Panel Discussion:

Topic: “Scaling New Heights in Governance”

The global financial market turmoil nestles in an increasingly volatile, uncertain, complex and ambiguous (VUCA) world, creating a pressing need for robust governance and risk management. Internal audit (IA) plays a pivotal role in helping organizations strengthen their corporate governance, internal controls and risk management framework.

Moving forward in the rapidly changing political, economic, social, regulatory and technological environment, IA must broaden their scope, sharpen their skills and enhance their capabilities to add value to their organisations. This requires the rethinking and repositioning of IA to take a strategic perspective in providing assurance in business sustainability; assess the ethical values and culture in organisations, talent management issues, crisis management, cyber and info security, etc.

In this panel discussion moderated by Mr. Tay Woon Teck, Partner RSM, the panelists offered their perspectives, insights on the topic “Scaling New Heights in Governance”. Members of the panel hold various key stakeholders’ positions. They are Mr. Chow Kam Wing, Executive Director and Chief Financial Officer, Micro-Mechanics (Holdings) Ltd, Mr. Derrick Lim, Divisional Vice-President, Internal Audit, Singapore Airlines Ltd, Mr. John Jungsu Pyun, President of the Korea Internal Control Assessment Institute and Mr. Kelvin Tan, Audit Committee Chairman, Viking Offshore & Marine Limited.

Resource Constraints
For smaller companies with resources constraints, stakeholders may expect IA to only focus on the traditional areas of controlling and safeguarding corporate asset, regulatory compliance and reinforcing compliance with corporate policies.

Therefore, IA may not be provided adequate resources.

Outsourcing of IA
With an outsourced IA function, it was shared that the time spent on the job may be limited and the output may not be entirely satisfactory. By leveraging on technology, IA can establish a more continuous and effective “presence”. An alternative view point expressed by the panel was that with the outsourcing of IA, there is the opportunity to augment the knowledge and skillsets of the in-house IA team. The outsource service provider may also be able to provide benchmarking reviews.

Making IA mandatory
On the discussion on whether making IA mandatory through legislation would create the environment for IA to scale new heights, it was generally opined that it probably would not. Currently in the principle based legislation in Singapore, it is expected of audit committee to give opinion on the adequacy of internal controls. It would be up to audit committee to get assurance to support their opinion. By being positioned as an independent and objective assurance function, the audit committee should rely on IA’s support to evaluate and improve the effectiveness of risk management, control and governance processes.

Conclusion
For the internal audit activity, regardless of size and resources given, it is important to communicate and manage the expectation of stakeholders. Resource limitations should be brought to the attention of the Audit Committee and outsourcing is a viable option to consider IA being the 3rd line of defence of the company, it was confirmed by the panel that IA is important for providing assurance. It is also valued by management that IA can value add in providing operational improvement suggestions.