

**IIA International Conference
May 10 – 13, 2009
Johannesburg, South Africa**

I attended the 68th IIA International Conference in vibrant Johannesburg, South Africa.

It was a very impressive conference covering eight diverse tracks and general topics delivered by 80 speakers from all over the world, either academics or practitioners, and supported by some 100 volunteers. Despite the economic downturn further threatened by outbreak of the H1N1 influenza, the conference was attended by around 2500 participants from 18 countries.

The tracks covered a variety of topics such as best practices, risk management, soft skills, IT, fraud, auditing in the public sector, corporate governance, and emerging issues. There were ample opportunities to interact with colleagues through the networking breaks and events. From Singapore, I met Peck Leng, President of IIA Singapore who came before the conference to attend global IIA meetings, and Timothy Ng, Executive Director in the Internal Audit Department of the Monetary Authority of Singapore. I also met fellow peers from other Asian countries.

Before the conference, I attended the “Internal Audit Educator’s Forum” hosted by the IIA Academic Relations Committee. The forum included presentations related to academics and the profession, as well as discussions on challenges of teaching, recruiting and retaining younger generation auditors. I learned among others that The IIA has education partnership programs with universities and colleges all over the world. In Asia, The Chulalongkorn University in Thailand and the Nanjing Audit University in China have been granted the “partner level school” by The IIA while the University of Malaya in Malaysia has qualified as “development level school”. One of the participants highlighted that, according to his experience, students graduated from schools linked with The IIA through education programs are well grounded auditors and should be considered as a good alternative to auditors with 2-3 years of experience. Emily Ray, Graduate Student, University of Texas at Dallas, presented her write-up on “Adding Value: How modern Internal Auditing Assists Organizations in Achieving Strategic Objectives”. She received from The IIA Research Foundation the prestigious 2009 Esther R. Sawyer Research Award. I welcomed the news that Ethics is taught to students, although this is not an easy subject matter, and there are diverging thoughts whether Ethics can be taught. One of the interesting sessions outlined how to work with “Gen Y” auditors.

Delegates at the Conference started the day on a musical note, entertained by a medley of well-known music hits played by Buskaid.



Overall, the Conference placed emphasis on risk-based audit approach and the conduct of ethical business, sustainability, the access of the Chief Audit Executives to Board members, and the future of Internal Audit. Those topics were likely inspired from the current economic downturn shrinking internal audit resources and the financial crisis leading to question business integrity.

I would like to share with you a sample of the sessions which I enjoyed most.

The conference opened with Dr Mervyn King delivering the keynote “King III – The future for Internal Audit”. Mervyn King traced the corporate world from the 1885 age of limited liability companies through to the 20th century of shareowner revolution and into the 21st century of the borderless world and companies being integral to the society. Companies need now to integrate four capital factors in their long term strategies: financial, human, social and environment. In this new setting where profit is not (and cannot be) the ultimate goal, **the future of Internal Audit is to shift the focus from compliance and control assurance to assurance on the effectiveness of risk management, in the context of governance, strategy and sustainability. The auditors must go from the back room to the Board room.**

Dr King stressed that **“the audit planning must be informed by the strategy”** and the strategy is known to Internal Audit because the CAE is involved in the strategic process. It is questionable whether the CAE may be a Board member, however for sure he/she must have Board room presence. The good news is that auditors have not failed their responsibility in the financial crisis, but governance has failed.

On Monday afternoon, Mr. Gianni Grossi, Honorary President of the IIA Italy, gave a delightful and provocative presentation on “Expressing an opinion on the quality of organizational control”. He presented that the Board has to assure that everything is in control in their company, hence they need Internal Auditors! **Internal Auditors are the control specialists and they should not let anybody else take their job. Auditors need to provide Board members with an evaluation of the overall residual risks. This is possible by integrating direct assurance with assurance from others and using Risk and Control Self assessments. Auditors need to have a risk based audit plan.** The challenge is of course to have a complete and accurate risk map without white spots. Mr. Grossi provided participants with a possible solution to meet Board’s expectations:

- Internal Auditors provide direct assurance.
- Internal Auditors validate other assurance providers (Health & Safety, Environment etc).
- Internal Auditors validate management self assessment of risks through Risk and Control Self assessments.

I attended an interesting panel discussion on “Control Chaos – what other industries can learn from banking’s problems”. **Internal Audit need to assess, evaluate and report on the Corporate Governance framework** (covering topics such as Ethics, accounting practices, Board composition, risk management, audit committee activities). One of the panelists advised participants to go back to basics and review access rights, holiday balances, follow-up given to regulatory enquiries / whistleblower tips, etc, and to also review money-making units.

The session on “Corporate Social Responsibility” (CSR) is worth mention here. **Internal Auditors have a key role to play in reviewing whether the Company is strategically managing the social, environment and ethical risks / opportunities of the business.** The speaker detailed the role of Internal Auditors according to the level of sustainability maturity of their organization. Common findings of CSR audits include: disconnect between CSR and overall strategy, lack of a formal framework to manage CSR programs, CSR roles and responsibilities are not formalized, policies and procedures for maintaining adequate evidence of submitted data have not been established, monitoring procedures are not effective.



On Tuesday evening, there was a sumptuous gala dinner. While the best fares of South Africa were served, local singers and dancers were entertaining us. The gala continued with a dancing parties were most of us joined. The South African people know how to party and make you feel joyful!



On Wednesday morning, four general sessions were on the agenda. One of those which I enjoyed a lot was “What you say without speaking” delivered by Dr Woolf Salomon who is a Psychologist in South Africa. He gave us an understanding of the role of the body language, declining it between male and female and highlighting the role of the space bubble, the breathing, the tone, the position of hands and feet, the general posture, the eye gaze etc.:

- He explained that **the impact of a message comes from 7% with the words we say, 38% with the tone of our voice, and 55% with our gestures.** This is something we need to keep in mind when preparing and convening our next closing meeting!
- The General Manager of the next unit you audit will make his first impression on you in 22 to 24 seconds, and 70% of this first impression would come from your appearance and body language!
- I cannot resist sharing the list of lie indicators; they are so useful for us. The following gestures may give away that the person you are interviewing is telling lies: hands in front of the mouth, rub nose, pull ear, loose collar, rub eyes, enlarge pupils, faster blink rate, flush, fidgeting, higher voice pitch, swallowing, in general all hand to face gesture. Note however that there might be other reasons for such gestures (the person is cold, sick etc).

Another highly energizing session was “Lessons from the future” by Anton Musgrave, director of FutureWorld International, South Africa. He shared that **against the background of feeling of total uncertainty in the world, everything is possible.** This is a time of great opportunities!

- He cited amongst other the surge of bio- and nano-technologies R&D in Asia, the attitude to take service delivery beyond zero in Hong Kong, the socialism of technology in Africa, the innovative SMEs in South America, the increasing number of “black swans” in USA.
- Since the world is begging for trust now after all the recent bankruptcy in the world, Internal Audit is well placed to give assurance when needed. His advice is to try to imagine the future without being blocked by the past events.
- How will the corporation of tomorrow look like? Will rule-based strict organizations attract the next generation? The virtual world ... is real, and power has shifted from companies to users/community of users; competition will come from outer space, from where you expect it the least to come; customers ask for free service now, the challenge is how to give in tomorrow’s market what they want for free. **The speaker insisted that in this world of fantastic opportunities, we should not extrapolate on a straight line.**
- **Between now and, say 2020, we will move towards a smarter and interconnected world.** Since knowledge is free, the focus will be the skills; experience will count less than the attitude to change amidst chaos and in volatile environments; leadership will take over management, and relationship will be more important than people.

Overall, I took away useful and enriching learning from the conference, including practical tips. The conference had good coverage with international focus and the opportunities to interact with counterparts from other countries were abundant.

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