The Audit Process: How We Work With You

The most successful audit projects are those in which the auditee or client and the Internal Audit staff have a constructive working relationship. Our objective is to have the auditee's continuing involvement as well as communication at every stage, so that there is a clear understanding of what we are doing and why we are doing it.

Every audit project is unique because of the objective or purpose. However, there are similarities in the audit and review process. In most audits, the process consists of four stages: Planning, Field Work, Audit Report, and Audit-Follow-up.

Planning

To illustrate the audit planning process, we will use the operational audit, the one we perform most frequently. In an operating audit, the auditors are evaluating whether the client's resources are appropriate for its mission and objectives, and whether those resources are being used efficiently and effectively. During the planning process we seek to determine:

- the goals of the unit or system being reviewed,
- the objectives of the audit, and
- the approach or scope and methodology the auditor will use to meet these objectives.

The planning stage begins with an entrance conference and a preliminary survey which lead to an audit program.

Entrance Conference

Before any work begins, the client describes to the auditor the unit or system to be reviewed, the organization, and the available resources, including personnel, facilities, equipment, funds, and other relevant information. The internal auditor meets with:

- management from all interested offices and units, and
- the senior officer (Dean, Chairman, Director, or Vice President) responsible for the unit under review.

It is important that the client identify, at this initial meeting, issues that should be addressed or areas of special concern. The auditor will indicate approximately how long he/she will be at the college and the process required to finalize an audit report.
Preliminary Survey

In the survey phase the auditor gathers relevant information about the unit in order to obtain an overview of it. He talks with people involved in the unit and reviews reports, files, and other sources of information.

During this phase, a work plan or audit program is developed. As is usually the case, an audit results in a certain amount of time being diverted from the client's usual activities. It is one of our key objectives to minimize this time and to avoid disruption in your ongoing activities. We try to avoid interfering with your busy periods and need your assistance in setting up a work plan to do so.

Field Work

Field work begins with systems analysis, followed by transaction testing, and includes continuing advice and informal communications. The field work ends with the exit conference, which is a very important meeting for both the client and the auditor.

Systems Analysis

An operational auditor reviews and analyzes the systems necessary for a unit to operate properly. The auditor evaluates the system's documentation and capabilities, a process which may be very time-consuming. In many audits, systems analysis takes 50% or more of the field work time. In systems analysis, the auditor uses a variety of tools and techniques, including flow charts, interviews, data gathering and analysis, and techniques for documenting findings.

Transaction Testing

After completing the systems analysis, the auditor tests the important controls. Some of the critical aspects, for example, authorization and documentation, are tested. The purpose of testing is to determine if:

- the controls are reliable,
- transactions comply with rules and regulations, and
- procedures are functioning properly

Advice and Informal Communication

As field work progresses, the auditor discusses any significant findings with the client. Usually these communications are oral. However, in more complex situations, interim memos are written in order to ensure full acceptance by the client and avoid any misunderstandings by the auditor. In particular cases, we may also provide drafts of organizations charts, proposed forms or modifications to forms, financial data or other statistics, or drafts of findings and recommendations that later may be incorporated into the formal audit report. These are all considered informal communications between the auditor and the client. Their purpose is to promote constructive communication and avoid misunderstandings. Our goal: NO SURPRISES.

Exit Conference

At the conclusion of field work, we meet with your unit's management team to discuss proposed findings and recommendations. For most audits, the exit conference is held after the development of an informal discussion draft of the audit report. In these cases, the exit conference may be used to discuss the text of the draft in addition to the findings and recommendations.
Audit Report

A principal product of an audit project is the final report in which recommendations for improvement are made and the client's plan for implementation are described. To facilitate communication and ensure that recommendations presented in the final report are practical, Internal Audit provides the client with copies of the draft report and requests a written response. The client is usually given three weeks to respond to the draft report. Our recommendations have been modified at times based on the responses we have received.

Draft Report

After the exit conference, the auditor prepares a formal draft, taking into account any revisions resulting from the exit conferences and other discussions. Accompanying the draft is a cover letter requesting the client's written comments (usually within three weeks).

If appropriate, the formal draft may be shown to the next level of management. We always send the draft report to the college's designated Audit Liaison Officer, and leave the distribution of the draft report up to that official. We do not recommend circulating this document to the highest levels of management inasmuch as it is still a draft and has not been the subject of a written response by management.

Final Report

After the client responds to the formal draft report, a final report is issued by Internal Audit. It generally includes the client's response to the findings and recommendations, and any additional comments considered necessary by the Director of Internal Audit.

The final report is assembled and copied by the Office of Internal Audit, which then distributes copies to all interested parties, including appropriate University officials. At this time, the report is considered a published document and available for public review.

Audit Follow-up

Internal Audit does follow up the implementation of recommendations by performing periodic implementation reviews. The timing of implementation reviews is usually based on the availability of staff. The recommendations by external auditors such as CPA firms, City Comptroller, State Comptroller and Federal agencies may be included in implementation reviews.

In addition, we sometimes ask the clients to keep us appraised of the implementation process.

The Audit Process: A Collaborative Effort

As we have pointed out, during each stage of the audit process, i.e., planning, field work, audit reports, and follow-up, clients have the opportunity to participate. There is no doubt that the process works best when the college's management and Internal Audit have a solid working relationship based on clear and continuing communication.

Many clients extend this working relationship beyond the particular audit. Once we have worked with you on a project, we have an understanding of the unique characteristics of your unit's operations. As a result, we can advise you as you evaluate the feasibility of making further changes or modifications in your operations. We are always available to discuss any of your special needs in order to improve the effectiveness and efficiency of your operations.