Controllers and Auditors: Responsibilities within the Context of Internal Control

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Context

- Why are internal controls important? Controls help manage the risks and opportunities associated with conducting the business of the University. Across the broad spectrum of University operations, good controls will help people take advantage of opportunities as well as manage potential problems.

- It is important that people understand their responsibilities for creating and maintaining an appropriate control environment when conducting the business of the University of California. Accordingly, it is important to understand how the Audit and Controller functions interact to strengthen and support the University’s control environment.

- This document is intended to describe responsibilities for ensuring a sound control environment and how the Audit and Controller functions interact within the context of internal controls.

- This document provides a statement of responsibilities from a broad, system-wide perspective. Campuses are encouraged to supplement this document to provide additional details if desired.
The University of California

Overview of Control Responsibilities

The Control Environment:
All academic and administrative employees are responsible for controls when conducting University business. Although specific responsibilities between groups may vary, all work toward the same goal of ensuring an effective and efficient control environment.

Academic and Administrative Management:
Responsible for developing, implementing and maintaining controls to manage risks and achieve objectives. Controller has primary responsibility for providing campus leadership to establish effective internal control and accountability practices.

Faculty and Staff:
Responsible for applying University values, policies, procedures and regulatory requirements to ensure consistent operations.

Audit and Advisory Services:
Assists management in their oversight and operating responsibilities through independent audits and consultations designed to evaluate and promote the system of internal controls.

What is Internal Control?
Internal control is an integral part of the University's operations. Internal control is broadly defined as a process, effected by our Board of Regents, faculty, and academic and administrative staff, designed to provide reasonable assurance regarding the achievement of instruction, research, patient care, and community service objectives, including:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.
Within the context of internal control, all employees share responsibility for ensuring an effective and efficient control environment. In addition, certain groups of employees are charged with more specific and interrelated responsibilities when carrying out the University’s mission. The interrelations are depicted by the graphical diagram on the previous page and are summarized below.

1. Academic and administrative management and faculty and staff work together to conduct operations and apply appropriate values, policies, procedures and practices to carry out control responsibilities in day-to-day operations. The Controller is responsible for providing leadership in designing and implementing programs and policies to establish an effective financial accountability and control environment.
2. Academic and administrative management (including the Controller) and Audit and Advisory Services share responsibility to consult on planned control practices and procedures to ensure that appropriate controls are “built in” rather than added on at a later time. The Controller and Auditor at the local level will collaborate on risk and control activities to ensure coordinated efforts.

3. Audit and Advisory Services and faculty and staff work together to share information about University operations to facilitate independent assessments about the adequacy and effectiveness of controls.

4. Audit and Advisory Services, management and faculty and staff are responsible for working together to promote the control environment, which helps ensure effective and efficient operations.

Interrelationship of Control Responsibilities