

Internal Audit – where are we going?

The last two years has seen a plethora of corporate collapses along with ever increasing corporate governance requirements. Whether these actual and proposed changes (such as the more detailed review of the Turnbull guidance) will have a positive impact on corporate governance and the way that organisations conduct both their business and themselves only time will tell. What is becoming increasingly clear however is that it is certainly an interesting time to be an internal auditor.

Whilst watching a programme with my son over the Easter holiday (an American series called Mutant X – similar to the X-Men films) I was woken from my reverie at the start of an episode by the words 'I'm an internal auditor for this company and I've found an irregularity¹. Enough about the series but how fascinating that we are now being referred to in US Science Fiction style programmes!

The WorldCom internal audit team were villified to a large extent in the Thornburgh report having been toasted as heroes and with their HIA having been awarded the Time magazine 'person of the year award' only six months previously. Many internal audit functions that I know and have worked with have spent the last twelve months documenting processes and controls over financial reporting to enable their organisations to subsequently demonstrate compliance with the Sarbanes Oxley Act. Is this the future – being moved back into the old traditional financial compliance box?

I sincerely hope that this is not the case. However, I do think it important that internal audit needs to make some sort of a move 'back to basics'. What I mean by this is to move away from the mentality of adding value and consulting work. Internal audit is about giving or providing value to the organisation through the assurance role that it carries out. Providing assurance that:

- The risk management process is fit for purpose and operating as intended
- The significant risks really are being managed to an acceptable level as defined by the board
- Core systems are operating as intended
- Corporate governance meets requirements

This assurance needs to be provided on an on-going and forward-looking basis. Only after satisfying themselves that they have the means and wherewithal to provide this assurance should internal auditors look to broaden their horizons and offer consulting support. But what about adding value I hear some of you cry. Adding value is a hackneyed phrase in my view – it's all about providing value and if the assurance work described above does not provide this value then maybe some education of key customers is necessary.

So, what happened to the internal auditor from Mutant X? he got put in stasis until she could be woken up and experimented on in the future! Don't let this happen to you!