



Internal Audit FAQ's

What is an Internal Audit?

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”¹

Internal audits performed by the Inspector General (IG) Department and the internal audit activity is designed to provide assurance and give management an independent, objective assessment of department programs, activities, or functions. An audit may evaluate whether:

- Business unit strategic goals and objectives are organizationally aligned, and successfully met;
- Results and objectives are achieved efficiently and effectively;
- Operations comply with laws, policies, procedures, and regulations;
- Financial and operating information is accurate, complete, and reliable;
- Satisfactory internal controls in place to mitigate risk;
- Governance processes are effective and efficient;
- Sufficient internal controls in place to safeguard against fraud, waste, and abuse.

Internal Audits are performed by qualified certified professionals with a general overview and understanding of the organization. Standard 1210 – Proficiency

“Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.”²

INDEPENDENCE: The IG Department’s Charter establishes independence of the internal audit activity by a reporting relationship directly to the organization's most senior level; The Lee County Clerk of Circuit Court & Comptroller (LCCC). Specifically, the Chief Internal Audit Officer/Inspector General reports to the LCCC for strategic direction, reinforcement, and accountability. The Charter assures that Internal Auditors have unrestricted access to records and personnel as necessary, and are allowed to employ appropriate examining techniques without impediment. Standard 1110 - Organizational Independence

¹ www.theiia.org: Definition of Internal Auditing.

² www.theiia.org: International Professional Practices Framework (IPPF) guide, more commonly known as the Red Book. Standard 1210 - Proficiency



“The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.”³

OBJECTIVITY: To maintain objectivity, internal auditors have no personal or professional involvement with or allegiance to the area being audited; and should maintain an un-biased and impartial mindset in regard to all engagements.

Independence in fact and appearance and objectivity are two critical components of an effective internal audit activity.

What is the difference between internal audit and external audit?

Internal Audit

Internal audit professionals have backgrounds in various academic disciplines, and no single discipline is required.

According to The IIA, an internal audit engagement is:

- *A specific internal audit assignment, task, or review activity, such as an internal audit, control self- assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.*
- *Internal auditors are employed by the organization, but are independent of the activities they audit.*
- *Because independence is imperative to be effective, the internal auditor ideally reports directly to the board.*
- *Internal auditors must conform with The IIA’s International Standards for the Professional Practice of Internal Auditing.*

External Audit

On the other hand, external auditors are professional accountants.

According to the International Federation of Accountants (IFAC), an external audit engagement is:

- *A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material*

³ www.theiia.org: International Professional Practices Framework (IPPF) guide, more commonly known as the Red Book. Standard 1110 - Organizational Independence



respects (or gives a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.

- *Unlike internal auditors, external auditors are not employees of the organization — they are third parties, and therefore, have no vested interest in the organization.*
- *Globally, external auditors are guided by the International Auditing and Assurance Standards Board (IAASB) International Standards on Auditing.*⁴

How long will an internal audit take?

It depends on the scope of an audit. An audit can last for a period from weeks to a year or longer. The assigned auditor(s) provide an estimate of the time they need to complete the audit after the planning phase is finished. Timely responses to audit requests support timely completion of audits.

Will the audit disrupt my department's everyday activity?

An audit may affect a department's routine to some extent. We always attempt to minimize any interruptions to the normal work schedule to the extent possible.

What will the audit team need from me?

Cooperation and communication are important to perform a successful audit.

May I dispute audit observations and recommendations?

Yes. After the draft report is issued for response, the manager of the program or operational unit has 10 business working days to respond in writing to any observations and recommendations. A response that disagrees should state: "We do not concur" and explain the reason for the disagreement. We strive to reach consensus and to this end, we meet with management and staff during the course of the audit to discuss potential observations and recommendations.

We also hold an exit conference with senior management and may modify the draft report based on information and input provided.

May I request an audit?

⁴ IIA The Institute of Internal Auditors: Global: Issue 8 - *GLOBAL PERSPECTIVES AND INSIGHTS* Internal Audit and External Audit Distinctive Roles in Organizational Governance



We rely on management and staff input to help us identify areas that would benefit from an internal audit. Management may request an audit as part of their annual risk assessment. Some issues may require a formal audit. However, the IG Department also conducts consulting engagements and provides ad hoc advisory/technical assistance services. For example, if you have recently assumed new or additional supervisory responsibilities, an audit or management review can help assess whether internal controls in your area are adequate and operating as intended. An audit or management review can assess the effectiveness of controls when new systems or procedures are implemented. Department managers and staff may contact the Inspector General Department to discuss how we can best serve their business unit's needs.

May I take corrective action before the audit review is concluded?

We encourage management to take corrective action as soon as possible—even before the audit field work is concluded. This corrective action may be noted in the final audit report. Internal audit Standards require that we monitor and provide periodic reports on the status of management's action taken in response to internal audit report recommendations.

May I request that an audit be postponed due to other work priorities?

We schedule an entrance conference with management to discuss logistics for conducting the audit prior to beginning field work. The IG Audit Team is respectful of your time and seeks to minimize disruptions to our audit client's operations. It may be possible to postpone work on a part of the audit or otherwise adjust our audit schedule.

What is internal auditing's role in preventing, detecting, and investigating fraud, waste, and abuse?

Internal auditors support management's efforts to establish a culture that embraces ethics, honesty, and integrity. They assist management with the evaluation of internal controls used to detect or mitigate fraud, evaluate the organization's assessment of fraud risk, and are involved in fraud investigations.

Although it is management's responsibility to design internal controls to prevent, detect, and mitigate fraud, the internal auditors are the appropriate resource for assessing the effectiveness of what management has implemented. Therefore, depending on directives from management, the board, audit committee, or other governing body, internal auditors might play a variety of consulting, assurance, collaborative, advisory, oversight, and investigative roles in an organization's fraud management process.

Competent professional internal auditors are highly proficient in techniques used to evaluate internal controls. That proficiency, coupled with their understanding of the indicators of fraud, enables them to assess an organization's fraud risks and advise management of the necessary steps to take when indicators are present.