



INTERNAL AUDITING

The Nature of Internal Auditing,
Summarize from Sawyer



The Evolution of Internal Auditing

- Attesting the accuracy
- Modern internal auditing provides services that include the examination and appraisal of controls, performance, risk, and governance throughout public and private entities.
- Modern internal auditing began to evolve in 1941 when The Institute of Internal Auditors (IIA) was formed



The principal distinction between the internal auditor and external auditor

- Internal auditor
- Is an organization's employee, or can be an independent entity
- Serves needs of the organization, though the function must be managed by the organization
- External auditor
- Is an independent contractor
- Serves third parties who need reliable financial information

The principal distinction between the internal auditor and external auditor

- Focuses on future events by evaluating controls designed to assure the accomplishment of entity goals and objectives
- Focuses on the accuracy and understandability of historical events as expressed in financial statements
- Is directly concerned with prevention of fraud in any form or extent in any activity reviewed
- Is incidentally concerned with the prevention and detection of fraud in general, but is directly concerned when financial statements maybe materially affected



The principal distinction between the internal auditor and external auditor

- Is independent of the activities audited, but is ready to respond to the needs and desires of all elements of management
- reviews activities continually
- Is independent of management and the board of directors both in fact and in mental attitude
- Reviews record supporting financial statements periodically-(one year)



Definition internal auditing

“Internal auditing is a systematic, objective appraisal by internal auditor of the diverse operations and controls within an organization to determine whether:(1) financial and operating information is accurate and reliable;

(2) risks to the enterprise are identified and minimized;

(3) external regulations and acceptable internal policies and procedures are followed;

(4) satisfactory operating criteria are met;

(5) resources are used efficiently and economically;

(6) the organization’s objectives are effectively achieved.”





Criteria to Judge the Professional Quality

- Service to the public
- Long specialized training
- Subscription to a code of ethics
- Membership in an association and attendance at meetings
- Publication of journals aimed at upgrading practice
- Examinations to test entrant's knowledge
- Certification by a board



Requirement CIA (Certified Internal Auditor)

- An Advanced academic degree as equivalent to one year
- Auditing experience in public accounting
- Two years of teaching full-time university