May 2014

Happy May Spokane Chapter members of the Institute of Internal Auditors! Hope everyone had a good month.

This is your official IIA Chapter newsletter, which will be coming to you on a monthly basis this chapter year. We hope the information in this newsletter will be useful in bringing relevant information to your attention, including topics such as recent news that pertains to our profession, upcoming trainings, tips, and lessons that we hope will help you in our mutual pursuit of auditing.

In the News

Internal Audit: Know When to Disclose (04/16/2014)
Sometimes, something relatively insignificant can have far-reaching ripple effects – findings in an audit report can be taken out of context or assigned much greater significance than warranted.
http://blogs.wsj.com/cfo/2014/04/16/internal-audit-know-when-to-disclose/

State audit says state agencies sold computers with confidential data as surplus (04/10/2014)
State Auditor Troy Kelley released details of a six-week audit of surplus computers Thursday that found four of 13 state agencies examined were poised to sell computers that still had confidential data on them. This included Social Security numbers, tax information and in one case even a psychiatric evaluation

Alignment is key for internal audit to deliver more value (04/01/2014)
The demands on internal audit have increased significantly in recent years as technology has advanced, regulation has become more rigorous, risks have emerged, and companies have sought more business insights from internal audit teams.
http://www.journalofaccountancy.com/News/20149886.htm
A Look Ahead…To Spokane Chapter Events

Chapter Luncheons

*Additional information on the topics and registration process will be provided on the Chapter website as well as in future communications.

LAST LUNCHEON OF THE 2013-2014 CHAPTER YEAR!

MAY 2014 LUNCHEON:

Auditing with Excel II
May 20, 2014
12:00 PM – 4:00 PM
4 HOURS OF CPE FOR ONLY $20 – box lunch included!

Stephen Hunt
Staff Auditor, AmericanWest Bank

Global Credit Union
1520 West 3rd Avenue
Spokane, WA 99201

Back by popular demand! This half-day session will focus on discovering more secrets and tricks regarding auditing with Excel.

Topics to be covered:

✓ Basic Excel formulas/functions
✓ Pivot Tables
✓ Benford’s Analysis
✓ Data Analysis
✓ Visual Basic (VBA)
✓ And MORE…

Sign up on our Eventbrite site prior to 05/12/2014:
https://www.eventbrite.com/e/auditing-with-excel-ii-tickets-10946676805

About the Presenter

Stephen Hunt joined AmericanWest Bank in 2010 and currently serves as a Staff Auditor in their Internal Audit Department, where he is assigned operational, financial, and information technology audits. Prior to joining AmericanWest Bank, Stephen’s
Mr. Hunt is a graduate of Eastern Washington University (EWU) with a Bachelor of Arts in Management Information Systems and Business Management. He sat for, and passed, all advanced Microsoft Excel classes offered at the university, along with other advanced information technology classes. His efforts at the university included a project in which he co-led a team to create a web-based Point of Sale system for a local non-profit theatre, coding it from scratch. Stephen has a working knowledge of various computer programming languages such as VBA, SQL, HTML, PHP, JAVA, and others.

Stephen currently serves as the Newsletter Editor for the Spokane chapter of the Institute of Internal Auditors (IIA).

### Other Training Events

#### IIA Members-only webinars:

- Lessons Learned on the Audit Trail (05/13/2014)
- Internal Audit Role in Ethics, Governance, and Culture (05/14/2014)
- Hot Topics in Compliance: Auditing Stress Testing and CCAR (06/12/2014)
- Becoming a More Strategic Internal Auditor (06/17/2013)
- Pulse of the Profession (06/15/2014)
- Risks Around Social Media (08/19/2014)
- Internal Audit – the World’s Greatest Profession (10/02/2014)
- Master Data: Best Practices and New Challenges for Internal Auditors (11/18/2014)

#### On-demand 24/7 Webinar Playback

One benefit of being an IIA member is having access to an extensive library of archived webinars.

NOTE: On-demand webinars do not qualify for NASBA CPEs.

Click HERE for additional details on these members-only webinars from the IIA.
Chapter Announcements

Contact Stephen Hunt, Newsletter Editor, at Stephen.Hunt@awbank.net to include an announcement in an upcoming IIA Chapter Newsletter.

Job Postings:

Global Credit Union
Internal Audit Manager
Spokane

Apply online at www.globalcu.org or send resume to hr@globalcu.org

Have luncheon topic or training ideas?
Please contact Stephen Hunt at Stephen.Hunt@awbank.net.

IIA Newsletter articles or comments?
Please contact Stephen Hunt via phone, (509) 434-3771, or email, at Stephen.Hunt@awbank.net.

A valuable resource from the IIA is the new CIA Learning System Self-Study manuals. The Learning System is a comprehensive training course designed to provide chapters, members, and the audit community of professionals with information and tools to master the global exam syllabus. These tools can be purchased on the Institute of Internal Auditor’s site: https://store.partnerrc.com/IIA/chapters

IIA Chapter Members can save an additional $100!
Back to Basics

Sometimes it’s good to get back to the basics of something we do every day. In this section of the newsletter we will review some of the basic skills and practices that internal auditors use on a daily basis. This month’s topic is on Audit Requests, as presented in the IIA’s April 2014 edition of Internal Auditor*.

Requests for Information

Requesting documentation is an integral part of any audit, and it signals the transition from planning to fieldwork. Standard 2310: Identifying Information states, “Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives”.

How the request for that information is made sets the tone for the audit, and can help or hurt the auditor-audit client relationship. It also can impact the overall achievement of audit objectives, so it is worth spending the extra time to get this step right.

The Problem

Request lists tend to be hastily put together, with the expectation that the sooner the auditor requests the information, the sooner it will come back. However, requests can get lost, forgotten, or ignored, and weeks can go by with no response. Auditors are not easily deterred and often send follow-up emails, leave voice mails, and, as a last resort, knock on the client's office door in an attempt to get all the requested information before the start of fieldwork. In some cases, requests seem to never end. If the first request was for a list of projects, a second request for invoice milestones needs to be made, and the process starts all over again. Hopefully, the project list was both complete and accurate, so another request does not need to be made.

The Fix

The good news is there is a better way. It requires more front-end work, but requests are received quicker, questions are answered faster, and stronger relationships are built with the client. The answer is to simply schedule a meeting with the client in his or her office before requesting documentation, or if the client is at an offsite location, use web conferencing.

This may sound like a lot more work, but meeting with the client has many benefits and is worth the time. In addition to obtaining the requested items in the face-to-face meeting, auditors gain an opportunity to improve their knowledge of the business and strengthen the relationship with process owners. Practitioners should make sure they understand what is being requested before the meeting. It sounds like obvious advice, but it's common to learn something new about an audit area in a meeting that makes the original request irrelevant. The best way to avoid this is to have a solid understanding of the audit steps, the audit step objectives, and the associated risks, so the auditor can quickly regroup and make a new request that satisfies the overall audit objective.

The Meeting
During client meetings, auditors should start with a brief overview of the audit and its objectives. This will help communicate the reason for the information requests. They should then make the documentation request. More often than not, the client will easily be able to produce the requested list because he or she is sitting in front of the computer. The auditor can then make the sample selections and explain what documentation is required. If the documents are accessible to the auditor, he or she can inquire where they are located and pull the information. This is the best way to ensure the samples are reliable and have not been altered before submission.

The auditor should be certain to allow enough time to review the population, make the sample selections, and ask questions.

Another benefit of this approach is that clients appreciate having the audit objectives and requests explained to them in person. They are more willing to provide the documentation and answer follow-up questions because they have clear understanding of what is needed and why. If, during the discussion with the client, the auditor realizes a change needs to be made to a request, it can be addressed in real time. This also saves the auditor from having to send an embarrassing email apologizing because he or she inadvertently requested the wrong information.

After all of the requests have been discussed, the auditor should wrap up the meeting by asking a few questions about how the business is doing, if any new initiatives are being undertaken, if the new document management software is meeting expectations, etc. Anything learned about the business will improve internal audit's ability to make recommendations and may identify other areas to look into at a later time.

*Standard 2310's* interpretation states, “Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.”
Obtaining this useful information is much easier face-to-face than over the phone or via email. After the client meetings are finished, the audit team will be able to start testing immediately because most of the requested documentation has been obtained.

Another benefit to this approach is efficiency, because it can significantly reduce the time spent waiting and following up with the business process owner. It also allows the auditor to use his or her time effectively. It is much better to spend one hour with the client up front than to spend an hour each of the following three weeks sending follow-up emails.

**Bridging the Gap**
The best-case scenario is that the auditor walks out of the meeting with all the sample requests and is ready to start testing. The worst-case scenario is that the auditor leaves the meeting without the requested information, but now knows where the supporting documentation is located and can pull the sample selection him- or herself. Regardless of the outcome, the auditor has spent time building a stronger relationship with the client and may have received some valuable information related to that department or business unit that could not have been obtained through an email exchange.

Have a great summer, and Happy Auditing!

- Your Spokane Institute of Internal Auditors Officers