



How Internal Audit Strengthens an Organization's Risk Management

INTERNAL AUDIT AND RISK MANAGEMENT: FINDING THE RIGHT BALANCE

Many organizations don't have a full risk management structure. People are busy running the business, departments are sometimes small, and roles often overlap. This is completely normal but it can lead to important risks being overlooked.

That is why the updated guidance from The Institute of Internal Auditors (The IIA) is so valuable. The IIA's Three Lines Model explains risk responsibilities in a simple way: those who run the business manage risks, specialists support them, and internal audit independently checks whether everything is working as intended. The model is designed to be flexible, which makes it also useful for smaller organizations.

Alongside this, the IIA's recently issued Global Internal Audit Standards (GIAS, effective January 2025) give internal auditors a modern framework focused on clarity, independence, and alignment with the organization's goals. These Standards combine all previous mandatory elements into one unified set of principles. They make internal audit easier to understand and more practical for organizations to apply.

Why risk management is often weak

In many organizations, the people in the "first line", managers and employees, are trying to meet customer needs and keep operations running. They don't always have time to document risks or check whether controls are working. At the same time, the "second line", functions like risk, compliance, or quality, may be very limited or completely absent.

This leads to unclear responsibilities, a common weakness highlighted in research on the Three Lines Model: when roles are blurry, risks easily fall through the cracks.

How internal audit helps bring order and confidence

Internal audit plays a key role in filling these gaps without taking over management's responsibilities. According to the Three Lines Model, internal audit must remain objective and independent, but it should also work collaboratively with management and any supporting functions. This is especially important in smaller organizations where informal communication is common and resources are tight.

Internal audit adds value in several practical ways:

1. Creating clarity

Internal audit helps the business understand who is responsible for what. It reviews how risks are identified, assessed, and monitored. Even in small teams, this structure makes a big difference in avoiding surprises.

2. Focusing on the biggest risks

The Global Internal Audit Standards require internal audit to base its work on a clear understanding of the organization's risks and objectives. This means the audit plan is not a "checklist" but it is a focused approach that looks at what truly matters, such as cybersecurity, fraud, regulatory compliance, or supplier dependency.

3. Giving independent reassurance

Owners, boards, and regulators want confidence that important risks are being managed. Internal audit provides that independent view. It offers clear, objective insight into whether controls are working and where improvements are needed.

4. Avoiding duplication and confusion

In organizations with limited second-line capacity, internal audit can help coordinate who checks what, reducing repeated work and ensuring that key risks don't go untouched. This

is consistent with modern practices promoting better coordination among all assurance activities.

The added value of a Certified Internal Auditor (CIA)

A CIA brings recognized expertise aligned with the Standards and modern internal audit practices. Updates to the CIA program reflect today's expectations around governance, risk, and technology meaning a CIA is trained to provide efficient, practical, and forward-looking assurance.

For many organizations, this often means stronger insights and better alignment with what boards and regulators expect, without adding unnecessary complexity.

Conclusion

You don't need a large structure to manage risk effectively. With clear roles and the support of an independent internal audit function, even a smaller organization can build strong, reliable risk management.

The IIA's Three Lines Model provides the foundation, and the Global Internal Audit Standards show how internal audit can operate in a modern, value-adding way. Internal audit isn't just a requirement. It is a practical partner for stability, growth, and sound governance.

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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