



## *Financial Services - Frequently Asked Questions*

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### **What is Internal Auditing?**

Internal Audit is the function of accounting professionals, who have an in-depth understanding of District culture, systems, processes and procedures. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the efficiency and effectiveness of internal controls over financial reporting.

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### **Why should an organization have Internal Audit?**

Internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, Internal Audit provides assurance to management and the finance audit committee that internal controls are effective and working as intended. Internal Audit is led by the Internal Audit Manager who delineates the scope of activities, authority, and independence of the report. Similarly, an effective Internal Audit department can provide assurance to other stakeholders such as regulators, employees, financial partners, grant organizations and donors.

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### **How do I know if I will be audited?**

Before any audit work is initiated, Internal Audit will communicate that an audit is planned and will arrange an entrance conference (see the Audit Process link under quick links) to discuss the audit's scope, objectives, purpose and estimated timeline. In general, an annual audit plan is developed for review by senior management and the Finance and Audit Committee of the Board of Education. Other activities are selected randomly and on a rotating basis based on an analysis of risk factors, a significant change in an operation, the time from the last audit review or as requested by administrative staff and leaders.

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### **How long does an audit take?**

Generally, the audit process is completed within a few months. It is difficult to apply this timeline to all audits because the amount of time spent on each audit depends upon scope, relevant systems, records, collaboration from area/process/department experts, etc. When fieldwork is complete Internal Audit will draft a report and arrange an exit conference to discuss the contents of the draft report. At the exit conference the audited department will have the opportunity to discuss any findings and offer management comments.

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### **Can I ask IA for assistance?**

Yes! While Internal Audit's mission is principally accomplished through audits, Internal Audit welcomes all questions. Internal Audit champions the District's shared core value of collaboration by consulting with District personnel to help achieve District goals. Auditors do not wish to audit systems that are known to be dysfunctional; their role is to provide guidance and recommendations, not to just report on the obvious or known problems but to strengthen the ability of units to meet their operational and administrative goals.

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### **What is Fraud?**

The Institute of Internal Auditors defines fraud as, "any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain." Elements present for an employee to commit fraud include opportunity (a low chance of being caught), rationalization (justification in the perpetrators mind, "I deserve this"), and pressure (the perpetrator is experiencing financial difficulty e.g. gambling addiction). It has been estimated that businesses lose over \$600 billion to fraud each year and that the average organization may lose 5% of revenue to fraud.

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### **Are auditors looking for fraud?**

Auditors are not specifically searching for the existence of fraud when performing audits. Internal Audit is more concerned with ensuring that adequate systems of controls exist to reduce the risk of fraud. In situations where internal controls are weak, testing is enhanced to determine the extent controls are weak. If in the course of fieldwork, fraud is discovered, Internal Audit will usually investigate the extent of the fraud. Special investigations are geared toward fraudulent activity.

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### **What should I do if I suspect someone is involved in something illegal?**

As of October 2015, the District has employed an anonymous Fraud Hotline, administered by a third party. If fraud, waste or abuse is identified, it should be reported to the District's anonymous fraud hotline.

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