

Building Resilience in Internal Audit: Guiding Principles for Thriving in an Age of Constant Disruptions

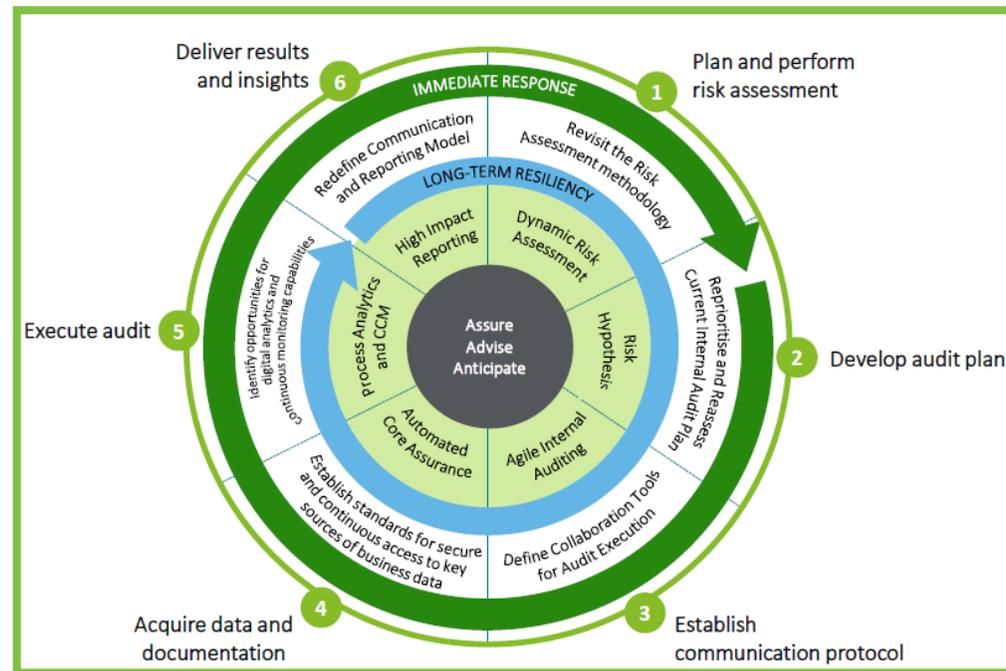
With disruptive technologies, dynamic business environments and changing stakeholders' expectations impacting every aspect of an organisation, Internal Audit (IA) should reassess the manner in which it delivers services. As these unparalleled changes unfold, IA may continue to provide assurance over the most consequential risks, while simultaneously increasing its role in advising management and the Board on the shifting risk and control landscape, including anticipating new emerging risks. Now, more than ever before, IA should consider deploying digital technologies including analytics and automation, to become more resilient, cost-conscious and smarter about providing services that make an impact.

For IA departments seeking to provide effective assurance and consulting services, there is a set of guiding principles across a standard IA lifecycle that may serve as an immediate response, enabling adjustment to the "next normal". Taking the time to institute this set of guiding principles is instrumental in preserving IA's ability to perform well, be present for stakeholders and remain sustainable in the long term. The guiding principles have been grouped to align with a standard audit lifecycle, addressing six areas that can be evaluated.

Revisit the risk assessment methodology – Lifecycle phase: Plan and perform a risk assessment

As the organisation adjusts its operations to cope with the impact of technological advancement and emerging business requirements, IA should reprioritise and reassess its strategies, audit plans and revisit its risk assessment methodology to respond to the changing landscape. This includes discussing and collaborating with key stakeholders to identify emerging, shifting or net new risks and determining how to work with the business most effectively in planning mitigation strategies. IA should remain agile in its focus and dynamic in its risk assessment capabilities. Examples of net new risk areas or those that are being significantly altered include:

- Cybersecurity
- Revenue assurance
- Cost recovery
- Crisis management
- Forecasting and planning



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- Capital allocation and spend effectiveness
- Human capital and benefits
- Supply chain assurance
- Liquidity modelling
- Organisational resilience

Refresh and reassess current internal audit plans – Lifecycle phase: Develop an audit plan

The ever-changing landscape and evolving risks can render the current internal audit plan obsolete. Accordingly, IA should reprioritise the audit plan as soon as possible to provide assurance over the most consequential risks while being cognisant of the impact on operations. A good example might be the enactment of a policy or law by a regulator that will significantly impact the business, IA must reprioritize its audit plan to reflect this development to provide assurance and consulting services on the implication and impact of the new regulatory requirement.

Importantly, IA should be actively engaged in advising the business around such changes and update its testing plans accordingly. Other suggestions for refreshing and reassessing current internal audit plans include:

- Reprioritise the audit plan
- Redeploy resources
- Enhance the use of digital tools
- Increase the use of analytics and monitoring

- Use analytics to establish dynamic testing procedures

Define collaboration tools for audit execution – Lifecycle phase: Establish and strengthen communication protocol

By utilising tools that enable collaboration and establishing mutually agreed-upon protocols, IA can efficiently work with process owners to gather and review requested documentation without disrupting their core operational activities. IA may select proven collaboration tool(s) for documentation gathering based on essential capabilities, such as making and distributing request lists, uploading documentation, and tracking status. IA may also establish a turnaround protocol to align expectations between IA and process owners.

A mutually agreed-upon turnaround time from the date of request usually enables process owners adequate to gather documentation and follow up with their team members as necessary. The IA Activity must remain agile to fulfil its mandate as these internal and external environmental changes unfold.

Establish standards for secure and continuous access to key sources of business data – Lifecycle phase: Acquire data and documentation

Obtaining testing data and documentation can be

difficult as process owners and functions across the organisation become occupied with staying ahead of the disruptions and changing landscape. Given the business's focus on operational continuity and maintenance of competitive advantage, IA must be proactive with multiple practical options for requesting information and data acquisition.

This is an opportunity for IA to establish continuous access to key sources of business data and move away from the conventional model of internal auditing. For example, IA may be provided ongoing specific rights to production, service and accounting data generated by the Enterprise Resource Planning (ERP) tool as this may improve the agility of IA's analysis and tests enabling the delivery of real-time assurance.

Identify opportunities for digital analytics and continuous monitoring capabilities – Lifecycle phase: Execute audit

As audit teams find themselves working with these disruptions and fast-paced environment, the value of exception-based monitoring and analytics-driven process analysis is becoming readily apparent. IA departments possessing these capabilities are generally demonstrating greater resiliency and flexibility and they inspire others to continue their

digital journeys.

For example, IA may extract data from the ERP tool of the organisation to perform targeted analytics and potential automation for audit areas that require standardised and repeatable tests. IA should also reflect on the current use of digital tools and assess the potential for reducing risk management costs vis-à-vis the cost of deploying the tools.

Redefine reporting and communication model – Lifecycle phase: Deliver results and insights

As the IA organisation shifts toward adaptation and digitization strategies, it is imperative that communication strategies shift as well. This often implies modifying the frequency and means of communicating with stakeholders. IA should compile a list of all stakeholders who should stay informed (Ex. Management and the Board), mapping each audience group to the method and cadence of communication that would be most effective.

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