

Adding Value – Reality or Myth?

For a number of years now internal auditors have been talking about ‘value added’ or adding value, phrases that have, perhaps unfortunately, unfortunately imported from the consulting industry.

Yet, when asked what adding value means or how this may be demonstrated few internal auditors are able to respond in a meaningful way.

My contention is that the key role of internal audit is to provide independent assurance that:

- The significant risks within an organisation are being managed to an acceptable level as defined by the board of directors; and
- The risk management processes within the organisation are being operated appropriately.

Perhaps the role of internal audit has been blurred to some extent by the revised definition of internal auditing which refers to both an assurance and a consulting role. Many embraced this as endorsement of the role that they already played within their organisation, whilst others took it as an opportunity to move away from the ‘boring’ internal audit work and do something more ‘sexy’ and interesting.

However recent events in the States have demonstrated that more than ever organisations need internal auditors to provide the assurance that I have outlined above.

I have recently been appointed to serve on an audit committee and welcome the challenges that this will bring. The organisation that I will be working with has a well established and forward looking internal audit function and I have spent some time with the Head of Internal Audit discussing what they do and how they do it. I am very pleased to note that this internal audit function sees their role as outlined above as I believe that if they provide me with this assurance then they are clearly adding value. What else do they really need to do?

So what is this whole issue of adding value really about? In my view, internal audit functions have not marketed themselves effectively. Independent assurance is a critical component of an effective corporate governance framework and internal auditors need to be able to market or sell this within their own organisations. Additional consulting work is fine, but not if it has a detrimental effect on the ability to provide this overall independent assurance. It’s a balancing act – ensure that you can provide the full measure of independent assurance and then do some of the additional stuff.

By the way, perhaps we also need to do some more work on what we mean by consulting. Working with management, facilitating improvement, educating and coaching people in risk and control – in my view these are all part of the core audit work. Does it really matter what we call it i.e. assurance or consulting, as long as we provide these services?

So, in conclusion, what do we need to do? Firstly, accept that providing independent assurance is our core role as internal auditors. Secondly, focus on providing this in the most appropriate way. Thirdly, raise our profile and get senior people in our organisations to buy in to the fact that doing this adds value. And finally, focus on what really matters by learning lessons from recent corporate disasters. It doesn’t really matter whether or not Enron in its entirety could have happened in the UK – lets make a significant contribution to corporate governance and ensure that this is the case.



So, back to the original question: adding value – myth or reality? Well, of course it must be reality but lets reconsider what we really mean by value and how we can demonstrate that we have achieved this.

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