EFFECTIVE INTERNAL AUDIT FUNCTION: A Critical Success Factor for Business Sustainability

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LEARNING OBJECTIVES

At the end of this session, participants should be able to:

- Clear classical Myths about Internal Auditing
- Appreciate the mandate of the Internal Audit function
- Understand the Principles for Professional Practice for Internal Auditing
- Know critical success factor for effective internal auditing to ensure business sustainability.
- Target personal skills for improvement
- Know top Internal audit skills sought by global recruiters.

INTRODUCTION

The high rate of corporate failures across the globe and the increasing threat to business continuity occasioned by the Pandemic has placed a huge demand on the Internal audit function to rise to the task of supporting business organization for sustainability.

Internal audit is a key pillar of governance in any organization. It is an important element in the governance structure with responsibility for providing assurance to the Board and Management on adequacy of process, policies, and controls towards achieving corporate Objective.

For the Internal auditor to achieve this mandate, it is vital that skills and capabilities are developed in the areas of Governance, methodology and enabling technology for effectiveness.

This session aimed at equipping professionals on the critical success factors required for effective Internal auditing.

CLASSICAL 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. And while each of the following myths is generally untrue, the fact that these myths are so enduring might be an indicator that each of us needs to take stock of how we are perceived in our own organizations.

Do we do things to reinforce these myths? Or, do we need to do a better job of creating awareness of how the profession has changed? You be the judge.

#Myth 1

Internal Audit is the corporate "police function."

#Myth 2

Auditors are nit-pickers and fault-finders

#Myth 3

Internal auditors are accountants by training

#Myth 4

It's best not to tell the auditors anything unless they specifically ask.

#Myth 5

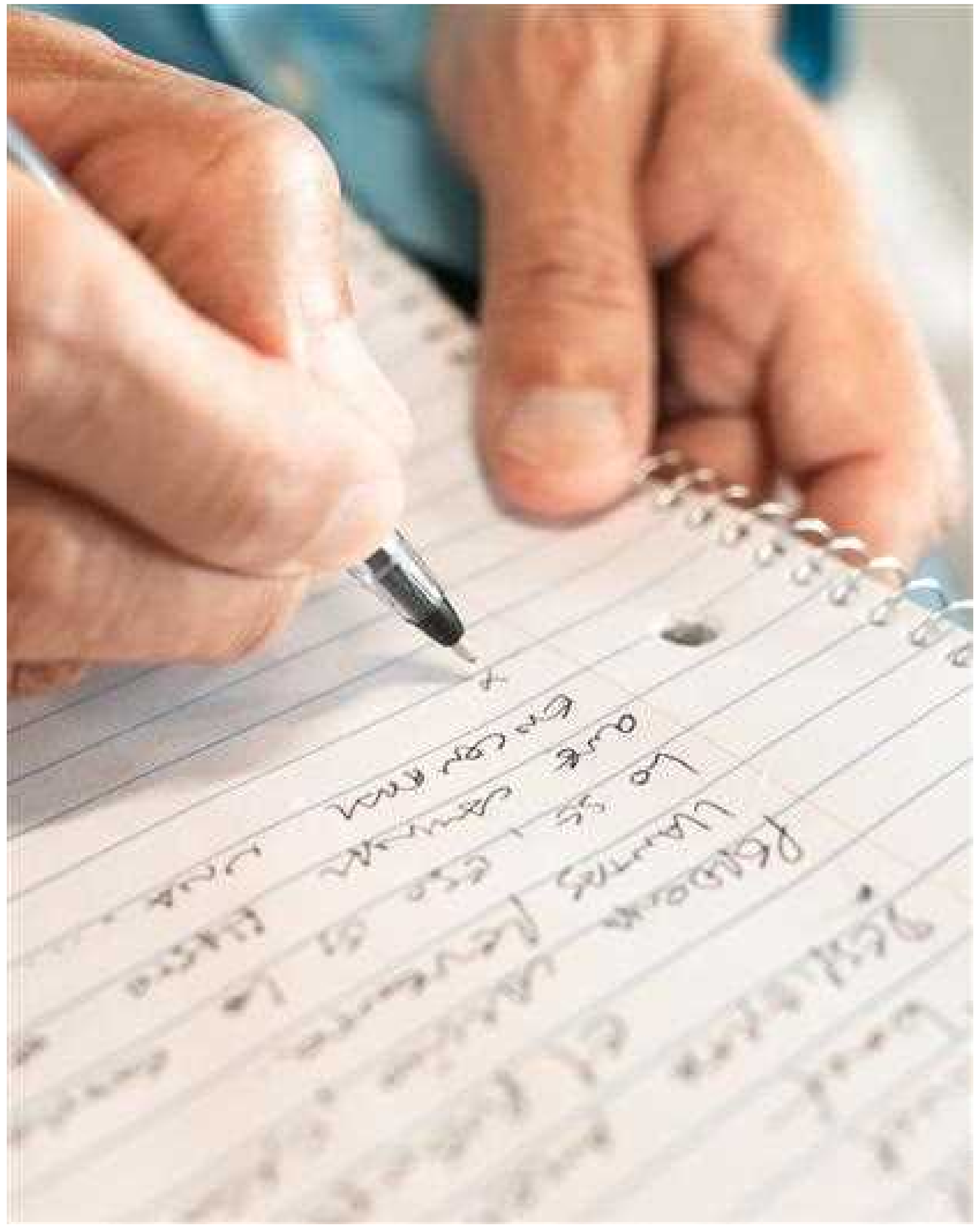
Internal auditors follow a cycle in selecting their audit "targets" and use standard checklists so they can audit the same things the same way each time.

These myths impede the effectiveness of the Internal Audit function hence Professionals must invest in awareness in other to increase the value addition to the organisation's operations

MANDATE OF THE INTERNAL AUDIT FUNCTION

The International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA) defined Internal Auditing as "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".

The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.



PRINCIPLES FOR PROFESSIONAL PRACTICE FOR INTERNAL AUDITING

For an internal audit function to be considered effective, all Principles should be present and operating effectively:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

CRITICAL SUCCESS FACTOR FOR EFFECTIVE INTERNAL AUDITING (1/2)

GOVERNANCE STRUCTURE

-The tone at the top is pivotal to the success of any internal audit function

-The Reporting line of the Auditor must be clearly spelt out – The highest level of governance (The Board through its Audit Committee)

-Existence of an approved Internal Audit charter

-The Key Performance Indicators (KPI) of the Internal auditor must be clearly spelt out and mutually agreed.

Performance appraisal, appointment and promotion approved by the Board.

COLLABORATION & STAKEHOLDERS ENGAGEMENT

-Periodic engagement key business leaders/process owners

-Internal audit should be seen as a business partner and not a police

-Sell the objective of the audit to the process owner before commencing review

-Mode of engagement, style of reporting should reflect business partnering

-The Audit report should cease to be an “evil” report

Collaboration with other assurance professionals (Risk Management, Compliance, Internal control, External auditors)

EFFECTIVE REPORTING

-The mode of communication of the output of the audit exercise can promote or discredit the entire audit process.

-Close attention should be paid to choice of words and language (Offensive, provocative and ambiguous words should be avoided)

-Brevity (An executive summary should be adopted to avoid loss of message)

-Timeliness, completeness, and accuracy of content is key

Format of report – Injecting information into the right visual analytics can inspire a compelling reaction right away.

CRITICAL SUCCESS FACTOR FOR EFFECTIVE INTERNAL AUDITING (2/2)

QUALITY ASSURANCE AND PEER REVIEW

-Audit programmes should be designed for each review

-Review steps should be closely followed, and observations documented

-Relevant audit evidence and working papers should be filed

-Robust archival system (Electronic archiving strongly recommended)

Peer review process should be institutionalized.

CONTINOUS LEARNING

-Understanding the business (its process, people, and environment) is critical

-Remain inquisitive within environments that constantly evolve

-Embrace the use of technology to audit key business process more effectively and monitor controls over areas more prone to fraud activity such as access control, procurements, capital expenditures, travel and entertainment among others.

-Invest in acquiring relevant knowledge, trainings, and qualification

-Pay attention to soft skills and other non-technical attributes.

TARGET PERSONAL SKILLS FOR IMPROVEMENT

Protiviti's Internal Audit Capabilities and Needs Survey Report identifies the following personal skills and capabilities for internal audit professionals.

- ·Presenting (public speaking)
- ·Developing board committee relations (beyond audit committee)Developing outside contacts/networking
- ·Persuasion (Using/mastering new technology and applications
- Negotiation (Dealing with confrontation)

TOP INTERNAL AUDIT SKILLS SOUGHT BY GLOBAL RECRUITERS

As the evolution of the internal audit function accelerates, the portfolio of skills and attributes that determine professional success transform.

Technical skills remain absolutely necessary, but they are no longer sufficient on their own. The most effective "Internal Auditor of the Future" possesses a broad range of non-technical attributes in addition to deep technical expertise.

The following are key skills professionals must develop for relevance and competitiveness;

- Analytical and critical thinking
- Innovative Mind set, Open to new ideas, trailblazer mindset along with a willingness to make bold decisions, learn from mistakes and never stop asking.
- Communication skills
- Cybersecurity
- Analytics and technology: Auditing process automation, Big data/business intelligence, Cloud Computing, Internet of things
- Risk management
- Business acumen

Thank You!

Questions?

PROFILE OF THE SPEAKER

Olugbenga Akinlalu

Mr. Olugbenga Akinlalu is a versatile finance Professional(A Chartered Accountant, Chartered Insurer and Certified Fraud Examiner) with over 15 years professional work experience in Internal audit, accounting, controls and fraud risk Management from leading local and international institutions in the financial service industry.

He holds a Higher National Diploma in Accountancy from Lagos State Polytechnic, BSc Accounting from Babcock University, MBA (Finance &Investment) and MSc Accounting from Ahmadu Bello University and Caleb University respectively.

Mr. Akinlalu is an experienced trainer and an Associate Lecturer with Accountancy Department of Lagos State Polytechnic since 2011, College of Insurance & Financial Management, Nigeria as well as the West Africa Insurance Institute, Gambia.

He is currently the Group Head of Internal Audit of Tangerine Africa with responsibility for supervising the Internal Audit function of its Life Insurance, General Insurance, Pension and Health subsidiaries.

Prior to this, he has held the following roles such as Head of Internal Audit for ARM Life Plc, Financial Controller for African Reinsurance Corporation(Pools Division), Internal Auditor for Cornerstone Insurance Plc, Audit Officer for Jubilee life Mortgage Bank and Wema Bank Plc.

He holds membership of professional bodies such as; Institute of Chartered Accountant of Nigeria, Chartered Insurance Institute of Nigeria, Institute of Internal Auditors, Nigeria, Association of Certified Fraud Examiners, Texas, USA and Information Systems Audit and Control Association (ISACA)

Reference

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