**Keynote Address**

**Ninth Caribbean Organization of Supreme Audit Institutions (CAROSAI) Congress**

**Monday 18th March, 2013. 8.30 a.m.**

**Hyatt Regency Hotel, Port-of-Spain**

**Rhoda Reddock**

Thank you for having me here this morning at the Opening Ceremony of the IX Congress of Caribbean Organization of Supreme Auditing Institutions: “Collaboration to Promote Best Audit Practices”. On behalf of myself and the University of the West Indies, St. Augustine Campus, I would like to bring greetings to you at this opening ceremony and convey my best wishes for the success of this Congress. I am following in excellent footsteps as I understand that 25 years ago my colleague Professor Max Richards at that time Professor of Chemical Engineering and Principal of the St. Augustine campus gave that keynote address. Today he demits office as President of the Republic of Trinidad and Tobago.

I would like to join the Auditor-General in extending a special welcome to our regional and international participants. I know that you are here to share experiences and learn from the informative conference plenaries and presentations but I would hope and in fact encourage you to make time to experience some T&T culture and indulge in the sites and tastes that our islands have to offer, especially those of you who are visiting for the first time. I guarantee that you will not be disappointed. Please enjoy your stay.

25 years after the establishment and first congress in August 1988, CAROSAI has returned to its place of birth, Port-of-Spain. Your establishment since that time has meant that the twenty-two member institutions would have greater opportunities for collaboration through the exchange of audit experiences, techniques, training and a chance to develop and standardize industry practices across the Caribbean region. I am pleased to have this opportunity to congratulate CAROSAI on its contribution to the development and enhancement of accountability within the auditing profession in the region over the past 25 years.

As you know, I not an auditor by profession. In fact I am a development sociologist, social historian and gender analyst. I am however someone who is a proud Caribbean citizen who sees your organization and this congress as an opportunity to make this region the place where we would want to grow old want our children to live. I am therefore honoured to have been invited to speak and hope that whatever I say would be useful to you.

**The Profession of Auditing**

Who is an auditor? What is the popular image of an auditor – you know better than I do – the people who can drive fear into one’s hearts especially at the end of the financial year, the people whose sanction we need before we can do other things, the people we love to hate but cannot do without, or simply the people who sit quietly in the corner counting figures but who never really bothers anyone. According to the International Organization for Standardization, an auditor is someone who collects evidence in order to evaluate how well audit criteria are being met.[[1]](#footnote-1) More so, it stipulates that they must be objective, impartial, **independent** and competent.[[2]](#footnote-2) One Ernst and Young presentation in 2011described auditing and auditors alike in the Caribbean as traditionally lacking independent partner reviews, regulatory oversight, effective independence guidelines , poor or inconsistent audit quality and threats to independence, just to name a few. Nevertheless, there has been a reported change in these areas with an increase in regulatory oversight, and more robust documentation requirements for Auditors. Additionally, with the changes to legislation in Trinidad and Tobago and other Caribbean territories, there has been an increased interest in and attention to the audit process thanks to institutions such as CAROSAI.[[3]](#footnote-3)

In today’s society, the range of risk has expanded to include all types of factors that cannot be classified under the umbrella of finance. However, although auditing is not limited to the area of finance but rather a range of areas such as compliance and operational audits, management, governance, and information systems audits, laypersons are more aware of financial audits. This may be due to the prominence of the results of these types of audits in the news. The broader audit functions however are also important and need to be brought home to the wider society. Every day there are reports of corporations, public institutions and banks failing because of a lack of oversight and internal checks and balances; the Caribbean has not been immune from the effects of the global economic downturn.

 Auditors today perform their task in a world where corruption, bribery, theft and tax evasion are prevalent and of grave concern. The statistics support this observation. In the Transparency International 2012 Annual Corruption Perceptions Index , two thirds of the 176 countries ranked in the index scored below 50 on a scale of 0 to 100, which means that they are considered significantly corrupt.[[4]](#footnote-4) Closer to home, the Corruption Perception Index indicated that public sector corruption is at a high level across the region with Guyana being ranked at number 133 on the Index, Trinidad and Tobago at number 80 and Jamaica ranked at number 83, just to name a few regional territories.[[5]](#footnote-5)

Within the wider society, laypersons have become increasingly aware of the need for accountability from big businesses, financial institutions and governments whose resources are indeed the people’s resources. In 2011, Managing Director of Transparency International, Cobus de Swardt confirmed this by stating that the global movement for greater transparency had taken on irresistible momentum, as citizens around the world demand accountability and transparency from their governments.[[6]](#footnote-6) He however added that high-scoring countries showed that over time efforts to improve transparency can, if sustained, be beneficial to the people of that country.

**Role of the Internal Auditor**

The challenge now becomes what can be done to promote transparency and prevent these disasters from occurring and reoccurring? I believe that this is where the crucial role of internal auditors should be emphasised. With the global economic downturn, there has been a shift in focus to the role and significance of the internal auditor, with the urgent need for efficient and effective corporate governance, risk management and compliance systems across boards and organizations.[[7]](#footnote-7)What ideally is the role of an internal auditor? Based on the definitions provided by various authorities on auditing, the core characteristics of an internal auditor should be **an independent and objective advisor** who can **challenge current practice within the organization**, **champion best practices** and **be a catalyst for improving the practices of an entity.[[8]](#footnote-8)** Beyond this, they are responsible for ensuring that all the procedures, rules and regulations that govern the operations of the institution are followed in addition to maintaining an effective internal control system which prevents errors, fraud and misappropriation.

What struck me was that the word independent or independence seems to be the recurring theme in all definitions and guidelines for internal auditors. Standards for the Professional Practice of Internal Auditing presented by the Institute of Internal Auditors define independence as “freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. “[[9]](#footnote-9)

I believe that this translates to the fact that in order to effectively perform these tasks, the internal auditor must above all **be allowed to be independent** within the organization in which he or she operates. We should ask ourselves as a region, whether we have allowed our internal auditors to be truly independent. Granted that the internal auditor is an employee of management and is dependent on management for raises and promotions just like other staff members, what practices are in place to make that person feel free to do their job? The internal auditor and the internal auditing process may lack public trust and confidence if overt measures to protect its independence are not implemented and maintained. An internal auditor should be able to report to higher level management without fear of victimization. What mechanisms can we put in place to empower and support the internal auditor in this important national duty?

**An Empowered Internal Auditor Helps to Maintains Good Governance**

In order to perform their task, internal auditors should feel empowered to do so. Empowerment is the process of enhancing the ability of persons to make choices and to transform those choices into desired actions and outcomes. Empowered people have freedom of choice and action. The empowered auditor then has the autonomy to ensure that good governance prevails within the organization in which they function.

It has been echoed the world over that internal auditing is the keystone of good governance especially during the post global economic crisis era. Governance has been defined as the process by which organizations are directed, controlled and held to account. The very motto of CAROSAI fits into this, “Towards greater accountability”. In their role, the internal auditor should seek to contribute in a broader sense to the social and economic development of the society. I believe that internal auditors have a responsibility to the people. Through best practices, fuelled by independence and empowerment, they can help to ensure a strengthened trust by society and trust from the organizations in which they serve.

Reports of tragedies which persist because of failing economies often tend to focus on the fact that through undetected fraudulent activity, millions of dollars are lost; however, there is a more human side to the story. People lose their jobs if a company folds and declares bankruptcy, they lose their savings and entire pension funds from failing banks and investments. Governments may decrease their budget and as a result may eliminate many social programmes and benefits. All of this is a result of a lack of appropriate internal checks and balances which could have worked to prevent these negative effects before they became messy situations. Here the internal auditor is most valuable. There is a ripple effect because of the physical loss, that is, the unavoidable resultant emotional and psychological trauma. We should think about how this affects elderly people for example, who are no longer able to work to recover any of the money that they have lost. This can be quite stressful and burdensome to say the least. Internal auditors then become guardians of the public’s interest and as such have a sacred responsibility to effectively carry out their tasks.

**Training for Auditors**

As an educator, I believe that education is key to ensuring that internal auditors are empowered to conducts audits efficiently and effectively. Yes they need to know the skills of the trade and I know that all of you are well-trained exemplars in this field but there may be other skills that could be added. I suggest that students who are being trained should also be exposed to courses in psychology, sociology, gender studies, political science, economics, history, public speaking and oral communications, in order to give them a broader perspective and wider understanding in order to maneuver through their tasks.

Auditors need to have the power and confidence to speak up when this is necessary and to communicate in a language that everyone understands. They also need to be empowered to speak Truth to Power when the evidence necessitates this without fear. What is the role of CAROSAI in this process?

**How can the UWI assist in developing this new Auditor required by the Region ?**

The UWI, as the region’s premier tertiary institution is ready to play its role in preparing graduates who can fulfill the roles and responsibilities mentioned. I see the CAROSAI as an organization which seeks to develop the Caribbean region and so rightly fits into the university’s vision. Part of the vision of UWI’s Strategic Plan 2012-2017 echoes this sentiment by committing to develop a University that is **deeply rooted in all aspects of Caribbean development and committed to serving the diverse people of the region and beyond.** This means having “a university that is responsive to regional and international needs … working productively with all its stakeholders to be an effective agent for political, social, cultural, environmental and economic development.” We are also preparing graduates who can serve within your organization and in related Auditing positions. The UWI seeks to produce distinctive graduates who are among other attributes an “effective communicator with good interpersonal skills and a graduate who is guided by strong ethical values, both of which are essential to the auditing profession.

I have briefly shared some thoughts that I believe are important, in the view of a non-auditor, to the profession of auditing. I thank you for this opportunity and look forward to collaborating with CAROSAI in the near future. Congratulations once again for successfully getting to your 25th anniversary. I do hope that you continue to serve the region with excellence for many, many more years. I wish you a successful congress. Thank you for your attention.

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1. “About the Profession.” <https://na.theiia.org/about-us/about-ia/pages/about-the-profession.aspx> [↑](#footnote-ref-1)
2. <http://www.praxiom.com/iso-19011-definitions.htm> [↑](#footnote-ref-2)
3. “Relationships with Auditors – Best Practice.” <http://www.caa.com.bb/2011_Presentations/Narinesingh%20-%20Relationship%20with%20Auditors%20-%20Best%20Practice.pdf> [↑](#footnote-ref-3)
4. “Transparency International Corruption Perception Index.” <http://cpi.transparency.org/cpi2012/results/> [↑](#footnote-ref-4)
5. “Transparency International Corruption Perception Index.” <http://cpi.transparency.org/cpi2012/results/> [↑](#footnote-ref-5)
6. “Transparency International Corruption Perception Index.” <http://www.transparency.org/cpi2011/press> [↑](#footnote-ref-6)
7. “Institute of Internal Auditors.” <https://na.theiia.org/about-us/about-ia/pages/about-the-profession.aspx> [↑](#footnote-ref-7)
8. “Internal Auditing All in a Day’s Work.” <https://na.theiia.org/about-us/about-ia/Public%20Documents/06262_All_In_A_Days_Work-Rev.pdf> [↑](#footnote-ref-8)
9. “IIA’s Standards for the Professional Practice of Internal Auditing.” <http://www.theiia.org/ecm/guidance.cfm?doc_id=124>. [↑](#footnote-ref-9)