

Chapter 4

NATURE AND SCOPE OF INTERNAL AUDITING

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Chapter 4 - Nature and Scope of Internal Auditing

400. Internal Auditing Defined

1. The Institute of Internal Auditors "International Standards for the Professional Practice of Internal Auditing" defined internal auditing as:

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.

401. Role of the Internal Auditor

1. The job of the internal auditor is to investigate and appraise the system of internal control and the efficiency, effectiveness, and economy with which the various units of an organization are carrying out their assigned functions. In a large organization, such as the University, it is necessary that a large number of divisions, colleges, schools, departments and activities exist each with its own manager. While the manager of each unit is guided by general policies and procedures established by University management, they enjoy, at the same time, a considerable amount of freedom within the limits of these policies and procedures. Thus, the decentralization of authority to a great number of organizational units sets the stage for the internal audit. It is the responsibility of Audit and Management Services to appraise the problems and performance of various departments in the organization. As a representative of management, the internal auditor is interested in determining whether each division or department has a clear understanding of its goals, assignments, maintains good records, protects cash, inventories, and other assets properly, cooperates harmoniously with other departments, and in general, carries out effectively the function provided for in the University's overall plan of organization.
2. The Institute of Internal Auditors has stated more specifically that the attainment of this overall objective of service to management should involve such activities as:
 - A. Reviewing the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information.
 - B. Review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the operations and reports, and determining whether the University is in compliance.
 - C. Reviewing the means of safeguarding assets and, as appropriate, verify the existence of such assets.

- D. Appraising the economy and efficiency of resources employed by the University.
 - E. Reviewing operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are carried out as planned.
3. In seeking to put into practice the audit concept and philosophy embodied in the institute's definition, it is the overall objective of Audit and Management Services to assist all members of University management in the effective discharge of their responsibilities by providing them with objective analyses, appraisals, recommendations, counsel, and information concerning activities reviewed. In our efforts to be of maximum service to the management of James Madison University, we must constantly strive to accomplish these audit objectives.