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Re-opening In a Changed World: Lessons from the Front Lines of Internal Audit

by Natalie Lalonde, CPA, CGA; Radhika Desai, CA, CISA; Yat-Sing Cheng, CRMA, CISA

November 2022

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Two years into the global pandemic that upended life as we've known it, the world is cautiously returning to some semblance of normal. Yet things are anything but "business as usual". The profound shifts of the last two years have had a lasting impact on the way we live and work, and it's clear that many of these changes are permanent.

As internal audit professionals, we don't think this is bad news. Internal audit is a constantly evolving discipline, and the disruption brought on by the pandemic has accelerated change in productive and transformative ways.

In this article, we look at some of the real-life changes we've seen on the ground of internal audit, as internal audit organizations have risen to the challenge of new risk landscapes, resource shortages, and a radical shift in work models.

The key here is that internal audit retains its independence and objectivity when it comes to the assurance function.

Risk Management: A Bigger Seat at the Table

Even though internal audit has always played a role in helping organizations manage their risk, its role has generally been downstream. According to the IIA's own Three Lines Model, internal audit plays a "third line" role in providing objective assurance and advice on the organization's existing risk management strategies and processes.

In recent years, however, the risk landscape has grown exponentially more complex. Supply chain disruptions, labour shortages, increased cybersecurity threats, economic uncertainty—all these factors and more have forced organizations to re-examine their risk profiles and the controls they have in place to mitigate them.

The unprecedented nature of so much change, over such a short period of time, has forced many organizations to seek guidance and expertise outside of their traditional advisory channels.

Rather than viewing risk as a four-letter word or a "worst case scenario", internal audit can help their client organizations normalize



proactive identification and discussion of potential risks, without repercussions.

Expanding Advisory Capacity

We're seeing more and more organizations turn to their internal audit partners for help in understanding new areas of exposure, and the controls they need in place to reduce their risk. Once seen as faultfinders and enforcers, internal audit groups are increasingly regarded as partners and allies. There are new opportunities to add value and provide expert advice in a broad range of areas.

The key here is that internal audit retains its independence and objectivity when it comes to the assurance function. To that end, some Chief Audit Executives (CAEs) are creating explicit organizational structures within their teams to delineate between advisory and assurance engagements, to ensure the independence (both real and perceived) of each function.

Changing the Culture of Risk

Helping client organizations proactively manage their risks is a tangible contribution, and a valuable one at that. However, moving into a larger advisory role also allows internal audit teams to help shift organizational culture more broadly—specifically, as it relates to conversations around risk.

Rather than viewing risk as a four-letter word or a “worst case scenario”, internal audit can help their client organizations normalize proactive identification and discussion of potential risks, without repercussions. With the stigma removed, everyone in the organization can feel comfortable identifying potential problems and contributing to identifying solutions.

Resourcing Strategies: Growing Outside the Box

Attracting and retaining internal audit has long been a challenge for CAEs, but the complications introduced by the pandemic made it even harder. With the advent of closed border policies, immigration into Canada came to a standstill, leaving many CAEs with few options to fill open positions. This scarcity of talent, in turn, placed upwards pressure on compensation expectations among potential candidates, making it that much more difficult to compete for existing talent.

This resourcing crunch forced many internal audit groups (and their client organizations) to re-examine their requirements—and their biases—around how audit engagements should be carried out. Financial institutions were challenged to reconsider long-held beliefs about the importance of conducting work on-site, using only local in-country auditors.

As it turns out, these heightened resourcing constraints have pushed these organizations into new ways of thinking about how auditing work can get done.

Sourcing From A Global Talent Pool

In our work with more “traditionally minded” organizations, we've seen a marked evolution in thinking about the way audit work should be carried out. What started as a measure of last



resort—sourcing audit talent wherever it could be found, to get the work done—has become the de facto resourcing model, with excellent results.

For example, internal audit teams that are globally distributed can achieve efficiencies not available with traditional on-site models. As one part of the team is finishing up for the day, the file can be handed off to another team member who is coming online. CAEs are also more open to hiring outside of the traditional geographic “hubs” for certain fields of expertise, such as financial audits.

Building Diversity for Better Work

Beyond the practical advantages of being able to source the talent from anywhere in the world, this expanded talent pool has other far-reaching benefits. Not being constrained to a particular geographical area for talent also allows internal audit teams to bring the best of every culture into their organizations.

Diversity of background and expertise is a tide that lifts all boats in internal audit teams and becomes a flywheel for better work.

New Work Models: Evolving Internal Audit Beyond the Workplace

The sudden shift to remote and hybrid work has been one of the biggest challenges to face the internal audit function in a generation. As a discipline that has relied heavily on in-person interaction, internal audit has undergone its own transformation in the way it does its work.

While internal audit teams are embracing the advantages that remote and hybrid work models offer, many are grappling with a pendulum that may have swung too far. Team members are reluctant to give up the flexibility of working from home and need an incentive to return to the office, even on a part-time basis.

CAEs are still working to establish the right balance for remote and on-site work within their teams—respecting this new-found work-life balance, while keeping everyone engaged.

Making the Most of In-Office Interactions

One by-product we’ve seen in the move to remote and hybrid work models is a new premium on in-person interactions. Time in the office is no longer something taken for granted: internal audit teams are being more intentional about relationship-building with stakeholders—not only in formal meetings and interviews, but also in those unplanned, spontaneous conversations that can happen in a hallway or in the soup line at the cafeteria.

Likewise, internal audit teams are making the most of their time together in the office to collaborate, whether that be for strategic planning sessions or more informal mentoring. Rather than attenuating work relationships, we’re seeing that a hybrid work model is actually strengthening them in many cases.

Leading by Example



Ultimately, it's up to the CAEs to set expectations for in-office and home-based work. For example, one public sector internal audit group has a policy of two days a week on-site, where everyone is expected to attend the office on those days.

CAEs working in unionized and non-unionized environments alike can emphasize the team-building and professional development opportunities that come with in-person collaboration. A hybrid work model creates the best of both worlds: internal auditors can maintain a healthy work/life balance and can get the required "heads down" time for focused work.

Internal Audit Continues to Move Forward in a Brave New World

The impacts of the global pandemic are still unfolding for businesses and organizations everywhere. While no one can see into the future, internal audit is ideally placed to help client organizations anticipate and plan for new areas of concern, as well as opportunities

The past two years have seen unprecedented change, but internal audit has risen to the challenge. In fact, we believe there's never been a better time to work in internal audit.



About the Authors

Natalie Lalonde, CPA, CGA; Chief Audit Executive, Global Affairs Canada;

Yat-Sing Cheng, CRMA, CISA, Founder and CEO at BlueShift Advisory;

Radhika Desai, CA, CISA, Partner, KPMG.

