

# An Evolving Integrated Governance, Risk and Compliance (GRC) Technology Solution for Internal Audit

Over the last decade Internal Audit has experienced enormous change – change sparked by new professional standards, technological innovation, and more, ever-evolving compliance and regulatory requirements. Navigating these changes presents challenges and opens doors to new solutions.

## 1. To Audit Or To Advise?

Today's Chief Audit Executives (CAEs) redefine the services their teams provide to their company.

Organizations today face increased risk due to regulatory pressures. Reforms to risk management, compliance, and governance following this past decade's corporate failures have dramatically changed today's business environment. Organizations worldwide are coping with a proliferation of new regulations and standards. Yet the daily issues an audit team deals with on a daily basis are not new. Senior management and audit committees have always faced governance requirements, resource limitations, and risk of fraud and regulatory compliance failure. Increasing business from and with emerging markets, e-businesses, mobile technology significantly complicate objectives to audit programs. On top of this, companies are establishing or enhancing Enterprise Risk Management (ERM) programs and they are in the process of redefining risk methodologies to address key risk management needs, including regulatory compliance, financial risk, and reputational risk. This is an enormous undertaking given the afore-described realities of today's market.

Audit plays a pivotal role in this world. Like few others in the organization, audit understands the key risks, and is challenged to participate in the design and modernization of risk management programs. All this needs to be done while keeping the independent role of assurance provider. An increasing need to prove to stakeholders that management is 'in control' of its company further broadens the scope of expertise relevant for internal audit (IA), and enhances the demand for quality. Companies must accomplish all of this for the sake of corporate assurance and brand value.

Recent studies indicate that Fortune 1000 corporations face 35-40 different regulatory mandates, posing serious risks to sound management of regulation and compliance. Complying with each regulation individually is complicated, time-consuming, and costly. Added complexity and expense come when regulations overlap. Using an ERM program to streamline IA makes the process efficient, effective, and ultimately saves money.

## 1.1 Are You Meeting Your Stakeholders' Expectations?

Chief Audit Executives (CAEs) seeking to meet and exceed stakeholder expectations will implement high performance internal audit programs.

Internal Audit's (IA) role is to provide assurance to the board and executive management. Risk appetite and tolerances need to be correctly defined; risk mitigation strategies and internal control systems need to function as intended.

The Internal Audit role needs to re-invent itself and find the proper balance between the independent assurance role and the advisory role. In order for audit to fulfill its independent assurance role, audit needs to take an advisory role in broader risk management and compliance programs. This needs to happen without losing independence. Advise on a common risk language, risk reporting structures, risk taxonomy structures and more are all vital to the success of audit and the programs in the other lines of defense.

Gone are some of the day to day compliance restraints, thanks in part to Sarbanes-Oxley and its spin-off. Now we are in the days of true advisory services. This atmosphere has prompted an important shift in the role of IA. New demands from government regulators, boards and senior management are requiring IA to move beyond comfortable boundaries and take their seat at the table. As regulatory compliance responsibilities have shifted, precision, transparency, and consolidation of governance, risk and compliance issues have become critical. IA's mandate to all areas of business, personnel, and resources uniquely position it to enhance and expand its contribution to these enhancements. IA has therefore taken on a prominent role as businesses recognize the value of its central positioning within their organizations and its contribution to maintenance and assurance.

Independent, objective assurance and consulting activities require greater expertise than ever before. This broadened scope adds value and improves business operations. They facilitate the accomplishment of business objectives by improving risk management, control and governance processes. In response, IA has begun to provide proactive support rather than reactive support.

# 2. Does Your Internal Audit Process Need a Technology Solution?

The Institute of Internal Audit (IIA), the leading global authority for the profession, has recognized the vital role technology plays in internal auditing, both in its Guide to Assessment of IT Risk (GAIT) series and in key changes implemented to its International Standards for the Professional Practice of Internal Auditing last year. Revised IIA Standard 1220.A2 now states, "in exercising due to professional care, internal auditors must consider the use of technology-based audit and other data analysis technique." New IIA Standard 2110.A2 states, "the IA activity must assess whether the information technology governance of the organization sustains and supports the organization's strategies and objectives. These trends underscore the importance of ongoing training for internal auditors, who must educate themselves with current data analysis tools, computer-assisted audit techniques (CAAT's) and continuous auditing and monitoring methods<sup>1</sup>." Employing effective technology clearly requires an understanding of appropriate use to ensure return on investment for the goals set.

Technology drives most core business processes today, yet a review of the IA process shows it is behind this trend. Sampling and interviewing are slow, labor intensive, and sub-

### Leapfrog

"Through the use of technology we no longer have disconnects in between process documents, test-plan and work papers. This interconnectivity has driven significant efficiencies to the point that SOX and internal audits are a process rather than an onerous task".

*Alex Paras, Senior Manager of Compliance, LeapFrog.*

<sup>1</sup> Source: The Institute of Internal Auditors

ject to interpretation, leaving room for inaccuracy. Last but not least, this methodology does not provide one hundred percent coverage. Any IA technology initiative must start with a clear understanding of parameters established for IA by the stakeholder. The IA technology strategy will then be aligned with other IA strategies to focus clearly on stakeholder values.

Internal Audit should therefore begin by integrating a risk management approach into its own processes. IA can then incorporate technology in an effort to increase the range, reliability, and speed of its work and deliverables. Implementing this technology requires a certain level of maturity within a company.

### 3. Assessment of Organizational Maturity as Pertaining to Internal Audit

An assessment has to be performed to determine the so-called maturity level of the company in order to derive related IT technology support for IA. The “four levels of defense” model (see figure 1) can be used as the primary means to demonstrate and structure roles, responsibilities, and accountabilities for decision-making. It addresses the various elements of risk management and compliance to achieve effective governance. It can be used to assure and establish a base line for the organization’s maturity level.

At the lowest maturity level all staff departments and the business operation all work separately with their own standards, taxonomy and their own IT tools. More mature organizations are using a more integrated risk & control framework and tune parts of their taxonomy. Management is provided assurance by integrating the first and second lines of defense and Internal Audit relies on their work (risk & control self-assessments) for audit scoping and testing purposes and IA performs additional independent tests.

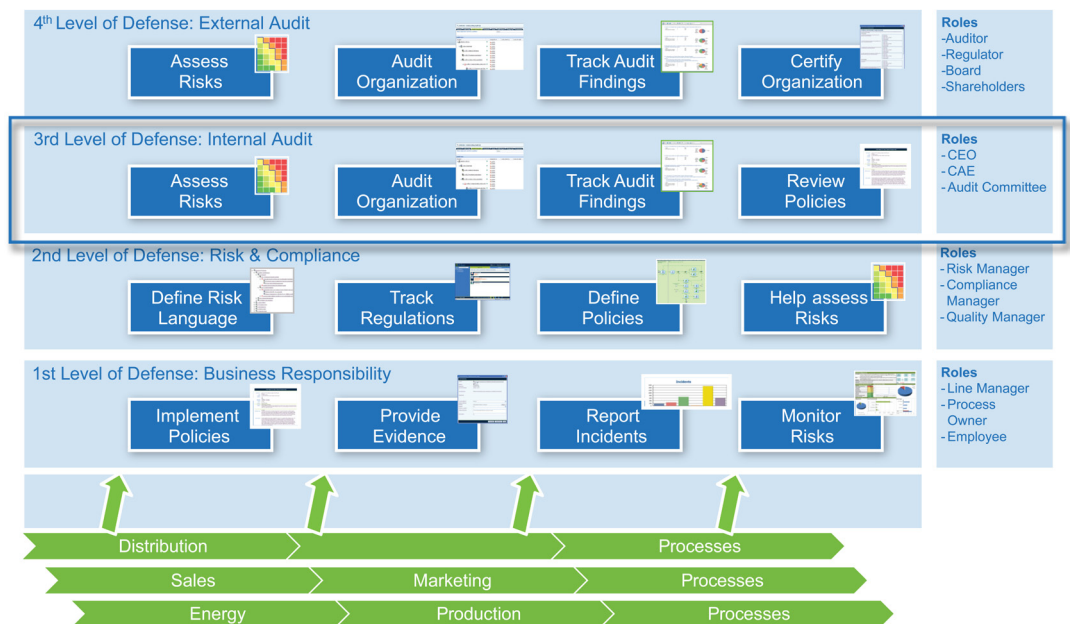


Figure 1: Four Levels of Defense Model

At the highest level of maturity, organizations transform the audit paradigm from periodic review of selected transactions to an ongoing audit of all business transactions by using continuous monitoring or continuous auditing techniques.

BWise can support all maturity levels including continuous monitoring and continuous auditing through its integrated GRC software platform. This capability allows companies to use BWise to promote and foster internal development and growth.

To cope with today's complex, global business environment, many organizations and regulators are beginning to recognize the inefficiency of such silo-based approaches and are turning to integrated GRC, a holistic approach to managing all kinds of risks that threaten the achievement of business objectives. An integrated strategy promotes the increased involvement of all work units and senior management. Most importantly, an integrated approach calls for full integration, analysis, and reporting of all important risk status information from assurance specialists, work units, and senior managers to senior executives, boards, and oversight groups. But it also promotes an understanding of the actual risks to a company. Integrated GRC focuses and simplifies the role of professional auditing, as well.

## 4. Auditing Essentials

The greatest challenge to Chief Audit Executives is often the delivery of audit reports that capture the attention of senior management and the audit committee. The reports need to be read, understood and acted upon by the business. Audit reports must meet broad information requirements of a given audience, which includes executives and managers – each with a specific knowledge of and expertise in business, personnel, and systems. They are mainly concerned with results in their areas of accountability and how audit findings and recommendation apply to their domains.

The auditee and their representatives are most interested in written reports with the details, findings and required level of effort and time to remediate. Audit reports may include written reports, letters, briefing slides, dashboards or other presentation materials. C-level executives need to know a report's impact, how it affects the strategic directive, and ramifications associated with remediation efforts. Thus they are best served with slides and dashboards. A board of directors or supervisory board wants to understand financial and reputational risk and its impact to the value of a shareholder's stake. For this purpose, dashboards are most effective.

IA supports corporate assurance, allowing management to show and prove to all relevant internal and external stakeholders that the organization is in control of an otherwise complex process.

### Immediate insight

A CEO, CFO or CIO wants immediate insight into all relevant performance and risk indicators, and be alerted as soon as thresholds are surpassed. This enables them to rapidly make well-founded decisions, avoid redundant discussions and save time and money.

## 5. BWise Internal Audit®

In an effort to preserve integrity and efficiency within an organization, a distinction must be made between "independence" and "separation" as it applies to Internal Audit and related technology solutions. The ability to work from one common risk taxonomy helps a business to focus and provides a common language for IA processes. Rules developed by IA for analyzing complex data sets allow for continuous monitoring within the business. IA findings allow businesses to establish their own risk assessments to set priorities. In other words, being independent is not the same as being separate.

BWise strongly believes in an integrated approach to IA, while keeping IA independent, and protecting sensitive information. With a strong heritage in managing business processes, BWise believes that the efforts of people in the first, second and third line of defense should be focused on getting the process right. All BWise technology solutions focus on that goal.

Understanding the true differences in the lines of defense in order to facilitate one approach and one integrated software platform brings efficiency and savings to Internal Auditors and a company. Capabilities in support of the IA function include audit planning, a variety of reporting tools, dash-boarding, off-line auditing, and findings monitoring. Uniquely integrated, B Wise now also offers capabilities for continuous monitoring and continuous auditing with other systems, like Oracle, SAP or other business supporting software.

B Wise believes that IA technology is an essential enabler. Software helps IA achieve a larger strategic goal, improve results, and does so at lower costs. Applying the correct automated system can facilitate an organizations growth and allow IA to maximize assurance.

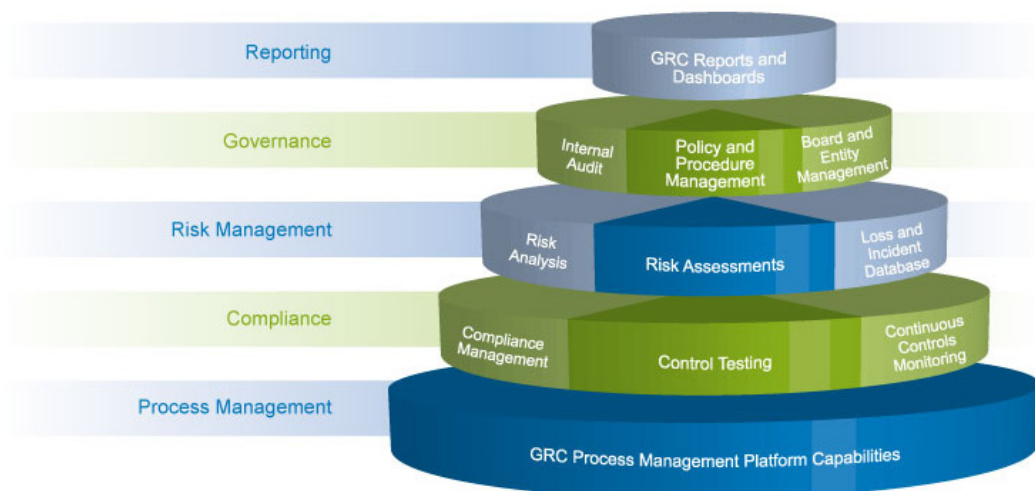
## About B Wise

B Wise, established in 1994, is the global leader in Enterprise Governance, Risk Management and Compliance (GRC) software. Based on a strong heritage in business process management, B Wise delivers a truly integrated and proven GRC platform.

With this platform, B Wise supports an organization to track, measure and manage key organizational risks in one integrated system. By doing so, B Wise helps customers to be truly in control by sustainably balancing their performance and risks. B Wise also enables it customers to increase corporate accountability; strengthen financial, strategic and operational efficiencies; and maximize performance, while understanding risks. Using B Wise, organizations are able to comply with regulations such as Sarbanes-Oxley, ISAE3402/SAS-70, PCI, Solvency II, Basel II and III, Dodd-Frank, ISO-standards, European Corporate Governance Codes and many more.

B Wise provides for the GRC needs of hundreds of customers, worldwide, across all industries. Customers include AEGON, AngloGold Ashanti, Connexion, Health Alliance Plan (HAP) of Michigan, LeapFrog, Liebherr, Marathon Oil, Southern Company, Swiss Life, TNT and Transcontinental. B Wise has offices in the Netherlands, United States, Germany, France and the United Kingdom. For more information, visit [www.bwise.com](http://www.bwise.com).

## The B Wise integrated GRC Suite



# Contact Information



## **BWise Headquarters**

Rietbeemdenborch14-18  
5241 LG Rosmalen  
P.O. Box 321  
5201 AH Den Bosch  
The Netherlands  
Tel: +31 (0)73 – 6464911  
Fax: +31 (0)73 - 6464910



## **BWise, Inc.**

1450 Broadway, 38th Floor  
New York, NY 10018  
USA  
Tel: +1 212-584-2260  
Fax: +1 212-730-6918



## **BWise Germany GmbH**

Kaiserswerther Strasse 115  
40880 Ratingen  
Germany  
Tel: +49 (0)2102 420 663  
Fax: +49 (0)2102 420 62



## **BWise**

19, boulevard Malesherbes  
75008 Paris  
Tel: +33 (0) 1 55 27 37 28  
Fax: +33 (0) 1 55 27 37 00



## **BWise**

"The Gherkin"  
30 St. Mary Axe  
28th – 29th Floor  
London, EC3A 8BF  
United Kingdom  
Tel: +44 (0)20 7469 4049  
Fax: +44(0)20 7469 4001

---

## Disclaimer

All rights reserved, BWise. This document and its content are provided only as general information 'as-is', which may not be accurate, correct and/or complete. BWise is not responsible for any damage or loss of any nature, which may arise from any use, non-use or from reliance on information contained herein. Unauthorized use, disclosure or copying of this document or any part thereof is strictly prohibited.