

The challenges of Heading Internal audit

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Kristiina Lagerstedt, background

Live in Helsinki, Finland

2 children, 22 years and 9 years

Head of Internal audit Kemira 2018- , chemistry for water intensive processes, revenue 3.6 billion eur, 5000 employees, 61 manufacturing sites, sales to over 100 countries

Sanoma 2014-2018 – VP audit & assurance – a learning and entertainment company, North Europe

Nokia 2004-2014, joined internal audit team in 2007, became head of internal audit for Nokia in 2011 – global business, 35 billion eur revenue, 120000 employees operating in almost every country of the world

1997-2007 External audit and M&A

ECIIA management board 2015-2021

Member of IIA global committees from 2015-2019



Governance of Internal audit

The governance of internal audit is a critical aspect of an organization's overall governance framework. Internal audit plays a key role in providing assurance to the board and senior management that the organization's risk management, control, and governance processes are effective and aligned with its objectives.

1.Independence and Objectivity

2.Audit Committee

3.Internal Audit Charter

4.Risk-Based Audit Planning

5.Professional Standards and Code of Ethics



Every audit committee is different because the members are from different backgrounds having different expectations for IA

Every company is different



**Different business and countries
the company operates in +
different risks**

Organizational culture

**Leadership: top leaders set the
tone from the top**

**IT structure and use of
automation/ robotics**

**Changes in business environment,
disruptions**



...and so are we. The people factor

There can be various reasons why some members of management might not embrace or welcome internal audit within an organization.

Fear of Negative Findings: Management may fear that internal audit will uncover deficiencies, weaknesses, or non-compliance in their areas of responsibility. This fear may stem from concerns about the potential impact on their performance evaluations, bonuses, or job security.

Lack of Understanding of the Internal Audit Role: If management does not fully understand the role and purpose of internal audit, there may be misconceptions about the internal audit function. Clarifying the objectives, independence, and value proposition of internal audit can help alleviate misunderstandings.

Communication Challenges: In some cases, there might be communication challenges between the internal audit function and management. If the communication is not transparent, timely, and constructive, it can lead to misunderstandings and a lack of trust.

Previous Negative Experiences: Negative experiences with internal audits in the past, such as disagreements over findings or recommendations, can create a lingering distrust between management and the internal audit function.

Cultural Factors: Organizational culture plays a significant role. In cultures where there is a historical lack of collaboration or a perception of internal audit as a "police" rather than an advisory function, management may resist the involvement of internal auditors.

Pressure to Achieve Targets: In organizations where there is intense pressure to achieve financial or operational targets, management may view internal audit as a potential disruptor, especially if audit recommendations could lead to changes that might impact short-term goals.

Addressing these challenges involves building a positive and collaborative relationship between the internal audit function and management. This may involve improving communication, clarifying roles and expectations, and emphasizing the value that internal audit brings to the organization in terms of risk management, control enhancement, and process improvement. Additionally, demonstrating that internal audit is there to support and add value rather than merely identify problems can help foster a more positive perception.

Team specific challenges

New ways of Auditing:

Agile approaches to adapt quickly, data analytics to analyze large datasets, identify patterns and provide deeper insights into risks and controls.

Resources and Competency:

Do you have adequate resources and skills, knowledge and competencies in the team? Small teams don't allow specialization.

Communication and Reporting:

Internal audit reports should be clear, concise, and timely. They should communicate the results of the audit work, including findings, recommendations, and management's response, to those charged with governance. Different report to different level of management.

Remote Auditing: and remote work

The pandemic has accelerated the adoption of remote auditing techniques. Internal auditors are leveraging technology to conduct virtual audits, allowing them to gather evidence and insights without physical presence.

Focus on Fraud Risk:

The increased awareness of fraud risks, including financial fraud and corruption, has led to a heightened focus on fraud risk assessments and the role of internal audit in detecting and preventing fraud.

Remember not to underestimate the people factor also in team dynamics!!

