

Introduction to Auditing

How to plan and conduct audits
and report on their results

Another top-notch training manual from TopSkills

SAMPLE
NOT FOR ACTUAL USE



For Successful Auditing
916 Wesley Road
Knoxville, TN 37909-2663
888-584-9243 toll free USA & Canada
865-584-7340 all other countries
www.topskills.com/auditing.htm

Purpose of This Sample Manual

This sample training manual was compiled to show decision makers the type of training materials TopSkills typically uses in its seminars. It is not intended to be comprehensive or useful for training purposes.

Table of Contents

Chapter 1: Purpose and Benefits of Auditing	
Chapter 2: Government Auditing Standards	
Chapter 3: Formulas for Developing Findings	
Chapter 4: Internal Control Standards	
Chapter 5: Planning and Managing Audits	
Chapter 6: Applying Standards for Measuring Performance	
Chapter 7: Evaluating Internal-Control Systems	
Chapter 8: Looking for Management Performance Features	
Chapter 9: Testing for Risks	
Chapter 10: Gathering Evidence (documents, physical, interviews)	
Chapter 11: Avoiding Common Auditing Traps	
Chapter 12: Keeping Working Papers	
Chapter 13: Communicating Your Findings (oral & written)	
Index	

Focus on Learning and Reference

Notice how our training manuals are organized and laid out for easy learning and quick reference.

- # Major concepts are organized in logical chapters.
- # Chapters are presented in learning-logical order, with topics building on the previous.
- # Every page has a footer with the book title.
- # Every chapter page has a header with the chapter title and page number for easy reference.
- # Pages are laid out in two columns — one for information and the other for notes.
- # Information is presented as major concepts in outline form.
- # Key words and concepts are clearly defined.
- # Exercises in each chapter enable participants to practice the information first hand.
- # Type fonts are large enough to be read easily.
- # An index in the back enables users to find needed information quickly on the job.
- # Printing is first generation for optimum readability.
- # Binding allows laying the book flat for easy use.
- # Participants receive pens for note-taking and highlighting.

Purpose and Benefits of Reviewing Operational Performance

Key Words

An *operational performance review* examines and evaluates the performance of a functional operation from an independent perspective.

Typical *functional operations* are production, customer service, maintenance, human resources and finance.

Typical *financial operations* include revenue, payroll and payables.

Independence means the reviewers are not involved in the operations they review. The objective of independence is to avoid conflicts of interest that could influence, taint or discredit the review.

Key Concepts

Operations must be reviewed periodically to ensure compliance with laws, regulations, directives, policies and prudence and to determine whether the operations are meeting their objectives.

Laws are written by legislative bodies such as the U.S. Congress and State Legislatures. They are often called “acts,” “statutes,” and “ordinances.”

Regulations are written by agencies that have been delegated this task by the legislative body. They carry the weight of law.

Directives are written by the executive branch to ensure compliance with laws and regulations.

Policies are general concepts and objectives developed by organizations to help them comply with laws, regulations and directives.

Procedures are written step-by-step methods for accomplishing objectives and tasks.

Objectives are goals that the organization seeks to achieve.

Tasks are small amounts of definable work that contribute to achieving the objectives.

Keeping these key words and concepts in mind will help you understand everything else we talk about in this seminar and everything you do as a reviewer.

Government Auditing Standards

The United States General Accounting Office publishes a set of standards for auditors to follow when auditing government operations.

These standards are called “Generally Accepted Government Auditing Standards,” or “GAGAS.” They are commonly called “The Yellow Book,” because they are published in a small book with a yellow cover.

All audit agencies in the U.S. Government and most state governments require their auditors to audit in accordance with GAGAS.

This book is so fundamental that many internal and external auditors in the private sector follow its guidance, too.

For this reason, we recommend using this book’s principles for nonaudit reviews, too.

Internal Control Standards

Internal controls are management systems for ensuring that objectives are met and that operations are economical and compliant.

They are so important that every government organization is required to have them. Organizations without them or with weak internal controls are at high risk of being ineffective, uneconomical and noncompliant.

For this reason, GAGAS requires examination of internal controls in every audit.

Accordingly, we recommend evaluation of internal controls in nonaudit reviews, too.

The GAO also publishes a comprehensive guide on internal controls.

Formulas for Developing Findings

The result of every audit, study or review is called a “finding.”

Findings are categorized according to their basic nature.

Compliance findings focus on the organization’s compliance with requirements.

Economy and efficiency findings focus on how economical and efficient the organization is.

Effectiveness findings focus on how well the organization meets its objectives, if at all.

Internal-control findings focus on the internal controls an organization needs.

Financial-related findings focus on operations regarding finances. They do not evaluate the integrity of financial statements.

Advisory findings simply provide management with sound advice for managing its operations. Although they are nonbinding, their advice can be very beneficial to the organization.

Fraud findings focus on deliberate actions and schemes that cheat organizations and people out of their assets (usually money and often equipment).

Followup findings evaluate the organization’s implementation of prior audit reports.

Findings are easy to develop when basic formulas are understood and used. They are difficult to develop when the formulas are misunderstood, misapplied or not used.

Different formulas apply to different finding types.

EXERCISE

From the following information, identify the type of internal control.

An operational manual

Two people controlling the check register

A computerized data base

A source document

A training seminar

A video camera

An alarm

INDEX

All concepts in this training manual will be indexed for easy on-the-job reference.

TopSkills' Expert Auditing Seminars

Audit Management Skills

- Introduction to Auditing
- Making and Using Audit Planning Tools
- Audit Management
- Reviewing Audit Reports
- Time Management for Auditors

Evidence Gathering Skills

- Interviewing Skills for Auditors
- Evaluating and Recommending Internal Controls
- Analyzing Audit Evidence
- Developing Persuasive Findings
- Writing Dependable Working Papers

Communication Skills for Auditors

- Writing Successful Audit Reports
- Presentation Skills for Auditors
- Honing Your Writing Skills
- Advance Writing for Auditors

Leadership Skills for Auditors

- Teamwork for Auditors
- Team Leadership for Auditors
- Audit Leadership

Customized Seminars

Any seminar can be made just for your organization based on your unique needs.

To arrange our auditing seminars for your organization, contact us at:

www.topskills.com/auditing.htm
888-584-9243 toll free from USA and Canada
865-584-7340 from all other countries