UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE RELATIONS WITH BOARD OF DIRECTORS

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing relations with board of directors. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as

Effectiveness and efficiency of operations

A. The non-management members of the board of directors or audit committee are independent from management, possess sufficient knowledge and experience, and ask the necessary questions.

Business risks

- The board of directors will be made up of or dominated by management.

B. Board or audit committee members receive sufficient and timely information to allow input to and oversight of management's objectives and strategies, forecasting and budgeting, financial reporting, and terms of significant agreements.

Business risks

- Board or audit committee members will be unprepared for scheduled meetings.
- Board or audit committee members will not receive information sufficiently focused on their needs.

Control practices

1. Ensure the board regularly receives key information such as forecasts and budgets, financial statements, competitive intelligence, major marketing initiatives, new product development, new product or service lines, significant contracts or status of current negotiations, proposed financings and acquisitions, and management's thinking on strategic direction.
2. Establish a process for directors to seek independent professional advice in discharging their duties, if necessary, at the company's expense.
3. Ensure directors always have free access to the company's advisors.

C. Directors meet frequently with executive management, chief financial and accounting officers, internal auditors, and external auditors.

Business risks

- The board of directors will meet irregularly or infrequently and act only on matters brought to its attention by management.
- The audit committee will not function effectively because of insufficient time.

Control practices

1. Require the board of directors to establish an audit committee of at least three non executive directors.
2. Develop a written charter that clearly outlines the audit committee's authority, duties, and responsibilities.
3. Assign the audit committee with the key task of examining management plans for engaging external auditors, reviewing their independence and performance, and approving selection and retention of auditors.
4. Engage the audit committee to review and approve the internal auditors' charter and mission, qualifications, plans, and reports of findings.
5. Engage the audit committee to monitor management's response and action plans resulting from the recommendations of internal and external auditors.
6. Require the audit committee to report regularly to the board of directors.
7. Require the audit committee to meet periodically with the CFO and internal and external auditors to discuss the effectiveness of the financial reporting processes, internal control systems, significant comments and recommendations, and management's performance.
8.

E. The board of directors or audit committee plays a significant role in establishing the appropriate "tone at the top."

Business risks

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