

BEREA COLLEGE INTERNAL AUDIT POLICY

Revised December 6, 2016

The College's internal audit function is assigned to the Internal Auditor, who reports functionally to the Audit Committee and administratively to the College's General Counsel and Vice President for Finance. These reporting relationships provide departmental independence, and promote comprehensive audit coverage and adequate considerations of audit recommendations. For any internal audit issues not related to the Office of Financial Affairs and not material in nature, the Internal Auditor will consult directly with the Vice President for Finance and Controller, all other matters will be reported directly to the General Counsel.

PURPOSE

The internal audit function is an independent, objective assurance and consulting activity designed to add value and improve the College's operations. It helps the College accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It carries out its role based on the Three-Year Internal Audit Plan, which is developed by the Internal Auditor and approved by the Audit Committee annually as described in the College's Audit Committee section of the College Bylaws. The Internal Audit Plan identifies the need for on-going reviews of Accounts Payable, Purchasing Cards and cash controls in accordance with the Oversight and Assessment matrix of the College; as well as areas where the potential for higher risk is anticipated. The Internal Auditor is responsible for audits outlined in the Plan. Areas of audit outside the expertise of the Internal Auditor or requiring additional resources will be outsourced.

The College's Administration Committee has primary responsibility for establishing and maintaining a sufficient system of internal controls. The internal audit function assists administrators in the effective discharge of their responsibilities by furnishing evaluations of departmental activities, recommendations for improvement in systems and procedures, and other information designed to promote effective controls consistent with the College's overall mission and objectives. The internal audit function is concerned with any phase of business activity where it can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review.

In order to ensure adequate recordkeeping is maintained and routine procedures are performed at the departmental level, the Internal Auditor will conduct unscheduled audits. Unscheduled audits will be used to ensure proper internal controls are in place at the departmental level and will be conducted randomly without notice.

RESPONSIBILITIES

Meaningful internal auditing requires cooperation among the Internal Auditor, college

administration and the auditee. Each party's responsibilities in this regard include but are not limited to the following:

Internal Auditor

- Examine and evaluate financial and operational controls, policies and procedures, and systems in place to safeguard College assets.
- Review compliance with policies, procedures, laws and regulations.
- Coordinate activities with others so as best to achieve audit objectives and the objectives of the organization.
- Report results and make recommendations to administration and the Audit Committee.
- Coordinate audit planning and scheduling activities with other external audit organizations.

Administration

- Support the internal audit function and communicate support with their units.
- Participate in the audit process.
- Provide appropriate, clear and consistent direction to the college community through written policies and procedures.
- Follow-up on progress of corrective actions for audit findings within their units.

Auditee

- Cooperate with the audit process by providing unrestricted access to facilities, books and records, information, and personnel.
- Respond in writing in a timely manner to all audit recommendations. Disagreements with recommendations or alternative solutions to identified findings are often acceptable. Each response should contain an estimated implementation date.
- Implement agreed-upon corrective action programs.

AUTHORIZATION

The internal audit function has full and complete direct access to all College books, records (manual and electronic), physical properties, and personnel relevant to an authorized subject of review. All documents and information provided to the Internal Auditor will be handled in the same prudent manner that the College expects of the employees normally accountable for them, including privacy and data security considerations.

The internal audit function has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, the Internal Auditor does not develop or write policies or procedures that he or she may later be called upon to evaluate. Therefore, the internal audit review and appraisal does not in any way relieve College administrators and other persons from their responsibilities.

AUDIT STANDARDS AND ETHICS

All audit work will adhere to the Institute of Internal Auditors (IIA) mandatory guidance, including the Core Principles, International Standards for Professional Practice of Internal Auditing, and Code of Ethics. The internal audit function is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment, independence, and discretion. It must maintain a professional image and protect auditee confidences and confidential information. The internal audit function must also maintain the knowledge, skills, and other competencies needed to perform its responsibilities.

REPORTING

All audit work is summarized in timely written reports distributed to an appropriate list of recipients. In general, reports are distributed to the Vice President for Finance, Controller, General Counsel, the auditee, the immediate supervisor, and other department heads affected by audit findings. Special request reports may have a more limited distribution.

A summary of all work performed will be prepared and presented to the Audit Committee on a routine basis.