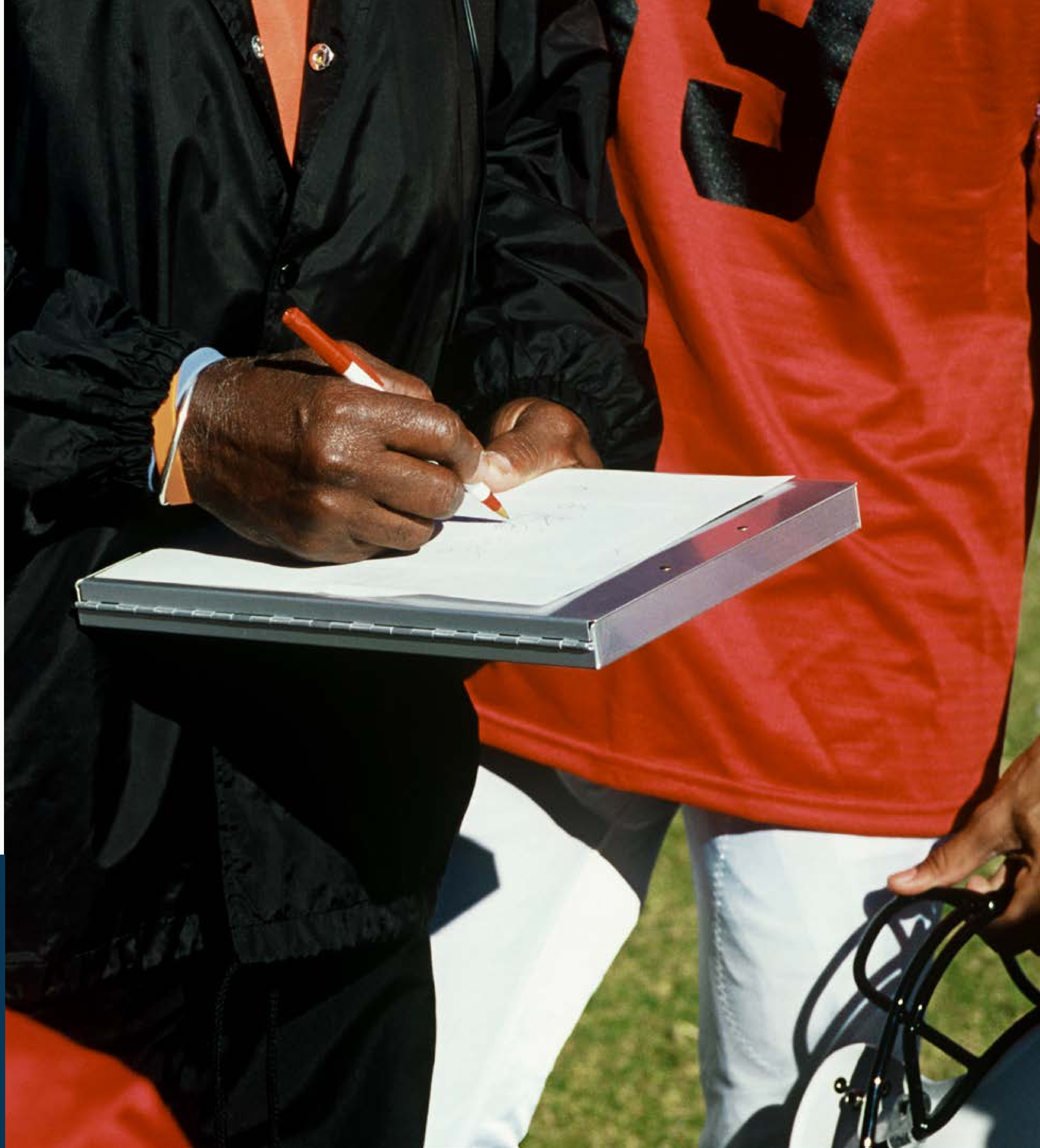
Audit planning blueprint: Checklists, metrics, and tips



Planning an audit from scratch

▷ THE CHALLENGE

The IIA's latest updates to the Global Internal Audit Standards **demand stronger alignment between the organization's top risks and audit activities.** As a result of the call for a more risk-focused internal audit function, topics and processes with a direct link to the organization's success — including go-to-market activities, innovation, human capital, and leveraging advanced technology — are finding their way onto more and more audit plans.

Yet, **many internal auditors lack either the knowledge or the subject matter expertise needed to provide assurance for activities that they have never audited before.** These "checklist auditors" may scope their audit projects to include testing three or four controls, highlight exceptions in the audit report, then move on to the next audit. Recommendations made routinely constitute "internal audit recommends following the policy and procedure," and rarely provide any actionable insight to create positive change.

These actions not only fail the audit customer, but also internal audit.

▶ THE SOLUTION

Auditors who **create and document custom audit programs from scratch**, versus relying on checklists or template audit programs, are better equipped to perform audits over areas that are not routinely audited. And, when internal audit can spend more of its time and resources aligned with the organization's strategy and key objectives, the benefits can — and do — multiply.

What can internal auditors do to prepare a more comprehensive scope for their internal audit projects? And where can internal auditors find the subject matter expertise needed to create an audit program "from scratch"? **We've collected a number of best practices that are applicable across the board when it comes to planning individual audits, no matter an audit team's size or industry.**

CHECKLIST

Planning an audit from scratch

1 Initial audit planning

All internal audit projects should begin with the team clearly **understanding why the project was put on the audit plan.** The following questions should be answered and approved before fieldwork begins:

- ☐ Why was the audit project approved to be on the internal audit plan?
- ☐ Have you met with the business executive to determine if there have been any significant changes to the process, risk, and/or team recently?
- ☐ Have you validated that the audit is still relevant?
- ☐ How does the process support the organization in achieving its goals and objectives?
- ☐ What enterprise risk(s) does the audit address?
- ☐ Was this process audited in the past? What were the results of the previous audit(s)?
- ☐ Have any other teams, (legal, risk, compliance, IT security, controls) performed projects in this space? What have they found?

Initial document and data request list

Requesting and obtaining documentation providing **insight on how the process works** is an obvious next step. Some key documents and data to request include:

- ☐ Key business objectives for that particular line of business, risk, and process
- ☐ All policies, procedure documents, and organization charts
- ☐ Key reports used to manage the effectiveness, efficiency, and process success
- ☐ Access to key applications used in the process
- ☐ Description and listing of master data for processes being audited, including data fields and attributes
- ☐ Relevant business data, scorecards, or KPIs the business is tracking
- ☐ Data analytics, e.g., Snowflake data or analytics captured by other teams

2 Risk and process subject matter expertise

Leverage experts within the company in addition to outside subject matter experts; this can be especially helpful in large organizations where you might find resources in **different divisions, countries, or offices with the same expertise** who can provide support or insight while maintaining their independence.

Evaluate the design of the process audited using:

- ☐ Internal SMEs in different divisions, departments, or locations who can provide insight while maintaining independence
- ☐ SME from a Big 4 or other consulting firm
- ☐ Blogs: Deloitte, EY, KPMG, Protiviti, RSM, etc.

3 COSO's 2013 Internal Control — integrated framework

While used extensively for Sarbanes-Oxley compliance purposes, COSO's 2013 Internal Control – Integrated Framework can also be leveraged by internal auditors to create a more comprehensive audit program. In addition to identifying and testing control activities, **internal audit should seek to identify and test the other components of a well-controlled process.**

- ☐ Review COSO's 2013 Internal Control components, principles, and points of focus

4 Preparing for a planning meeting

Obtaining information and data about the process to be audited can happen with a combination of research and interviews. Great internal auditors know that **doing more work before meeting with process and control owners** will help minimize disruption to the audit customers and should set a positive tone for the audit. Some best practices include:

- ☐ Outline key process steps by narrative, flowchart, or both, highlighting information inflows, outflows, and internal control components
- ☐ Validate draft narratives and flowcharts with subject matter experts (if any)
- ☐ Create an initial planning questionnaire to facilitate the meeting

5 Preparing the audit program

Internal audit should be keen to **capture significant activities** of everyone (employees and third parties) involved in the process, the flow of assets (tangible or intangible), and any activities and controls that prevent or detect errors from happening, including:

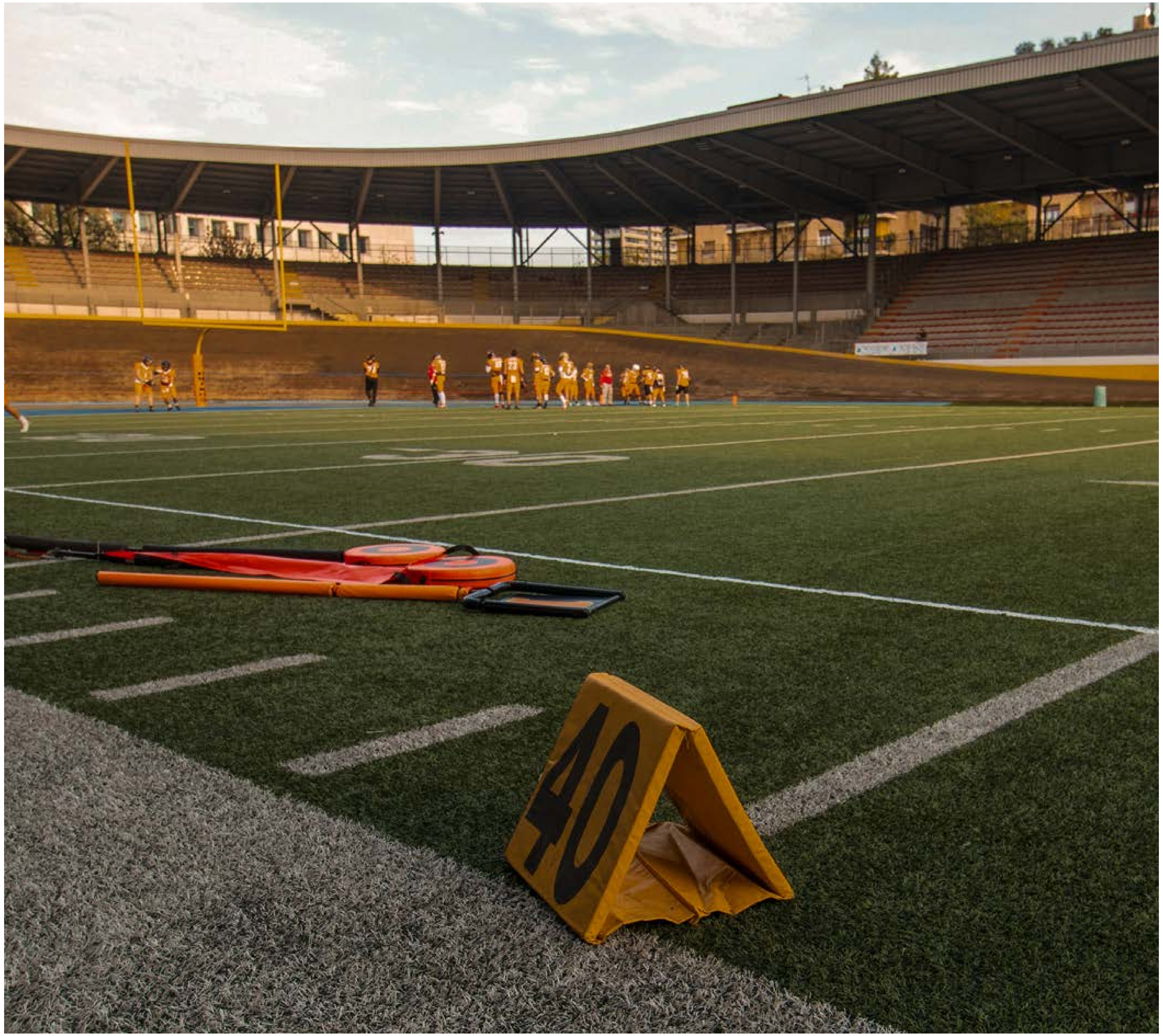
- ☐ Process objectives
- ☐ Process risks
- ☐ Controls mitigating process risks
- ☐ Control attributes, including:
  - ☐ Is the control preventing or detecting a risk event?
  - ☐ Control frequency (daily, weekly, monthly, quarterly, etc.)
  - ☐ Does the control mitigate a fraud risk?
  - ☐ Is the control manually performed, performed by an application, or both?
  - ☐ An initial assessment of the risk event (e.g., high, medium, or low)
- ☐ Testing procedures for controls to be tested during the audit, including:
  - ☐ Inquiry, or asking how the control is performed
  - ☐ Observation, or physically seeing the control be performed (if possible)
  - ☐ Inspection, or reviewing documentation evidencing the control was performed
  - ☐ Reperformance, or independently performing the control to validate outcomes

6 Audit program and planning review

Audit programs, especially those for processes that have never been audited before, should have **multiple levels of review and buy-in** before being finalized and allowing fieldwork to begin. Before the audit kicks off, receive approval from:

Received approval from:

- ☐ Internal Audit Manager or Senior Manager
- ☐ Chief Audit Executive
- ☐ Subject matter expert
- ☐ Management's main point of contact for the audit (i.e., audit customer)



Key metrics to track in your audits and audit plan

As internal audit faces perennial pressure to cut costs, it remains critical for the department to prove its value as a contributor to business goals. Performance metrics communicate the effectiveness of internal audit activities and their alignment with organizational objectives.

What sets good metrics apart from the rest?

Key performance indicators (KPIs) are quantifiable measurements that demonstrate the effectiveness of an individual, department, or organization in achieving key goals. **Clearly defining goals and tracking meaningful KPIs provide valuable evidence that internal audit activities support the organization's strategic objectives.**

CHECKLIST

Key metrics to track in your audits

AUDIT MILESTONES TO TRACK

Planning
- ☐ % of respondents who completed pre-audit questionnaire
- ☐ Announcement memo sent on time (X days prior to fieldwork)
- ☐ Align audit scope and map to audit universe

Fieldwork
- ☐ Kick-off/opening meeting completed
- ☐ Evidence collection completed
- ☐ Periodic audit status meetings with key stakeholders completed
- ☐ Budget to actual hours spent of fieldwork
- ☐ Hours spent per auditor

Reporting
- ☐ Preliminary findings communicated
- ☐ # of high/medium/low issues reported
- ☐ % of issues closed as of final report issuance
- ☐ Net number of repeat findings
- ☐ Recommendations communicated
- ☐ Management action plans documented
- ☐ Final report issued timely

Follow-up
- ☐ % of audit issues resolved
- ☐ Audit feedback survey sent
- ☐ QA results completed

METRICS TO TRACK IN AN AUDIT PLAN

- ☐ % of audit plan completed
- ☐ # of unplanned engagements
- ☐ Average days to complete audit
- ☐ Outstanding audit issues
- ☐ # of repeat audit findings
- ☐ % of audit recommendations accepted
- ☐ # of training/continuing education hours
- ☐ % of audit Team utilized
- ☐ Customer satisfaction score
- ☐ % of risks covered
- ☐ % of audit universe covered
- ☐ # of new controls identified during process analysis
- ☐ # of new risks identified during risk/control gap analysis

→ Pro Tips

Use weekly check-ins with management to communicate identified issues, fieldwork status, and milestones.

Set a timely target to issue your final report, e.g., within 30 days of completing fieldwork.

For customer satisfaction results, identify the percentage of surveys returned and if scores are improving year over year.

Identify your percentage of risks audited based on your risk assessment.

Covering critical risk areas

Is your audit plan sufficiently covering critical risk areas?

A well-rounded audit plan will not only meet Sarbanes-Oxley (SOX) or other compliance requirements, but will also reflect an enterprise-wide scope and coverage of risks.

Cybersecurity	Culture and ethics	Data privacy	Data governance	Third-party risk
RECOMMENDED AUDIT PROJECTS • Data encryption • Access management policies and controls • Data penetration testing with vendors • Business Continuity Plan (BCP) • Patch management policies • Employee information security training	RECOMMENDED AUDIT PROJECTS • Digital ethics (how consumer information is managed and protected across the enterprise) • Succession planning • Gender and racial discrimination	RECOMMENDED AUDIT PROJECTS • General Data Protection Regulation (GDPR) enforcement • Consumer consent	RECOMMENDED AUDIT PROJECTS • Data quality: data migration procedures, data management procedures in the event of acquisitions, data quality standards • Data analytics: policies and procedures of data analytics functions, proper storage and ownership controls for data repositories and self-service platforms, data access controls	RECOMMENDED AUDIT PROJECTS • Background checks • Third-party risk management • Contract management • Right-to-audit clauses • Monitoring and compliance

Managing the internal audit function

CONSIDER →

- Team development initiatives to build engagement and connectedness throughout the organization
- Continuous education for your team members to upskill
- Thinking outside of the box for recruiting, backfilling, and succession planning
- Diversifying engagements to promote talent retention

Get the full guide

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