

The changing role of Internal Audit



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There are often questions around "Are internal auditors the 'police officers' of organisations?" Quite a difficult question to answer straight away you may think but in fact the answer is simple: No. While you may view that the roles and responsibilities of an internal auditor are limited to ensure that every employee is adhering to approved rules and procedures of an organization, the reality is that the scope of an internal audit function is much larger.

We need to understand what internal audit entails, the roles and responsibilities of internal auditors in the 21st century; how in the real world internal auditors apply what they believe to be the best practices and finally how we break the myth that internal auditors are viewed as corporate police officers. Let us look at the basic purpose of an internal audit function. Its primary objective is to provide an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. How? One can argue that this is done by policing the organization, checking up on staff and raising issues to management.

If we look at the key functions of internal auditors, it is clear that they are not police officers. However, the perception that they are still looming in many organizations event in today's environment. As an internal auditor, it is evident that part of the role is to change this perception. There are several components that should be considered:

1. Changing the mindset

- Internal auditors MUST be the change agent in any organization and should believe and operate within relevant frameworks such as IIA standards and most importantly live up to those standards.

- Internal auditors MUST always engage in constant dialogues with the auditees to understand the situation, business and working variables

since they do not necessarily have the expertise of these different departments. Internal Auditors MUST NOT give the impression to customers that they know everything. Behaviors and attitude are two critical areas where internal auditors should work.

- Last but not least, internal auditors MUST NOT think or behave as police officers. Communication and training on the various roles and responsibilities of internal auditors to the organization as a whole is another area which MUST always be on top of the agenda of internal auditors.

2. Adopting a business partner and trusted business advisor approach

- Internal audit MUST be in a position to provide both assurance and advisory services to the organization, while maintaining its independence through appropriate reporting line with the Board. This is done through a well thought strategy and implementation of an adequate risk-based audit plan.

- Internal audit MUST add value in the organization by increasing synergy with other control functions within the organization. For instance, an internal audit department along with compliance, legal, risk units should coordinate activities with external auditors and regulators to minimize duplication of work and increase assurance coverage. Sharing of audit reports, discussion of audit plans, conducting joint assignments are initiatives that must be considered for the benefit of the organization and the industry as a whole.

- Internal audit MUST implement wherever possible, strategic meetings with the different members of the management of the organization to lead to a synergy within the various departments. This would include:

- (i) recommendations on the appropriate governance framework,
- (ii) providing opinions and expert views on planned products and services to be launched for clients
- (iii) championing and educating

management about enterprise risk management and other governance practices and

- (iv) reviewing processes before they are implemented. Proactiveness rather than reactivity is the key message

- Internal audit MUST implement an adequate internal communication strategy for increased commitment from all stakeholders. For instance, audit recommendations should be discussed and agreed with the management providing emphasis on implementation time frame.

- Internal audit MUST invest in training and encourage professionalism. This can be done through membership with locally based Institute such as Institute of Internal Auditors (Mauritius Chapter), become Certified Internal Auditors (CIA), networking with other peers within the industry. It should also be part of the organization's culture to embrace the principles of adequate internal audit.

Throughout organisations, leaders are focused on managing risk and their agendas need to have the support of their boards as well as their regulators, a few of which are including Enterprise Risk Management (ERM) as a scorecard component. With ERM focus, internal audit can move beyond its monitoring role to help influence and improve how risks are managed before they become challenges.

According to Mr. Richard Chambers (IIA president), the internal audit profession's image is rapidly improving, but more work is needed to enhance the stakeholders' understanding of the profession. Changing perceptions takes time, and it often requires the combined effort of many individuals to break down a stereotype. Onus to promote this profession rests with internal auditors and looking at the profession in Mauritius, I believe we still have a long way to go, if we do not change rapidly.

Change is the law of life. And those who look only to the past or present are certain to miss the future – John F. Kennedy