

# AUDIT PROCESS

## RISK ASSESSMENT PROCESS

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The risk assessment process is our identification and analysis of risk for an audit. It begins with the draft audit objective(s), the hours budgeted for the project (included in the Two-Year Plan), and any other information provided by audit management.

Research is performed during the planning process to increase the auditor's efficiency.

The following sources of information are considered during the risk assessment process to increase audit efficiency:

- Review Controls Assessment Tool (CAT) results -- From the most recent risk assessment survey of the unit (performed by the Office of University Audits on a four-year cycle).
- Perform an analytical review of all the BANNER accounts (balances and activity) for the unit under review.
- If the unit has self-supporting funds, obtain and review copies of the [Fact Sheets](#), the LAC-1 (LAC stands for Legislative Audit Commission) schedules or the deferred revenue information sheets (UIS only, and only if deferred revenue is involved) sent to the Accounting Division by the unit at year-end.
- If the unit has Service Plan accounts, obtain and review copies of the LAC-2 schedules (Balance Sheet Questionnaires) (UIC only) sent to the Accounting Division by the unit at year-end.
- Continuous Auditing Issues Identified (located in the Red Tab of Auto Audit, Continuous Auditing section).
- The Unit's most recent Strategic Plan, if applicable.

When applicable, the following documentation should be reviewed or considered.

- Review previous internal audit reports and audit workpapers. These workpapers can assist in further developing the audit scope and procedures. The previous audits' workpapers also facilitate follow-up during the current audit.
- Review previous reports from the External Auditors' Compliance and/or Financial audits.
- Consult with other audit staff that have been involved in similar audits or are familiar with this unit or subject matter.
- Consult with auditors from other Universities/Organizations -- Others who have audited or are familiar with a University operation/system or specialized subject matter may be consulted for technical assistance, answers, and ideas.
- Consult with technical experts to learn about a technical subject or to request technical assistance/guidance in a new or specialized subject matter or area.
- Review Library Database Searches -- Searches are available from University and other local libraries and can be useful in audits of specialized or technical areas/subjects.
- Review the OBFS [Business and Financial Policies and Procedures](#) manual -- This manual contains policies and guidelines in the area of business and finance.
- Review [Campus Administrative Manual](#) (UIUC only) -- This manual supplements University and campus policy for administrative staff.
- Review Executive Notices (e.g., Provost Communications)
- Review ACUA Internal Control Questionnaires and Audit Guides -- Available for various college and university operations and systems.
- Review Federal and State Regulations -- Regulations governing the University of Illinois' operations are contained in the *Code of Federal Regulations* and the [Illinois Compiled Statutes](#).
- Review accounting/auditing technical guidance (e.g., GARS).

- Review applicable campus Academic Staff Handbooks, <http://www.ahr.uiuc.edu/ahrhandbook/default.htm> -- UIUC, [http://www.uic.edu/depts/aaa/policies\\_proced.html](http://www.uic.edu/depts/aaa/policies_proced.html) -- UIC, [http://www.uis.edu/UIS\\_Academic\\_Staff\\_Handbook/Introduction/](http://www.uis.edu/UIS_Academic_Staff_Handbook/Introduction/) -- UIS
- Review applicable Course Catalogs (for reviews of academic units).
- Review *AICPA Guide to Audits of State and Local Government*.
- Review [\*University Statutes, Bylaws, and General Rules\*](#), -- Concerning University Organization and Procedures.
- Review *State Universities Civil Service System Statutes and Rules* -- Sections of the [\*Illinois Compiled Statutes\*](#), and the Illinois Administrative Code pertaining to the State Universities Civil Service System.
- Review [\*Policy and Rules for Civil Service Staff\*](#) -- Provides uniform guidelines for the management of the Civil Service staff of the University.
- Review [\*Board of Trustees\*](#) agenda items/minutes (for UROs, review URO Board meeting minutes).
- Review [\*Comptroller's Statewide Accounting Management Systems\*](#) (SAMS) --This manual documents the fiscal policies, accounting principles, controls, operating procedures, and reporting requirements for the Uniform Statewide Accounting System.
- Review Campus Telephone Directory -- The telephone directory provides general information and is useful in determining the reporting structure (for example, the "Official Lists" section of the UIUC Student/Staff Directory includes All-University Organization, University Officers, Board of Trustees, UIUC Organization, Campus Officers, and abbreviated information for UIC and UIS).
- Review [\*Legislative Audit Commission University Guidelines\*](#).
- Other relevant materials as deemed necessary.

A [flowchart](#) of the risk assessment process is provided to further illustrate the process.

Using professional judgment and available information, determine the most appropriate audit objective(s) and scope (e.g., statement of audit boundaries).

Consider:

- The unit's mission and objectives.
- The organizational structure of the unit and the related campus or University Administration structure from reviewing the unit's organization chart.
- The probability of significant errors, irregularities, noncompliance, and other exposures that would adversely affect the unit's operations and/or their ability to efficiently and effectively accomplish their objective or would adversely affect the University's overall mission/objective.
- Key financial and administrative data relevant to the audit from BANNER or other unit reports.
- Unit, campus/University, and other applicable standards (e.g., NCAA Legislation, JCAHO standards) for measuring critical functions.
- Control processes to monitor critical functions for compliance with established standards.
- Issues and concerns raised in prior audits of the unit.

Determine the audit procedures needed to gather sufficient, competent, relevant, and useful evidence to accomplish the established objective(s).

Based on the information gathered above, select the appropriate audit approach. Consider:

- The evidence necessary to reach conclusions on audit objectives.
- The tests and other procedures to be performed to gather the required evidence.
- The objectives, steps, and procedures so that the high risk processes are performed first. This will assist the auditor in keeping focused on completing the audit by developing sufficient information to report on the audit early in the process. If necessary, the audit can be ended (e.g., as a result of revised objectives, budget changes, new audit requests), before all of the originally anticipated procedures are performed.

Prepare audit procedures and submit for audit management's approval. If the objective and scope warrants a change in the budgeted hours, the auditor should submit to audit management a justification for the change. Approved changes would be reflected in the Overview.

The approved audit objective(s), scope, and budget should be constantly reassessed throughout the audit process to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be limited or expanded, have more efficient procedures been identified, or should additional hours be allocated). If, through this constant reassessment, significant changes are made to the objective and/or scope communicated in the opening conference, the changes should be communicated to the auditee. In addition, ideas for future audits identified during the audit should be documented in AutoAudit in Audit Observation forms with the disposition of future audit concern.

# RISK ASSESSMENT PROCESS FLOWCHART

