

The Impact of the Global Financial Crisis on the Occupation of Internal Auditing

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Last year, the world has encountered a serious financial crisis, and it has very bad effects on the economic sectors to include the economies of most countries, the developed as well as the developing ones. Among the negative effects that devastated the countries' economies was the collapse of some gigantic banks and financial institutions that formed strong economic cornerstones. Added to this was the severe decline and losses in the international stock markets that resulted in a state of depression in many countries; the severity of this depression varied from a country to another.

The reasons behind this crisis are numerous, but among the reasons behind the crisis worsening was the weakness in internal review systems regarding the transactions of banks and other financial institutions, on the internal as well as the external levels. Mainly, this has to do with the internal auditing departments in those institutions. We can add to this marginalizing of internal auditing in those banks and financial institutions by the administration departments. This resulted in the absence of the main role for internal auditing departments in supporting those institutions to confront the impacts of the crisis. The weakness of the auditing role during the crisis has also resulted in the spreading of corruption and embezzlement in a number of institutions; this, in return, has resulted in the collapse of many of them and caused a severe decline in the performance of the international stock markets.

Hence, the weakness in the evaluative and consultative role for the internal auditing departments made things even worse; they were limited to finding errors and providing instant recommendations to cure them. However, they

ignored the important role that they should have taken over, which is evaluating the internal review systems, identifying their weakness points, and putting forward the suitable recommendations for the cure. This is actually the main role for the internal auditing departments according to the modern approach of internal auditing management, especially when we know that internal auditors have vital roles in the success of institutions by means of evaluating the internal review systems and providing the suitable recommendations for the cure. This gives an added value to the institution, and it also agrees with the important objective of the internal auditing departments represented in adding a value for the institution and helping it to get its objectives achieved. So, their role is not only limited to finding errors and presenting them before the administration, especially if we know that risk assessment represents a crucial part of the internal auditing administration tasks. This forms a significant part of the internal review system in addition to recommending some procedures to increase the administration's capacity in terms of risk management.

Accordingly, the global crisis, its negative impacts, especially on banks and other economic institutions, the collapses, the decline in the performance of the stock markets, corruption, and embezzlement—all gave exceptional importance to the occupation of internal auditing and shed lots of light on it by the administrations of many financial institutions. In this respect, those administrations have given the occupation higher priority and considered it as an important line of defense for them. The accelerating technological development in the different economic activities, the commercial,

The industrial, and the financial ones shed more light on the occupation. Add to this the openness of countries at each other and the gigantic development in telecommunication systems and technological exchange; all of this has put these institutions in the face of several dangers.

Thus, developing the internal auditing occupation, preparing its staff, and improving its procedures became a dire need in order to prepare it to confront all of these challenges and help institutions face the negative impacts of the accelerating developments. Accordingly, many internal auditing departments started to improve their work procedures by looking for each and every new way that help accomplish this task. They also started to employ modern techniques to accomplish their tasks. This helps make it more effective and add values to the institution in question.

Nowadays, many internal auditing departments employ the risk-based internal auditing approach; and by applying its models, these departments can focus the efforts of their employees on the most vulnerable areas inside the institution. This improves the use of resources and upgrades their efficiency. Similarly, those departments started to utilize modern technologies in their work through using computerized auditing systems and software. This increases the efficiency and comprehensiveness of the auditing operations. Many other departments have developed auditing units dedicated to the information systems and supported them with the relevant experts needed, especially when we know that the risks resulting from the huge development of information systems are increasing every day as we mentioned earlier.

From my own point of view, if the internal auditing departments follow this path, get the support of the administrative boards, improve their human resources, make efficient channels of communication with the related internal auditing bodies, inform the institution of the importance of internal auditing and its significant objectives, and get the support of the senior management bodies in terms of treating the results of internal auditing in a positive way—if they do all of that, institutions will hopefully swim to the safe shore.