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***INNOVATION, INTERNAL AUDIT AND THE
GOVERNMENT OF CANADA***

**By Anne Weldon-Lacroix, CIA
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If necessity is the mother of invention, where does innovation belong?

Today, innovation is of key interest in the business world and within the Government of Canada. Experts claim that innovation is key for improved performance and essential for bottom line deliverables and corporate success. A position paper, *Innovation Risk and Control* written by CCAF-FCM, a Canadian non-profit research and educational foundation with the support of leaders in business and the Government of Canada, sets out strong rationale for the use of innovation. It claims that public sector managers must innovate if they want to remain relevant to the citizens they serve and innovation is the first principal in solving difficult problems and delivering better value to citizens. To that end, the Government of Canada has embraced innovation as a best practice. Its Privy Council Office created the Innovation Hub, which is a resource of information and ideas on innovation for all federal government departments and agencies.

What exactly, then, is innovation? Innovation is defined as the introduction of new things, ideas or ways of doing something another way. CCAF-FCM describes innovation as “nothing more than finding, testing an exploiting creative idea to solve problems and achieve better value for citizens”.

But is innovation just another passing fad that will run its course? A pet rock? 8- tracks? Disco music? Bell bottom jeans? Not so, if we listen to the experts and our leaders. In fact, the practice of approaching internal audit work with innovation in mind should become de rigour. But innovative measures should not be included into a project for change’s sake itself, but should address a clearly identified need. Innovation can’t be considered a panacea for challenges in an organization instead innovation should become a key tool in our professional internal audit practices tool kit.

What then, is innovation for us as internal auditors and why do we need to hop on the innovation bandwagon? Internal auditors are quick to think that we are not innovative; instead we’re a stodgy, process riddled, rigid, and conservative profession. Not so, because if that was the case, we would still be putting check marks beside cash register receipts, or counting boxes in a warehouse! Instead, today’s internal auditors may be respected partners in the management team; we have become a value-added resource; we have moved far from traditional compliance auditing to creative, trusted partners. This all came about as a need to be innovative, responsive to a changing business environment and to prove our worth to management, all the while retaining our professional standards and core role in a well-managed business.

This is innovation and we should be proud of our accomplishments.

But we can’t sit back and enjoy our success; our business environment is changing faster than ever. We need to continue to evolve to fit into the new world we work and live in and by small innovative steps, remain relevant, flexible and fresh.

Our innovative role doesn't rest only with senior internal audit professionals. No matter the phase of an audit career, innovation can play a key role in the way auditors practice their profession.

Even the new student of audit can contribute to innovation. To do so, the student first needs to be well educated and supported. The Government of Canada's policy, directives and standards, in concert with the professional guidance of the Institute of Internal Auditors provides an excellent foundation. Armed with this knowledge, the new auditor can think of ways to change or adapt audit programs and processes. Perhaps adapting or creating new sampling techniques may be innovative; creative use of social media can have an active role in audit projects, no doubt.

A more senior auditor, leading audits and guiding juniors, can think of ways to direct the audit, making use of resources to address challenges in the conduct of an audit. New twists on techniques such as different types and combinations of data analytics for various parts of an audit, using different audit techniques, real time audit and so on may be innovative steps. For example, pulling elements of the Six Sigma system or other business tools might be very effective in an audit situation, all up to the imagination of the schooled and innovative internal auditor!

Directors of audit can focus their attention, talents and ingenuity on the way audit shops set up and deliver audit products. Directors can look to their colleagues to share ideas and even hire staff with unique talents for audits. Calling on subject matter experts with unique areas of expertise to help with audits is a kind of 'cross pollination' of capacity that's an example of innovative measures for audit directors.

The Chief Audit Executive can focus on being innovative in the way the internal audit sector offers sage, independent, pertinent advice to senior management and the audit committee. For example, there may be opportunities for internal audit to work in collaboration with leaders on novel approaches and attitudes towards risk tolerance and the use of controls.

We should remember though, that innovation is a not a practice in and of itself. There may be circumstances where traditional, rules-based audit is the best path. But when situations call for unique, creative ideas, then the concept of innovation is the right one for internal audit.

Internal auditors in the Government of Canada must make the concept of continuous innovation more than a fad. Innovation should and can be a reflective, measured, thoughtful use of our talent, energy and attention. So perhaps its internal audit who is the mother of innovation?

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