

Taking in Stride the Internal Audit Function for Good Governance: Increasing Role of CAs

The media has been frequently reporting some incident or another, in some company or another, where there has been a major financial irregularity severely impacting the whole organisation. Many of these incidents point to some serious failures of risk management and/or corporate governance. In this VUCA world, where Volatility, Uncertainty, Complexity and Ambiguity dominate, solutions from the twin domains of Risk Management and Corporate Governance provide some helpful relief, provided the companies choose to heed their warning signals before the disaster strikes.

Incidentally, these two domains have also become the areas of expertise of the Internal Auditor of the future. Add to this the power of Information Technology and Automation, and we have a deadly combination that can provide super smart audit services and solutions. Needless to say, once the members of the ICAI reframe and reorient their mind-set on the potential of the profession of Internal Audit, and thereafter, recalibrate their skills, they will be in a formidable position to grasp the emerging opportunity provided by the emerging “new” internal audit profession.

It is heartening to see how many CA firms and members in industry have already recognised the new scenario, and fast progressing to assist companies address their risk and governance challenges with specialised internal audit services. Similarly, the Boards of companies have come to regard the importance of seeking the help of CA experts in the profession of Internal Audit and the value arising from their specialised skills.

All this change is driven by the advanced Internal Auditors, who have started to demonstrate that taking a “business partner” approach and working jointly with management is a highly effective way to add value and gain credibility. They have now dispensed the old “compliance mindset” approach and emerged on the scene with a progressive “problem solver” and “solution provider” approach. Compliance deviations of the past are no longer “reportable matters”, but taken as opportunities to fix problems and used as a basis to help implement new systems and processes from prevention perspective.

No doubt, the support of the government in mandating Internal Audit as a requirement for a certain class of companies (e.g., all listed companies) has helped to propagate the extensive presence of the professional. However, to make sure this does not get relegated to another compliance requirement, members have to continuously gear up with the requisite skills and help support companies from a broader business perspective.

On the flip side, the government’s broad-based approach in allowing non-CAs to undertake Internal Audits seriously risks a dilution of the quality levels which are essential to undertake these assignments. In this regard, our Institute is striving to mandate Standards on Internal Audit (SIAs) which will provide much needed support to members in establishing the credibility of their work, thereby help distinguish them from the rest.

To further help drive the Institute’s agenda of supporting its members, the ICAI has quietly made great strides in the recent past. Apart from having a robust repository of technical literature in the form of Standards of Internal Audit and various guidance materials, the Institute has been conducting many certificate courses and training programmes on the subject matter. More recently, extra thrust has been given to revise all the SIAs and eventually make them mandatory, not just for our members, but for all Internal Auditors (with due support from the government). Similarly, updating the guidance material, especially many Industry guides, will help ensure that latest knowledge is available at the fingertips of members. Already in the pipeline are a host of new and revised courses and training programmes on Internal Audit, Risk Management, Fraud Investigations, Due Diligence and Concurrent Audit, etc.

The Institute has also decided to improve its outreach efforts and connect better with its stakeholders. It commenced this activity recently with a comprehensive Survey on the “State of the Internal Audit Profession in India”. It now plans to periodically conduct round-table meetings with captains of the industry and board members (Independent Directors) to better gauge their needs and challenges. This would allow ICAI’s Internal Audit Standards Board to design solutions in a comprehensive manner and, thereafter prepare our members to deliver them with a value-add approach.

It is highly welcome that a number of member volunteers have come forward and are assisting the ICAI in drafting the new SIAs and with the authorship of the new course materials. The ICAI will also be seeking faculty volunteers as these courses get launched and disseminated. The ICAI looks forward to new volunteers, especially stalwarts in the profession, to join hands with ICAI to act as “virtual mentors” to help groom the next generation and make them battle-ready for the next decade. Together We Can!

Editorial Board (ICAI – *Partner in Nation Building*)