

## **The other side of the table - Waiting for Godot 2**

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## **The other side of the table - Waiting for Godot**

Sometimes it feels like I am waiting for Godot when considering internal audit. For the younger ones among you, “Waiting for Godot” is one of the best-known stage plays of Samuel Beckett, written in 1949. It features two characters waiting for a third one, who never shows up.

Godot, in my case, is you, the internal auditor. And you have failed to show up and play a role where I expected you to. When risk management became popular, in the late 1990's, I was sure internal auditors would step up. But with the exception of a paper by IIA UK discussing what the internal auditor should and could not do in risk management, a paper which was eventually adopted by IIA Global, I did not see much happening. The second line of defense started to develop the risk management profile and quality auditors developed a risk management standard, a cousin to the excellent Australian and New Zealand Standard 4360. I stopped waiting ... but good risk management is both critical to the quality of assurance internal audit can and should give to audit committees and boards and it figures explicitly in the definition of internal audit. This was an opportunity wasted.

I'm not trying to list the issues where internal audit could have played a role and did not or not adequately, such as the reengineering waves of the early 2000's or the digitalization push of the early 2010's which is still ongoing, or fundamental industry disruptions where brick-and-mortar businesses were very quickly replaced by their digital equivalents ... yes, a lot happened in the world in the past 2 decades. Businesses adapted, but I am not sure all internal auditors adapted with it. To be clear, adopting CAATs to replace sample based testing with full coverage testing does not count as playing a role in innovation. That is a tool evolution for internal audit, not for the entire company.

Last example, not to make you feel worse, but to make a point: big data. Big data is everywhere and it is becoming the core of operational, tactical and strategic decision taking for more and more companies every day. When data plays a key role in decision taking, the internal auditor should be there to assess accuracy, timeliness, completeness and yes, existence and occurrence of not only the data but every way in which it is summarized and rolled-up into aggregate reporting. This is what the business, whatever that business may be, is being based on, but this is again a subject where I am waiting for internal audit to play its role ... and I am looking at that side entrance of the stage for the internal auditor to make its grand

entry. But alas, no auditor. While this is one of these new areas where audit committees, boards and management alike are not necessarily aware of what exposures they could be facing. Your role, as internal auditor, as I often share with prospective board members, is to make sure that board members lie awake at night about the right risks. In quite a few businesses, Big Data will be such a risk.

So, how to get you, the internal auditor, on that stage where you rightly belong? How to make sure that you get your share of voice with the audit committee or the board on critical issues that face them? How to remain relevant as internal auditor, or rather, how to keep internal audit relevant for a company and its board? There are a number of actions you can take to make you part of the play. Let us examine four of them, in order.

**First, you need to be aware of what challenges are confronting your business, which in turn is part of an eco-system of businesses working together.** The IIA, both global and your national chapter, are very well placed to help you with that. They share a wealth of information and they are working hard on making that information even more accessible for you in the future. So do not hesitate to reach out your Belgian national chapter and ask them what they believe to be on the horizon. They will gladly share the information they have.

**Second, another source of information is any industry watch you could have access to.** As an internal auditor, you have the right to any information available to be able to do your job - I do assume this is hardcoded in your mandate - and industry information is something the CAE and the audit managers should regularly consult and work with to render their audits more relevant.

**Third, and this could be a joint effort with management, you need to proactively inform your audit committee or your board about these future challenges and how both management and internal audit aims to address these challenges.** If the exposure is significant enough, this should lead to an adaptation of your yearly or multi-year audit plan. For example, are you working on auditing the safeguards assuming there are any - in place to manage your company's gas and electricity price exposures? Are these adequate? Is your board aware? Now, you need to remain aware of possible conflicts of independence, but this should not prevent you from starting to actively address such critical evolutions with your main stakeholders, which are for you, the internal auditor, your audit committee and your board. We do expect you there, explaining us what we do not see yet.

**Fourth, you need to start auditing the safeguards in place to manage these exposures and bring advice to the table of management on how to best address or optimize them.** This is where your peer network, facilitated by the IIA, can help you. You are, after all, not in this alone, but you have a group of other internal auditors confronted with the same challenges in close proximity. The IIA will, if you ask for it, organize work sessions on such topics, to explain and assess relevant and less relevant responses. These responses need of course be implemented by management, but this is where management has the right to either adopt what you are bringing to the table or adapt to its specific situation. Your role is to assess any responses as to their continued relevance and bring that to the audit committee or the board.

**And finally, you need to ensure that, no matter what audit approach you are using, you are addressing these challenges in your yearly or multi year audit plan.** If your approach is risk based, they should already figure largely. If you are using a coverage model where you need to make sure you are auditing all activities, in order of importance, at least once every audit cycle, you will need to plan for consideration of such evolutions in your audit risk assessment and cover them accordingly in the audit.

If you, as internal auditor, go through these steps, I will finally get to see your face on the stage where you belong, and I will no longer have the feeling I am waiting for Godot.