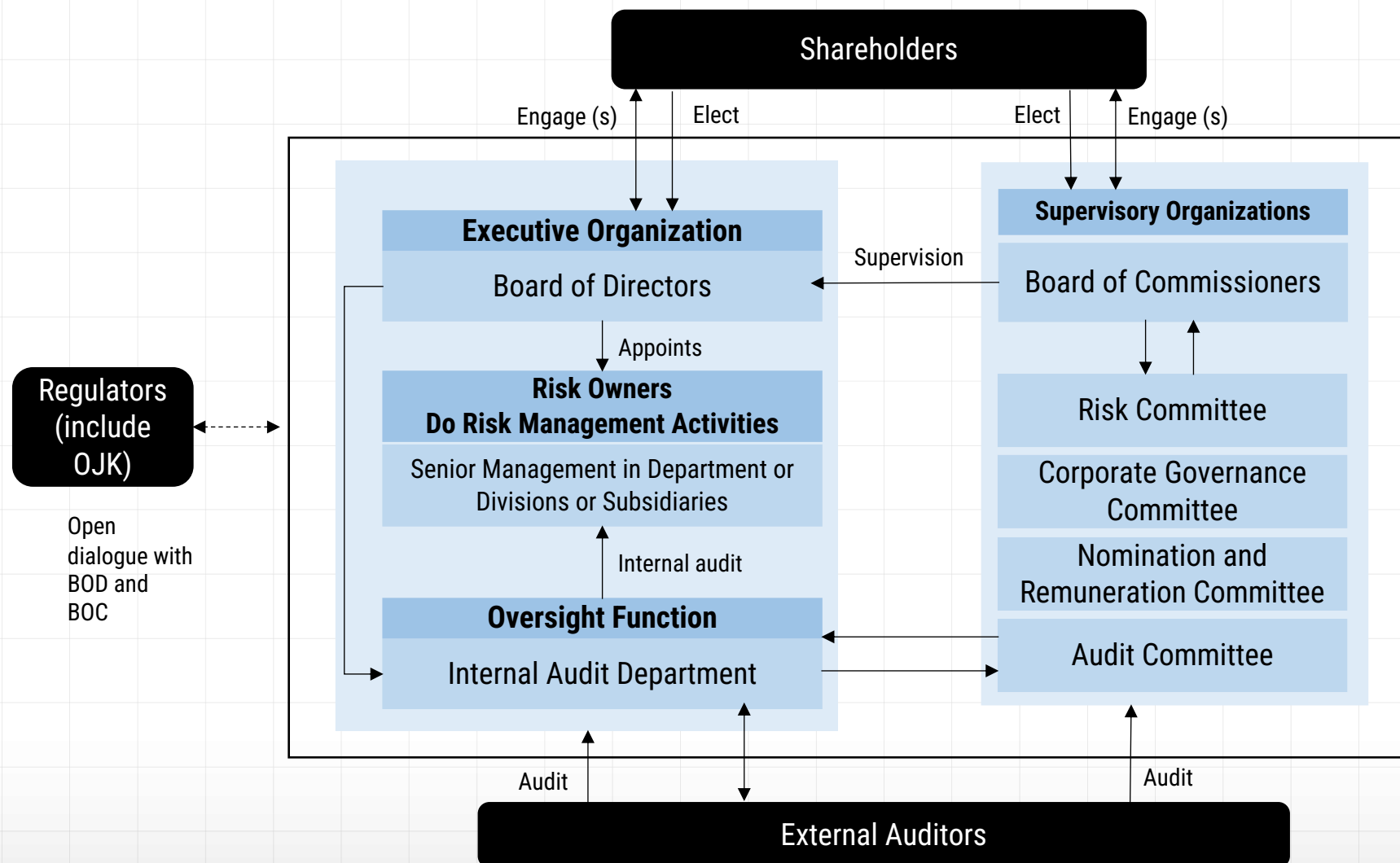


Internal Audit Role and Contribution in the Future

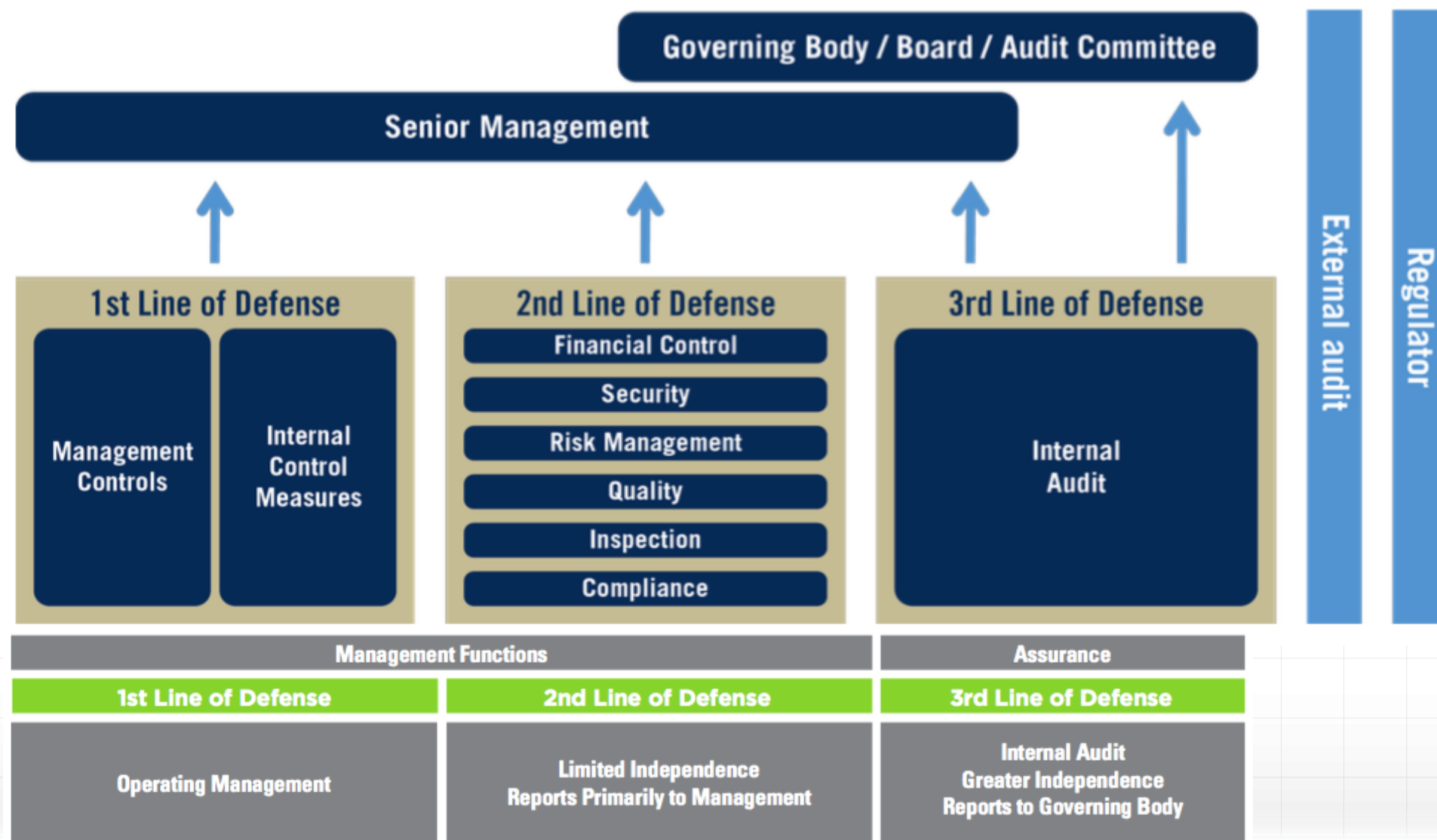
Prof. Dr. Lindawati Gani

Corporate Governance Mechanism

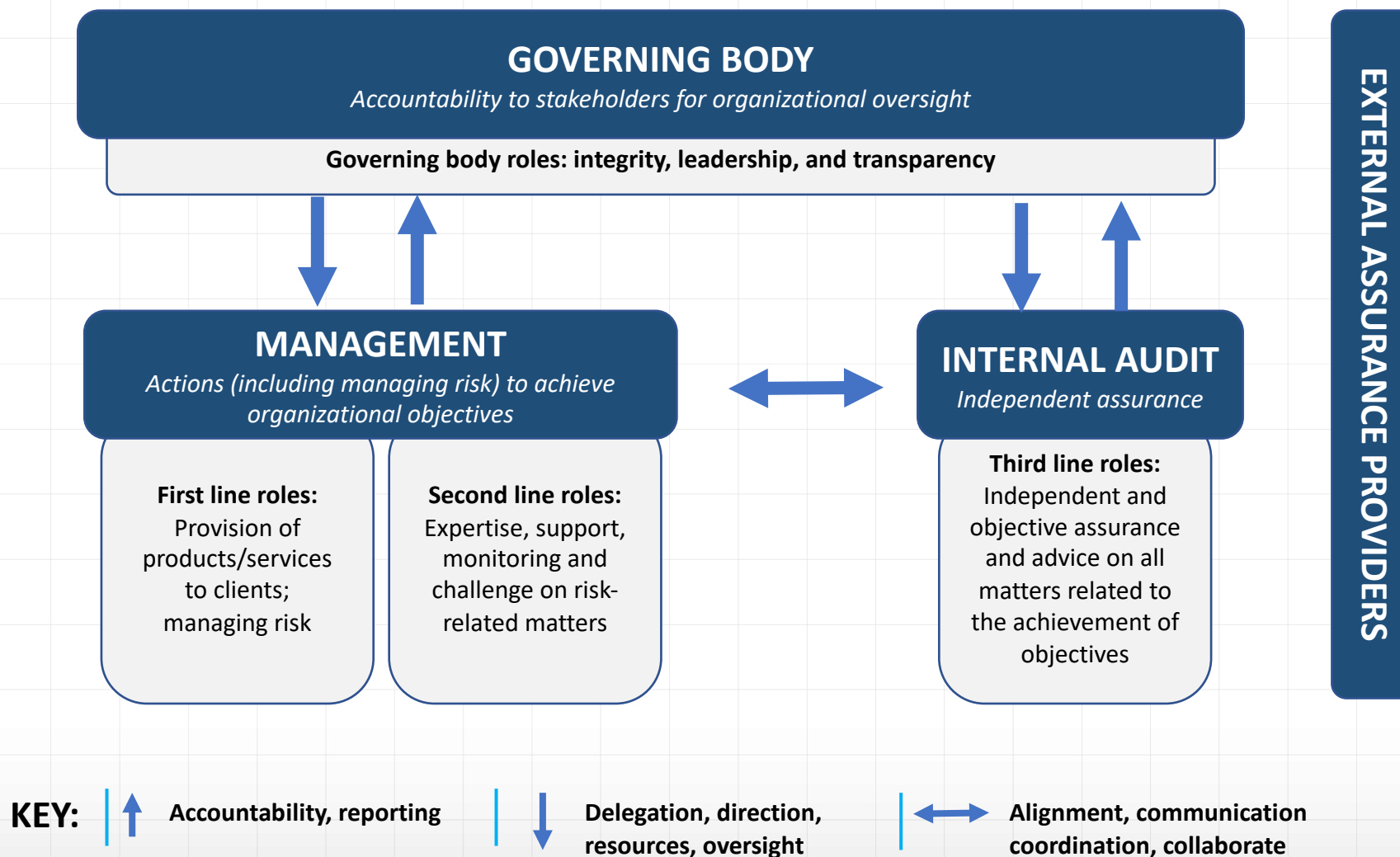


Sumber: Modification from Royal Bank of Canada. (2020) & Toray. (2020).

Three Lines Model (2013)



Three Lines Model (July 2020)



Three Lines Model

Organizations do not exist just to protect value, but rather to create value and to serve customers, shareholders and others.

The new model embraces a more modern, expanded view of the role of internal audit, including helping management to identify the risks and opportunities that are “out there” for tomorrow.

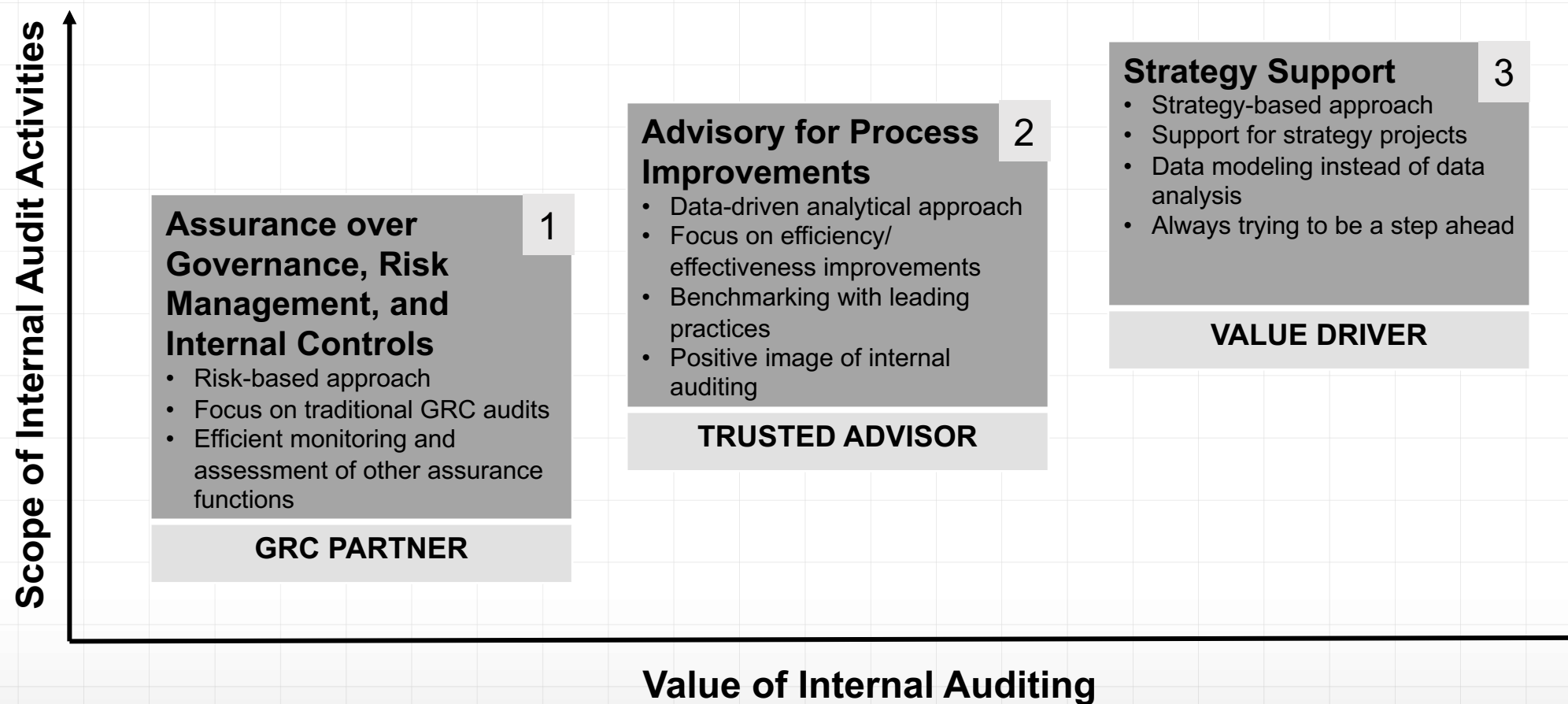
A process starts with “having an internal audit function that has a deep understanding of the business, and the roles and responsibilities that management has in making that business successful”.

All roles working together collectively contribute to the creation and protection of value when aligned with each other and with the prioritized interests of stakeholders.

Alignment of activities is achieved through communication, cooperation, and collaboration to ensure the reliability, coherence, and transparency of information needed for risk-based decision making.

Compliance and ethics should touch everyone in an organization – and every employee is responsible for understanding their responsibilities from compliance and ethics perspective

Evolution of Internal Audit



Evolution of Internal Audit

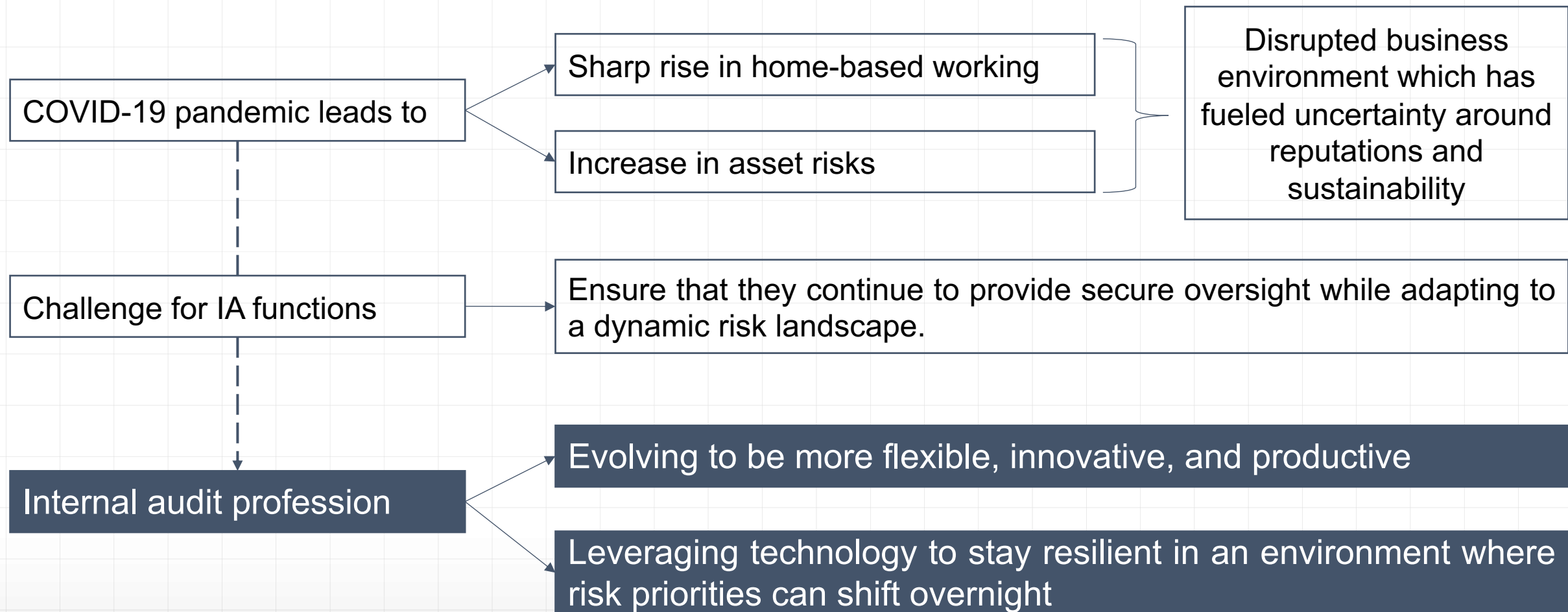
IA evolves from conducting traditional IA to become an integral part of the organization's governance and risk management by integrating as a team player, conducting performance or process-based auditing, and providing advice on performance and management of risks

- Focus on team building and capacity of IA activity and its independent and objectivity.
- Performance metrics are in place to measure and monitor IA processes and results.
- Provide insights into the effectiveness of risk management, control and governance process.
- Offer guidance regarding internal/compliance controls.
- Act as a catalyst for positive change in processes and controls.

Primary Role of IA functions

- to help decision makers protect organizational assets and reputations
- to support operational sustainability
- to deliver significant contributions through value-added services to the organization

Internal – Audit Function of the Future



Internal – Audit Function of the Future

The emerging risks that IA must track

- digital operations in a dispersed working environment
- the accelerating pace of business-model change
- the depth of uncertainty in many markets

Key areas of challenges faced by auditors

- level of change occurring in business priorities, risks, and compliance
- the wholesale shift to remote working → implications for assets, governance, audit coverage because established protocols cannot always be implemented
- new and more severe risks → around information security
- the need for new strategies and processes → innovative skill sets, due to the impacts of the pandemic
- lack of efficient auditing tools and technologies → innovative tools
- providing integrated assurance with risk and compliance

Internal – Audit Function of the Future

Innovation leaders need to recalibrate for a post-COVID-19 environment indicated by faster business cycles and increased complexity.

Three focus areas to manage challenges and align capabilities with emerging risks :

1. Recognize that changing work patterns and economic relocations have created new risk

- **IA should work with business lines and second-line functions to review their risk and control matrices, ensuring that new risks (i.e. cyber and information security) are included in taxonomies and checking that existing controls are appropriate and effective.**

2. Leverage advanced analytics to ensure more real-time risk identification and timely update of audit plans and scope

- **Invest in advanced-analytics techniques (i.e., Artificial Intelligence) to achieve a higher degree of accuracy across risk assessment, audit planning, and execution.**

3. Enhance execution and accelerate reporting to reflect rapid changes in operating environments

- **Incorporate new technologies (collaboration tools), increased automation, and enhanced reporting mechanisms to enable faster audit cycles and more timely reporting through an “internal audit dashboard, made available to senior management (and potentially AC) on a real-time basis” - to serve as the basis for a more regular dialogue.**

Post Pandemic Evolution of Internal Audit

Solution to a rapidly changing audit landscape through increasing operational resiliency by

1. Adopting Agile Auditing

- Enable auditors to move quickly
- Provide more targeted assurance
- Deliver timelier insights
- Reduce waste

2. Implementing Continuous Monitoring (CM) and Continuous Auditing (CA)

- CM and CA are helping organizations strengthen risk management and compliance, while also optimizing decision – making and reducing costs.

3. Making remote auditing and continuous monitoring easier and improve decision making

- By providing a wider perspective on risks, challenges, and uncertainties at multiple levels with Data Analytics and Data Visualization

THANK YOU

Prof. Dr. Lindawati Gani