

SECTION B-5.3

INTERNAL AUDIT PROCESS

ATTACHMENT 2
INTERNAL AUDIT PROCESS

- I. Internal Audit Activities
 - A. Financial and compliance reviews
 - B. Economy and efficiency reviews
 - C. Evaluation of program performance
 - D. Special projects, management requests, police investigations
 - E. Evaluation of computer system internal controls
 - F. Coordinating work with external auditors

- II. Identification of Auditable Areas/Risk Analysis
 - A. Context of Audits
 - 1. What to audit
 - 2. When to audit
 - 3. For what purpose
 - 4. Management Objectives
 - a) Planning
 - b) Organizing
 - c) Directing activities to achieve institutional goals and objectives
 - 5. Context of Control Objectives
 - a) Reliability and integrity of information
 - b) Compliance with policies, laws and regulations
 - c) Safeguarding of assets
 - d) Economical and efficient use of resources
 - e) Accomplishment of goals and objectives
 - B. Review of Component Financial Statements
 - 1. Identification of significant asset, liability and fund balances
 - 2. Identification of significant revenue and expenditures by activity or department/area
 - C. Departmental Risk Assessment
 - D. System-wide Auditable Area Risk Assessment
 - E. Component Management Input
 - 1. Identify sensitive or high exposure areas
 - 2. Obtain management's written policies
 - 3. Obtain component's organization chart

- III. Prepare Internal Audit Plan

- A. Review preliminary plan with component management
- B. Circulate plan for review to management, Board of Regents, State Auditor's Office
- C. Obtain written acknowledgement/comments on the audit plan from the State Auditor's Office
- D. Present plan to the Board of Regents for approval
- E. Plan is adaptable for changes in environment and can be amended with the approval of the Chancellor and the Chair of the Board of Regents

IV. Internal Audit Reporting Process

- A. All audit reports will be cleared with the component's chief executive officer prior to issuance
- B. Final reports are distributed to the Board of Regents, Chancellor, Vice Chancellors, Presidents, applicable Vice Presidents, and the head of the audited unit, as well as the Governor's Office of Budget and Planning, Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Committee.
- C. Survey auditee after issuance of report (Quality Assurance)
- D. Conduct follow-up review of management's action plan items as they mature to determine whether management's responses were implemented and issue quarterly follow-up status reports.

V. Monitoring of Internal Audit Function

- A. The Director of Internal Auditing meets with the Chancellor on a regular basis to discuss audits performed, audits in progress and future audits.
- B. The Director of Internal Auditing meets with the Chair of the Board of Regents on a regular basis to discuss audits performed, audits in progress and future audits.
- C. The Director of Internal Auditing meets with key management personnel of each component to conduct entrance / exit conferences for each scheduled audit engagement.
- D. The Annual Report on internal auditing activity is submitted to the Governor, Legislative Budget Board, Sunset Advisory Committee, State Auditor, Board of Regents and Chancellor.