

EDITORIAL

Emerging demand for internal audit functions to take broader and more strategic roles within organisations makes evident the importance of ‘internal audit’ nowadays. As a result of this increased profile, internal audit departments and leaders are searching for ways to broaden their skill sets and scope of influences. Thus, leading internal audit functions ensure their organisations become more innovative and explore new technologies, identify and mitigate emerging risks, develop creative solutions to complex business challenges and encourage best practices to enhance business functions.

Globally, various Internal Audit (IA) departments have already begun their journeys into the world of automation by expanding their use of traditional analytics to include predictive models, RPA and cognitive intelligence (CI). With automation technologies advancing quickly and early adopters demonstrating their effectiveness, now is the time to understand and prioritize opportunities for automation and take important steps to prepare for thoughtful, progressive deployment.

Internal audit can also adopt an integrated approach, incorporating assessment of ESG risk areas into broader audit plans to provide a pulse check on the business. This approach can help highlight the extent to which ESG-related activities are being identified, considered, and documented throughout the business. Internal audit

plays a vital role in assuring fundamental internal controls related to financial, operational, and compliance activities being operated effectively. This role includes validating the effectiveness of ESG-related controls and activities to help organizations manage those risks and foster resilience.

The threat from cyberattacks is significant and continuously evolving. Many audit committees and boards have set an expectation for internal audit to understand and assess the organization’s capabilities in managing the associated risks. Maintaining and enhancing security capabilities can help mitigate cyber threats and move the organization toward its desired level of cybersecurity maturity. By performing a comprehensive cyber risk assessment, internal audit can present objective perspectives and findings to the audit committee and board members, and use those findings to develop a broad internal audit plan that addresses the areas of cyber risk for the organization over a single or multi-year audit period.

Internal audit provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve strategic, operational, financial, and compliance objectives. By maintaining its independence, internal audit can perform its assessments objectively, providing management and the board an informed and unbiased critique of governance processes, risk management, and internal control. Based on its



findings, internal audit recommends changes to improve processes and follows up on their implementation.

Functioning independently within the organization, internal auditing is performed by professionals who have a deep appreciation of the importance of strong governance, an in-depth understanding of business systems and processes, and a fundamental drive to help their organizations succeed. As per section 138 of the Companies Act, 2013, any CA, CMA, or such other professional as may be decided by the Board can be appointed as an internal auditor of the company. An employee of the company may also become the internal auditor of the company but it must be considered as a part of the management and have the authority to investigate the operations of the organization.

As an internal auditor, professionals like CMAs can provide thoughtful insight by acting as a catalyst for management and the board to have a deeper understanding of governance processes and structure. They can add value by providing advisory and consulting services, intended to improve governance, risk management, and control processes. This is vital to maintaining internal audit’s objectivity and avoiding conflicts of interest.

This issue presents a good number of articles on the cover story “*Emerging Trends and Innovation in Internal Audit Practices*” written by distinguished experts. Further, 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 will enjoy the articles.