



The Discussion and Analysis on Procedure Standardization of University Internal Auditing

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Abstract

The standardization of auditing is an important link of strengthening auditing management; also it is an important measure to improve auditing quality. This paper conducts beneficial discussion on regulating the internal auditing procedure in Colleges and universities and releases applicable and constructive conceptions regarding the universities' auditing practice.

Key words: Universities; Internal auditing; Standardization; Auditing quality

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INTRODUCTION

At present Chinese higher education suffers many contradictions such as rapid expansion on big scale versus sharp quality problems and obviously insufficient investments. Therefore, these are problems urgently need solving which include Universities' internal auditing enhancement and standardization, conception of risk management and internal control strengthened, reduction of operation costs and funds utility improvement as well as the prevention of corruption and waste. The standardization of auditing is an important link of strengthening auditing management; also it is an important measure for internal auditing department of universities to improve auditing quality.

1. INTERNAL AUDITING COMPOSITION

The internal auditing composition refers to the sequences and requirements that need the internal auditing organization following in the process of an appointed auditing project. It includes 6 aspects: plan, preparation, and auditing conduction, auditing report, successive auditing and audit quality responsibility. The auditing procedure has function of guidance and restriction on internal auditing, and plays a role of standardizing the legitimacy and scientificity of internal auditing as well as improving auditing quality and efficiencies. The internal auditing organization and its personnel shall conduct auditing supervision and operation in accordance with the auditing procedures.

2. SIGNIFICANCE OF STANDARDIZING INTERNAL AUDITING PROCEDURE

(1) The auditing quality assurance and auditing risks reduction requires the standardization of internal auditing procedure. A scientific, reasonable, normative and practical audit procedure is necessary condition to completing efficient auditing supervision, applying the requirement of assuring internal auditing quality and reducing auditing risks on each stage and link of audits.

(2) The standardization of internal auditing procedure is an effective way of improving auditing efficiency and reducing internal auditing resources consumption. The strict and flexible internal auditing procedure is necessary conditions of utmost improving internal auditing efficiency by effectively combining the theory of internal audit with the experiences and professional judgment of internal auditors.

(3) The standardization of internal auditing procedure is the requirement of establishing the occupation image of internal audit. As an assistant department, the internal auditing organization maintains professional reputation

and establishes a professional image of internal auditing through normative internal audit procedure, high efficiency and auditing quality.

3. THE ISSUES CONCERNED IN THE STANDARDIZATION OF UNIVERSITY INTERNAL AUDITING PROCEDURE

3.1 The Planning Stage

The Internal auditing department needs formulating a scientific and reasonable auditing plan according to the university's long-term development expectations and highlights of annual tasks, combined with the superior departments' requirement. Further more, it needs confirming the types, objectives, scope, methods and coverage of proposed auditing project within a year, successively implementing strictly upon approval. In the process of implementing, it needs regular analyzing on the implementation status of this plan, and finding out the reasons of plan variance, finally timely amending.

3.2 Preparation Prior to Audit

(1) An institution of chief auditor responsibility. An auditing group must be organized prior to audit, normally no less than 3 people. The group leader and chief auditor's responsibility need clarification. It needs considering the person's professional competency and occupational moral level, when the auditing group leader and its members as well as divisions of labor are for determined. The audit team leader may entrust a qualified auditors acting as chief auditor, performing his responsibilities under the leader's authorized scope. However the audit team leader shall be responsible for the results of the chief auditor's performance.

(2) Clarification of investigation procedures prior to auditing. The internal auditing department needs regulating detailed investigation method and procedure prior to auditing. For example, it is regulated that the financial revenue and expenditure auditing can be investigated prior to auditing by extracting data from internet. It is regulated that the leader's economic responsibility audit must be investigated prior to audit by entering the audit site. The format and contents of the report of investigation prior to audit are listed. The contents of materials need collecting and outline of investigation prior to audit need clarification.

(3) Audit implementation plan need formulating. At present, the internal audit department lacks concerns to formulating audit implementation plan. The auditing plan quality is normally inferior. The audit implementation plan plays a "Dragon Head (driving force)" role in the system of audit project quality control. It is an important guarantee of audit quality. The composition of audit plan needs to be based on sufficient investigation prior to auditing and collection of basis materials. The plan

needs clearing audit objective, specifying audit contents, highlighting the audit key points, determining the audit procedures and methods, as well as making clear division of labor, implementing the responsibility.

3.3 Audit Implementation Stage

(1) Strict implementation three steps review. The organizational structure of university internal auditing department is different from the auditing bureau. Some universities' internal auditing departments simplify the review process due to understaffing. However the 3 steps review institution is indispensable and important procedure in order to ensure audit quality. The project chief auditor needs reviewing the auditing drafts that the auditing team member submits according to actual situations in some universities' internal audit department. The auditing team leader needs reviewing the preliminary auditing conclusions that the chief auditor submits. Successively, the head of auditing department needs reviewing the auditing report. The key points of reviewing are followed: norm of audit procedures, clearance of facts, confirmation of evidence, the accuracy of qualitative analysis, and sufficiency of evidence. In addition, have the auditing conclusion been fully communicated with the auditee and persons audited? Whether the major problems reveal and written expression are consistent with relevant provisions? Are the audit suggestions and opinions applicable? Is the audit report format correct? Is the report content complete and accurate? If necessary, the audit team leader or its entrusted qualified auditors may review the audit journals. In order to standardize the review procedures, it can design normative review form on which each reviewer sign and leave comments after each step review. That is for clarifying all levels responsibility and promoting quality improvement of internal audit as well as preventing risks.

(2) Implementation of auditing journal institution. The auditors should daily compose auditing journal according to its format when they conduct audit process. Discrete log recordings or composition after a project completion are prohibited. The auditing journals are not required during the investigation prior to auditing, however the notes of investigation prior to auditing is a must for recording the survey materials prior to auditing. The auditing journals are no longer composed when the auditing is finished and auditing report composition is commenced. The auditing journals need to be composed at the occurrence day to recording considerable change, reasons and process of important decisions in the case that the previous working outcomes are significantly modified when the auditors compose and amend the auditing report. I.e. the statement of truth, qualitative analysis and treatment measures are changed.

3.4 Stage of Auditing Report

(1) Written Format Standardization. The auditing report should have a unified format, including the specification

of font, size, layout, punctuation etc. All types of auditing reports' composition outline and requirement as well as report literatures need to be specified. The basic format of audit report includes: title, recipient, auditing gross situation (evidence of project establishment approval and its background introduction, the rectification report of previous auditing feedback, auditing objective and scope, the auditing highlights etc), the evidence, findings, conclusions and suggestions of auditing. In addition, it has accessories, signatures and data of report.

(2) Implementation of Auditing Announcement Institution. The audit announcement is a "double-edged sword(one thing has two sides)" that not only reveals the auditing objective's financial management to the public making the audit open, but also publish the quality and level of auditing itself to the public that has the audit invisibly supervised. This poses a challenge to the quality of audit. The audit announcement institution itself is a kind of encouragement, supervision, promotion and pressure as well for the auditors. With establishment of the audit announcement institution, the responsibility of auditing organization and auditors have been objectively strengthened, the auditing quality has also been considerably improved.

3.5 The Stage of Successive Audit

(1) Mechanism establishment of tracking, rectification and implementation. The audited organizations should seriously implement the results of audit report, formulate measures and rectify regarding the auditing results need implementing, in addition timely feedback the implementation situation to the auditing organization. All the problems violating regulations and disciplines must be timely corrected or processed, those problems subject to management issues need measures for rectification, at the same time, the departmental internal control mechanism should be concerned, completed and refined. The obligation mechanism of implementing auditing results should be applied, the university presidents in charge of certain departments need strengthening management and urge auditing results' implementation to the audited department for which he or she is responsible. The chief leaders of audited department bear direct leading responsibilities, the leader in charge of departmental finance issues are responsible for specific management responsibilities. That tracking and implementing the auditing results is able to improve the ratio of auditing suggestion implementation and realize the maximum auditing benefit.

(2) Establishment of comprehensive analysis institution. The university internal auditing personnel may have perspective of macro issues, serving the entire society starting from satisfying the requirement of school leaders' decision-making. They need carry qualitative

and quantitative analysis on the ascertained problems for checking whether the raised questions are consistent with the objective situation. They also need checking whether grasp the essence of things, especially the problems that have characteristics of universality, tendentious and the symptoms founded in the audit, deeply analyzing their reasons, submitting solving and prevention solutions in terms of institution and mechanism. They also need rising exclusive auditing suggestions and comments from the perspective of both surface and deep level, and urging them to correct or improve for forming relatively higher value of audit results.

3.6 Stage of Responsibility on Audit Quality

The university internal auditing department shall establish an internal incentive and restriction institution that supervises and evaluates the internal auditors. The individual's responsibilities need clearing from audit team members, chief auditor, team leader, departmental head to the corresponding associate presidents. The auditing procedures are under control from the beginning to the end and evaluated. The auditing quality index should be detached and quantitative to specific working position. The regular audit quality evaluation and mechanism of rewards and penalties are required. Meanwhile the insitution of quality responsibilities questioning for the auditing project need establishing, also clearing the accountability of various situation occurrence. Such as criticism, announcement, position assigned, suggested administrative error recordings. The consciousness of auditing quality need improving through completing institutional construction.

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