

# Internal Audit: A to Z Approach Part 2

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## Session Outline

- Internal Audit Polices & Procedures
- Audit Schedule
- Audit Program

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## IA Policies & Procedures



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graph TD; A[Internal Audit Policies & Procedures] --> B[Internal Audit Programs]; A --> C[Audit Schedule]; A --> D[Audit Report]; B --> E[Internal Audit Programs]; C --> E; D --> E;
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## IA Policies & Procedures

- Duties and Responsibilities
- Operating Procedures
- Planning and Performance
- Fieldwork Phase
- Internal Audit Work papers
- Management of Audit
- Quality Assurance and improvement program
- Approvals
- Internal Audit Approach to Fraud
- Audit of Computerized Systems




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## What is an Audit Schedule?




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## FY 2017 Audit Schedule

Audit No.	Audit Area	Start Date	End Date	Total Hours	# of Weeks	# Employees
17Title	Audit Area	10/7/2016	11/7/2016	360	3	3
TKCA-1	Audit Area	10/7/2016	10/24/2016	160	2	2
TKCA-2	Audit Area	11/10/2016	11/20/2016	160	2	2
TKCA-3	Audit Area	12/1/2016	12/12/2016	160	2	2
TKCA-4	Audit Area	12/15/2016	1/2/2017	160	2	2
TKCA-5	Audit Area	1/5/2017	1/19/2017	160	2	2
TKCA-6	Audit Area	1/19/2017	1/23/2017	40	1	1
TKCA-7	Audit Area	1/19/2017	1/23/2017	40	1	1
TKCA-8	Audit Area	1/26/2017	2/13/2017	360	3	3
TKCA-9	Audit Area	2/16/2017	3/19/2017	480	4	3
TKCA-10	Audit Area	4/6/2017	4/16/2017	160	2	2
17Title	Audit Area	4/12/2017	4/30/2017	360	3	3
TKCA-11	Audit Area	4/12/2017	4/23/2017	720	2	6
TKCA-11	Audit Area	4/26/2017	5/14/2017	360	3	2
TKCA-12	Audit Area	5/17/2017	5/28/2017	160	2	2
TKCA-13	Audit Area	6/7/2017	6/18/2017	240	2	3
TKCA-14	Audit Area	6/21/2017	6/25/2017	80	1	2
TKCA-15	Audit Area	6/28/2017	7/9/2017	240	2	3
TKCA-16	Audit Area	7/12/2017	7/18/2017	40	1	1
TKCA-17	Audit Area	7/19/2017	8/13/2017	480	4	3
TKCA-18	Audit Area	7/19/2017	7/30/2017	160	2	2
TKCA-19	Audit Area	8/16/2017	8/30/2017	40	1	1
TKCA-20	Audit Area	8/23/2017	9/23/2017	360	3	3
17Title	Audit Area	9/13/2017	10/1/2017	360	3	3
<b>Year End FY2017</b>	<b>Year End Observations</b>	<b>9/30/2017</b>	<b>10/1/2017</b>	<b>144</b>	<b>2</b>	<b>9</b>
	<b>Budgeted Audit Hours</b>			<b>8964</b>	<b>55</b>	

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## What does this mean?



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## Exercise 1

	<b>Budgeted Audit Hours</b>			<b>5,984</b>
	<b>Total Working Hours:</b> 6 auditors x 40hr x 52 weeks		0	
Minus	<b>Holidays:</b> 13 days x 6 auditors x 8 hrs	0		
	<b>Budgeted Training Hours:</b> 6 auditors x 56 hrs	0		
	<b>"Other" Hours:</b> 6 auditors x 40 hrs	0		
	<b>Estimated Leave Hours:</b> 6 auditors (6 wks)	0	0	
	<b>Total Available Hours</b>			<b>0</b>
	<b>Hours Remaining</b>			<b>0</b>

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## Answer

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### What is the Objective?

Detailed Example: *The purpose of this audit program is to conduct an internal control review of the Bingo Department, focusing on bingo card sales, statistical reports, bingo card inventory, cash controls, system software verification, logs, authorizations and signatures.*

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### What is the Objective?

Broad Example: *Our objective was to perform such observations and testing to measure compliance with the Tribal Internal Control Standards (TICS) and the National Indian Gaming Commission (NIGC) Regulation 25 CFR Part 543 MICS for class II gaming.*

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### What is the Scope?

It tells:

- When audit shall be conducted (start and end date)
- What/who are we going to audit
- Where the audit shall be done
- Audit period

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### Detailed Scope

The internal audit department will audit the Bingo Department of the gaming operation. Internal Audit will begin the audit on March 6<sup>th</sup>, 2017 and end March 24<sup>th</sup>, 2017. Internal Audit will review process for all three shifts, perform inquires, observations, review and test relevant documents associated with the conduct of bingo for the period of February 1, 2016 – February 28, 2017.

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### Broad Scope

The audit was conducted as a full scope review for processes in place from February 2016 through February 2017. Audit procedures included interviews with management and staff, observations of implementation of controls and examination of current source documentation utilized to comply with the aforementioned requirements.

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**Exercise**

Potential Hazards	Who is at Risk?	Existing Control Measures	What further action is necessary?	Action by whom?	Action by When?	Risk Rating

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- Audit Criteria**
- Examples:
- Federal Agency/NIGC MICS
  - State Compact
  - TGRA TICS
  - Gaming Operations SICS
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 **Procedures**

Determine what procedures you will use to evaluate compliance:

- Inquiry
- Observation
- Test documents
- Questionnaire
- Examine Gaming Operation P & Ps
- Examine Gaming Operation Org chart
- Examine Gaming Operation job descriptions

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 **Create an Audit Program**



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 **Audit steps**



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 **Step One Example**

**Review Permanent File:**

Review prior working papers, including policies/procedures, organizational charts, agreements, etc

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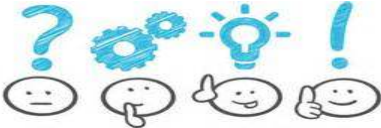
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 **Step Two Example**

**Establish Criteria:**

Take the standard and turn it into a question and figure out the best way to test compliance with the standard.



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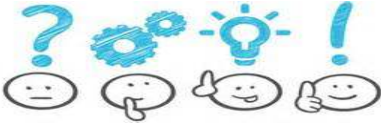
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 **Criteria**

How would we establish a test question?

(5) *Authorization and signatures.*  
(i) At least two agents must authorize, sign, and witness all manual prize payouts above \$1,200, or a lower threshold as authorized by management and approved by the TGRA.



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# EXERCISE



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## Summary

To summarize, to have a successful audit we need tools to help us achieve the objective. Such as:

- Internal Audit Polices & Procedures
- Audit Schedule
- Audit Program

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## Questions & Answers



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