



## Internal Audit Guide

Corporate Governance for Micro, Small and Medium Sized Enterprises (MSMEs)

Part of the Pearl Initiative's  
Corporate Governance Fundamentals



# Internal Audit Guide

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

## How to Use this Document

This guide is part of Pearl Initiative's Corporate Governance in MSMEs programme. The goal of the programme is to provide the Micro, Small and Medium Sized Enterprises (MSME) community with tools and references that will support them implement practical and effective corporate governance capabilities commensurate with their specific internal requirements. Structured and cost-effective internal corporate governance capabilities will often enhance the efficiency, productivity and resilience of any business and allow leadership to maintain control yet focus on key business requirements such as strategy and growth.

We recommend that each business adopting this template independently evaluates and adjusts specific details in line with their business, operational, strategic and industry needs.


For more information on this programme please visit: [www.pearlinitiative.org](http://www.pearlinitiative.org).




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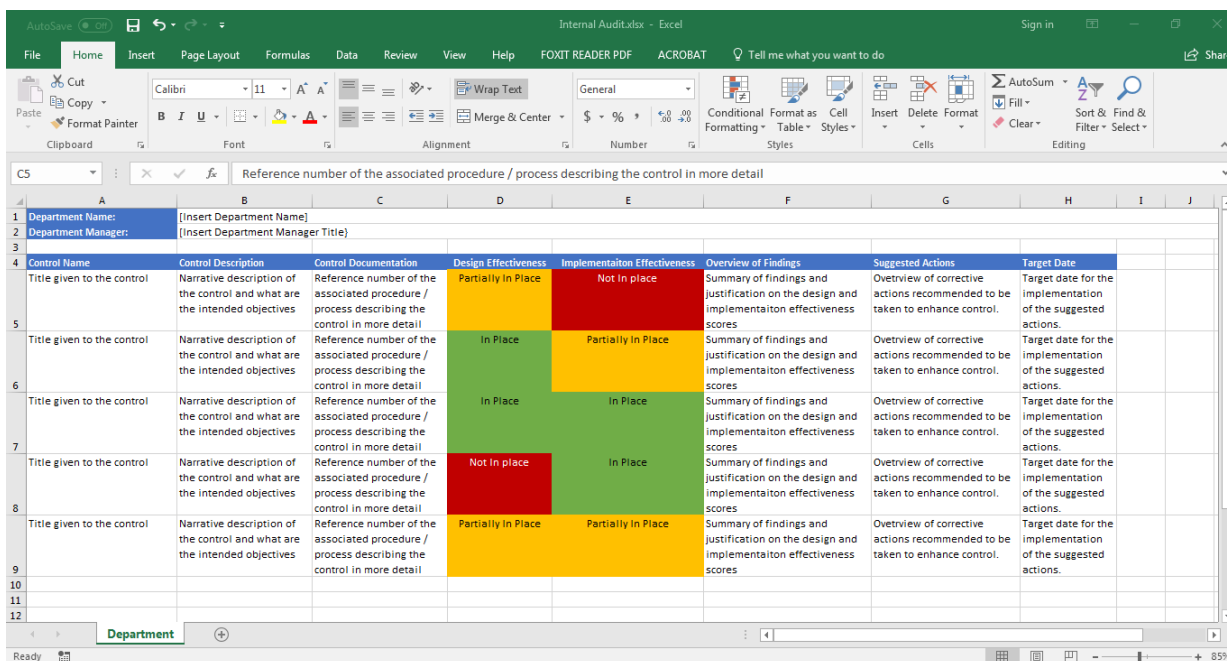
## The Pearl Initiative Internal Audit Tool

Internal Audit is a crucial capability that can help business leaders understand the current state of their business and get the assurance they need that the business is being operated in-line with their expectations. It offers a platform where independent individuals objectively evaluate both the design and implementation effectiveness of the controls<sup>1</sup> that have been adopted by the business to make sure the business remains competitive and resilient.



Scan, tap or click on the QR Code to the right to download a free copy of the Pearl Initiative Business Procedure Template.





Control Name	Control Description	Control Documentation	Design Effectiveness	Implementation Effectiveness	Overview of Findings	Suggested Actions	Target Date
Title given to the control	Narrative description of the control and what are the intended objectives	Reference number of the associated procedure / process describing the control in more detail	Partially In Place	Not In place	Summary of findings and justification on the design and implementation effectiveness scores	Overview of corrective actions recommended to be taken to enhance control.	Target date for the implementation of the suggested actions.
Title given to the control	Narrative description of the control and what are the intended objectives	Reference number of the associated procedure / process describing the control in more detail	In Place	Partially In Place	Summary of findings and justification on the design and implementation effectiveness scores	Overview of corrective actions recommended to be taken to enhance control.	Target date for the implementation of the suggested actions.
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<sup>1</sup> An **internal control** is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.



# Internal Audit Guide

## General Instructions

It is important that when implementing an internal audit, the business identifies the correct and knowledgeable individual or team of individuals who can add value to the process. The individual conducting the audit (and hence completing the attached Audit Tool) can be performed by a single or individual(s) from within the business, however they need to be independent from the function being audited to ensure unbiased and objective output and value is derived from the audit itself.

A critical success factor for an effective audit will be making sure that both the auditor and the auditee understand that this activity is simply an objective evaluation of what is in place, with the overarching goal of further enhancing the productivity and effectiveness of the business and team.

The following table provides an overview of the main sections of the Pearl Initiative Internal Audit Tool and what needs to be captured within each to allow for an exhaustive and value focused audit.

Field	Description
<b>Control Name</b>	A descriptive title of the control
<b>Control Description</b>	A narrative description of the internal control and the purpose for which it has been adopted - i.e. mitigate risk(s), enhance transparency, maintain reporting accuracy, improve productivity, etc.
<b>Control Documentation</b>	Reference number of the associated procedure(s) that have been adopted to better outline and describe the control in more detail.
<b>Design Effectiveness</b>	Results of an objective evaluation of the design effectiveness of the internal control – i.e. how well it will achieve the objective if it is implemented. The results of the evaluation are recorded as: <ul style="list-style-type: none"> <li>▪ Not Effective – control design does not achieve its objective</li> <li>▪ Partially Effective – control design partially achieves its objectives</li> <li>▪ Effective – control design achieves its objective</li> </ul>
<b>Implementation Effectiveness<sup>2</sup></b>	Results of an objective evaluation of the implementation effectiveness of the internal control – i.e. how well/accurately is the control being implemented by the individuals ultimately responsible. The results of the evaluation are recorded as: <ul style="list-style-type: none"> <li>▪ Not Implemented – control is not being implemented correctly</li> <li>▪ Partially implemented – control is not implemented in its entirety</li> <li>▪ Implemented – control being implemented entirely</li> </ul>
<b>Overview of Findings</b>	Summary narrative of the findings of the evaluation of the control and a description of the rationale behind the design and implementation rating given during the audit.
<b>Suggested Actions:</b>	Overview of recommended actions that can be taken by the business to better enhance the design and/or implementation effectiveness of controls within the business.
<b>Target Date</b>	Suggested date recommended actions should be completed by.

Refer the Pearl Initiative's **Business Procedure Guide** document from our Corporate Governance Fundamentals series for Micro, Small, and Medium Sized Enterprises for more information on Internal Controls. This document and others can be found on our Online Resource centre at [www.pearlinitiative.org](http://www.pearlinitiative.org).

<sup>2</sup> Note: An internal control can be poorly designed, yet still be implemented by responsible teams. It is, however, important to note that design effectiveness is as crucial as implementation effectiveness, as a business may struggle with consistency and scalability of controls that are not clearly defined. For more information on documenting controls please refer to the Pearl Initiative's Business Procedure Template available on our MSME Resource center.