


## Internal Audit: An A to Z Approach Part 1

Josh Benefield  
Lead Auditor



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## Course Outline

<b>First Day</b> <ul style="list-style-type: none"><li>• Fundamentals</li><li>• Ethics</li><li>• Understanding the Regs</li><li>• Independence</li><li>• Charter</li><li>• Audit types</li><li>• Audit P&amp;Ps</li><li>• Audit Schedule</li><li>• Audit Program</li></ul>	<b>Second Day</b> <ul style="list-style-type: none"><li>• Sampling</li><li>• Gathering Data</li><li>• Performing Audit Procedures</li><li>• Testing and Exceptions</li><li>• Report Writing</li><li>• Exit Meeting and Management Response</li><li>• Final Report</li><li>• Follow-up</li></ul>
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## Session Outline

- Fundamentals
- Purpose of Internal Audit
- Ethics
- Understanding the Regulations
- Independence
- Charter
- Audit types

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 **Fundamentals**

- Internal Audit (IA):
  - Independent & objective
  - Adds value and improves organization's operations
  - Helps accomplish objectives
  - Systematic, disciplined evaluation
  - Improve effectiveness of risk management, control, and governance
- The Institute of Internal Auditors (IIA): an international professional association

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 **Purpose**

- Internal audit
  - “To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.” (Mission, IIA)
  - Well performed IAs identify areas of risk

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 **Exercise**

**What controls govern the gaming operation?**



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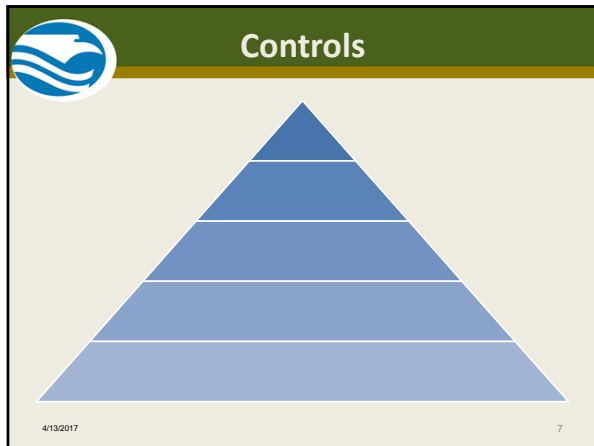
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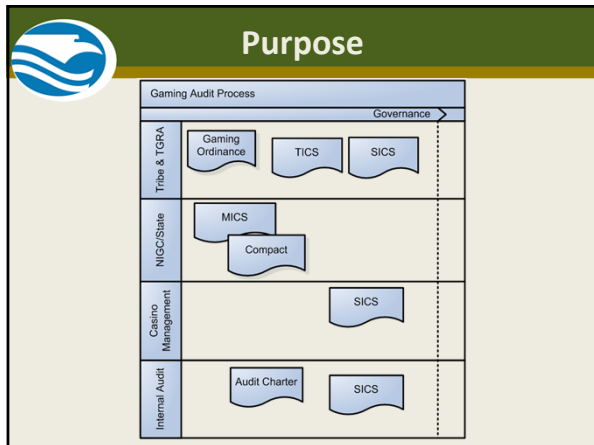
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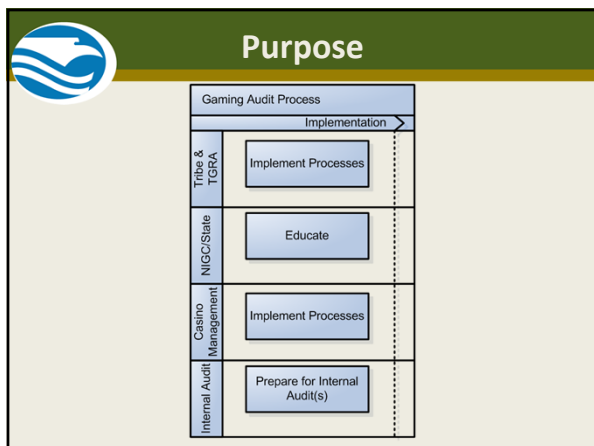
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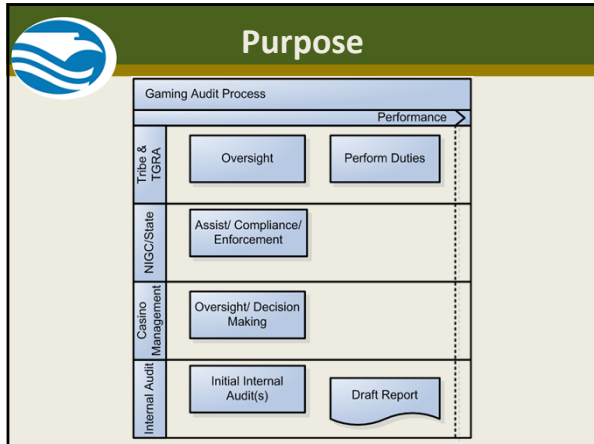
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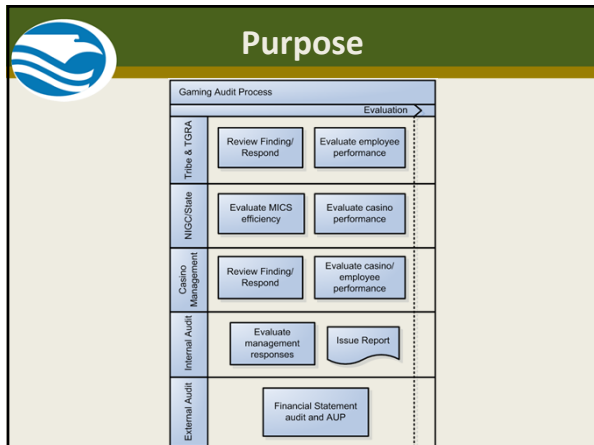
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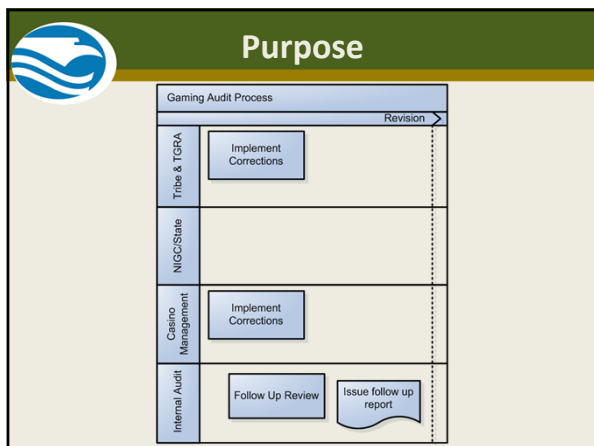
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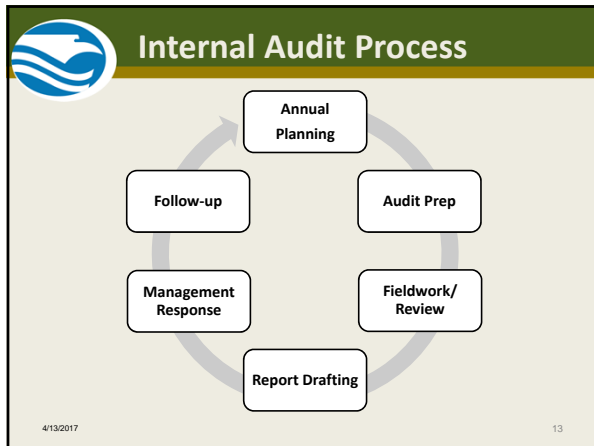
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- Internal Audit Process**
- Internal audits involve three types of people
    - Those directly involved with the process being audited
    - The internal auditor(s)
    - Those using the assessment
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**Ethics**

**What are ethics?**

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 **Ethics**

- IIA ethics code of conduct include the following areas:
  - Integrity
  - Objectivity
  - Confidentiality
  - Competency



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 **Ethics**

**Integrity**



- Perform work with honesty, diligence, and responsibility
- Observe law and make disclosures expected by law and profession
- Keep it legal
- Respect and contribute to legitimate and ethical objectives of organization

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 **Ethics**

**Objectivity**



- Remain unbiased in activities and relationships
- Bribes and gifts are bad
- Disclose material facts which may distort reporting of activities under review

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 **Ethics**

**Confidentiality**

- Protect information acquired in course of duties
- Information should not be used for:
  - Personal gain
  - Contrary to law
  - Where detrimental to objectives of organization



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 **Ethics**

**Competency**

- Maintain or obtain necessary knowledge, skills, and experience
- Perform services in accordance with standards
- Continually improve proficiency, effectiveness, and quality of services



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 **Understanding Regulations**

**MICS**

- Determine applicable sections
- Seek clarifications where necessary

**TICS**

- Compare TICS to MICS; Review updates to TICS
- Understand thresholds and specific requirements

**SICS**

- Read policies prior to audit for increased efficiency
- Compare SICS to TICS/MICS

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 **Independence**

- Separation of functions
  - Ensures agent reviewing controlled activity is separate from those performing the work
- Obtained through the organizational reporting relationship
  - Internal audit should not be under gaming management direction

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 **Independence**

- Independence creates objectivity
- Objectivity
  - Uses facts without distortion
  - Remains free of personal feeling and prejudices
- Allows unbiased performance
- Need to recognize threats to independence

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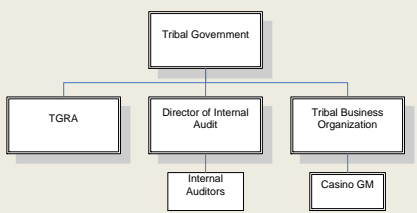
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 **Reporting Structures**

- Independent Audit Department



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graph TD; TG[Tribal Government] --- TGRA[TGRA]; TG --- DIA[Director of Internal Audit]; TG --- TBO[Tribal Business Organization]; DIA --- IA[Internal Auditors]; TBO --- CGM[Casino GM]
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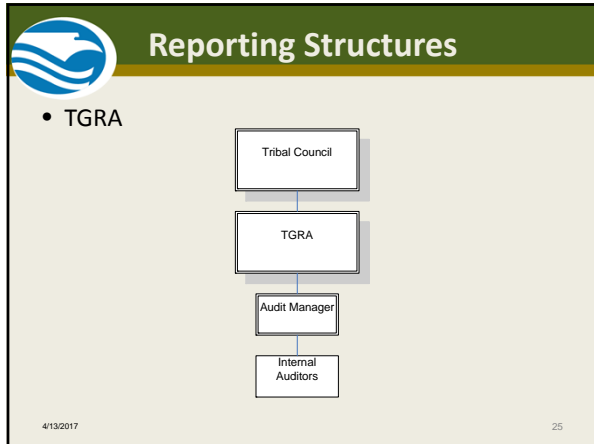
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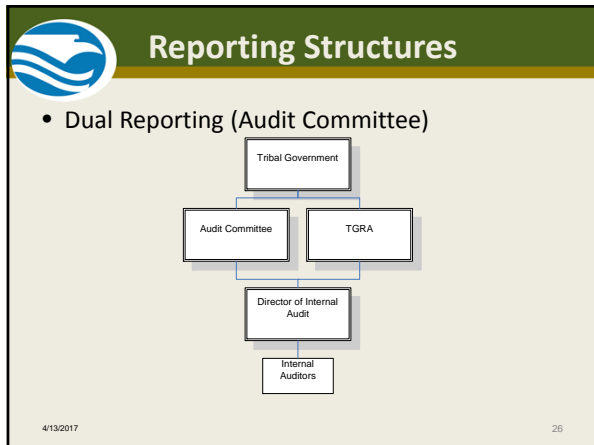
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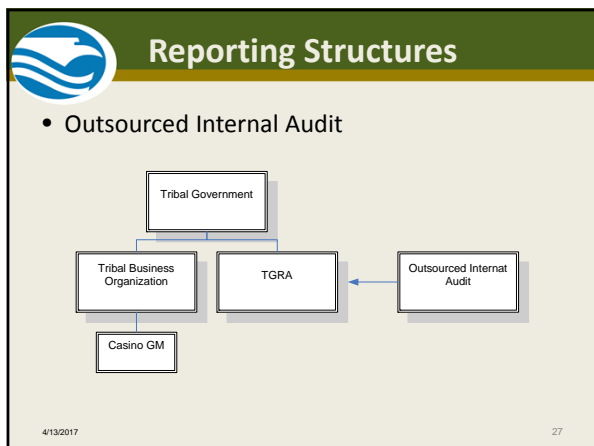
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## Charter

Defines the Internal Audit Department's

- Purpose
- Authority
- Responsibility

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## Charter

- Establishes IA's position within organization
- Outlines functional and reporting relation
- Authorizes access to
  - Records
  - Personnel
  - Physical property

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### Gaming Ordinance

- May outline the requirements for internal audits to be performed

### Audit Charter

- Establishes IA's position within organization
- Outlines functional and reporting relation
- Authorizes access to
  - Records, Personnel, and Physical property

### Policies & Procedures

- Outlines specific auditor responsibilities

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**Audit types**

The slide features two hand-drawn diagrams on a chalkboard background. The top diagram, titled 'COMPLIANCE', shows a central box with 'COMPLIANCE' written on it, surrounded by boxes for 'Transparency', 'Regulations', 'Policies', 'Requirements', 'Standards', 'LAW', and 'Rules'. The bottom diagram, titled 'PROCESS IMPROVEMENT', shows a central box with 'PROCESS IMPROVEMENT' written on it, surrounded by boxes for 'GROWTH', 'PROJECT', 'METHOD', 'RESEARCH', 'ANALYSIS', 'GOAL', 'EVA', 'BENEFIT', and 'COST'. The word 'Performance' is written diagonally on the left side of the slide.

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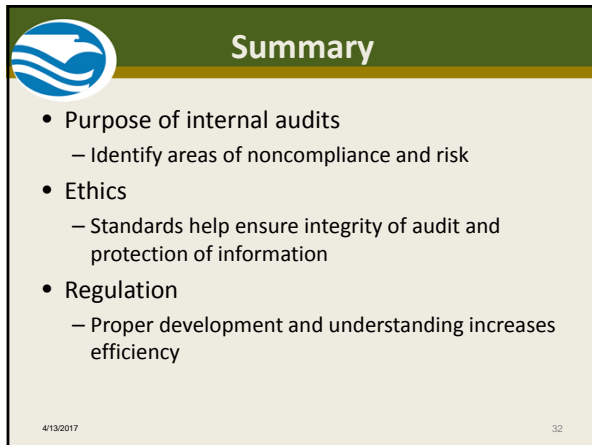
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**Summary**

- Purpose of internal audits
  - Identify areas of noncompliance and risk
- Ethics
  - Standards help ensure integrity of audit and protection of information
- Regulation
  - Proper development and understanding increases efficiency

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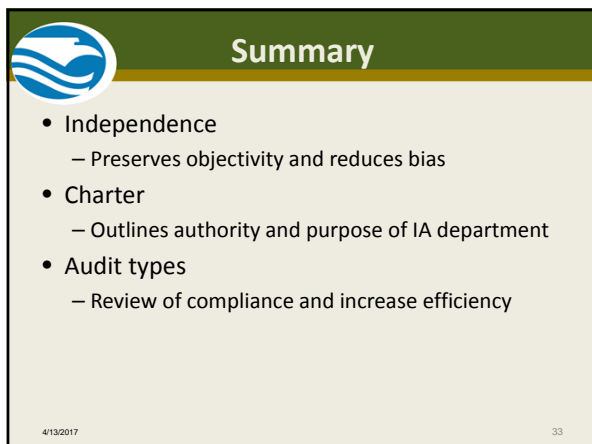
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**Summary**

- Independence
  - Preserves objectivity and reduces bias
- Charter
  - Outlines authority and purpose of IA department
- Audit types
  - Review of compliance and increase efficiency

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## Questions & Answers



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