



EDITORIAL

With the growing complexities in the business environment and business models, corporate have started seeing internal audit as an important function that provides the management and the Board of Directors an assurance on the adequacy and effectiveness of internal financial controls. Internal audit helps the management and the Board in achieving organizational objectives. Modern approach of internal auditing is designed to provide assurance on the adequacy and effectiveness of enterprise risk management system. Over the past decade, the scope of internal audit has widened to cover operational audit and management audit. The Companies Act, 2013 has mandated appointment of internal auditor in listed and certain other classes of companies.

The Institute of Internal Auditors defines Internal Audit as – *Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

Business processes are in flux, as people, processes, data and technology transforming. These major changes present a threat that the overall control environment may degrade if the risks of

transformation are not proactively identified and prevented. How to audit is also changing, albeit with a focus on catching up to digital developments. Internal Auditing (IA) now needs to truly adopt the disruptions, and use all available technology to reinvent itself. As mainstream business processes are transformed through RPA, machine learning and AI, IA needs to step up its game and leverage similar tools and techniques to create a continuous audit framework that can quickly identify anomalies from full-population datasets.

The professionals like CMAs should embrace the digital disruption and use technology to assess true value to the company. It is this change of mindset that will be the source of uplifting the profession and being a very vital component of the governance framework in safeguarding the shareholders and stakeholders' general interest. They should assist management to focus on risk management and the implementation of more stringent internal controls. In this way effective internal audits can enhance the organization's capacity to build value by enabling management personnel to take timely financial decisions, make immediate changes to how internal controls are operated – if required, and address any areas of vulnerability.

This issue presents a good number of articles on the cover story “**Internal Audit: The way forward**” written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers would enjoy the articles.

Further, you must be aware that outbreak of pandemic COVID-19 is causing terrible human suffering across the world. This global health has created a unique challenge and almost imprisoned the world. Hence, we need to come together, follow medical guidelines, government instructions and fight back this crisis. We will definitely overcome this calamity soon.

Stay Home, Stay Safe!!!