

CM: Internal audit important pillar in modern corporate governance

KUCHING: Internal audit must rise up to the challenges and take on the third line of defence in management in view of the ever-changing business environment.

In making this call yesterday, Chief Minister Datuk Patinggi Tan Sri Adenan Satem said internal audit is an important pillar in modern corporate governance while independent internal audit is crucial to, among others, safeguarding investors' interests and keeping the business on track.

"Internal audit must assure adequate and effective controls in strategy, sustainability, governance, treasury, technology, competency, externalities and supply chain issues. It is also pivotal in addressing critical risk of a business including emerging risks.

"In the future, internal audit professionals will be recognised as indispensable to effective governance, risk management and control," he said when opening the All Star Conference 2014 organised by the Institute of Internal Auditors Malaysia (IIAM) at a leading hotel here.

His text of speech was read by Second Finance Minister Dato Sri Wong Soon Koh, who is also Minister of Local Government and Community Development.

Noting the conference theme 'The Winds of Change', Adenan said internal audit has to change



Participants of the All Star Conference 2014 at the opening ceremony.

from being a backroom function to a function that provides insight and even foresight.

"It needs to keep pace with the rapidly changing world. It should focus on reviewing the strategy process, internal controls relating to key risks and governance processes."

To maximise internal audit, he said it would be imperative to address current challenges in the business environment by understanding the strategy

of an organisation and risk landscape.

He added it was equally crucial to put crisis management plans in place to not just meet unexpected risks but also look at how internal audit could work more closely with the second line of defence.

Adenan believed organisations would be more effective when they received the right information on company performance from internal audit.

"Internal audit must have

clear understanding of the needs, interest and expectation of stakeholders, followed by effective communication of relevant information and latest developments to enable stakeholders to make informed decisions.

"The internal audit function must have personnel with the skills and experience to provide the right balance between assurance and objective as well as proactive advice."

Quoting the survey 'Pulse of the Profession 2014' conducted by IIA Global, he said analytical or critical thinking skills were vastly recruited globally, standing at 75 per cent followed by communication skills (58 pct), risk management assurance skills (48 pct), general information technology skills (41 pct), data mining and analytics (40 pct), industry specific knowledge skills and business acumen skills (36 pct each) and accounting skills (28 pct).

"We believe the above statistics will be similar in Malaysia and hence the profession needs to take steps to ensure that the skill required of the internal auditor is considered in recruitment and building up of a resource skill pool."

Meanwhile, over 80 professionals are attending the two-day conference to identify and overcome emerging challenges surrounding the internal audit profession by sharing clear insights towards internationally benchmarked trends, insights and practice standards.

Notable international speakers included director of Enterprise Governance of IT Tichaono Zororo, director of KPMG Australia Michael Parkinson, managing partner of CG Board Asia Pacific Wee Hock Kee and chairman of Audit Committee of Sabah Progressive Insurance Berhad Petrus Gimbad.