

Internal Audit

A presentation by

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To Mr. Anthony F. Holbrooke, CPA

WHAT?

Internal auditing is **an independent, objective assurance and consulting activity** designed to **add value** and **improve an organization's operations**. It helps an organization **accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes**.

[The Institute of Internal Auditors, USA]
Internal Audit Framework

WHY?

The main objectives of internal audit are to provide assurance on the adequacy of the whole control environment, advise at an early stage in the implementation of any system developments or amendments to processes, development and implementation of organizational policies.

Internal Audit provide assurance that the organization's values are met and that laws and regulations are complied with. It ensures that financial statements and other published information are accurate and reliable and that human, financial and other resources are managed efficiently and effectively. Internal audit also forms part of the wider anti-fraud and anti-corruption framework of a company.

TYPES

Following are the types of audits carried out by internal auditors:

- ❑ **Compliance audit:** To ensure compliance with rules, regulations and laws applicable to a company.
- ❑ **Operational audit:** To ensure efficient and effective conduct of operations of a company.
- ❑ **Information system audit:** To ensure proper functioning of the information system throughout the life of a business.
- ❑ **Performance audit:** To ensure the efficient use of resources to obtain the objectives of a company.
- ❑ **Environmental audits:** To ensure compliance with the environmental laws and regulations
- ❑ **Special assignments** relate to investigations on fraud and corruption, or any other special service with the approval of the board.

INDEPENDENCE & OBJECTIVITY

The internal audit activity must be free from interference by any influence in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors should have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Chief Audit Executive (CAE) should confirm to the board, at least annually, the organizational independence of the internal audit activity. An approved internal audit charter and a competent audit committee may protect the independence of the internal audit activity.

ASSURANCE & CONSULTING ACTIVITY

Assurance services are the services that improve the quality of information about the processes, effectiveness of controls, reliability of information, or compliance with statutory framework, efficiency and effectiveness of the operations being carried out.

Consulting services means that apart from highlighting problems, internal auditors provide quality solutions to the problems. It is very much a value adding service.

Remember,

- ❖ Internal auditors do not implement their recommendations. Implementation of solution alternatives is the sole responsibility of the management.
- ❖ The internal audit department should setup a mechanism to monitor objectivity in every assurance and consulting activity. Prompt actions must be taken to prevent potential loss to objectivity.

ROLE IN GOVERNANCE PROCESS

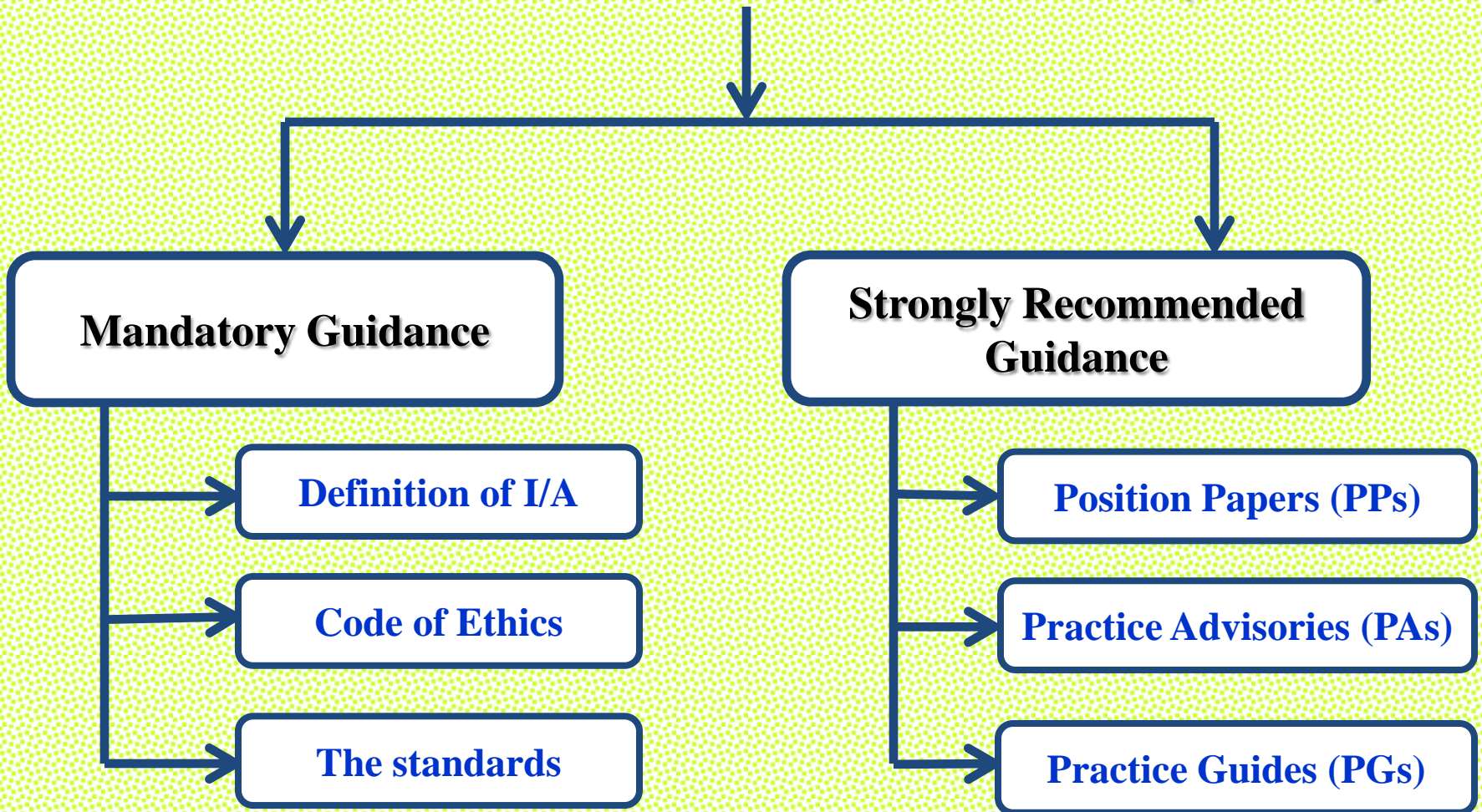
Risk management is the responsibility of management. Internal audit activity assesses risks embedded in all functions across all the departments of a company and suggests controls to eliminate them. The purpose is to eliminate all risks in the system. The successful elimination of all risks ensures efficient and effective accomplishment of business plans and guarantees business success. Management has a key role to play in the implementation of controls as recommended by the internal auditors. Apart from the recommendations of the internal auditors, management is primarily responsible for the establishment of control environment. The assessment of the risks by the internal auditors provide refinement to the process of control systems. The reinforcement of controls upon the recommendation of the internal auditors help a company in improving the effectiveness of risk management, control system and governance process.

AUDIT COMMITTEE

An audit committee is an arm of the board of directors, generally composed of **3** to **5** members of the board, with a chairperson selected from among the committee members. The members should be board members and outsiders i.e. the individuals who are neither employees nor part of management.

The audit committee has an oversight responsibility for internal and external audit functions. Audit committee acts as an independent check on management and helps the external financial statements' users in assuring that financial statements accurately portray the business activities of a company. And that effective internal control system is in place. All laws and regulations are complied by the company.

INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)



THE STANDARDS

Internal auditors carry out their work in accordance with the given set of rules, regulations and standards. These standards are provided by **the Institute of Internal Auditors, USA**. The standards are known as, **International Standards for the Professional Practice of Internal Auditing (the standards)**. These standards provide guidance on assurance and consulting activities. The application of these standards during work is mandatory upon internal auditors.

Following are the types of the standards:

- ❑ **Attribute Standards** pertain to the company and team/staff performing the audit work.
- ❑ **Performance Standards** are about the nature of internal auditing and provide quality criteria for the performance of the work.
- ❑ **Implementation Standards** provide guidance for each attribute or performance standard to be applicable to assurance (A) or consulting (C) activity.

AUTHORITY

The staff of Internal Audit Office reports to **CAE** who reports to Audit Committee or the board directly. **CAE** have full and free access to the audit committee or the board. **CAE** for administrative purposes may report to the **CEO** but for functional purposes shall always report to audit committee or the board directly.

Internal audit is fully authorized to:

- **Have** complete and unrestricted access to records, personnel, and physical properties relevant to the performance of engagements.
- **Delegate** duties, allocate resources, select team, determine scope of works, and select required techniques to accomplish objectives.
- **Obtain** necessary assistance of personnel in audited units and other specialized services within or outside the organization.

Internal audit staff is not authorized to:

- **Perform** any operational duties for the company.
- **Initiate** or approve accounting transactions external to the Internal Audit Office.
- **Direct** the activities of any department's employees not employed by the Internal Audit Office, except those who have been assigned to assist the audit team.

RESPONSIBILITY

CAE, in the discharge of his duties, has the responsibility to:

- ❑ Provide annual assessment on the effectiveness of the company's controls in managing its risks and activities. Identify and assess potential risks to the operations.
- ❑ Review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives.
- ❑ Provide periodic information on the status of the annual audit plan and the sufficiency of the Internal Audit Office's resources.
- ❑ Present a periodic (say quarterly) report to the audit committee.
- ❑ Assess the reliability and security of financial and management information and the systems and operations that produce the information.
- ❑ Assess the means of safeguarding assets.
- ❑ Review established procedures and systems and propose improvements.
- ❑ Appraise the use of resources with regard to economy, efficiency and effectiveness.
- ❑ Follow up recommendations to make sure that effective remedial action is taken.

RESPONSIBILITY

(continued)

- ❑ Carry out appraisals, investigations, or reviews requested by the management.
- ❑ CAE and staff of the Internal Audit Office, in the discharge of their duties, have the responsibility to:
 - ➔ Develop an annual audit plan based on comprehensive risk assessment, including risks identified by the management.
 - ➔ Submit the annual audit plan to the audit committee or the board for approval.
 - ➔ Implement the annual audit plan as approved, including special requests by management.
 - ➔ Issue periodic reports to the audit committee summarizing the results of the audits.
 - ➔ Coordinate with and provide oversight of other controls and monitoring functions related to risk management, compliance, security, ethics, and environmental issues.
 - ➔ Assist in the investigation of suspected fraudulent activities within the organization upon request made from management.
 - ➔ Consider the scope of work of the external auditors and regulators to provide wider audit coverage.
 - ➔ Consider the scope of work required of **external service providers** or consultants.

CONTROL ENVIRONMENT

The attitude and actions of the board and management regarding the importance of control within the organization.

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control.

The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

N.B.: External auditors take internal audit as component of the control environment.

FRAUD DETERRENCE

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. **Internal audit** does not have responsibility for the prevention or detection of fraud and corruption. **Internal auditors** will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. **Internal audit** may be requested by management to assist with fraud examination work.

SCOPE

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

This includes:

- ❑ Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- ❑ Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- ❑ Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- ❑ Evaluating the effectiveness and efficiency with which resources are employed.

INTERNAL AUDIT CHARTER

According to the standards, the purpose, authority and responsibility must be mentioned in an **internal audit charter**.

A typical **internal audit charter** outlines information about the following:

1. **Mission**
2. **Scope**
3. **Responsibilities of management**
4. **Responsibilities of internal audit**
5. **Relationship with external auditors**
6. **Status of internal audit**
7. **Authority of internal audit work**
8. **Reporting**
9. **Conclusion**

N.B.: Internal audit charter must be reviewed on periodic basis and should be approved by the board.

ANNUAL AUDIT PLAN

In cooperation with the senior management, perform the following:

- Conduct a **preliminary risk assessment** by utilizing a group interview.
- Gather **top management input** on the preliminary risk assessment.
- Prepare a **Draft Annual Audit Plan** based upon the results of the risk assessment process.
- Obtain the formal approval of the **Audit Committee or the board**.

This plan will be subject to reviews during the course of audit work to ensure that the focus continues to be on the higher risk areas. In addition, the need to conduct special assignments requested from the Audit Committee and senior management may also require the deferral of planned audit work. Additional work may require additional staff and the help of specialist or consultant coming from outside the company.

N.B.: The approval of audit committee is suffice, however, where no audit committee is existing approval of the board should be taken.

COMMUNICATION OF I/A PLAN

- ❑ Distribute **annual audit plan** to senior management.
- ❑ Keep senior management informed of any changes to **annual audit plan**.
- ❑ Ensure that management is informed about the internal audit work at least a month prior to starting the work.
- ❑ Note that special requested assignments require different procedures involving little or no notification to involved management.
- ❑ If there is any special assignment going parallel with the normal audit, tell the time frame for the completion of the additional assignment.
- ❑ If there is need for additional persons in the team because of additional work, raise the requisition at most appropriate time.

INTERNAL AUDIT PROCESS

FOR ALL BUSINESSES



PLANNING

- **Evaluating** operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- **Monitoring** and evaluating governance processes.
- **Monitoring** and evaluating the effectiveness of the organization's risk management processes.
- **Evaluating** the quality of performance of external auditors and the degree of coordination required with internal audit.
- **Performing** consulting and advisory services related to governance, risk management and control as appropriate for the company.
- **Reporting** periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- **Reporting** significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- **Evaluating** specific operations at the request of the board or management, as appropriate.

PERFORM AUDIT FIELDWORK

- Carry out fieldwork as indicated in the annual audit plan.
- Obtain cooperation from the management and the staff as necessary to identify, obtain documentation and conduct interviews, etc.
- Conduct fieldwork with minimal disruption to operations of the company being audited.
- Build friendly environment with the management. Avoid any friction in relationship with the management or the staff engaged with you by the company. As it may create problem for the work being carried out. **Be tactful!**

RISK COMPOSITION

Internal audit has a responsibility to cover financial, operational, information system, legal/regulatory and all other risks that may have significant impact on the business of an entity.



RISK MANAGEMENT PROCESS

□ Risk identification

- Expert interviews with management personnel
- Risk assessment meetings
- Review of previous risk assessment working papers by I/A deptt.
- Filling detailed questionnaires for adequate existence of internal controls. Ensuring the appropriateness of these questionnaires in alignment with the operations of the company.
- Carefully reviewing the results of internal audit questionnaires and marking red flags where serious control violations are found.
- Reviewing management working papers for risk assessments made by them.
- Reviewing system descriptions available from management and from available manuals for operations, financial controls and accounting and noting down weak controls or absence of controls.

□ Risk qualification & prioritization

□ Risk monitoring

□ Risk mitigation & avoidance

RISK MANAGEMENT PROCESS

- ❑ Risk identification
- ❑ Risk qualification & prioritization

Once risks are identified, it is important to determine the probability and impact of each risk on efficient and effective conduct of the business activities. Risks which are more likely to occur and have a significant impact on the business will be the highest priority risks while those which are more unlikely or have a low impact will be a much lower priority. This is usually done with a probability – impact matrix. Once the risks are assigned a probability/impact and placed in the appropriate position on the chart, the auditor moves the process to the next step: risk monitoring.

- ❑ Risk monitoring
- ❑ Risk mitigation & avoidance

RISK MANAGEMENT PROCESS

- ❑ Risk identification
- ❑ Risk qualification & prioritization
- ❑ Risk monitoring

Normally each control is assigned a number say 1 to 5, 1 is showing the lowest strength and 5 showing the highest strength of a control. Internal audit assigns these numbers to each control. And after all controls are marked with these numbers then an average is taken by adding all numbers and dividing them by the number of controls. The number obtained defines overall strength of the set of controls being examined. Based on the overall strength of controls extent of work is calculated.

- ❑ Risk mitigation & avoidance

RISK MANAGEMENT PROCESS

- ❑ Risk identification
- ❑ Risk qualification & prioritization
- ❑ Risk monitoring
- ❑ Risk mitigation & avoidance

Once risks have been qualified, the team must determine how to eliminate those risks which have the greatest probability and impact on the business. This section explains the considerations which must be made and the options available to the management in mitigating and avoiding these risks. Internal auditor shall exercise his judgment as to how he can eliminate the risks identified during the process. After examination is completed, he shall recommend management in writing to follow certain procedures that shall ensure elimination of risks.

REPORT RESULTS

- ❑ In general, share important and sensitive findings with responsible managers immediately upon verification by the auditor; short memo reports may be used in this process.
- ❑ Prepare a first draft of the final report and discuss it with responsible managers immediately following the fieldwork.

FINALIZE AUDIT WORK

Schedule an **exit meeting** after management has received the first draft of the audit report; this meeting will provide the opportunity for management to discuss findings, conclusions, and recommendations with the auditor.

During or immediately after **exit meeting**, ask management to provide their responses to the auditor's findings and recommendations, either in writing or in sufficient detail for the auditors to capture them and reduce them to writing in the final draft report.

REVIEW FINAL REPORT

Send final draft of the audit report to management and discuss suggested changes by them. After processing changes, issue the final report to the distribution as indicated on the cover letter to the report.

Note:

All reports shall contain an executive summary which provides in a short form the observations, management responses, and auditor's conclusion.

FINAL REPORT

- Issue final report to the management.
- Prepare checklist of issues to be discussed with the management in next period audit.
- Write down the comments of the management on report.

FOLLOW UP

At the completion of each audit, the auditor will send an evaluation survey form to the clients of the audit. This form should be completed and returned to the Office of Internal Audit, in order to ensure continuous improvement of these procedures and the internal audit function.

Approximately six months following completion of each audit, the auditor will conduct a follow-up review to verify the completion of agreed-upon management actions and ascertain the status of open recommendations. A follow-up report will be generated annually for distribution to senior management and members of the Audit Committee.

AVOID PITFALLS

Richard Chambers, CIA, has shared his experience about failure of internal audit assignments. He has mentioned **6 main reasons for the failure** of internal audit. We agree with him on the reasons of internal audit failure and wish them to be avoided while performing internal audit work. They are as given below:

1. Not setting aside **enough time to properly plan the audit work**. **Proper planning** is the glorious road to successful audit work.
 2. Trying to audit **too much, be relevant to risk**. Keep one eye on **relevance of work** being done with overall objectives of the audit.
 3. Not involving **the client or the auditee personnel**.
 4. Failing to augment the audit team with “**functional expertise**”.
 5. Forgetting that the audit should ultimately **add value**.
 6. Forgetting to follow **the risks**. **New risks** may emerge during the progress of audit work. Change work plan according to them.
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Internal vs. External Auditing

#	Internal Audit	External Audit
1	Internal auditors are appointed and removed by the management of the company any time.	External auditors are appointed and removed by the shareholders directly during AGM.
2	The scope of I/A is much broader and covers all risks to a business entity.	The scope of E/A is specified in the terms of reference signed with the company.
3	The objective of I/A is to help management in risk management and add value by creating efficiency in systems and finally obtain the objectives of a business entity.	The objective of E/A is to report on the truth and fairness of the financial statements by examining underlying records and based on the evaluation of evidence gathered during the work.
4	Internal auditors report to the audit committee.	External auditors report to the shareholders' representatives, the members on the board of directors. They directly interact with members while sitting in AGM or EGM.
5	The report of internal auditors is shared with management via audit committee.	The report of external auditors is shared with the shareholders and after being published is shared with public, in the case of listed company having share capital from public.

CODE OF ETHICS - FOR INTERNAL AUDITORS

AS GIVEN BY THE IIA, USA

PRINCIPLES

The internal auditors are expected to apply and uphold the following principles:

❑ Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

❑ Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

❑ Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

❑ Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

RULES OF CONDUCT

1. Integrity

Internal Auditors:

- Shall perform their work with honesty, diligence, and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- Shall not accept anything that may impair or be presumed to impair their professional judgment.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

RULES OF CONDUCT

(continued)

3. Confidentiality

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- Shall continually improve their proficiency and the effectiveness and quality of their services.

**INTERNAL AUDIT -
OFFICIAL TERMINOLOGY**

AS PROVIDED BY THE IIA, USA

1. Add Value

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

2. Adequate Control

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

3. Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

4. Board

A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a nonprofit organization, or any other designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.

5. Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

6. Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organizations.

7. Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

8. Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

9. Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

10. Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

11. Control Processes

The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

12. Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

13. Control Environment

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

14. Control Processes

The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

15. Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

16. External Service Provider

A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

17. Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

18. Engagement Work Program

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

19. Fraud

Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

20. Governance

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

21. Impairment

Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

22. Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

23. Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

24. Information Technology Governance

Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

25. Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

26. International Professional Practices Framework (IPPF)

The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) strongly recommended.

27. Must

The *Standards* use the word “must” to specify an unconditional requirement.

28. Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

29. Risk Appetite

The level of risk that an organization is willing to accept.

30. Risk Management

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

31. Should

The *Standards* use the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

32. Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

33. Residual Risk

The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

34. Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

35. Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

36. Technology-based Audit Techniques

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).

LIST OF INTERNAL AUDIT SOFT-WARES

FOR ALL KINDS OF BUSINESSES

#	Software name	Website
1	TeamMate	http://www.teammatesolutions.com
2	Compliance 360	http://www.compliance360.com
3	MetricStream Internal Audit Management Software Solution	http://www.metricstream.com
4	Audit Management Software - MKinsight	http://www.mkinsight.com
5	Methodware	http://www.methodware.com
6	easy2comply Internal Audit Management software	http://www.easy2comply.com
7	Barnowl Internal Audit	http://www.barnowl.co.za
8	Cura Audit	http://www.curasoftware.com
9	Enterprise GRC For Internal Audit	http://accelus.thomsonreuters.com
10	RSA Archer Audit Management	http://www.emc.com
11	TrackWise audit management software	http://www.spartasystems.com
12	Enablon IA - Internal Audit	http://enablon.com

#	Software name	Website
13	Symbiant Tracker	http://www.symbiant.co.uk
14	ACL	http://www.cqs.co.za
15	Mega internal audit management solution	http://www.mega.com
16	Galileo Audit Management	http://www.horwathsoftware.com
17	BPS Resolver's GRC Suite	http://www.bpsresolver.com
18	IBM® OpenPages® Internal Audit Management	http://www-142.ibm.com/software
19	RSM TENON	http://www.rsmtenon.com/Services/Internal-Audit/Internal-Audit-Tools.aspx
20	Intelex's Audits Management Software	http://www.intelex.com
21	Rivo's web-based, Audit	http://www.rivosoftware.com
22	KMI's Audit & Inspection module	http://www.kminnovations.com
23	Accusystems - Bank Audit Preparation	http://www.accusystem.com
24	Aline	http://www.align-alytics.com

#	Software name	Website
25	Infor Approva Continuous Monitoring	http://www.infor.com
26	Bulldog Tax Audit - Bulldog Tax Audit	http://www.bulldogtaxaudit.com
27	CCH - CCH TeamMate	http://www.cchgroup.com
28	CMO Compliane	http://www.cmo-compliance.com
29	Complyant	http://www.complyant.com
30	ComplianceAnalyzer	http://www.complianceease.com
31	Cornerstone OnDemand - Cornerstone Compliance Management Software	http://www.cornerstoneondemand.com
32	Dakota Software - Dakota Auditor	http://www.dakotasoft.com
33	Datawatch - Monarch Professional	http://www.datawatch.com
34	Enterprise Auditor	http://www.ecora.com/Ecora
35	AuditXL	http://www.solutionsforbusinessmanagement.com
36	EZ-R Stats - Audit Commander	http://www.ezrstats.com
37	UMT Audit Software	http://www.laubrass.com

ABBREVIATIONS

#	Abbreviation	Description
1	AGM	Annual General Meeting
2	I/A	Internal Audit
3	CAE	Chief Audit Executive
4	CEO	Chief Executive Officer
5	Deptt.	Department
6	E/A	External Audit
7	EGM	Extraordinary General Meeting
8	IIA	Institute of Internal Auditors, USA
9	IPPF	International Professional Practices Framework
10	ISPPIA	International Standards for the Professional Practice of Internal Auditing (the standards)
11	PAs	Practice Advisories
12	PPs	Position Papers
13	PGs	Practice Guides



**Thank
you!**

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