

Contents

Preamble by the Institute of Internal Auditors	V
Foreword	VII
Note to Users	XI
List of Abbreviations	XXI
List of Figures	XXV

A	Conceptual Basis of Internal Audit	1
1	Nature and Content of Audits	2
1.1	General Definition of Audit	2
1.2	Definition of Internal Audit	4
1.3	Regulatory and Organizational Framework	7
2	Internal Audit: Meeting Today's Needs	16
2.1	The Dynamics of the Operating Environment	16
2.2	Reorientation of the Requirements Profile	19
2.3	Formulating the General Audit Objectives and Ways of Implementing Them	22
2.4	The Charter as Audit Mandate	27
2.4.1	Purpose of the Charter	27
2.4.2	Main Contents of the Charter	29
2.4.2.1	Tasks of Internal Audit at SAP	29
2.4.2.2	Organizational Foundation	33
2.4.3	The Charter as Part of Internal Audit's Definition Process	35
2.5	Implementing the Audit Mandate	37
2.5.1	Internal Audit as an Independent Audit Body for the Whole Company	37
2.5.2	Internal Audit as a Component of Corporate Governance	40
2.5.3	Internal Audit as a Service Unit	44
2.5.4	Trend toward Audit Management as a Corporate Management Instrument	47
2.5.5	Internal Audit as a Profit Center Organization	51
2.6	Internal Audit and the Requirements of SOX	53
2.7	Value Added by Internal Audit at SAP	58
3	Framework of Internal Audit at SAP	60
3.1	SAP's Global Audit Approach in the Shape of Global Internal Audit Services (GIAS)	60

3.2	Structure of the GIAS Code of Conduct	62
3.3	The GIAS Code of Conduct in Detail	65
3.4	Examples Illustrating the Effectiveness of the Code of Conduct ..	69
4	Organizational Structure of GIAS	72
4.1	Organizational Status within SAP	72
4.2	Organizational Structure and Responsibilities within GIAS	75
4.3	Structure and Tasks of the Regional GIAS Teams	78
4.4	Structure and Organization of the Audit Teams	79
4.5	Employee Profiles in GIAS	82
4.6	Career Paths and Development Potential	85
4.7	The Structure of Timesheets in Internal Audit	88
5	Fundamental Principles of the GIAS Approach	91
5.1	Employee Profiles and their Interaction in the Audit Process	91
5.2	Attributes of the Process-Based Approach	92
5.3	Definition of Audit Content	95
5.4	GIAS Target Group Structure	97
5.5	Structure and Content of the Audit Universe	101
5.6	Audit Challenges in the Global Corporate Environment	104
5.6.1	Basis of an International Orientation	104
5.6.2	Overview of Global Challenges	106
5.7	GIAS Integration Model	108
5.8	Identifying Audit-Relevant Facts	111
6	Audit Methods	114
6.1	Content Determinants and Formal Determinants	114
6.2	Audit Field Structure	117
6.2.1	Introduction	117
6.2.2	Management Audit	119
6.2.3	Operational Audit	123
6.2.4	Financial Audit	127
6.2.5	IT Audit	129
6.2.6	Fraud Audit	135
6.2.7	Business Audit	139
6.3	Audit Approaches	142
6.4	Audit Categories	150
6.5	Audit Types	155
6.6	Audit Cycle	159
6.7	Cost/Benefit Analysis	162
7	Other Services	165
7.1	Introduction	165

7.2	Audit-Related Other Services	167
7.2.1	Cost-Effectiveness Analysis	167
7.2.2	Pre-Investigations	170
7.2.3	Review	172
7.2.4	Implementation Support	175
7.3	Non-Audit-Related Other Services	178
7.3.1	Ongoing Support	178
7.3.2	Internal Consulting	180
7.3.3	Project Management	182

B The SAP®-Audit Roadmap as a Working Basis for Internal Audit

185

1	General Introduction	186
1.1	Structure and Features of the Audit Roadmap	186
1.2	Advantages and Benefits of the Audit Roadmap	189
2	Planning	192
2.1	Content of Scopes	192
2.1.1	Integration and Organizational Structure	192
2.1.2	Templates and How to Use Them	193
2.1.3	Overview of Available Scopes	200
2.2	Annual Audit Planning	202
2.3	Audit Request	205
2.4	Composition and Role of the Audit Team	208
3	Preparation	211
3.1	Audit Announcement	211
3.2	Work Program	214
3.2.1	Standard Structure of the Work Program	214
3.2.2	Integration of the Work Program	217
3.2.3	Process Elements: Risks and Internal Controls	218
3.3	Other Preparation Activities	219
3.3.1	Obtaining Background Information	219
3.3.2	Specific Training Needs	221
4	Execution	223
4.1	Fieldwork Activities	223
4.1.1	Introduction	223
4.1.2	Main Fieldwork Activities	226
4.1.3	Technical Support	233
4.1.3.1	Organizational Tools	233

4.1.3.2	Methodological Tools	235
4.1.3.3	IT Tools	236
4.2	Use of Working Papers	239
4.2.1	Requirements for the Documentation of Fieldwork	239
4.2.2	Structure and Content of Working Papers	241
4.2.3	Referencing of Working Papers	244
5	Reporting	247
5.1	Basics of Reporting	247
5.1.1	Professional Principles	247
5.1.2	Integration into the Audit Roadmap	248
5.1.3	Overview of the Main Report Formats	249
5.1.4	Overview of Report Contents	251
5.1.5	Report Addressees and Distribution	253
5.2	Standard Report Package for Audits	255
5.2.1	Audit Report Index	255
5.2.2	Classification	257
5.2.3	Implementation Report	258
5.2.4	Management Summary	261
5.2.5	Board Summary	263
5.3	Other Report Formats	266
5.3.1	Memorandum	266
5.3.2	Results Presentation	267
5.4	Periodic Reporting	269
5.4.1	Annual Report to the Audit Committee	269
5.4.2	Other GIAS Information Services	270
6	Follow-Up Phase	272
6.1	Basics of the Follow-Up Phase	272
6.2	Follow-Up Phase in Detail	274
6.2.1	Status Check	274
6.2.2	Follow-Up Audit	276
6.3	Reporting During the Follow-Up Phase	278
6.3.1	Updating the Audit Report	278
6.3.2	Measuring Audit Outcome	280
7	Special Audit Roadmaps	282
7.1	Objectives of Special Audit Roadmaps	282
7.2	Audit Roadmap for Fraud Audits	284
7.3	Audit Roadmap for Management Process Audits	287
7.4	Audit Roadmap for IT Audits	290

C	Examples from Audit Practice at SAP	295
1	Introduction	296
2	Audit Basics	298
2.1	Overview of the Audit Process	298
2.2	Tools Needed for the Audit	300
2.3	Auditor Skills	301
2.3.1	The Right Tone	301
2.3.2	Professional Auditor Conduct	302
2.3.3	Team Work	304
2.4	Scopes	305
3	Selected Financial Audit Topics	307
3.1	Analytical Procedures	307
3.2	Trade Accounts Receivable Audits	313
3.3	Accrued Liabilities Audits	318
3.4	Trade Accounts Payable Audits	325
3.5	Revenue Audits	329
4	Selected Operational Audit Topics	333
4.1	Purchasing	333
4.2	Sales Processes	340
5	Combined Audit Topics	346
5.1	Subsidiary Audits	346
5.2	Consulting Project Audits	351
5.2.1	Classification of Consulting Projects	351
5.2.2	Audit Preparation and Execution	353
5.2.3	Special Aspects of Consulting Project Audits	360
5.3	License Audits	367
5.4	Management Process Audits	372
5.4.1	Basics of Management Process Audits	372
5.4.2	Audit Preparation and Execution	376
6	Business Review	380
7	Global Audits	384
8	SOX Audits	389
9	Revenue Recognition Assurance	402

10	IT Audits	409
10.1	Basics and System Configuration	409
10.2	SAP Workbench Organizer and Transport System	413
10.3	Table Access and Logs	418
10.4	User Administration	422
10.5	Batch-Input Interfaces and Background Processing	426
D	Special Topics and Supplementary Discussion	431
1	Documentation in Internal Audit	432
1.1	Basics of Documentation	432
1.1.1	Objectives, Requirements, Sources, and Responsibilities	432
1.1.2	Legal Requirements	434
1.1.3	Important Documentation Criteria	435
1.2	Documentation Along the Audit Roadmap	437
2	Cooperation	441
2.1	Communication and Information Flow	441
2.2	Global Risk Management	444
2.2.1	Integration Overview	444
2.2.2	Risk Management Along the Audit Roadmap	446
2.2.3	Risk Management Audits	447
2.2.4	Internal Audit as Part of the Risk Management Process	449
2.3	Global Quality Management	450
2.4	Corporate Security Function	454
2.5	Management and Supervisory Bodies	455
2.6	External Auditors	457
2.7	External Institutions and Other Interested Parties	460
3	Annual Risk-Based Audit Planning	463
3.1	Inventory of Possible Audit Topics	463
3.1.1	Identification of Possible Audit Topics	463
3.1.2	Risk Assessment and Audit Inventory	464
3.2	Annual Audit Plan	467
3.3	Execution Planning	469
3.4	Interrelation of Global and Regional Planning	471
4	IT Environment of Internal Audit	473
4.1	Structure of a Global IT Environment of Internal Audit	473
4.1.1	Decentralized Use of IT	473
4.1.2	Central Filing Structure	474
4.1.3	Decentralized Reporting System	476

4.1.4	IT Tools for Data Analysis	477
4.2	Globally Integrated IT Solutions	479
4.2.1	Requirements on a Fully Integrated IT Solution	479
4.2.2	Concept for a System Structure of an Integrated IT Solution	480
4.2.3	Proposed Solutions in Terms of Corporate Governance and Compliance	482
5	Quality Assurance for Internal Audit	485
5.1	Quality Assurance in General	485
5.2	Definition of Terms	486
5.3	GIAS Quality Assurance Structure	488
5.4	Process and Documentation	498
5.5	Quality Assurance Monitoring	498
5.6	The GIAS Quality Assurance Program Compared to the Requirements of the IIA	500
6	Escalation Procedure	502
7	Performance Measurement System	508
7.1	Basic Principles of an Internal Audit Approach Based on Key Performance Indicators	508
7.1.1	Content, Objectives, and Structure	508
7.1.2	Structure of the Key Performance Indicators	510
7.1.2.1	General Criteria	510
7.1.2.2	Selected General Standard Key Performance Indicators	512
7.2	Selected Special Key Performance Indicators	513
7.2.1	Overall Audit Statement	513
7.2.2	Audit Survey	519
7.2.3	Follow-Up Rating	522
7.3	Benchmarking Structure	525
7.4	Structure of a Balanced Scorecard Approach	527
8	Integrated Cost Management (Cost of Internal Audits)	529
9	Peer Review	537
10	Guest Auditors	542
11	Management of Internal Audit	547
11.1	Operational Audit Management	547
11.2	Monitoring Audit Management	548
11.2.1	Audit Performance Record as Part of Performance Management	548
11.2.2	Audit Control	550

12	Marketing of Internal Audit	553
12.1	Internal Marketing	553
12.2	External Marketing	555
13	Fraud Prevention	557
14	Services Provided by Internal Audit Relating to the Sarbanes-Oxley Act	565
14.1	General Principles	565
14.1.1	Legal Framework	565
14.1.2	COSO Requirements	567
14.1.3	Impact of SOX on Internal Audit	570
14.2	Integrating SOX Organization and Internal Audit	573
14.2.1	Management of Internal Controls	573
14.2.2	SOX Lifecycle Process Model	577
14.2.3	Roles and Responsibilities	580
14.2.4	Overview of Internal Audit's SOX Services	583
14.3	Integration along the Audit Roadmap	585
14.3.1	SOX Support Model	585
14.3.2	SOX Audit Model	587
14.3.3	Coordination of SOX Activities	590
14.4	Impact of Introducing SOX	592
E	Conclusion	595
F	Subject Index	599

Internal Audit Handbook

Management with the SAP®-Audit Roadmap

Kagermann, H.; Kinney, W.; Küting, K.; Weber, C.-P.

(Eds.)

2008, XXVIII, 610 p., Hardcover

ISBN: 978-3-540-70886-5