

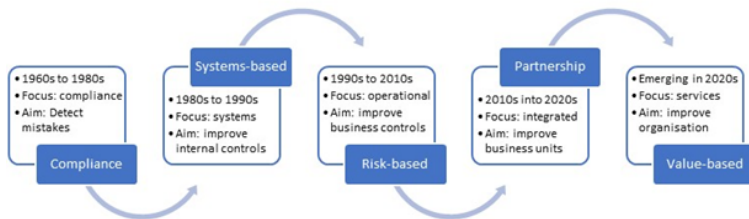
Factsheet: Accepting Management Requests

Evolution of Internal Auditing

The internal audit profession has evolved over time. Adoption of the current 'Definition of Internal Auditing' (see later) reflected two important elements:

- › Acceptance that internal audit could in fact provide both assurance and consulting (advisory) services.
- › The scope of internal audit work had broadened from pure controls to risk management, control, and governance.

The evolution of internal auditing over the last half-century is illustrated in the diagram below, with further details contained in the IIA-Australia Factsheet: 'Evolution of Internal Audit'. The services focus is explained in the IIA-Australia White Paper 'Internal Audit Service Catalogue'.



The mantra of modern management is that internal audit is there to do more than just confirm compliance and tell management what they already know. These days, audit committees and management are seeking greater value from internal audit, with a view to improving the business. The contemporary role of internal auditing is reflected in its definition, mission and principles contained in the 'International Professional Practices Framework' (IPPF).

The definition of internal audit is:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Internal audit lives within the organisation, so internal auditors should want the organisation to be successful and actively contribute to achieving that. Internal audit advisory services can help.

Scope of Internal Audit Work

The scope of internal audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in organisations to manage risks and promote effective and efficient governance and performance. The types of internal audit work will generally encompass:

Assurance Services	Consulting (Advisory) Services
An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements.	Advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

The IIA-Australia Factsheet 'Internal Audit Consulting' contains more details on the mechanics of internal audit providing advisory services.

If your internal audit function offers ad hoc internal audit services to the audit committee and management, they may be assurance or advisory services. The ad hoc nature occurs because they have been requested outside the approved internal audit plan and usually in response to an emerging risk (might happen) or issue (has already happened). Services may include:

- › Simple advisory service such as reviewing a new policy before it is issued.
- › Larger advisory service such as facilitating a series of workshops across business units of the organisation.
- › Simple assurance service such as acquitting a grant.
- › Complex assurance service such as a full scope engagement.

Before accepting a management request, internal audit should:

- › Make sure it is a legitimate request – a problem can be that management may see internal audit as their resource and seek assistance for tasks they really should be doing themselves.

- › Run a risk ruler over requests for advisory services to make sure it addresses a significant risk, will provide 'bang for the buck' and be good use of internal audit resources – an example 'Management Request Acceptance Form' is shown below.
- › Maintain independence.

The following diagram provides a guide for classifying the types of activities internal audit could consider as legitimate advisory services.

Simple	Important	Significant
› Low complexity	› More complex engagements	› Highly complex engagements
› Quick turnaround	› Longer duration (weeks)	› Ongoing duration (months)
› Helpful impact	› Impacts on decision-making	› Requires audit signoff
› Lower-level operational risk	› Mid-level to strategic risks	› Strategic-level risks
› Minimal resources needed	› Intermittent resourcing	› Ongoing resource commitment
› Time investment up to one day	› Time required 5 to 10 days	› Time required over 20 days
› Examples include policy and procedure changes; business continuity plans; minor control and business process enhancements; new product developments; new technology vendor selection	› Examples include restructuring; new systems; major business initiatives; role on steering committees; expansion of sites	› Examples include acquisitions; mergers; business closures and major reorganisation; joint venture; critical systems under development; new business lines; plant overhaul
› Team leader can approve	› CAE to approve and then confirm with audit committee	› Audit committee to approve
› Short comments in CAE's report to audit committee	› Periodic report on activity and outcomes to audit committee	› Quarterly progress report on outcomes to audit committee
› Typical nature - advice, training	› Periodic report on activity and outcomes to audit committee	› Typical nature - counsel, facilitation
	› Typical nature - advice, facilitation	

Source: Bruce Turner, *Team Leader's Guide to Internal Audit Leadership*

Acknowledgement

The content of this Factsheet has been informed by Ed Alegado of the Western Sydney Local Health District in Sydney, Australia.

Helpful References

Factsheet 'Evolution of Internal Audit', IIA-Australia

Factsheet 'Internal Audit Consulting', IIA-Australia

Factsheet 'Guest Auditors', IIA-Australia

White Paper 'Internal Audit Service Catalogue', IIA-Australia

'Internal Audit in Australia – second edition', IIA-Australia

'International Professional Practices Framework'; IIA Global

'Team Leader's Guide to Internal Audit Leadership', Internal Audit Foundation

Management Request Acceptance Form

Management Request Acceptance Form

Request title	
Brief request description	
Reason for request	
Risks associated with request	
Business unit	
Section	
Requester job title	
Requester name	
Requester line manager job title	
Proposed timing	

Request Assessment	Yes/No	Comments
Is the request something management should be doing themselves?		
Will accepting the request affect internal audit independence?		
Is risk associated with the request assessed as sufficiently high to justify internal audit providing the service for the organisation?		
Is risk associated with the request assessed as sufficiently high to justify internal audit providing the service for the requesting business unit?		
Will the request assist the organisation in achieving its strategic objectives and priorities?		
Are there other benefits if the request is approved?		
Are there implications for completion of the approved Internal Audit Plan if the request is approved?		
Are there resources with the right expertise to conduct the requested activity?		
Is the proposed timing achievable?		

Recommendation	Comments
Estimated resourcing and cost	
Recommendation: <ul style="list-style-type: none"> > Accept > Accept in modified form > Reject > Include in next year Internal Audit Plan 	
Proposed resourcing: <ul style="list-style-type: none"> > In-house > In-house and guest auditor > Service provider > Mix of in-house and service provider 	
Proposed funding: <ul style="list-style-type: none"> > From internal audit budget > Charge back to requesting business unit > Shared from internal audit budget and charge back to requesting business unit 	
Proposed timing agreed with requester	

Prepared by	<business unit head>	Date	
Approved by	Chief Audit Executive	Date	
For a significant internal audit service – approved by	Audit Committee Chair	Date	