



INTERNAL AUDIT METHODS AND THEIR IMPORTANCE

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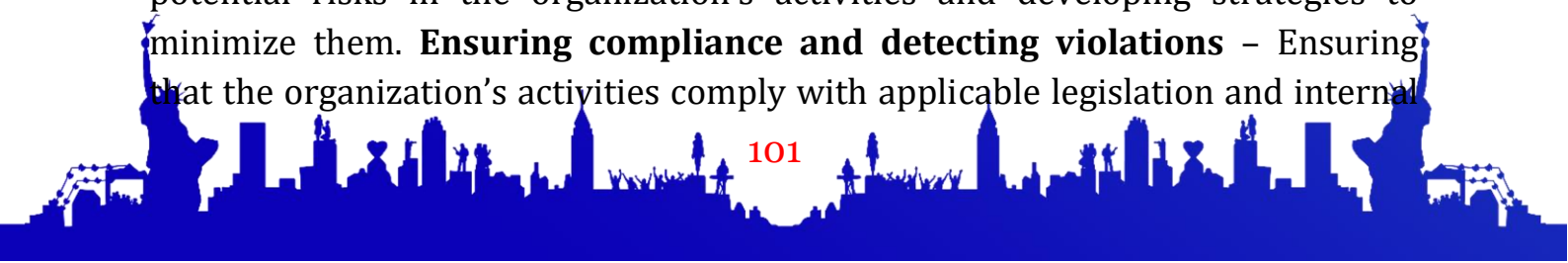
Abstract. Internal audit is a department or organization within a company tasked with the impartial and independent analysis of systems, business organizations, and processes. The role of the internal audit department is to provide senior management and governing bodies with an objective source of information regarding: The organization's risks, The control environment, Operational efficiency, Compliance with applicable laws and regulations.

Key words: Similarities Between Internal and External Audit, Planning Phase, External Audit.

Introduction. Internal audit involves analysis and inspection methods aimed at evaluating control mechanisms within an organization and improving process efficiency. This process helps the organization achieve its goals, ensures the rational use of resources, and reduces risks. Below is a comprehensive overview of internal audit methods and their significance.

Since internal audit reports to senior management, it is appropriate for its activities to be overseen exclusively by the CEO or the Board of Directors through the Audit Committee. Internal audit members must remain independent of internal policies and be impartial to provide management with an objective source of information. Under the leadership of the Audit Committee, internal audit systematically collaborates with management to review control activities over key systems and processes. The inspections conducted by internal audit are often referred to as internal audits. Internal audit can be used to assess an organization's performance or the execution of a process against a set of standards, policies, benchmarks, or regulations. These audits may include evaluations of corporate governance, accounting, financial reporting, and IT general controls within the organization.

The main objectives of internal audit Internal audit helps the organization achieve the following objectives: **Identifying and mitigating risks** – Detecting potential risks in the organization's activities and developing strategies to minimize them. **Ensuring compliance and detecting violations** – Ensuring that the organization's activities comply with applicable legislation and internal





policies. **Ensuring financial reliability** – Guaranteeing the accuracy and correctness of financial documents. **Improving efficiency** – Promoting the rational use of resources and enhancing operational processes.

Methods of Internal Audit Various methods are used in the internal audit process, each aimed at obtaining, analyzing, and evaluating specific information.

1. **Document Analysis.** By reviewing the organization's financial reports, contracts, purchase-sale transactions, and other documents, the accuracy and reliability of the data are determined. **Advantages:** Allows the study of the organization's real activities through documents. Provides the opportunity to obtain precise information about the organization's financial condition.

2. **Conducting Surveys and Interviews.** Through interviews and surveys with employees, a detailed understanding of processes is gained, as well as information about the employees' tasks and how they are performed. **Advantages:** Direct communication with employees helps identify problems. Provides an opportunity to study the internal environment of the organization.

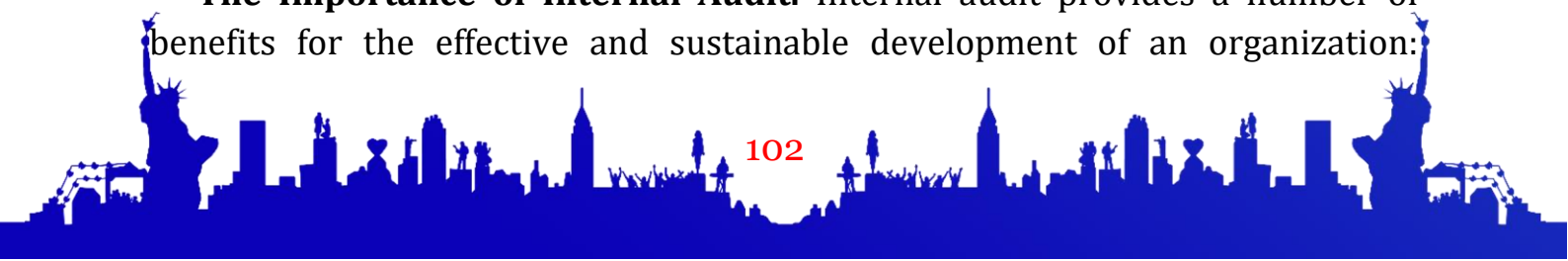
3. **Observation and Monitoring.** By observing operational processes within the organization, employees' activities are assessed in real-time. This helps ensure the efficiency of the process and its compliance with standards. **Advantages:** Identifies operational efficiency by directly observing the processes. Allows real-time evaluation of whether changes are needed.

4. **Data Analysis.** Through the analysis of financial, operational, and other statistical data, a deeper understanding of the organization's performance is developed. This process is used to identify risks and improve efficiency. **Advantages:** Provides complete information on financial and operational efficiency. Identifies risks and weaknesses.

5. **Comparative Analysis.** By comparing the organization's internal and external indicators, the effectiveness of operations is evaluated, and areas for improvement are identified. Comparative analysis allows the organization's position to be determined in relation to competitors and industry benchmarks. **Advantages:** Helps assess the organization's standing in the industry. Aids in enhancing competitiveness.

6. **Risk Analysis and Management.** Identifies risks within the organization and assesses their impact on financial and operational activities. This analysis helps develop and implement strategies to mitigate risks. **Advantages:** Helps ensure the organization's safety. Improves financial stability.

The Importance of Internal Audit. Internal audit provides a number of benefits for the effective and sustainable development of an organization:





Ensuring Financial Reliability: Internal audit ensures the accuracy and reliability of reports and financial data, which is crucial for management. **Risk Management:** Timely identification and mitigation of risks allows for addressing problems at an early stage, helping protect the organization from financial losses and risks that could damage its reputation.

Improving Process Efficiency: One of the main tasks of internal audit is to analyze the processes within the organization and identify opportunities to improve efficiency. This contributes to optimal resource utilization and enhances operational effectiveness.

Increasing Confidence: Based on the results of internal audits, management and stakeholders (investors, shareholders) gain reliable information about the organization's financial and operational activities.

Supporting Planning and Strategic Decision-Making: Internal audit is an important resource in helping the organization achieve its long-term strategic objectives. Based on audit findings, planning processes are improved, and making strategic decisions becomes easier.

Who conducts the internal audit? Internal auditors, usually employees of the company, carry out the internal audit. However, companies that lack the necessary expertise or workforce may outsource this task to an external organization. Internal audit – assessing and improving the effectiveness of management, risk management, and control over key processes. Providing the board and management with information and assurances related to their responsibilities.

Where do internal auditors report? Internal auditors prepare reports summarizing the results of audits and their findings once the audits are completed. Typically, there is no specific physical location where these reports are stored. However, internal audit usually reports the results of its findings to management members who have oversight responsibilities. Internal audit also reports on its activities, including key findings, at meetings of the Audit Committee.

Conclusion. The goal of internal audit is to identify weaknesses in the organization's processes and internal control environment, enabling corrective actions to be taken as quickly as possible to prevent harm to the organization or its stakeholders. Accordingly, the internal audit plan should be developed based on risk, meaning it should focus on areas that pose the greatest threat to the company. The internal audit plan should also align with the organization's strategic needs. Similarly, each internal audit objective should correspond to the

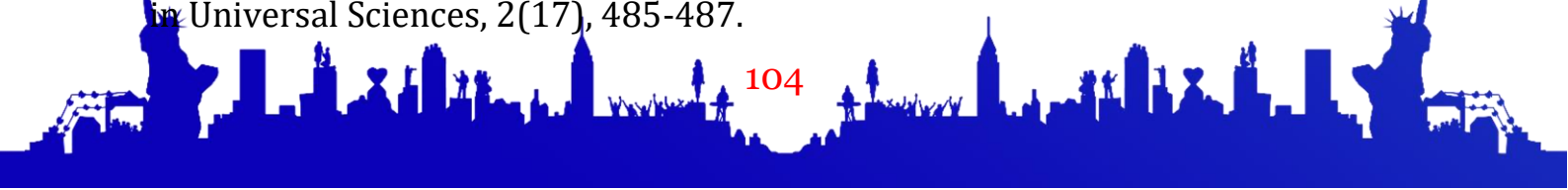




audit plan. Internal audit plays a crucial role in ensuring the effectiveness and sustainability of the organization. By thoroughly analyzing all aspects of the organization's operations, internal audit helps identify shortcomings and take corrective actions. Therefore, internal audit is a key tool that significantly contributes to the company's growth and development

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