The Roles and Future of Internal Audit in Governance, Risk and Compliance (GRC)

Submitted by:
Kyle Januszkiewicz

University at Buffalo

School of Management

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Topic:
Governance, Risk, and Compliance (GRC) has evolved rapidly in recent years and internal audit has taken notice. What are the appropriate roles of internal audit in GRC and how does internal auditing best support those GRC efforts? As GRC continues to evolve, which ways do you see internal audit evolving further to keep with this trend and continuing to effectively communicate to stakeholders?

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About the Author

Kyle Januszkieicz was born and raised in Buffalo, New York where he is currently a student in the Internal Audit and Risk Management track of the Masters of Science in Accountancy program at the University at Buffalo, expecting to graduate in May 2017. His professional goals include completing his remaining Certified Public Accountant exams after graduation, achieving the CFE, CFF and CISA certifications and specializing in forensic accounting. Later this year, Kyle will join Lumsden McCormick as a full time staff accountant with a Bachelor and Master of Science (BS/MS) in Accounting and a specialization in Internal Auditing.
Executive Summary

The internal audit function serves as a support function to assist an organization in monitoring strategy implementation to meet organizational objectives. Since each organization is different, internal audit can, and is often required to, perform multiple roles to fit the needs of the organization’s stakeholders. One such strategy that has been gaining traction in organizations is Governance, Risk Management and Compliance (GRC), also known as Integrated GRC. This essay explores the three fundamental concepts of GRC and the roles that the internal audit function fulfills to support the organizations GRC efforts.

Organizations have always recognized the importance of the three fundamental concepts of governance, risk management and compliance as necessities to be successful in achieving their objectives. While these concepts are invaluable, recent corporate scandals and issues have caused organizations to rethink their approach to how they manage those three fundamental concepts. As a result, the concept of GRC emerged with the aim of streamlining information, policies, and processes to enable an organization to become more efficient and effective. Part I of this paper discusses the holistic concept of GRC, as well as the three fundamental concepts of GRC.

After the corporate scandals of the 2000’s, internal audit functions re-emerged as a necessity to organizations not only as an internal policing function, but also as a function that is required to add value and assist the organization in achieving their objectives. While internal audit typically provides assurance services to organizations, internal audit functions have embraced their ability to also perform consulting roles as an effort to become business partners to their organizations. Part II of this paper discusses the roles that internal audit fulfills in GRC, as well as the specific roles they fulfill for each component.

Lastly, as with most corporate strategies, GRC is going to evolve in the future to encompass new ideas and capture emerging trends within businesses. In order to continue as a business partner in organizations, internal auditing is going to need to also evolve to remain on par with organizational needs and be able to still add value to the organization. Part III of this paper attempts to provide insight into ways internal audit will evolve to keep current with the evolution of GRC.
Introduction

At the turn of the century, the concepts of governance, risk management and compliance existed primarily as independent concepts in the operations of organizations. During that time there were multiple corporate governance scandals, such as WorldCom, Enron, Adelphia and Tyco, which caused organizational stakeholders to lose millions of dollars and consequently to corporate governance reform through the Sarbanes-Oxley act of 2002. Then, in 2008, a financial crisis emerged as the stock market began to collapse and as a result many organizations realized an increased importance for the implementation and monitoring of risks. As a result of the increased importance on governance and risk management, the integration of governance, risk management and compliance began to take shape to create a holistic approach that would add value to organization.

According to the Open Compliance and Ethics Group’s (OCEG) 2015 GRC maturity survey, GRC integration in organizations around the world has increased over the last three years, with 74% of the survey’s respondents reporting increased GRC integration. The growth of the GRC integration strategy is in part due to the fact that many organizations already have GRC type strategies in place, albeit in a silo form, and are realizing the added value an integrated approach can provide. An Institute of Internal Auditors Research Foundation (IIARF) research report on contrasting GRC and ERM found that 68 percent of internal audit departments that participated in the survey were extensively or moderately involved in GRC activities. This is a strong indication that moving forward, there is increased needs for those entering the Internal Audit profession to be understand what GRC is and impact Internal Audit can have on GRC.

Essentially, GRC is the integration of an organization’s functions to eliminate redundancy among the functions to create a holistic approach to managing governance, risks and compliance. GRC is a strategy that allows the different functions of an organization to work independently, but requires the functions to work cohesively towards common goals. With an overall increase in the need for governance, risk management and compliance, the internal audit function has a unique ability to not only provide assurance over the organizations GRC processes, but also the ability to be business partners in the formation of GRC by developing relationships among the functions. The upcoming sections will address what GRC aims to accomplish, with a discussion individual components, as well as address the roles internal audit plays in GRC as a whole and the roles within the individual concepts. Lastly the paper will address the ways internal auditing may evolve in the future to stay current with continuous GRC evolution.
Part I: Fundamental GRC Concepts

While GRC as an integrated approach is a relatively new concept, the core fundamentals the concept utilizes have long been concerns of organizations. Since GRC is an emerging corporate strategy, there is not a set definition of what GRC stands for, which can cause headaches for those looking to understand and implement a GRC strategy. However, with that in mind, the OCEG definition is one of the more widely known and accepted definitions because it was created with the assistance of many practitioners across a variety of functions that GRC aims to harmonize. The OCEG views GRC as “the integrated collection of capabilities that enable an organization to reliably achieve objectives while addressing uncertainty and acting with integrity”. Furthermore, OCEG goes on to define GRC as “A system of people, processes and technology that enables an organization to:

- Understand and prioritize stakeholder expectations;
- Set business objectives that are congruent with values and risks;
- Achieve objectives while optimizing risk profile and protecting value;
- Operate within legal, contractual, internal, social and ethical boundaries;
- Provide relevant, reliable and timely information to appropriate stakeholders; and
- Enable the measurement of the performance and effectiveness of the system.”

Figure 1- GRC Overview

(Created by Mark L. Frigo, Mark L. and Richard J. Anderson in their article “A Strategic Framework for Governance, Risk, and Compliance”)

(Insert Figure 1 Here)
The most important takeaway from the OCEG definition is to understand that GRC is a holistic approach that seeks to enhance the efficiency and effectiveness of an organization. GRC is meant to assist an organization align their stakeholders needs and demands with the goals a missions set by the Board of Directors. These goals are then communicated throughout the organization, which then shapes the culture of the organization and ultimately creates a proactive and measurable approach for management to follow in guiding operations. An overview of the application of a GRC framework within an organization is provided in Figure 1. It is important to note that GRC does not require a single function to own the implementation; it only requires only cooperation and coordination of the different functions within the organization. While cooperation and coordination of the functions may sound simplistic, this is often the most difficult part of GRC integration, because the major key to this strategy is coordination. By utilizing the increased coordination, GRC aims to enhance efficiency by identifying and integrating common processes and activities within an organization’s GRC functions and eliminating the redundancy that commonly occurs within organizations. Furthermore, GRC aims to enhance effectiveness by sharing knowledge, data and technologies across the organization’s functions, which creates a unified “on the same page” approach to risk prevention and risk management.

**Figure 2- Core Fundamentals Overview**

(Insert Figure 2 Here)
Governance
The first component of GRC is governance, which, similarly to GRC, can have different definitions depending on who is defining the term. When people often hear of governance, they instantly think of corporate governance, which essentially is the way an organization decides to operate by providing structure through a set of objectives and the way an organization attains those objectives. Effective governance achieves the organization’s objectives by creating the right policies; procedures and processes that manage the risks associated with the organizations strategies. Corporate governance also involves the dynamic of relationships between multiple stakeholders such as an organization’s management, board of directors, shareholders, and employees. While the Board of Directors are in charge of creating and setting a tone for the entire organization, it is imperative to remember that governance, in the context of GRC, is not limited to strictly the activities of the Board of Directors, because management can have an impact as well through driving the governance practices set by the Board. In this sense it is important the Board, as well as function and department managers, create governance activities that create a layering effect that allows every function of the organization become connected to the process. As the leaders of the organization, the Board plays the most important role within governance because their actions, via communication and adherence, are key to successful governance. A quick, but brief, summary of governance is provided in figure two.

Risk Management
The second component of GRC is risk management, which is often includes some overlapping concepts with Enterprise Risk Management (ERM). This overlap occurs because GRC requires a holistic approach, which can be considered an umbrella framework while ERM is a methodology that falls under the umbrella due to the specific focus of ERM as a risk management tool. The main objective of risk management is to create a method that can identify, assess, and measure risk, and then develop a solution that mitigates the identified risk. Risks don’t always have to be considered negative, however the common definition of a risk, provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) is “the possibility that an event will occur and adversely affect the achievement of objectives”. The two important outputs of risk management are the identification and mitigation of adverse effects of risks while simultaneously realizing potential opportunities arising from a risk. An opportunity in risk management is considered a possibility that an event will occur and positively affect the achievement of objectives. Being able to identify both risks and opportunities is important for an organization to have the opportunity to meet objectives, remain successful and provide feedback on potential growth areas.
When looking at risk management in the context of GRC it is paramount to understand that management is in charge of being able to identify and assess risks, while the Board of Directors are in charge of monitoring management’s ability to fulfill their duty. While these roles are slightly more defined than under the governance concept, GRC’s goal in relation to risk management is to make the entire organization risk aware. GRC allows an organization to be able to streamline their policies, procedures, documentation requirements, and risk assessments for proper reporting between functions. This allows all functions to operate in a common language and increase operating efficiency. A summary of risk management is provided in figure two.

**Compliance**

The third and last major component of GRC is compliance, which is often infused throughout the GRC process and functions. Compliance is defined as “acting in accordance with established laws, regulations, protocols, standards and specifications.” Compliance doesn’t necessarily have to deal with external sources such as laws and regulations, as there are many internal sources such as a code of ethics, internal policies, and contractual obligations. Furthermore, compliance requires more than just adherence to such guidelines, as it also requires an organization to be able to identify such requirements and be able to integrate such requirements into their existing operations.

Internal controls are a common example of compliance with laws and regulations since internal controls became mandatory for public companies under the Sarbanes-Oxley act of 2002. Internal controls are also an excellent example of compliance because while they may be mandatory, they also need to be identified, integrated and updated on a yearly basis as an organization continues to operate. In the context of GRC, compliance is necessary to set a common standard within the organization of laws, regulations, standards, policies and protocols that need to be communicated and embedded in each function. A quick overview of compliance is provided in figure two.

**Part II: Roles of Internal Audit:**

It is important to establish a working knowledge of the purpose of Internal Auditing before discussing Internal Audit’s roles in GRC and its components. The Institute of Internal Auditors as defines internal audit as:

> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
As highlighted in the definition, it is imperative that the act of internal auditing remains an independent and objective activity, however the act must also add value to an organization. Internal auditing can add value to an organization by improving the organization’s operations, and the definition specifically states the two of the three GRC concepts, risk management and governance. Internal auditing is unique in the sense that it can add value through providing assurance of an organization meeting their objectives, or, in an effort to assist an organization struggling to meet their objectives, internal auditing can be a business partner and provide consulting activities which will assist in providing solutions to potentially solve the organization's problems. Now that we have learned that governance and risk management are apart of the very core of internal auditing, we can discuss the internal audit function as a player within GRC.

**Internal Audit’s Role in Governance**

The International Professional Practices Framework (IPPF) defines governance as “The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives”, which differs from the definition previously discussed in part I.22 Here, the IIA narrows the scope of the Internal Audit functions to strictly the board instead of the organization as a whole. Thus, while communication is important within GRC, the internal audit function does not necessarily openly communicate improvements to be made directly to other functions, they are still required to report to the Audit Committee and the Board of Directors on all assurance matters. IPPF Standard 2110 states that the internal audit function “must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization
- Ensuring effective organizational performance management and accountability
- Communicating risk and control information to appropriate areas of the organization
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management” 23

This standard encapsulates that the internal audit function must assess an organization based on the accomplishment of their objectives, but doing so in an independent and ethical way. Internal audit previously took a passive role in the governance process by playing the “cop” role and identifying weaknesses in past actions with an organization and policing the actions of employees. Fast-forward to today and corporate governance now requires the internal audit function to be an active participant in governance by ensuring that the expectations of all stakeholders are met and providing assurances that risk is being properly mitigated. Thus, the internal audit function is required to understand the stakeholder expectations, evaluate the current governance system and communicate to
the audit committee whether the system in place is efficient and effective, which would be
the expectations of stakeholders. Internal audit is now considered an active participant in
the process because the Board of Directors trusts the judgment that the internal audit
function is providing at the conclusion of their assessments, thus making them a necessary
support function that plays a key role in organizational operations.

**Figure 3- Internal audit assurance and consulting activities**

(Insert Figure 3 here)

(Created by: Sridhar Ramamoorti and Alan N. Siegfried's, in the Common Body of Knowledge (CBOK) report:
Promoting and Supporting Effective Organizational Governance Internal Audit's Role)

As shown in figure three, there are many activities that internal audit can engage in to
effectively evaluate governance within an organization. The internal audit function's main
role in governance assurance engagements is to ensure information is relevant, reliable
and timely for decision making, determining the validity of the assertions made by senior
management to the board regarding risk management and its effectiveness, as well as
assess whether there are any risk areas that the current governance processes do not
include. The internal audit function also has many consulting services to offer in relation
to governance, which include communicating with stakeholders such as the board about
current industry best practices and educate management and employees on risk and control topics. This allows the internal audit function to move into a coaching style role that can bring a new dynamic into an organization. There are many roles an internal audit function and fulfill in governance, but the roles that internal audit does take on are heavily dependent on the positioning of the function within the organization and the audit charter that states the purpose of the internal audit function.

**Internal Audit’s Role in Risk & Risk Management**

The internal audit function’s role in risk management is primarily one that involves monitoring of current activates to ensure risks are properly mitigated through controls that are designed and operating effectively. IPPF Standard 2120 requires the internal audit function to “evaluate the effectiveness and contribute to the improvement of risk management processes.” In order for the internal audit function to be able to determine whether risk management processes are effective, Standard 2120 requires the internal audit function to base their judgment by assessing:

- Organizational objectives support and align with the organization’s mission.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organization’s risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

Some activities the internal audit function can use to contribute to risk management are assessing control activities related to specific risks faced by the organization, inquiries of management in relation to specific risk assessment procedures and by evaluating the integrity of reporting of risks by the organization as a whole or by specific departments. As a result of the assessments required by Standard 2120, the internal audit function is able to gain a strong skill set and experience in the risk management field, which can allow internal auditors to position themselves into a key role for Enterprise Risk Management (ERM) activities. Internal audit’s role in ERM is to “provide objective assurance to the board on the effectiveness of an organization’s ERM activities to help ensure key business risks are being managed appropriately and that the system of internal controls is operating effectively.” By allowing the internal audit function to have a role in ERM, it creates a synergy that can catapult easier implementation of GRC within an organization. Some organizations do not have an ERM function, in which the internal audit function can discuss with management the necessary roles management must fulfill for them to understand, manage and monitor risks. There is a fine line in how involved the internal audit function can be in the ERM process, which is clarified in figure three below and the discussion following.
The internal audit function can play various roles within ERM activities, such as evaluating processes, assurances that risks are properly evaluated and evaluating the reporting of risks. However, the internal audit function should not undertake any role that requires the function to assume the role of any management responsibility, as this would impair the function's independence and objectivity. A complete list of roles that internal audit can, might, and cannot fulfill in the ERM process is shown in Figure Four.

**Internal Audit’s Role in Compliance**

The role of internal audit in compliance is mostly integrated within their role in risk management because the IIA believes that compliance is a risk to organizations. Furthermore, the IIA also includes compliance as an aspect of the control standard because the IIA believes that control is a more general view that encompasses the role that compliance provides to the organization. Control, as stated *Standard 2130*, is the need for internal audit to assist the board and management in maintaining effective internal controls by evaluating both effectiveness and efficiency.
During an internal audit assurance engagement, the internal audit function is required to follow Standard 2120.A1, which states “The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:... Compliance with laws, regulations, policies, procedures, and contracts.” Furthermore, the internal audit function is also required to follow Standard 2130.A1, which states “The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:... Compliance with laws, regulations, policies, procedures, and contracts.”

The definitions of Standard 2120 and 2130 go hand in hand with one another, and when combined creates one uniform action that best outlines the role of the internal audit function in compliance. In the two-staged approach, the internal audit function is required to first evaluate the risk exposure that compliance risk creates to the organization, which positions internal audit to be able to evaluate the adequacy and effectiveness of controls that mitigate the risk exposure they’ve identified.

Internal audit can meet the requirements of compliance when performing risk-based audits that include procedures that involve adherence to the applicable policies, plans, procedures, laws, regulations, contracts, or other requirements. Additionally, the internal audit function can perform an annual compliance audit that requires the internal audit function to review all controls that relate to compliance. This will allow the internal audit function to provide an assessment of the adequacy of the controls and evaluate that the compliance controls are operating as designed.

**Internal Audit’s Role in GRC & How Best Supports GRC Efforts**

The internal audit function within the GRC framework has the ability to fulfill two roles within the process. The first role is to help the Board of Directors improve GRC by being a driver for organizational change. This role, in essence, requires the internal audit function to be a catalyst for change by advising the Board and Audit Committee on GRC improvements that can be made as well as annual updates as to how well the organization is operating. The key to this role is internal audit possessing the ability to help the organization understand the benefits of GRC and to also initiate GRC projects, as well as help ensure that the organization seeks solutions that reflect the organization’s goals, cultures and stakeholder expectations.

In an established GRC organization, Internal audit’s role is to essentially advocate improvements that they have determined by their second role within GRC. The advisory role of GRC integration also entails the internal audit function’s ability to advise the Audit Committee on best practices that are emerging, as well as being able to develop communication lines and positive relationships within an organization’s functions. It is also equally important for the Internal Audit function to also be able to communicate with management about the limitations of GRC. Specifically, the internal audit function should explain to the Board that a GRC strategy can be effective,
but it cannot resolve every issue an organization may have within these concept areas. Additionally, GRC will not absorb the organization from all of the risks they face, whether they are execution risks or operating risks. Often overlooked is the internal audit functions ability to play a consulting role of internal audit, but consulting the organization on GRC improvements can also benefit internal audits role by allowing internal audit to perform their duties more efficiently. By participating at a higher level in assisting overall GRC initiatives, the internal audit function allows them to become business partners to the organization.

The second role of the internal audit function is to be a participant as a function within GRC by continuing to provide assurance over the other functions and activities taking place within the organization. Therefore, this role requires internal audit to continue their value adding activities within each GRC component, which is to evaluate and improve the effectiveness of each component through their assurance and consulting activities. While this may be viewed as the traditional “internal cop” role, performing the assurance and evaluation activates positions internal audit to be able to make important improvements to the organizations GRC system. This position allows the internal audit function to gain valuable insights through their assessments and reviews, and as a result, affords the internal audit function the ability to fulfill their first role as drivers in GRC development and improvement.

GRC is a strategy that aims to eliminate redundancies and streamline processes and policies within an organization. Therefore, by aligning the needs and objectives of the functions within an organization (such as compliance, human resources, Risk Management (ERM), information technology (IT) and internal audit), internal audit provides a crucial role in ensuring the common goals and objectives of the organizations are met through their assurance and consulting activities. Therefore internal audit can best support GRC efforts by being able to identify improvements and effectively communicating them to the audit committee and the Board and through their consulting engagements with other functions. The need for the internal audit function to be a support group in the implementation of GRC is also crucial to the success of GRC because internal audit typically has a good understanding of the different processes involved within GRC. By leveraging their insight into the governance and risk management of an organization, they can help those implementing GRC by focusing their efforts on implementing the proper policies that help the organization achieve their goals. Lastly, by being a strategic partner to GRC oversight, it allows internal audit to provide added value to an organization while also increasing the efficiency of the internal audit function.
Part III: Ways Internal Audit Can Evolve with The GRC Trend

As we have discovered, internal audit is becoming increasingly embedded in the underlying components of GRC, requiring internal audit to evolve to meet the needs of the new roles internal audit is fulfilling. As with all other corporate initiatives and strategies, over time they evolve and change with the needs of the business. For organizations implementing GRC, the main goal is to create synergies among the business functions and create a single set of business objectives. As the organization's objectives change, internal audit must also evolve to continue to meet stakeholder’s expectations. Internal audit can evolve with GRC trends by embracing emerging trends, both within the internal audit profession, as well as emerging trends within the topic of GRC.

With the evolution of GRC on the horizon, the internal auditing profession is going to see a shift in the way the profession operates, as well as the skills that are required to be an internal auditor. As show in figure five below, I believe the four major components to the evolution of the profession are continuous monitoring, technology, data analytics and higher order skill sets. While the profession is already beginning to evolve to include some of these components into current operations, the success of internal auditing hinges upon taking advantage of these components. Technology is going to play a monumental role in the professions ability to implement data analytics and continuous monitoring. Each component is discussed in detail below.

Figure 5- The Evolution of Internal Audit and GRC

(Insert Figure 5 Here)
One emerging trend of GRC is the need for continuous improvement, including the necessity for predictive measures to be taken to identify and prevent operating or compliance problems. Thus, the need for continuous monitoring is going to substantially evolve and is going to cause a significant shift how internal audit will operate. Internal auditing is going to have to move away from performing only annual audits, and move towards embracing a risk based approach that allows internal audit to perform continuous auditing, which will require internal audit to review, analyze and report on problems in real time to stakeholders. Being able to take preventative measures and a proactive approach to problems is going to be essential to GRC growth, and internal audit is going to need to develop the skills and implement the right technology (such as CAATs) to be able to assist management in continuous monitoring initiatives. While in internal audit functions have made significant strides in this area, it is going to become a requirement across the board in all internal audit functions of all organizations. The concept of continuous monitoring is linked in part with technology, because as technology improves, so will internal auditing’s ability to monitor and perform current roles. Technology is also going to play a major role in the future of internal auditing, because technology is going to create a significant impact on GRC. In the realm of internal auditing, the use of cognitive computing, such as IBM’s Watson, is going to become increasingly utilized as a tool by not only external accounting firms, but also by internal audit functions. This new technology, which can continuously learn and gain knowledge through interactions and processing data, is going to evolve to be able to assist auditors in analyzing large volumes of data, process increased sample sizes at a faster pace and be able to dissect various financial and operational data which will provide organizations with new possibilities for enhancing their operations and objectives. Beyond cognitive computing, technology is also creating more risks for organizations, as cyber security is becoming essential to every organization’s operations. With most operations becoming connected to the Internet, the world has become increasingly susceptible to hackers, and organizations need to take proactive measures to protecting their data to prevent confidential information from being stolen. This risk impacts GRC in the sense that the Board needs to be active in making sure there are cyber security measures in place, and it is required that the internal audit function is adequately prepared to be able to evaluate those measures and provide accurate assurance that the risk is mitigated to an acceptable level.

While GRC begins to evolve within organizations, the role and use of data analytics within organizations is also beginning to evolve. Since GRC aims to streamline information within the information to ensure the participants have the information in real time, vast amounts of data is being collected and most times going unused. Not only does internal audit need to focus on the risks associated with collecting and maintaining this data in a safe manner, but they also need to be able to consult with the Board and business units’ ways to turn the data into useful information. Internal audit can also add value to the organization by
identifying useful data and incorporating the data into their audits as a way to improve effectiveness and efficiency.

The future of Internal Auditing and GRC is also going to require a more diverse skill set of internal auditors that focuses on analysis, communication and critical thinking. One example is the constant growth and changing in the technology used by organizations. As business landscapes of organizations are going to change because controls and tasks are going to become more automated. It is important for internal audit to be able to understand the technical duties that process owners may have, as well as the ability to document the duties as way for identifying risks. While internal audit is not going to be required to possess the skills of computer programmers or be experts in one specific area or task, internal audit is going to find that with the automation there is going to be less manual tasks that need to be completed. As a result of internal audit spending less time doing the manual tasks, to add value internal auditors are going to be required to be able to possess greater analytical and critical thinking skills. Auditors are going to need to be able to look at and understand the outputs of the CAATs and systems in place to do the manual work. Problem solving is going to take a higher order of thinking as well because the increased complexity due to the integration of multiple functions, the auditor must be able to identify and separate issues. The most important change that may occur to the professions skill set is the increased need on experience to be able to properly perform the duties. Instead of Internal Auditing being thought of as a stepping-stone within an organization, it is going to be thought integral function that retains its employees and placing an increased need on experience as a way to better add value to organizations.

**Conclusion**

Though GRC is an emerging corporate holistic approach to how an organization operates from the top down; governance, risk management and compliance have been and continue to remain a critical focus of both internal auditing and organizations. Internal auditing already performs many roles in the three fundamental concepts, which is a major incentive for internal audit functions to become the major advocates for implementing GRC within their organization or enhancing their current GRC operations. Effective implementation, monitoring and success of a GRC strategy would not be possible without the duties performed by the internal audit activity.

The internal audit function best supports GRC by fulfilling two roles that pushes to evolve and improve GRC. Internal auditing is already positioned to be able to provide assurance over the organizations: governance, risk management and compliance controls, policies and procedures, which is their first key role in supporting GRC. Through GRC integration, the internal audit function benefits by having the ability to have greater visibility within an organization, improved coordination and utilization of resources and improved risk.
management identification. By providing assurance over the current operations of the organization, the internal audit function become a key resource that can report directly to the audit committee on how to improve operations of other functions and improve the GRC strategy, which is their second role. It is very important that internal audit remain a catalyst for improvements to be made and maintain positive relations with all functions within the organization.

When thinking of the future of internal auditing and how it may evolve with GRC, it is inevitable that technology is going to play an integral part in the evolution of the profession and GRC strategies. The increased importance on cyber security and the upcoming implementation of cognitive computing, internal auditors are going to have to increase their technical and mental skills in the computing field to be able to provide proper assurance over these areas. Continuous monitoring is already making an impact on the profession and its current conversion to becoming proactive for organizations rather than reactive.

In the end, it comes down to the stakeholders of the organizations and how organizations meet their needs. GRC is a coordinated effort to address those needs and shapes the way organizations achieve their objectives. As we continue towards the future, the stakeholders needs and demands will only increase and become harder to achieve. I am confident that internal auditing possesses the ability to evolve to meet and exceed these demands and continue to provide the highest quality of value adding contributions to the organizations they serve.
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1 The 2015 GRC Maturity Survey completed by the OCEG can be found at www.OCEG.org
2 The IIARF Research Report Contrasting GRC and ERM can be found in the Research and Educational products at: www.theiia.org/research
4 Marks, Norman, "Defining GRC." Internal Auditor (February 2010), Pages 25 & 27
5 Ibid.
6 The definition and in depth discussion of GRC can be found at http://www.oceg.org/about/what-is-grc/
9 Ibid.
11 As provided by the Organization for Economic Co-operation and Development (OECD) in their Preamble to the OECD Principles of Corporate Governance, Revised May 2004
12 Ibid
17 Ibid.
22 The definition can be found in the Glossary of the International Professional Practices Framework provided by the IIA at the glossary of the IPPF
23 Standard 2110 from the International Professional Practices Framework provided by the IIA can be found in the full standards at:
24 Ramamoorti, Sridhar and Alan N. Siegfried, Promoting and Supporting Effective Organizational Governance Internal Audit’s Role (Institute of Internal Auditors Research Foundation (IIARF), 2016) This CBOK report can be found at www.theiia.org/goto/CBOK
25 Standard 2120 from the International Professional Practices Framework provided by the IIA can be found in the full standards at:
30 Marks, Norman, "Defining GRC." Internal Auditor (February 2010), Pages 25 & 27
31 Standard 2130 from the International Professional Practices Framework provided by the IIA can be found in the full standards at:
32 Ibid.
33 Frigo, Mark L. and Richard J. Anderson,"10 Strategic GRC: steps to implementation." Internal Auditor (June 2009) Pages: 33-37
Governance
- Strategy creation
- Goals and objective setting
- Policies and procedures
- Structures and processes

Risk Management
- Identify risks
- Risk analysis
- Creation of risk profiles
- Risk monitoring
- Ensuring achievement of objectives

Compliance
- Comply with policies and procedures
- Comply with laws and regulations
- Controls and Control activities
<table>
<thead>
<tr>
<th>Governance Assurance</th>
<th>Governance Consulting/Advisory Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Helping the board and executive management use information with confidence”</td>
<td>“Providing decision context, interpretation, and insight”</td>
</tr>
<tr>
<td>1. Conduct comprehensive, enterprisewide governance audits with recommendations and an opinion (big bites) about the overall governance system, enterprise risk management (ERM), and internal control effectiveness over time.</td>
<td>1. Conduct comprehensive, enterprisewide governance reviews for the purpose of providing advisory services to improve governance structures and processes.</td>
</tr>
<tr>
<td>2. Address governance as a part of assurance services for other audits (little bites).</td>
<td>2. Address governance as a part of consulting services for other audits (little bites).</td>
</tr>
<tr>
<td>3. Perform strategy execution reviews to ascertain conformance with the agreed-upon strategic plan.</td>
<td>3. Communication with board committees, such as the audit, nominating, governance, or risk management committees.</td>
</tr>
<tr>
<td>4. Provide assurance that ERM and systems of internal control are operating effectively (as a part of the overall governance processes).</td>
<td>4. Educate the board/audit committee about best practices for governance.</td>
</tr>
<tr>
<td>5. Entity-level controls, which would be governance controls, such as tone at the top.</td>
<td>5. Provide counsel to the board nominating committee and be involved in recruiting new board members, etc.</td>
</tr>
<tr>
<td>6. Ensure regular, frequent open communication with the board and audit committee, including formal private sessions without management present (see the CBOK report Interacting with Audit Committees: The Way Forward for Internal Audit by Larry E. Rittenberg, pp. 10-11).</td>
<td>6. Educate the board about developments and trends. Tell the board about the latest developments and trends in the industry, such as new fraud risk assessment models, new technology tools (continuous monitoring), or new pronouncements (FASB, IFRS, revenue recognition 2018, which means work starts immediately).</td>
</tr>
<tr>
<td>7. Mitigating information integrity risk, permitting the board and executive management to use decision-relevant information with confidence.</td>
<td>7. Assist with board processes and activities (for example, help with board self-evaluation processes, help update the bylaws of the board, etc.).</td>
</tr>
</tbody>
</table>
Figure 4 - Internal Audit Roles in ERM – page 10
Evolution of Internal Audit with GRC Trend

- Continuous Monitoring
- Technology
- Higher Order Skill Sets
- Data Analytics