
Effectiveness of the role of internal audit function: A perception of external auditors

Hafiz Zafar Ahmed

Hailey College of Commerce,
University of the Punjab, Lahore

Noor Ul Ain Khan

Amir Shakeel

School of accounting & finance
University of Central Punjab

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Abstract

Internal Audit Function (IAF) is considered as an important element of corporate governance mechanism. It can contribute to good corporate governance only if it operates effectively. There are many stakeholders of IAF like Board of Directors (BoD), firm's management, external auditors etc. All these stakeholders have their different needs and also have different perception regarding IAF. In this study we tried to explore perception of external auditor regarding the role and effectiveness of IAF. We interviewed four external auditors to explore their perception regarding role and effectiveness of IAF. As per findings, role of IAF includes checking the compliance, evaluation of internal controls, risk management and up to some extent fraud risk management. Current role of the IAF is not so effective, we can make it effective by making IAF independent and strong and by the induction of the personnel with right qualification, skills set and relevant experience. If IAF is working in the organizations effectively external auditor can get help from its working and finding and it can reduce the time and efforts on external audit assignment.
