C07 Confessions of a Career Auditor: Time-Saving Tips for Navigating the New IIA Performance Standards

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About the Presenter

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Professional Experience

- 4 years public accounting (audit and tax)
- 1 year of corporate accounting
- 7 years internal auditor at student loan guarantor
- 5 years internal auditor at Fortune 250 public utility
- 5 years internal auditor at university medical center
- 6 years internal auditor at UNC Chapel Hill

IIA Standards

Domain V: Performing Internal Audit Services

*Self-Assessment checklist in ACUA Library

Change in Performance Standards

2017 Performance Standards	2025 Performing Standards
• **2000** - Managing the Internal Audit Activity • **2100** - Nature of Work • **2200** - Engagement Planning • **2300** - Performing the Engagement • **2400** - Communicating Results • **2500** - Monitoring Progress • **2600** - Communicating the Acceptance of Risks	• **Principle 13** - Plan Engagements Efficiently (6 Standards) • **Principle 14** - Conduct Engagement Work (6 Standards) • **Principle 15** - Communicate Engagement Results and Monitor Action Plans (2 Standards)

Principle 13: Plan Engagements Efficiently

"Plan each engagement using a systematic, disciplined approach."

Standard 13.1 Engagement Communication

Requirements

- ✓ Communicate effectively throughout the engagement
- ✓ Communicate objectives, scope, and timing
- ✓ Discuss engagement results

Considerations

- Planning meetings
- Engagement letter
- Status updates/discuss issues
- Exit meetings
- Draft reports/management responses

Standard 13.2 Engagement Risk Assessment

Requirements

- ✓ Develop an understanding of the activity to assess relevant risks.
- ✓ Gather info on strategies, risk tolerance, GRC, processes
- ✓ How dept meets their objectives
- ✓ Identify risks, fraud risks

Considerations

- Review support such as policies, procedures, flowcharts, org charts, dept websites
- Planning meetings/walkthroughs
- Consider a planning memo

Planning Memo Topics

Engagement GRC	Planning Considerations	Internal Audit Records
Overview/background	Key contacts/reporting	Resources needed
Risks/risk factors	Fraud considerations	Budget & timeline
Laws/policies/governance	Data needed, in scope	Auditors assigned
Internal controls	Data analytics	Independence statement
Objectives	Technology/access	Conflict of interest
Scope	Attorney-client privilege	CAO Approval
Major testing areas		

Standard 13.3 Engagement Objectives and Scope

Requirements

- ✓ Must define objectives and scope
- ✓ Identify scope limitations
- ✓ CAE approves objective, scope, and changes

Considerations

- Document in engagement letter/planning memo
- CAE signoff
- Document scope limitations
- Include in final report

Standard 13.4 Evaluation Criterion

Requirements

✓Must identify the most relevant criteria to be used to evaluate the activity.

✓Determine if evaluation criterion is sufficient

Considerations

- Internal (policies, procedures, KPI)
- External (law, regulations, contracts)
- Authoritative practices (frameworks, standards, guidance)
- Third party contracts

Standard 13.5 Engagement Resources

Requirements

- ✓ Identify types and quantity of resources needed
- ✓ Consider nature and complexity, time frame, whether available financial, human, and technological resources are sufficient

Considerations

- Document resources in planning memo
- Assess tech abilities
- Subject matter expert

Standard 13.6 Work Program

Requirements

- ✓ Must develop an engagement work program
- ✓ Identify criteria, tasks, methodologies, and auditors assigned to each task
- ✓ CAE must review and approve before implementation

Considerations

- Detailed work program
- CAE approval
- Approved changes

Work Program Example: Fixed Assets

Risk	Evaluation Criteria	Internal Control	Test Step	Objec tive	Auditor	W/P Ref	Find -ing?
Missing/ stolen items	Fixed Asset Policy (WP E1)	Annual inventory taken by Acct	1. Review annual inventory for completeness, action taken 2. For a sample, confirm inventory exists	1	KH	F1	Y, #1
Stolen items	Disposal Policy (WP E2)	Disposals handled thru Surplus	1. Sample disposed items and verify Surplus handled them correctly	2	KH	F2	N
Equip not serviced	Vendor contract (WP E3)	Preventative maintenance by vendor	1. Review vendor records 2. For sample, verify maintenance sticker	3	JK	F3	Y, #2

Principle 14: Conduct Engagement Work

"Implement the engagement work program to achieve the engagement objectives."

Standard 14.1 Gathering Information for Analyses and Evaluation

Requirements

- ✓ Must gather info that is relevant, reliable, and sufficient
- ✓ Insufficient info may lead to a finding or may not support a finding

Considerations

- Interviews, walk-throughs
- Data provided by client
- System data that you pull
- Physical inspection (inventory)

Standard 14.2 Analyses and Potential Engagement Findings

Requirements

- ✓ Must analyze relevant, reliable, and sufficient info to develop potential findings.
- ✓ Finding = difference between the criteria and the condition
- ✓ CAE to approve additional work beyond audit plan

Considerations

- Test accuracy
- Review for attributes
- Data analytics
- Ratio, trend analyses
- Budget to actual, comparisons
- Benchmarking

Example of Attribute Testing Workpaper: Fixed Assets

Lab Fixed Assets Testing Summary				Test 1	Test 2	Test 3	Test 4		
Tag	Item Sampled	Location	Maint Due	Item Exists	Location	Asset Tag	Last Maint	W/P Ref	Notes
1	Computer	Beard	n/a	Y	Y	Y	n/a	F1	
2	Spectrometer	Beard	May	Y	N-Coker	Y	May 2021	F1	item moved
3	Centrifuge	Beard	May	Y	Y	Y	Dec 2024	F1	
4	Incubator	Coker	July	Y	Y	N	July 2025	F2	
5	Microscope	Coker	July	Y	Y	Y	July 2025	F2	
6	Freezer	Coker	n/a	N - unknown	N - ?	n/a	n/a	F3	check surplus
				1 not found	2 diff	1 no tag	2 late		

Standard 14.3 Evaluation of Findings

Requirements

- ✓ Must evaluate potential finds to determine significance, root cause, effects
- ✓ Consider likelihood and impact
- ✓ Include significant risks
- ✓ Prioritize findings in report

Considerations

- Discuss with the client
- Document your work
- Consider manual vs system issue

Example of Finding Ratings

High

- Significant control deficiency
- Non-compliance with P&P, law
- High likelihood, occurrence, impact
- Corrective action required now

Moderate

- Control deficiencies
- Some non-compliance
- Medium likelihood, occurrence, impact
- Corrective action required

Low

- Process improvement
- Clarify/document P&P
- Strengthen control environment
- Action plan not required

Standard 14.4 Recommendations and Action Plans

Requirements

✓ Must develop recommendations, request action plans

✓ Must discuss recommendations with management

Considerations

- Document discussions
- Include in final report

Example of Finding Summary

Name of Finding	Engagement Name; Auditor; Date
Condition	Describe the issue that was found
Criteria	What control should have been in place? Policy?
Cause	What caused the issue?
Effect	What is the potential impact? Likelihood & occurrence?
Recommendation	What action is recommended? Responsible party?
Cross-Reference	Which workpaper(s) identify this finding?
Discuss with Client	
Communication	Who was this discussed with? Name, role, date, method
Result	Included in report? Did management agree?
Notes	Document discussion with client; any changes

Standard 14.5 Engagement Conclusions

Requirements

- ✓ Must develop an engagement conclusion that summarizes the results and overall significance of the findings
- ✓ Assurance engagement conclusions must include effectiveness of Governance, Risk Management & Controls, including an acknowledgement of when processes are effective.

Considerations

- Documentation in the workpapers
- Final report

Example of Report/GRC Ratings

Title	Findings	Likelihood, Impact	Policies	Laws	Controls
Immediate Action Needed	Severe	Very likely & high impact	Non-Compliance	Violated laws	Lack effective controls
Significant Improvements Needed	Major	Mod. likely & high/med impact	Inconsistent compliance	Potential to violate	Some controls not effective
Minor Improvements Needed	Minor	Low likely & low impact	Updates needed	Compliant	Enhance controls
Controlled or Effective	No findings	Low likely & low/no impact	Compliant	Compliant	Good controls

Standard 14.6 Engagement Documentation

Requirements

- ✓ Must document evidence to support the engagement results.
- ✓ Such that an informed, prudent internal auditor or competent person could repeat the work and derive the same results
- ✓ CAE review for accuracy, relevance, and completeness.
- ✓ Retain workpapers

Considerations

- Detailed workpapers (see next page)
- Pass quality assessment review

Engagement Documentation

Should Include

- Risk assessment
- Objectives/Scope
- Work Program
- Description of analysis
- Results
- Staff names
- Evidence of Communication

Common Workpapers

- Planning docs
- Process map/flowchart
- Interviews/surveys
- Risk and control matrix
- Test details
- Conclusions, cross-reference to findings
- Follow up
- Final report with management response

Basic Workpaper Format

- Workpaper Number
- Title
- Date Auditor Name
- Purpose
- Source
- Description of population evaluate
- (Conclusion)
- Auditor Name
- Reviewer Name

Principle 15: Communicate Engagement Results and Monitor Action Plans

"Communicate the engagement results to the appropriate parties and monitor management's progress towards the implementation of recommendations or action plans."

Standard 15.1 Final Engagement Communication

Requirements

- ✓ Final report must contain:
  - ✓ Objectives, scope (limitations), recommendations/action plans
  - ✓ Findings prioritized by significance
  - ✓ Conclusion of GRC
- ✓ Mgmt plan due dates and owners
- ✓ Acknowledge completed actions
- ✓ Reviewed and disseminated by CAE
- ✓ Must be "accurate, objective, clear, concise, constructive, completed, and timely"

Considerations

- Final report
- Evidence of communication with client
- May include recognition

Report Contents Example

1. Title, Date, Auditors
2. Executive Summary (optional)
3. Background
4. Objectives* & Scope*
5. Methodology/ Work Performed
6. Conclusion on Engagement, GRC*
7. Findings & Mgmt Responses*
8. Distribution list

* = required element

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

Requirements

- ✓ Must confirm management has implemented their action plan.
- ✓ If action not taken, discuss with CAE (see Standard 11.5 Communicating the Acceptance of Risks)

Considerations

- Inquire about progress
- Perform follow up assessment
- Update tracking system
- Communicate with the Board

Thank you

AAP Committee Members:

Agnessa Vartanova, University of Colorado

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Express Evaluation Code

AEFC

- A link to the Express Evaluation is located at ACUA.org.
- Under the **Training & Events** menu, select **Event Evaluator**. An ACUA login is required to access the session evaluations.
- Codes are *unique* to each session and are required for access.