



**DIVISION OF AUDIT SERVICES**

**AUDIT REPORT**

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**University College / Department**

**May 2005**

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## ***EXECUTIVE SUMMARY***

**\*\*\* The Executive Summary is part of the Audit Report that provides a high level overview of the audit and provides a summary of the audit activity. Included are the Introduction, the Objective and Scope, Observations and Recommendations, Summary, and Conclusion.**

**The Executive Summary is submitted to the Audit Committee and Vice-Presidents. The entire report (which includes the executive summary) is provided to the individual(s) we believe are responsible for the audit. \*\*\***

### **Introduction**

**\*\*\*The introduction of the Executive Summary will provide a brief description of how the audit relates to the annual audit plan. Also included are the inherent risks identified. As required, other pertinent information will be provided here to ensure the purpose of the audit and any other background information is provided here. \*\*\***

### **Objective and Scope of the Audit**

**\*\*\*The objective of the audit for the Executive Summary will provide an overview with respect to why the audit was conducted. The scope involves what information was examined for the audit. \*\*\***

The following is an example of what may be provided for a travel audit:

The objective of the audit was to determine the degree to which the transactions selected for the period from May 1, 2004 to April 30, 2005 comply with the requirements of the travel policies, guidelines, and procedures. To that end, the steps in our audit process included:

- ◆ The review of policies, procedures, and practices with regard to travel expenditures;
- ◆ Testing selected travel transactions for compliance with respect to the attributes of compliance described in the policy and guidelines documents.

### **Observations and Recommendations**

**\*\*\*This section provides an explanation as to how the audit report is to assist rather than find fault with areas reviewed. \*\*\***

The following is an example of what may be provided for a travel audit:

The objectives of a system of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with policies and guidelines; and are recorded properly.

In this audit, our observations and recommendations are provided to assist management in improving accounting and administrative controls and procedures relating to travel expenditures. Included with the recommendations provided, are the names of the individual(s) we believe are responsible for addressing the issues noted. It is important to note that our observations and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the University.

## Summary

**\*\*\*This section provides a summary of the observations and recommendations made. The goal of this section is to provide an overview of the audit work. If specifics are required then the full audit report can be referenced. \*\*\***

## Conclusion

**\*\*\*This section provides the conclusion reached by the auditors. A opinion will be expressed with respect to the observations. \*\*\***

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This is the beginning of the main part of the complete audit report.

## **BACKGROUND**

**\*\*\*A very brief explanation as to the rationale for the audit is provided in this section. \*\*\***

## **INHERENT RISKS**

**\*\*\*This section addresses the inherent risks involved in the area being audited. \*\*\***

For example this section might include the following:

As a public institution funded largely by taxpayer dollars, the University must be accountable to all stakeholders. Expenditures must be made in a manner that is responsible and provides a benefit to the University. Inherent risks involving expenditures are as follows, but not limited to:

- ◆ Financial loss to the University due to inappropriate expenditures occurring, such as travelers requesting reimbursement for travel costs for personal expenses, rather than expenditures essential to carrying out the business of the University;
- ◆ Adverse publicity;
- ◆ Compromising the integrity and reputation for both the claimant and the person authorizing the claim;

## **OBJECTIVE OF AUDIT**

**\*\*\*The objective of the audit should answer the question “Why was this department/area audited?” \*\*\***

The following is an example of what may be provided for the objective for a travel audit:

The objective of the audit was to review the systems and procedures involved with travel expenditures to ensure compliance with University policies, procedures, and guidelines. In addition, the audit was to assess the adequacy and effectiveness of internal controls, and to establish that systems and procedures are managed with due regard for economy, efficiency, and effectiveness. The audit was also intended to provide assurance that all travel expenses incurred in the review were for official University business.

The policies and guidelines listed below were thoroughly examined to determine if the University is using best practices for travel expenditures.

- ◆ Policy 4.20.02 Travel Expenses
- ◆ Policy 4.20.03 Travel Accident Insurance
- ◆ Policy 4.20.04 University Travel Agent
- ◆ Policy 4.20.05 Hospitality and Working Meal Expenses
- ◆ University of Saskatchewan “Travel Expense Guidelines”
- ◆ University of Saskatchewan “Completing a Travel Expense Claim Form”
- ◆ Tri-Council Guidelines “Financial Administration - Use of Grant Funds”
- ◆ Tri-Council Guidelines “Financial Administration – Reporting”

## NATURE AND SCOPE OF THE AUDIT

**\*\*\*The section should answer the question “What was audited?” \*\*\***

The following is an example of what may be provided for the nature and scope for a travel audit:

For the period May 1, 2003 to April 30, 2004, all Financial Records System accounts that had travel transactions were included in the population. The 2, 4, and 7 ledgers contain 97 percent of the travel transactions. From these ledgers, we selected 100 transactions on the basis of spending level, volume and risk, for testing.

In reviewing the documentation (claims for reimbursement), we tested each transaction in our sample for compliance with the following requirements:

1. All claims for reimbursement of costs must be accompanied by the appropriate supporting documentation, including original receipts or paid invoices. (Photocopied invoices, credit card statements, and cancelled cheques will not be accepted).
2. All claims must provide evidence that the travel is appropriate and expenses claimed are consistent with the travel expense guidelines and travel policies of the University and granting agencies.
3. Claims are to be made on the Travel Claim Form and submitted within six months of the travel date.
4. Claims for reimbursement submitted are to be reimbursed within 10 working days.

All policies and guidelines that relate to travel were thoroughly reviewed. This examination was to determine that the policies and guidelines in place provide the appropriate level of guidance with respect to travel resources being utilized in an economic, efficient, and effective manner.

## METHODOLOGY

**\*\*\*This section describes the audit program that was developed to conduct the fieldwork.\*\*\***

The following is an example of what may be provided for the methodology for a travel audit:

An audit program was developed by Audit Services which defined a process for reviewing the policies, guidelines, and practices for travel related expenditures and conducting detailed substantive tests. The review helped us determine if there were opportunities for improved economies and efficiencies in the use of travel resources. Furthermore, the review allowed us to assess the internal control environment with respect to travel expenditures.

A representative sample of 100 transactions was selected out of the total population by randomly selecting transactions from accounts that had a minimum activity level of \$1,000 and transaction level of at least five travel-related transactions.

Substantive tests of procedures were conducted to gain an understanding of the different types of expenditures that take place, how the expenditures actually occur, and what control mechanisms exist. An assessment of internal controls over expenditures was performed. Included with the recommendations provided, are the names of the individual(s) we believe are responsible for addressing the issues noted.

## ATTRIBUTES TESTED

**\*\*\*This section of the audit report will discuss the individual issues or areas that we decided to test. A particular issue is analyzed and we capture the information in a set format which includes observations and recommendations as required. There is an analysis of items tested and it will follow the following outline.\*\*\***

### **A. Name of the Attribute Tested**

**\*\*\*For each attribute tested we provide an analysis that covers the objective, criteria, risks, observations, conclusion, causes, recommendations, and management's response. We have developed a framework in which we display each of the topics with respect to the attribute tested.\*\*\***

***Objective:*** Objectives can be a general statement referring to the standard areas covered by most audits. An example of an objective is "To determine the level of compliance with respect to the general travel policy." Audit objectives can be quite specific. For example "To determine if expenditures relating to travel are for University business."

**Criteria:** Criteria are the measures of acceptability to use in evaluating actual conditions. Audit criteria focus on acceptable levels of internal control to keep performance within established risk limits as set by management. Then also focus on management's expectations of acceptable performance. Some examples are:

- ◆ Only one claim per trip is allowed and it must be submitted within 6 months after returning from the trip.
- ◆ The claim for reimbursement must be approved by the claimant's immediate supervisor.

**Risks:** The risks specific to the attribute being tested are listed here. Some examples are:

- ◆ financial loss
- ◆ damage to the reputation of the University

**Observations:** The fieldwork conducted is summarized in this section. This is where the auditor captures all of the observations – some can be positive as well as negative. An indication of how many deficiencies have been noted is usually mentioned here.

**Conclusion:** The auditor will conclude whether the University is taking the appropriate actions to mitigate risks, or is being exposed to minimal risk or is being exposed to considerable risk.

**Causes:** This section will list the auditor's opinion as to why the observations occurred.

**Recommendations:** This section will indicate recommendations for improvement. It should be noted that recommendations are provided to assist management in improving accounting and administrative controls and procedures relating to travel expenditures. Included with the recommendations provided, are the names of the individual(s) we believe are responsible for addressing the issues noted. It is important to note that our observations and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the University.

**Management response:** This section will indicate management's response to the recommendations.

It is important to note that all audit recommendations are to be responded to within 30 days. The response will include comments on each of the observations and recommendations and will specifically indicate:

- Agreement or disagreement with each of the findings and recommendations.
- If there is disagreement, the unit head will provide the rationale for disagreement in the written response.
- The timeframe for implementation of the recommendations.

## CONCLUSION

**\*\*\*The final section of the audit report is the conclusion where the audit opinion is expressed.\*\*\***

## PLANNED MANAGEMENT ACTIONS

**\*\*\*This section is a compilation of all the recommendations made in the audit report, and includes all of the management responses, who the responsible person is for implementing each recommendation and the time frame. \*\*\***

RECOMMENDATION 1 (page #)

Management's Response /Comments (Responsible Person)

Targeted date: