

# University of Maine System

## ADMINISTRATIVE PRACTICE LETTER

Section III-E  
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Effective 07/09/2009

### **SUBJECT: Internal Audit Services**

#### **Purpose of Policy**

To communicate procedures and expectations related to internal audit services including engagement of services, reporting of results, and timely corrective action.

#### **Internal Audit Defined**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

#### **Authority**

To accomplish these objectives, the University of Maine System (UMS) Board of Trustees has authorized Internal Audit to have unrestricted access to University activities, records, property, and personnel, as appropriate to the area under audit.

The Vice Chancellor for Finance and Administration and Treasurer has authority to engage audit services for the University of Maine System, and all results are reportable to the Board of Trustees Audit Committee. Should a campus desire to engage audit services, the approval of the Vice Chancellor for Finance and Administration and Treasurer is required as is reporting the results to the Audit Committee.

#### **Scope of Work and Fees**

The annual Work Plan is determined through a collaborative, deliberative process informed by the firm engaged to provide internal audit services, management, and the Board of Trustees whereby risk assessment results, prior reported results, and management and Trustee concerns are considered. The Work Plan is reviewed and approved annually by the Audit Committee.

The Internal Audit firm annually will submit to UMS management an engagement letter describing the agreed upon Work Plan and proposed fees. Each project's scope and estimated cost will be defined further in a separate work plan.

#### **Communication of Results**

The engaged firm must communicate work results timely. Reports will typically include an executive summary, opinion, observations, recommendations, and/or other deliverables as appropriate. The final report will include management's written responses.

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Final reports are distributed to the auditee and appropriate management. Results are communicated to the Audit Committee in the format preferred by its members. The Audit Committee is briefed about results in scheduled meetings or as needed.

The Vice Chancellor for Finance and Administration and Treasurer coordinates the Audit Committee meetings including the reporting by Internal Audit of work planned and performed.

### **Management Responsibilities**

Management is responsible for promptly responding, in writing, to recommendations. Responses typically should be completed within 3 weeks of draft report issuance.

Further, management is responsible for taking timely corrective action. UMS may engage the audit services firm to provide follow-up reviews or may request a status report from management on corrective measures taken.

### **Unplanned Audits**

A portion of the audit services budget may be set aside for unplanned audit needs. This will allow for flexibility in addressing emerging risks, allegations, and/or requests by Trustees, management, or others. In addition, the facts and circumstances surrounding a concern may require the University to engage professional services from a provider other than the primary internal audit services firm. The decision to engage other audit service providers will be vetted with the Vice Chancellor for Finance and Administration and Treasurer or her designee. Further, because of limited budgets, campuses may be required to fund these additional audit services needs. Finally, all allegations of fraud will be immediately brought to the attention of each campuses chief financial officer and to the System Director of Finance and Controller.

**APPROVED:**

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**Vice Chancellor for Finance and Administration and Treasurer**

**Note: Official copy on file in the Office of Finance and Administration at the University of Maine System.**