

## Reengineering the internal audit function

### The issues

Traditionally, the primary objectives of internal audit were directed at the evaluation of financial compliance, assessing the reliability of financial information and complementing the external auditors' work.

However, the role and nature of internal audit is rapidly changing. Financial and compliance testing are not enough to satisfy today's management. Today, organisations are expecting their internal audit functions to add value by being more operationally focused.

It is not often cost effective for in-house internal audit functions to have the resources and specialist skills to deal with these changes. A specialist with an understanding of the client's business and the changes that have occurred, and access to a comprehensive library of Internal Audit Best Practices is required to make the necessary recommendations.

### How KPMG can help

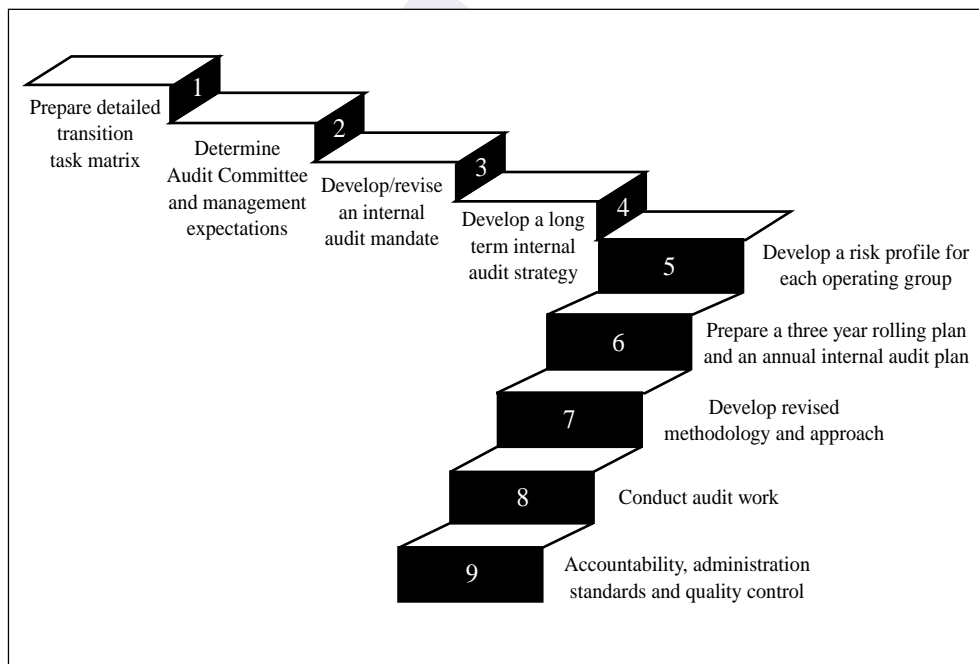
In reengineering an internal audit department, KPMG facilitates the transition from traditional to world class standards, by transforming the focus from compliance to process, adding a risk orientation, and, when appropriate, broadening the department's scope from local to national or global.

*Effects of the shift from a traditional to a world class internal audit function*

Traditional	→	World class
<ul style="list-style-type: none"> <li>■ Detection</li> <li>■ Policeman</li> <li>■ Audit focus</li> <li>■ Cost focus</li> <li>■ Functional focus</li> <li>■ Career auditors</li> <li>■ Hierarchical</li> <li>■ Manual</li> <li>■ Fragmented approach</li> </ul>	<ul style="list-style-type: none"> <li>→</li> <li>→</li> <li>→</li> </ul>	<ul style="list-style-type: none"> <li>■ Prevention/Risk</li> <li>■ Business partner</li> <li>■ Business focus</li> <li>■ Customer focus</li> <li>■ Process focus</li> <li>■ Career development</li> <li>■ Horizontal</li> <li>■ Harness technology</li> <li>■ Integrated approach</li> </ul>

Managing the transition from the current compliance internal audit focus to a risk based operational focus requires a structured and planned process to ensure that the new function will meet the needs of management and the Audit Committee now and in the future. The transition process will involve:

*The transition process*



**The benefits**

Reengineering the internal audit function will ensure that:

- internal audit keeps pace with management’s expectations;
- the internal audit focus and planning process reflect the organisation’s needs;
- there are clear reporting lines and that the structure and status of internal audit within the organisation is appropriate; and
- work methodologies comply with internal audit standards and best practice.