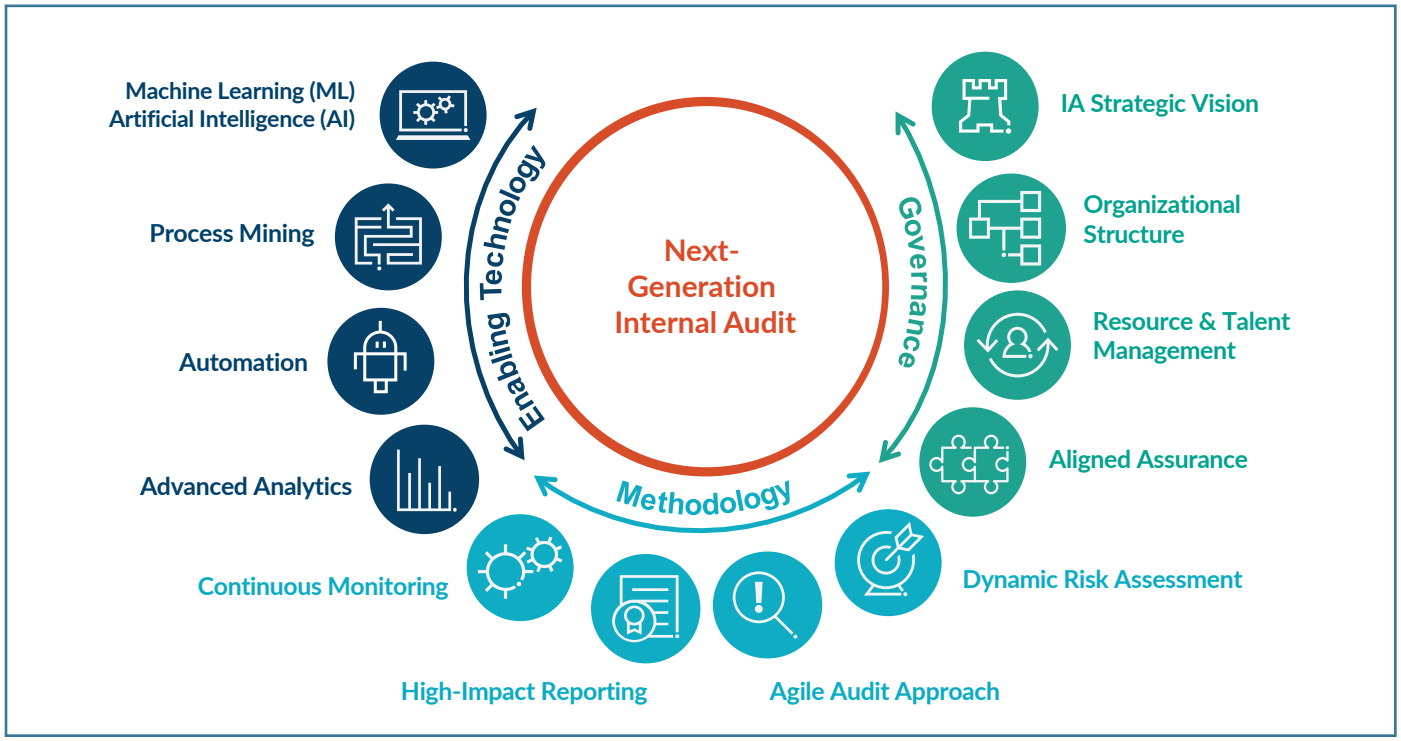
# Protiviti's Vision of the Next Generation of Internal Auditing

The objectives of next-generation internal audit functions may be straightforward, but achieving these objectives requires a range of innovative approaches, tools and governance enablers, including a culture of innovation, that must be tailored to specific organizations and their needs.

In our view, there are four essential objectives of next-generation internal audit groups:

1. **Improve assurance by increasing the focus on key risks —** By evolving to become more data-enabled, next-generation internal audit provides internal and external stakeholders with relevant, timely and impactful results on the effectiveness of risk management and controls.
2. **Make internal audit more efficient —** Next-generation internal audit drives toward data- and technology-enabled audit processes, delivering increased efficiency and risk assurance.
3. **Enhance skillsets continually —** Next-generation internal audit functions seek to continually advance their skills, both through upskilling staff and recruiting for new skillsets and capabilities.
4. **Provide deeper and more valuable insights from internal audit's activities and processes —** Next-generation internal audit helps organizations make better decisions not only by addressing and managing current risks, but also by illuminating the risks and unforeseen consequences inherent in their longer-term digital transformation and growth strategies.

The specific governance structures, methodologies and enabling technologies that next-generation internal audit groups introduce vary. However, nearly all of the transformations Protiviti has supported or seen have addressed most, if not all, of the competencies, qualities and components in three broad categories illustrated below. Each of these is summarized on the following pages.



## Governance

- **Internal Audit Strategic Vision —** Next-generation internal audit organizations should seek to define a clear and concise strategy to establish the function's purpose, enable achievement of objectives within the established vision and mission, and facilitate a culture of innovation that helps achieve the function's strategy and ensure future relevance.
- **Organizational Structure —** A traditional internal audit hierarchy begets a traditional approach. As new methodologies are embraced, the organizational structure to support those will begin to look very different. The structure must be developed to allow for sufficient and flexible coverage across legal entities, geographies in which the organization operates and risks facing the organization. Reporting lines and roles and responsibilities of both audit and support teams will be redrawn. The composition, size and locations of the audit and support teams will also look very different. Flexible resource models will be employed to gain access to skillsets and capacity as needed.
- **Resource & Talent Management —** In today's corporate climate, a resilient workforce will prove vital to a company's ability to pivot in the face of changing market realities. The workforce of the future needs to be reimagined for increased flexibility and be able to respond to rapid changes in business. Next-generation internal audit groups need to ensure that robust resource management strategy and processes are in place to acquire, manage, retain and enhance the resources, skillsets and capabilities that will enable the internal audit function to achieve both core assurance and transformational goals and objectives.
- **Aligned Assurance —** Aligned enterprise assurance is a correlation of risk, controls and a broader view of the control environment across the three lines of defense and by and between the organization's assurance functions. It seeks to maximize operating efficiency and provides clearer visibility of results to stakeholders. This approach facilitates governance and management of risk within an organization's risk appetite and aims at optimizing the coverage of assurance obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the organization.

## Methodology

- **Dynamic Risk Assessment —** Internal audit functions that desire to enhance and transform their organization should continually seek to adapt their risk assessment approach to more effectively quantify risk in a rapidly evolving business environment and execute relevant assurance work to align with key organizational risks and priorities. A dynamic risk assessment approach is designed to be increasingly data-driven and adaptive to emerging risks and proactively measure key existing risks, enabling organizations to identify changing risk trends in real time, quantitatively measure and prioritize risk, and drive the most effective use of assurance coverage.
- **Agile Audit Approach —** An agile audit approach utilizes a framework that is based on iterative and sustainable development, where requirements and solutions evolve through collaboration between cross-functional audit teams focused on quality. Internal audit and its stakeholders are focused on a common goal of risk mitigation through responding to changing and emerging business needs and directions while simultaneously working to meet business and regulatory commitments.

- **High-Impact Reporting —** Internal audit demonstrates its value by communicating effectively and, in the process, utilizing simplified and high-impact reporting. This is the culmination of all internal audit's activities leading to the right type of communication tailored to each audience to achieve maximum impact. Communications should occur in a variety of forms to stakeholders with different needs and expectations, including audit reports, risk assessments, audit committee presentations and reports to regulators. Next-generation internal audit functions communicate what stakeholders need to know and allow them to drill down to the details as needed.
- **Continuous Monitoring —** Next-generation internal audit organizations should seek to adopt a robust continuous monitoring program to optimize the efficiency and effectiveness of their audit operations and facilitate deployment of audit resources to more strategic efforts. Organizations should work to create a technology roadmap that includes the necessary data and functionality to facilitate a continuous monitoring program. Internal audit organizations also should consider the potential for continuous monitoring in the context of their broader assurance strategy.

## Enabling Technology

- **Advanced Analytics —** Internal audit organizations should challenge their current state of analytics capabilities and commit to making better use of data. Raise awareness, develop skills, explore new tools, establish a plan and drive incrementally increased use.
- **Automation —** As the popularity of automation increases, including but not limited to robotic process automation (RPA), internal audit departments should be asking about their organization's current strategy and plans and evaluating whether there are any processes or tasks that lend themselves to automation. This can increase the effectiveness and efficiency of audit work by improving audit quality/coverage as well as by automating routine audit tasks, which, in turn, frees up time for more value-adding work.
- **Machine Learning and Artificial Intelligence —** Organizations are rapidly looking to turn their data into value-added products and services through machine learning techniques. Internal audit departments need to be familiar with this field of study, the risks and opportunities it presents, and how it can be applied. AI and machine learning represent great examples of techniques with the potential to deliver significant value through the internal audit lifecycle (risk assessment and planning, scoping, discovery, fieldwork, reporting, follow-up and monitoring) and change the way we use data to complete audit activities.
- **Process Mining —** Internal auditors should seek out new technologies that will help add value to their organizations beyond traditional audit methods. Enabling technologies such as process mining allow auditors to easily analyze large quantities of data, visually re-create processes from data, explore deviations and identify root causes to previously unknown issues. Process mining also allows for more dynamic and meaningful reporting.