

Dear Q&A

I have just taken over as chief audit executive of an internal audit function.

The internal audit plan I inherited has time allocated to support the external auditor's work on the annual financial statements audit. Is this normal practice?

Answer

In times past, internal audit work concentrated on financial matters, often with a compliance approach. In those times, the internal auditor and external auditor would get together to work out who would do what in the financial audit space for the coming year, and what internal audit would need to do from a sampling and testing perspective for external audit to rely on the internal audit work.

This was also supposed to reduce cost of the annual external audit, though the external auditor would often re-perform audit work anyway.

Internal audit these days tends to spread its effort across corporate and operational areas, often adopting an operational auditing approach focused on efficiency, effectiveness and economy (the three E's). There is less focus on financial areas as the risk-based approach to internal audit planning often sees operational areas and projects as higher risk than corporate areas such as finance which are often well-controlled.

While internal audit may still support the external auditor, these days it is a much less common practice, and not seen as aligning to a risk-based internal audit planning approach as required by the internal audit standards.