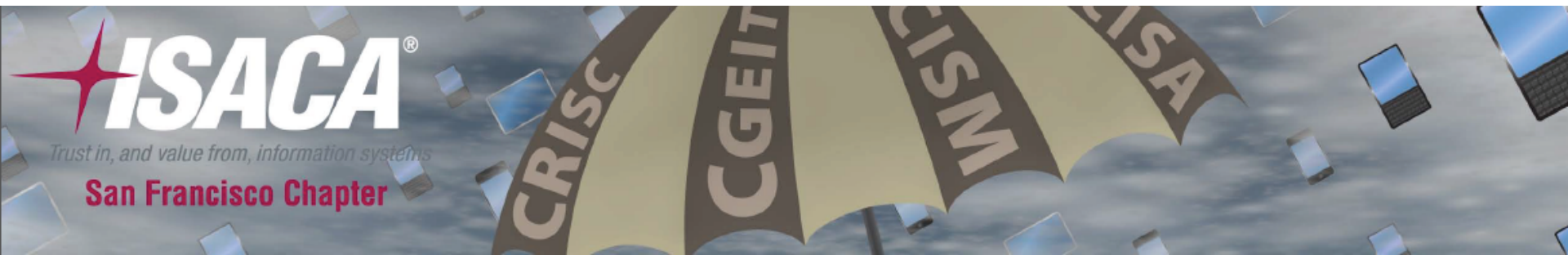


How to Survive an Audit

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Professional Techniques – T22



San Francisco Chapter



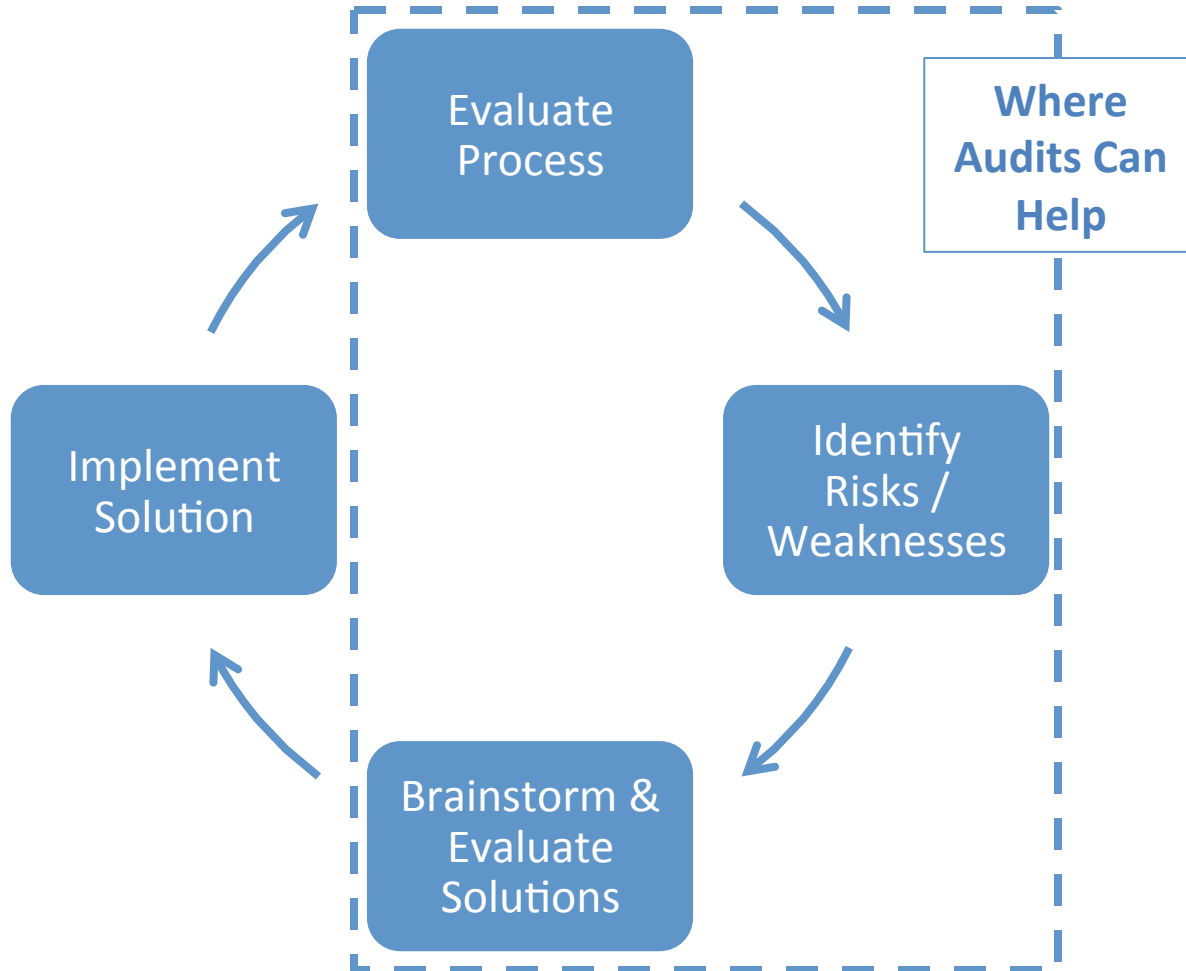
Objectives

- Understand why we audit
- Understanding the Audit Process & Goals
- Preparing for an Audit
- Understanding Audit Teams
- Supporting the audit
- Addressing any findings



UNDERSTANDING WHY WE AUDIT

Management Cycle





Types of Audits

- External Audit Examples:
 - Financial Statement and/or SOX
 - Regulatory / Special Examinations
- Internal Audit Examples:
 - Operational Efficiency
 - Compliance (SOX, PCI, HIPAA, etc.)



UNDERSTAND THE AUDIT PROCESS AND GOALS



The Goal Of Audits

- To confirm the good policies, procedures, controls, and related practices in place
- Audits generally looks for three things:
 1. Policies and procedures are formally documented and address related risks
 2. The organization is complying with the documented policies and procedures
 3. Management is monitoring to ensure the organization is complying the with the documented policies and procedures



Audit Process

- Understand the process
- Design testing
- Perform testing
- Communicate results
- Follow-up test remediations (optional)



Understanding the Process

- Review documentation
 - Policies
 - Procedures
 - Standards
 - Other
- Interview key staff
- Perform “Walkthroughs”
- Assess the design of controls



Design & Perform Testing

- Request a population
- Select a sample
 - Automated Controls = 1
 - Partially-Automated / Manual Controls = 'More Than 1'
 - Note: Statistical vs. discovery sampling
- Check attributes



Communicate Results

- Document and communicate results
 - Observation: Just the facts
 - Implication / Business Risk: Why management cares
 - Recommendation: Not a requirement...a recommendation
- You have input



PREPARING FOR THE AUDIT

Designing Controls

- Consider the four types of evidence:

- Reperformance
- Examination
- Observation
- Inquiry



Stronger Evidence

Weaker Evidence



Designing Controls

- Inquiry alone is not enough
- Documentation is important
 - Consistency is key
- Make attributes obvious in documentation
- Group key attributes together if possible
- Consider how easy difficult it will be to pull documentation



UNDERSTANDING AUDIT TEAMS



A 'Typical' Audit Team

- Independent Review Partner
 - Client Relationship Partner
 - Engagement Partner
 - Sr. Manager
 - Manager
 - Senior
 - Staff / Associate
- Often The Same Person



SUPPORTING THE AUDIT



Audit Phases (Project Mgmt)

- Planning
 - Scope / Timing / Logistics
- Gathering initial documentation
 - Policies, procedures, standards, etc.
 - Populations for testing
- Fieldwork
- Exit meeting (*initial* findings)
- Reporting



Planning

- Scope and objectives
 - Agree key controls are appropriate for risk
- Agree on timing and key individuals
 - Major projects
 - PTO / Vacation / Holidays
 - Work cycles (period close, major project deadlines)
- Prepare team



Fieldwork (Testing)

- Providing Information
 - You can question whether the requested info supports the key controls tested
 - If it does, you must provide
 - If it doesn't and the auditors persist, move up the auditor's hierarchy
 - Applies to documentation and interviews



Fieldwork (Testing)

- Offer enough info...but not too much



Exit Meeting

- Should cover:
 - *Preliminary* findings
 - Open items
 - Responsibilities
 - Timing
 - Set timeline to conclude and receive report



ADDRESSING ANY FINDINGS



Report

- Four Sections

- Observation: Agree on the facts. No interpretation...yet
- Implication / Business Risk: Now the interpretation. Can be adjusted, as agreed
- Recommendation: Can be adjusted, as agreed. Must address the related risk
- Management's Response: Should focus on owner, action plan, and timing



TIPS



Tips For Success

- Design Layers of Controls: Prevent, detect, and correct
- Audit Yourself: Don't wait for the audit
 - Ongoing throughout year
- Conduct a Pre-Audit: ...or have one performed



Summary

- Be Prepared: Document controls consistently over time, and evaluate your own controls first
- Be Relaxed: Auditors are not looking for issues
- Be Helpful: Provide information needed, but not too much
- Be Engaged: Help the audit help your organization with your involvement

Questions?



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