

# **UNDERSTANDING AND ASSESSING INTERNAL CONTROL IN AUDITS**

## **(1 Day)**

### **Overview**

Internal control is an important focus area for auditors, since a properly designed and implemented internal control system can provide reasonable assurance that an organization's objectives will be achieved. When auditors find that an organization has difficulty delivering effective and efficient program results, they often identify weaknesses in internal controls as an underlying cause. Government auditing standards require auditors to determine whether internal controls are significant to their audit objectives and, if so, to assess the design, implementation, and/or operating effectiveness of these internal controls to the extent necessary to address the audit objectives. To do this, auditors need a thorough understanding of the various internal control components and related principles.

Through lecture, individual exercises, group discussions, and case studies, this highly interactive course provides auditors a thorough understanding of internal control objectives for operations, reporting, and compliance; the 5 components of internal control; and the 17 principles that apply to internal controls. Throughout the course the instructor explains the audit planning and fieldwork needed to assess internal controls, and highlights numerous "red flag" examples and practical experiences that provide highly useful tips on how to operationalize internal control requirements when conducting an audit.

**CPEs: 8**

### **Who Should Attend**

This course is based on the most recent version of the GAO-developed Standards for Internal Control in the Federal Government (the Green Book) and will help participants understand and apply the revised internal control requirements in the updated 2018 Government Auditing Standards (Yellow Book). Both new and seasoned auditors in team member or team leader roles can benefit from this material. Upon completing the course, auditors will have gained a strong understanding of internal controls, how to consider internal controls within the context of the audit objectives, and how to plan and obtain the sufficient and appropriate evidence to support their assessment of the effectiveness of internal controls.

### **Course Objectives**

Participants will be able to:

- Demonstrate a fundamental understanding of the key concepts of internal control
- Understand and apply the internal control requirements, including the five key components and the related principles
- Understand how to apply internal control factors when planning and implementing an audit and when reporting findings

## **Course Topics**

### **Key Internal Control Concepts**

- Background and uses of the Green Book
- The internal control cube and how the aspects interrelate
  - Objectives
  - Components, principles, and attributes
  - Organizational structure

### **Internal Control Components – Their Definition, Related Principles, and Red Flags that Could Indicate Deficiencies**

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

### **Applying Internal Control When Conducting an Audit**

- Government auditing standards (Yellow Book) requirements related to internal control
- When and how to use internal control when planning an audit
- How to assess internal control when conducting an audit
- How to report on internal control deficiencies