Auditing in Higher Education

> 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 Questions.
Getting to know your audit function

Where does the internal audit function report to?
The Statewide Office of Audit and Consulting Services has a dual reporting role which facilitates the independence and objectivity of the function. Internal Audit reports functionally to the Board of Regents Audit Committee Chairperson, and administratively to the Vice President for Finance and Administration/Chief Financial Officer.

What do the internal auditors do?
In recent years, the internal auditors have been conducting audits involving grants and contracts, compliance, travel and travel card, cash receipts, procurement card, information technology and information security, component units, as well as investigations and following up on tips reported through the UA Confidential Hotline.

Internal auditors often assist with questions from university staff regarding internal controls, business process revisions, or best practices for writing written procedures. We also provide presentations on internal controls, the internal audit process, restricted fund auditing, and risk assessments. Workshops on conducting a risk assessment are available upon request.

Who are the auditors and what is their background?
The Statewide Office of Audit and Consulting Services is staffed with five fulltime positions and two graduate student interns.

Nichole Pittman – Chief Audit Executive
Nikki joined the university in December 2003 and became the CAE in 2007. She has a total of 17 years in state/university employment. Nikki is a Certified Internal Auditor, Certified Information Systems Auditor, and Certified Fraud Examiner. She has a BBA and an AAS from UAF.

Niki Countryman – Senior Internal Auditor
Niki joined the University in March 2011 after working as an external auditor for a CPA firm on the Kenai Peninsula. She has over 10 years of accounting experience and has worked as an accounting consultant liaison with a non-governmental organization in Indonesia, a chemist on the North Slope and as a medical technologist in Hawaii. She is a Certified Public Accountant, a Certified Management Accountant, and a Certified Fraud Examiner. She has a BBA from UAA and is pursuing her MBA from UAF.
Will Finley – Information Systems Auditor
Will joined the University of Alaska Audit and Consulting Services in 2009 after several years teaching as an adjunct business instructor at the School of Management. He holds a Certified Information Systems Auditor certification through the Information Systems Audit and Control Association (ISACA). Will enjoys all the many ways that technology facilitates an interest in information management.

Colleen O’Neill—Assistant Auditor
Colleen joined Audit and Consulting Services in May 2014 after working for the United Way of Anchorage as a navigator for the Affordable Care Act. She enjoys tax involvement by volunteering with the AARP as a tax-aide. Colleen has a BBA from UAF, is enthusiastic about her work, and brings considerable value to the department.

Kris Larson—Assistant Auditor
Kris joined Audit and Consulting Services in June 2014 after receiving his BBA in Accounting from UAF. Kris assists in external, internal, and special request audits for the university, and is eager to learn as much as he can about internal auditing.

Kris worked as a student employee for several departments for the university before he became an internal auditor. He is currently pursuing his MBA in capital markets and his CPA certification

Michael Kroon and Alyssa Larsen—Graduate Student Interns
Michael and Alyssa are currently enrolled in the UAF MBA program and working on completing their CPA certifications. Both joined the department in September 2014. They are gaining an understanding of the role fulfilled by the internal audit function as well as the importance of follow-up audit procedures.

Where can I find more information about internal auditing?
www.alaska.edu/audit
www.acua.org
www.theiia.org
www.isaca.org

How can I report a suspicion of fraud, waste or abuse of university resources?

UA Confidential Hotline:
www.alaska.ethicspoint.com
The hotline is hosted by a third-party by contract with the university.
Anonymous reporting is an option.
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.**

<table>
<thead>
<tr>
<th></th>
<th>External audit</th>
<th>Internal audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reports to</strong></td>
<td>shareholders or members who are outside the organizations governance structure.</td>
<td>the board and senior management who are within the organizations governance structure.</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Add credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Coverage</strong></td>
<td>Financial reports, financial reporting risks.</td>
<td>All categories of risk, their management, including reporting on them.</td>
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<td><strong>Responsibility for improvement</strong></td>
<td>None, however there is a duty to report problems.</td>
<td>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.</td>
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Gauging The Value of Internal Audit

Here is an summary of “Gauging The Value of Internal Audit” from the magazine Internal Auditor in which Stakeholders offer their views of the profession and describe how auditors can best serve organizational needs.

There is no easy way to assess the value internal audit adds to its organization. The worth of internal audit different from business to business. One of the best ways for to gauge their value is through the lens of these stakeholders — particularly those tasked with organizational management and oversight. These observations offer an objective look at the profession that helps shed light on what’s important to the

View of the Enterprise

The task for many internal auditors and their stakeholders has been to redefine the value of internal audit to take account of a growing holistic approach to risk management. Not only is it more in what the auditor says about the design of the control system than about whether it is in conformity with procedures.

Advising on Change

An independent audit committee member at the U.K.’s Office of Rail Regulation and former head of audit at a major U.K. government department Melvyn Neate, says internal audit can add a lot of value by becoming deeply involved in organizational change projects. Neate says that historically internal audit has tended to be backward looking — evaluating the past performance of the company’s controls and commenting on their effectiveness. This narrow compliance view has been encouraged by the U.S. Sarbanes-Oxley Act of 2002, but Neate says that internal auditors stuck in that paradigm often fail to add value. “I want internal audit to look forward and think about what’s coming, what the emerging risks are, what the situation is likely to be,” he says. “That means looking at the business strategies, looking at the business plans ahead, and being proactive in getting involved in the key initiatives.”

The Value of Assurance

Carolyn Dittmeier, chair of the statutory audit committee at Assicurazioni Generali Group, one of Europe’s largest insurers. She is responsible for giving her judgment about the effectiveness of the organization’s overall risk management and internal control systems. Internal audit’s unique contribution is to show them how risk management and internal control systems provide adequate governance across the key business processes. Dittmeier says the value of individual audit reports to the audit committee resides more in what the auditor says about the design of the control system than about whether it is in conformity with procedures.

Click here to access the entire article.