

MALTA FORUM FOR INTERNAL AUDITORS: Current Trends: An Internal Audit Perspective

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RECENT RESEARCH ON INTERNAL AUDITING AT THE UNIVERSITY OF
MALTA

EFFECTIVENESS IN INTERNAL AUDITING
WORKSHOP



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1 Intro: Past University Activities / Publications on Internal Auditing / 1a

- The Department of Accountancy has been carrying research on internal auditing for many years. Some studies, such as an original one on the **Effectiveness in Maltese IAU's** and another on the application of the **Balanced Score Card** in Maltese internal auditing, have already been presented to the Forum in past activities
- Other studies, such as that of **internal audit benchmarking**, have been published in international journals or presented as a CPE activity – such as that of **Internal Auditing in a Small Country**.



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I Intro: Past University Activities / Publications on Internal Auditing / 1b

- Internal audit studies tackle many topics, *including planning, value for money, reporting, relationships, independence, ethical levels, and working papers, internal auditing in the public sector*
- *Most utilise an **interviewing** strategy based in Malta with others going for documentary fact-finding or even grounded theory*
- All studies in the past ten years are found in soft or hard form at the Library of the University of Malta , or, of carried out more than ten years ago , by appointment at the Department of Accountancy (Room 330 FEMA Building) itself.

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I Intro: Major Internal Audit Studies in the Past Year / 2a

- However, my objective today is to introduce you to the major studies on internal auditing finalised in the past academic year 2014/15 at the Department of Accountancy.
- Out of a total of 96 accountancy studies in many academic different areas in the past year , **13 studies relate to commercial internal auditing and controls.** This excludes a number of others on Public Sector Auditing, which is considered a separate study area and to which I shall refer briefly towards the end of my presentation.

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*1 Intro: Major Internal Audit Studies in the
Past Year / 2b*

- The best dissertation of relevance this year was that of Ms **Danica Tonna** on the effectiveness of **Internal Audit Planning in Maltese Companies**. Close to it was one on the **Working Papers of Maltese Internal Auditors** by **Kimberley Spearing**.
- I am excluding comments on both these research studies as they will be introduced by the researchers themselves in the short presentations that will follow.

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2 OVERVIEW/1: Montebello A.T: (2015): The Internal Audit Perception Gap

- An overview of the salient findings now follows.
- The first was Montebello A.T. on the topic above. The study found that the auditor/auditee perception gap was there though not substantial.
- Its root causes were the common auditee misperception of internal auditors as mere inspectors, insufficient audit quality controls and a lack of management support.
- A first important step in narrowing this gap is to focus on more management participation at the Audit Committee level .



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2 OVERVIEW/2: Casha M(2015): The Internal/External Auditor Relationship

- Casha re-visited this topic after a number of years and found that internal/external auditor interactions are as yet mostly limited to external auditors utilizing the in-depth organisational knowledge of the internal auditors.
- The prospect is for the relationship to extend to co-ordination of each party's work in the best interest of the organization. Some externals believe that this is more easily achieved by outsourcing the IAF, but of course this is not necessarily so.

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2 OVERVIEW/3: Busuttill C (2015): Scope of Maltese Internal Auditing and Core Competencies

- Within the scope of Maltese internal auditing, the audits of compliance, risk processes and IT commonly predominate, but work also revolves around operational audits and internal control evaluations and reviews.
- Core competencies needed are a mix of good **communication**/thinking skills, technical expertise and industry-specific skills. The acquisition of such competencies is limited by the actual small size of most Units, this being a barrier to meaningful participation in strategy and governance exercises.



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2 OVERVIEW/4: Borg Y (2015): The Internal Audit Profession in Malta

- On the other hand, Borg examined the Internal Audit Profession in Malta and saw a notable move from a mere **policing/inspector** role to an **advisory and strengthened assurance** role. Again, this shift calls for more **communication skills** as per Busuttil (2015) in order to secure stronger management support.



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2 OVERVIEW/5: Micallef S D (2015): Role and Effectiveness of Audit Committees in Insurance Companies

- Despite not being legally required, Audit Committees within insurance companies were found to be the norm among local insurers.
- They were also sufficiently effective, particularly effective in substantiating business authenticity and ensuring access to the resources necessary for this purpose.
- Internal Audit Units can help improve matters: a strong unit is needed **to report and feed directly to such Audit Committee**



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2 OVERVIEW/6: Other Related Dissertations/1: Agius D., Attard M., Ciantar M., Busuttil Z: Inventory Controls

- The remaining relevant dissertations related more to internal controls particularly inventory ones, whistle-blowing, fraudulent schemes and risk.
- As for **inventory controls**, these studies focused on Maltese supermarkets, a major hospital, a manufacturing company, a local automotive company and a fuel and service station.
- Common themes included the need for **better segregation of duties**, **more formal documentary controls**, **improved physical security especially by the use of technology**, and **adopting practicable and worthwhile controls on small entities such as service stations**.



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2 OVERVIEW /7: Other Related Dissertations/2: Desira J. Seychell N., Zammit C., Felicity T.R: Internal Controls in General, Whistle-blowing, Fraudulent Schemes and Risk

- As for the rest of the relevant dissertations , rather than on internal audit as such these studies focused on internal controls in Maltese listed companies, international whistle-blowing standards, corporate fraudulent schemes in Malta, and risk management and control in Maltese casinos

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2 OVERVIEW / 8: A Note on Research Studies in Public Sector Auditing / 1:

- Another area of research which, though separate, is worth briefly referring to is that of public sector auditing.
- Of the number of studies in this area, two are worth referring to in this context: those carried out by **Bartolo M** and **Xuereb S**. The first looked at the role, function and effectiveness of the IAID. This Department has clearly improved over the years, but clearly has room for further improvement – two examples are the informal organisation structure and the deficiency of resources.



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2 OVERVIEW / 9: A Note on Research Studies in Public Sector Auditing / 2:

- **Xuereb S**, on her part, studied the introduction of internal audit at the National Statistics Office. Issues included the building up of a diverse team, independence, reporting lines, senior support, and the auditor/auditee relationship. The audit charter and plan the application of operational auditing and the issue of co-sourcing were also found relevant
- Other important studies in this sector included the role of the Public Accounts Committee (**Bartolo C**), Internal Controls in Malta Government Authorities (**Vella M S**) and Value for Money in Tendering Across Ministries (**Camilleri F**)

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3 CONCLUDING NOTE

- In conclusion, I hope that this presentation leads to
 - more **use** by internal audit practitioners of the professional research studies being carried out at the Department of Accountancy, University of Malta a
 - as well to more **participation** by practitioners in the research itself.
- Finally , the Department would appreciate any **new ideas** for research next year. You may best contact me on LinkedIn to this effect



RECENT TRENDS IN THE MALTESE NAO ANNUAL REPORT WEAKNESSES

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