

Preparation is a necessary element of a successful Internal Audit. Every possible aspect of the audit must be planned in advance by the Internal Auditor.

Several questions need to be answered by the Internal Auditor in order to determine the right audit approach, and the first one is “What is the purpose of the audit?”

Audits can be performed for various reasons. Some of the most common ones are:

- Verifying compliance with regulations and policies
- Verifying adherence to procedures
- Identifying problem areas
- Investigating an occurrence or incident to determine facts and causes
- Examining a known problem area
- Collecting information for subsequent analysis by another individual or group

The Role of the Internal Auditor

Depending on the reason for the audit, the Internal Auditor will decide how to conduct the audit.

There are various Internal Auditor roles, suitable for different situations. It is common for Internal Auditors to adopt a combination of roles for one audit. These include:

Data Gatherer – collects facts (including figures and other data) related to the purpose of the Internal Audit and analyzes them to define the most relevant ones among them. The obtained information is then used to describe the situation factually in the most objective way possible.

Judge – assesses the relevant facts against a chosen standard, either external or internal. The aim of the assessment is to determine how well the item under examination meets the standard.

Consultant – examines the situation taking into account the existing circumstances, management goals, state of technology, and industry experience. Based on this examination, the most suitable course of

action is recommended. This role requires the Internal Auditor to have the necessary technical competence and business acumen.

Standards

In preparation for an audit, the Internal Auditor must establish the standards (criteria) against which the items will be audited. If official standards are used, the Internal Auditor must be highly familiar with the standards themselves and any policies concerning their interpretation. If using unofficial standards, the auditee must be made aware of their use in the internal audit, and the reason for using those standards should be explained by the Internal Auditor.

The Scope

The scope of the audit defines what items will be audited. Not everything can be covered in one audit, and it will save the Internal Auditor time if he or she realistically restricts the audit to only the areas that offer the greatest chance to accomplish the purpose(s) of the audit. The scope can be further narrowed down and refined, or expanded if appropriate, in the course of the audit.

In Preparation for the Internal Audit

Procedures

During the audit preparation phase, the Internal Auditor must make sure to have sufficient knowledge of the internal audit procedure and the top level quality documentation. All the relevant materials, such as manuals, procedures & instructions, process sheets and shop layouts should be reviewed before the audit, so that it doesn't take up the actual audit time.

Audit Plan

Preparing an audit plan consists of creating a sequence of actions that makes the audit flow smoothly and logically. It will also reduce the likelihood of backtracking and repeat visits. Having an internal audit plan will save the auditor and the auditee time and ensure transparency.



The audit plan should include the following elements:

- Schedule of activity – the best time or times to conduct the on-site portion of the audit. Decide what hours will be used to access the facility and when the key personnel will be available for interviews.
- Sampling – the number of samples required, what to sample, how to choose samples. When sampling, as well as being random and unpredictable, a sample should be representative of each process, type of operation, shift or location and customer.

Some organizations prepare outlines and call them “guidelines” or “checklists” which can be directly used as audit plans. Some published criteria can also be used directly as a plan for an audit. Whatever the plan is based on, it should be tailored to the specific audit and revised as needed in the course of the audit. The plan is there to help conduct the audit and to ensure that all the areas are covered in a logical manner. However, the conclusions made during the audit should only be based on facts and not on the plan.

A more experienced Internal Auditor will need less time preparing.

Site visits

It is recommended that the Internal Auditor contacts and, if possible, even visits the area being audited prior to the audit. This will help him or her get an idea of the size and complexity of the operation.

It is also advisable for the Internal Auditor to review the last audit report and any corrective actions listed. This will allow the Internal Auditor to determine during the audit whether things have improved or if a problem has persisted.

Training

If any specific training is needed for the Internal Auditor to conduct the internal audit efficiently, he or she needs to check that and make the appropriate arrangements in advance. This is the Internal Auditor’s responsibility.

Opening and Review Meetings

Conducting an opening meeting will allow the Internal Auditor to formally meet the people being audited and agree what will happen. The meeting should outline what processes are being audited, how long the Internal Auditor expects the audit to take and what individuals he or she may wish to interview.

Arriving at a facility and starting the audit without any opening comments or greeting may increase tension and alienate the auditee, thus discouraging a productive audit.

Informal review meetings may be conducted throughout the audit to check on progress. This may be particularly useful for audits that take several days.

Conclusion

Being well prepared for the audit is the Internal Auditor’s ticket to a smooth and efficient auditing experience - and by extension, the experience of the auditee as well.

The likelihood of a productive outcome depends on how well all of the above elements are present in the internal audit preparation process.

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