

# Advisory Alert: Five steps for a high-performing internal audit function

A strong internal audit (IA) function can provide your higher education institution with an independent, objective perspective; help improve its compliance and controls; and increase the efficiency and effectiveness of operations. Here are a few recommendations to maximize the value provided by your IA function, based on our experience as outsourced and co-sourced internal auditors, as well as our knowledge of industry best practices:

1. **Establish a strong tone at the top.**  
Support from leadership is crucial to the IA department's ability to function effectively and help your institution be at the top of its game. Strong support from the board and senior management helps communicate the importance of IA's activities to the institution's community. IA should regularly discuss findings, recommendations and emerging risks with senior leadership, and develop value-added, implementable recommendations that can trigger positive change within your institution. Although the IA function needs to earn its reputation for excellence, we have seen that senior management's open support can pave the way for an efficient and effective IA function.
2. **Promote the IA function's independence.** IA should be independent from management and the business functions that it reviews in order to allow the department to perform its

duties in an unbiased manner, free from interference or compromised relationships. Ideally, IA should report directly to the board of trustees or the audit committee, although we have often seen it report administratively to the president, executive vice president, CFO or general counsel. An independent and objective IA department can more effectively monitor the institution's compliance and controls, and decrease the risk of fraud.

## Key internal audit roles

The objective of IA is to help the organization achieve its goals by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. Here are six fundamental IA duties:

1. Identify and prioritize areas of risk throughout the organization.
  2. Mitigate these risks through targeted audit plans, resulting in findings and recommendations for change.
  3. Evaluate the effectiveness of internal controls from a best practices perspective.
  4. Assess compliance with laws, regulations and contracts.
  5. Recommend process improvements that address the efficiency and effectiveness of operations.
  6. Follow up on recommendations and report on remediation efforts.
3. **Line up skilled, flexible resources.** IA knows to expect the unexpected. Special projects, "fire drills" often associated with



## Contact us

For assistance in this matter, please contact us via [ojel.rodriguez@pr.gt.com](mailto:ojel.rodriguez@pr.gt.com)



Adding true value means exceeding our clients' expectations, anticipating their needs and being proactive and innovative in the accounting profession.

Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

Download for free the application. Available for iPhone, Motorola and all tablets.



Follow us on and

November 11, 2016

**DISCLAIMER:** This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2016 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.kevane.com](http://www.kevane.com) for further details.

fraud or special investigations, and shifting priorities are now the norm. Many IA functions struggle to provide value, often due to a lack of experience. A skilled and diverse staff is needed to deal with the unexpected and to create and effectively execute a well-rounded audit plan. A high-performing IA department should include staff with a mix of skills and experience, including compliance and controls, operational improvement, and more specialized areas such as IT systems and infrastructure. If your institution has a modest IA staff, consider co-sourcing as a viable way to supplement existing in-house skills and resources with specialized talent and experience.

- 4. Leverage IA's expertise in strategic risk assessment.** In an increasing number of institutions, IA no longer simply acts as an institution's compliance cop. Many strong IA functions have also been serving in a consultant-like capacity, making recommendations to improve the institution's operational efficiency and effectiveness. To become a high-performing function, IA's observations and recommendations must provide actionable insights that align with your institution's strategic priorities and provide maximum value to your institution. Increasingly, we have seen institutions' IA functions participate in the institutional enterprise risk management (ERM) program. IA's risk assessment experience and institutional knowledge can be great resources when you set out to identify the risks to achieving your strategic goals (i.e., strategic risk). IA can also participate in

the ERM process by assessing current and recommended risk mitigation practices.

- 5. Perform a quality assurance review (QAR).** The Institute of Internal Auditors (IIA) recommends that self-assessments of the IA function be performed periodically (we suggest annual IA self-assessments), while third-party assessments should be performed every five years. A QAR can be a key driver in improving IA's performance because it assesses the function's adherence to the IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The QAR also evaluates how effective the IA function is in fulfilling its mission, and identifies ways to enhance IA's management and work processes, as well as the value it ultimately brings to the institution.

See more at:

<https://www.grantthornton.com/issues/library/whitepapers/nfp/2014/5-steps-for-high-performing-internal-audit.aspx#sthash.lzzRvegA.dpuf>

**Call us to make an appointment with one of our experienced advisors. We will be glad to assist you.**

DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2016 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.