



Audit Without Borders – Internal Auditing in the Global Landscape

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Learning Objectives

- Identify the function of an internal audit (IA) and its use in the overall risk assessment and management of your organization
- Analyze how to approach an internal audit arrangement in a global landscape
- Apply the basics of developing an internal audit plan

3

The Internal Audit Function

- Difference between external auditors and internal auditors:
 - External auditors are independent; they are hired by and report to the governing body. They perform procedures in accordance with generally accepted auditing standards (GAAS) and produce a report in accordance with generally accepted accounting principles (GAAP).
 - Internal auditors support the governing body but may not be independent. They do not have reporting or testing requirements.

4

More on Internal Audit

- Useful in identifying high-risk areas — not just financial statement risk, but risks in compliance, reputation, and other areas as well
- Overall format: identify key risk areas for the organization, identify timing for key risk areas, complete testing, report findings, gather responses on findings, complete final report
- IA should be useful to the organization — use to focus on areas not addressed by external audit, areas that are new to the organization, areas with significant turnover, etc.

5

Internal Audit and Risk Assessment

- Organizational risk assessment is a required part of a strong internal control environment
- Control environment has many aspects; the primary aspects are:
 - Risk assessment – supported by IA
 - Information and communication
 - Monitoring – supported by IA
 - Reporting
- Effective internal audit provides a methodology to identify and address significant areas and gaps therein

6

Internal Audit and Risk Assessment, continued

Simple Risk Assessment Matrix				
		Impact		
		High	Medium	Low
Likelihood	High	C	H	M
	Medium	H	M	L
	Low	M	L	L

C = Critical; H = High; M = Medium; L = Low

7

Internal Audit and Risk Assessment, continued

- Who will be responsible for the risk assessment, internal audit plan, procedures, and follow-up?
 - Audit committee
 - Staff members
 - Outsourced consultants
- Tasks for internal audit should not be taken lightly and should be assigned to a group with enough time to devote to it

8

Young Life Internal Audit Risk Assessment

- How many international operating units/fields does Young Life have?
- Can you walk us through how you conduct your risk assessment process?
- How frequently do you conduct this risk assessment?

9

Young Life International Internal Audit Plan

- Can you share with us the following elements of a typical internal audit plan?
 1. Communication of the sample selected
 2. Key elements of the engagement letter
 3. Tailoring of the procedures to be performed
 4. Overall timing of the field visit from beginning to end

10

Young Life Internal Audit Reports

- Can you give us a brief description of the format of the internal audit report prepared?
- How do you ensure that the findings in the report are addressed in a timely manner?
- What level of detail do you provide to the finance committee and the frequency of this reporting?

11

Young Life – Other Considerations

- What does a typical team look like for a field internal audit?
- How long do you typically spend in the field?
- Who does the internal auditor report to?

12

Young Life – Other Considerations, continued

- Potential use of peer reviewers
 - What are the pros and cons of this approach?
- When do you do a desk review vs. an in-person audit?
- What involvement does internal audit have on addressing complaints submitted through the whistleblower policy?

13

Young Life – Other Considerations, continued

- What is your recourse if recommendations are not addressed adequately?
- Do you handle internal audits differently if the country operations are through a controlled entity, field office, or in the form of a grant to another entity?
- How does YL address the common practices of operations being cash basis internationally and the increased risk of corruption and bribery with this?

14

Other Facts to Consider

Keep the following in mind:

- Are there grants, contracts, or other federal and state funding with specific requirements? Is the organization expecting new funding in the upcoming year that will require monitoring?
- What areas have the most immediate risk factors?
- Are there any cultural factors to consider?
- Have there been recent changes in field personnel?
- What findings were noted in the prior internal audit?

15

Internal Audit Resources

- Resources available to develop procedures:
 - International Institute of Internal Auditors
 - Peer resource groups
 - Online: UNICEF and World Vision post their internal audit information on their websites
 - Use your organization's policies and procedures to create a checklist of internal controls to be evaluated under IA to ensure compliance
- Software packages available

16

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