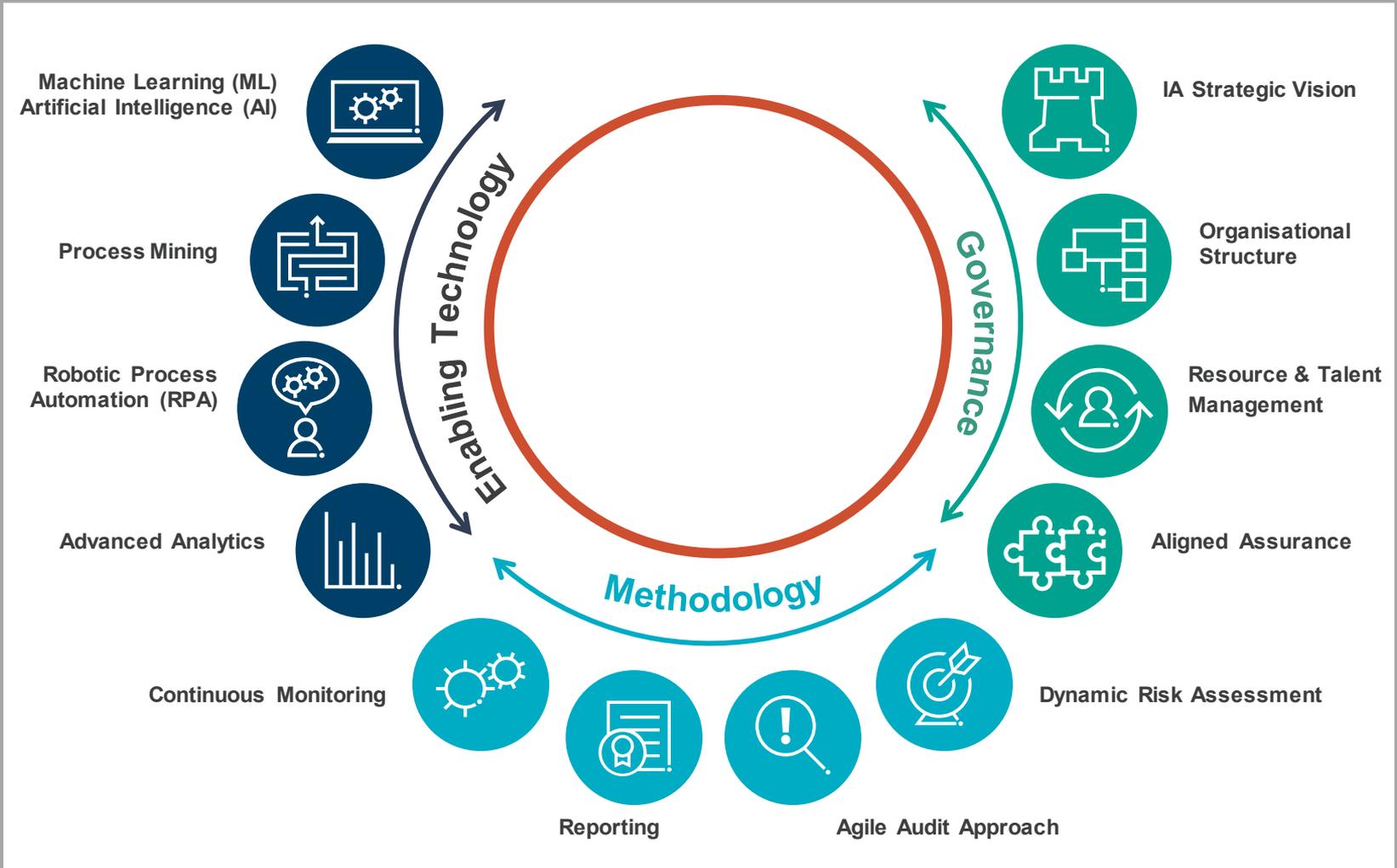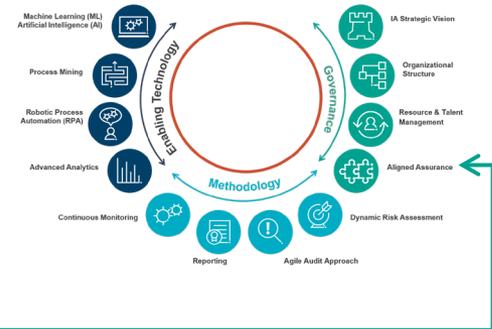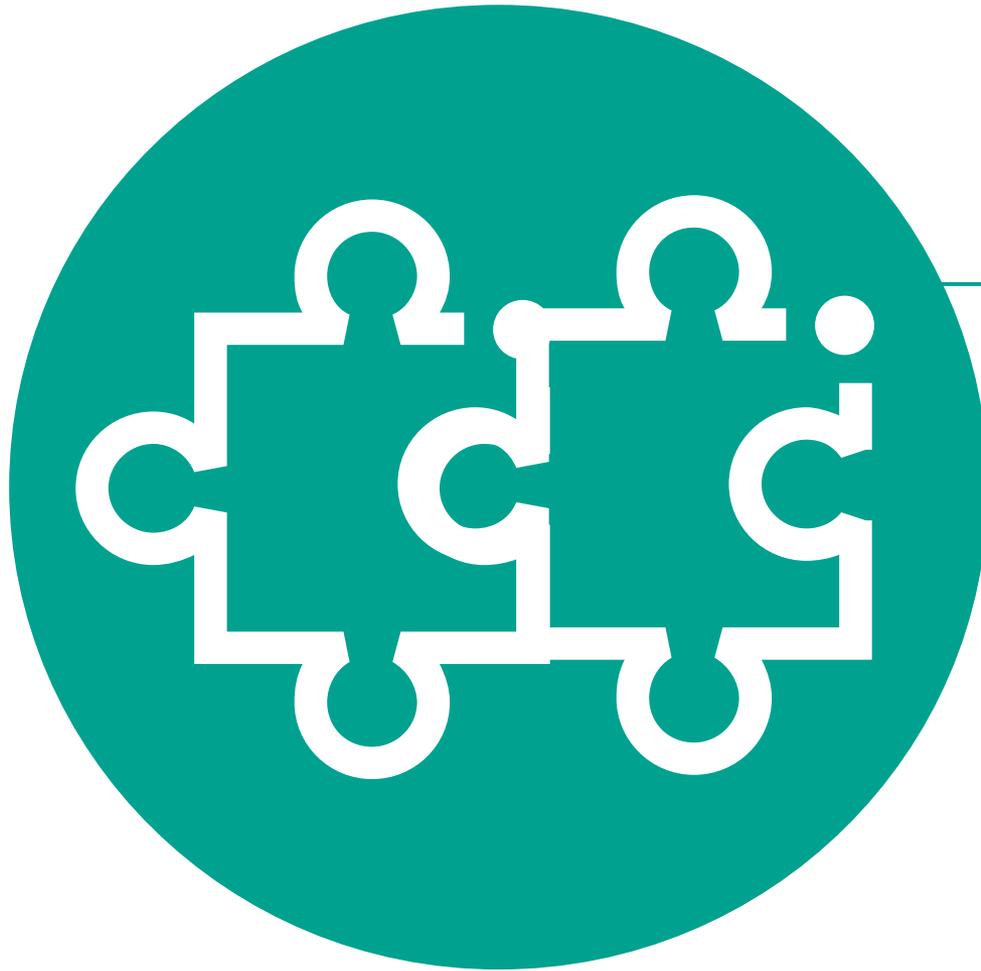# PROTIVITI'S VISION – THE NEXT-GENERATION OF INTERNAL AUDITING

protiviti

GOVERNANCE

Aligned Assurance, Resource and Talent Management, Organisational Structure and IA Strategic Vision

Aligned Assurance – One Pager
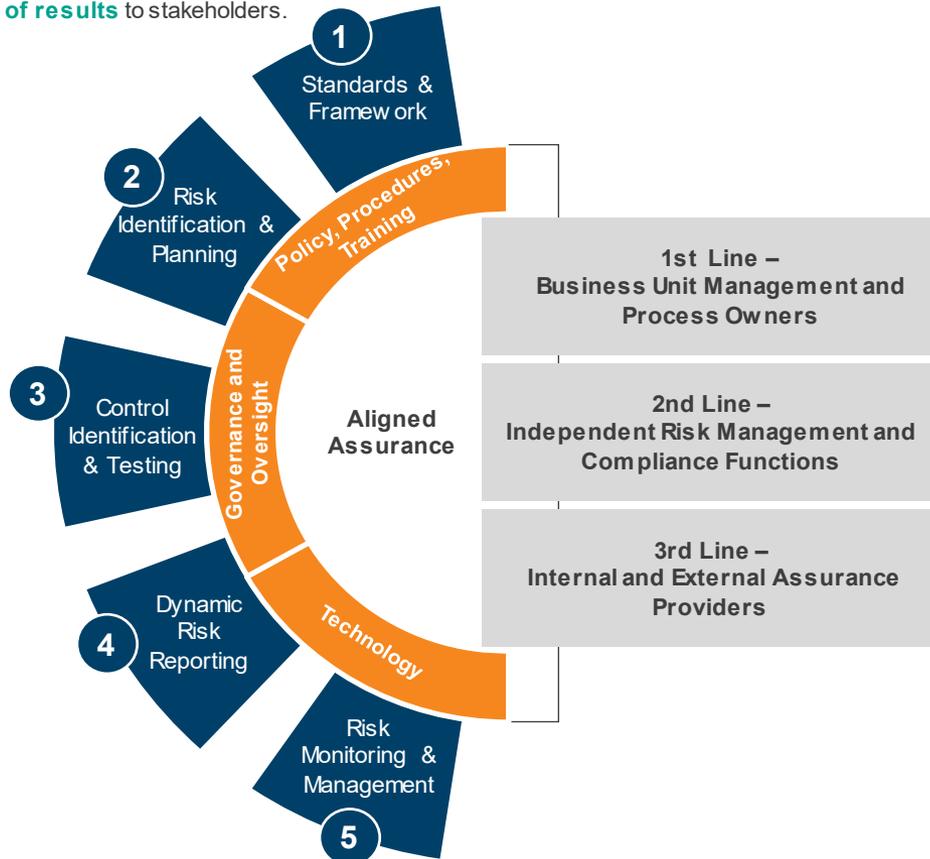
protiviti

ALIGNED ENTERPRISE ASSURANCE

Aligned Enterprise Assurance	GOVERNANCE

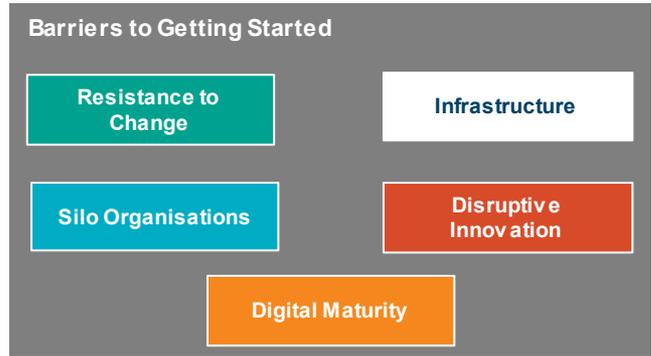**Aligned Enterprise Assurance** is the **correlation of risk, controls, and a broader view of the control environment** across the three lines of defense. Facilitating governance and management of risk within a company's risk appetite, this seeks to **maximise operating efficiency** and provide **clearer visibility of results** to stakeholders.
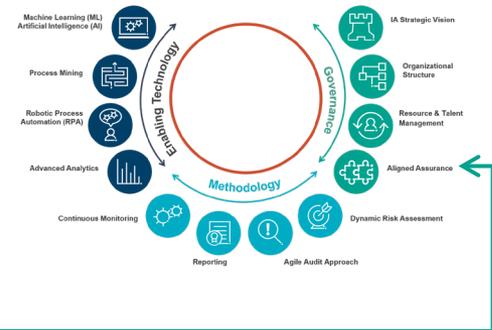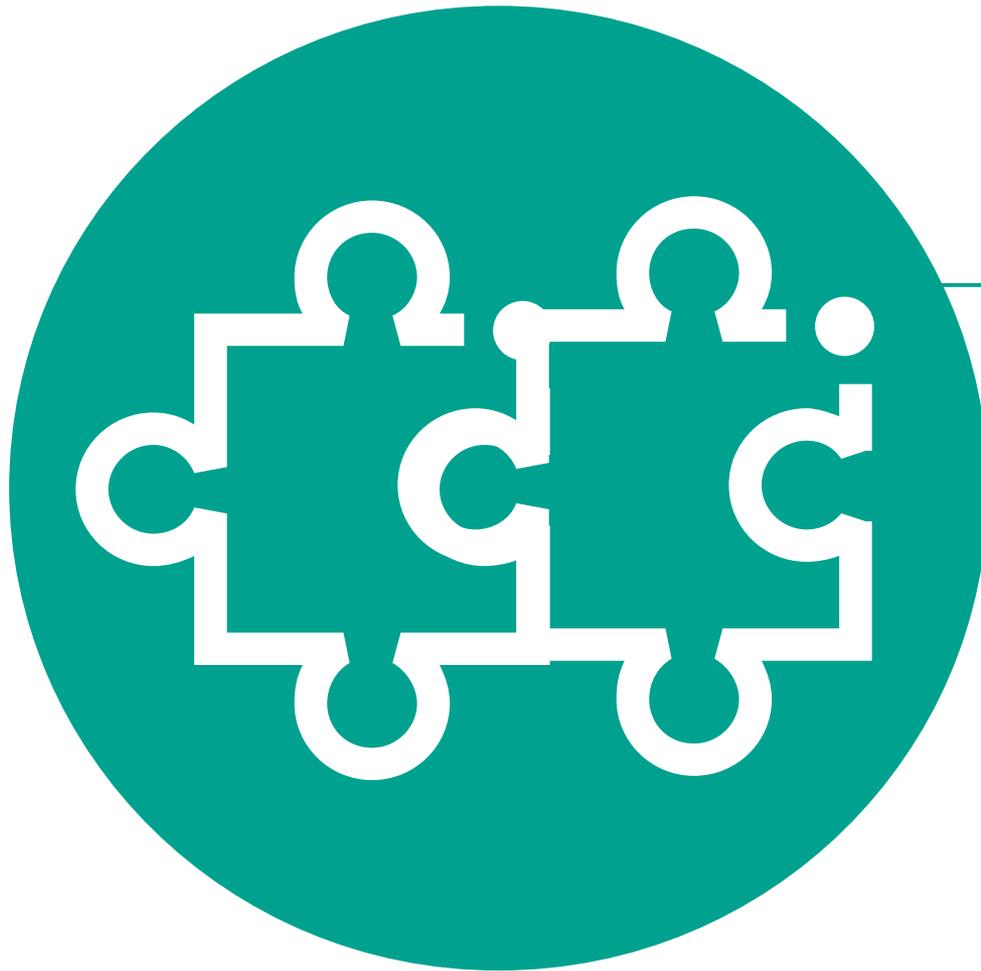
1. Standards & Framework
2. Risk Identification & Planning
3. Control Identification & Testing
4. Dynamic Risk Reporting
5. Risk Monitoring & Management

Policy, Procedures, Training
Governance and Oversight
Technology

Aligned Assurance

1st Line –
Business Unit Management and Process Owners

2nd Line –
Independent Risk Management and Compliance Functions

3rd Line –
Internal and External Assurance Providers

What does Aligned Assurance achieve?

- Increasing the focus on **key and strategic risks.**
- Improving **visibility and credibility of information across** the organisation.
- Providing a baseline to **compare results** across the lines of defense
- Increasing reliance on **data-driven** points of view
- Reducing repetitive, manual testing to allow focus on **high value** activities.

Barriers to Getting Started

Resistance to Change	Infrastructure
Silo Organisations	Disruptive Innovation

Digital Maturity

protiviti

THE NEXT-GENERATION OF INTERNAL AUDITING

Aligned Assurance – Three Pager

protiviti

ALIGNED ENTERPRISE ASSURANCE

Aligned Enterprise Assurance	GOVERNANCE

What is Aligned Enterprise Assurance?

Aligned Enterprise Assurance is correlation of risk, controls, and a broader view of the control environment across the three lines of defense. It seeks to maximise operating efficiency and provides clearer visibility of results to the stakeholders. Aligned Enterprise Assurance facilitates governance and management of risk within an organisation's risk appetite and aims at optimising the coverage of assurance obtained from management, internal assurance providers, and external assurance providers on the risk areas affecting the organisation.

Benefits of Aligned Enterprise Assurance

- Allowing the stakeholders to have **Common view** of risks and issues across the organisation.
- Increasing the focus on **key and strategic risks**.
- Improving **visibility** and **credibility** of information across the organisation.
- Providing a baseline to **compare results** across the lines of defense.
- Increasing reliance on **data-driven** points of view.
- Reducing repetitive, manual testing to allow focus on **high value** activities.

Call to Action

- Determine the method and timing of how the assurance is delivered to the key stakeholders.
- Understand the existing assurance framework implementation and how many different teams are involved in delivering assurance.
- Decide what stage of the assurance framework has the most potential in your organisation.
- Aggregate various reports to identify crossovers or duplications and figure out where the work can be streamlined.
- Assemble people, processes, and technology for ideal streamlining.
- Achieve enhanced collaboration through aligned risk assurance incorporated in annual audit planning.

protiviti

ALIGNED ENTERPRISE ASSURANCE

Aligned Enterprise Assurance	GOVERNANCE

Components/Features

- **Applicable Standards & Frameworks:** Standard 2050 – Coordination and Reliance, The Three lines of Defense Model, King IV Report, COSO Internal Control –Integrated Framework.
- **Parties Involved:**
  - **1st Line:** Business Unit Management and Process Owners
  - **2nd Line:** Independent Risk Management and Compliance Functions
  - **3rd Line:** Internal Audit Function
- **Co-ordination among parties:**
  - through audit activities i.e., Integrated Audits
  - through planning and reporting process i.e., Process Integration
  - through alignment i.e., activities either structured or ad hoc
  - through hierarchical lines i.e., Functional Integration

The Three Lines of Defence Model

Key Success Factors

- Having **one language across all governance bodies and functions.**
- **Clear bifurcation** of roles & responsibilities and reporting among lines of defense.
- Establish a strategy to **get stakeholders aligned -- gaining consensus** looks different at every organisation.
- **Build a business case** for savings -- Efficiency (business impact) and cost savings (resources and redundancy) are often the driver.
- **Use a common language** and consistency among various parties to facilitate value-added discussions.

Interdependencies on other Next Gen IA Elements

- **Organisational Structure:** Unlike traditional IA function, aligned assurance model implies flexible organisational structure.
- **Resource & Talent Management:** Aligned assurance model implies transformation of traditional resource and talent planning. Individuals from various teams and with specific skill sets forms a team.

- **High Impact Reporting:** In aligned assurance model, the reporting structures are flexible as various assurance providers collaborate to caters the specific needs of the stakeholders.
- **Agile Audit Approach:** Agile approach calls for alignment of ERM and IA functions that are respectively second and third line of defense.

protiviti

ALIGNED ENTERPRISE ASSURANCE

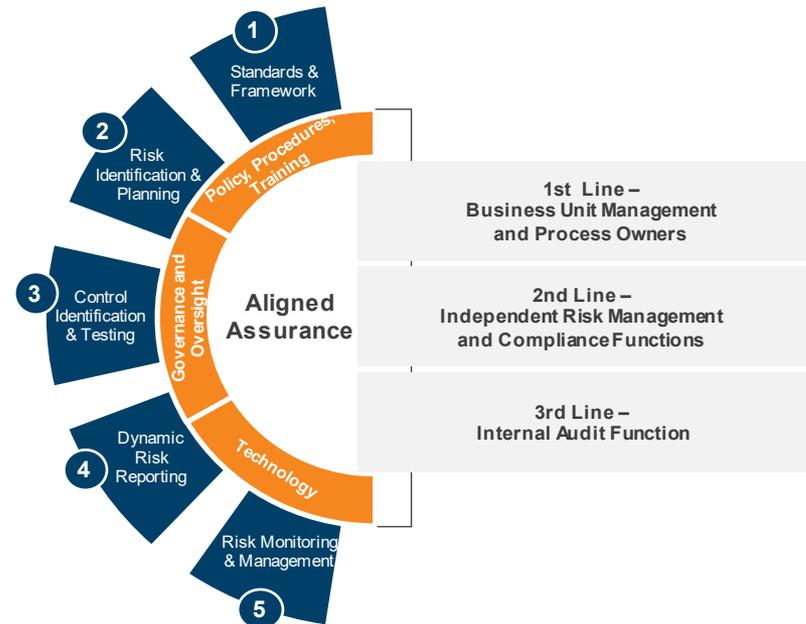| Aligned Enterprise Assurance	GOVERNANCE

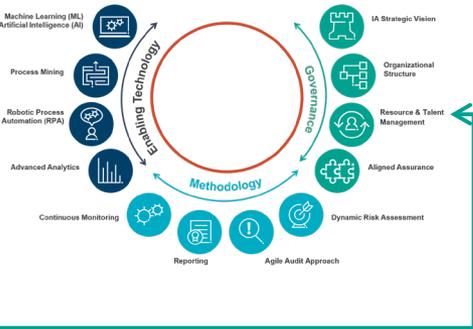**Approach**

Steps for implementing aligned assurance model:

1 Standards and Framework

While implementing aligned assurance framework, first step for management is to establish a formal, written Risk Governance Framework which ensures that Board risk tolerances are clearly defined & communicated to all stakeholders.

2 Risk Identification & Planning

This step aims at providing organisation-wide risk identification process, strengthening the control environment, planning coordination of assurance activities along with communicating of a common methodology and advancing the maturity of assurance services.

3 Control Identification & Testing

An organisation-wide control identification process is provided to align with and mitigate identified risks within the organisation. Additionally, an automated monitoring and testing program is developed using a consistent methodology.

4 Dynamic Risk Reporting

Management needs to align risk reporting across all three lines of defense and incorporate use of innovative technologies to enhance leaders' perspective of risk management activities and provide timey & useful insights on key issues.

5 Risk Monitoring & Management

This stage aims at monitoring of co-ordination and management of efforts across all three lines of defense. With continuous monitoring and management of risks to minimise redundancy, IA function aims at responding to emerging changes in the dynamic risk environment.

Aligned Assurance Framework

1st Line –
Business Unit Management
and Process Owners

2nd Line –
Independent Risk Management
and Compliance Functions

3rd Line –
Internal Audit Function

protiviti

THE NEXT-GENERATION OF INTERNAL AUDITING

Resource & Talent Management

protiviti

INTERNAL AUDIT TALENT AND RESOURCE MANAGEMENT

	Talent & Resource Management	GOVERNANCE

How can Internal Audit (IA) attract, develop and retain scarce talent and optimise use of auditor skills / time for the organisation?

New and emerging risks, global competition, and innovation have driven the need for IA organisations to re-examine the approach to resources. As IA organisations transform strategy, and methodologies and continue to leverage new technologies on the journey to NextGen IA the resources and capabilities necessary to enable this transformation and execute in the new environment will likely be very different than existing resources and capabilities. As discussed within defining the **Internal Audit Strategic Vision**, the collective sum of the resources and capabilities within the IA organisation will in large part determine the ultimate success of the transformation to NextGen IA. The importance of having the right resources and capabilities requires IA to develop a dynamic resource management strategy that focuses on ensuring IA has the right resources, with the right skills and capabilities (for today and the future), and that those resources are deployed effectively and efficiently to meet the goals and objectives of the IA function. To enable success of the transformation efforts the resource management strategy must be closely aligned with the **Governance, Methodology**, and **Technology** plans of a holistic NextGen IA strategy and vision.

Call to Action:

- Next Gen Internal Auditors need to ensure robust resource management strategy and processes are in place to acquire and manage the resources, skillsets and capabilities that will enable the IA function to achieve both core assurance and NextGen transformational goals and objectives.

For IA to deliver on transformation strategy and vision as well as core assurance objectives it must have a robust Resource Management strategy that addresses the following:

Resource Strategy
- Connects organisation IA strategy with resources
- Define culture and values
- Define macro knowledge, skills, and capabilities needed (Talent and Skills assessment)
- Alternative delivery framework / models (sourcing)
- Succession Planning

Talent Acquisition
- Defining specific knowledge, skills, and capabilities needed
- Identifying candidates with skills are aligned with the long and short-term needs of the organisation.
- Onboarding resources to the organisation

Planning & Utilisation
- Systematic approach prioritising resources against organisational objectives and plans.
- Analytical assessment of efficient utilisation over time
- Team effectiveness in achieving goals and objectives
- Enabled by leading technology

Resource Development
- Career Planning
- Employee Engagement
- Training and Development
- Leadership Development

protiviti

THE NEXT-GENERATION OF INTERNAL AUDITING

Organisational Structure

protiviti
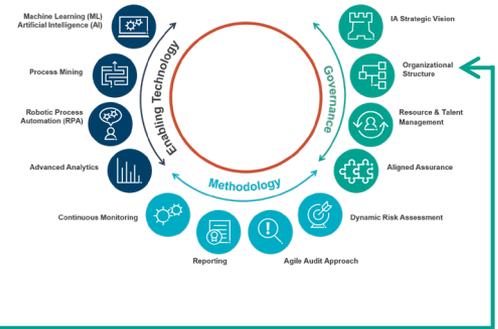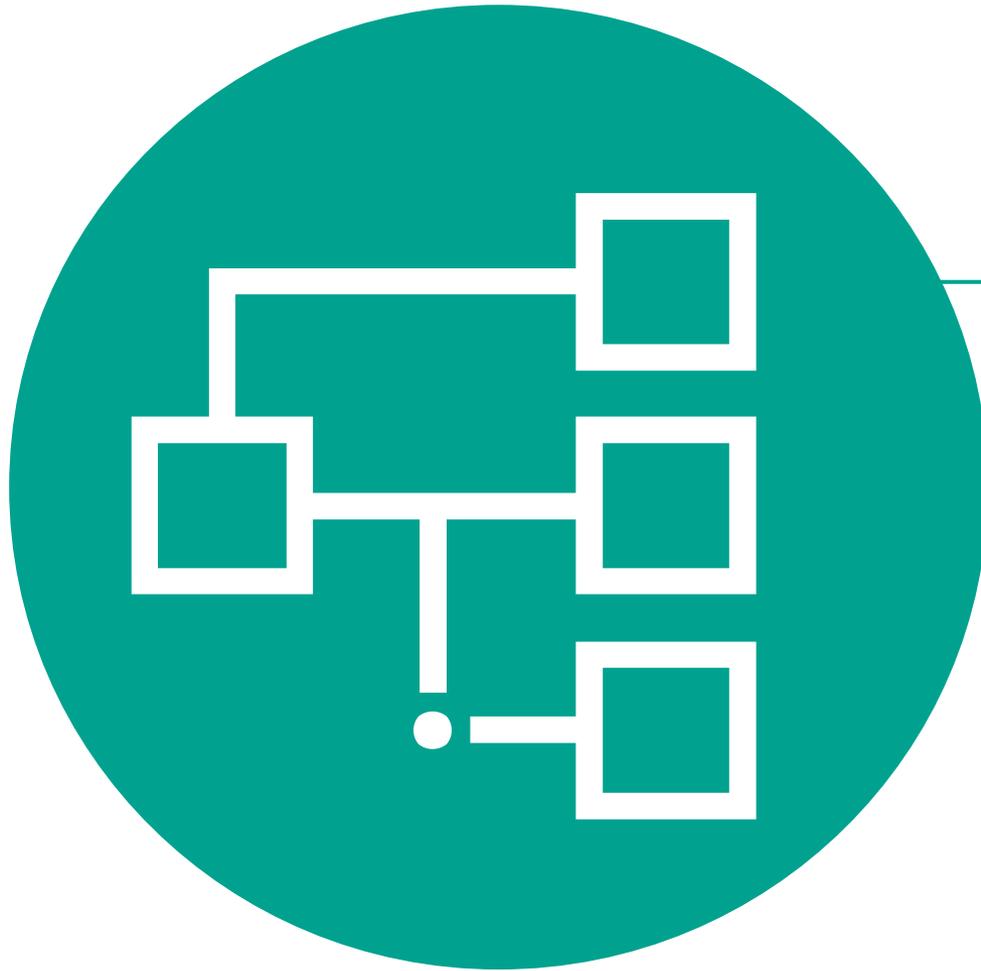
ORGANISATIONAL STRUCTURE

Organisational Structure	GOVERNANCE

A traditional internal audit hierarchy begets a traditional approach. As new methodologies are embraced, the organisational 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 organisation operates and risks facing the organisation. Reporting lines and roles and responsibilities of both audit and support teams will be re-drawn. The composition, size and locations of the audit and support teams will also look very different. Flexible resource models will be employed to gain both access to skill sets and capacity as needed.

Key considerations for a streamlined structure:

- Reporting Lines that allow for effective teamwork and knowledge sharing.
- Matrixed organisation allowing for sufficient coverage (e.g., Geography Leads, Subject Matter Expert Leads, etc.).

**Key considerations for Flexible Resourcing:**

- Pooled resources that have expertise and/or specialised knowledge to support key audit areas
- Ability to tap into business resources (on an as needed basis) to support business context and institutional knowledge required.
- Strong relationships with third parties to supplement capacity or skill gaps.

The structure of the next-generation internal audit department will need to be flexible, multi-dimensional, and support the efficiency and effectiveness of the audit function facing emerging risks and issues rather than hinder its ability to meet its objectives.

protiviti

THE NEXT-GENERATION OF INTERNAL AUDITING
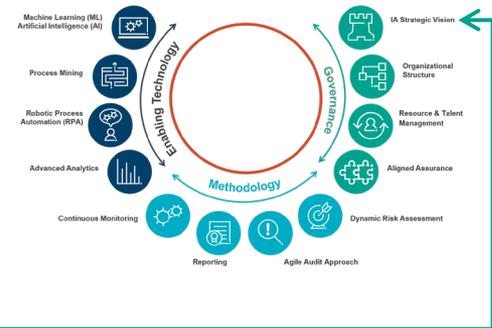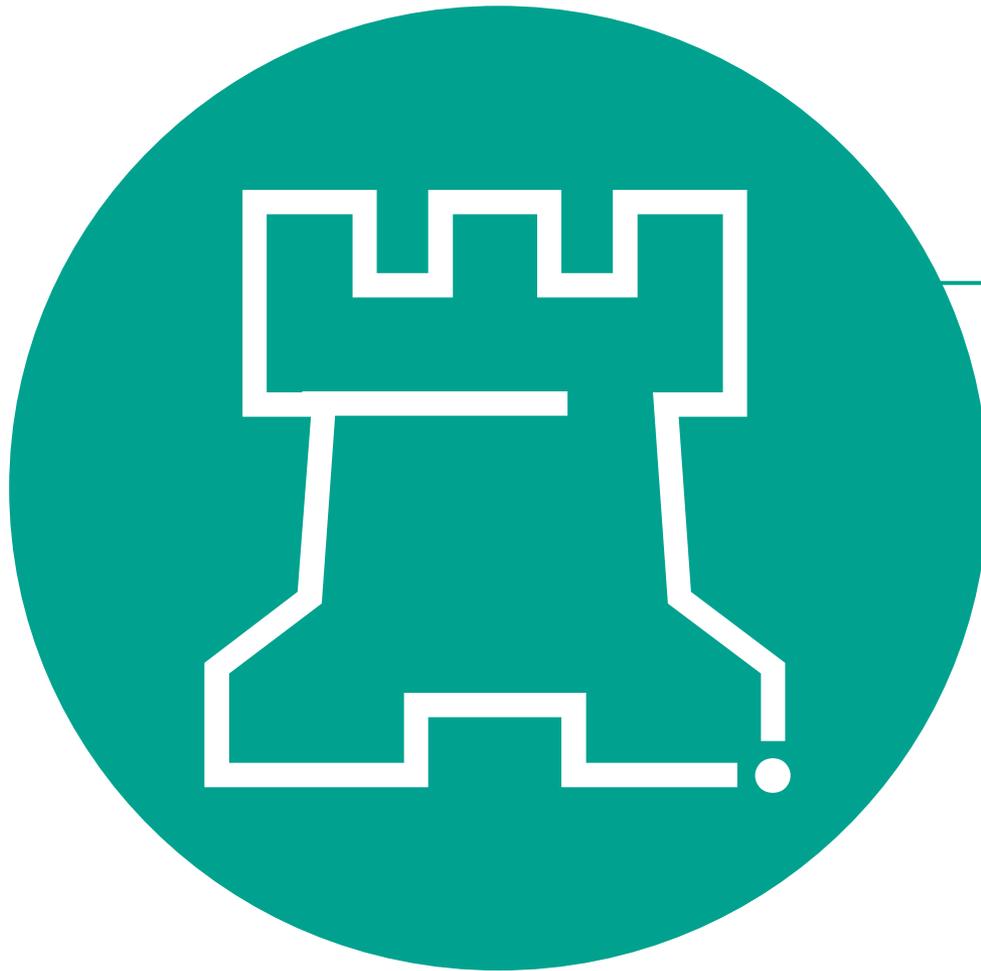
IA Strategic Vision – One Pager

protiviti

INTERNAL AUDIT STRATEGIC VISION

Internal Audit Strategic Vision	GOVERNANCE

Strategy and Innovation - Achieving Synergy

Strategy and Innovation are very different, yet complementary. When the two are synchronised through a clear innovation orientation they are extremely powerful. Understanding the differences and interdependencies between strategy and innovation allows organisations to establish a defined strategy that facilitates innovation, as well as a culture of innovation that helps achieve strategic objectives.

- Strategy – is a defined process focused on delivering on the goals and objectives of a function.

- Innovation – is a cultural mindset in an organisation focused on the future state we want to achieve.

Although strategy and innovation are not one in the same strategy supports innovation, and innovation supports strategy. Innovation and strategy must therefore be balanced – **we must innovate to ensure our future relevance without having innovation compromise our ability to deliver on our goals and objectives.**

Strategy / Innovation / People — **Innovation Orientation**
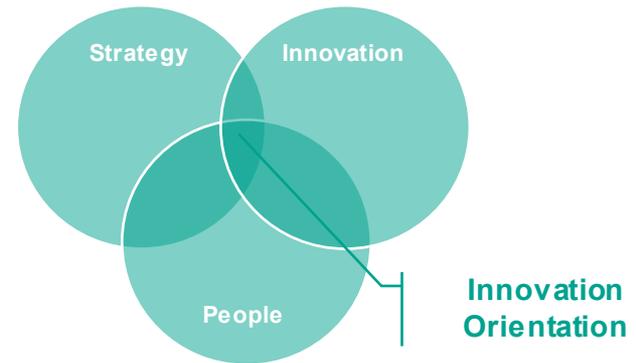
In order to be successful organisations must define **Innovation Orientation** – explicitly linking strategy and innovation while recognising both rely on the collective sum of the capabilities of the resources involved and the underlying culture of the function.

| Strategy	Innovation
Strategy – means of establishing the function's purpose and enables the allocation of financial and human resources to help achieve objectives as defined in the activity's vision and mission statements.	**Innovation** – new ideas, methods, improvements or devices, and how those ideas are identified, implemented, and operationalised to create value for the organisation.

Call to Action:

- Next Gen Internal Audit organisations 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 strategy and ensure future relevance.

protiviti

THE NEXT-GENERATION OF INTERNAL AUDITING
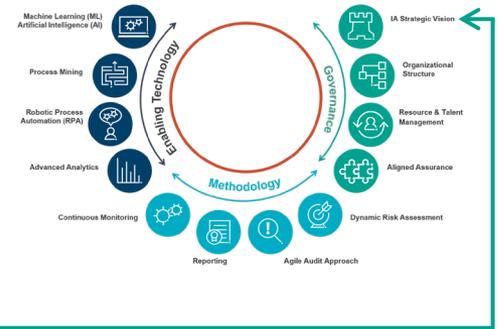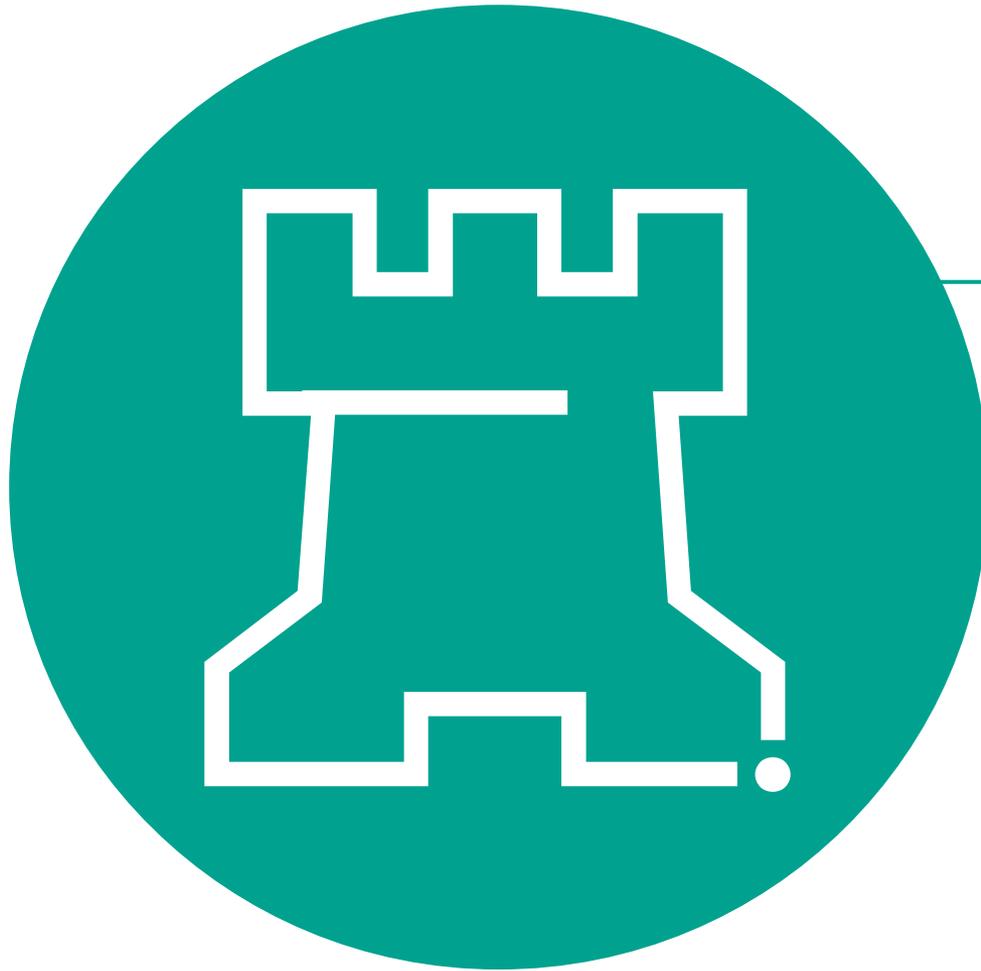
IA Strategic Vision – Three Pager

protiviti

INTERNAL AUDIT STRATEGIC VISION

Internal Audit Strategic Vision	GOVERNANCE

What is a Strategic Vision?

The strategic vision defines the ultimate goal of Internal Audit and sets the tone for empowering the team to experiment with new processes, methodologies, and tools in order to achieve a desired outcome. The strategic planning process inspires an evaluation of future changes and how innovation can help achieve the function's vision and to continue to ensure its relevance. In this regard, the planning process should evaluate the challenges, barriers, opportunities, and enablers on the road to innovation. Also, the planning process should define initiatives to achieve measured and reasonable progress towards change.

Benefits

The strategic vision defines how Internal Audit will continue to efficiently and effectively fulfil its mission and drive value to the organisation as the internal and external environment changes. The strategic planning process increases awareness, collaboration, and accountability of functional goals and objectives. These benefits can be achieved through an agile planning exercise that identifies digestible goals and focus points that are flexible, easy to update, and monitor. The process also provides ongoing transparency to Internal Audit's stakeholders to improve the support and recognition of innovation and valued-added internal audit activities.

Call to Action

Next Gen Internal Audit organisations should seek to refresh its strategic vision to underscore the importance of experimentation and innovation in achieving its mission. Organisations should also design a flexible and inclusive strategic planning process that considers anticipated short and long-term changes, challenges, opportunities to increase awareness, collaboration, and accountability among Internal Audit and its stakeholders.

protiviti

INTERNAL AUDIT STRATEGIC VISION

Internal Audit Strategic Vision	GOVERNANCE

Components/Features

An innovative strategic vision should incorporate traditional strategic planning processes while introducing new and different ways for evaluating the function and its capabilities. In order to be innovative, teams need to hypothesize, try new things, and be supportive of failing in order to achieve success. Often this involves changing the process, people involved, exercises performed, and report style and format. As an example, Design Thinking activities (i.e. Rose/Thorn/Bud, Affinity Clustering, and Importance/Difficulty Matrix) have been helpful in quickly providing perspectives on challenges and providing potential solutions for consideration.

The format is also critical to ensure the vision and plan is digestible, flexible, and is a living document. Keeping the vision and plan targeted or establishing a concise summary to complement the larger plan with creative media improves awareness, retention, and application. Creative delivery mechanisms include live webcast presentations, podcasts, vision and mission infographics, and branding that may be used for internal and stakeholder communication (*e.g.* tagline or graphic within the audit report template).

Key Success Factors

Innovation does not happen overnight. Although it is important for management to understand the ultimate goals and objectives, it is a long transformation and measured progress with quick wins is critical in order to build momentum and support. In this regard, the development of a use case or evaluating a new ecosystem partnership may be a win on a longer road to transforming your data and analytics capabilities. It is also critical to identify anticipated challenges within the strategic planning process and develop initiatives to help over some those potential barriers. As an example, involving key stakeholders (e.g., executive management, audit committee) in the planning process may help change their perception of Internal Audits role and value proposition.

protiviti

INTERNAL AUDIT STRATEGIC VISION

Internal Audit Strategic Vision	GOVERNANCE

Approach

The strategic plan and vision should be viewed as an exercise that challenges traditional thinking and stretches the team to think outside of its day-to-day activities. Traditional planning steps and analysis can still be utilised, but enhancements are needed to understand the challenges the function will face in the future and the changes that will be required to ensure IA is relevant and effective over time. The following summarises key areas that can be addressed within a Next Gen strategic vision and plan.

- Plan Horizon – Expanding the plan horizon beyond the traditional 3 years can be a valuable exercise to challenge the team and to identify larger shifts and pivots that may need to take place regarding resources, technology, and methodology.

- Strengths, Weakness, Opportunities, and Threats (SWOT) Analysis – Enhancing the existing SWOT analysis to include a prospective evaluation over the plan horizon (e.g., 3 – 5 years) can provide more clarify into the future barriers, needs, opportunities.

- Limitations and Dependencies– The planning process should include exercises to define needs regardless of current limitations and dependences. However, those limitations and dependences should be identified and action items should be developed to address them. These action items can be small in nature and should be focused on gaining momentum for change.

- Involvement in the Ecosystem – Innovating alone can be difficult and formally evaluating opportunities to improve ecosystem participation can be valuable. The ecosystem can include industry associations, consulting firms, and technology partners that can help provide insights into industry trends and proofs of concept.

- Strategic Initiatives – Many action items will identify themselves through the planning process and it is important to be focused and measured in the ones that are selected. The challenge will be balancing time, costs, and other organisation and department priorities with the ability to achieve results and gain momentum towards your Next Gen capabilities. In order to refine and select your final priorities, you may hold an additional live working session with your management team and employ additional activities such as divergent thinking tools or voting and heat map exercises to define the initiatives that are most impactful and achievable.

protiviti

Face the Future with Confidence

protiviti®