



INTERNAL AUDIT

Compliance programmes impacting on independence and ability of audit executives

New research suggests that many audit executives feel that their independence is being compromised by their involvement in compliance programmes.

A report entitled *The Evolving Role of Internal Audit* has found one in five audit executives felt compromised. It also found that almost half of the chief audit executives surveyed believe regulatory compliance pressures have affected their ability to complete thorough audits.

“Compliance can be a time-consuming distraction of internal auditing’s focus from its day-to-day responsibilities,” commented the president of the Institute of Internal Auditors (IIA), Dave Richards.

Assurance technology company ACL Services commissioned the research in co-operation with the IIA. ACL Services president and chief executive Harald Will told *TA*: “The degree to which there was concern around compromised independence was a little higher than we had anticipated.”

He said this problem has been building up over the past couple of years: “With differ-

ent rules and regulations coming online over the last several years around the world, [the problem] definitely has been building.”

Will also noted that the pressure to certify or finalise reports from various regulators “has had organisations pull resources from any and all areas of the business to rapidly meet various deadlines”.

He said this “has the impact of reducing the ability to complete thorough audits because of the time pressures and the demands of the manual processes being put in place for regulatory purposes”.

Other findings from the global survey of more than 800 chief audit executives included:

- 36 percent of organisations have adopted a continuous auditing approach across all or within select business processes;
- 39 percent of organisations plan to implement continuous auditing in the near future; and
- a shortage of skilled internal audit staff was identified as the most critical challenge to fulfilling the internal audit mandate by 68 percent of respondents.

Will claimed that part of the reason for the skills shortage in internal audit is that a number of people are being “pulled into manual controls work”. He added: “The other thing that we’ve seen is smaller and smaller organisations implementing internal audit departments.

“For example, whereas [ACL Services] used to focus on and serve [companies with] billion dollar turnover and larger companies, we’re seeing companies with as little as 400 or 500 million [dollars] in turnover now implementing full audit departments with a staff of two [and] up to five professionals sometimes. That’s all new.”

From a technology perspective, Will said the smaller companies are taking a different approach.

“They’re leveraging technology out of the gate,” Will remarked. “Rather than having to implement technology over the last decade or two and apply it within existing methodologies and processes, a lot of these departments [in smaller companies] are starting with technology.” ■