

THE AUDIT PROCESS

INTRODUCTION

The general objective of an audit is to evaluate the adequacy of internal control structures and controls established through policies and procedures. Auditing is carried out with reference to federal and state law and other governing compliance regulations, Board of Regents' Policy, and general good business practice, and will include the following:

- Assessing compliance with regulations and written policies and procedures,
- Verifying the existence of assets and ensuring proper safeguards for their protection,
- Investigating reported occurrences of fraud, embezzlement, theft, waste, etc., and recommending controls to prevent or detect such occurrences,
- Determining if resources are employed in an economic, efficient, and effective manner.

The Chief Audit Executive and Internal Audit staff are authorized by the President and the Board of Regents under the *Internal Audit Charter* to have full, free, and unrestricted access to all University functions, records, property, and personnel.

All audits are conducted with adherence to the guidance of the Institute of Internal Auditors, including the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*.

ANNUAL AUDIT PLAN

The Chief Audit Executive, by authorization of the President and the Board of Regents, annually establishes a plan of scheduled audits called the Annual Audit Plan ('Plan'). The Plan covers the universities governed by the Board of Regents, i.e. The University of Oklahoma, Cameron University, and Rogers State University. The audits selected can relate to specific departments/units within the universities, or to processes that are carried out across a number of different departments/units (for example payroll). Certain audits relate specifically to information technology systems. In order to maximize the use of Internal Audit resources, a risk-based approach is adopted in drawing up the Plan. Major risk factors are identified using different risk assessment criteria, and areas with the highest perceived risk are given high priority for audit. All university areas receive internal audit coverage and would normally be audited every few years.

The Plan, which is confidential, is prepared and submitted to the Board of Regents June meeting for review and approval. Upon approval, the Plan is executed by Internal Audit during the course of the following fiscal year. Additionally, unannounced audits may be performed at the discretion of the Chief Audit Executive or at the request of the Board of Regents, the President, or unit head.

ENGAGEMENT

An audit on the Plan starts with the issue of an engagement letter. The VP/Dean/Head of Department to be audited ('unit management') is notified in writing by the Chief Audit Executive before the audit is scheduled to start and informed of the audit process.

ENTRANCE CONFERENCE

An entrance conference is scheduled with unit management and key personnel to make the necessary introductions and to discuss the purpose, objectives and scope of the audit, the expected start and completion dates of the field work and any accommodation requirements. Input from the unit management is welcomed at this stage, particularly with reference to any known concerns or areas of potential internal control weakness.

PRELIMINARY PLANNING AND AUDIT PROGRAM

The Audit Director/Manager and the audit team research the audit needs incorporating any specialist knowledge required, and this may require input from the audit client. A risk analysis and audit program are developed and reviewed by the Chief Audit Executive.

FIELD WORK

Field work addresses the objectives of the audit and is carried out by the audit team usually comprising the Audit Director/Manager and one or two audit staff. Primarily, the work consists of verifying the existence of appropriate internal controls through discussions with key personnel and the testing of specific transactions with supporting documents on a sampling basis. Progress is discussed with unit management, usually as individual objectives are finished, and particularly with regard to any audit concerns.

EXIT CONFERENCE

An exit conference is held to discuss the results of the completed audit and any concerns that may have arisen. Those attending the conference usually include the Chief Audit Executive, the Audit Director/Manager, the unit head, and anyone the unit head wishes to invite. The exit conference provides an opportunity to resolve any questions the audit client may have about the concerns raised and to address any other issues before the Audit Report is prepared.

AUDIT REPORT

A draft Audit Report is prepared by Internal Audit to summarize the audit work done and give details of any concerns that have been found, together with recommendations for action necessary to address those concerns. The draft report is sent to the unit head.

If audit recommendations are made, a written management response to each recommendation is required. The unit head should coordinate the development of these responses with appropriate levels of management. The response should include:

- Agreement with the recommendation and a brief plan of action for implementing the recommendation,
- The deadline date for implementation to which management commits,
- The name and status of the individual primarily responsible for implementing the recommendation.

In the event that there is disagreement with a specific recommendation that cannot be resolved through discussion, the Chief Audit Executive may schedule the matter for consideration at the next meeting of the Finance and Audit Committee of the Board of Regents.

The responses are incorporated into the Audit Report by Internal Audit and sent to the appropriate vice president for final review and concurrence before the Report is issued as a final document.

The final Audit Report is issued with copies going to each member of the Board of Regents, the University President, appropriate Vice President, Dean, and unit head.

THE POST-AUDIT REVIEW PROCESS

All audits with concerns and recommendations require a Post-Audit Review. The post-audit review process is intended to ensure that management has addressed all recommendations included in the Audit Report. The Post-Audit Review takes place soon after the agreed implementation deadline to which management has committed in the management response. During the review, Internal Audit tests the effective implementation of each audit recommendation. If recommendations have not been satisfactorily addressed, a second Post-Audit Review is scheduled.

The results of each Post-Audit Review are summarized in a memorandum that is sent to every member of the Board of Regents and to the University President, appropriate Vice President, Dean, and unit head.

In the event that audit recommendations have not been fully implemented following a second Post-Audit Review the Chief Audit Executive notifies the Finance and Audit Committee of the Board of Regents who may require a progress report from the unit head to ensure a satisfactory conclusion.

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