



Internal Audit and Risk Management: Finding the Right Balance

INTERNAL AUDIT AND RISK MANAGEMENT: FINDING THE RIGHT BALANCE

Across many organizations, especially those operating in the financial sector, there is a long-standing belief that the internal audit function must stay far away from anything that looks like “risk management”. The idea is simple: if internal audit becomes too involved, it could later end up auditing its own work, which would damage its objectivity and its independence from management. This concern is understandable, especially in environments where clear separation of duties is essential.

But the internal audit profession has evolved. And according to modern guidance from The Institute of Internal Auditors (The IIA), this traditional view is now too narrow. Today’s organizations face fast-moving risks, increasing expectations for transparency, and greater pressure to show that their governance is effective.

Internal audit can play an important role in helping the organization rise to these challenges while still remaining objective and independent from management.

The updated Three Lines Model, published by The IIA, makes this clear. It describes internal audit as independent, but not isolated. Internal audit must work in partnership with the rest of the organization, sharing insights, strengthening processes, and helping management understand whether risk activities are truly effective. The model even emphasizes that collaboration and coordination across all three lines is essential for good governance.

This is especially important in smaller or less mature organizations, where the first and second lines may not be fully developed. In such cases, risk ownership often sits with managers who already have a full workload, and risk oversight may then be handled informally.

The IIA acknowledges this reality: the lines may blend, but independence can still be maintained if internal audit avoids taking on management’s responsibilities.

So what does this mean in practice?

- Internal audit can help improve risk management.
- Internal audit cannot take over risk management.

This distinction is vital. According to the IIA’s recently issued Global Internal Audit Standards (GIAS), internal audit is expected to understand the organization’s risks, offer advice to help strengthen governance, and engage with senior leaders to ensure the risk management framework is effective. These Standards stress that internal audit should contribute insight and foresight, not just hindsight. But they also restate that internal auditors must never own or operate controls, set risk appetite, or make risk decisions.

This principle, advising without owning, is widely accepted internationally. It allows internal audit to play a meaningful role in improving risk maturity while still preserving objectivity.

In fact, modern guidance highlights that internal audit has an important part to play in helping organizations eliminate confusion between the lines. Studies show that organizations often struggle when roles are unclear, particularly between first, second, and third lines. Internal audit can help identify these gaps and encourage better communication and clarity. This improves the overall risk culture without internal audit ever stepping into a first or second line role.

It is also recognized that risk management today requires coordination across functions, not rigid separation. Combined assurance, one where internal audit works alongside risk and compliance to give a unified picture of the organization's risks, is considered good practice. It reduces duplication and strengthens governance, as highlighted in contemporary IIA guidance.

So when someone insists that "internal audit must not be involved in risk management," the real question becomes: What do we mean by involvement?

If involvement means writing policies, approving controls, or running the risk function, then absolutely: internal audit must not do that.

But if involvement means offering advice, highlighting gaps, encouraging stronger governance, or sharing insights on good practice, then this is exactly what internal audit is expected to do under modern standards.

The world of risk is evolving. The internal audit profession has moved with it. The objective and independent role of internal audit must always be protected, but that does not mean isolation. Organizations benefit most when internal audit is allowed to be a constructive partner. One that brings clarity, insight, and assurance, while leaving risk decisions where they belong: with management.

If approached correctly, this balanced model serves everyone. Including those who oversee the system and expect it to work

PKF Dutch Caribbean & Suriname has extensive expertise in internal audit and risk management and supports organizations in strengthening governance, internal control frameworks and risk management practices. If you would like to learn more about how we can support your organization, please feel free to contact **Herbert van Elferen** or **Edsel Lopez** using the contact details provided below.

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