

**SPEECH BY MS INDRANEE RAJAH,
SENIOR MINISTER OF STATE FOR LAW AND FINANCE,
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MARINA BAY SANDS, SANDS EXPO & CONVENTION CENTRE**

Ms Tan Boon Yen, President of the Institute of Internal Auditors Singapore

Distinguished guests

Ladies and gentlemen

Good Internal Auditors as Key Differentiator

Introduction

1. A very good morning to all of you. Thank you for inviting me to the fourth Public Sector Internal Audit (PSIA) Conference. There is a good turnout today, and I see this as an excellent opportunity for participants to learn from the experts, fellow practitioners and stakeholders as well as to exchange views, knowledge and good practices.

2. As you may know, Singapore has set up a Committee on Future Economy (CFE) and one of the Working Groups is looking at the growth areas in the Legal and Accounting sector. One such area is Internal Audit. So let me first touch on the role of Internal Audit.

Role of Internal Audit

3. Internal audit, in essence, provides an independent and objective assurance on the effectiveness of internal processes, and it enables the sharing and adoption of best practices to drive greater efficiency in an organisation. As providers of public services, we must ensure that there are robust checks on our systems and processes, and that our policies are implemented efficiently and effectively.

Changing Role of IA

4. However, as our operating environment becomes even more complex and volatile, the scope of internal audit in both the public and private sector has to evolve in tandem to keep up with new risks and controls. Internal audit has to move beyond its traditional role of an independent assurance provider; it has to take on a more strategic role within the organisation.

5. To do this, internal auditors first need to acquire a strategic view and understanding of the organisation and its objectives. Next, they should gain detailed insights into organisational systems and processes, and that puts them in the unique position to offer valuable insights and advice on the organisation's strategies.

6. There has also been an increasing recognition of the value of a structured and consistent approach to Enterprise-wide Risk Management (ERM). In this context, internal audit is a key partner to assist senior management in their implementation of ERM. They can provide objective assurance that major risks are appropriately managed, and the organisation's risk management and internal control framework is operating effectively.

The Future of Internal Audit

7. Mr Chaly Mah and I are co-chairing the Working Group on the Legal and Accounting Services sector that I mentioned earlier. The Working Group met earlier this week and the discussion centred on Internal Audit.

Value of internal audit in organisations

8. One key thread of discussion was the value of internal audit to organisations. Many parties whom we've reached out to in focus groups attested that internal audit is a unique differentiating factor for companies. Companies with strong internal audit functions tend to be better governed and hence, enjoy stronger trust on the part of clients, investors and other stakeholders. This is important because many companies see internal audit as a burden. But companies that adopt a positive

mindset and develop strong internal audit functions can leverage on this edge to become a driver of change for their operations.

9. Many participants also echoed the view that internal audit was not merely about compliance. It's more than that. Internal audit has an important role in enterprise risk management and helping the company meet its strategic objectives. Operationally, internal auditors can provide useful insights and work with management to improve the effectiveness and efficiency of organisations' processes and operations.

Raising the competencies of internal auditors

10. Given the importance of internal audit, there is clearly a strong demand for good internal auditors. Many internal auditors know the technicalities and methodology of internal auditing. But being a good internal auditor goes beyond that. It requires the flexibility of mind to understand the organisation and the broader business environment as well. This is especially true as organisations operate across borders and internal auditors need to be cognisant of their organisations' global business environment.

11. Internal auditors also need to have a deep knowledge of the industry they are working in. They need to understand the intricacies of the industry, especially its business practices and processes. Such in-depth knowledge can be a differentiating factor amongst internal auditors. Internal Audit is not a one size fits all. To be truly effective, internal auditors need to ensure that your knowledge of the industry, ERM and compliance is at the top of the game.

12. Internal auditors can be good strategic partners to the CEO. As I mentioned earlier, internal auditors are in a unique position to have both a strategic view of an organisation's objectives, as well as access to insights on the organisation's processes and operations. This enables internal audits to advise their management on alignment of organisational plans and strategies, and flag out emerging risks associated with them.

13. To do so effectively, internal auditors need to communicate effectively with different stakeholders. Frequent and open communication with other stakeholders is necessary not just to better understand their expectations, but also for internal audit to “market” its capabilities, initiatives and share insights so that stakeholders better appreciate its value. The support of management and key stakeholders is also important in ensuring this.

Innovation and Technology in Internal Audit

14. On this note, I want to highlight that much of the work of Internal Audit can be done by technology. So it is important for internal auditors to stay ahead of the game. I encourage Internal Auditors to explore the areas in which they could do things differently, keep up with and leverage on technology as far as possible. The use of technology enables Internal Audit to carry out audits more effectively and efficiently to maximise the utilisation of resources. It’s not just analysing the data but also interpreting it. It’s that combination of technology plus your own expertise to achieve optimal results.

15. It is also important for Internal Audit to adopt a Continuous Auditing approach. Continuous Auditing encompasses automated data download, automated checks, data analytics, and continuous report generation. This will provide improved risk and control assurance, reducing costs in terms of, both internal audit costs and costs associated with unaddressed control deficiencies.

16. The attributes of a good internal auditor and the use of technology in internal audit work apply to both the public and private sectors. Many of you here today are internal auditors in the public sector. Many public issues cut across various agencies and the people expect the agencies to work as one Government. Internal auditors have a macro picture of the various processes and can contribute to driving not only compliance, but also efficiency. Your role in the public sector is important.

17. I am happy to note that IIA Singapore and the Singapore Accountancy Commission launched the Asia Internal Audit Leadership Programme in 2015 to raise the competencies of senior internal audit professionals. The second run of programme, which is designed to develop internal audit leadership capabilities, will be conducted in September this year.

18. Ladies and Gentlemen, let me conclude by congratulating the Institute of Internal Auditors Singapore on your 40th anniversary and your achievements in representing, promoting and developing the professional practice of Internal Auditing in Singapore. May I also encourage IIA Singapore and your members to offer your skills and capabilities to help charitable organisations.

19. I wish you all a fruitful learning journey over the next two days.

20. Thank you.

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