



Getting to Know Internal Auditing

The Profession that Makes a Difference



The Institute of
Internal Auditors

What is Internal Auditing?

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

Internal auditing is critical to strong corporate governance, risk management, effective internal control, and efficient operations.



Value Proposition

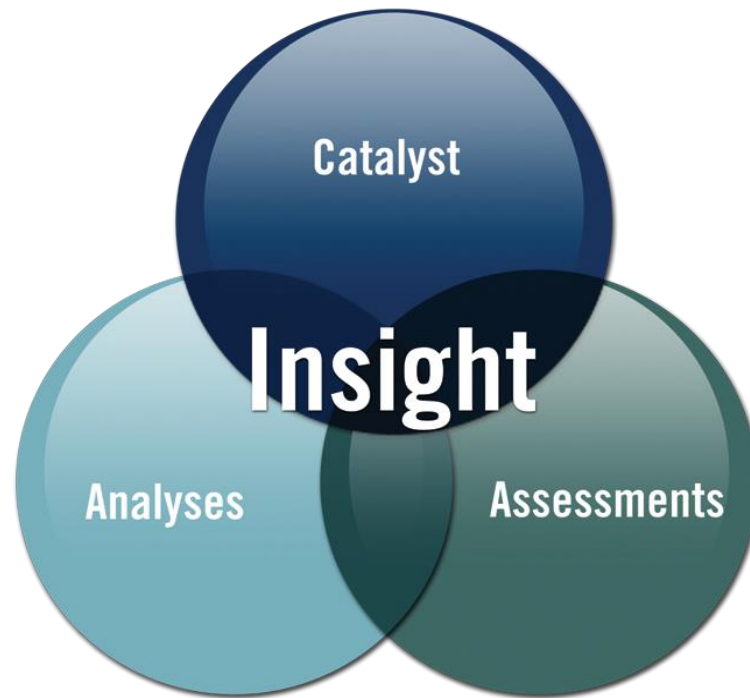


- Offer objective assurance
- Provides insight
- Improve effectiveness and efficiency
- Long-term sustainability

Assurance: Governance, Risk, Control



Insight: Catalyst, Analyses, Assessments



Objectivity: Integrity, Accountability, Independence



What do Internal Auditors do?

- Evaluate risks
- Assess controls
- Improve operations
- Review processes & procedures
- Assure safeguards
- Provide insight & foresight
- Communicate results & recommend action

Value of Internal Auditors

- Find out what's working and what's not
- Keep an eye on the corporate culture
- Look at the organization objectively
- Bring organization-wide perspective
- Advocate improvements
- Raise red flags
- Tell it like it is
- Trusted advisor

Internal Auditors Evaluate Risks

- Help keep bad things from happening
- Help assure good things can happen
- Help management understand
 - Where their risks are
 - Whether the risks are under control
 - Whether the risks are worth taking



Identifying 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?
- Any unnecessary controls?
- Are the controls cost-effective?

High Level Comparison

Internal Audit

Broad focus

- Accurate financial statements
- Efficiency/effectiveness
- Accomplishing objectives
- Compliance with laws, policy
- Safeguarding assets

Diverse skills required

Integral part of the organization

Financial Statement Audit

Specific focus

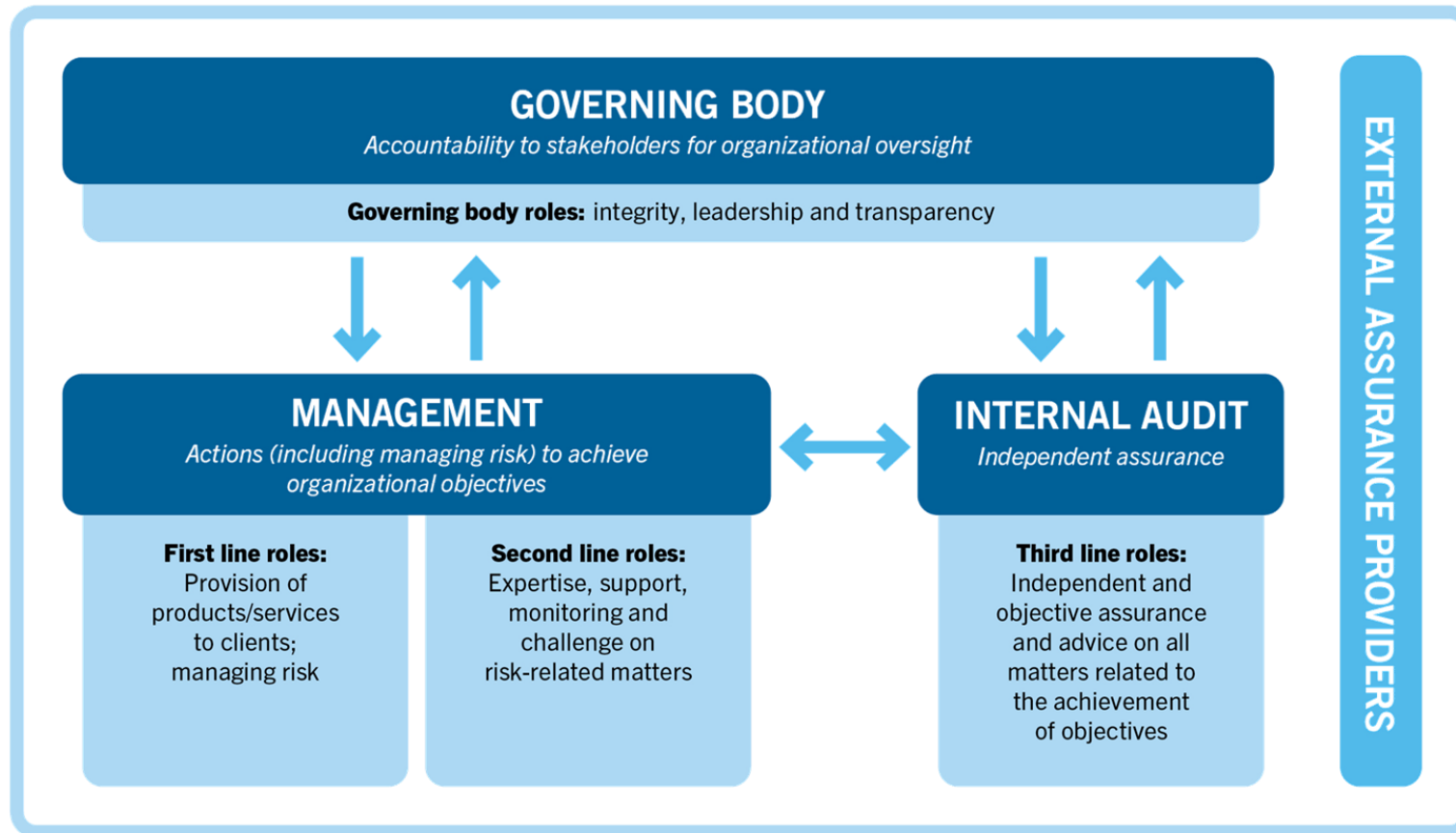
- Accurate financial statements
- Going concern
- Reviewing historical data
- Compliance with accounting & other regulations

Primarily accounting skills

Independent from the organization



The IIA's Three Lines Model



KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication, coordination, collaboration

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When Does an Organization 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 organizations**
- 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, independent and professionally competent internal auditing function

The Institute of Internal Auditors (The IIA)

The internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications.

Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories.

www.theiia.org.

International Professional Practices Framework

The IIA sets the standard for the way internal auditing is practiced around the world through the International Professional Practices Framework (IPPF).



Questions?

