

Whats the Role of Internal Audit in Corporate Governance



Introduction

Corporate governance is simply the relationship between the company's board, senior management, its shareholders, and other stakeholders.

Institute of Internal Auditors (IIA) has defined the board as the highest level governing body charged with the responsibility to oversee organizations' activities and hold the senior management accountable.

The governing board refers to a supervisory board, or a board of governors or trustees, a board of directors, or another body such as an audit committee that has been delegated to undertake certain functions given to the governing body.

The board has been mandated to oversee the organization's strategic direction and oversee

risk management activities performed by senior management and risk owners.

Role of internal audit in corporate governance

Internal audit effectively fulfills its role through corporate governance by assessing internal and external mechanisms that influence corporate governance.

Internal mechanisms entail corporate policies and procedures, by-laws, and charters; whereas external mechanisms include law and regulators and various regulators who enforce them.

The role of internal audit in governance is key as it provides objective assurance on the effectiveness of governance processes, risk management, and internal controls which are collectively interrelated.

The role of internal auditors in corporate governance entails the following but is not limited to;

- Monitor compliance with the corporate code of conduct and access the ethical environment of the board and the organization
- Discuss areas of significant risk with the management and the board
- Report on the effectiveness of the control framework
- Follow up and report on management's response to the board

With the above, the internal auditor aims to assess and provide appropriate recommendations to improve organizations' governance process to;

- Closely oversee and monitor risk management and control
- Effectively communicate controls to manage risks to appropriate areas of the organization
- Make strategic and operational decisions
- Promote relevant ethics and values within the organization and,
- Ensure accountability and effective performance of the management.

Conclusion

Internal audit through risk-based audits provides the board with a holistic view of how well the governance structures are working in managing risks.

An agile internal audit function becomes an indispensable resource, as organizations address the growing array of risks created by changes in technology, government regulations, and competition among many other factors.