

INTERNAL AUDIT PROCESS





Internal Audit Process, Audit Program and Working Paper

Internal Audit Planning

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- Subjectively select departments to perform detailed audit risk assessment
- Conduct preliminary Internal Control & Risk Assessment using ICQ, Check list, Flowchart, Observation, Inquiry or Interview

Test of Control (Compliance Test)



Substantive Test

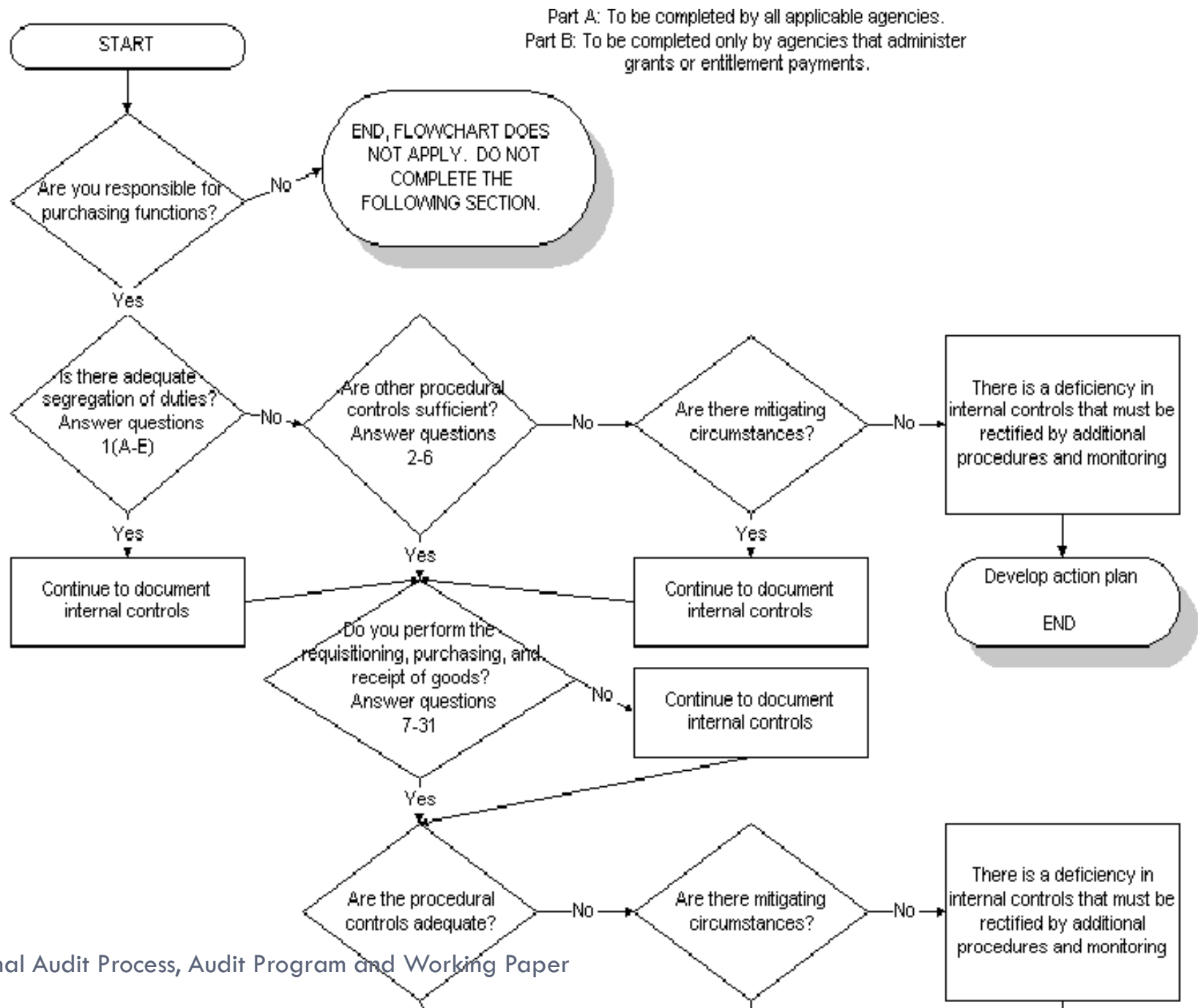
SMALL BUSINESS FRAUD ASSESSMENT INTERNAL CONTROL QUESTIONNAIRE

Download your risk assessment form at www.businessfraudprevention.org/forms.html

| | |
|------------------------|--------------|
| Owner: | Date: |
| Discussed with: | |

| Question | Yes | No | N/A | Comments |
|---|-----|----|-----|----------|
| Employee and HR Assessment | | | | |
| 1. Did you complete a background check including credit check? | | | | |
| 2. Did you call on employee's references? | | | | |
| 3. Do you have an employee handbook? | | | | |
| 4. Does it include a written fraud policy and procedure? | | | | |
| 5. Is there a written job description? | | | | |
| 6. Do you make yourself available to employees, vendors and customers for complaints? | | | | |
| 7. Do you experience high employee turnover? | | | | |

Example: Flowchart



Internal Audit Planning (cont.)

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- Prepare a draft Annual Audit Plan based on the results of Internal Control and risk assessment process
- Obtain the formal approval of the Audit Committee
- Communicate Annual Audit Plan to departments
- Contact department management at least 2 weeks in advance of scheduled audit date

Internal Audit Planning (Cont.)

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- Develop preliminary audit program outlining anticipated scope, objectives, audit risk assessment, procedures and schedule
- Schedule an Entrance Meeting with department management and staff to review the audit program, obtain documents, schedule interviews and communicate expected audit completion date

Assessment

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- Perform Audit Fieldwork as indicated in the audit program
- Obtain cooperation from management and department staff to obtain documentation, conduct interview etc.
- Conduct fieldwork with minimal disruption to department operations

Reporting

- Share important and sensitive findings with responsible managers timely
- Prepare a **first draft final report** and discuss it with responsible managers immediately following the fieldwork
- Schedule an **Exit Meeting** to provide the opportunity for responsible managers to discuss findings, conclusions, and recommendations with the auditor.

Reporting (cont.)

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- ask responsible managers to provide their responses to the auditor's findings to capture them and reduce them to writing in the **final draft report**
- Send **final draft report** to responsible managers and discuss suggested changes.
- Provide the **full report** to members of the Audit Committee, the President, and the department heads in the area being reported.

Follow-up

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- Based on the audit results a follow-up audit in approximately **six months** may be appropriate

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Audit Techniques



Audit Techniques

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- Physical Inspection

(การตรวจสอบทางกายภาพ)

- Physical Count

(การตรวจนับ)

- Balance Testing

(การทดสอบยอดคงเหลือ)

- Confirmation

(การยืนยันยอด)

- Reconciliation

(การพิสูจน์หรือกระทบยอด)

- Retracing Accounting Procedures

(การตรวจสอบติดตามกระบวนการปฏิบัติงานบัญชี)

- Re-computation/
Re-calculation

(การคำนวณตัวเลขใหม่)

- Account Analysis

(การวิเคราะห์บัญชี → for only irregular items)

Audit Techniques

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○ Vouching

(การตรวจสอบใบสำคัญหรือเอกสารชั้นต้น)

□ Sampling test

- Statistical Sampling
- Non-Statistical Sampling

□ Number of Samples → depending on

- Results of the Test of Control (Compliance Test) and Risk Assessment
- Audit Cost
- Time

○ Visit Audit

(observe general environment)

○ Spot Check

(scope only for some important audited areas)

○ Surprise Checking

○ Observation

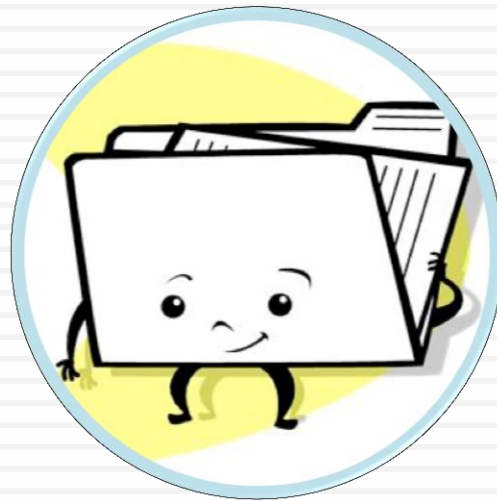
(Human, Machine, Work Flow, Security and Customer Satisfaction)

○ Inquiry

○ Interview

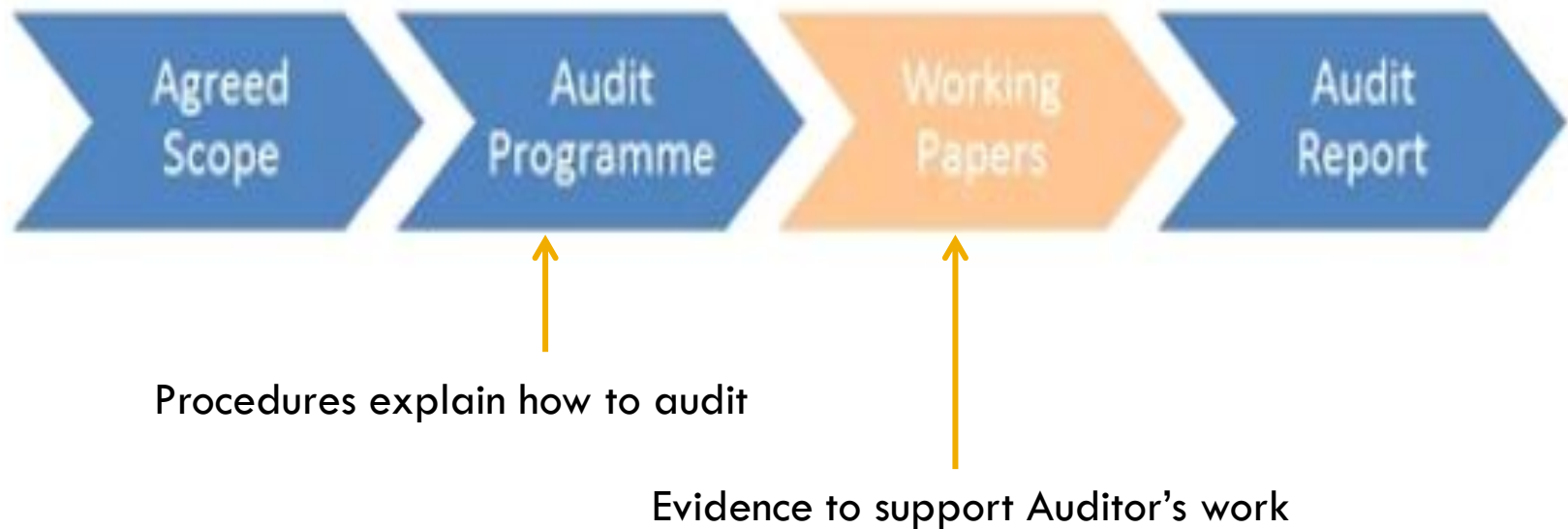
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Audit Program & Working Paper



Internal Audit Process

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Internal Audit Working Papers (WP)

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□ Definition

- record audit evidence obtained during an internal audit assurance or consulting engagement
- demonstrate the internal audit work completed
- provide the link between the agreed scope of work, the audit program and the audit report
- as a tool for supervisors or in-charge-auditor to review the job

Types of Internal Audit Working Papers

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- Audit Schedule (Gantt Chart) <page 117, 119>
- Audit Assignment
- Audit Program <page 128>
- Internal Control Questionnaire checklist (ICQ) <page 132>
- Flowchart <page 133>
- Confirmation
- Letters
- Finding Sheet <page 140>
- Recommendation for Improvement <page 138>

Audit Schedule (Gantt Chart)

| Internal Audit Schedule Form | January | February | March | April | May | June | July | August | September | October | November | December |
|---|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| Process Name | | | | | | | | | | | | |
| Bid Process & Review of Customer Requirements | X | | | | | | | | | | | |
| Design and Development | X | | | | | | X | | | | | |
| Purchasing | | X | | | | | | | | | | |
| Receiving, PML, Inventory (FIFO) | | X | | | | | | | | | | |
| Kitting | | | X | | | | | | | | | |
| Assembly | | | X | | | | | | X | | | |
| Inspection and Testing | | | | X | | | | | | | | |
| Shipping | | | | X | | | | | | | | |
| Calibration | | | | | X | | | | | | | |
| Customer Satisfaction | | | | | | | | | | | X | |
| Control of Nonconforming Product | | | | X | | | | | | X | | |
| Corrective Action | | | | | | | | X | | | | |
| Management Review | | | | | | | | | | X | | |
| Internal Audits | | | | | | | | X | | | | |

Audit Assignment

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- Document for assigning
 - ▣ Name of Internal Auditors, co-workers and assistants who are responsible for the work
 - ▣ Roles and Responsibilities
 - ▣ Scope of Auditing
 - ▣ Objectives of Auditing
 - ▣ Schedule of Auditing (Period)
 - ▣ Name of Supervisor who assigns the job (Signed)

Conditions of Audit Evidence

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- Reliability
 - Written
 - From outsider/third party
 - From insider with good internal control
- Accuracy/Sufficiency/Complete
- Relevance/Usefulness
- Concise/Neat & Legible/Structure
- Timeliness/Verifiability

Advantage of standardization

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- To ensure that all audit procedures are not overlooked
- To help staff know what is expected from them
- Easy to read and review