

ALL IN A DAY'S WORK

A LOOK AT THE VARIED RESPONSIBILITIES
OF INTERNAL AUDITORS



The Institute of
Internal Auditors



Achieving Objectives

For the most part, companies are in business to make money. Schools, charities, and other nonprofit organizations may have the goal of educating, influencing behavior, or helping those less fortunate. And then there are government organizations, which exist to protect and serve the citizens in their jurisdiction.

Regardless of what drives them, private businesses, nonprofits, and public-sector organizations all aim to achieve their specific organization's objectives with the greatest efficiency and effectiveness possible. To do this, many organizations enlist the aid of governing bodies such as boards of directors — an assembly of experienced business professionals who represent the organization's stakeholders — to provide oversight and strategic direction.

For the board to steer the organization effectively, board members must receive timely, accurate information about the organization's many strategic, operational, financial, and compliance risks as well as assurance that the risks are being well managed.

Enter the internal auditors.



What Is Internal Auditing?

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

At its simplest, internal auditing involves identifying the risks that could keep an organization from achieving its goals, making sure the organization's leaders know about these risks, and proactively recommending improvements to help reduce the risks.

For internal auditing to be effective, the organization's leaders must be open to discussing tough issues and seizing opportunities to make necessary changes for improvement. And the internal auditors must have an independent reporting line to the highest governing body (e.g., the audit committee of the board of directors), ensuring them the requisite authority to access all areas of the organization and know that they will be supported if and when their views differ from those of management.

“Internal audit functions provide a number of important services and are often the catalyst for improving organizational governance and risk management.”

**– Leon Sheffield
IIA member since 2008**

Internal auditors' independence and broad perspective of the organization make them a valuable resource to executive management and the board of directors. They ensure that the organization is held accountable to its stakeholders, whether those stakeholders are investors (as in the case of a publicly traded company) or the general public, served by a government organization.

Ultimately, internal auditors add value to their organizations by providing assurance, insight, and objectivity.

Internal auditors can save their organization substantial amounts of money and protect its reputation in the marketplace by identifying operating inefficiencies, wasteful spending, employee theft, fraud, and cases of noncompliance with laws or regulations, for example.

They keep an eye on the corporate climate and perform a variety of activities such as assessing risks, analyzing opportunities, suggesting improvements, promoting ethics, ensuring accuracy of records and financial statements, educating senior management and the board on critical issues, investigating fraud, detecting wasteful spending, raising red flags, recommending stronger controls, monitoring compliance with rules and regulations, and much more!

Seems like a lot to ask from one resource? Maybe for some, but for internal auditors, it's all in a day's work.



INTERNAL AUDITING = ASSURANCE, INSIGHT, AND OBJECTIVITY

Governing bodies and senior management rely on internal auditing for insight and objective assurance that existing internal controls are adequate to mitigate the organization's risks, governance and risk management processes are effective and efficient, and organizational goals and strategic objectives are met.

Who Are Internal Auditors?

Internal auditors are explorers, analysts, problem-solvers, reporters, and trusted advisors. They bring objectivity and a variety of skills and expertise to the organization. They come from diverse areas such as finance, operations, IT, and engineering. Today's internal audit professionals are revered for their critical thinking and communication skills, as well as their general IT and industry-specific business knowledge.

Still, people often confuse internal auditors with accountants or external auditors (entities the organization engages to provide an annual review of the financial statements). The differences are significant:

INTERNAL AUDITORS	EXTERNAL AUDITORS
<p>Typically employed by the organization (unless the function is outsourced or co-sourced) though independent of the activities they audit</p>	<p>Hired by the organization to provide a specific service</p>
<p>Broad focus:</p> <ul style="list-style-type: none"> • Risk management • Corporate governance • Organizational objectives • Operational efficiency and effectiveness • Compliance with laws and policies • Accurate financial statements • And more! 	<p>More specific focus:</p> <ul style="list-style-type: none"> • Accurate financial statements
<p>Diverse backgrounds & skill sets:</p> <ul style="list-style-type: none"> • Communication skills • Information technology • Data mining & analytics • Business & industry-specific knowledge • Accounting skills 	<p>Primarily accounting background & skills</p>
<p>Backward-looking & forward-looking</p>	<p>Backward-looking</p>



Internal auditors are, to a great extent, key to an organization's success. They review the organization's processes, operations, and goals. They provide objective, professional advice to all levels of management and pave the path toward continuous improvement.

Competent internal auditors follow the profession's internationally accepted code of ethics and standards for professional practice. They identify the organization's greatest risks and plan audit coverage accordingly. To demonstrate their professionalism and competence, some internal audit practitioners choose to obtain professional certifications such as the globally recognized Certified Internal Auditor® or Certification in Risk Management Assurance™.

The most valuable and effective internal auditors stay abreast of business trends, constantly cast their eyes to the horizon to scan for signs of trouble, and are able to anticipate future challenges and risks.

The IIA sets the bar for internal audit integrity and professionalism around the world with its International Professional Practices Framework (IPPF), a collection of guidance that includes the *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics.

Internal Audit Responsibilities

Internal auditors have a very important job to do — one with varied roles and responsibilities.

The internal audit function itself can vary greatly depending on the organization's size and industry. Some departments have hundreds of staff members working around the globe. Others have just one or two internal auditors. And some organizations outsource or co-source the internal audit function.

Depending on the structure, maturity, and resources of the function, internal auditors may perform some or all of the following tasks.

OFFER INSIGHT AND ADVICE – There are times when internal auditors' expertise, knowledge of controls, and broad perspective of the organization make them ideal candidates for consulting on a project to ensure that risks are considered and controls are built into a process on the front-end (e.g., mergers and acquisitions, new technology implementation). Internal auditors may offer insight regarding strategic risks and advice, though management must maintain ultimate responsibility for the processes in their area.

EVALUATE RISKS – Risks are everywhere (natural disasters, loss of key suppliers, reputation damage, inefficient operations, fraud, lawsuits, policy violations, regulatory compliance, theft, etc.). It's the internal auditor's job to assess the significance of the organization's many risks and the effectiveness of risk management efforts, communicate these to management and the board, and develop recommendations to improve risk management.

ASSESS CONTROLS – Internal auditors evaluate control efficiency and effectiveness and provide management and the board assurance that the controls in place are adequate to respond to the risks that threaten the organization.

ENSURE ACCURACY – Internal auditors ensure financial statement accuracy. They examine the reliability and integrity of financial and operational information.

IMPROVE OPERATIONS – With a solid understanding of the organization's objectives, internal auditors examine operations to determine whether they are efficient and effective.

PROMOTE ETHICS – Professional internal auditors agree to abide by a Code of Ethics that upholds the principles of integrity, objectivity, confidentiality, and competency. They raise red flags when they discover improper conduct.

REVIEW PROCESSES AND PROCEDURES – Internal auditors review operations closely and assess whether existing processes are well designed to help the organization achieve its goals.

MONITOR COMPLIANCE – Internal auditors assess the organization’s compliance with applicable laws, regulations, and contracts to ensure that management is addressing these requirements adequately. They also offer insight into the impact that noncompliance would have on an organization and inform senior management and the board of noncompliance.

ASSURE SAFEGUARDS – The organization’s tangible property, human resources, and intellectual property are valuable and must be guarded against potential damage. Internal auditors evaluate the procedures used to safeguard assets from theft, fire, illegal activities, or other types of loss. They bring deficiencies to light and make recommendations for enhanced protection.

INVESTIGATE FRAUD – Because fraud can affect any level of the organization, it’s important that the board of directors grants the internal audit function access to all records and authority to conduct audits and investigate possible fraudulent behavior throughout the organization.

COMMUNICATE RESULTS – After auditing a particular area, internal auditors report their findings and recommend appropriate courses of action.



True Professionals

Internal auditors are well-disciplined in their craft, and they are committed to growing and enhancing their skills through continuing professional education. To fulfill all of their roles effectively, internal auditors must be accomplished in anticipating emerging issues and creating solutions. They must also have business acumen, critical thinking skills, and be excellent communicators who listen attentively, speak effectively, and write clearly.

Through their varied roles and responsibilities, internal auditors provide the organization tremendous value. They serve as the eyes and ears of senior management and the board. They are coaches, internal and external stakeholder advocates, risk and control experts, efficiency specialists, fact-checkers, and problem-solvers. They identify both risks and opportunities, and they tell it like it is.

It's certainly not easy, but for these skilled and competent professionals, it's all in a day's work.

“Internal auditors provide value to the organization through their firsthand knowledge of people and processes and the risks associated with these.”

**– Ofelia Tamayo, CIA
IIA member since 2006**



The Institute of Internal Auditors

The IIA is a global professional association and standard-setting body for internal auditors worldwide. Established in 1941, The IIA serves as the world's leader in professional certification, education, research, and technical guidance for internal auditors.

The IIA is dedicated to providing extensive support and services to its 180,000 members, so they can continue to add value across the board. For additional information about the profession or The IIA, visit www.globaliia.org or contact PR@theiia.org.



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