

Internal Auditing

The Profession of the Future



The Institute of
Internal Auditors

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.”

Internal Auditing: One of the top five
in-demand professions throughout the world





GLOBAL FOOTPRINT

218,000+
MEMBERS

170+
COUNTRIES &
TERRITORIES

115
AFFILIATES

185,908
CIA's AWARDED

NORTH AMERICA
67k+ Members
155 Affiliates

CENTRAL SOUTH AMERICA
17k+ Members
20 Affiliates

AFRICA
18k+ Members
25 Affiliates

MIDDLE EAST
7k+ Members
11 Affiliates

EUROPE
55k+ Members
35 Affiliates

ASIA PACIFIC
43k+ Members
23 Affiliates

INTERNATIONAL MEMBERS: 753

Why Internal Auditing?

- Internal Auditing is a valuable resource to an organization's executive management, governing bodies (audit committees), and other stakeholders in helping them achieve their business goals and objectives, as well as strengthening internal control and governance.
- The global demand for internal auditors today is unprecedented and is expected to increase annually as public and private companies and government entities continue to expand their audit needs in response to corporate reforms.

Why Organizations Need an Internal Audit Function?

- Regardless of its size, every organization should have some type of internal control system/process to:
 - Reduce liability
 - Help control risks
 - Free-up management to focus on core mission
 - Improve the accuracy of financial and operational information
 - Offer a second opinion
 - Enhance service delivery
 - Improve financial results
- Required in some countries
 - Not legally required in the U.S.
 - Exceptions: NYSE-listed corporations and a few specific industry/government requirements

Internal Auditing = Assurance, Insight & Objectivity



- Governing bodies and senior management rely on internal auditing for:
 - Objective assurance and insight on the effectiveness and efficiency of governance
 - Risk management
 - Internal control processes

Internal Auditors Provide:

- **Assurance** the organization is operating as management intends.
- **Insight** for improving controls, processes, procedures, performance, and risk management; and for reducing expenses, enhancing revenues, and improving profits.
- **Objectivity** in assessments of operations.



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

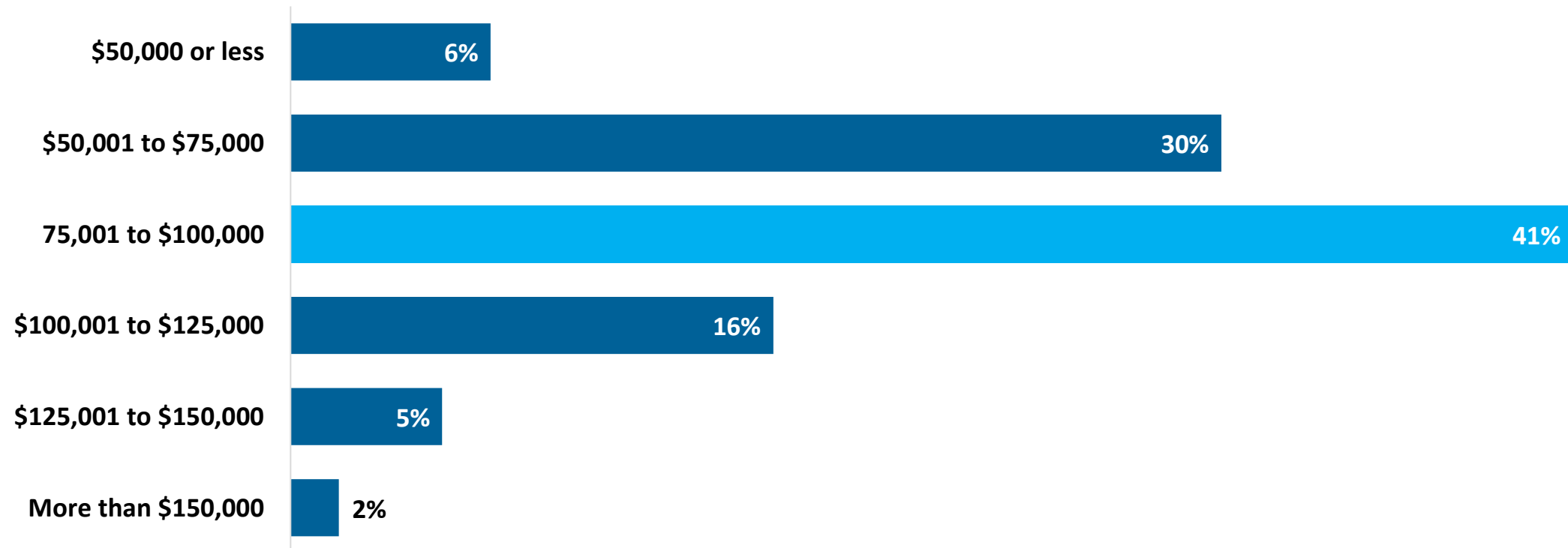
Internal Auditing: Organizations are paying higher entry level salaries, providing challenging and diversified projects, and offering more flexible schedules to entice future employees.

Internal Auditing: Current and future trends predict the profession will continue to grow through 2028.

Internal Auditing: Midpoint entry level salary in the United States is \$80,000.

2022 Salary Survey of IIA Members

Salary



Internal Auditors

- **Have variety of skills**, educational backgrounds, and expertise.
- Use their **broad knowledge of the business** to help management achieve business objectives and assist the governing body in fulfilling its oversight responsibility.
- **Are catalysts, risk, and control experts**, efficiency specialists, and problem-solvers.

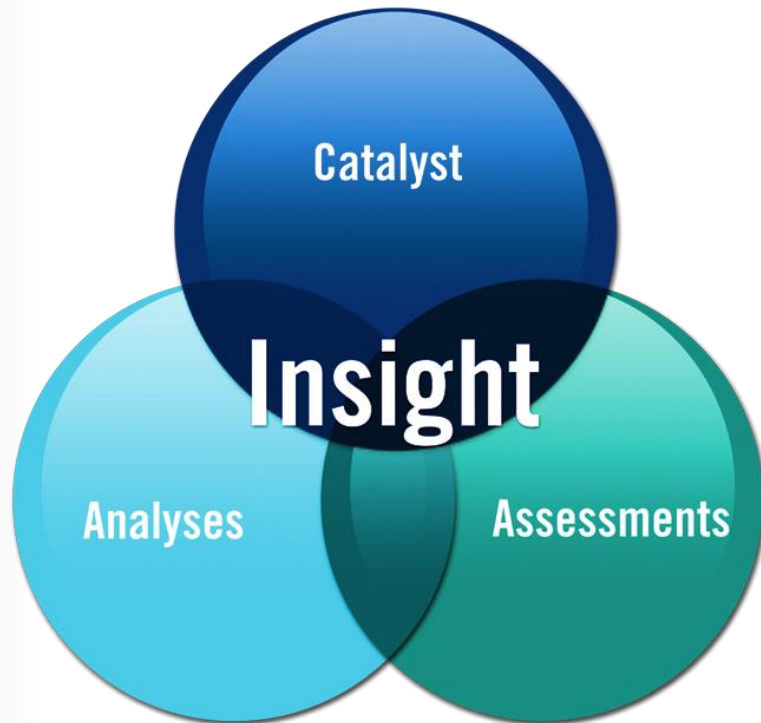
Assurance = Governance, Risk & Control



- Internal auditing provides assurance on the organization's governance, risk management, and control processes to help the organization achieve the following objectives:
 - Strategic
 - Operational
 - Financial
 - Compliance

Internal Auditing: With the explosive growth of the profession during the last decade, more and more colleges and universities offer internal auditing courses.

Insight = Catalyst, Analyses, & Assessments



- Internal auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business process.

Internal Auditing: The Certified Internal Auditor (CIA) —is the only globally accepted certification for the profession.

Objectivity = Integrity, Accountability & Independence



- With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

Internal Auditing: Internal auditors are often chosen for promotion to management-level positions over their peers because of their unique organizational understanding and credibility.

Internal Auditing is a Global Profession

- Because internal auditing is a global profession, these alternate values may be considered in the intersecting circles to accommodate language translation.

credibility support constructive
recommendations competence
quality value-add
counsel efficiency
compliance
consultation

Internal Auditing: Many internal auditors can write their own ticket when it comes to business travel.

Benefits:

- Travel
- Quality of life
- Different areas to audit
- Access to management & information
- Any field and/industry
- Public or Private

Five Critical Tasks

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

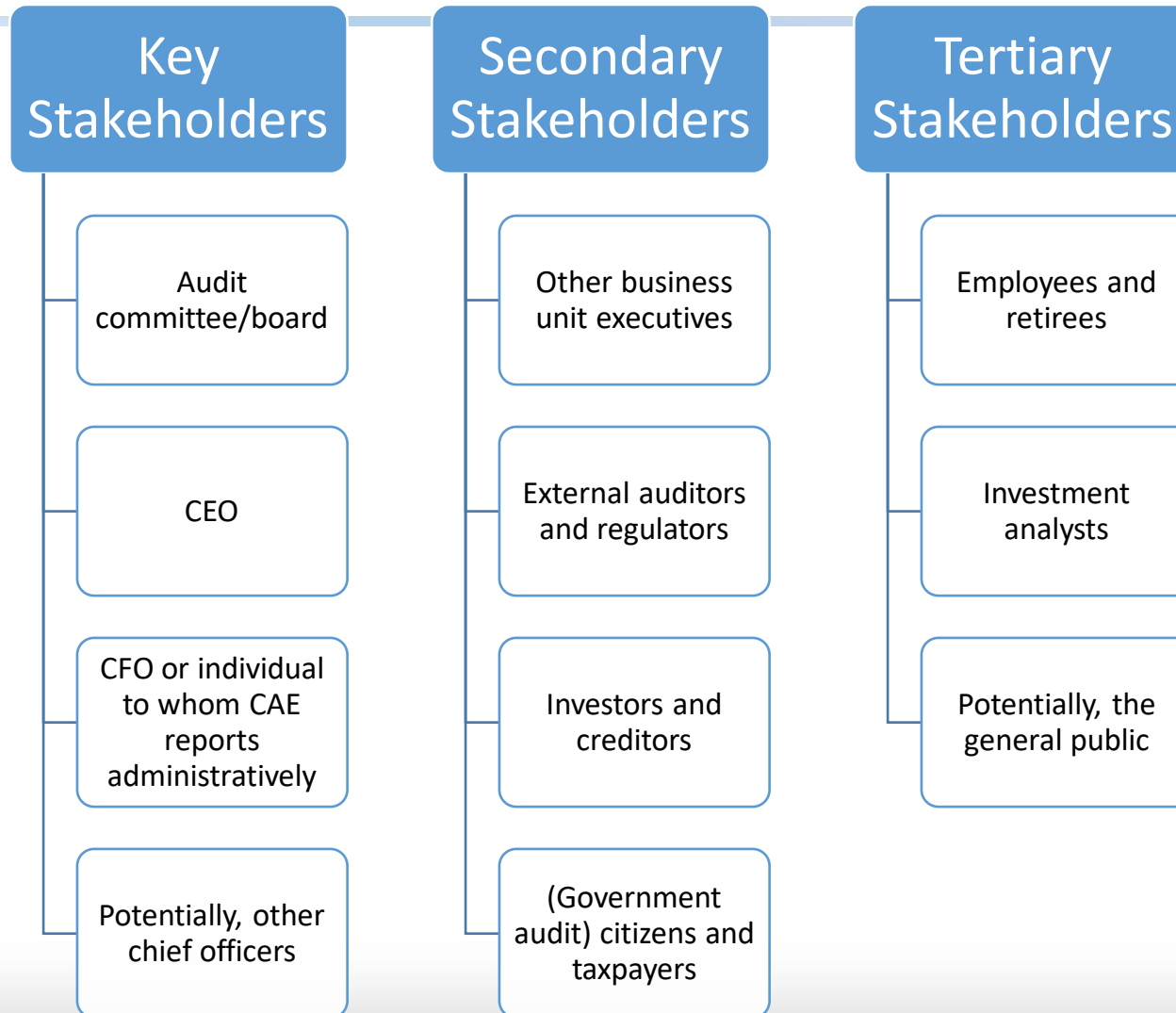
Internal Auditors Assess Risk...

- To help management understand
 - Where their risks are
 - Whether the risks are under control
 - Whether the risks are worth taking
- Evaluate organizational controls to manage risks
 - Are controls in place?
 - Do the controls work?
 - Are additional controls needed?
 - Are there unnecessary controls?
 - Are the controls cost-effective?

Internal Auditors are Influencers...

- 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

Internal Auditors' Possible Stakeholders



Internal Auditing: Belonging to The IIA expands your knowledge of internal audit, fuels your professional ambitions, and champions limitless opportunity.

Internal Auditing: One of the ways to find out more about internal auditing is to join your local IIA chapter.

Why The IIA?

- **Belonging**
 - Chapter Affiliation: Connect with local internal auditors at chapter events
 - Get Global: Meet students and professionals from around the world
 - I Am Blog: Get a feel for the wide range of individuals thriving in the profession
- **Fuel your professional ambitions**
 - Mentorship Program: Students can apply to be paired with a profession mentor beginning Fall 2023
 - IIA Audit Career Center: Get access to resources to help fuel your career
 - Student Membership Discount on the CIA: Get certified on a budget
- **Champion limitless opportunity**
 - Grants & Awards: Receive money from The IIA, the dissertation grant, and chapter scholarships to invest in your future
 - Free Member Webinars: Learn from profession leaders alongside practicing internal auditors
 - The IA Magazine: Read about current and future trends in the profession

[Join Today!](#)

Questions?



High Level Comparison: Internal vs. Financial Statement Audit

Internal Audit

- Broad focus
 - Accurate financials
 - Efficiency/effectiveness
 - Accomplishing objectives
 - Compliance with laws, policy
 - Safeguarding assets
 - And more!
- Diverse skill 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

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 audit activities
 - Wide authority
- Most common administrative reporting relationship is to the President/CEO

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