

BEST BUSINESS PRACTICES ON HOW TO SET UP AN INTERNAL AUDIT SYSTEM

9:00 am to 5:00 pm, Thursday & Friday, May 10 & 11, 2018
Manila Marriott Hotel, Pasay City, Philippines

Course Outline

I. The Cornerstones of Good Corporate Governance

Governance is defined as the “system by which organizations are directed & controlled”. The cornerstones of good governance are the following:

- Board of directors or Audit Committee
- Executive Management
- **Internal Auditors**
- External Auditors

II. Why establish an internal audit function

- Regulatory requirement
- **Support to the Audit Committee’s oversight role**
- Greater assurance for financial reporting
- Added value to the organization by helping improve operations, governance, risk management and control processes
- Increasing fraud incidents

III. What is internal auditing

- Mandatory Guidance
- Definition of Internal auditing
 - Purpose
 - Scope of work
 - Objectives of internal audits
 - Authority
 - Responsibility
 - Accountability
- Independence and objectivity
 - Organizational position
 - Reporting relationships – functional and administrative roles of the Audit Committee and the President/CEO
 - Direct access to the audit committee and board
 - Restrictions in performing operational responsibilities

IV. Role in governance, risk management and control processes

- Governance processes
- Risk management processes
- Internal Control processes

V. Roles in Supporting the Audit Committee’s Oversight Function

- Provide assurance and overall opinion on the adequacy and effectiveness of governance, risk management and control processes
- Provide the results of reviews and actions taken by management on financial reporting, compliance with laws, regulations, policies, procedures, safeguarding of assets and operational effectiveness and efficiency
- Perform projects, special studies, investigations, or other services in matters of interest or concern to the Audit Committee or Board that are outside the scope of the annual Audit Plan
- Report on significant risk exposures, control issues, including fraud risks, governance issues and other matters needed by the Audit Committee
- Select external auditors and evaluate their performance

- Educate the audit committee on best practices in governance, risk management, control and compliance
- Assist in the self-assessment of the audit committee
- Act as the secretary of the Audit Committee

VI. Establishing the Internal Audit Function

- Audit Committee and CEO to give their expectations or requirements from internal audit (the balancing act)
- Develop the Internal Audit Charter
 - Ensure it contains the “mandatory” contents
 - Ensure alignment with Audit Committee Charter
 - Secure written approval
- Determine the “staffing requirement” of the internal audit activity
 - Determine bases for staffing internal audit function
 - Develop CAE job description and specifications first
 - Roles and responsibilities
 - Qualifications: knowledge, skills and experience
 - Hire the Chief Audit Executive first
 - Develop job descriptions and specifications of other positions
 - Deciding whether to build the internal audit function in-house, fully outsource or partially outsource, advantages & disadvantages of each option
 - Hire or outsource based on decision
- Develop a risk-based audit planning process or methodology:
 - Risk assessment model/framework
 - Consider inputs from senior management and the audit committee/board on risks that may prevent the organization from achieving its strategic objectives
 - Coordinate with other assurance providers
 - Staffing plan and financial budgeting process
 - Review and approval process of the Audit Committee or board
 - Monitoring and reporting process on achievement of the audit plan to the Audit Committee or Board

VII. Ensuring the Internal Audit Function Continues to be Effective

- Managing internal audit
- Concept of adding value
- Developing a competency framework and staff development plan
- Developing a Quality Assurance & Improvement Program
 - Identify key performance metrics of internal audit
 - Track, monitor and report results of QAIP to the Audit Committee or Board
- Develop internal audit manual or policies & procedures based on the IIA Standards & Code of Ethics
- Advocate or communicate the existence of internal audit function to the rest of the organization
- Reviewing performance of internal audit function

VIII. Summary and Conclusion

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