

Behind the Tick

What Can Your Internal Audits Really Do For You?

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Internal Audit for the Wrong Reasons

With Internal audit now becoming a requirement, businesses sometimes find they are hiring audit staff purely to be able to tick that box, but then have no idea what to do with them.

Many auditors find they are just reproducing external audits, and while that might help when the external auditors came to visit, it doesn't provide much in the way of valuable information for the business.

An internal audit should be a constructive exercise designed to determine the extent to which procedures and practices in a management system are being complied with and to determine the effectiveness of the system. It is also a tool that can be used to identify improvements to the business processes and help with internal communications.

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What Are Internal Audits

Internal Audits are usually conducted by company employees, however there has been a rise in external specialist hired for the sole purpose of auditing - Just as you outsource your legal or financial roles you can also outsource audit roles.

Your internal audit is the most important of all audits. It requires a business to look at its own systems, procedures and activities to decide if they are right for the business and that staff are actually following them.

They provides management with information on whether or not their quality standards are being met, if the system is as efficient and as effective as it should be, and whether improvements are needed.

Also they can provide a line of communication throughout the company and be a great motivator.

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What Internal Audits Are Used For

The criteria for Internal Audits is usually the business's own policies, procedures and work instructions.

You are not looking to audit directly against a particular external standard during an internal audit, basically duplicating what a third party auditor would do, instead you are wanting to ensure your own policies and procedures are being used correctly in the day to day tasks.

Providing the internal documents have been developed in line with all the external compliance requirements, and reference the appropriate standards, your external requirements should be covered. However, an understanding of the standards and requirements does help to provide a basis as to what the documentation should include.

Dos and Don'ts

- An audit is used to gather information which is then reviewed and reported on. This report will often discuss the need for improvement or corrective actions that have been found
- It is not a witch hunt to place blame on an individual staff member or particular area of the business
- Audits should be conducted in a positive and transparent manner
- Your auditor should make you and your staff feel at ease and confident about the audit rather than have you fear them
- Your auditor needs to work with you to make sure your audit works for you, while still staying independent and objective about any information they have found

While it is a requirement of most standards and codes that audits are completed, rather than being seen as a chore or an imposition the audits should benefit the company.

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What a Good Audit Can Do

- Confirm if documented procedures are being followed
- Provide accurate information on the effectiveness of current procedures
- Assist with the development of continuous improvement plans
- Identify where changes to procedures are needed
- Improve awareness and understanding of process requirements
- Assist to minimise risk
- Improve work place safety
- Improve internal communication
- Confirm positive work practices
- Provide information to help increase the sales of your products or services
- Provide information to help you make more informed decisions to help your business grow

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Internal Audit Schedules and Scopes

As we have established that you are not wanting to just tick a box, you actually want to put your Internal audits to good use, your audit schedule should be based on risk assessments that you complete. Which areas of your business are showing they need extra attention at the moment? Which areas would you like more information about how they are really doing?

You also need to review your available resources when setting your audit schedule. How many audits can you realistically complete in a year? How many should you be doing? Are you able to complete enough audits to make you feel comfortable you are meeting your external requirements as well as finding the information that you actually need?

Just as you need to prioritise when creating the annual audit schedule it is also a large part in developing the scope of the audits. The scope sets out what is actually going to be looked at in the individual audit. Given the potential size of the areas and processes to be audited it is critical to know where your attention is needed most.

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Things to Consider

When creating your audit schedules and audit scopes you need to look at the following:

- Recently completed risk assessments
- Information relating to possible financial, product and / or supply impacts
- Quality of internal controls - Are they as strong as you believe they should be? Are they being used?
- Any customer complaints received
- Degree of change or stability - Has there been a large changeover of staff? Have the same staff been in the department since it started?
- Results of the last audit engagement and any corrective actions listed - Have they all been actioned?
- Discussions with staff at all levels about any areas they feel need attention
- Are any special skills or knowledge required to complete the audit?

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It is Your Audit

Ultimately regardless of who conducts the Internal Audit, internal staff or external contractors, it is your audit and you need to know what information you are wanting to look at.

They can be as simple or as complicated as you like. And remember, you are the only one who really knows what information is valuable to you.

If you want to find out why one area of your business always appears to do better than others, or what is the most popular day for your staff to have a day off, an internal audit can help you find that out.

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Want to Find Out More?

At KLM Audit & Compliance we specialise in relieving the stress and worry business people often feel when dealing with compliance issues.

By helping businesses achieve a greater insight to their daily operations we educate businesses on the importance and benefit of Internal Auditing.

For one off engagements or longer term projects KLM Audit & Compliance can provide the quality and experience you need.

Contact us today to discuss your compliance concerns
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