

# Internal Audit Functions: Low Cost, Positive Impact

## 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 **AI 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internal audit budgets will become even more efficient, shifting focus to specialized skill sets rather than outdated processes.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+).**



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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.



### 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.



### 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.



### 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.