
AUDIT SCHEDULING

An audit schedule is an essential part of planning internal auditing department activities. Since audit resources, in terms of available time and the number of auditors, are limited, the audit manager needs to balance the needs of the audit plan and the availability of resources. It is prudent to hire auditors with different skill and experience levels so that all required skills are available among the audit staff even though each auditor may not have all the required skills.

AUDIT SUPERVISION

Assigning and using staff is important to satisfying audit objectives. Since skills and knowledge vary among auditors, work assignments must be commensurate with skills and abilities.

Supervisors should satisfy themselves that staff members clearly understand their assigned tasks before starting the work. Staff should be informed not only of what work they are to do and how they are to proceed, but also why the work is to be conducted and what it is expected to accomplish. With experienced staff, the supervisors' role may be more general. They may outline the scope of the work and leave details to assistants. With a less experienced staff, a supervisor may have to specify not only how to gather data but also techniques for analyzing them.

Effective supervision ensures that audit assignments are properly planned and produce a high-quality and consistent product. A competent supervisor can help in preparing audit plans, developing and controlling budgets and schedules, improving auditor and auditee relationships, ensuring the preparation of consistent and quality working papers, and reviewing audit reports.

COLLECTING DATA AND INFORMATION

Since management makes decisions and auditors use information, they need to know how and where the information is coming from. At least four sources of information are available: primary and secondary information and internal and external sources.

Managers should think of problems and opportunities as information needs, as a series of questions that need to be answered. *Information consciousness means to think information when thinking about problems.*

EVALUATE THE AUDIT EVIDENCE

Types of Audit Evidence

Audit evidence is information that provides a factual basis for audit opinions. It is the information documented by the auditors and obtained through observing conditions, interviewing people, examining records, and testing documents. Audit evidence may be categorized as physical, documentary, testimonial, and analytical.

Standards of Audit Evidence

All audit evidence should meet the three standards of sufficiency, competence, and relevance. Evidence is sufficient if it is based on facts. Competent evidence is reliable evidence. The term “relevance” refers to the relationship of the information to its use. When audit evidence does not meet these three standards, additional (corroborative) evidence is required before expressing an audit opinion.

Appropriateness of Audit Evidence

The phrase “appropriateness of audit evidence” refers to persuasiveness (sufficiency), relevance (consistency), and competence (reliability).

Information Sources for Audit Evidence

The auditors’ approach to determining the sufficiency, relevance, and competence of evidence depends on the source of the information that constitutes the evidence. Information sources include original data gathered by auditors and existing data gathered by either the auditee or a third party. Data may also be obtained from computer-based systems.

DEVELOP AND REVIEW AUDIT WORKING PAPERS

Working papers are the link between fieldwork and the audit report. The requirements to prepare working papers may be satisfied with documentation maintained on disks, tapes, or film. Working papers serve three purposes: (1) they provide the principal support for the auditors' report, (2) they aid the auditors in conducting and supervising the audit, and (3) they allow others to review the audit's quality.

Working papers should contain:

- Objective, scope, and methodology, including any sampling criteria used, and results of the audit
- Evidence of the work performed to support findings, judgments, and conclusions
- Evidence of supervisory reviews of the work conducted

AUDIT REPORTING

Audit Report Purpose and Timeliness

Written audit reports serve multiple purposes. They communicate the results of the audit work to auditees and others, make the results less susceptible to misunderstanding, and facilitate follow-up reviews to determine whether appropriate corrective actions have been taken.

To be of maximum use, the audit report must be timely. A carefully prepared report may be of little value to decision makers if it arrives too late. Therefore, the audit organization should plan for the prompt issuance of the audit report and conduct the audit with this goal in mind.

The auditors should consider interim reporting, during the audit, of significant matters to appropriate auditees. Such communication, which may be oral or written, is not a substitute for a final written report, but it does alert auditees to matters needing immediate attention and permits them to correct the problems before the final report is completed.

Audit Report Contents

Objectives, Scope, and Methodology

Readers need knowledge of the objectives of the audit, as well as the audit scope and methodology for achieving the objectives, to understand the purpose of audit, judge the merits of the audit work and what is reported, and understand any significant limitations.

Compliance with Standards, Regulations, and Laws

The statement of conformity refers to the applicable standards that the auditors should have followed during the audit. The statement need not be qualified when standards that were not applicable were not followed. When applicable standards were not followed, the auditors should modify the statement to disclose in the scope section of their report the required standard that was not followed, why, and the known effect that not following the standard had on the results of the audit.

Management Responses

One of the most effective ways to ensure that a report is fair, complete, and objective is to obtain advance review and comments by responsible auditee (management) and others, as may be appropriate. Including the views of the auditee produces a report that shows not only what was found and what the auditors think about it, but also what the responsible persons think about it and what they plan to do about it.

Noteworthy Accomplishments

Significant management accomplishments identified during the audit that were within the scope of the audit should be included in the audit report, along with deficiencies.

Desirable Attributes of a Deficiency Audit Finding

Audit findings have often been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a finding depend entirely on the objectives of the audit. This means the elements “cause” and “effect” may be optional for a compliance audit, but they are musts for an operational audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates those objectives to the finding’s elements. A deficiency audit finding should have four elements or attributes, with a recommendation as optional (i.e., criteria, condition, cause, effect, and recommendation).

Report Presentation and Distribution

The audit report should be complete, accurate, objective, convincing, and as clear and concise as the subject permits.

The final report should be distributed to auditees directly interested in the audit work results and those responsible for acting on the findings and recommendations. Higher-level members in the organization may receive only a summary report. Reports may also be distributed to other interested or affected parties, such as external auditors and the board of directors.

Certain information may not be appropriate for disclosure to all report recipients because it is privileged, proprietary, or related to improper or illegal acts. Such information, however, may be disclosed in a separate report. If the conditions being reported involve senior management, report distribution should be to the board of the organization.

Oral and Written Reports

In some circumstances, it might be appropriate for auditors to issue oral reports. If they issue an oral report, the auditors should keep a written record of what they communicated and the basis for not issuing a written report. An oral report may be most appropriate when emergency action is needed. Before issuing an oral report, auditors should determine that both of these conditions exist

1. An oral report would effectively meet decision makers' needs for information about the results of the audit.
2. It is unlikely that parties other than those who would receive the oral report would have a significant interest in the results of the audit.

Written audit reports in a summary form are generally intended for high-level management and/or the audit committee. However, a detailed audit report dealing with payroll department with significant control weaknesses should be most useful to the payroll department manager.

IIA'S PERFORMANCE STANDARDS

Performing the Engagement

Performing the Engagement (IIA Standard 2300).

Identifying Information (IIA Standard 2310).

Analysis and Evaluation (IIA Standard 2320).

Recording Information (IIA Standard 2330).

The CAE should control access to engagement records. The CAE should obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate (IIA Standard 2330.A1).

The CAE should develop retention requirements for engagement records. These retention requirements should be consistent with the organization's guidelines and any pertinent regulatory or other requirements (IIA Standard 2330.A2).

Performing the Engagement (continued)

The CAE should develop policies governing the custody and retention of engagement records, as well as their release to internal and external parties. These policies should be consistent with the organization's guidelines and any pertinent regulatory or other requirements (IIA Standard 2330.C1).

Engagement Supervision (IIA Standard 2340).

Communicating Results

Communicating Results (IIA Standard 2400).

Criteria for Communicating (IIA Standard 2410).

Final communication of engagement results should, where appropriate, contain the internal auditor's overall opinion and or conclusions (IIA Standard 2410.A1).

Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications (IIA Standard 2410.A2).

When releasing engagement results to parties outside the organization, the communication should include limitations on distribution and use of the results (IIA Standard 2410.A3).

Communication of the progress and results of consulting engagements will vary in form and content depending on the nature of the engagement and the needs of the client (IIA Standard 2410.C1).

Quality of Communications (IIA Standard 2420).

Errors and Omissions (IIA Standard 2421).

Communicating Results (continued)

Engagement Disclosure of Noncompliance with the *Standards*

- *Standard(s)* with which full compliance was not achieved
- Reason(s) for noncompliance
- Impact of noncompliance on the engagement (IIA Standard 2430)

Disseminating Results (IIA Standard 2440).

The CAE is responsible for communicating the final results to *parties* who can ensure that the results are given due consideration (IIA Standard 2440.A1).

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization, the chief audit executive should

- Assess the potential risk to the organization
- Consult with senior management and/or legal counsel as appropriate
- Control dissemination by restricting the use of the results (IIA Standard 2440.A2)

Communicating Results (continued)

The CAE is responsible for communicating the final results of consulting engagements to clients (IIA Standard 2440.C1).

During consulting engagements, risk management, control, and governance issues may be identified. Whenever these issues are significant to the organization, they should be communicated to senior management and the board (IIA Standard.2440.C2).

Resolution of Management's Acceptance of Risks (IIA Standard 2600).