system, function, or administrative unit as are necessary to accomplish its objectives. The Internal Audit Department is also authorized to have free and unrestricted access to all institution records, personnel, and physical properties relevant to the performance of the audit/review--providing the access is obtained within Federal, State, and local law. The auditor will protect the confidentiality of all sensitive information and will not disclose any sensitive information except for purposes of the audit.
   2. Although the Internal Audit Department is charged with the responsibility to audit/review the fiscal, operational, and administrative systems of the institution, the services of Internal Audit are staff in nature; and its audit staff have neither authority over, nor responsibility for, any of the activities audited or reviewed. Similarly, Internal Audit’s involvement in no way relieves department supervisors of operating responsibility assigned to them.
IV. Procedures

PROCEDURES

Procedures can take many forms. The form used will depend on the audience and users. Here are three examples commonly used.

1. Flowchart

![UWRF Internal Audit Process Flow](image)

- **Preliminary Planning**
  - Establish Audit Scope and Objectives
  - Audit planning document prepared

- **Entrance Conference**
  - Revise Audit Planning Artifact as needed

- **Audit Planning Document**
  - Prepare Audit Planning Artifact

- **Risk Assessment Document**
  - Populate Risk Assessment Artifact

- **Risk Control Matrix (RCM)**
  - Test Key Controls

- **Test Document**
  - Populate Control Narrative Artifact

- **Control Narrative Document**

- **Summary of Aggregated Deficiencies Artifact (SAD)**

- **Auditee Remediates and Clears Deficiencies**
  - Retesting

- **Remediates Controls Document**

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## 2. Narrative

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preliminary Planning</td>
<td>Review of statutes, policies, and past audits</td>
</tr>
<tr>
<td>2</td>
<td>Establish Audit Scope and Objectives</td>
<td>Prepare audit objectives and audit program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use preformatted templates</td>
</tr>
<tr>
<td>3</td>
<td>Audit Planning Document</td>
<td>Prepare Audit Planning Document from preformatted template</td>
</tr>
<tr>
<td>4</td>
<td>Entrance Conference Email Invitation</td>
<td>Meet with auditee to discuss audit objectives, plan, and scope</td>
</tr>
<tr>
<td>5</td>
<td>Entrance Conference</td>
<td>Open communication lines and determine others to contact. Meet with others as necessary</td>
</tr>
<tr>
<td>6</td>
<td>Audit Planning Document revisions</td>
<td>Upon completion of Entrance Conference with auditees, revise Audit Planning Document</td>
</tr>
<tr>
<td>7</td>
<td>Fieldwork Begins</td>
<td>Auditor reviews operations, internal controls and procedures. Meetings scheduled with key personnel to be interviewed</td>
</tr>
<tr>
<td>8</td>
<td>Artifact Research</td>
<td>Research selected sources for populating artifacts with internal controls: (e.g. UW System Policies, and/or controls required by regulatory agencies</td>
</tr>
<tr>
<td>9</td>
<td>Prepare the Risk Assessment Document</td>
<td>Populate the Risk Assessment Document using a predesigned template based on the type of audit conducted, e.g. financial, compliance, operational, investigative, etc.</td>
</tr>
<tr>
<td>9.1</td>
<td>Populate the SAD Document</td>
<td>Enter Risk Assessment deficiencies in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
<tr>
<td>10</td>
<td>Control Narrative Documents</td>
<td>Populate the Control Narrative Document using a predesigned template based on the type of audit conducted, e.g. financial, compliance, operational. Enter deficiencies noted in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
<tr>
<td>11</td>
<td>Prepare the Risk Control Matrix (RCM)</td>
<td>Populate the RCM using a predesigned template based on the type of audit conducted, e.g. financial, compliance, operational. Enter deficiencies noted in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
<tr>
<td>11.1</td>
<td>Populate the SAD Document</td>
<td>Enter Risk Assessment deficiencies in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
<tr>
<td>12</td>
<td>Complete the Test Document</td>
<td>Perform Tests of Controls and populate the Test Document artifact using a predesigned template based on the type of audit conducted, e.g. financial, compliance, operational, investigative.</td>
</tr>
<tr>
<td>12.1</td>
<td>Populate the SAD Document</td>
<td>Enter Test of Controls deficiencies in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
<tr>
<td>13</td>
<td>Remediate and Clear Deficiencies</td>
<td>Using the SAD Document, the Auditees remediate and clear deficiencies noted during the fieldwork</td>
</tr>
<tr>
<td>14</td>
<td>Retesting</td>
<td>Retest the remediated controls appearing on the SAD Document</td>
</tr>
<tr>
<td>15</td>
<td>Remediated Controls Document</td>
<td>Populate the Remediated Controls Document with data from retesting effort.</td>
</tr>
<tr>
<td>15.1</td>
<td>Populate the SAD Document</td>
<td>Enter Remediated Test of Controls deficiencies in the Summary of Aggregated Deficiencies (SAD) Document</td>
</tr>
</tbody>
</table>
3. **Combination Narrative and Flowchart** (only first page is shown)

<table>
<thead>
<tr>
<th>Flowchart</th>
<th>Narrative</th>
</tr>
</thead>
</table>
| 1. Preliminary Planning | - Preliminary Planning  
  - Review of statutes, policies, and past audits |
| 2. Establish Audit Scope and Objectives | - Establish Audit Scope and Objectives  
  - Prepare audit objectives and audit program  
  - Use preformatted templates |
| 3. Audit planning document prepared | - Audit Planning Document  
  - Prepare Audit Planning Document from preformatted template |
| 4. Entrance Conference | - Entrance Conference  
  - Email Invitation  
  - Meet with auditee to discuss audit objectives, plan, and scope |
| 5. Entrance Conference | - Entrance Conference  
  - Open communication lines and determine others to contact  
  - Meet with others as necessary |
| 6. Revise Audit Planning Artifact as needed | - Audit Planning  
  - Completion of Entrance Conference with auditees  
  - revise Audit Planning Document |