



WHY FINANCE LEADERS SHOULD **ELEVATE INTERNAL AUDIT**

**LEVERAGING TECHNOLOGY AND PROCESSES TO
DELIVER VALUE-ADDED FINDINGS**



SPEAKERS



Fatema Basrai
Senior Director, Risk Management
Berlitz Corp.



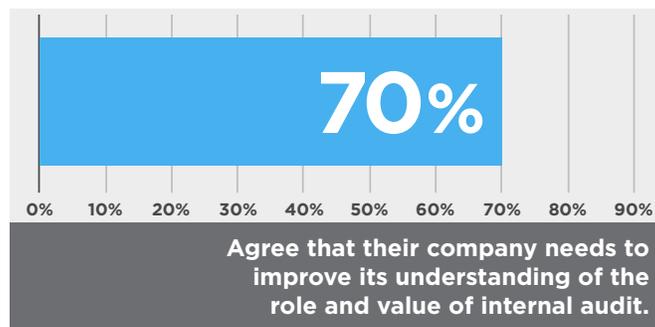
Charles Soranno
Managing Director
Protiviti

A growing number and variety of tasks across the enterprise are being automated, a trend that is causing companies to rethink the role of internal audit. In addition to conducting periodic tests of compliance, internal audit teams are now taking responsibility for maintaining standards of accuracy and transparency when companies disseminate financial information.

When performed correctly, internal audits deliver actionable findings that add value to the organization and that stakeholders are eager to implement. However, few organizations are hitting the mark when it comes to elevating internal audits.

Participants on a recent CFO webcast, *Why Finance Leaders Should Elevate Internal Audit*, sponsored by Workday, concurred that there is room for improvement in their organization's internal audit process.

A majority (70%) noted that there needs to be better understanding of the value and role of internal audit.



While it is a critical function for any organization, many face challenges when it comes to conducting effective audits. One of the key hurdles companies need to address is ensuring the right perspective. “Audits need to be held to the proper scope, budget, and timeline,” said Charles Soranno, Managing Director, Protiviti, a presenter on the webcast.

Assembling the right team is also a challenge, Soranno noted. “The requisite skills in the internal audit group include setting the strategy for risk, helping with the execution, and performing a postmortem.”

Soranno also stressed the challenge of evolving accounting guidance and its impact on business functions. “There’s no better example than the recent accounting changes that many of you have fought through and continue to fight through with revenue recognition change,

lease accounting change, and the newest one on the horizon — the credit loss standard change — that will be impactful for public companies in a year or so.”

A deteriorating risk culture is another hurdle noted by Fatema Basrai, Senior Director, Risk Management, Berlitz Corp. “The decomposition of risk appetite is giving rise to the overriding of policies and procedures, and this is really hindering the conducting of our audits.”

Basrai also noted the widespread perception throughout the organization that the internal audit team is an adversary rather than a partner.

Budget constraints can also hamper the effectiveness of internal audit. “Expectations for the internal audit function are increasing without sufficient budget or resources to support them,” Basrai said.





Making the Most of Automation Gains

Automation provides some clear benefits to addressing some of these hurdles, according to the panelists, but companies are not aggressively leveraging RPA and other cloud-based solutions to streamline the audit process.

“The effective use of digital technologies and data analytics in the internal audit process unfortunately remains relatively rare — particularly in North America — as certain audit functions may use these tools in a very focused way, but not in a more mainstream way or in a broader way,” Soranno said.

Emerging technologies such as AI and robotic process automation (RPA) can be appropriate for automating some areas of internal audit – including more data-driven risk assessments, risk transactions, and risk

control monitoring – to free up time and resources on the audit side to focus on strategic risks. Cloud based financial systems make it easier to incorporate these new technologies into the audit process and other areas of the organization.

RPA has some limitations, and is best applied to repetitive and nonjudgment areas. “RPA can facilitate better coverage and the use of data to provide answers that add value more quickly,” Soranno noted.

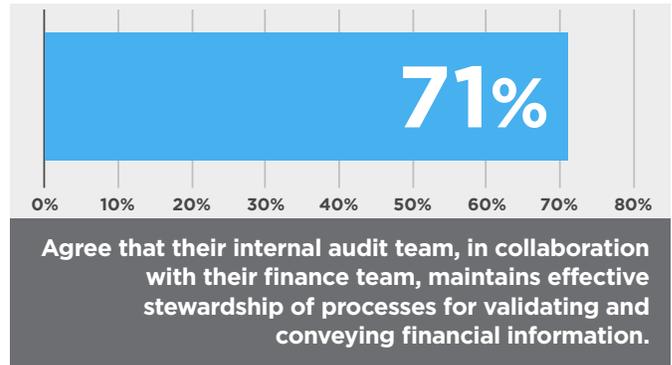
Related areas where RPA and cloud-based systems can benefit include manual-intensive processes such as accounts payable, travel and entertainment audits, payroll, and general ledger. “Once these tasks are automated, it helps save time and resources on the audit side, and they will be able to access a much larger population of data more efficiently,” Basrai said.

Identifying Opportunities and Best Practices for Internal Audit

Some of the warning signs that a process needs to change:

- Audit scope has remained the same for a number of years
- Internal audit appears to be on autopilot
- There is little incentive or appetite to change the way audits are scoped, executed, and reported on
- There is no meaningful way to innovate and adapt to changing demands

“The best-structured internal departments are well-sponsored, well-respected, and well-resourced; they have a seat at the table before,



during, and after an audit,” Soranno said.

Broadening the expectations can raise the value of the internal audit, according to Soranno. “The benefactors of internal audit need to understand that internal audit is taking steps to innovate and automate where appropriate. There should be a fulsome risk assessment process so that they are auditing different areas on an ad hoc or rotating basis.”



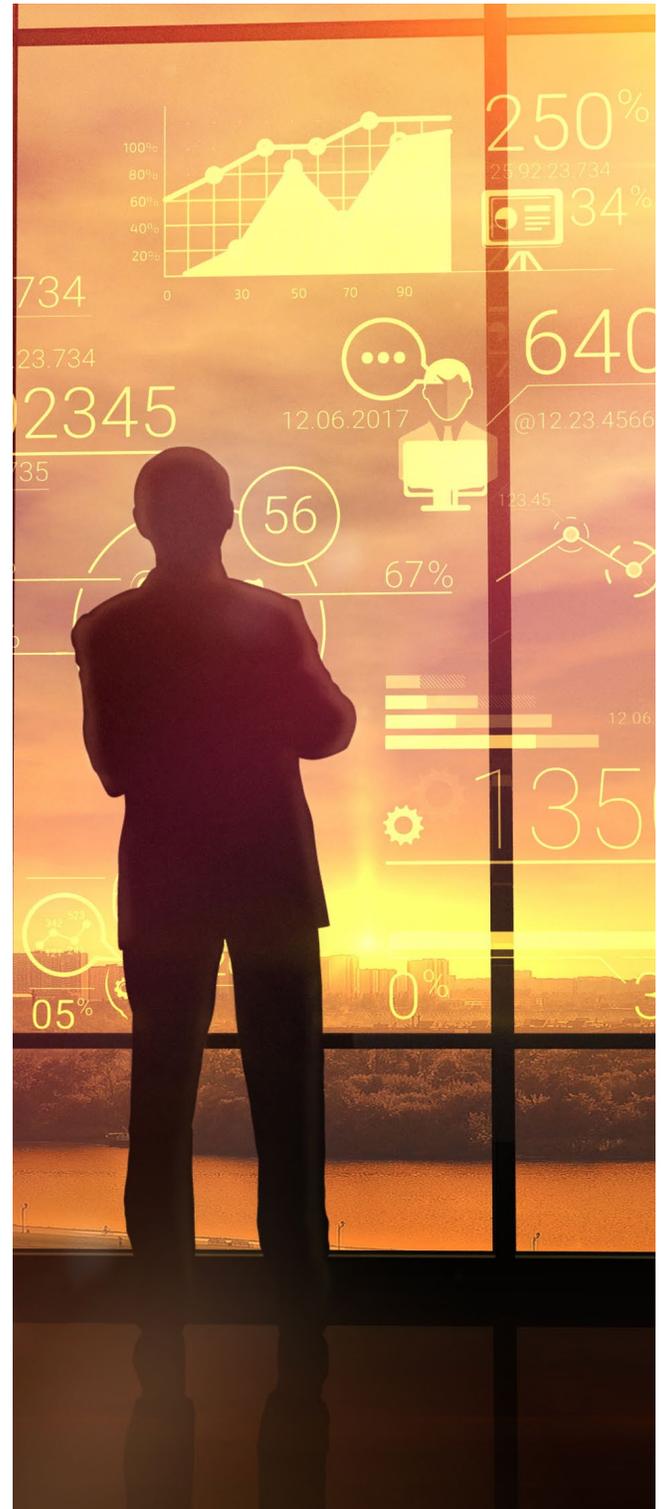
Basrai added: “The more closely auditors can relate to the goals and priorities of the business, the higher the likelihood will be that auditors are perceived as business partners. That will help decrease existing communication barriers.”

There is a shift from the traditional auditor role to one of partner, and companies need to be adept at transitioning to a more consultative approach. “This is a natural progression, as auditors serve as the eyes and ears with respect to the organization’s culture,” Basrai said. “Ideally, auditors are talking to people in the field as well as senior management.”

A poll of webcast attendees confirmed that there is robust alignment between the internal audit and finance teams, with 71% in agreement that the two departments work together effectively.

The finance-audit relationship is critical, as there are many overlapping duties. One area that is ripe for internal audit development is critical audit matters (CAMs). A CAM is any matter communicated or required to be communicated to the audit committee and that both relates to material accounts or disclosures that are material to the financial statements and involves especially challenging, subjective, or complex auditor judgment.

“What the stakeholders really want is the validity of financial information, and it’s only when the two areas are working together that you’re going to have this because unless the audit side has some assurance that what’s happening on the finance side is working well, you’re not going to have confidence,” Basrai said.



Conclusion

As companies face challenges that are increasingly global and complex, it is essential that internal audit teams, in collaboration with finance teams, demonstrate agility, innovation, and effectiveness in communicating with their companies' boards and executives.

It is critical for companies to be able to adapt quickly in an environment of ever-changing risks. Internal audit should tap into the expertise that's available throughout the organization and have a robust plan that leverages data gathered during the audit to inform business decisions.

Key takeaways from this webcast include:

- Companies should accept and embrace change in the internal audit process, as streamlining and automation can enable the team to focus on strategic risk and value-added activities that impact the overall organization. As companies become more global, the accounting becomes more complex, highlighting the need for a smooth internal audit process.
- Internal audit is a team effort. Finance leaders and internal auditors need to partner with their businesses to ensure that internal auditors can execute on their mandates, and that CFOs can account accurately and honestly for their companies' results.
- Companies continually need to evaluate the processes and tools being used for internal audit. Audits need to evolve over time to encompass changes in regulations and business needs.

[To learn more watch the webcast replay](#)