

What are the Components of Internal Control?

There are five major elements that make up an organization's internal controls (the COSO model is recognized throughout the world as a significant standard for discussing internal control).

The five elements are depicted on the right, in a pyramid form, as each element depends on the preceding elements.



- At the base of any organization is the **Environment**. The core of any institution is its people. They are the engine that runs the organization.
- Next is **Risk Assessment**. Colleges and universities must be aware of and deal with the risks they face.
- Following assessment, an institution builds its **Control Activities**.
- The entire process must then be **monitored** by those doing the work, and modified as necessary.
- Throughout this process of examination, prioritizing and risk mitigation, **information and communication** systems enable the organization's people to capture and exchange the appropriate information needed to manage its operations responsibly.



Have questions? Give us a call. We will work with you to find solutions that strengthen your internal controls and help you manage risk.

We're here to serve you.



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more effectively and
strengthen your internal
controls.

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WHO WE ARE...

UCI Internal Audit Services (IAS) was established to assist the Board of Regents and management in establishing and maintaining policy and procedures that adequately protect the assets of UCI, and to provide the Board of Regents and management an objective appraisal of compliance with, and adequacy of, existing internal controls.

IAS partners with management to improve the control environment and to identify and manage business risks. IAS aims to ensure that: operations are run efficiently and effectively, assets are safeguarded, policies and procedures are being adhered to, and that financial transactions are appropriately recorded.

IAS can be a resource to your organization by assisting you in areas of organization structure, guidance in policies and procedures, financial accounting and reporting, financial administrative systems, and compliance with federal regulations. IAS will act as an extra set of eyes to help ensure processes are well controlled and working efficiently.

WHAT WE DO...

Our role is to provide a detailed perspective of UCI's control environment by reviewing financial, operational, compliance and reputation related risks. IAS works with management to reduce these risks and strengthen internal controls.



Audits

- Perform audits of financial, operational, and compliance control
- Identify areas of risks and possible mitigation options
- Review business practices and advise on possible improvement areas
- Provide feedback on how to improve internal controls

Advisory Services

- Consult with management to conduct advisory reviews addressing specific management's concerns
- Provide management with observations and recommendations that can help improve operations and strengthen internal controls

Investigations

- IAS conducts investigations into suspected financial irregularities whether reported by whistleblowers, uncovered in the course of audits, or based upon concerns conveyed by management

External Audit Coordination

- Coordinate with departmental personnel to ensure external auditors receive all required assistance

HOW WE DO IT...

1. Planning

This stage typically includes gathering preliminary available background information, developing audit approach, time budgeting and a memo to the auditee to provide information about the upcoming audit.

2. Entrance Meeting

At this meeting, IAS discusses our procedures, goals, schedule, scope, and any issues that management may have related to the audit. Attendees may include: CFO, Controller, Department Head, and Department Business Manager. IAS representatives include: Director of Internal Audit Services, Audit Manager, and Senior Auditor.



3. Schedule Request

IAS will request documentation from management prior to beginning fieldwork. Such items include: organizational charts, financial information, policy and procedure manuals, promotional literature, contracts, grant documents, etc.



4. Fieldwork

This stage is what is typically thought of as the audit work. During this stage, IAS will generally be physically located at the auditee's location. Through meetings with management and other personnel, we will understand and document the control environment and internal controls over revenue and expenditures, budget and inventory processes, information system and other areas as appropriate. We select samples of transactions to test controls identified through the process mentioned above to ensure they are functioning adequately and to look for areas of efficiency. We discuss all observations with departmental management before fieldwork is completed.

5. Draft Report

After completing fieldwork and discussing observations with management, we will develop a draft report. Copies of the draft report will be distributed to management prior to the exit conference.

6. Exit Conference

Comments regarding the audit and observations noted in the draft report will be discussed at this meeting. Attendees are typically those who also attended the entrance conference.



7. Final Draft

After the exit conference the final draft is issued to management. We ask management to write action plans for observations made in the report.



8. Final Report Issued

A final report, including management action plans, is presented to the auditee, UCI audit committee, and UCOP.

9. Feedback

Part of our audit process includes feedback from our auditees. We want and encourage feedback and recognize your recommendations can help improve our services.