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| Name of Document | Internal Control Mechanism – Internal Audit Procedure | | | |
| Document No. | **0351‐001** | Edition | **2.0** | |
| Proposing Unit | Audit Office, General Secretary’s Division | Effective Date | | **2013/3/11** |

**Internal Audit Procedure**

1. **Flow Chart**

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| **Internal Audit Operational Procedure** | | | | | | |
| **Process** | **Audit Convening Committee** | | **Audit Team** | **Audited Divisions/Units** | **President** | **Forms Used** |
| **Planning** | 2.3.1 Regular Audit  Assign Audit Teams  2.4 Establish audit plans  2.4 Audit notification |  | |  | 2.3.2 Note of abnormal auditing needs  2.4 Approval | Internal Audit Schedule  Annual Internal Audit Plan |
| **Execution** | 2.5 Discovery of Items for Correction  Audit report compilation  Correction and prevention measures requests’ notification | 2.5 Commencement Meeting  2.5 Audit implementation | | Verification of Items for Correction  Proposal of correction and prevention measures |  | Internal Audit Checklist  Correction and Prevention Measures Form  List of Suggestions for Correction |
| **Report and Feedback** | 2.6 Audit report | 2.5 Closing Meeting  2.5 Improvement verification | | 2.5 Correction and prevention measures implementation | 2.6 Approval | Correction and Prevention Measures Form  Internal Audit Report |
| **Close Case** | 2.6 Audit report paperwork filed and archived |  | |  |  |  |

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| Document Name | Internal Audit Control System and Procedure | | | |
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**2. Operations Procedures:**

2.1 Internal Auditor’s Qualifications:

2.1.1 The audit may be completed by MCU internal auditor or a contracted auditor.

2.1.2 The MCU internal auditor must undergo related training course and have a course completion certificate or record. The Audit Team should have a list of internal auditors established for future reference.

2.2 Audit independence: In order to maintain audit independence, auditor may not audit his or her own job, or that of his or her unit or any other related job.

2.3 Audit time frame:

2.3.1 Regular-basis: An internal audit should be conducted at least once a year; the audit date will be determined by the Audit Convening Committee based on conditions at the institution and the final decision be made by the university President.

2.3.2 Irregular-basis: An audit will be held when any unforeseen situations arise. For example, in emergencies, following students’ or parents’ complaints, major unforeseen changes, etc. The Audit Convening Committee will report the need for an audit directly to the university President or the audit must be approved at a University Affairs Committee meeting.

2.4 Audit Planning:

2.4.1 The audit plan will be set up by the Committee a year prior to the audit. The Committee will establish Audit Teams agreed upon by the units to be audited and the information will be officially announced after it is reported and approved by the university President.

2.4.2 Each Audit Team should propose an Internal Audit Schedule which includes audit dates, times, units to be audited, range and items to be audited, names of auditors and auditing assistants.

2.4.3 After the Internal Audit Schedule is approved, the notice must be announced by the Secretary General a month prior to the actual audit date to the Audit Teams and the units to be audited.

2.4.4 Before the audit takes place, each Audit Team must communicate with the audited unit to confirm audit range, time period and other related issues.

2.5 Audit execution, discovery of items for correction and tracking:

2.5.1 As one of the steps in the entire auditing procedure, a commencement meeting must be held according to the schedule set in the internal audit schedule. Then, the actual auditing activities may proceed. The director or appointed audit proctor from the audited unit must be present during the audit and provide necessary paperwork and records for the audit sampling inspection.

2.5.2 During the audit, the Internal Audit Checklist must be made and used. Audit Team must record Sampling Evidence under the “Situation Explanation” column in the Internal Audit Checklist in order to facilitate proofing and supervising of audit results. The Internal Audit Checklist must be produced based on the standards and requirements of the MOE and the Higher Education Evaluation and Accreditation Council.

2.5.3 If there are any audit matters pending from the previous audit, a Correction and Prevention Measures Form must be filled out and provided during the audit of the current year.

2.5.4 For any items for correction discovered during the audit, the Internal Auditor must fill out the Correction and Prevention Measures Form describing the problem or situation. Also, fill out the List of Suggestions for Correction if there are any suggestions to be given to the audited unit for improvement and correction. The List of Suggestions for Correction will then be issued to the director of the audited unit for error correction or improvement.

2.5.5 If items requiring correction are found during the audit, the person in charge of the unit should:

(1) Provide a reason analysis and countermeasures for these items and record these in the Correction and Prevention Measures Form.

(2) Propose handling measures for the suggestions made in the List of Suggestions for Correction.

(3) Complete the Correction and Prevention Measures Form and the List of Suggestions for Correction and submit it to the lead auditor of the Audit Team for document compilation. During the Closing Meeting, make an explanation to the Audit Team of internal audit results and provide measures for improvement.

2.5.6 The Audit Convening Committee has the responsibility of follow-up to track changes made to correct the items for correction found by sending an assigned Audit Team to go back to the audited division or unit. If the items for correction are already corrected, then a record is made in the Correction and Prevention Measures Form and the case is closed. However, if the items for correction are not corrected, the Audit Team must further discuss improvement measures with the director of the unit, then arrange another date to check back. If necessary, another Correction and Prevention Measures Form may be filled out until the case is closed.

2.6 Conclusion Report and Case Closing:

The Audit Convening Committee should ensure that the items for correction and the results of suggestions for improvement are complete, then compile all records related to the internal audit and file an official internal audit report (any format, can be an internal university request official document). A report must be made to the university President, and be presented to the Administrative Council and the University Affairs Committee. All related paperwork and documents will be filed and kept by the General Secretary’s Division.

**3. Key Control Points:**

3.1 Ensure the qualifications of the Audit Team members.

3.2 Ensure Audit Convening Committee and the Audit Team are not in auditing a unit or task for which they are responsible.

3.3 Ensure the audit schedule is planned in accordance with an evaluation of risk-based frequency of various matters.

3.4 Ensure that the audit plan is reported to the university President and announced after it is approved.

3.5 Ensure that the items on the Internal Audit Checklist contain relevant sampling evidence and audit results are recorded in the audit report.

3.6 Ensure that any items for correction found during the audit, along with respective suggestions and corrections, are recorded in the audit report.

3.7 Ensure that the standard procedure for filing the audit report is followed, and that it is reported to the university President and presented to the Administrative Council and the University Affairs Committee.

**4. Forms Used:**

4.1 Internal Auditor Roster

4.2 Annual Internal Audit Plan

4.3 Internal Audit Schedule

4.4 Internal Audit Checklist

4.5 Correction and Prevention Measures Form

4.6 List of Suggestions for Correction

4.7 Internal Audit Report (any format, can be an internal university request official document)

**5. Basis and Relevant Documents:**

5.1 Procedures for Internal Control System of Private Schools Established under Non-profit Corporations

5.2 Ming Chuan University Audit Committee Organizational Charter

5.3 Ming Chuan University Internal Audit Operational Procedures