

FAQ.

Here are 20 frequently asked questions and answers on risk-based internal audit and auditor's independence in the public sector:

**1. What is risk-based internal audit in the public sector?**

- Risk-based internal audit is an approach that focuses on identifying and assessing risks to prioritize audit activities in public sector organizations.

**2. Why is risk-based internal audit important in the public sector?**

- It ensures resources are allocated efficiently, and audits are aligned with the organization's objectives and potential risks.

**3. How does risk-based internal audit differ from traditional audit methods?**

- Traditional audits often follow a fixed schedule, while risk-based audits prioritize areas with higher risk.

**4. What is the role of an internal auditor in the public sector?**

- Internal auditors in the public sector are responsible for reviewing the risk and control of the process of preparing financial statements, compliance with laws and regulations, and evaluating internal controls.

**5. What is internal auditor's independence in the public sector?**

- Internal auditor's independence means that auditors must be free from bias and conflicts of interest to perform their duties objectively.

**6. Why is auditor independence crucial in the public sector?**

- It ensures the integrity and credibility of audit findings and reports.

**7. How can auditor independence be maintained in the public sector?**

- Auditors should avoid financial and personal interests that could compromise their objectivity. Also they report directly to the Secretary of the line ministry.

**8. What is the relationship between risk-based internal audit and auditor independence?**

- Risk-based internal audit can help auditors prioritize areas where independence is crucial, ensuring their focus on high-risk areas.

**9. What is the process of conducting a risk assessment in risk-based internal audit?**

- It involves identifying and analyzing risks, assessing their potential impact, and prioritizing them.

**10. Can risk-based internal audit adapt to changing risks in the public sector?** - Yes, the process should be dynamic, allowing adjustments as risks evolve.

**11. How does the public sector handle potential conflicts of interest in internal audit?** - Policies and procedures are in place to identify, disclose, and mitigate conflicts of interest among auditors.

**12. What are some common challenges in implementing risk-based internal audit in the public sector?** - Resistance to change, resource constraints, and a lack of risk management expertise can be challenges.

**13. How do public sector organizations ensure audit quality in risk-based audits?** - Quality control mechanisms, peer reviews, and adherence to professional standards help maintain audit quality.

**14. Can public sector organizations outsource their internal audit functions for independence?** - Some organizations outsource, but safeguards must be in place to maintain independence.

**15. What is the role of the audit committee in ensuring auditor independence in the public sector?** - Audit committees oversee the internal audit function and monitor auditor independence.

**16. How do public sector organizations maintain transparency in risk-based internal audit processes?** - Regular reporting and open communication with stakeholders help maintain transparency.

**17. Can risk-based internal audits uncover fraud in the public sector?** - Yes, by focusing on high-risk areas, auditors are more likely to identify fraud. But fraud risks should be dealt by experts with special mandate only.

**18. What are the key benefits of risk-based internal audits in the public sector?** - Better resource allocation, improved risk management, and enhanced decision-making are some of the benefits.

**19. How often should public sector organizations conduct risk-based internal audits?** - The frequency can vary but is typically following the approved internal audit annual plan prepared based on organization's risk profile and objectives.

**20. What is the relationship between risk-based internal audit and good governance in the public sector?** - Risk-based internal audit supports good governance by promoting transparency, accountability, and effective risk management.

These questions and answers provide an overview of risk-based internal audit and auditor independence in the public sector.