# **The Eagle Has Landed – Redefining the Audit Committee’s Role in Strengthening Internal Audit Function in Ghana**

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## **The Young Eagles Story**

A story is told of how a farmer found an eagle’s egg and placed it under the chicken’s nest to hatch. The young eagle grew up with the young chickens and everything that the chickens do the young eagle also did same. The young eagle thought he was a chicken and acted just like them too! Chickens are not supposed to fly long distance so did the young eagles learn to do until one day the young eagle saw a bird fly above him and wanted to know which bird it is. ‘’The King of the birds’’, said one young chicken to the young eagle. The young chicken tells the young eagle that ‘’you are not one of us, but you are an eagle, you can fly as the bird you just saw! Rediscover yourself and spread your wings to soar above the skies and above all the birds’, the young chicken advised the eagle.

## **The Current Situation of The Internal Audit Function**

This story is a close allegory to describe the perception or the misconception of the role of the Internal Auditor in our corporate governance system in Ghana. The Internal Auditor has been made to think, act, and behave like the chicken or watchdog and not an eagle! At most the Internal Auditor is behaving itself like the young eagle in the above story!

Over the years the role of the Internal Auditor and the Internal Audit function has been misconstrued to mean different things to different Boards and Management in our part of the world. In fact, the Internal Auditors themselves have accepted their status in corporate governance to be ‘watch-dogs’ or ‘police officers’ of their institutions.

The Internal Audit function has been but a mere checkbox to satisfy the regulatory requirements. At best to do the dirty work of senior management and the board when it comes to ‘putting the fear of God’ in the staff. It has become mainly routine and purely ‘compliance’ function in most of our institution. The independence, objectivity and integrity of the Internal Audit function has been compromised or trodden down by all and sundry including regulators.

The Audit Committee’s (or ARICs) have themselves misunderstood, disregarded, and watered down the usefulness, roles, and responsibilities of the Internal Audit function as the third line of defense in corporate governance.

Internal Auditor’s themselves have contributed to this ***‘mission drift’*** by behaving as ‘tyrants’ and ‘executioners’ used by management to intimidate or beat in-line those who do not comply with management’s dictates. Auditors have become used to travelling around just to make enough money through allowances and per diem. In effect, they have deviated from their core mandate and professional calling as expected under the IIA’s IPPF and other practice guidance for a modern internal auditor.

## **The New Awakening – Audit Committee’s Support**

The Board and the sub Board Audit Committee must change this mindset, perception, and dysfunctional role of the Internal Audit function if corporate governance is going to be effective in any organisation.

The Audit Committee must nurture, strengthen, and resource the Internal Audit function to perform its roles and activities as pertains to international standards and best practices as enshrined in the IIA’s standards. The various organisations and institutions, the Board and the Audit Committee stands to benefit a lot from a well-motivated and functional Internal Audit function.

For example, the Audit Committee must ensure an effective structure is put in place to enhance the Internal Audit function. This will include, an up-to-date Internal Audit Charter, policies and procedures, strategic audit plans, modern tools, and techniques to conduct an assurance and consulting activities for the organisation.

The need to ensure that the Internal Audit department has in place a Risk Based Audit Plan based on processes and key systems as identified by the Risk Management framework of the organisation.

The remuneration and positional equity of the Chief Audit Executive (CAE) must be at the Senior Management level to attract the needed quality and professionalism in discharging the Internal Audit function.

The Chief Audit Executive must have full access to the Board, Audit Committee Chair. Executive Management, External Auditors and Regulators always.

The Audit Committee must rely on the intelligence and reports of an effective Internal Audit function. The need for the Internal Audit function to strategically position its activities to the overall risk management system, the internal controls and reporting requirements of the organisation is vital to the success of any Internal Audit function. The alignment of the Internal Audit plan to the strategic objectives of the organisation is key to any effective Internal Audit function that seeks to add value to the organisation’s stated objectives.

The Audit Committee must ensure that the Internal Audit function creates added value to the overall effectiveness and efficiency of the processes and systems underlying the operations of the organisation.

## **It is Time for the Internal Audit Function to ‘Fly’**

In the modern practice of Internal Audit, the Internal Auditor is seen as an in-house consultant, a facilitator and epitome of knowledge and skills in supporting process owners, management, and the board in achieving the organisation’s strategic objectives.

The days of using the Internal Audit function as a strictly compliance tool, a sledgehammer or as the ‘watch-dog’ of the management is past and a new era of using internal audit as a strategic partner has emerged.

Let the Internal Auditor be the eagle they are and soar above the traditional practices in our corporate governance system in Ghana.

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