Internal Audit Functions: Low Cost, Positive Impact

Internal Audit Is an Affordable, High-Value Investor Protection

One Size Does Not Fit All
Publicly traded companies have the ability to tailor their internal audit function according to their needs.

U.S. Publicly Traded Companies Median internal Median internal Median internal audit audit full time budget is what percent audit **budget** employees (FTEs) of annual sales \$1B \$1.3M 0.6% in annual sales \$5B \$1.5M 0.1% \$10B \$1.8M 0.09%

50% of non-financial services companies with revenues less than

\$1B have less than 4 audit FTEs

(combined in-house and sourced) and 95% have less than 10 FTEs

When that is expanded to up to \$5B in sales, it is still

18% with less than 4 FTEs

and

47% with less than 10 FTEs

For those with sales between \$1B and \$5B, it is approximately

50% with less than 10 FTEs





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The Cost of Effective Internal Audit

Many assume internal audit is expensive, but it costs less than 1% of a company's revenue

 a small investment for significant risk protection. Internal auditors save time and reduce
 burdens by proactively identifying risks and ensuring effective controls, enabling governing bodies to focus on strategic goals and shareholder value.



At less than 1% of revenue, internal audit isn't just cost-effective — it's a competitive advantage.



Benchmark data from

158 publicly traded companies

with internal audit functions (in-house or outsourced) shows that

91% spend less than 0.8% of revenue

With emerging technologies like

Al and data analytics,

internal audit budgets will become even more efficient, shifting focus to specialized skill sets rather than outdated processes. Internal audit teams range in size from

micro (1-3 auditors) to very large (50+)



Independent & Objective

Reports directly to the audit committee, providing an unbiased view of risks beyond financial reporting, including cybersecurity, fraud, supply chain, and data privacy.

Risk-Based & Cost-Effective

Why

Internal

Audit Matters

Focuses on **critical risks**, preventing costly surprises and optimizing resource allocation.

Investor & Public Confidence

Strengthens oversight of operational, compliance, and reporting controls, reinforcing trust among investors, regulators, and stakeholders.

Beyond Compliance: A Strategic Asset for Leadership

Empowers the Audit Committee

Delivers timely insights and risk assessments, enhancing strategic oversight.

Encourages Cross-Functional Collaboration

Works with management and key departments to prioritize risks and leverage emerging technologies for more efficient audits.

Optimizes Budgeting & Risk Management

Aligns audit resources with organizational priorities, ensuring cost-effective risk mitigation without a one-size-fits-all approach.



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Essential Components of an Internal Audit Function

To establish and support an effective internal audit function, The IIA emphasizes several critical components. These considerations are essential for ensuring the function's success and credibility within the organization.





Independence and Reporting Structure

The internal audit function must maintain independence from management. This is achieved by reporting directly to and being accountable to either the entity's audit committee or the governing body. This ensures that audit findings are objective and not influenced by management pressures.



Qualified Staff

Having qualified staff is vital. This can be demonstrated through certifications or credentials such as the Certified Internal Auditor® (CIA®) or specialty credentials relevant to the areas or topics being audited. Qualified staff bring expertise and competence to the audit process.



Written Internal Audit Charter

A formal, written internal audit charter is crucial. This charter should be agreed upon by both the governing body and the Chief Audit Executive (CAE), or the equivalent leader of the internal audit function. The charter outlines the purpose, authority, and responsibility of the internal audit function.



Adherence to Standards

The internal audit function should adhere to globally recognized internal audit standards. This ensures consistency and quality in audit practices, aligning the function with international benchmarks and best practices.



Objectivity and Impartiality

The internal audit function must be able to perform activities in an objective and unbiased manner. This ensures that audit assessments are fair and reliable, free from personal or organizational biases.



External Quality Assessment

Regular external quality assessments are necessary. These assessments, such as The IIA's External Quality Assessment (EQA) or Self-Assessment with Independent Validation (SAIV), or an equivalent private sector assessment, should occur at least once every five years. This provides an independent evaluation of the internal audit function's effectiveness and compliance with standards.

