

What are the three types of Audits?

Speaker: Normally there are three types of audit in an organization. First being statutory audit which means it is enshrined in the statute or according to the law. Any organization that is established has to have a statutory audit. Where does the auditor get appointed?

Audience: In the annual general meeting.

Speaker: Whether your auditors are appointed in the annual general meeting every year and whether their fees are fixed are not, are things that you need to see. Do you rotate auditors or do the auditors remain your friends for years?

Speaker: Beware of friendly auditors, because they are the most dangerous. Auditors should function independently as well as do their work in an independent manner. They should be critical and point out the flaws within, so that it can be improved. If the auditor trust starts accommodating issues, then it will become very difficult and unhealthy for the organization. Recently I observed, the auditor writing the books for an organisation. He said he was just doing that for three months as the accountant had left. I told him that whether three months or three days, he was compromising his position. Statutory audit and internal audit should have clear terms of reference. Just appointing an internal auditor will not solve the problem. You must give clear terms. Internal auditors are like catalysts, if you know how to use them then they will be effective otherwise you just end up paying money.

Speaker: Project specific audit is for individual projects. Nowadays, many donors want utilization statements