Finance Internal Audit Process

Overview

The audit process follows five phases: Planning, Fieldwork, Testing, Reporting, and Follow-up. Each phase has defined outputs and quality checks.

1. Planning

- Define objectives and scope based on risk ranking.
- Identify key controls and process owners.
- Develop audit program and timeline.
- Confirm data sources, access, and sample frame.

Audit Timeline

Phase	Typical Duration	Deliverable
Planning	1 week	Audit plan and test program
Fieldwork	2-3 weeks	Evidence and workpapers
Reporting	1 week	Draft and final report
Follow-up	Ongoing	Remediation verification

2. Fieldwork and Testing

Testing uses inquiry, observation, inspection, and re-performance. Exception Rate = exceptions / samples.

Control	Test	Evidence
3-way match for AP	Inspect sample invoices	Invoice, PO, receiving record
Journal entry approval	Re-perform approval check	JE log and approvals
User access reviews	Inspect quarterly review	Access review sign-off

3. Sampling Methodology

Sample size formula (approx): $n = (Z^2 * p(1-p)) / E^2$. For finite populations, adjust: $n\_adj = n / (1 + (n-1)/N)$.

Parameter	Typical Value
Confidence (Z)	1.96 for 95%
Expected error (p)	0.05 to 0.10
Precision (E)	0.05

4. Workpapers

- Each test includes objective, population, sample, results, and conclusion.
- Workpapers are reviewed by the Audit Manager before reporting.
- All evidence references are linked to source systems or files.

5. Issue Validation and Reporting

Draft findings are discussed with process owners, then finalized in the report with management action plans.

Quality Review Checklist

- Scope matches approved audit plan.

- All key controls evaluated or documented as out of scope.

- Findings supported by evidence and root cause analysis.

- Recommendations are specific, measurable, and assigned.

Follow-up and Closure

Remediation evidence is verified by Audit before closing findings. Closure Rate = closed findings / total findings.

Audit Workpaper Index

Section	Contents
A	Planning memo and scope
B	Process narratives and controls
C	Testing results and exceptions
D	Reporting and management responses

Typical Data Sources

- ERP: General ledger, AP/AR subledgers, fixed assets module.
- Bank: Statements and reconciliation files.
- HRIS: Payroll and employee master data.
- Ticketing/Workflow: Approval evidence and change requests.

Audit Tools

- Sampling workbooks and query templates.
- Analytics scripts for duplicate and outlier detection.
- Issue tracker for remediation status.

Exit Meeting

An exit meeting is held to confirm findings, timing, and management action plans. Disputes are escalated to the Audit Manager and resolved before final issuance.