



## Thought Leadership

Insight creates value

# The Changing World of Internal Audit

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Regardless of industry or size of organization, internal audits are a critical part of ensuring organizational excellence and success. And just as businesses and public sector organizations continue to evolve their operational models and practices, so too do the internal audit functions that serve them.

While the internal audit profession remains grounded in a rigorous discipline, it doesn't stand still. The International Professional Practices Framework (IPPF) provides the foundation for best practices, but change is accelerating so quickly that internal auditors need to be agile and adaptable to keep up with changing work environments and business requirements.

Recent years have been some of the most disruptive the world has seen. In this article, we explore some of the challenges—and opportunities—in this brave new world of remote work, emerging technology, and new avenues for providing more value to the organization.

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## Adapting to New Work Environments

The abrupt pivot to remote work in early 2020 caused widespread disruption, as businesses and organizations everywhere scrambled to equip their teams with the tools and processes to work from home. And internal audit functions had to scramble right along with them.

In some cases, audit scope had to be adjusted to provide assurance on only the critical processes and controls that needed to be maintained regardless of any outside disruption. In other cases, audit plans were put on hold while organizations redesigned existing protocols and procedures to reflect the changed operational context.

Apart from the disruption to “normal” operating functions, these rapid adaptations also created new risks for the organizations implementing them, thereby generating more need for oversight and assurance from internal audit groups. But the shift to remote work also forced a change in how the audits themselves were carried out.

## Something Lost, Something Gained

For a profession that has tended to rely heavily on in-person meetings and physical access to evidence, this sudden switch to virtual collaboration presented unique challenges to internal audit groups.



The good news is that the internal auditing function proved to be adaptable and resilient in the face of these unprecedented challenges. Internal auditors across all industries showed that remote audits could be done, and done effectively.

While there are undoubtedly disadvantages to a fully remote model for auditors (the loss of nuance in face-to-face interactions that allows for deeper follow-up, for example), there are opportunities too. Conducting even part of an audit remotely cuts down on travel time and expenses. In some cases, virtual collaboration can help streamline the auditing process and make coordination among stakeholders easier.

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### **Relationships Are Key**

Going forward, internal auditors will need to move in the same direction that their clients do. The key to adapting to this new remote work reality is building and fostering close relationships within the organization, at every opportunity. There's no substitute for human connection, so it's important to meet colleagues in person, wherever possible, even in informal settings outside of the audit process itself.

### **Leveraging Technology for Better Insights**

As the technological environment changes on the client side—with digitization and process automation, for example—similar opportunities are available for internal audit functions to scale their work while improving efficiency.

Recent industry surveys bear this out. The IIA's own 2022 North American Pulse of Internal Audit survey found that 25 percent of Chief Audit Executives (CAEs) said they would spend more budget on technology if the funds were available, with data analytics software and audit management software at the top of their list.

### **Richer Data, More Qualitative Analysis**

Remote collaboration tools like video conferencing services and automated workflow software have already begun to transform the way auditors do their work. But there are even greater opportunities to improve audit service delivery on the horizon.

From cloud storage platforms to the Internet of Things (IoT), organizations have never been better equipped to collect and store data. While more (and better) data is clearly a boon to the audit function, the sheer volume of information makes manual analysis of it impractical, if not impossible.

Fortunately, data analytics technology can solve that problem, and it's playing an increasingly prominent role within the audit function. By allowing internal audit teams to process enormous



amounts of data, it's freeing up those resources to focus on extracting trends and insights from that data.

While the benefits of data analytics are clear, the technology is only as good as the underlying information it's processing. For this reason, it's critical that organizations modernize their information management practices to ensure the integrity of the data being gathered. This is a cause that internal audit functions can champion and support, to better serve their stakeholders and clients over the long term.

### **Technology Enables Innovation**

Other technologies like Machine Learning (ML) and Artificial Intelligence (AI) may still be in the early stages within the auditing function, but they too are creating potential for innovation. Any technology that can take over repetitive tasks or the labour-intensive processing of quantitative data frees up auditors for more qualitative analysis and insights. Internal audit groups should embrace these new technologies where and when they become available.

### **Creating Value through Partnership**

As internal auditing continues to evolve, it has moved from a strict oversight function to an advisory role. The IPPF provides a good foundation for undertaking this type of advisory work, and in many organizations—notably in the public service—advisory engagements have taken a front seat.

Internal auditors are also providing substantive value through root cause analysis of larger systemic challenges. Their skill set allows them to dig into details, perform deep analysis, and uncover trends that result in critical new insights.

### **From Hindsight to Foresight**

Internal audit groups are moving beyond an oversight role for compliance, to being an ally in promoting innovation. Proactive risk management is one area where internal auditing functions have proved their value, helping organizations recognize potential areas for exposure.

The unprecedented disruption of the pandemic was a prime example of this new partnership in action. Organizations rushed to adjust their processes for a virtual work environment, and they looked to their internal audit groups for guidance on putting the right controls in place. Internal audit groups rose to the challenge, helping their organizations to identify potential risks and get ahead of problems before they happened.

As internal audit functions mature, they gain cumulative knowledge about the organization's culture and processes that doesn't reside anywhere else. With this wide-ranging perspective, they're uniquely positioned to provide expert guidance and recommendations on prospective policies and programs, based on previous experience.

Although less tangible than formal audit findings, internal audit functions are having an increasingly positive impact on organizational culture. A broad perspective, combined with a deep understanding of business processes and controls, is invaluable to leadership teams that don't have the capacity or wider domain expertise to address bigger challenges on their own.



## Relevance Extends Influence

As the nature and scope of engagements expand, internal auditors are also spurring collaboration and innovation across organizations. By acting as partners, internal audit groups can show that they have more to offer than just oversight and compliance assurance. Internal auditors should seize the current momentum and promote their function within their broader organizations at every opportunity.

## The Future Is Strong for Internal Audit

The disruption of the past two years has created new opportunities for internal audit groups to both innovate and provide deeper value to the organizations they serve. But the perceived value of the internal audit function is changing.

No longer seen as “fault finders”, internal auditors have become partners and trusted advisors to the organizations they serve. Flexibility, technology, and a commitment to expanding responsibility will be key to evolving the discipline in the years ahead.



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