



perspective  
**GAINED**

## **Increasing Your Oversight with Internal Audit**



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# Agenda

What will you learn today?

- The Who, What, Why, How and When of an internal audit!
  - What is internal auditing?
  - Strategic procedures
  - Six key steps
  - Important questions

# Internal vs. External Audits

INTERNAL AUDITORS	EXTERNAL AUDITORS
Typically employed by the organization (unless the function is outsourced or co-sourced) though independent of the activities they audit	Hired by the organization to provide a specific service
<b>Broad focus:</b> <ul style="list-style-type: none"><li>• Risk management</li><li>• Corporate governance</li><li>• Organizational objectives</li><li>• Operational efficiency and effectiveness</li><li>• Compliance with laws and policies</li><li>• Accurate financial statements</li><li>• And more!</li></ul>	<b>More specific focus:</b> <ul style="list-style-type: none"><li>• Accurate financial statements</li></ul>
<b>Diverse backgrounds &amp; skill sets:</b> <ul style="list-style-type: none"><li>• Communication skills</li><li>• Information technology</li><li>• Data mining &amp; analytics</li><li>• Business &amp; industry-specific knowledge</li><li>• Accounting skills</li></ul>	Primarily accounting background & skills
Backward-looking & forward-looking	Backward-looking

# The History

**1941**

Institute of  
Internal  
Auditors (IIA)  
Established

**1950**

IIA standards  
issued

**2002**

Sarbanes-  
Oxley

**2017**

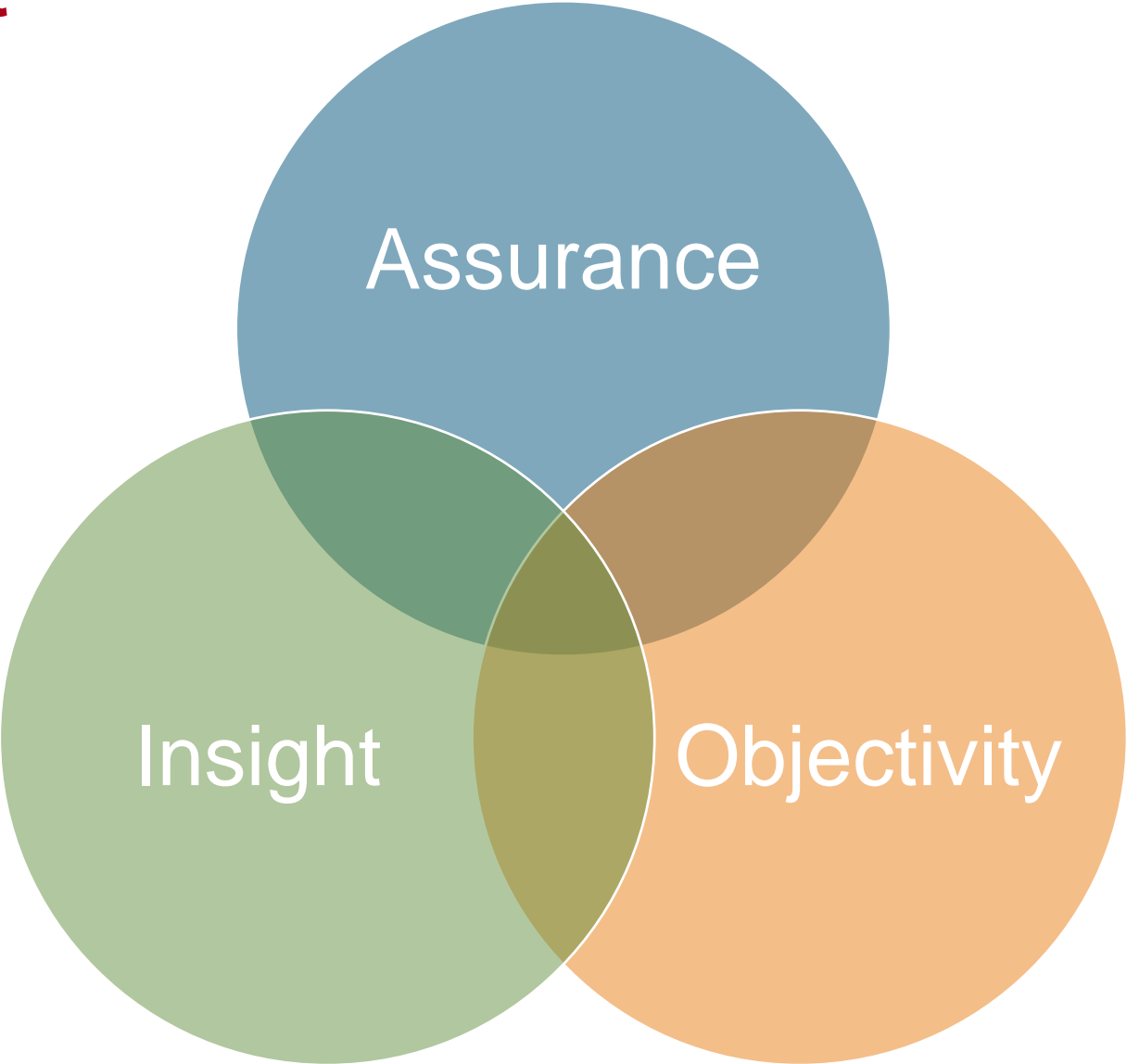
Revised IA  
standards

# Internal Audit

The benefits of internal audit:

- Effectiveness and efficiency of operations
- Reliability of financial and management reporting
- Compliance with laws and regulations
- Safeguarding of assets

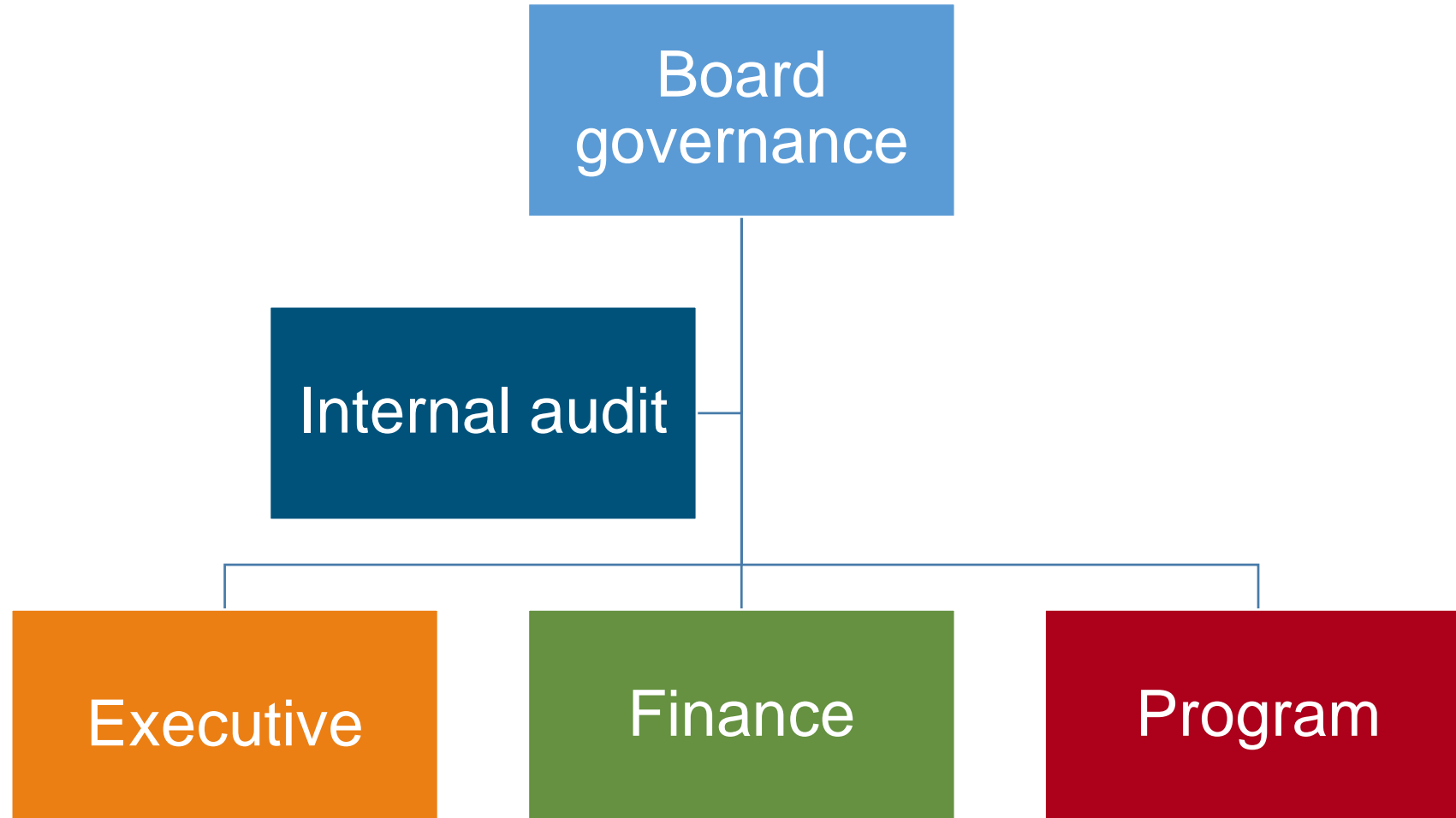
# Internal Audit



# Internal Audit Responsibilities

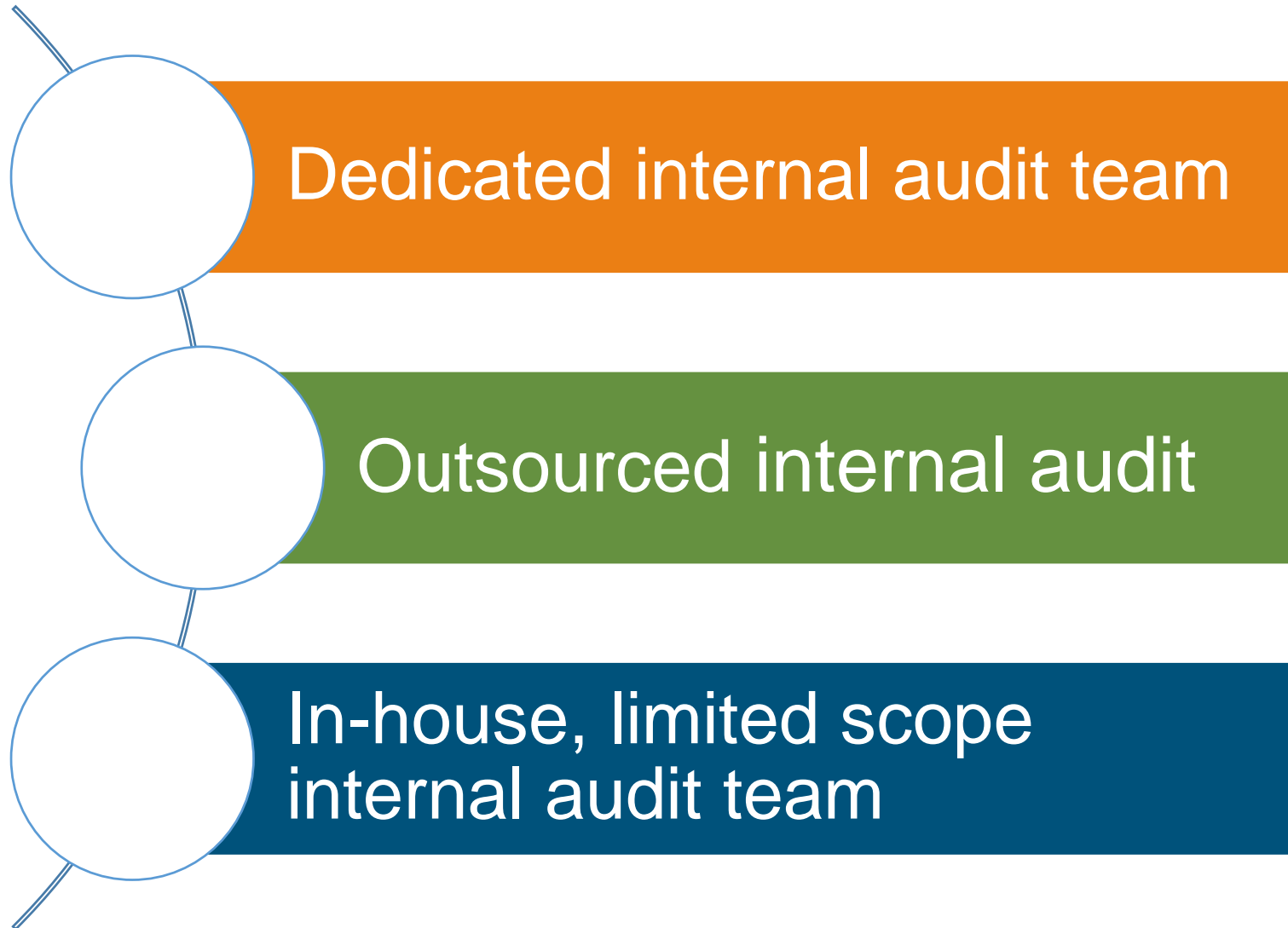
- Assessing controls
- Process review and procedure improvement
- Testing accuracy
- Improve operations
- Promote ethical behavior
- Monitor compliance
- Investigate fraud
- Communicate results
- Test corrective actions

# Internal Audit Reporting Structure





# The Face of Internal Audit



# How to Begin

## The internal audit champion



# Annual internal audit plan:

- Where to focus efforts
- Identify discrete projects
- When results will be delivered
- Who will receive the results
- Implement changes

# Risk Assessment

- Brainstorm (financial, systematic, compliance, operational)
- Participation from all areas of your organization
- Rank the risks
- Revisit annually



# Strategic Procedures - Examples

## Cash Receipts

- Opening the mail
- Receiving cash at the window
- Rent payments

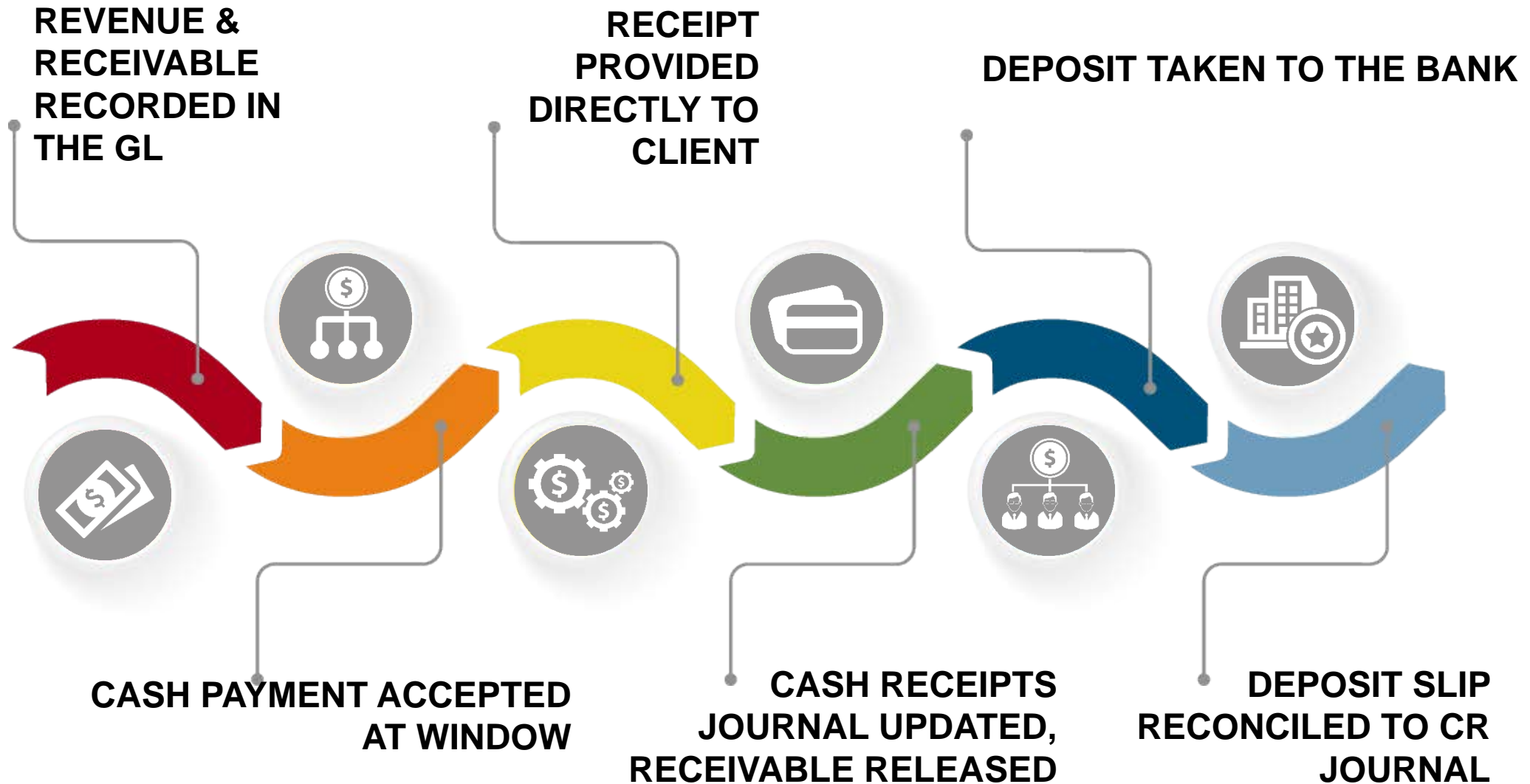
## Payroll Changes

- New employees added
- Terminated employees removed
- Background checks
- Debarment checks

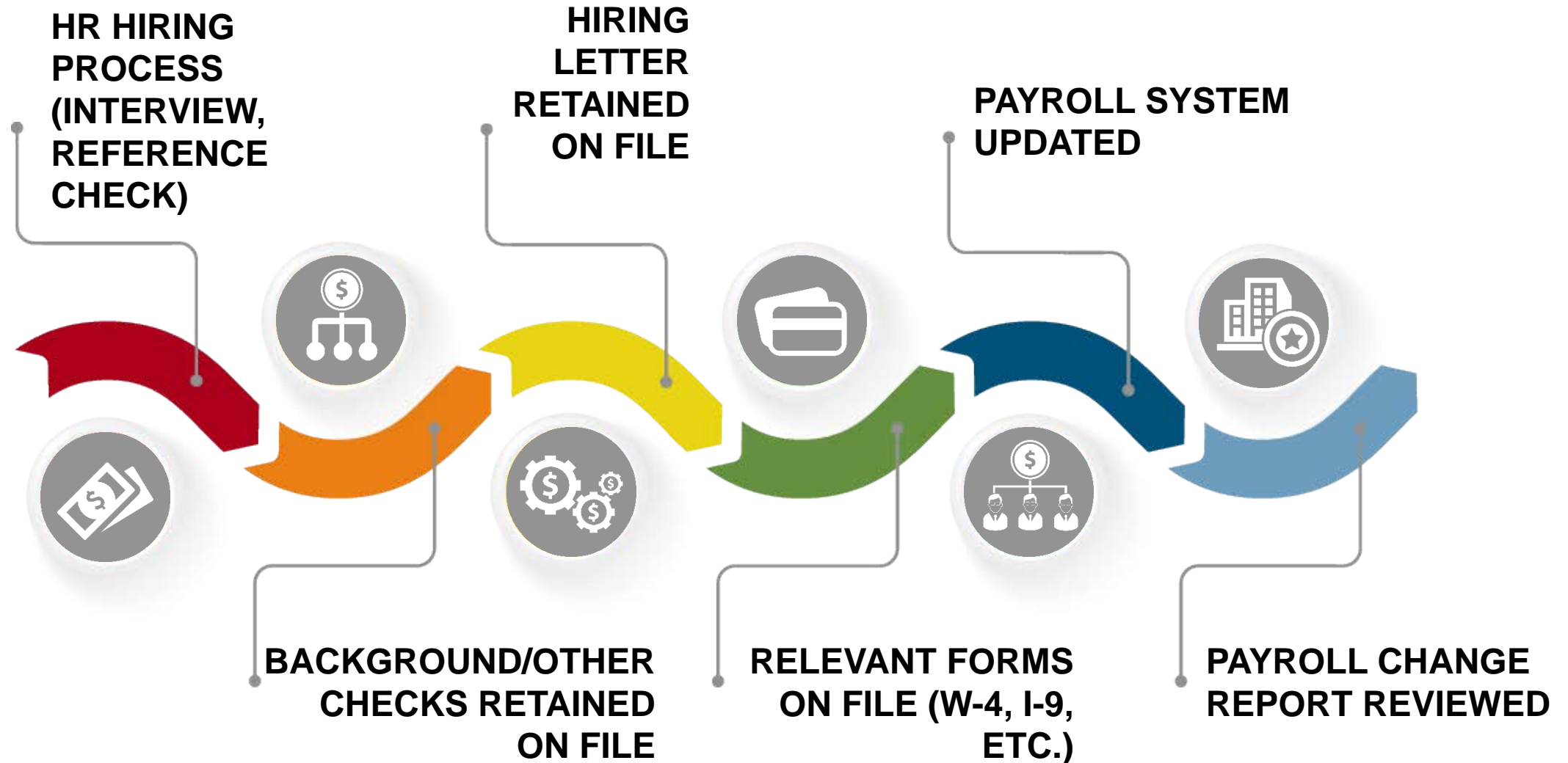
## Compliance Reporting

- Timely filing of financial or programmatic reports
- Accurate report information
- Reports reviewed and retained

# Strategic Procedures – Cash Received at the Window Example

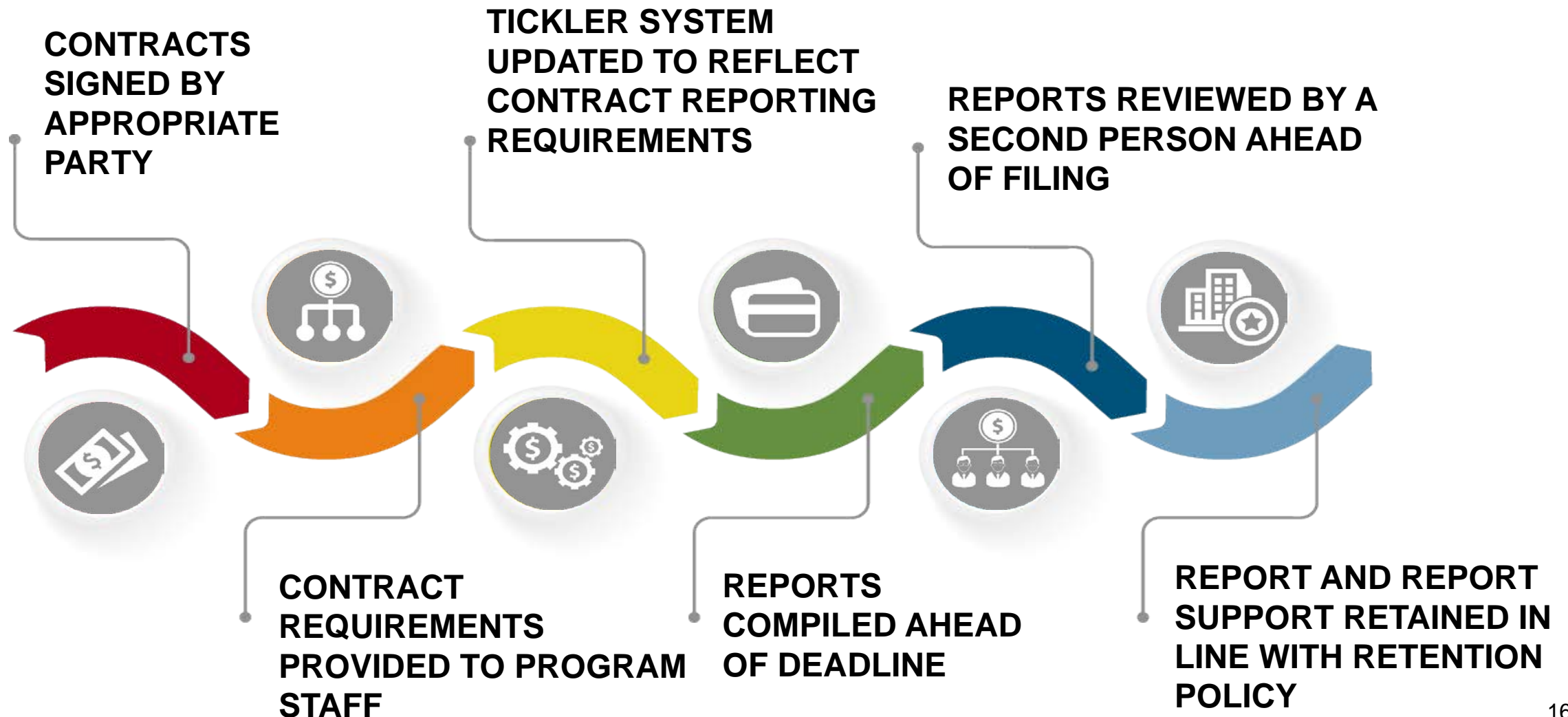


# Strategic Procedures – New Employee Example





# Strategic Procedures – Timely Filing of Reports





# How to Bring it Back to your Organization – The “6” Steps



# Important Questions to Ask

1

Do we have appropriate segregation of duties in all transaction cycles?

2

How have changes to technology impacted our segregation of duties?

3

Have the processes in place changed as people have transitioned away or taken on new responsibilities?

4

Who should perform the work?



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