

Auditing in Higher Education

Advancing Auditing in Higher Education

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- ◆ Assurance
- ◆ Consulting
- ◆ Risk Assessment
- ◆ Compliance
- ◆ Ethics

"It takes many good deeds to build a good reputation, and only one bad one to lose it."

- Benjamin Franklin

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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.

Why should organizations have internal auditing?

As a cornerstone of strong governance, internal auditing bridges the gap between management and the board, assesses the ethical climate and the effectiveness and efficiency of operations, and serves as an organization's safety net for compliance with rules, regulations, and overall best organizational practices.

What is governance within an organization? The Institute of Internal Auditors defines governance as policies, processes, and structures used by an organization to direct and control its activities, to achieve its objectives, and to protect the interests of its diverse stakeholder groups in a manner consistent with appropriate ethical standards. Internal Audit is part of a strong governance process as it:

- > Performs assessments to provide assurance the governance structures and processes are properly designed and operating effectively, and
- > Provides advice on potential improvements to governance structures and processes.

A primary lesson from the financial failure and collapse of numerous organizations is that good governance, risk management, and internal controls are essential to business success and longevity. Management is responsible for establishing and maintaining a system of internal controls to mitigate risk which may impact the organization's to succeed. Internal Audit can assist by objectively assessing the effectiveness of



those controls.

Because of its unique and objective perspective, in-depth organizational knowledge, and application of sound audit and consulting principles, a well-functioning, fully resourced and independent internal audit activity is well positioned to provide valuable support and assurance to an organization and its oversight entities.

[Click here to attain additional information on Internal Audit from the Global Institute of Internal Auditors website Frequently Asked Question's.](#)

Getting to know your audit function.

Where does the internal audit function report to?

Internal Audit has a dual reporting role which facilitates the independence and objectivity of the function. Internal Audit reports directly to the University President, and also to the Associate Vice Chancellor of Internal Audit for the University of Everywhere.

Who works in Internal Audit?, and what is their background?

The Internal Audit function at the University of Everywhere is staffed with three fulltime positions and one graduate assistant.

John Doe – Director

John joined the university in November 2011 after working in a corporate environment for over 25 years where he completed projects around the globe including Indonesia, South Korea, Great Brittan, Spain and Mexico. John is a Certified Public Accountant, Certified Internal Auditor and holds a Certification in Risk Management Assurance.

Jane Smith – Internal Auditor

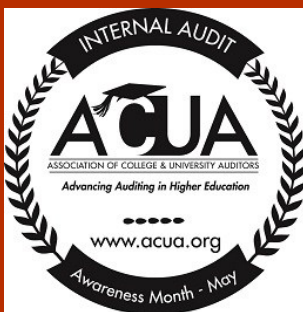
Jane joined University of Everywhere in February 2014 after her retirement as a Senior Auditor following a 21 year career with a federal agency. Jane is a Certified Public Accountant and has significant experience auditing in the governmental environment. She is enthusiastic about her work and brings considerable value to the department.

Robert James – Information Technology Auditor

Robert joined the university in March 2013 following his December 2012 graduation from University of Everywhere with a Bachelor's degree in Management of Information Systems. In addition to a solid understanding of technology in the workplace, Eric brought with him the experience in customer service which he gained from over 6 years of experience working for Acme Explosives in their customer service call center.

Youngling Smith – Graduate Assistant

Youngling is enrolled in the University of Everywhere MBA program. Youngling is gaining an understanding of the role fulfilled by Internal Audit and is contributing to active compliance and governance projects.



Internal Audit?

There was a very good summary of Internal Audit which was put up on the web by The United Kingdom (UK) Office of the IIA posted an excellent summary upon which this article draws. A number of points are examined, including:

- > What is Internal Audit?
- > What is its value to the organization?
- > What is the difference between Internal and External Audit?

What is Internal Audit?

The best way to provide a description of Internal Audit is to start with the IIA definition of Internal Auditing.

“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.”

Let's examine a couple of key points:

◆ **Independent and objective.** This is a combination of fact and frame of mind. Internal Auditors work for the same organization as their

audit clients, so cannot be independent from the external perspective. A common interest is shared. Internal Auditors must be independent from the area they are reviewing as it relates to the subject process or function. If an auditor recently moved from the payroll department to Internal Audit, independence would be questionable if they were asked to immediately then audit Payroll as they would likely be auditing their own work product. Similarly, objectivity could be questioned if the auditor's best friend or spouse worked in the payroll department, or other area being audited. The Internal Auditor needs to ensure no conflict of interest exists prior to accepting an engagement.

◆ **Helps an organization accomplish its objectives.** One of the primary goals of the internal audit function is to make the organization better; to add value. Further on in the definition this is reiterated in that Internal Audit is charged to not

only evaluate, but to improve the effectiveness within areas that are reviewed.

What is Internal Audit's value to the organization?

Internal Auditors base activities on a risk assessment to ensure that projects impact areas that are fundamental to the survival and prosperity of the entity. Internal Auditors do not just look at financial risk and financial statements, but consider wider issues such as reputation, growth, treatment of employees, and environmental impact. The summary by the UK office states it very clearly with the simple statement:

In sum, internal auditors help organizations to succeed.

What is the difference between Internal and External Audit?

This is a question that is often asked, and the UK office of the IIA put together a chart which summarizes four of the basic differentiators:

[Click here to access the IIA UK office website.](#)

	External audit	Internal audit
Reports to	shareholders or members who are outside the organizations governance structure.	the board and senior management who are within the organizations governance structure.
Objectives	Add credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report	Evaluate and improve the effectiveness of governance, risk management and control processes. This provides members of the boards and senior management with assurance that helps them fulfil their duties to the organization and its stakeholders.
Coverage	Financial reports, financial reporting risks.	All categories of risk, their management, including reporting on them.
Responsibility for improvement	None, however there is a duty to report problems.	Improvement is fundamental to the purpose of internal auditing. But it is done by advising, coaching and facilitating in order to not undermine the responsibility of management.

Learning More about the Internal Audit Function

Internal audit...what is that? What does that department do? How do they do it? Why do they do it? Who is that department really looking out for? You most likely know what an audit is but you may wonder about the internal audit department in your organization. You may be thinking you hope the auditors never come knocking on your door. However, you may be pleasantly surprised by what the auditors can provide you. The article “What does internal audit do and why do they do it?” by Greg Walker provides a great (and pretty concise) summary of the internal audit function.

Walker begins with the definition of internal audit as provided by the Institute of Internal Auditors and breaks down all the key concepts. Independence? Check. Objectivity? Check. Assurance services? Consulting services? Check. Check. The article further explains the three categories of internal audit’s focus – governance, risk management and control processes – and how these categories are considered when determining what to audit.

The author sums up internal audit by simply saying “internal audit exists to add value and improve operations.” Value and improvement, huh? Does that sound like something you may be interested in? Check out the full article at <http://www.examiner.com/article/what-does-internal-audit-do-and-why-do-they-do-it> and learn what your internal audit department is all about.

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