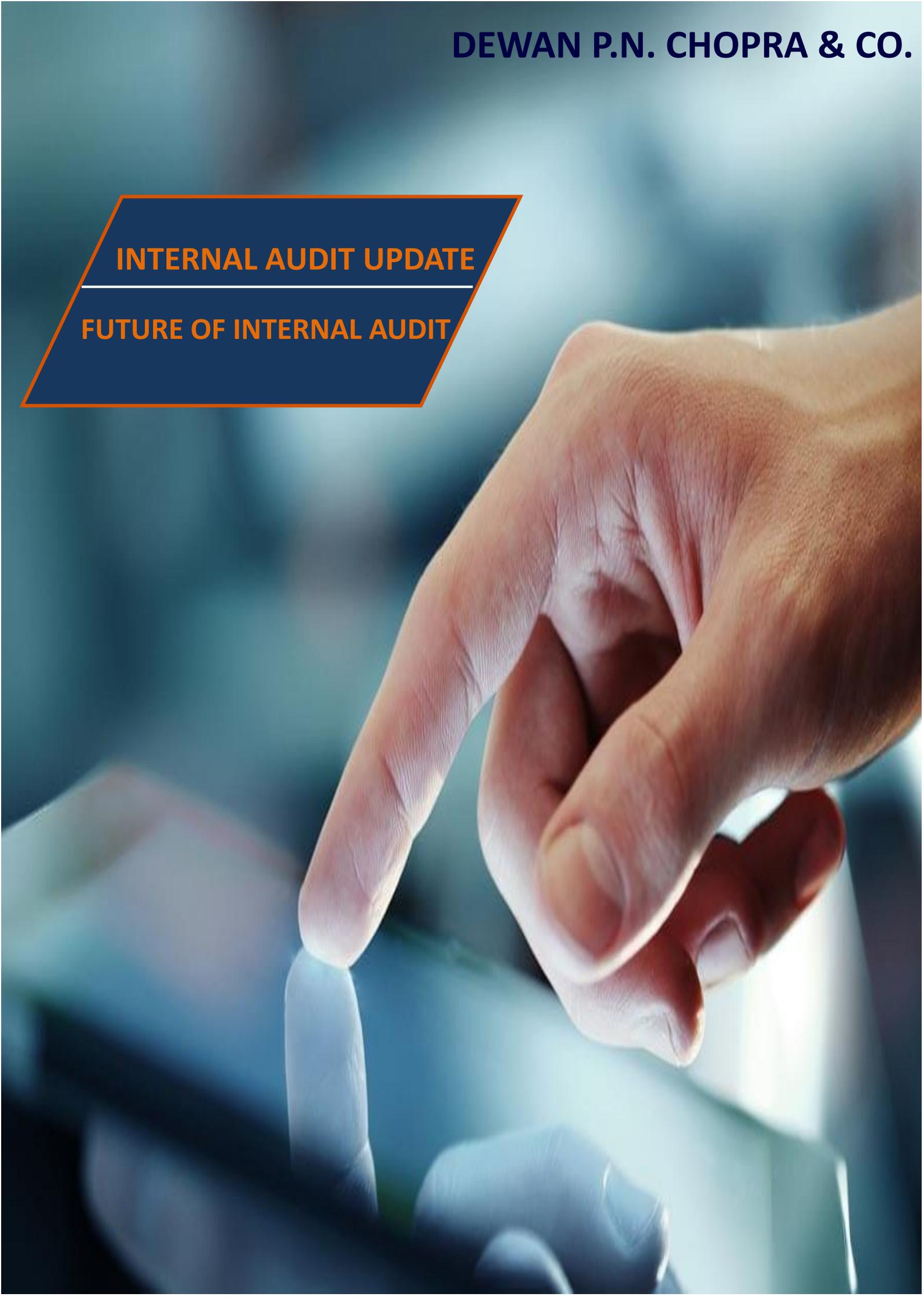


INTERNAL AUDIT UPDATE

FUTURE OF INTERNAL AUDIT



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Changing times are bringing change in the manners internal audit can contribute to the organizations. The digital world is moving with fast pace, it will change the way Internal audit service is provided to the clients and it has given a new challenge to internal audit firms to change the old traditional practice of auditing and transform and adapt new technologies and new set of practices.

Internal auditing has a long history of successfully pivoting to meet the growing and changing needs of its stakeholders. From its transition to risk-based auditing in the 1990s to its response to regulatory changes in fraud and corruption laws, financial reporting, and most recently, data privacy and culture, the profession has historically adapted to address the dynamic expectations of its key stakeholders.

Until recently, the Internal Audit profession has not faced the much need to innovate, let alone reinvent itself. Now, however, as we approach the end of a decade of unsettling uncertainty, organizations face evolving strategic, reputational, operational, financial, regulatory, and cyber risks. And there is a need to constantly innovate in order to compete and survive.

The world is entering the fourth industrial revolution where new technologies, digitalization, and artificial intelligence are dramatically changing the business landscape. While 2020 has already brought significant changes to the audit industry, 2021 being a year after the biggest pandemic in the economy, provides the opportunity for even more.

Since there are numerous changes happening around the globe and as data and technology are core of every aspect of the modern organization, IA departments can no longer work alone and must adapt to forthcoming changes. Following are the aspects that are going to bring a shift in IA function as a whole.

1. Privacy compliance will be a key focus for internal audit

With the potential for more privacy regulations in 2020, internal audit needs to stay informed of these changes and develop a better understanding of potential privacy risks, so it can be more actively involved in identifying compliance risks and establishing the appropriate controls to mitigate those risks. IA must start incorporating privacy considerations into its enterprise risk assessments and determine how equipped the organization is to respond to new regulations as well as sustain ongoing compliance.

2. Boards will become more involved in cyber security

Board members want to gain a comprehensive view of the risks both inside and outside of the organization. Boards will rely more heavily on Chief Audit Executives (CAEs) and their IA team to communicate these risks and effective methods for countering them. IA will need to educate board members on the steps taken to test the organization's cyber security program to validate its effectiveness. Utilizing their knowledge of industry trends, risk management best practices, and business strategies, the IA team will recommend solutions to handle any detected risks before they become too large to address

3. Internal audit will play a key role in digital business transformation.

To keep up with the needs of an increasingly digital workplace, many organizations are going through a digital transformation, implementing new technologies and processes to make the business more efficient. For example, intelligent automation such as robotic process automation (RPA) is continuing to expand at a rapid clip and will play a key role in many businesses in 2021.

However, when making significant digital transformation changes, all areas of the organization will be affected. As business processes are redesigned and automated, CAEs and their audit teams need to be involved in executive management and board-level discussions.

Despite the value that tools like RPA can bring, IA will need to help guide the company when considering the following:

- What controls will be put in place to monitor the performance of these tools
- Who will design and monitor the controls
- What processes will be implemented to prevent unauthorized access to these new systems and their sensitive data

4. Internal audit will leverage data analytics to manage the vast availability of data

Data analytics has significantly changed the field of internal auditing, transforming manual processes into automated ones, improving the accuracy of audit results, providing valuable insights to management, and increasing the ability to identify and address risks across the enterprise.

Over the next year, more internal audit departments will integrate data analytics as a core capability across all areas of the business, bringing a wide variety of benefits

5. Internal audit skills and expertise will expand

The drive for innovation within many organizations is forcing the internal audit profession to adapt and evolve at a rapid pace, and many auditors are struggling to keep up with these changes.

In today's business environment, internal auditors need to expand their abilities beyond traditional areas like accounting, compliance, fraud, and finance. To support business change, many companies are already looking for internal auditors with expertise in technical areas like data science, analytics, IT, cybersecurity, and privacy.

6. Upgrading audit infrastructure and technological advancement:

Large companies, especially with complex auditing requirements that span not just financial audits but also audits, assessments and inspections related to operations, quality, safety, suppliers and IT are upgrading the technology infrastructure. Companies are migrating from their legacy systems, point applications and paper-based procedures to a web-based integrated audit management system.

The technological advancement allows the CAE to streamline and strengthen the internal audit function enabling it to deliver more strategic value while lowering its costs of operation.

The digital world is changing, compelling internal audit to adopt new tools and techniques in order to effectively respond to today's threat landscape. 2021 will be a challenging year for IA as it faces uncertain economy, greater compliance challenges, board-level demands, technological change, and increased cyber threats. However, as long as internal audit has the tools and resources it needs to stay current with the latest developments and advancements, this evolution will bring significant value to businesses everywhere

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