



**INTERNAL AUDIT AT THE USP:** A short guide to the service

**October 2015**

## **INTRODUCTION**

We have had internal audit in the USP for a very long time. A large proportion of employees have come into contact with the auditors. There is sometimes some confusion about who the internal auditors are and what they do.

This guide briefly explains what this service does. It outlines how this service is going to develop over the next few years. Internal audit will be changing its focus to provide more value to us.

We hope this guide clarifies concerns you might have about internal audit. However, please feel free to contact the section at [ac@usp.ac.fj](mailto:ac@usp.ac.fj) if you have any questions.

**Director of Assurance and Compliance**

**October 2015**

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## SECTION 1

### WHAT IS INTERNAL AUDIT?

Internal audit is defined by the US-based Institute of Internal Auditors, Inc. as:

*"...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."*

This is what this means:

1. **Independent and objective:** An internal audit service does not make decisions on how things are done. Therefore, the auditors can give unbiased views about all the decisions we make. Being unbiased gives them the ability to be objective. So, any recommendations we get aren't because any person or section is being favoured.

The auditors have unrestricted access to people and information when doing their work. They need this or they cannot reach proper conclusions.

2. **Assurance:** This, at some level, is what every internal audit gives you. It gives you a level of assurance about a part of your process or the whole area. Assurance is given through recommendations or an overall summary or comment. These recommendations and summaries are graded. That tells us how serious the auditor thinks a problem is. The bigger the problem, the less assurance they give.
3. **Consulting:** These are occasions when the auditors use their knowledge of good practice to give advice. This helps us to improve.
4. **A systematic, disciplined approach:** The auditors plan their assignments and agree the scope of their work. They then use their professional judgements to test and evaluate how well we manage risk.
5. **Risk management, control and governance processes:** This is the scope of the work the internal auditors do. Their work is not just checking transactions!

## **SECTION 2**

### **WHAT'S CHANGING ABOUT INTERNAL AUDIT?**

We have been developing USP' internal audit service. We have been moving checking compliance to procedures to looking in more widely at risk. Managing risk plays a key part in the USP achieving its objectives. As a result, we are committed to moving to fully risk based internal audit plans and assignments.

Our internal auditors have developed a three year risk-based audit strategy. This gives us an audit approach based on international best practice

### **WHAT IS RISK-BASED AUDIT?**

Risk-based internal auditing (RBIA) links audit to the USP's general arrangements for managing and monitoring risk. RBIA. This gives the auditors the opportunity to comment on how we manage risk and where we can improve.

### **WHAT WILL BE DIFFERENT?**

This method of audit is more complex than the compliance-type work commonly seen. Its advantage is that it gives more insight into why we manage. Therefore, it has the potential to add a lot more value to us.

As the USP's risk management matures, internal audits will become increasingly risk-based. There will still be reviews about the financial controls. This is what the auditors are best known for. But more assignments will focus on higher-level considerations about risks to our objectives.

## SECTION 3

### HOW DOES THE SERVICE WORK?

An internal audit service is delivered using the following planning stages:



1. **STRATEGIC PLAN:** The internal auditors have a three year Strategic Plan. They set this through reviewing documents and talking to senior managers. This enables them to plan assignments across a number of years. This ensures they cover a balance of key strategic and operational matters in the period.

The internal auditor's Strategic Plan is agreed and signed off using the following process



The Strategic Plan is reviewed every year. It needs to take account of significant changes in our operations.

2. **ANNUAL PLAN:** An annual plan provides more detail about the kind of assignments that will be undertaken. It outlines a high level summary of the assignment to be undertaken. It also says how many days the work is expected to take. The planning agreement and signoff process is the same as for the Strategic Plan process.
3. **ASSIGNMENT PLANS:** Internal audit assignments are planned in the following way:
  - a. An initial meeting or contact will be had with the **Audit Sponsor**. This is a SMT member.
  - b. The auditors will follow up by meeting with other managers and gathering other background information.
  - c. A draft audit planning brief will then be produced by the auditor. This will outline the detailed scope of the audit and its objectives.
  - d. The brief will be signed off by the Audit Sponsor before the audit starts.

## **SECTION 4**

### **CLEARING INTERNAL AUDIT REPORTS**

1. At the end of every audit assignment, the internal auditors will briefly outline what they have found. This will usually reinforce discussions held while the audit was in progress.
2. Then they will issue their draft report to the **Audit Sponsor, who is the SMT** who signed off the audit planning brief.
3. The Audit Sponsor will then obtain the responses from the relevant managers.
4. The responses will be sent to the auditors. Any disagreements must be clarified with the auditors prior to the final audit report being agreed.
5. The final report is issued after the internal auditors are satisfied the management responses address the issues raised.
6. The reports are then circulated to the Vice Chancellor and President, SMT members, the Audit and Risk Committee

For further information, see our guide on 'Responding to internal audit reports'.

## **SECTION 5**

### **CONTACTING THE INTERNAL AUDITORS**

The internal audit service can be contacted via the Assurance and Compliance Office:

[ac@usp.ac.fj](mailto:ac@usp.ac.fj)