



## *The Audit Perspective*

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### **Five Classic Myths About Internal Auditing**

The modern internal audit profession has been around for less than 100 years. Yet it is amazing how many myths and misperceptions have evolved about the profession in such a relatively short period of time.

#### ***Myth #1: Internal auditors are accountants by training.***

One of the most common misperceptions about internal auditing is that the auditors are all “bean counters” who focus solely on their companies’ financial records. There is an obvious grain of truth in this internal audit myth: A solid audit or accounting background can be helpful for a career in internal audit. But internal auditors commonly address fraud risks, compliance issues, and a myriad of operational issues that are unrelated to accounting, and the auditors’ backgrounds are likely to be as diverse as the operations they audit. An accounting degree is not the only path for career success, and these days it’s not even the most common path: A recent survey by The IIA’s Audit Executive Center indicates that audit executives are now recruiting job applicants with analytical/critical thinking ability, data mining skills, business acumen, and IT skills more often than they seek applicants with accounting training.

#### ***Myth #2: Auditors are nitpickers and fault-finders.***

At the heart of several jokes about internal auditors is the misperception that we are dead set on picking apart processes and

ruining the reputations of the people who do the “real work.” According to the myth, the auditors are viewed as the group who “bayonets the wounded after the battle is over,” distracting management from more important responsibilities.

In reality, of course, internal audit’s focus is on major risks rather than on nitpicking details. Audit resources are limited, and when auditors focus too much attention on minor issues, they are limiting the time available for addressing the major risks and controls that are at the heart of internal audit. Any auditor would rather report on a \$6 million cost savings than on a \$6 error!

***Myth #3: It’s best not to tell the auditors anything unless they specifically ask.***

This myth can be actively damaging, so it is unfortunate the advice has made its way into more than one “How to Survive an Audit” article. Audit clients are sometimes given this advice by well-meaning friends, but it results in less efficient audits and wastes everyone’s time. If auditors believe their clients are purposefully hiding information, whether by omission or commission, they normally will increase the scope of the audit to determine whether other important information has gone unreported. The purpose of internal auditing is to add value and improve an organization’s operations, and hiding information is against everyone’s best interests.

***Myth #4: Internal auditors follow a cycle in selecting their audit “targets” and use standard checklists so they can audit the same things the same way each time.***

This myth is less true with each passing year. Our professional standards require risk-based plans to determine our priorities, both in developing audit plans and schedules and in planning individual audits. Obviously some risks justify repeat audits on a regular basis, and there are some types of audits — for example, certain compliance reviews required by regulators — where audit programs and checklists are unlikely to see major changes from year to year. But in general, internal auditing has become a dynamic profession that can change any time an organization’s risks change.

***Myth #5: Internal audit is the corporate “police function.”***

As Lord Justice Topes once said, “The auditor is a watchdog and not a bloodhound.” In my experience, the best auditors are almost always those who create a rapport with audit customers. When an auditor’s behavior is accusing or aggressive, they are far more likely to be met with resistance than when they treat findings as an opportunity to help accomplish objectives and facilitate improvement. Breaking down this stereotype is so important that most internal audit groups actively encourage clients to think of internal audit as a coach, not a cop.

*References: Chambers, Richard (2012, June 20). Five Classic Myths About Internal Auditing. Retrieved from <http://iaonline.theiia.org>*

## **Getting to Know Internal Audit**

### ***What is Internal Auditing?***

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

An effective internal audit activity is a valuable resource for management and the Board due to its understanding of the organization and its culture, systems, operations, and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Help senior management and the Board fulfill their governance and oversight responsibilities by providing assurance about the effectiveness of internal controls.



Understanding the Value of Internal Auditing in just 3 Minutes! [www.acua.org/movie](http://www.acua.org/movie)

### ***Who is Internal Audit at UM?***

There are 6 employees in the Office of Internal Audit. We act as advisors, consultants, and we perform audits. We're here to help! Visit the [staff directory](#) on our website for our individual contact information. Or, you can call us anytime at 662-915-7017 or email us at [auditing@olemiss.edu](mailto:auditing@olemiss.edu).

### ***Who does Internal Audit report to?***

Our department has a dual reporting responsibility between the Chancellor and Chief Audit Executive at the IHL.

### ***Does Internal Audit get audited?***

Yes, Internal Audit is subject to external audit just like any other department on campus.

### ***Where is Internal Audit located?***

306E Kinard Hall

### ***What do Internal Auditors do?***

- Review processes and procedures
- Assess controls

- Evaluate risks
- Improve operations
- Assure safeguards
- Offer insight and advice
- Communicate results and recommend action



Internal auditors assess other aspects of the organization such as ethics and values, performance management, and they communicate risk and control information in order to facilitate a good governance process.

***What are internal controls?*** Those elements that support people to:

- Operate effectively and efficiently
- Safeguard assets from fraud, waste, and abuse
- Produce reliable and timely information
- Comply with policies, laws, and regulations

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to management and the Board that internal controls are effective and working as intended.

***How can Internal Audit help a department?***

- Add value to and improve organizational operations
- Establish effective controls, processes, and procedures
- Reduce costs, enhance revenue, and improve profits
- Avoid unnecessary risks

### **Tools on Internal Audit's Website**

Several useful tools and information can be found on the [Internal Audit website](#):

- A [Self-Assessment](#)
- Information about the [EthicsPoint Hotline](#)
- [Record Retention Guidelines](#)
- [Information on the Audit Process](#)
- [Information on Account Reconciliation Training](#)
- [Newsletter Archives](#)
- [Frequently Asked Questions](#)

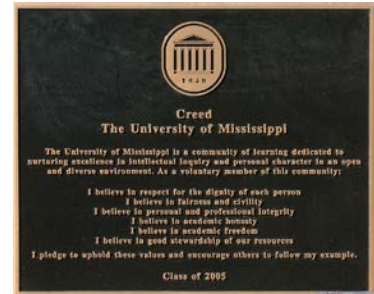
## Training with Internal Audit

### **Account Reconciliation:**

The Office of Internal Audit will be offering a training session for account reconciliation on June 20<sup>th</sup> from 10:30am- 11:30am at Insight Park, 1st Floor Seminar Room (East End). In this class, employees will learn how to perform monthly account reconciliations on revenue and expenditures (including payroll) in order to be compliant with the [Responsibilities of Signatory Officers Policy](#). This class is designed for signatory officers as well as other employees who have been delegated the responsibility for reconciling departmental accounts. To register, go to our [website](#). Look for more training dates to be scheduled soon.

### **Honor the Code, Live the Creed:**

A section on ethics and the Code of Conduct is presented by Internal Audit during the Lead Your Team training sessions. The next Lead Your Team session is offered in July. Sign up on the [Office of Human Resources website!](#)



## Updated Policies

The University of Mississippi [Policy Directory](#) is a central location for accessing University policies. Over the past 90 days the following policies are new or updated:

**New:** [Violence-Free Workplace](#)

### **Updated:**

- [Employee Transfer \(Intra-University\)](#) - *Intra-University Transfers and their former department must complete the Exit Checklist Form prior to transferring.*
- [Performance Management for Staff](#)
- [Petty Cash \(Important changes!\)](#) - *Departments are no longer required to notify Internal Audit of custodian changes; instead, both the relinquishing custodian and accepting custodian must be present at the time of transfer, perform a count of the funds, and sign the change of custodian form. The change form should then be signed by the custodian's supervisor and forwarded to the Office of Accounting. Petty cash funds must be reconciled at least monthly, documented, and records retained for at least 7 years.*
- [Fire Services](#)
- [Royalty from Assigned Books](#) - *A form has been added.*
- [Tenure \(of Faculty\)](#)
- [State Retirement](#)
- [Major Medical Leave – 9-Month Employees](#) - *Leave utilization shall correlate with the faculty member's employment percentage not their class schedule.*