

A New 5Cs for the Chief Audit Executive

by Koh Chin Beng, President, The Institute of Internal Auditors, Singapore

Spanning across different organisations and industries, there are many similarities in the trends and driving forces that affect our societies and businesses. There are also challenges and opportunities in place that all organisations should respond to in order to remain an effective and efficient organisation in the ever-changing business landscape.

INTERNAL AUDIT IN A DISRUPTIVE ENVIRONMENT

Throughout the years, technology has successfully disrupted and revolutionised our world. The continual improvement of technologies brought about the Fourth Industrial Revolution, also known as the Industry 4.0 where organisations should decide on how it should invest in these new technologies and identify the ones that are best suited for their needs. With the rise in the Industry 4.0's technologies, there is no doubt that technology is here to reshape and

redesign business models, even upending certain industries.

Facing a daunting and ever-expanding range of diverse issues, the scope of internal audit will continue to evolve, expand and develop rapidly. As featured in a report from The Institute of Internal Auditors titled "OnRisk 2020: A Guide to Understanding, Aligning, and Optimising Risk", there will be a greater focus in auditing a broader range of risks, such as cybersecurity, data security, data ethics, data and new technology, regulatory change,

third party, as well as talent management and culture.

Broadening the range of risks provide both opportunities and challenges for internal auditors. As Boards are increasingly seeking ways to overcome risks and hurdles, internal auditors play a vital role in their efforts to successfully navigate through these fast-moving business environments. Consequentially, the question of how internal audit can help manage risk and drive value in the new paradigm while enabling the organisation to stay relevant and deliver value, is first and foremost in the minds of many internal audit leaders.

An example is the in-car GPS navigation system where it has been transformed from a portable device to a highly efficient data analytics tool that provides accurate and consistent real time traffic and related information for both the driver and the passengers. Similarly, internal auditors can aid organisations to add value and improve customer experience by providing assurance that the organisation is progressing on its intended course as charted by

the management and the Board, identifying potential risks, alerting management and the Board of any signs of compliance risks or failures, and recommending any corrective actions, if needed.

THE 5Cs OF THE CHIEF AUDIT EXECUTIVE

Given the competitive and ever-changing business landscape, it is critical for modern age internal auditors to understand how to lead with a difference in order to create and enhance value to an organisation. Back in the day, Singaporeans are familiar with the traditional 5Cs that are associated with how one would define a successful life in Singapore. However, this notion has been superseded with people shifting more towards the new 5Cs. The new 5Cs are primarily more focused on intangible success markers such as “Convenience”, “Credibility” and “Cultured”. To better understand how one leads with a difference, the same acronym – 5Cs is utilised but with a twist.



CATALYST FOR CHANGE

The terms “leaders” and “superiors” are often used interchangeably, however these two terms differ in which leaders are able to lead with a difference. Leaders should be able to think and act differently, and at times challenge the status quo. To encourage effective changes, there is a need to constantly question if one possesses the technical competencies, as well as sufficient knowledge of the business and its evolving environment to provide assurance that the risks are well-managed.

In addition, it is of crucial importance to innovate and overcome old notions that are resistant to change. Internal auditors should learn how to embrace and invest in new technologies to reap the full benefits that technology has to offer, such as Robotic Process Automation and Machine Learning. For example, Machine Learning enables one to audit accounting files in less than 10 minutes in comparison to having three employees spending two weeks to complete the same exact task.

Therefore, there is a pivotal need for internal auditors to improve and think strategically from the same viewpoint as the executives and members of the Board so as to create value and enhance credibility as the trusted advisors to the Board.

COLLABORATION

Internal auditors possess unfettered access to information regarding an organisation’s systems, processes, people and data. This presents a unique and valuable opportunity for internal auditors to collaborate with business partners to enhance and protect their organisational value. As effective leaders, internal auditors need to break through the traditional role as an assurance provider by collaborating with the various stakeholders to provide management with deeper insights drawn from ongoing internal audit activities.

Using the same analogy as before, the in-car GPS navigation system engages both the driver and the passengers. From the driver's perspective, it provides the best possible route and notify the driver of any upcoming traffic conditions. From the passengers' perspective, it provides a more accurate estimated arrival time and allows them to monitor their location. Such a collaboration assists in creating synergy among parties, and provides an opportunity to increase efficiency levels, improve service, minimise duplication and most importantly, helps to increase internal audit's value to the organisation.

CONTINUOUS LEARNING

There is an imperative need to keep improving to acquire in-depth skills and expertise to better respond to the changing demands of the economy. Leaders also have the responsibility to develop their people so as to ensure that they are trusted advisors who are insightful, forward-looking and are highly focused on generating value for the organisations.

COMMUNICATION

Effective communication is vital in all organisations to aid in providing insights and advice to stakeholders in areas that will resonate with the concerns of relevant stakeholders. Frequent communications between the relevant stakeholders allow gaps to be bridged when it comes to managing expectations and priorities.

Using the same analogy of the enhancements in the navigation system, it shows the best route the driver should take as well as the progress of the current journey. The navigation system's colour coded routes provide latest information on the current traffic conditions. Such information not only helps to increase convenience and greatly enhance communication between one another, it also reduces any potential miscommunications from occurring.

CULTURE

Culture, if done well, can be a powerful driver of organisational performance. Therefore, maintaining a healthy corporate culture in a challenging business and risk environment is of utmost importance to many business leaders. With auditing culture taking on greater attention, internal auditors must be quick to recognise and identify any potential gaps or unethical behaviour within an organisation's culture and make the appropriate recommendations to ensure that a healthy corporate culture is maintained to maximise an organisation's performance.

Apart from auditing culture, it is essential that internal auditors practise what they preach, and uphold their own ethical conduct so that they can be relied upon as trusted advisors. Outstanding internal auditors also must do more than just committing to ethical standards, it also calls for doing the right thing and not give in to fear and cave under intimidation even when the ethical position may not be a popular stance among the executives and members of the Board.

CONCLUSION

An ever-evolving business environment presents multiple opportunities to many, but it also comes with challenges too. Therefore, it is pertinent for effective leaders to know how to lead with a difference so that they could overcome challenges and leverage opportunities to continue creating and enhancing organisational value.