

# Evaluating the Need for an Internal Audit



## PURPOSE

Your organization's financial information is critical; you depend on it to make good decisions for the organization. It is essential that your records contain accurate, reliable information and that adequate internal controls are in place. Examining your accounting processes & financial records is the best way to ensure these needs are met. However, many organizations cannot afford to hire professionals. An internal audit is always an option. Many people think that only accountants can perform audits, but if you use common sense, care and diligence, you can conduct a meaningful examination of your books and records.

## INSTRUCTIONS

At your board meeting take 10 minutes to have your board members complete the worksheet. Have someone compile the answers to report back at the next meeting.

## FOLLOW-UP

At the following board meeting, present the compiled answers to the board for a discussion about whether an internal audit is right for your organization at this time. This may be complimented by other considerations such as:

- a) Do you have a Finance Committee who reviews the financial statements?
- b) Do you have an external accountant or bookkeeper keeping your books and records who provides extra oversight?
- c) Do you have personal concerns and think an audit is necessary?

If you decide an internal audit is necessary, appoint someone from the board to take the initial lead.

To conduct an internal audit, you may need resources to help you design and conduct the audit. The Center for Nonprofit Stewardship's "Nonprofit Internal Audit Workbook" is a practical step by step workbook that can guide you through an internal audit. It is available through the Center for Nonprofit Stewardship.

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## Evaluate your organization:

**Instructions** - Fill out the form below. Your answers will be compiled for a discussion about whether to proceed with an internal audit.

As a board member, do you think it might be time to take a closer look at your organization's books, records and processes? If so, why?

Examples:

- Your bylaws require an audit.
- Incoming board members want assurance that the books and records are in order.
- A new treasurer may want assurance that the books and records are in order.
- The same person has been handling many aspects of your accounting system.

Personally, do you have any concerns about your finances or is there something you don't understand? List your concerns here:

Although Audit Committee members may come from the community, etc., usually someone from the board serves as the liaison to the committee. Which board member(s) would you suggest?

*Ideally, this should be someone who currently is not the treasurer or person directly involved in the finances.*

Many times a community member is willing to help a nonprofit on a specific project. Do you have thoughts about an individual who might make a great member of your Internal Audit Committee?

*Be sure these people understand financial information and financial statements and list everyone you can think of.*