



March 2017

Transforming Internal Audit to Deliver Deeper Insight to Business Leaders

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Rapidly advancing technology, political and economic shifts, and ever-changing regulations make the risk landscape highly complex.

Managers, senior executives, and audit committees need objective insight from internal audit to help manage strategic and operational risks. By adding capabilities and improving in four areas – industry knowledge, staffing, efficiency, and work quality – internal audit can be in a better position to deliver high-value business insight.

Thorough and proactive risk assessments in multiple areas are essential to keep organizations on track in a competitive global economy. Internal audit needs to stay abreast of new opportunities – as well as additional vulnerabilities – due to advances in digital technologies that have become the new normal for today's businesses.

In addition, some regions of the world are in the throes of change when it comes to global trade, as reflected in populist movements, newly elected leaders, and political uncertainty. Internal audit committees need to adapt to the many political and regulatory shifts occurring domestically and internationally, while also meeting greater expectations for corporate reporting.

The combination of changing external and internal forces has prompted senior managers and audit committees to look for additional support in managing risks that could derail achievement of their strategic and operational objectives. Internal audit can deliver insightful guidance to organizational leaders by keeping these objectives in mind:

- Maintain a thorough understanding of business dynamics, as well as industry-specific opportunities and risks.
- Deepen skills to help manage the greatest risks facing the organization.
- Leverage technology to automate routine tasks and enable productive collaboration.

What follows is a look at a diverse range of opportunities for internal audit to broaden capabilities and add value, viewed through four lenses: industry knowledge, staff capabilities, operational efficiency, and work quality.

Provide Industry-Relevant Insight

Internal audit groups need to wisely dedicate limited resources to address an expanding risk universe. Across industries, the internal audit plan is shifting from a focus on financial and compliance risks to encompass a broader view that includes operational and strategic risks.

There is also a need to manage concerns about independence and objectivity while providing value-added consultation. To provide greater value, internal audit can do the following:

- Attract and retain internal auditors experienced in business and operational audits.
- Align the internal audit plan with the organization's business objectives and strategic plan.
- Define and articulate internal audit's mission and mandate in the organization, and communicate through the corporate intranet, internal newsletters, town hall meetings, and other channels.
- Share and promote best practices throughout the organization.
- Integrate international and domestic audit teams on specific projects.
- Establish a control mechanism for monitoring regulatory changes and sensing the potential impact on the organization.
- Increase touch points with executives and members of the audit committee outside of the regular meeting schedule.

Strengthen Staff Capabilities and Experience

Internal audit is challenged to maintain skills and internal business-process knowledge in the face of employee turnover. To address the staffing challenges, internal audit needs to leverage additional resources and consider the following:

- Focus collegiate recruiting efforts on universities with internal audit programs.
- Participate in the Institute of Internal Auditors, ISACA,¹ and other professional organizations that can provide networking opportunities to identify potential hires.
- Consider third-party resources to gain access to subject-matter expertise on internal audits.
- Establish an interdisciplinary program with internal talent on loan from other functions (for example, “guest auditors” drawn from finance, internet technology, data analytics, and other specialized areas), to join internal audit for a project or limited time. This approach can provide a cross-training advantage that benefits multiple functions. It can also help to communicate the value of internal audit and strengthen teamwork within the organization.
- Rotate experienced internal auditors to finance, IT, or operations for a project or a limited time. Similar to a guest auditor program, this approach could provide a cross-training benefit and improve auditors’ skills.
- Identify candidates with international experience and a willingness to travel.
- Find candidates with the appropriate soft skills, or necessary business process and knowledge of operations.
- Offer attractive career paths, mobility, and opportunities for promotion within the organization.
- Adjust compensation packages so auditors are at the higher end of the pay range.
- Acknowledge work-life balance issues and offer flexible work schedules.
- Strengthen onboarding and training, along with processes for staff integration.

Boost Efficiency in Internal Audit Operations

Internal audit needs to stay abreast of changes to internal controls due to mergers and acquisitions, changes in corporate structure, system implementations, and other major projects. In these situations, completing an internal audit plan can be difficult due to cost pressures and the challenges of maintaining a global function with varied cultures and business practices.

These intense pressures mean internal audit needs to be open to ways to improve efficiency. For example, some risk activities – such as risk-assessment questionnaires and reports that overlap – can cause fragmentation and redundancy of effort, not only for internal audit but among business managers and executives. Productivity and effectiveness can grow by designing collaboration methods and implementing software solutions.

To address these challenges, internal audit needs to consider the following:

- Develop a more formal and integrated risk assessment process, and integrate the risk assessment, audit plan, and related coverage with activities in other risk management groups.
- Use data analytics, governance, risk, and compliance (GRC) tools, as well as web portals, to examine and share data.
- Work closely with management, executive management, and members of the audit committee to assess the impact of modifications to the audit plan, and the risks of deferring or canceling projects.
- Request guest auditors and third-party resources who can help supplement changes or additions to the audit plan.
- Refresh the internal audit risk assessment during the fiscal year.
- Implement continuous auditing across multiple locations and systems.
- Issue internal audit reports in a timely manner, and develop communication and report protocols to reduce report cycle time.
- Participate in executive leadership meetings and strategic initiatives, and identify new opportunities to provide greater value to the business.
- Re-examine the operating model of internal audit for improved effectiveness and efficiency.²

Establish a Reputation for High-Quality Work

Internal audit is challenged to monitor and improve its work, striving to maintain consistent report quality across local and global locations. To address these challenges, internal audit can consider the following steps:

- Adopt the International Professional Practices Framework and International Standards for the Professional Practice of Internal Auditing.
- Establish a continuous quality-improvement program for all locations.
- Clarify standards for work papers and audit reports.
- Perform multiple reviews of findings, recommendations, and management action plans prior to report issuance.
- Improve communication among internal audit and the areas being audited during planning and execution.
- Encourage the use of post-audit surveys to gain feedback.
- Periodically conduct reviews, internally and externally, of perceived quality.
- Develop a scorecard that communicates internal audit's value in areas such as cost reduction, revenue enhancement, risk mitigation, and best practices.

Looking Ahead

Partly because of technological innovations, along with changes in corporate structure and competitive business factors, internal audit needs access to a broad range of skills to fulfill its mission. Improvements in four areas – industry knowledge, staffing, efficiency, and work quality – are vital for transforming the function to serve the business with high-level business insight. Organizations benefit when internal audit is prepared to handle not only regulatory and compliance matters, but also to help manage risks that are operational and strategic in nature.



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¹ Previously known as the Information Systems Audit and Control Association, ISACA is an international group focused on IT governance.

² William Watts, "Is Your Organization Benefiting From the Most Effective Model for Internal Audit?" Crowe, 2017.