

AUDIT PROCESS – CONDUCTING INTERNAL AUDITS

Internal Audit Services (IAS) provides objective and independent appraisals on District and college processes and programs. In order to provide transparency and uniformity in conducting internal audits, the following process is established.

Selection

Activities to audit are selected to maximize audit coverage for addressing high risk subjects and areas of concern to the District, college management, or the Governing Board. Attempts are made to avoid duplication of effort by external auditors. The annual audit plan is initially discussed between the Chancellor and the Director of IAS. Subsequently, the Director of IAS will present planned audits to the Governing Board for discussion, the results of which are adopted into the formal audit plan.

Initiating the Audit

IAS performs a preliminary review of applicable audit risks, gathers information about the process, function, or area to be audited, and identifies the responsible personnel. These steps are aimed at developing an initial audit program to be discussed and agreed upon with management of the entity to be reviewed (the “Auditee”).

Audit Notification

1. Begin with **Informal** notification:
IAS sends initial audit notification by email to top operating management (applicable supervisor(s), manager(s), director(s), dean(s), vice president(s), vice chancellor(s), president(s), and Chancellor) of the area to be audited, which identifies:
 - audit subject;
 - desired start date;
 - time period of activity to be audited;
 - preliminary audit scope and objectives; and
 - invitation for an informal meeting (in-person or by phone) to discuss audit planned.

2. Follow with **Formal** notification:
IAS sends formal notification by email with an “Audit Notification Memorandum” to Auditee management, which identifies:
 - audit subject;
 - audit objectives;
 - audit methodology planned to address the objectives;
 - key laws, rules, and regulations;
 - audit team assigned;
 - audit timeline estimates; and
 - support required – access to records, files, etc.

The formal notification distribution is determined based on whether an audit of a college or District Office business function is conducted but shall include applicable supervisor(s), manager(s), director(s), dean(s), vice president(s), vice chancellor(s), president(s), and Chancellor.

Entrance Conference Meeting

The entrance conference is the audit kickoff meeting held between the audit team and the Auditee. This meeting provides an opportunity for introductions and discussion of issues such as work space, timing of fieldwork to be conducted, clarification of auditor access required, and the audit process to be followed.

Fieldwork

During this phase, the auditor identifies and assesses internal controls, which may include:

- process walkthroughs;
- interviews/discussions with staff and management; and
- tests of accounting transactions and supporting records.

Assessments of department records, communications, and discussions with management are the primary sources of information for auditors. Therefore, it is important for IAS to obtain efficient access to records and staff, in order to facilitate timely completion of the review. The philosophy of IAS is to minimize operational disruption throughout the course of audits, while still meeting productivity and time deadlines. IAS staff will attempt to keep unit management informed of audit progress, including clear and concise understanding of any issues noted.

End of Fieldwork

Upon completion of staff interviews and transaction testing, the audit team meets to discuss the preliminary results of fieldwork. Subsequently, the auditor will confirm any issues or exceptions with Auditee management, initially discuss potential recommendations for management corrective action(s), and then complete documentation for the fieldwork performed. Working paper documentation retained should support identification of the audit objectives reviewed and the basis for the audit results - including opinion and conclusions. The workpapers go through a quality review within IAS.

Preliminary Exit Meeting

This meeting occurs near the end of fieldwork. Ideally, Auditee management and relevant staff meet with the IAS team to informally discuss the detailed results of the review, potential significance of any issues or concerns noted, and to clear up any related misunderstandings. Additionally, this is an opportunity to identify if any subsequent changes to controls or procedures have occurred, which could mitigate the effect of issues or concerns noted. Collaboratively, potential corrective actions and implementation dates are formulated or planned to remedy any existing issues or concerns. If no significant issues are noted requiring management corrective action(s), then it is possible that the preliminary exit meeting may not be required.

Draft Audit Report

The draft audit report is prepared by IAS for the benefit of management. This report generally reflects the reporting of audit results and possible recommendation(s) for corrective action(s), which are formulated after the audit team has collectively met with Auditee management for discussion. The report distribution is determined based on whether an audit of a college or District Office business function is conducted.

1. Draft Audit Report Distribution – Audit of College

IAS electronically distributes the draft audit report directly to the President, and requests a response be coordinated by the college and returned to the Director of IAS. It is preferred that the response indicates agreement or disagreement with the draft report and that it provides feedback, comments, concerns, or potential administrative changes. Additional report distribution shall include applicable supervisor(s), manager(s), director(s), dean(s), vice president(s), vice chancellor(s), and Chancellor.

2. Draft Audit Report Distribution – Audit of District Office

IAS electronically distributes the draft audit report directly to applicable operating management of the Auditee, and requests a response be coordinated by the District Office and returned to the Director of IAS. It is preferred that the response indicates agreement or disagreement with the draft report and that it provides feedback, comments, concerns, or potential administrative changes. Additional report distribution shall include applicable supervisor(s), manager(s), director(s), dean(s), vice chancellor(s), and Chancellor.

Formal Exit Meeting

After IAS has distributed the draft report for review and has received a coordinated response from the college or District Office, an offer of a formal exit meeting is extended, which the Auditee will determine if necessary. If the exit meeting is requested, IAS will present:

- a summary of audit work performed;
- the audit opinion and conclusion;
- identification of issues noted; and
- jointly formulated action plans agreed to with the Auditee, if any.

Discussion will occur to ideally reach agreement on audit results to be reported.

If the exit meeting is determined to not be necessary, IAS will move forward to complete and issue the final audit report.

Final Audit Report

This is the final product of the audit and where the opinion, conclusions, and issues identified (if applicable) are presented together with management's corrective action plans. The audit report is provided in electronic form to applicable management and staff identified in the audit report. The report is subsequently presented by IAS to the Governing Board.

Audit Follow-up

IAS is responsible to perform follow-up to confirm management completed its corrective actions committed to in the audit report, or is on track towards completing such actions. Typically, IAS will initiate follow-up concurrently with management's projected implementation date for corrective actions. If IAS notes actions have not been completed or initiated at that time, IAS will perform a second follow-up 90 days later. If IAS notes actions have not been completed or initiated, IAS will communicate to applicable college or District Office executive management. If no actions have been initiated or completed, then the Director of IAS shall communicate the issue to the Chancellor.