

Five Reasons You Should Have an Internal Audit

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There are a multitude of reasons why an internal audit function can benefit an organization. They include assisting with decisions and controlling risk around turnover, evaluating high-risk ventures, performing routine check-ins, staying current with compliance requirements, and assisting an organization or department during a period of change. Whether you have ever thought about implementing an internal audit function or not, here are five reasons why it might be a good fit for you:

1. You are in a position of leadership or governance in your organization.

Internal audit starts with governance. The board, the CEO, management, or the owner takes a minute to ask, "Do I know what I need to know about my organization to run it properly?" Internal audits help those in charge of running their organization have the best information about how efficiently and correctly their departments are operating. A leader without good information is effectively leading blind. Internal audits can help leaders learn about how their organization is functioning so they can make decisions with the best information possible.

2. You have questions about a department or function in your organization.

Some departments keep to themselves or are so technically advanced that it can be difficult to understand how they do what they do. Take the guessing out of the equation with an internal audit tailored to report on how the department performs. This can often include recommendations for communication techniques to prevent guessing in the future. No area of a business should be foreign or intimidating to those running the business and an internal audit can shed light on specific departments or processes.

3. Your policies and procedures have not been examined in a while.

Many organizations with long histories tend to rely on specific individuals or institutional knowledge to do what they do well. If a single key person left the department, they take with them years or decades of knowledge that can be hard to replicate without detailed instructions. An internal audit of your policies and procedures can ensure they are current to your practices and reduce the risk associated with turnover. Even if your policies have been updated recently, a second set of eyes via internal audit can go a long way to ensure there are no missing areas.

4. You have regulatory compliance requirements to meet.

Maintaining compliance requirements for a government agency or third party can be a huge burden on a business owner's mind. The risk of a failed compliance check by a regulatory body is a public relations nightmare that can also have significant financial penalties. Internal audits provide an opportunity to spot gaps in compliance, and give you a chance to fix them before regulators or other outside parties even know an issue may have existed. These audits can save both money and reputation when conducted in high-risk areas.

5. You want to know more about best practices in your industry.

Internal audit can certainly help businesses to correct known or suspected issues, but it can also add value by exploring comparisons to industry best practices. The perspective of an objective third party with national resources can offer suggestions and tweaks to turn an already well-functioning operation into a model of efficiency and productivity.

If you think an internal audit function would be beneficial for your organization or would like to discuss your internal audit options, please contact the Internal Audit team at Kernutt Stokes.