

By Jeffrey Marshall and Ellen M. Heffes

## The Evolving Role of Internal Auditors

Internal Auditors need more respect. So says Ray Broek, executive vice president of WithumSmith+Brown Global Assurance, a Princeton, N.J. based accounting firm serving mid-sized companies in New Jersey and the Mid-Atlantic area. Broek, a former external audit partner with Ernst & Young, argues that there's a good case for expanding the role of internal audit to include functions like risk management.

“The real value of internal audit is to go beyond financial reporting,” Broek said in an interview. “You do need to understand the total risk environment. That's a key role of internal audit.” Many of his firm's clients didn't feel risk management was a big concern, so “we've tried to bring a sense of process” to the effort.

Indeed, Broek says many of Withum's clients didn't even have an internal audit function and have looked to outside consultants for that, especially smaller public companies faced with Sarbanes-Oxley Section 404 internal control mandates. Others have hired internal auditors, one reason why the function has been expanding rapidly in recent years—though Broek says demand is high and “it can be hard to find the right level of experience.”

Not surprisingly, the importance of—and the burden on—internal audit has increased under Sarbanes-Oxley, Broek says. Year ago, he observes, top managers relied on external auditors to look at things they didn't have the time or inclination to examine. “The idea was, ‘Let them look at the operations and report back, then we'll resolve’” any issues. Now, he says, external auditors have a more formal, independent role with companies, and internal auditors are picking up some of that slack.

To optimize the role of internal auditors, Broek believes, “you need to give them some teeth.” He says that in his experience as an external auditor, “internal auditors didn't get that much respect. If you want them to have a larger role, you need to give them authority (and) responsibility. Years ago, they were viewed as more of a necessary evil.”



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