

Have your internal
audit capabilities
kept up?

INTERNAL AUDIT CHALLENGES:

HOW EXECUTIVES ARE EFFECTIVELY MANAGING RISK DURING UNCERTAIN TIMES

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➤ As organizations continue to evolve in response to rapid changes in their environments, so do their risk profiles. Now, consider how much has changed in the last five years—or even the past year.

Have your internal audit capabilities kept up?

To successfully manage today's top risk challenges, the internal audit function needs to accomplish a lot more with the same or fewer resources. There's more to do—often in more complex areas—while also managing expectations for cost efficiency and scalability.

Another urgent requirement is the ability to optimize the use of data for improved decision-making and enhanced audit planning and execution. The dynamic and fast-paced environment created by today's advanced technologies—such as intelligent automation and the Internet of Things—requires new internal audit skills as data analytics and process mining increasingly drive business decisions.

Some organizations are making the right decisions to keep internal audit aligned with the rapid change, but they need help exploring ways to optimize new systems and processes. Others are working to assess their current framework and plan a strategy to improve alignment. Companies also are using third-party tools and technologies that automate internal audit tasks and workflows.

Let's take a look at the top challenges internal audit leaders are facing and the types of solutions available to help.

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RESOURCE CHALLENGES

As internal auditors return to executing internal audit plans (after previously being deployed to support pandemic-related initiatives), they have ground to make up. In addition, the timeline or frequency of risk assessment activities has sped up, meaning internal audit should be more agile.

At the same time, the pandemic has resulted in new risks and disruption to organizations' internal and external environments. Many of these risks involve technology, and the corresponding risk management response requires upskilling of existing resources, addition of new resources, or the leveraging of a qualified third-party provider.

Another factor is post-pandemic economic trends such as the low interest rate environment being experienced by financial institutions and increased costs (e.g. transportation and raw materials) confronting many manufacturers. These have negatively impacted profitability and growth, and leaders are looking to effectively respond to emerging (and often more complex) risks, all while reducing cost.

One of the primary areas often evaluated for cost cutting is risk management and internal audit budgets. Meanwhile, competition for qualified internal audit talent is fierce, and the compensation demands of qualified practitioners are often outpacing companies' post-pandemic budgets.

SOLUTIONS

Internal audit outsourcing and co-sourcing solutions:

- › Modernize your internal audit function with the latest technology
- › Access a qualified team of internal audit advisors that will develop and execute an effective internal audit strategy, address your specific risk challenges and enhance business performance

Find out more about RSM outsourcing and co-sourcing for internal audit.

LEARN MORE

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REGULATORY CHALLENGES

As the U.S. economy continues to recover, internal auditors will need to respond to a tightening of regulations that were made flexible and accommodating during the pandemic. Because this is happening under a new federal administration, the transition back could be complicated by the addition of new or updated regulations.

Other regulatory challenges include ongoing growth in privacy regulations and increasing calls for public companies to report Environmental, Social and Governance (ESG) metrics to the Securities and Exchange Commission (SEC).

SOLUTIONS

Regulatory compliance help

- > RSM provides general advisory services for regulatory compliance, as well as specialized services, such as Sarbanes-Oxley compliance and automation services.

More than a dozen U.S. states have implemented data privacy laws since the General Data Protection Regulation (GDPR) was implemented in 2018.

Source: RSM





TECHNOLOGY CHALLENGES

Digital transformation is needed for businesses to innovate and compete. However, this has challenged internal audit teams to keep pace and add value.

Cybersecurity risks continue to dominate the top risk categories for internal audit to address. Doing so requires specialized resources and tools, not only to prevent ransomware events that are growing in frequency and sophistication, but also to address the more common social engineering and phishing schemes. There is no one-and-done solution for cybersecurity, where risks continue to evolve as criminals capitalize on the uncertainty of the pandemic.

Technology can also be a challenge when adopting new systems to improve risk management. More organizations are

adopting governance, risk and compliance (GRC) platforms and other technologies to streamline their internal audit processes and help manage risk holistically; however, key implementation activities such as strategy planning, policy and process modifications, data cleansing and training are often insufficient. As a result, the value of the technology is not fully realized.



64% of middle market executives anticipate that unauthorized users will attempt to access data or systems in 2021.

Source: 2021 RSM U.S. Middle Market Business Index Cybersecurity Special Report

SOLUTIONS

- › Cybersecurity rapid assessments can help you quickly define your security position.
- › Process automation can accelerate the time it takes to gather information and analyze data.
- › GRC platforms like AuditBoard help organizations accelerate the strategic value of internal audit, enterprise risk management and compliance.

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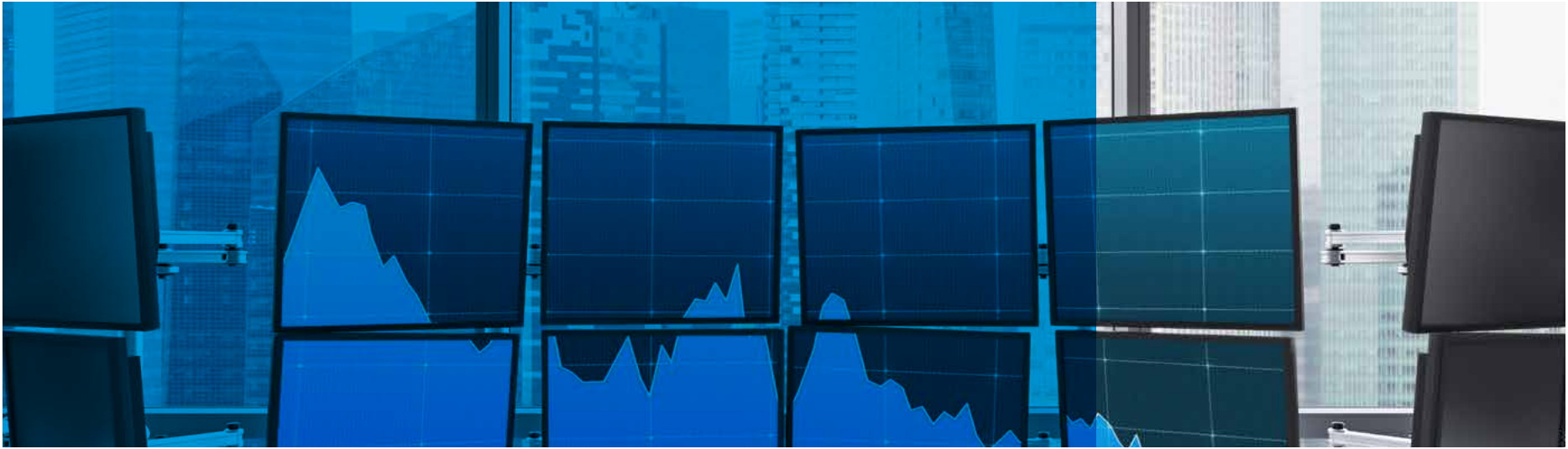
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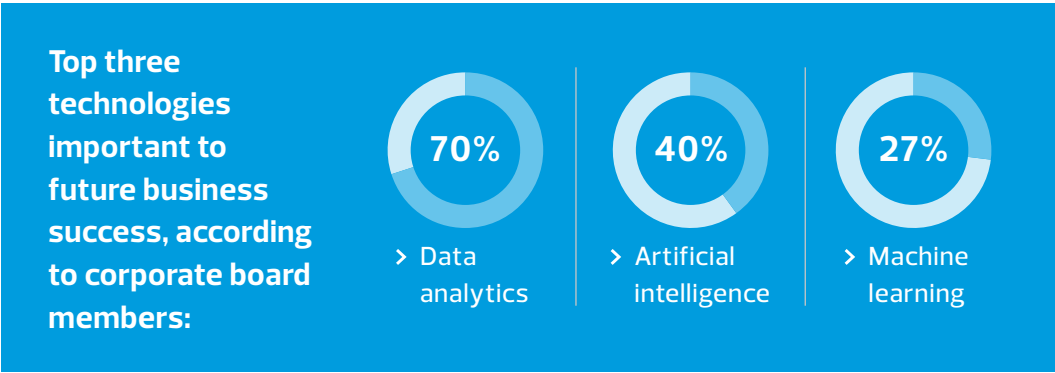
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DATA CHALLENGES

Internal auditors aren't able to leverage data in meaningful ways throughout the internal audit life cycle without the right combination of automation, artificial intelligence (AI) and analytics. These technologies empower auditors to efficiently gather and manipulate data, analyze data to better understand risk factors, train their testing on populations of transactions known (or expected) to have the most risk, or test larger populations of transactions. Additionally, auditors need to be able to re-assess risks (and responses) as they change in real time.



Source: RSM and Corporate Board Member research, 2021

SOLUTIONS

- > Tools with dashboarding capabilities can help internal audit use data for better risk management across the enterprise by providing a view into front-line risk management. Dashboards can also serve up better insights—both deeper and broader—so that internal audit leaders can give corporate leadership a balanced view of compliance and risks that helps with agile decisions and response.
- > RSM can help your organization harness data analytics to achieve data- and technology-driven risk management.

Help for your risk challenges

The RSM risk consulting practice can help you to:

- › Identify and prioritize the risks you face now, and those that may occur in the future
- › Establish a holistic, strategic approach to risk management, analysis, management and governance
- › Proactively address risk issues in ways that are right for your unique business
- › Monitor, evaluate and report on risk in ways that help drive strategic decisions for your business
- › Implement the latest tools and technologies to protect and add value to your business

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