



# INTRODUCTION TO INTERNAL AUDITING

*Enhancing the organization's ability to create, protect,  
and sustain value.*

# INTRO TO INTERNAL AUDITING: DEFINING INTERNAL AUDITING



Internal Auditing is an *independent, objective* assurance and advisory service designed to *add value* and *improve* an organization's operations.

Internal Audit *aids the organization* in accomplishing its objectives by bringing a *systematic, disciplined* approach to *evaluate* and *improve* the effectiveness of governance, risk management, and internal control processes.

# INTRO TO INTERNAL AUDITING: COMPONENTS OF A SUCCESSFUL FUNCTION



1. Internal Audit maintains *conformance* with The Institute of Internal Auditor's Global Internal Audit Standards.
2. The *Purpose, Value, and Importance* of the Internal Audit function is understood and embraced.
3. Promote Internal Audit's *Effectiveness* to enhance the organization through the services provided.
4. Establish a *three-way partnership* between the Audit Committee, executive management, and Internal Audit and support the fulfillment of the *Essential Conditions*.

# DOMAINS OF INTERNAL AUDITING

## THE GLOBAL INTERNAL AUDIT STANDARDS



### DOMAIN I

PURPOSE OF  
INTERNAL AUDITING

### DOMAIN II

ETHICS &  
PROFESSIONALISM

### DOMAIN III

\*GOVERNING  
INTERNAL AUDIT

### DOMAIN IV

MANAGING  
INTERNAL AUDIT

### DOMAIN V

PERFORMING  
AUDIT SERVICES

*\*The **Essential Conditions** of the Audit Committee and executive management are defined within **Domain III** of The Standards.*

# PURPOSE OF INTERNAL AUDITING

## GLOBAL INTERNAL AUDIT STANDARDS (DOMAIN I)



Internal auditing strengthens the organization's ability to **create, protect, and sustain value** by providing the Board and management with **independent, risk-based, and objective** assurance, advice, insight, and foresight.

### INTERNAL AUDITING:

#### Enhances The Organization's:

- ✓ Successful **achievement** of its objectives.
- ✓ Governance, risk management, and control processes.
- ✓ Decision-making and oversight.
- ✓ **Reputation** and **credibility** with its stakeholders.
- ✓ Ability to serve the **public interest**.

#### Is Most Effective When:

- ✓ Performed by **competent** professionals in **conformance** with the **Global Internal Audit Standards™**.
- ✓ **Independently positioned** with direct accountability to the BOWC through the Audit Committee.
- ✓ Free from undue influence and committed to making **objective assessments**.

# VALUE OF INTERNAL AUDITING

## ENHANCING ORGANIZATIONAL PRACTICES



### INTERNAL AUDIT EVALUATES & ENHANCES THE ORGANIZATION'S PRACTICES FOR:

#### GOVERNANCE

- Combination of processes and structures implemented by the board to *inform, direct, manage, and monitor* the activities of the organization toward the achievement of its objectives.

#### RISK MANAGEMENT

- Process to *identify, assess, manage, and control* potential events or situations to provide *reasonable assurance* regarding the achievement of the organization's objectives.

#### INTERNAL CONTROL

- Policies, procedures, and activities designed and operated to *manage risks* to be within the level of an organization's *risk tolerance*.

# DELIVERING VALUE

## INTERNAL AUDIT SERVICES & RESULTS



Water & Sewerage  
Department

### ASSURANCE:

- Assessments to **objectively examine** an organization's practices & processes.
- Establishes **trust** and **confidence** in an organization's governance, risk management, and control processes
- Provide **formal assurance** – an opinion determining how well the established **standards or criteria** is met.
- Engagement scope is **determined** by Internal Audit.
- **Formal report** issued with opinion, findings, and recommended actions.

### ADVISORY:

- **Specialized consultations** independent of management responsibilities.
- Provide **guidance** and **recommendations** to enhance operations.
- **Prepares** an organization for compliance, new programs, and assurance services.
- Engagement scope may be **agreed upon** between Internal Audit & management.
- **No formal** opinion or report issued.

# EFFECTIVE INTERNAL AUDITING COMPONENTS FOR ENABLING SUCCESS



An effective Internal Audit function is **critical** to the **successful achievement** of organizational objectives.

## EFFECTIVE INTERNAL AUDITING IS ENABLED WHEN:



Appropriate **governance** and **resource arrangements** enable Internal Audit to fulfill expectations of the board and management.



A three-way **partnership** between the Audit Committee, executive management, and Internal Audit is established and maintained.



Executive management and the Audit Committee fulfill their **Essential Conditions** to support Internal Audit's success.

# ESSENTIAL ROLES

## A THREE-WAY PARTNERSHIP



Water & Sewerage  
Department

### AUDIT COMMITTEE

- Enabling overall *strategic direction* and *success* of DWSD's Internal Audit Function.
- Promoting accountability for *management's governance, risk management, and internal controls activities*, including compliance with legal, regulatory, and ethical expectations.
- Support and provide oversight of the Internal Audit function to ensure it is *independent, objective, properly resourced, and competent*.
- Advises on Internal Audit's *authority, roles, responsibilities, scope, services, and expectations*.

Accountability,  
reporting



Delegation, direction,  
resources, oversight

Accountability,  
reporting



Delegation, direction,  
resources, oversight

### EXECUTIVE MANAGEMENT

- Lead and direct the *execution* of organizational objectives set forth by the board.
- Establish and maintain *appropriate structures and processes* for the management of operations and risk.

Alignment,  
communication,  
coordination,  
collaboration



### INTERNAL AUDIT

- Maintain direct *accountability* to the Audit Committee, *independent* from management.
- Provide *independent* and *objective* assurance and *strategic* advice.
- Promote the *improvement* and *achievement* of organizational objectives.
- *Enhance* organizational practices.

# ESSENTIAL CONDITIONS

## CRITICAL SUPPORTING ACTIONS



The **success** of the Internal Audit function requires both the **Audit Committee** and **Executive Management** to provide **support** to the Internal Audit function through performance of **critical supporting activities**, the “**Essential Conditions**”.

The **Essential Conditions** are **most effective** to support Internal Audit when:

- Performed in a three-way **partnership**.
- The **value** and **importance** of Internal Audit is understood and embraced.
- The **organizational position, roles and responsibilities** of Internal Audit, Executive Management, and the Audit Committee are clear.

# EFFECTIVE INTERNAL AUDITING

## ENABLING THE FUNCTION'S SUCCESS



*Internal Audit's Purpose, Value, & Effectiveness are supported by:*

- **Audit Committee Charter\***
- **Internal Audit Charter, Strategy, Methodologies, & Policies\***
- Risk-Based Internal Audit Plan
- Competency Framework
- Quality Assurance & Improvement Program's internal & external results
- Acknowledgement of Ethics & Professionalism
- Essential Relationship & fulfillment of Essential Conditions

***\*Foundational documents establishing authority, roles, responsibilities, scope, and types of Internal Audit activities and expectations.***