Administrative Auditing

“Methods for Administrative Audit”

Audit Objectives”



|  |  |
| --- | --- |
| **Group: F53A** **CLASS 26 AND HOMEWORK 03/10/2017** | **Prof. Rosa María López Larios** |

**OBJECTIVE**

Continue with the knowledge of different methods to perform an administrative audit to any department or area in an organization.

**INSTRUCTIONS**

The following information continues with the topic to be analyzed in class. Read it and underline the most important points, then prepare a mental map with the points that you consider more significant. Finally, investigate the meaning of the following words related to the information you are going to read and write the word and the meaning in a list: profit, policies, shareholders, risks, equity, research, development, increase, resources, request and avoid. Prepare this activity according to the specifications for homework given in class.

**DEVELOPMENT**

**AMERICAN INSTITUTE OF MANAGEMENT METHOD (continue)**

Continuing with the proposals of the American Institute of Management to perform an administrative audit, the first, second and third area considered by the Institute have been already explained in the last class. We are going to continue with the fourth one until we have covered the 10 areas.

For a profit organization, the program would be carried out as follows:

4. **Attention to shareholders**. The shareholder representatives must maintain a balance between the needs of the business demand and requests from shareholders, which generally include:

* Avoid unnecessary capital risks
* Increase equity through reinvestment of profits
* Obtain reasonable dividends
* Keep shareholders informed of the 3 points above

5. **Research and Development**. This area provides new solutions to problems and proposes the future direction of the company.

6. **Board of Directors.** This group of people who are often distinguished executives and people who do not work in the company, examines the company purposes and ensures the continuity of operations.

7. **Financial policies**. To obtain attractive profits it is essential the proper management of the money, and generally is one of the most important business. It should establish long-term financial policies, adopt depreciation methods, closely monitor the budget and avoid misuse of credit.

8. **Efficiency in the production**. The quality and price of products and services offered by the company is critical to achieving customer loyalty. Therefore, it is necessary to know the best methods to increase efficiency and consistently consider labor issues and human resources salaries within the production area.

9. **Distribution.** This area represents the engine of the activities of the company and requires perfect coordination with other areas of the organization. They should evaluate the selection and training of salespeople, sales support operations and pricing.

10. **Evaluation of executives**. The overall performance of the company depends on the decisions of its executive team, where mainly want to know: their ability, integrity and dynamism.

As you can see we have already covered all the points that the American Institute of Management considers to perform and administrative audit.

It is important to mention that the Institute established a scale to grade each of the 10 points. The scale considers 7,500 points as minimum and 10,000 points as maximum. Entities should evaluate each aspect and give the number that corresponds considering the result of the examination as well as the findings.