



What is internal auditing?

The practice of internal audit has existed for a long time. For over 60 years it has been recognised as a worldwide profession, with practitioners in over 165 countries. As organisations and the world they operate in become more complex, so internal audit is gaining a steadily higher profile in the public, private and not-for-profit sectors for the assurance it provides that the key risks within an organisation are being well managed.



Be Informed.

Evaluating the management of risk

The profession of internal audit is fundamentally concerned with evaluating an organisation's management of risk.

All organisations face risks. For example, risks to the organisation's reputation if it treats customers incorrectly, health and safety risks, risks of supplier failure, risks associated with market failure, IT risks and financial risks to name some common areas.

The key to an organisation's success is to manage those risks effectively - more effectively than competitors and as effectively as stakeholders demand.

The key to an organisation's success is to manage risks effectively

The role of the internal auditor is to provide **assurance** to management that all key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of an organisation and report this directly and independently to the most senior level of management.

Assisting management in the improvement of internal controls

As well as providing assurance, an internal auditor's knowledge of the management of risk enables them to act as consultant and catalyst for improvement in an organisation's practices.

So, for example if a line manager is concerned about a particular area of his responsibility, working with the internal auditor could help to identify improvements. Or perhaps a major new project is being undertaken – the internal auditor can help to ensure that project risks are clearly identified and controls put in place to manage them.

Why is assurance important to your organisation?

By reporting to senior management that important risks have been evaluated and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders.

Hence, internal auditors, along with executive management, non executive management and the external auditors, are a critical part of the top level governance of any organisation.

What an internal auditor does...

Below are the key things an internal auditor does. Within these areas, it is important to think of the internal auditor as the organisations' critical friend – someone who can **challenge** current practice, **champion** best practice and be a **catalyst** for improvement, so that the organisation as a whole achieves its strategic objectives.

Challenge
Champion
Catalyst for improvement

Evaluate controls and advise managers at all levels



Internal audit's role in evaluating internal controls is wide ranging because everyone from the mailroom to the boardroom is involved in internal control. The internal auditor's work includes assessing the tone and risk management culture of the organisation at one level through to evaluating and reporting on the effectiveness of the implementation of management policies at another.

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Evaluate risks

Internal auditors identify key activities and relevant risk factors and assess their significance. Changing trends and business/economic conditions impact the way the internal auditor assesses risk. The techniques of internal auditing have changed from a reactive and control based form to a more proactive and risk based approach. This enables the internal auditor to anticipate possible future concerns and opportunities as well as identifying current issues.

Analyse operations and confirm information

Achieving objectives and managing valuable organisational resources requires systems, processes and people. Internal auditors work closely with line managers to review operations then report their findings.

The internal auditor must be well versed in the strategic objectives of their organisation, so that they have a clear understanding of how the operations of any given part of the organisation fit into the bigger picture.

Review compliance

Compliance review is all about ensuring that the organisation is adhering to rules, regulations, laws, codes of practice, guidelines and principles as they apply individually and collectively to all parts of their organisation.

...is different from what an external auditor does and different from what an accountant does...



Be Assured.

professional body - the Institute of Internal Auditors - UK and Ireland (IIA).

The word “audit”, is very often associated with *external audit*, which is carried out by accountants and applied to financial systems.

Many - but not all - internal auditors have accountancy backgrounds or have come from roles within the finance function. Sometimes, internal audit teams report to the head of the finance function.

But like all professions, internal audit has its own skills and qualifications, technical standards and codes of practice, all of which are provided through the internal audit

Like all professions, internal audit has its own skills and qualifications

Whilst the financial skills of accountants are very useful, to do their job effectively, internal auditors need to possess a high level of technical internal auditing skills and knowledge. They must be effective communicators, good project managers, analytically strong and they must be good negotiators.

Members of the IIA work to *International Standards and a Code of Ethics*

The International Standards

The Institute of Internal Auditors (IIA) *Standards* are the profession’s quality benchmark. They have been adopted by organisations all over the world. All members of the IIA agree to be bound by them, as a condition of membership.

The *Standards* are designed to explain the best practice principles which underpin the practice of internal auditing. They provide the framework for performing the broad range of internal audit activities outlined in this brochure. The *Standards* also establish the basis for the evaluation of internal audit performance.

In the UK and Ireland, the IIA *Standards* have been recognised by key standard setting-setting bodies in both the public and private sectors. The Combined Code on Corporate Governance (2003) called on Audit Committees to ensure that internal audit is equipped to perform in accordance with the IIA *Standards*.

The Code of Ethics

The Code of Ethics lays down the principles of ***Integrity, Objectivity, Confidentiality and Competency***, which internal auditors must abide by in order to promote and uphold the ethical culture within the profession.



Institute of Internal Auditors UK AND IRELAND

This leaflet is intended for anyone who needs to understand more about the role of the internal auditor. Maybe you are expecting to meet with your internal auditor or you are involved in risk management or quality assurance within your organisation. Perhaps you are considering internal audit as a career move or you have new responsibilities for internal audit.

Find out more

Talk to your internal audit team about how they can help you achieve your objectives through effective management of internal controls.

Visit the IIA –UK and Ireland website www.iaa.org.uk

About the IIA – UK and Ireland

The IIA is the only body focused exclusively on internal auditing and we are passionate about supporting, promoting and training the professionals who work in it. We have been leading the profession of internal auditing for over 60 years. Our International Standards and Code of Ethics unite a global community of over 155,000 internal auditors in 165 countries.

We are committed to enhancing the recognition and **professionalism** of internal audit in the UK and Ireland, through:

- Dynamic **leadership** of the profession which maximises our members' reputation and influence individually and collectively
- Technical **excellence through** our Standards and Code of Ethics
- High quality support to our members throughout their careers, which enables them to continually develop their professional knowledge, **skills** and experience and provides other services of value to members in their roles.

These things, enacted through our staff, members and volunteers and with the support of our suppliers and partners, make a significant and unique contribution to the success of all organisations.

Be Informed. Be Inspired. Be Assured.

www.iaa.org.uk

The Institute of Internal Auditors – UK and Ireland Ltd
13 Abbeville Mews, 88 Clapham Park Road, London SW4 7BX
tel 020 7498 0101 **fax** 020 7978 2492 **email** info@iaa.org.uk

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