

INTERNAL AUDIT: CHALLENGES OF A DEVELOPING PROFESSION

By Ajay Nand



Introduction

Internal Auditing in Fiji was most probably first introduced in Government in the early 1970's, wherein an Inspection Division was set up within the Ministry of Finance. This Division was tasked with the responsibility of carrying out inspection of Government processes, solely with the view to ensure that basic internal controls were intact and existed within the financial management processes across Government. Sometimes in 1979, the division was merged with the Training & Systems Development Division to conduct internal audit, systems review and development, and training, thus focusing mainly on financial training rather than internal auditing.

However, spot checks of compliance of rules and regulations were being conducted and so were special investigations.

In 1997, a group of internal auditors formed the Institute of Internal Auditors – Fiji Chapter which was affiliated to the Institute of Internal Auditors – Global (IIA Global) based in USA. The primary objective of the Chapter was to advocate the internal audit profession in the country. After over ten years of successful operation as a Chapter, the status of the Chapter was upgraded by IIA to an Institute in 2008 by IIA Global and granted the status of Institute of Internal Auditors Fiji (IIA Fiji). IIA Fiji is the only body affiliated to the Global in the Pacific Island region. Other countries which have similar institutions in the Oceania region are Australia, New Zealand and Papua New Guinea. The core purpose of IIA Fiji is to advocate the (internal audit) profession and International Professional Practises Framework for Internal Auditing (IIA Standards) in Fiji and region through support of stakeholders in the private and public sectors, provide opportunities for continuing professional development to members of the profession and promote the IIA Code of Ethics.

In March 2012, IIA Fiji attained membership of the Asian Confederation of Institute of Internal Auditors (ACIIA) and joined 15 other countries in the Asia-Pacific region which have Internal Audit Institutes. Membership of ACIIA has enabled greater collaboration with more developed Internal Audit Institutes which are committed to provide support to small and developing Institutes such as IIA Fiji.

Meanwhile, internal auditing in the public sector has continued to evolve. In 2004, the Finance Management Act was introduced and in late 2008, the Pacific Financial and Technical Assistance Centre (PFTAC) did an evaluation of the (public sector) internal audit functions in the Pacific and recommended various changes to be introduced to strengthen the capability and performance of the division as a whole. Most of the recommendations have been implemented.

Developments in the profession

Establishment of Internal Audit functions in private firms, Government Entities and listed companies in Fiji have shown significant growth in the past decades. This is evident from the increase in number of vacancies for internal audit positions or services which have been advertised in the print media over the years. Moreover, there has been notable increases in the number of internal auditors who have become members of IIA Fiji since its establishment. In addition, the annual conference organised by IIA Fiji continues to attract large number of delegates from different entities and industries each year.

Challenges to growth of the profession

Despite establishment of the Internal Audit profession in Fiji for over forty years, the pace of growth of the profession has been rather slow which requires thought and discussion not only by internal auditors but the other stakeholders as well. Some of the key challenges are discussed below:

No legislative framework for internal audit

Most professions in Fiji have been successful because they are supported by a legislative framework which mandates their establishment, roles and responsibilities. Unfortunately the Internal Audit profession all over the world is not established by legislation. Their establishment has been greatly due to the passion of internal auditors in the respective countries for their quest for harmonisation of best practises and standards related to the profession all over the world. IIA Global has tagline of "*Progress Through Sharing*" which reflects the spirit of the profession.

However, the need for establishment of independent internal audit functions and role of Audit Committees in listed companies are legislated in the relevant legislations in most developed entities. Countries such as India, Malaysia, Philippines and others in Asia have legislated that the need for independent internal audit functions. Australia and Singapore have established best practices or Codes that have similar requirements. The findings have been published in a recent report issued by ACIIA which is available on the IIA Fiji Website, www.iaafiji.org.

IIA Fiji has been advocating the profession through its website, email alerts, seminars, workshops and annual conference. It has been encouraging the self-adoption of IIA Standards and international best practises. However, the rate of adoption has been very slow. Therefore it is important that the Institute continues to impress Government, listed companies and large private firms on the benefits of independent internal audit functions and adoption of IIA Standards.

More support required from key stakeholders

There is huge support from various industries for Internal Audit Institutes and the profession in many countries. This can be gauged from the (large) number and type of sponsors of seminars, workshops and annual conferences organised by the Institutes. While IIA Fiji has been fortunate to receive local sponsorships for its events, big corporations in Fiji have decided to stay away. This may be attributed to IIA Fiji being unable to provide guarantee that the mileage received from the sponsorship will exceed their sponsorship dollar. However, some of these corporations are providing substantial and long-term sponsorship to other professional bodies which perhaps are regarded as institutions of national importance.

Except for one, CA firms and consultants providing internal audit services have also not been able to provide much support in advocating the profession despite working in the profession for many years.

Media plays a very important role in disseminating awareness on any profession. Compared to other professions, the internal audit profession has received very little support from majority of media organisations in Fiji. Media releases issued by the Institute on the profession including international internal audit awareness month have not been published.

Reserve Bank of Fiji is seen as a key stakeholder for the profession. Despite this, calls for meetings have been ignored and response to official correspondence from the Institute has not been provided.

Despite the above challenges, it is important to acknowledge the support received from public sector organisations such Fiji Revenue & Customs Authority, Office of the Auditor General, Ministry of Finance and other government ministries and departments who have allowed their staffs to be members of IIA Fiji and have sent delegates to the events organised by the Institute.

Volunteers working for the Institute

Institutes such as IIA Fiji are managed by volunteers who take out time from their busy schedules to contribute to the profession. The level of commitment from these volunteers varies which sometimes begins to affect the roles, responsibilities and plans of the Institute. Finally an individual's passion for the profession ensures that the Institute continues to operate normally.

Response from the profession for calls for volunteer work for the Institute, whether it is for membership of Board, Executive Committee or Special Committees, has been generally very poor. At the same time, there is suggestion by some members that IIA Fiji is being run by the staffs from the Internal Audit team of Fiji National Provident Fund (FNPF). The involvement of the FNPF Internal Audit team from the inception of the Institute has been primarily due to lack of passion and commitment by majority of the members of the profession. Some have not come forward because the Institute has not been able to provide the expected leverage from their show of support.

IIA Fiji is grateful to FNPF and other institutions such as Bank of South Pacific, *i-Taukei* Land Trust Board, Ministry of Finance, Telecom Fiji Ltd, Fiji National University, Carpenters Fiji Ltd and University of the South Pacific for releasing their employees to take up Board and Committee member positions in the Institute.

Value proposition from annual membership fee

Value from memberships of professional bodies remains paramount especially for professions that are not mandated by legislation. Although membership fee of IIA Fiji has remained significantly low compared to other professional bodies, return to members for their annual membership remains a key challenge for the Institute.

While the membership allows for full access to IIA Standards, white papers and other publications related to the profession on the IIA Global website, free on-line magazines provided by IIA Fiji and discount to local seminars, workshops and annual conference organised by IIA Fiji and other affiliates of IIA Global all over the world, the expectancy is much greater.

Again the passion of members for the profession and participation in the administration of the Institute would assist in generating more returns on annual membership fee.

The developments taking place in the internal audit profession globally cannot be ignored in Fiji especially when all professions are either adopting or aligning with the international standards and best practises. With more importance given Government to promote good governance and accountability, than ever before, independent

internal audit functions will no longer be seen as cost centres but partners in growth of businesses in all sectors.

The challenges facing the profession are not unsurmountable. These can be effectively managed if more commitment is displayed by the membership towards the profession. Stakeholders including boards and lending agencies can also contribute to the development of the profession by working more proactively and giving recognition and support for the profession which plays a key role in governance of institutions and firms all over the world.

Ajay Nand is the immediate past President and member of IIA Fiji Board. The views and opinions expressed in this article are not necessarily those of IIA Fiji or Fiji National Provident Fund where he is employed as Manager Internal Audit.