



# GETTING TO KNOW INTERNAL AUDITING

*THE PROFESSION THAT MAKES A DIFFERENCE*

Presenter:  
Organization  
Date



*Presentation is complements of The IIA Academic Relations*

# WHAT'S INTERNAL AUDITING?

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

# HIGH LEVEL COMPARISON

## Internal Audit

- Broad focus
  - Accurate financials
  - Efficiency/effectiveness
  - Accomplishing objectives
  - Compliance w/laws, policy
  - Safeguarding assets
  - And more!
- Diverse skills sets are required
- Integral part of the organization

## Financial Statement Audit

- Specific focus
  - Accurate financial statements
  - Going concern
  - Reviewing historical data
  - Compliance with accounting and other regulations
- Primarily accounting skills
- Independent from the organization



## **INTERNAL AUDITORS ASSESS RISKS...**

- To help keep bad things from happening
- To help assure good things can happen
- To help management understand
  - Where their risks are
  - Whether the risks are under control
  - Whether the risks are worth taking

# FINDING RISKS IS NOT ENOUGH

- Internal auditors evaluate the controls that help organizations manage risks
  - Are controls in place?
  - Do the controls work?
  - Are additional controls needed?
  - Are there unnecessary controls?
  - Are the controls cost-effective?



# FIVE CRITICAL TASKS

- Determine whether controls are adequate
- Suggest improvements to increase efficiency and effectiveness or to lower operating costs
- Determine whether policies and procedures are followed
- Determine whether laws and regulations are being obeyed
- Detect fraud or manipulation of records

# EFFECTIVE GOVERNANCE





## MAINTAINING INDEPENDENCE: DUAL REPORTING RELATIONSHIPS

- About 80 percent of Chief Audit Executives (CAEs) report functionally to the Audit Committee/Board of Directors
  - Independent from audited activities
  - Wide authority
- Most common administrative reporting relationship is to the President/CEO



# MEETING DIVERSE STAKEHOLDER NEEDS

## Key Stakeholders

- Audit committee/ board
- CEO
- CFO or individual to whom CAE reports administratively
- Potentially, other chief officers

## Secondary Stakeholders

- Other business unit executives
- External auditors and regulators
- Investors and creditors
- (Government audit) citizens and taxpayers

## Tertiary Stakeholders

- Employees and retirees
- Investment analysts
- Potentially, the general public



# INTERNAL AUDITORS

- Find out what's working and what's not
- Keep an eye on the corporate climate
- Look at the organization with fresh eyes
- Look beyond the financial statements
- Advocate improvements
- Raise red flags
- Tell it like it is



# AUDITORS TELL IT LIKE IT IS

- Keep senior management aware of critical issues
- Ensure factual communications of financial, operational and compliance data
- Make suggestions based on knowledge of operations throughout the organization

# WHAT WOULD YOU SAY...

- If someone asked you whether or not their organization needed internal auditors?



# WHEN DOES A COMPANY NEED AN INTERNAL AUDIT FUNCTION?

- Internal audit is not legally required in the U.S.
  - Exceptions: NYSE-listed corporations and a few specific industry/government requirements
- Required in some countries
- Every organization, regardless of its size, should have some type of internal control system/process
- The IIA believes that an organization is best served by a fully resourced and professionally competent internal auditing function

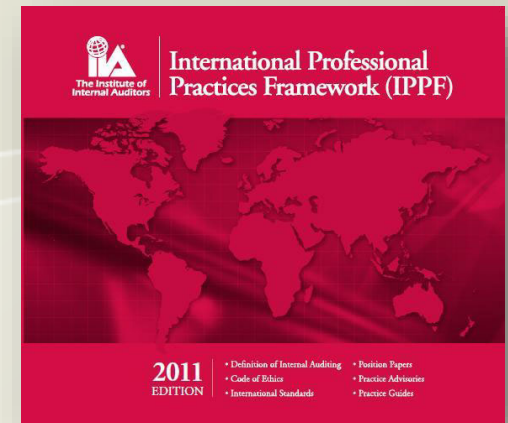
# WHAT WILL AN INTERNAL AUDIT FUNCTION ACCOMPLISH?

- Will it reduce liability or help control risks?
- Will it free management to focus on core mission?
- Will it improve the accuracy of financial and operational information?
- Do we need a second opinion?
- Can we improve service delivery?
- Will it improve financial results?

# INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

- Mandatory Guidance
  - International Standards for the Professional Practice of Internal Auditing
  - Definition of Internal Auditing
  - Code of Ethics
- Strongly Recommended
  - Position Papers
  - Practice Advisories
  - Practice Guides

[www.theiia.org](http://www.theiia.org) or <https://global.theiia.org>



# QUESTIONS?

