

Internal Auditing

Version 1.2 | Naji El Kotob

“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.” [About Internal Audit \(theiia.org\)](https://theiia.org)

Internal auditing is a crucial function within organizations, aimed at enhancing their operations and aiding them in achieving their goals. Here's a breakdown of the key components of the IIA¹ definition:

1. **Independent and Objective:** Internal auditing is conducted in a manner that is both independent from the activities it audits and objective in its approach. This independence ensures that internal auditors can provide unbiased assessments without conflicts of interest, and objectivity means their findings and recommendations are based solely on the evidence and facts gathered during the audit process.
2. **Assurance and Consulting Activity:** Internal auditing serves two main roles:
 - As an assurance activity, it provides confidence to stakeholders (such as management and the board) that the organization's risk management, control, and governance processes are operating effectively.
 - As a consulting activity, it offers advice and recommendations to improve those processes. Internal auditors might suggest enhancements to procedures, controls, and systems that are not functioning as intended or could be improved.
3. **Designed to Add Value and Improve an Organization’s Operations:** The ultimate goal of internal auditing is to bring about positive changes that make the organization more efficient, effective, and capable of achieving its objectives. This involves identifying issues and recommending improvements that can help the organization save money, enhance processes, reduce risks, and ensure compliance with laws and regulations.
4. **Helps an Organization Accomplish Its Objectives:** By evaluating and recommending ways to improve risk management, control, and governance, internal auditing directly supports the organization in reaching its strategic, operational, financial, and compliance objectives.
5. **Systematic, Disciplined Approach:** Internal auditing follows a structured methodology to assess and improve the effectiveness of risk management, control, and governance processes. This approach includes planning the audit, conducting fieldwork to gather and analyze data, reporting findings, and following up on recommendations. It is disciplined in the sense that it adheres to professional standards and ethics.

¹ The Institute of Internal Auditors.

6. **Evaluate and Improve the Effectiveness of Risk Management, Control, and Governance Processes:**

- **Risk Management:** Assessing how the organization identifies, assesses, and manages risks to ensure they are within acceptable levels.
- **Control:** Evaluating the policies, procedures, and activities in place to ensure that risks are effectively managed and that the organization's objectives are achieved.
- **Governance:** Examining the structures and processes used by the organization to direct and manage its activities, ensuring accountability, integrity, and transparency.

In summary, internal auditing is a comprehensive function designed to independently and objectively assess and improve the processes that help an organization manage risks, control its operations, and govern itself effectively. Its ultimate aim is to add value by enhancing the organization's ability to achieve its objectives, operate efficiently, and comply with relevant laws and regulations.