



Internal Auditing Education Partnership

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 RISK...

- 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?



WHAT 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

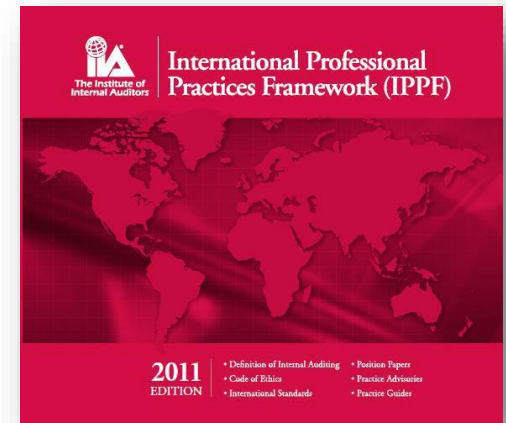
WHAT WILL AN INTERNAL AUDIT FUNCTION ACCOMPLISH?

- 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

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QUESTIONS?

