

**BY ORDER OF THE  
SECRETARY OF THE AIR FORCE**

**AIR FORCE POLICY DIRECTIVE 65-3**

**28 AUGUST 2014**

**Financial Management**

**INTERNAL AUDITING**



**COMPLIANCE WITH THIS PUBLICATION IS MANDATORY**

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This directive implements Department of Defense (DoD) Instruction 7600.02, *Audit Policies*; DoD Instruction 7600.06, *Audit of Nonappropriated Fund Instrumentalities and Related Activities*; and DoD Manual 7600.07-M, *DoD Audit Manual*. This directive applies to all Air Force organizations and activities, including the Air National Guard and Air Force Reserve. This directive establishes policies regarding the use of audits to improve programs; make financial reporting more accurate; and ensure public resources are used efficiently, effectively, economically, and legally throughout the Air Force.

Refer recommended changes and questions about this publication to the Office of Primary Responsibility (OPR) using the Air Force Form 847, *Recommendation for Change of Publication*; route AF Forms 847 from the field through appropriate functional's chain of command. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with AFMAN 33-363, Management of Records and disposed of in accordance with the Air Force Records Disposition Schedule (RDS).

**SUMMARY OF CHANGES**

This revision removes reference to the Deputy Auditor General and the Assistant Deputy Auditor General and updates the reference for DoD Instruction 7600.6.

**1. Policy:** It is Air Force policy that:

1.1. Under the guidance and direction of the Auditor General (SAF/AG), the Air Force Audit Agency (AFAA) is the sole provider of internal audit services to the Air Force. The AFAA is organizationally placed to maintain the independence required by both Public Law and Comptroller General Government auditing standards. Auditors will not perform line, staff, or other collateral duties that would impair this independence.

1.2. All Air Force organizations, functions, activities, and levels of operations may be audited.

1.3. Air Force management will use audit reports as recommendations to help correct deficiencies and prevent their recurrence.

1.4. Audits will not interfere with combat operations. Audits within combat theaters will emphasize the adequacy and effectiveness of combat support and the controls used to prevent unauthorized diversion of equipment, supplies, or other resources.

1.5. The Air Force shall contract with a licensed Certified Public Accountant (CPA) firm to conduct independent audits of nonappropriated fund activities. However, Air Force personnel rather than CPA firms, should be used for audits involving potential fraud or other serious improprieties. Nonappropriated fund support of Nonappropriated Fund Instrumentality audits is the preferred method for funding such audits. Other audits may not be contracted out unless the AFAA determines it does not have the expertise to complete them or it needs temporary help to meet legal or regulatory requirements and subject to review and approval of the OAIG APO, IG DoD.

1.6. Air Force management will ensure that properly cleared AFAA auditors have full and unrestricted access to all personnel, records, equipment, facilities, information systems, networks, databases, or other Air Force resources needed to meet an announced audit objective. After proper clearances are confirmed, auditors usually have access without reference to higher authority. Only the Secretary of the Air Force may deny AFAA auditors access to Air Force records.

**2. Responsibilities:**

2.1. The SAF/AG is specifically responsible for:

2.1.1. Serving as head of the Air Force Audit Agency.

2.1.2. Establishing the overall program for internal audits within the Air Force in accordance with existing statutes, Comptroller General government auditing standards, and Department of Defense policies. The internal audit program provides independent, objective, and constructive reviews and appraisals of the economy, effectiveness, and efficiency with which managerial responsibilities are carried out at all levels of Air Force management.

2.1.3. Advising the Secretary of the Air Force, Under Secretary, Assistant Secretaries, Chief of Staff and Deputy Chiefs of Staff, United States Air Force, and other Headquarters Air Force offices about internal audit and related matters.

2.1.4. Communicating directly with the Secretary of the Air Force, Chief of Staff, and all other Air Force elements on audit matters.

2.1.5. Serving as the disclosure or denial authority for all AFAA reports of audit and supporting audit records under the Freedom of Information Act.

2.2. The Air Force Audit Agency will:

2.2.1. Without limitation, select activities for audit based on internal risk assessments, management requests, and resource availability. The AFAA will determine the scope of audit work, perform the necessary audit work and report results to senior Air Force management.

2.2.2. Remain independent from all activities it audits. In all matters relating to the audit work, auditors should be free in both mind and appearance from impairments to independence.

2.2.3. Follow government auditing standards, and its reports will include recommended corrective actions and management's position on the issues discussed in the report. Auditors will not develop systems, methods, or procedures, nor will they change or order changes in the audited activity's operations.

DEBORAH LEE JAMES  
Secretary of the Air Force

## ATTACHMENT 1

## GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

*References*

DODI 7600.02, *Audit Policies*, April 27, 2007

DODI 7600.06, *Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities*, November 5, 2012

DOD 7600.07-M, *DoD Audit Manual*, February 13, 2009

United States Government Accountability Office, *Government Auditing Standards*, 2011 Revision.

*Prescribed Forms*

None

*Adopted Forms*

AF Form 847, *Recommendation for Change of Publication*

*Abbreviations and Acronyms*

**AFAA**—Air Force Audit Agency

**CPA**—Certified Public Accountant

**DoD**—Department of Defense

*Terms*

**Government Auditing Standards**—Generally accepted government auditing standards that are used by auditors who examine the federal government. The standards apply to both financial and performance audits of government agencies.

**Independence**—In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent. Independence comprises:

**a. Independence of Mind**—The state of mind that permits the performance of an audit without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

**b. Independence in Appearance**—The absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised. Refers to the independence of the internal auditor or of the external auditor from parties that may have a financial interest in the business being audited. Independence requires integrity and an objective approach to the audit process. The concept requires the auditor to carry out his or her work freely and in an objective manner.