

# Internal Audit



***“The most erroneous stories are those we think we know best - and therefore never scrutinize or question.” Stephen Jay Gould***

Internal Audit has an important role in every business: to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively. Internal auditors deal with issues that are fundamentally important to the survival and prosperity of any organisation. Unlike external auditors, they look beyond financial risks to consider wider issues such as the organisation’s reputation, growth, its impact on the environment and the way it treats its employees.

At a minimum, Internal Audit exists to prevent damage and loss. A competent Internal Audit department knows how to effectively capture, assess and respond to business risks, whilst adding value through wealth protection and cost reduction.

As business environments become increasingly complex and regulations more onerous, today’s Internal Audit departments face many challenges that compromise their ability to be effective and independent.

**Resources** - Audit functions must ensure that they are adequately staffed and with personnel who have the appropriate technical skill sets.

**Change** - Auditors need to be agile and respond quickly to changing business needs, new products and operations, new regulations and industry events. Continuous monitoring is an integral aspect of auditing to respond to emerging organisational risks.

**Independence** – Internal auditors often face pressure from management to “tone down” reported issues. As auditors increasingly try to model themselves as “business partners” the line between auditor and advisor becomes more blurred.

## Audit services

We help our clients navigate these challenges through a variety of audit services including: co-sourcing and outsourcing relationships; technical support; knowledge transfer and training; and audit effectiveness reviews.

## Outsourced solutions

As companies are being driven to do more with less, the IA function has become a prime candidate for strategic sourcing. Achieving effective IA capabilities need not require a significant level of investment in skilled resources, methods, training and technical infrastructure.

In an outsource arrangement KSC can perform all aspects of internal audit. We will provide input into your risk register, build the audit plan, perform all aspects of testing including continuous monitoring and following up of action plans, attend audit committees, and liaise with external auditors and other third parties.

An outsourced approach to internal audit offers several benefits:

- Access to all the technical skills of a specialist consultancy.
- A strong independence culture as the outsourced supplier is not compromised by their relationship with management.

- The cost flexibility of being able to increase or reduce the level of service quickly and easily.

In addition the Kingston Smith Consulting approach eliminates the two major disadvantages of outsourcing:

- Our core team is involved in every audit and develops an intimate knowledge of your business. Niche experts supplement the core team rather than dilute it.
- We apply a delivery methodology modelled on the most efficient assurance functions in the world. The cost of the service is often less than an in-house function and its productivity almost always higher.

#### **Co-sourcing solutions**

This is similar to the outsourcing solution, however we supply highly skilled staff to supplement the client's existing audit team as business needs arise. This could be to meet short term resource requirements, specific industry knowledge or the technical skill set of one of our subject matter experts. Our "Experience" model means that we only employ staff who have at least 10 years' experience working in audit.

Whether we are supporting our clients in an outsourced or co-sourced audit capacity, we will ensure that we transfer our knowledge to the client audit team. This is done through regular update meetings with management, coaching and

mentoring staff, informal and formal training sessions.

#### **Training solutions**

KSC provides training and mentoring to client's staff on all aspects of internal audit including specialist technical areas such as Information Technology audit. We help our clients build their own bespoke audit methodology that best suits the size and type of organisation – it is certainly not a one size fits all solution!

We also have a number of clients for whom we run regular workshops on subjects such as FSA hot topics, new regulations and emerging industry issues.

#### **Audit effectiveness solutions**

We have developed various quantitative and qualitative metrics to measure the effectiveness of your audit department. We then use these metrics to quality assure and benchmark your audit function against industry best practice.

#### **Flexible solutions**

We recognise that different organisations have very different needs in both the quantity and style of internal audit work. KSC's IA solutions can help your organisation to achieve a level of flexibility which can be critical in effectively dealing with a range of operational issues, whilst at the same time ensuring best practice methodology.

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#### **About Kingston Smith Consulting LLP**

Kingston Smith Consulting is the specialist consulting practice of the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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