

How to Use Internal Audit Workpapers

Anyone who has been the subject of an audit is familiar with the old saying “If it isn’t in writing, it didn’t happen.” Documentation is all-important to supporting audit findings and noting the work performed. Audit workpapers help the auditor document the audit.

Workpapers explain what audit steps were performed, why they were performed and what conclusions were reached. Workpapers can also provide valuable information for future audits.

The workpapers themselves are not restricted to a paper format anymore. Work “paper” has become a bit of a misnomer as paperless audits and electronic workpapers have reduced paper audit files significantly. Therefore, workpapers may exist on several types of media as shown below. Some examples of the items and information that are contained in audit workpapers are:

- Internal Control Questionnaires
- Screen Snapshots
- Work Programs
- Check/Item, Document Images
- Request for Information
- User Security Listings
- Network Schematics
- Photographs
- Organizational Charts
- Account reconciliations
- Downloaded Data
- Minutes from meetings
- Confirmations
- Excerpts from policies and procedures
- System Reports
- Documentation of tests performed
- Audio
- Video

Examiners and others may ask to review the audit workpapers; therefore, your workpapers should be organized, indexed, and logically arranged in the audit file. Well-organized workpapers speak to the professionalism of the auditor and the quality of the audit.

Nonfinancial audit workpapers will differ somewhat from the workpapers used in traditional financial audits. Regardless, the workpapers should be orderly, fairly uniform in size and shape, uncluttered, contain only essential information, and indexed in an easily understood scheme. Workpapers and audit files should tell a complete story. While there is no exact standard for preparing audit workpapers, the workpapers should support the contents of the audit report and provide proof of the conclusions reached by the auditor.

Workpapers and audit files should tell a complete story. To help you do this, Internal Audit Workpapers provides workpapers and organizes them by functional and topical groupings. You can use the audit workprograms, internal control questionnaires, and other supporting workpapers that we provide, adapt them to your bank’s particular needs, and add your own specialized documentation as well.

TOOLS

This product is intended to help the auditor document and support his or her audit findings. To help customize the process to your needs, *Internal Audit Workpapers* offers you a choice between using a paper format or a paperless audit workpaper format. To accomplish this, your subscription includes two tools.

Internal Audit Workpapers Manual

The manual provided gives you access to the entire contents of this product in paper format and presents the workpapers in groupings that are organized by functional and topical areas.

Internal Audit Workpapers on CD

Your complete subscription will also include a CD with the entire *Internal Audit Workpapers*. Download files from the CD onto your hard drive for easy access and application. The CD is an extremely valuable resource and can easily be kept at your fingertips for reference and easy use.

DEVELOPING THE REQUEST FOR INFORMATION

When planning the audit, determine what documentation you will need to review. List the items in the Request for Information (RFI) and send it to the contact person (designated by the auditee) for the audit well in advance. This will give the auditee the time necessary to gather the requested information.

You will also want to specify the format of the items requested. Do you want to review the items in paper or electronic form? Many auditors request items to be converted to an Adobe Acrobat Portable Document Format (PDF) and emailed or burned to CD-ROM. Keep in mind that emailed files should be encrypted and password-protected to protect their confidentiality.

Exhibit 1 gives a sample of an RFI. The auditor can use this list to check off information as it is received.

Exhibit 1 Request for Information

R = Review only

C = Copy needed for our files

			Item
1.	<input type="checkbox"/>	R	Board of Directors' Minutes
2.	<input type="checkbox"/>	C	Organization Chart
3.	<input type="checkbox"/>	R	Two most recent regulatory examination reports and management's responses
4.	<input type="checkbox"/>	C	Minutes of IT Steering Committee
5.	<input type="checkbox"/>	R	Internal Audit Program
6.	<input type="checkbox"/>	R	Internal Audit Workpapers
7.	<input type="checkbox"/>	R	Bank-Wide Business Continuity Plan
8.	<input type="checkbox"/>	C	Alternate processing site/hot-site test results
9.	<input type="checkbox"/>	C	Wire transfer policy
10.	<input type="checkbox"/>	C	Information security program and related policies
11.	<input type="checkbox"/>	C	Information security risk assessment
12.	<input type="checkbox"/>	C	Information security risk mitigation action plan
13.	<input type="checkbox"/>	C	Bank strategic plan
14.	<input type="checkbox"/>	R	Strategic technology plan
15.	<input type="checkbox"/>	R	Insurance policies
16.	<input type="checkbox"/>	R	Hardware and software inventory summary (e.g., PCs, servers)
17.	<input type="checkbox"/>	C	List of security hardware/software in use (e.g., firewall, antivirus)
18.	<input type="checkbox"/>	C	Network schematic/diagram
19.	<input type="checkbox"/>	R	Reports related to the most recent penetration test/vulnerability test/network vulnerability assessment
20.	<input type="checkbox"/>	R	Customer Response Program
21.	<input type="checkbox"/>	R	Major vendor financial reports
22.	<input type="checkbox"/>	R	Internet Service Provider (ISP) Contract
23.	<input type="checkbox"/>	R	Web hosting contract
24.	<input type="checkbox"/>	C	Security awareness education materials (slides, outlines, emails, etc.)
25.	<input type="checkbox"/>	C	Employee list with phone extensions

Exhibit 1
Request for Information (cont.)

			Item
26.	<input type="checkbox"/>	C	Listing of phone numbers with computer-connected devices (modems, etc.)
27.	<input type="checkbox"/>	C	Summary report from Antivirus Management software
28.	<input type="checkbox"/>	R	Managed Security Services Provider (MSSP) contract
29.	<input type="checkbox"/>	C	List of items held in off-site storage
30.	<input type="checkbox"/>	C	AS/400 System Values and OS/400 User Security Listing
31.	<input type="checkbox"/>	C	Core Banking System User Security Listing
32.	<input type="checkbox"/>	R	Core Banking System contract
33.	<input type="checkbox"/>	R	Core Banking System Data Center SAS 70 Level II Audit (if outsourced)
34.	<input type="checkbox"/>	C	Core Banking System Data Center penetration testing results (if outsourced)
35.	<input type="checkbox"/>	R	Current TCP/IP address scheme
36.	<input type="checkbox"/>	R	Network backup procedures
37.	<input type="checkbox"/>	C	Wireless network configuration information
38.	<input type="checkbox"/>	C	Summary Report from Patch Management software
39.	<input type="checkbox"/>	C	Firewall and IDS/IPS configuration information
40.	<input type="checkbox"/>	R	Download of DDA, Savings, CD and Loan master files in a comma-delimited format (Accompanied by master file layout/data dictionary for reference purposes; see attached table of download fields)

Exhibit 1
Request for Information (cont.)

List of Download Fields

Loans		Deposits (DDA, SAV, and C/D)	
	Field Description		Field Description
	Account Number		Account Number
	Name		Name
	Address 1		Address 1
	Address 2		Address 2
	Address 3		Address 3
	City, State		City, State
	Zip		Zip
	Social Security Number		Social Security Number
	Current Balance		Current Balance
	Loan Amount		Last Interest
	Payment Amount		Payment Amount
	Total Interest		Last Deposit
	YTD Interest		YTD Interest
	Accrued Interest		Accrued Interest
	Date Open		Date Open
	Last Payment		Last Deposit
	Maturity Date		Maturity Date (C/D only)
	Rate		Rate
	Term		Term (C/D and SAV only)
	Frequency		Frequency (C/D and SAV only)

DEVELOPING THE INTERNAL CONTROL QUESTIONNAIRE

The Internal Control Questionnaire (ICQ) can be a valuable tool for audit planning. The ICQ familiarizes the auditor with the financial institution's functional areas and allows for a thorough and efficient review. By asking management specific questions regarding the financial institution's activities and related controls, the auditor can get a preview of the audit and better determine where audit resources should be allocated. Typically, the ICQ will be structured so any "NO" answers will indicate internal control concerns.

In certain high-risk audit areas, the auditor will still want to confirm answers given on the ICQ to ensure that internal control practices are being followed. For example, if management answers YES to the question: "Are funds secured before executing a wire transfer?" the auditor should sample outgoing wire transfers checking for proper securing of funds. Management may not intentionally mislead the auditor through the ICQ answers. The problem could simply be lack of awareness or miscommunication. The policy may very well be to secure funds and memo-debit outgoing wire transfers; the actual practice may be quite different due to changes in personnel, poor communication of policy, or general breakdowns in controls.

Several generic and "canned" ICQs are available, but these should be used only as guides, not as the final ICQ. The ICQ should be specific to the financial institution's particular environment. Too many questions that do not apply to the financial institution will damage the integrity of the ICQ and make the auditor appear uninformed. A poorly written ICQ or one that contains too much technical jargon is also ineffective, as management may not completely understand the questions being asked.

Using advanced features in word processing programs, ICQs can be developed that will allow the user to point and click on the answer fields. Such ICQs can be emailed as attachments to the audit contact person, who can then distribute the ICQ electronically to the key people involved in answering the ICQ. This format and approach can help the auditees collaborate more easily than routing paper ICQs around the office.

Exhibit 2 gives an example of an ICQ for a Data Center.

Exhibit 2

Data Center Internal Control Questionnaire

Institution Name
City, State

Please mark Yes, No, or N/A, and make any comments that are applicable.

A. Management, Planning, and Organization	Yes	No	N/A
1. Does the data center have written policies and procedures regarding network management and information security?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Has management developed a strategic plan for utilizing technology?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the data center have purchasing standards for information technology?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does a data center official analyze the financial stability of vendors at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the data center review the capacity of the network to provide users with adequate response times and sufficient data storage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the data center receive adequate technical support for network problem resolution?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the data center use help desk software?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Do hiring standards exist to ensure that information technology staff have passed background checks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the data center have a full-time network administrator(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Are data center employees required to take a vacation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Do exit procedures exist for terminated employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Is the network administrator also responsible for information security?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Has the network administrator received any formal technical education?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the network administrator have a backup person?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Does the data center maintain an employee education program?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Does a training program exist for the network administrator and users of the network?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

Exhibit 2
Data Center Internal Control Questionnaire (cont.)

<i>B. Network Design, Security, and Administration</i>	Yes	No	N/A
1. Is the process used in changing the configuration of the network documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is a standard form used to document requests for the addition, change, or deletion of network access capabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Are network system backups performed before a change is implemented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Is adequate notice given to network users before a change is made?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Are the most current versions of the network operating system(s) installed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the data center have maintenance agreements for all major computer equipment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Are all audit logs and user access reports reviewed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Do network security management measures include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Access control via user accounts, use/change of passwords?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Data and/or passwords encrypted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Workstation disabled after 3-6 unauthorized log-on attempts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Off-site log-on capability restricted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Monitoring access/use of LAN/WAN resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. User identification and password protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Edit checks to prevent simple/easily guessed/common passwords?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Firewalls?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Screening and filtering routers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Virus protection software?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Intrusion detection software?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Automated log-off after designated period of inactivity?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Are network access privileges granted based on a data center employee's duties?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Do all Internet access points flow through the data center network?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Is there an automated method for restricting, identifying and reporting authorized/unauthorized users of the LAN/WAN?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

Exhibit 2
Data Center Internal Control Questionnaire (cont.)

<i>C. Physical Security</i>	Yes	No	N/A
1. Does adequate physical protection exist for the data center in the form of:			
a. Smoke and heat detection?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Fire and water detection?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Fire extinguishers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Emergency lighting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Rack-mounted equipment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Locked cabinet for servers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Water sprinklers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Motion sensors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Alarms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Locked doors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Temperature and humidity control?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Uninterruptible power supply (UPS)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Surge protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. Emergency generators?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o. Controlled access to the data center?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
p. Access logs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

<i>D. Business Resumption Contingency Planning</i>	Yes	No	N/A
1. Does the data center have a business resumption plan that addresses all data center-wide operations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do copies of the plan exist in an electronic format (e.g., Word, PDF, HTML)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do members of the business resumption planning committee keep copies of the plan at home?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the plan address network security?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the data center have a hot-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Has the plan been approved by the data center's Board of Directors in the past twelve months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

Exhibit 2
Data Center Internal Control Questionnaire (cont.)

<i>E. Email Usage and Standards</i>	Yes	No	N/A
1. Does the data center have an email policy that strictly prohibits pornographic, violent, or offensive email messages?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do all data center employees sign an agreement regarding electronic communications standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the data center monitor employee Internet access?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the data center use Internet filtering software?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the data center provide guidance regarding email structure and content?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

<i>F. Acquisition and Implementation</i>	Yes	No	N/A
1. Are inventory tags placed on each hardware device purchased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Does data center management track which employees possess what hardware?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Are upgrades or modifications to hardware approved by management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the data center have a policy regarding equipment security during employee travel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

<i>G. Delivery and Support</i>	Yes	No	N/A
1. Are contract programmers used?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Are written contracts in effect for contract programmers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does adequate documentation exist for all systems and programs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. For vendor-supplied software, is the source code held under a third-party escrow agreement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Is source code audited to ensure the most recent version is being stored?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Are software changes tested in detail prior to being placed into production?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the ability to update production system software logically restricted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the data center in compliance with all software licensing agreements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Exhibit 2
Data Center Internal Control Questionnaire (cont.)

<i>G. Delivery and Support (cont.)</i>	Yes	No	N/A
9. Do service level agreements exist for all outsourced applications?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the data center have a privacy policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Do measures exist to protect customer's personally identifiable information that exists on data center servers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Are patches and updates applied in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the data center have an intrusion response policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Do measures exist that prevent toll fraud on data center PBX systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

<i>H. Backup</i>	Yes	No	N/A
1. Do adequate backup procedures exist for the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Operating systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Application programs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Master files?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Transaction files?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. System utilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Any other programs necessary to restore operations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Does adequate off-site storage exist for backup media?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the data center maintain a log of backup media stored off-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Is a system backup performed prior to the loading of any new software releases?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

<i>I. Security Administration</i>	Yes	No	N/A
1. Has a security administrator been appointed for each system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is password security in effect for all applications?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Are password changes required on a periodic basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Are minimum password composition standards in place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____