

Add Value Through Internal Audit to An Organisation

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Abstract

Internal auditing is an independent management function that entails a continuous and critical evaluation of an entity's operations with the goal of suggesting improvements and adding value to and strengthening the entity's overall governance mechanism, including its strategic risk management and internal control system. The golden principles set forth in the code of ethics for internal government auditors are integrity, objectivity, competence, confidentiality, and independence. As mentioned above, internal audit is an independent evaluation function established within an organization to inspect and evaluate its activities as a service to the organization. Therefore, the goal of internal audit is to assist organization members to effectively perform their duties. To this end, internal audit provides them with analysis, evaluation, recommendations, suggestions and information related to the review activities. The objectives of the audit include promoting effective control at a reasonable cost.

Keywords: Internal Audit; Internal Check.

Classification-JEL : N84, D86

1. INTRODUCTION

Internal auditing is an independent management function that entails a continuous and critical evaluation of an entity's operations with the goal of suggesting improvements and adding value to and strengthening the entity's overall governance mechanism, including its strategic risk management and internal control system.

Internal audit has traditionally been thought of as a self-imposed internal check and audit that also included the action of going around informing people what they were doing wrong. Even if seen in a restricted sense, internal auditing can make a significant contribution since an effective internal audit system increases accountability, ethical and professional practises,

effective risk management, improves output quality, and helps decision-making and performance tracking.

Internal auditing has traditionally been thought to be limited to ensuring that accounting and related records are correctly maintained, that an assets management system is in place to secure assets, and that policies and procedures are in place and being followed appropriately. With changing times this concept has undergone a sea change with regard to its definition and scope of coverage.

The modern approach recommends that it should not be limited to financial issues alone, but should also consider cost benefit analysis, resource utilisation and deployment, issues of

propriety, managerial effectiveness, and so on. Internal audit is defined as an objective and independent assessment service within a company or organisation.

a) Section 292A of the Companies Act, 1956: Furthermore, section 292A of the Companies Act 1956 requires listed companies to have a paid-up capital of not less than Rs. 5,000,000 rupees to form the board committee, the audit committee. In accordance with subsection 5 of this section, internal auditors must attend and participate in said audit committee meetings.

b) The Institute of Internal Auditors of UK and Ireland defines Internal Audit: The Institute of Internal Auditors of the United Kingdom and Ireland defines internal auditing as: "Internal auditing is an independent and objective consulting and assurance activity designed to add value and improve the functioning of the organization. It uses a systematic and standardized method to evaluate and improve the effectiveness of risk management, control and governance processes to help the organization achieve its objectives. "

c) The Institute of Internal Auditors New York : The New York Institute of Internal Auditors defines internal auditing as: "Internal auditing is an independent evaluation activity within an organization, based on the examination of accounting, finance and other activities, as a basis for the provision of services to the organization. It is a management control, play a role by measuring and evaluating the effectiveness of other controls. "

The above definition of internal auditing requires internal auditing to become an independent function within the organization and emphasizes its objectivity. Therefore, internal audit primarily provides independent and objective opinions to management.

The results of the investigation of the independent key internal audit function also highlight the results of the investigation and recommendations. These investigation findings and recommendations can be used as tools for

department officials to take appropriate corrective action and help plug vulnerabilities. Otherwise these vulnerabilities will not be available for a long time to be discovered. These definitions emphasize two aspects of internal audit: assurance and consulting. It is important that in fulfilling these two roles, internal audit remains independent of the project.

The main responsibility of a management project is management, so decisions must be made, but internal audit can act as a facilitator in this process. For example, management must identify the risks associated with the project, and decide how to resolve these risks through internal audit, and act as a consultant for risks and control.

2. INTERNAL AUDITING BASIC PRINCIPLES

The golden principles set forth in the code of ethics for internal government auditors are integrity, objectivity, competence, confidentiality, and independence.

a) Integrity: Internal audit work requires integrity. The principles of honesty and fairness must be observed. The basic point raised here is that your report should have an atmosphere of trust, safety and fairness.

b) Pen Objectivity: Professional competence and careful assessment of the facts are the prerequisites for a good internal auditor. Internal auditors should avoid making reckless and irresponsible statements or resorting to expressions without adequate evidence.

c) Degrees Celsius Skill: Internal auditors must use appropriate skills and knowledge and fully incorporate experience. Internal auditors should avoid working beyond their scope or beyond their capabilities and capabilities. The conduct of audits and the preparation of reports require the professional attention of personnel with appropriate audit training, experience and abilities. However, most employee development comes from on-the-job training, and auditors assist in training other less experienced employees. Every auditor is responsible for continuing to receive education to maintain his

ability. This involves keeping up with current developments in audit standards, procedures, and technology.

d) Days of confidentiality: Internal auditors must protect all information received because most of it is confidential in nature. Unless there are legal, legal and professional requirements, we will not disclose the information we have.

e) Independence: As stated in the definition, internal audit is an independent evaluation activity. Here we must pay careful attention to the importance of the word "independence" even though it is offset by the facts within the organization. Independence means that internal auditors can report important facts and data without being influenced by anyone's favor or frown. It should be understood that the content of the International Standards on Auditing on "utilizing the work of internal auditors" is as follows: "The internal audit function is a part of the entity, regardless of its degree of autonomy and objectivity, it cannot be a part of the entity. Standards. The principle of independence". This is because the reporting relationship affects your reporting decisions.

3. OBJECTIVES AND SCOPE

As mentioned above, internal audit is an independent evaluation function established within an organization to inspect and evaluate its activities as a service to the organization. Therefore, the goal of internal audit is to assist organization members to effectively perform their duties. To this end, internal audit provides them with analysis, evaluation, recommendations, suggestions and information related to the review activities. The objectives of the audit include promoting effective control at a reasonable cost. The 4,444 members of the organization assisted by internal audit include members of the executive branch and the board of directors.

The scope of internal audit should include the inspection and evaluation of the adequacy and effectiveness of the organization's internal control system and the performance

and quality of the performance of designated responsibilities. The Internal auditors should:

a) Determine whether the existing control system is in harmony with the organizational structure. Where possible, maintaining control of operational functions is a cost-effective measure.

b) Review each control and analyze it in terms of costs and benefits.

c) Review the reliability and completeness of financial and operational information and the means used to identify, measure, classify and report such information.

d) Review the system established to ensure compliance with policies, plans, procedures, laws and regulations that may have a significant impact on operations and reporting, and must determine whether the organization is compliant.

e) Review methods of protecting assets and, where appropriate, verify the existence of such assets. The goal of management is to ensure that assets are reasonably and adequately protected from loss, and that they are properly managed and accounted for. The protection of property should not be limited to theft, but should include physical threats such as fire, water, electricity, etc.

f) Pay attention to the economy and efficiency of resource use.

g) Review the operation or plan to determine whether the results are consistent with the established goals and objectives, and whether the operation or plan is performed as planned.

4. INTERNAL AUDIT ADDING VALUE TO THE ORGANIZATION

The traditional internal audit model is transaction-based and cost-based. Today, internal audit is undergoing major changes in the transition from a historically focused passive role to an active risk-focused team. Internal audit is in a unique position to see the organization as a whole: "the forest among the trees." It is often the secret of internal operations and culture. From the perspective of

management and the audit committee, this opinion is invaluable. Leading organizations seeks for the internal audit function to play a leadership role in assessing and managing its strategic risks, adding value to the organization, and identifying opportunities for operational improvement.

a) Risk Management: The business environment yields more and opportunities than globalization, destructive technologies and rules are rewritten continuously. Therefore, new risks are often happening. Risk management is the process of measuring or evaluating risks and strategies to administer it. The internal auditor of the 21st century has the following important areas of the following responsibility in the field of risk management.

- Review operations, policies and procedures.
- Helps to ensure that the objectives and purpose are met.
- Understand several projects with "large image".
- Recommendation to improve economics and efficiency.

Therefore, the internal audit report administers important risks of your organization, and the warranty is administered within the allowed limit that is installed by the Board of Directors. To provide this warranty, the internal auditor is done as follows:

- Process the audit in risk management processes, such as organizations, through the company, the department, the business department, The level of business process and management of lines placed in place by line management. Evaluate its design and compliance validity.
- Audits of major risk transactions to evaluate whether risk response is tolerance within tolerance.

b) Providing Assurance Regarding Internal Controls : Internal control is a system made up of specific policies and procedures designed to provide management with reasonable assurance

to ensure that the goals and objectives that it considers important to the entity will be achieved. The internal audit function is an independent part of internal control and its purpose is to determine whether other internal controls are well designed and functioning normally. The responsibility of the internal auditor is to verify the ongoing effectiveness of the internal control system through evaluation and to make recommendations (if any) to improve this effectiveness. Therefore, the focus is on improving the internal control structure and promoting better corporate governance.

c) Compliance: Internal auditors play an important role in evaluating the organization's compliance with external regulations. It informs management of the actual or potential impact of compliance issues that have been identified, and helps to develop corrective actions related to gaps in the compliance plan. Internal auditors can also help establish mechanisms and processes to consistently implement compliance requirements. It is also important to manage the relationship with external review agencies.

d) Fraud detection: Fraud is an ongoing threat to the effective use of organizational resources. The risk of fraudulent activities has always been a major concern for management. It is necessary to detect existing fraud and prevent potential fraud as much as possible. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. The internal auditor's responsibility is to assist management in performing its fraud prevention and detection functions. Internal audit is in a unique position to identify potential fraud in the audit process and therefore plays an important role in preventing fraud and other illegal behavior.

e) Consulting and Operations: Internal auditors have a unique ability to absorb large amounts of information and organize it in a way that is easy for many people to understand. Management is responsible for establishing operational or planned goals and objectives, formulating and

implementing control procedures, and achieving the expected results. The internal audit determines if these objectives and goals are in line with the management plan and if they have been met. The role of internal audit is to help management formulate better policies and procedures.

5. INTERNAL AUDIT REPORT:

A KEY COMMUNICATION TOOL

The preparation and publication of internal audit reports can be the most important stage in the entire internal audit process, as well as the primary means for internal and external personnel to understand the work of internal auditors. It is a means of triggering management actions and conveying important information to executives and readers at the board level. The internal audit report "contains clear written expressions of important observations, suggestions / recommendations based on policies, procedures, risks, controls and the processing of transactions as a whole and the response of management." It should be handled properly according to the requirements of the business situation. Typically, the internal auditor's report is sent to the nominating agency or other designated person. "

The internal audit report includes the following basic elements, ordinarily, in the following layout:

- (i) Title.
- (ii) Addressee.
- (iii) Report Distribution List.
- (iv) Period of coverage of the Report.
- (v) Opening or introductory paragraph:
 - Identification of the processes/ functions and items of financial statements audited.
 - A statement of the responsibility of the entity's management and the responsibility of The internal auditor.
- (vi) Objectives paragraph – statement of the objectives and scope of the internal audit engagement.

(vii) Scope paragraph (describing the nature of an internal audit):

- A reference to the generally accepted audit procedures in India, as applicable;
- A description of the engagement background and the methodology of the Internal audit together with procedures performed by the internal auditor; and
- A description of the population and the sampling techniques used;

(viii) Executive Summary, highlighting the key material issues, observations control weaknesses and exceptions.

(ix) Observations, findings and recommendations made by the internal auditor.

(x) Comments from the local management.

(xi) Action Taken Report.

(xii) Date of the report.

(xiii) Place of signature.

(xiv) Internal auditor's signature with Membership Number.

6. ABOUT THE INTERNAL AUDIT STANDARDS BOARD

The Internal Audit Standards Committee was established as the Internal Audit Committee in 2004. Its mission is to strengthen the primacy of the Institute of Chartered Accountants of India (ICAI) as a promoter, source and provider of internal audit and other related knowledge so that its members can contribute to Industry Provide more effective and efficient value-added services related to this field, and help the latter to systematize and strengthen its governance process by systematizing and strengthening its control and risk management process. The objectives of the Internal Audit Standards Board (IASB) are as follows:

- Review existing internal audit practices in India.
- Develop internal audit standards (EIS) to be issued under the authority of the association's board of directors.
- Develop guidance notes on issues related to internal audits, including those from EIS, and

publish them under the authority of the association's board of directors.

- Clarifications on issues raised by EIS will be issued under the authority of the Institute's Board of Directors.
- Research and report on issues derived from EIS. These issues will be released under the authority of the Institute's board of directors or the board of directors.
- Conduct investigations in the field of internal audit.
- Organize/provide technical assistance in meetings and seminars on internal audit related topics organized by the Association.

a) Standards on Internal Audit : To date, the board of directors has issued 16 internal auditing standards (EIS). See Appendix I for a list. The EIS is intended to compile best practices in the field of internal auditing and to provide benchmarks for internal audit performance. Audit service. In formulating the EIS, the board of directors took into consideration applicable Indian laws, customs, practices and business environment, as well as generally accepted auditing practices.

The board of directors may also consider international practices in the field of internal auditing as it deems appropriate, as long as they are relevant to existing conditions in India.

b) Other Technical Literature : For a list of other technical documents issued by the board of directors, including general and industry-specific, see Appendix II. It includes explanatory materials of the standard or a detailed description of the application of the standard in a specific industry or situation in the form of technical guidance. These technical guidelines provide guidance for internal auditors to resolve professional issues that arise in the internal audit process while performing their duties as internal auditors.

c) List of Standards on Internal Audit

SIA 1 Planning an Internal Audit

SIA 2 Basic Principles Governing Internal Audit

SIA 3 Documentation

SIA 4 Reporting

SIA 5 Sampling

SIA 6 Analytical Procedure

SIA 7 Quality Assurance in Internal Audit SIA 8

Terms of Internal Audit Engagement SIA 9

Communication with Management SIA 10

Internal Audit Evidence

SIA 11 Consideration of Fraud in Internal Audit

SIA 12 Internal Control Evaluation

SIA 13 Enterprise Risk Management

SIA 14 Internal Audit in an Information

Technology Environment SIA 15 Knowledge of

the Entity and its Environment

SIA 16 Using the Work of an Expert

d) List of Generic and Industry Specific Publications

- General Guidelines on Internal Audit

- Guide on Risk-based Internal Audit

- Guide to Internal Controls over Financial Reporting

- Guide to Implementing Enterprise Risk Management

- Technical Guide on Risk-based Internal Audit in Banks

- Technical Guide on Internal Audit in Aluminium Industry

- Technical Guide on Internal Audit in Oil & Gas (Refining & Marketing) Downstream Enterprises

- Technical Guide on Internal Audit in Upstream Oil & Gas Companies

- Technical Guide on Internal Audit of Telecommunications Industry

- Technical Guide on Internal Audit of Stock Brokers

- Technical Guide on Internal Audit of Intangible Assets.

- Manual on Concurrent Audit of Banks

- Manual on Internal Audit

- Training Material on Internal Audit

- Background Material on Due Diligence

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