

RETHINKING INTERNAL AUDIT

An internal audit survey
in collaboration with
The Institute of Internal
Auditors Malaysia



A SURVEY ON THE INTERNAL AUDIT ISSUES IN MALAYSIA

How do you make internal audit better? It is with this basic but important question that we decided to conduct this short survey to obtain valuable insights into the key challenges faced by internal audit in Malaysia. We submitted our survey to a broad range of stakeholders for their feedback on various issues, from business expectations, talent pool, technology and other matters. In this document, we have highlighted the key thematic issues identified from the survey. In summary, it is important for internal audit to adapt to new challenges, and together we need to rethink the value proposition of internal audit to make it better.

**Over 200 responses were obtained from this survey from a broad range of stakeholders*

“IT’S NOT ENOUGH THAT WE DO
OUR BEST; SOMETIMES WE HAVE
TO DO WHAT’S REQUIRED.”

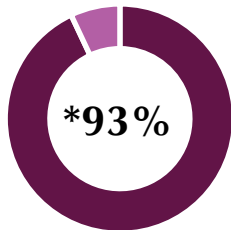
Winston Churchill

STAKEHOLDERS' EXPECTATIONS ARE RAPIDLY INCREASING

With new challenges and disruptions in the business landscape, there are heightened expectations for internal audit to be one step ahead to provide value-added insights to the organisation. However, not everyone agrees that these heightened expectations have been fully met.

Outcome

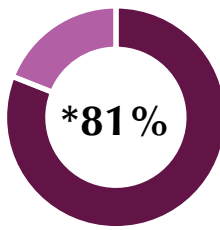
The **stakeholder expectations** on internal audit have **increased significantly** during the last few years.



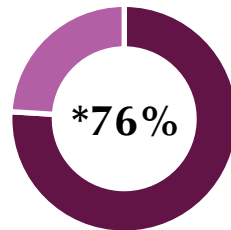
■ Agree

■ Disagree

These expectations on internal audit **have been met** in my organisation.



The management views internal audit as a **valuable business partner** in my organisation.



**The percentage includes respondents who selected Agree and Strongly Agree*

Many organisations are dealing with increasingly complex and disruptive business landscapes, where they are faced with a broad range of challenges from technological disruptions, new regulatory requirements, emerging risks and others. Many expect internal audit to play a role of a business partner to the organisation, and provide business insights into these issues.

And the survey responses support this point of view. 93% of our respondents agree that stakeholder expectations have significantly increased in recent years. However, only 81% feel that these expectations have been met in their organisation. And we believe these expectations will continue to grow in the future.

CHALLENGES IN ATTRACTING THE RIGHT TALENTS

In order to produce high quality audits, you need talents. However, many internal audit teams are still struggling to attract the right people into their ranks. Most importantly, many indicated that they were not given the right investments and financial resources to do this.

Outcome

The internal audit function in my organisation has **sufficient amount of talents** to carry out high quality work as required by the stakeholders.



The internal audit function in my organisation has been given **sufficient investments** and financial resources to recruit the right talent and capabilities.



Common challenges noted from our survey

- Limited pool of candidates with suitable background and knowledge
- Hiring costs and remuneration package
- Negative perception on career advancements

“It’s challenging to recruit the right talents into my audit team”

- Survey respondent

Insightful business recommendations require experienced auditors with strategic mindset and business specialism. However, almost half of our respondents indicated that they do not have sufficient talents to carry out high quality work in their internal audit teams. Worryingly, almost similar number of respondents also indicated that they do not have sufficient investments and resources to recruit the right talents and capabilities into the internal audit team.

In order for the value proposition to grow further, internal audit needs to be given the right priority and investments in the organisation to develop and retain the right mix of talents.

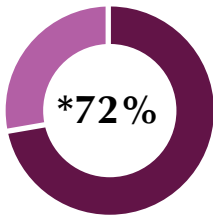
THE UNTAPPED POTENTIAL OF TECHNOLOGY

Not many internal audit functions have fully capitalised on audit technology as part of their work. In order to turn this into reality, the existing audit methodology has to be aligned towards technology to drive more efficiencies.

Common challenges noted from our survey

- Budgetary constraints and support from the organisation
- Shortage of skilled resource to adopt and practice audit technology
- Required shift in mindset to embrace technology and change

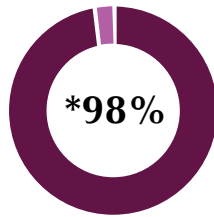
Outcome



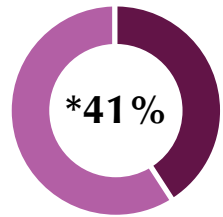
The internal audit team in my organisation uses a **robust audit methodology** to drive their internal audit work effectively.

■ Agree

■ Disagree



Audit technology (data analytics, continuous auditing etc) is an **important enabler** towards an effective and efficient internal audit deliverable.



Audit technology has been **used optimally** in my organisation's internal audit work.

**The percentage includes respondents who selected Agree and Strongly Agree*

With increasing stakeholder expectations, internal auditors are expected to do more with less resources. Even though technological disruptions have resulted in many new challenges in the business landscape, the nature of audit testing has not changed much over the last decade. Technology has the potential to turn this issue around. With the right use of audit technology such as data analytics, auditors are able to test a wider range of transactions rather than looking at a limited set of samples.

98% of our respondents agree that technology is an important enabler towards this purpose, however only 41% indicated that audit technology has been used optimally in their organisations. More investments have to be put into this area to enable better efficiency and outcome in the internal audit work.

RETHINKING INTERNAL AUDIT

The way forward

Internal audit needs to rethink its value proposition, and evolve to become a trusted advisor to the stakeholders in addition to control assurance

In order to enhance their value proposition, internal audit needs to attract the right talents into the team and produce more insightful recommendations

Exploit the power of technology to enable further efficiency, and to obtain valuable inputs on the state of the business

An enhanced internal audit value proposition

Attract the right talents

Efficiency through technology

How to achieve this

Align the audit effort towards issues which matter most to the organisation. Internal audit may not be strategy consultants, but it is important for the audit observations to contain strategic insights into the organisation

Internal audit needs to be given more strategic importance in the organisation and consequently, better resources to enable them to recruit the right talents in the industry

Utilise powerful audit technology such as data analytics to provide internal audit with valuable perspectives and gain more efficiency



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