

New to Internal Audit – Seven things to know

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Internal auditing is developing globally at greater rates than initially forecasted. As a result, demand for suitably skilled audit professionals is also on the rise. Therefore it is not surprising when accountants and external auditors suddenly decide to leave their positions and move into internal auditing. While accountants and external auditors can become good internal auditors, the transition to internal auditing is not seamless as most perceive it to be? Read more to find out why.

1. Standards

The internal audit profession encourages internal audit functions to adopt the International Standards for the Professional Practice of Internal Auditing issued by IIA Global (www.theiia.org). Therefore while knowledge of International Standards on Auditing or International standards for Supreme Audit Institutions (public sector equivalent) would be useful, full working knowledge of IPPF will be essential to be able to effectively contribute in the new role. Membership of IIA Global, which can be done through IIA Fiji (www.iaafiji.org) or any local institute allows for easy access to the standards, core principles, code of ethics, white papers and many more relevant materials.

2. Reporting

Internal audit functions which are independent send final Audit reports to members of Audit Committees at the same time it is issued to Senior Management. Two types of audit reports are issued – assurance and consulting. Recommendations in report should be value-adding and the auditor should be able to “sell” them to management at the exit meeting. Periodic follow-ups are done to determine whether recommendations have been implemented. Recommendations which are implemented in a timely manner indicate to some extent the effectiveness of internal audit functions.

3. Understanding of risk management

Proper understanding of enterprise risk management and operational risk will assist in preparing annual work plans and delivering them for better audit results. In small and medium enterprises, internal audit functions may be asked to carry out risk assessments, ensure that risk treatment plans are put into place and implemented. In such cases, to maintain the independence of internal

audit, the risk function should be carried out by persons who are not involved in carrying out internal audits.

4. Relationship Management

Working as internal auditors can be rewarding but very challenging if an organisations management and staffs do not understand the roles and responsibilities of internal audit functions. It is quite common for internal auditors to be seen as enforces of an organisations policies, procedures and controls and bearer of bad news. It is important that the head of internal audit takes appropriate steps to address this perception and promote the role of internal audit through newsletters, staff meetings and exit meetings. Audit Committees and Senior Management can also assist in this process.

5. Role of Internal Auditors are beyond investigations

Due to the unique positioning of internal audit functions in organisations, it is normal for internal auditors to be engaged by management for fraud and ethical breach investigations. There is a significant risk of internal auditors becoming reactive – acting only when something wrong happens in the organization. However auditors must understand that they have been appointed to deliver much more than carrying out investigations. The investigation reports should identify the root-causes of control breakdowns which must be addressed by management to avoid recurrence.

6. Professional Development

While membership of an accounting professional body may be a good start for a new internal auditor, this may not be sufficient to perform as a strategic adviser to management and board. Therefore internal auditors should obtain relevant qualification for internal auditing such as Certified Internal Auditor, Certified Information Systems Auditors and others. However, learning is not complete with a certification. Just like any other profession, internal auditors must undertake continuous professional development to keep them updated on developments in the profession.

7. Quality Assurance

Independent, internal, peer reviews or self-assessments reviews provide assurance to board, management, external audit and regulators that reports prepared by internal auditors can be relied upon. Quality assurance reviews also confirm that the standards, policies and procedures adopted by the internal audit function is consistently applied in audits carried out.

By acquiring the required skills and qualifications, internal auditors can contribute significantly to the development of the organisations they are employed and assist in the achievement of strategic objectives. They must maintain their integrity and be prepared to stand against

challenges which arise in the work of all auditors. Above all, they must ensure that no disrepute is brought to the internal audit profession and its members.

The opinions expressed in this article are those of the writer as a member of Institute of Internal Auditors and not those of his employer or the institute.

