

Caribbean Association of Audit Committee Members Inc.

Co-ordinating the Work of the Internal
and External Audit functions
July 2009

Agenda

- External Audit Objectives
- Internal Audit Objectives
- Benefits of Integrated Approach
- Common Pitfalls

External Audit Objectives

- Determine whether, in the auditors opinion, the statements present fairly in all material respects, the financial position of the entity as of the reporting date, and its financial performance and its cash flows for the year then ended in accordance with appropriate accepted accounting standards (IFRS).
- Involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
- Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

External Audit Objectives

- In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

Internal Audit Objectives

- To provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's performance
- To assist the entity in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

Same or Different?

- Common areas
 - Focus on risk management and internal controls
 - Independence
 - Objectivity
- Different priorities
 - External
 - Adequacy in design and consistency in application
 - Internal
 - As for external, but also includes assessment of efficiency and effectiveness
 - Scope not limited to financial reporting

Benefits of an Integrated Approach

- Audit efficiency
 - Avoidance of duplication and overlap
- Potentially lower audit costs, through optimised efficiency
- Implementation of recommendations
- Mutual enhancement of functions

Common Pitfalls

- Integration driven solely or primarily by issues of potential cost savings
- Failure to recognise differing priorities
- Attempts to use IA function as an extension of the external audit team
- Poor communications and co-ordination

Questions?