

# THE RELATIONSHIP BETWEEN MANAGERIAL ACCOUNTING AND INTERNAL AUDITING

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This involves: Conducting special studies Analyzing business policies, processes and procedures Defining audit objectives Deciding the nature and extent of the audit procedure Stating final opinions and conclusions Reporting and distributing findings to the board and management Arguably, one of the most important aspects of an internal auditor's job is the ability to perform an objective evaluation of a company's activities. Professional internal auditors are mandated by the IIA standards to be independent of the business activities they audit. This may include reporting critical management control issues, suggesting questions or topics for the Audit Committee's meeting agendas, and coordinating with the external auditor and management to ensure the Committee receives effective information. Internal Auditing Practice Standards Although laws are in place requiring companies to conduct ongoing audits of their operations, qualification and practice standards for auditing professionals are unregulated by state and federal licensing departments. Describing the key risks facing the business activities within the scope of the Audit. Internal Audit Execution[ edit ] A typical Internal Audit Assignment [12] involves the following steps: Establishing and communicating the scope and objectives of the Audit to appropriate members of management. To do this, a full internal audit is performed and all processes, systems and internal controls will be thoroughly evaluated. The Act also set forth several mandatory audit requirements in Section 10A for publicly traded companies. Employee guide. Quality of Internal Audit Report [14] [ edit ] Objectivity - The comments and opinions expressed in the Report should be objective and unbiased. The internal audit function is often used as a "management training ground" to provide employees with a deeper knowledge of the company's operations before they are rotated into a management position. Information technology audits ensure that only authorized users are able to gain access to privileged information and that the information itself is accurate. Deployment of IT systems for the operations based on cost-benefit principle. This helps guide the IA function in its mission of helping the organization address the risks it faces. Relationship between Internal Control and Internal Audit In light of the above highlights of internal control and internal audit, it clear that there is a complementary relationship where the internal control establishes the controls based on which a business entity should be managed while the internal audit represents a detective activity, which verifies the implementation of internal controls. Scoring on dimensions such as professionalism, quality of counsel, timeliness of work product, utility of meetings, and quality of status updates are typical with such surveys. In such cases, the auditor will need to work closely with management and the owners of the business to refine controls and develop internal auditing procedures. If you would like to work in internal auditing, you should be happy to hear that the demand for internal services is on the rise. However, this is primarily qualitative and therefore difficult to measure. Our process assessment services include analysis of financial or other processes to understand how current practices compare to client policies and expectations. Conclusion The internal control is a preventive tool employed to achieve specific objectives, namely: Operation objectives These are related to effectiveness and efficiencies of operations including financial and operations performance objectives, and protection of assets against loss. Although internal auditors generally hold baccalaureate or graduate degrees, they haven't all participated in a rigid course of study exclusively in the area of auditing. Corporate legal counsel often prepares comprehensive assessments of the current and potential litigation a company faces. It is wise to research the job outlook in any field before you spend the money on a degree. This is an inaccurate assumption. The required organizational independence from management enables unrestricted evaluation of management activities and personnel and allows internal auditors to perform their role effectively. Internal auditors perform audits to evaluate whether the five components of management control are present and operating effectively, and if not, provide recommendations for improvement. Audit philosophy[ edit ] Some of the philosophy and approach of internal auditing is derived from the work of Lawrence Sawyer. The fundamental role an internal auditor is to assess risk and how the organization manages risk. His philosophy and guidance on the role of internal audit was a

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forerunner of the current definition of internal auditing. Who Uses Internal Auditing Procedures? Portfolio of services: IA functions may provide traditional audit assurance across the risk spectrum as well as consulting project support in a variety of areas such as project management, data analysis, and monitoring of major company initiatives. This places the CAE in the position to report on many of the major risks the organization faces to the Audit Committee, or ensure management's reporting is effective for that purpose. Larger audit functions may establish specialty areas to handle their service portfolio. Corporations can promote objective auditing by employing auditors that do not serve in any other capacity within the organization.