INTERNAL AUDIT AND WILDLIFE RANCHING: FRIEND OR FOE?

Yvonne Reilly
Senior Lecturer
Department of Auditing
University of Pretoria
E-mail: yvonne.reilly@up.ac.za

WHERE DOES INTERNAL AUDITING FIT IN: Inter-disciplinary and trans-disciplinary relationships:

INTERNAL AUDITING Plays a role in all disciplines.

INTERNAL AUDITING

- WHERE EXACTLY DOES INTERNAL AUDITING FIT INTO THE WORLD OF SCIENTISTS?
- "IF YOU CAN MEASURE IT, YOU CAN MANAGE IT"

ROLE OF INTERNAL AUDIT IN ACCOUNTABILITY OF NATURAL RESOURCES:

WHERE EXACTLY DOES INTERNAL AUDITING FIT INTO THE WORLD OF SCIENTISTS?
- IF YOU CAN MEASURE IT, YOU CAN MANAGE IT"
OVERVIEW OF INTERNAL AUDITING

- Auditing took place already in the biblical times: auditing/hearing
- Kings and noblemen during the middle ages performed audits.
- Industrial revolution - owners were removed from all activities happening around them.
- Businesses had to grow and owners could not control everything.
- Internal auditors: assists in being eyes and ears of management

INTERNAL AUDIT

Internal audit is defined as:

An independent objective assurance and consulting activity designed to add value and improve an entities operation. It assists an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness at risk management, control and governance processes (IIA2009).

Elements that encapsulate what the discipline is:

- Objective
- Independent
- Assurance
- Consultant
- Help achieve the objectives of organisations
- Add value
- Systematic discipline approach
- By evaluate and improving:
  - Governance
  - Risk Management
  - Control

ASSURANCE or CONSULTING ACTIVITY:

Difference between the two activities:

Assurance - e.g. Monitoring agreed amount of animals (counting) on an area to ensure management objectives are achieved or doing an environmental audit to test compliance to policies e.g. certain species not allowed on land as per regulations (attest function)

Consulting - assisting in doing an environmental impact study to add value so that stated objectives can be achieved in future (advise function)
NATURE OF THE WORK OF INTERNAL AUDITORS:
Evaluate and improve the effectiveness of:
- Governance process
- Control
- Risk management

GOVERNANCE
In giving assurance on governance, IA evaluates and improves:
- Promoting appropriate ethics and values in entities—what must be in place for good governance.
- Ensuring effective performance management and accountability—be answerable for your actions.
- Communicate risk and control information—inform all stakeholders.
- Coordinate activities and communicating of information among all stakeholders.

GOVERNANCE
Examples of corporate governance perspective where a balance must be created between performance and conformance to achieve objectives, can be applied on issues such as ethics of:
- Lion hunting,
- Ivory trading and
- Trophy hunting control.

CONTROL
- Compliance to policies and procedures
- Adequate and effective internal control
Risk management

Risks in the context of achieving objectives, both positive and negative, can be applied to different wildlife scenarios:

- A matrix of the possible likelihood and impact on activities is drawn up.

Operational risks - the increased scarcity and cost of raw materials e.g. food for wildlife;

Regulatory risks - needing a license to operate;

Market access risks - the demand for environmentally friendly products/companies;

Access to finance and capital - more demands from financial institutions;

Brand and reputational risks - negative corporate image and bad publicity will affect stakeholders' confidence and affect profitability in the long run;

Cleanup and compensation costs - in the event of something going wrong;

Insurance costs - insurance companies will increasingly consider the risks associated with environmental degradation and will pass on associated costs to their customers.

(ref: ACCA, KPMG)

OPERATIONAL AUDITS:

As a subset of internal auditing, operational auditing reviews entities' activities for economy, efficiency and effectiveness and may evaluate any type of activity at any level within the entity.

Economy - Acquisition of resources: Obtaining resources at an appropriate quality and adequate quantities at the lowest possible cost.

Efficiency may be viewed in this definition as an input measure that relates to cost control and is concerned with the performance of recurring functions at a minimum of cost to the entity. Best quality for the best price at the right time.

Effectiveness is output orientated; it is viewed as a measure of productivity in utilizing the entity's resources and in terms of long term profitability.

Relationship between statistical terms, operational auditing and wildlife monitoring

<table>
<thead>
<tr>
<th>Statistical terms</th>
<th>Operational auditing</th>
<th>Wildlife monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of incorrect rejection</td>
<td>Alpha risk</td>
<td>Audit efficiency</td>
</tr>
<tr>
<td>Risk of incorrect acceptance</td>
<td>Beta risk</td>
<td>Audit effectiveness</td>
</tr>
</tbody>
</table>

QUOTES FROM MAHATMA GANDHI:

"THE FUTURE DEPENDS ON WHAT WE DO TODAY"

"BE THE CHANGE YOU WANT TO SEE IN OTHERS"

COMMENTs OR QUESTIONS

yvonne.reilly@up.ac.za