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Internal Audit Manual

PEM-PAL IA COP

Bled

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I P P F

International Professional Practices Framework

AUTHORITATIVE Guidance

International
Professional
Practices
Framework



The IPPF

ELEMENT	DEFINITION
Definition	Statement of fundamental purpose, nature, and scope of internal auditing.
Code of Ethics	Statement of principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. Description of minimum requirements for conduct. Describes behavioral expectations rather than specific activities.
International Standards	<p>Mandatory requirements consisting of:</p> <ul style="list-style-type: none"> • Statements of basic requirements for professional practice of internal auditing and for evaluating effectiveness of its performance, which are internationally applicable at organizational and individual levels. Principle-focused and provide a framework for performing and promoting internal auditing. Includes Attribute, Performance, and Implementation Standards. • Interpretations, which clarify terms or concepts within the statements. <p>Consider both statements and Interpretations to understand and apply correctly.</p>
Practice Advisories	Address approach, methodology and considerations, but NOT detailed processes and procedures. Concise and timely guidance to assist internal auditors in applying Code of Ethics and <i>Standards</i> and promoting good practices. Includes practices relating to: international, country, or industry specific issues; specific types of engagements; and legal or regulatory issues.
Position Papers	IIA statement to assist a wide range of interested parties, including those not in internal auditing profession, in understanding significant governance, risk or control issues and delineating related roles and responsibilities of internal auditing .
Practice Guides	Detailed guidance for conducting internal audit activities. Includes detailed processes and procedures , such as tools and techniques, programs, and step-by-step approaches, including examples of deliverables.

Mandatory Guidance



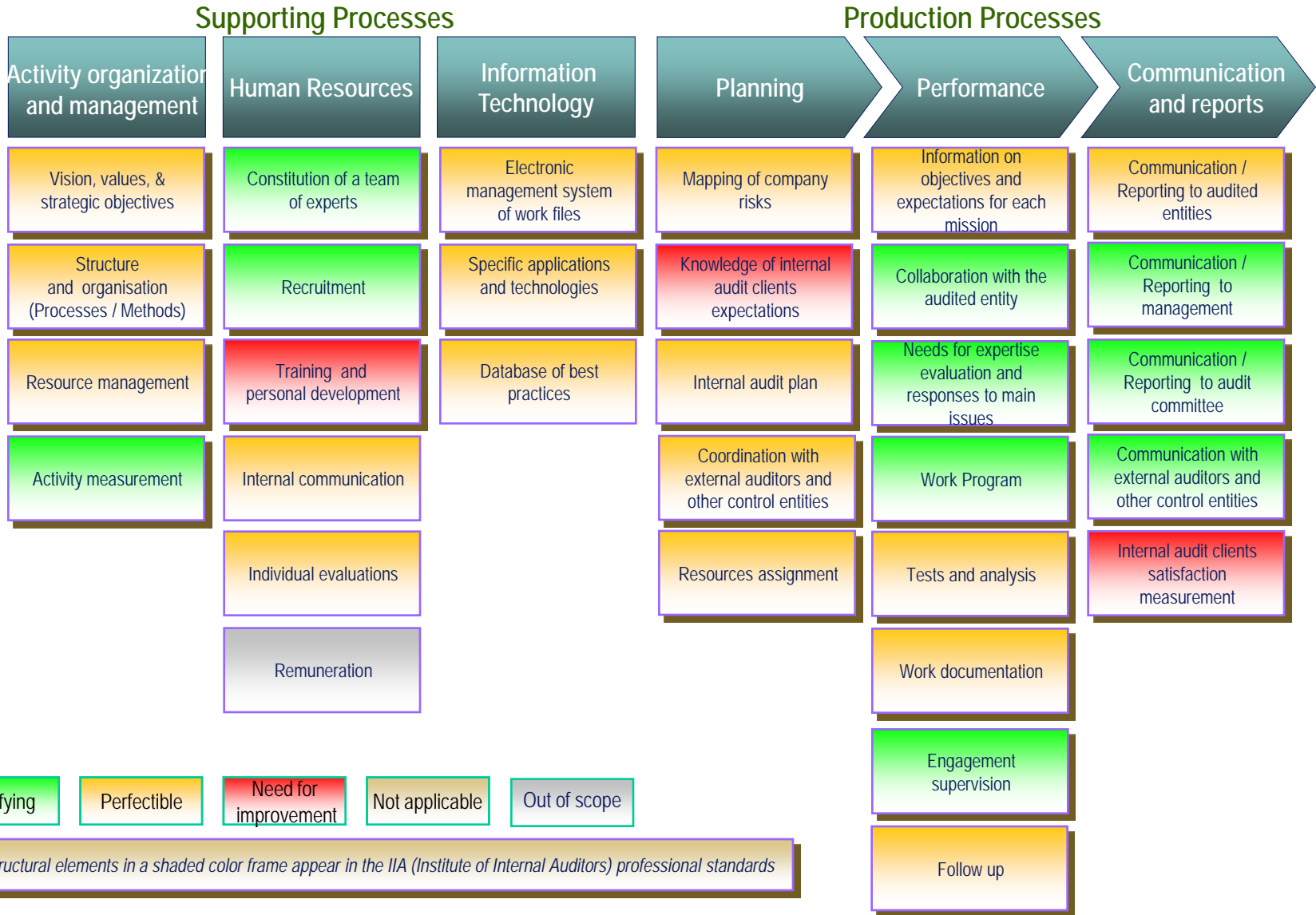
- Definition of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing*

Strongly Recommended Guidance



- Practice Advisories
- Position Papers
- Practice Guides

The Structural elements of an Internal Audit Function





IIA Practice Advisory 2040-1: Policies and Procedures (Jan. 1, 2009) ⁽¹⁾

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.





IIA Practice Advisory 2040-1: Policies and Procedures (Jan. 1, 2009) ⁽²⁾

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The chief audit executive develops policies and procedures. Formal administrative and technical audit manuals may not be needed by all internal audit activities. A small internal audit activity may be managed informally. Its audit staff may be directed and controlled through daily, close supervision and memoranda that state policies and procedures to be followed. In a large internal audit activity, more formal and comprehensive policies and procedures are essential to guide the internal audit staff in the execution of the internal audit plan.





Suggested content ⁽¹⁾

- General items
 - Mission statement, charter, standards, reference to legal framework
 - Knowledge and skills, training
 - Interaction with others: management, audit committee, CHU, audit authority, supreme audit institution, other internal/external assurance units
- Audit planning
 - Risk assessment model
 - Strategic planning, annual planning





Suggested content (2)

- Audit execution
 - Planning
 - File organization
 - Working papers
- Audit reporting
 - Draft / final report
 - Follow-up process
 - Annual report

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Suggested content (3)

- Fraud and irregularities
- Use of automated tools (CAATS)
- Sampling techniques
- Quality program
 - Internal assessment
 - External assessment

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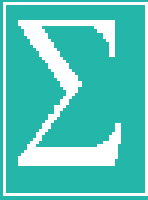
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Our recommendation

- Sophistication of manual according to size and maturity of internal audit
- Role of CHU is to provide consistent general template / content and share examples
- Additional environment specific content filled in by internal audit of respective organizations
- Role of CHU is also to control adequacy of manual

- Be pragmatic! Keep it simple!





Size and maturity have an impact

- Small and/or immature audit units do not need a very elaborated audit manual. Focus on audit process (how to do it).
- Large audit units need more formalism on working papers, supervision, training, etc.



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