

NEW PERSPECTIVES ON THE PRIORITIES AND CHALLENGES OF THE INTERNAL AUDIT FUNCTION

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ABSTRACT. In recent years, in the context of an increasingly dynamic economic environment, internal audit function knows an ascending trajectory as a consequence of the qualitative changes recorded following the application of a methodological and procedural framework appropriate to this activity. The present research highlights the priorities and the current challenges that the internal audit function faces in the Romanian space, but also worldwide faced in terms of expanding roles, emergence of new risks, grater stakeholder scrutiny and resourcing pressures. This scientific approach is made possible by using the information provided by the Institute of Internal Auditors through the Research Foundation of it, focused on Global Internal Audit Common Body of Knowledge (CBOK) 2015 Practitioner Survey in order to achieve a global perspective and a better understanding of stakeholders' expectations of internal audit's purpose, function and performance and data documented following the opinion surveys of internal auditors conducted by KMPG and other specialist in the field- Deloitte, Protiviti.

Keywords: internal audit function, priorities, challenges, cybersecurity, technologies.

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Introduction and review of literature

The present research is intended to be a continuation, even an extension of some older concerns focused on internal audit, through which we want to highlight the latest priorities and challenges of the internal audit function (further IAF). In view of the research undertaken by the Global Internal Audit Common Body of Knowledge (further CBOK) in the developed countries such as US, Canada and other Western European countries, the IAF has a considerable age, our country is in a similar situation to that of the countries belonging to the former communist block, where the structures of internal audit have a duration of up to two decades.

In general, according to the most qualified specialists in the field, the IAF faces multiple problems raised by occupying a place at the table of the companies managers; carrying out missions in complete independence and with professional skepticism; maintaining an open and transparent relationship with both the audit committee and the board of directors; to gain the respect and trust of managers; to establish an independent and trusting relationship with external auditors; to establish the risk tolerance level of the organization; to prepare and issue independent internal audit reports.

From the perspective of the international literature review, we point out the studies carried out by Moeller and Witt (1999); Anderson (2003); Ramamoorti (2003); Ratliff and Reding (2002); Flemming Ruud (2003); Moeller (2005) which realized some studies focused on internal audit in an exhaustive and detailed manner, beginning with the definition and the evolution of internal audit, the discussion on the current trends in the field, talking about subjects such as the way in which internal audit relates to the management structures of organizations, the way in which internal audit is managed as a profession, the impact of information systems on internal audit, techniques and instruments used in assurance and advisory assignments.

Ramamoorti (2003) describes the contemporary internal audit practices, mentioning the influence that changes in the business environment have a great impact on internal audit, specifically the need to assume new roles and responsibilities.

Flemming Ruud's (2003) research pointed out the evolution of internal audit which evolved from providing assurance services to consulting. The author discussed the new role internal auditors need to assume and the relationships they need to maintain and develop with company management structures.

Deloitte (2014, 2018, 2019), *Head of Internal Audit Survey 2014-Capturing insight* pointed out the major challenges facing the IAF, including also the extra demands on IAF in terms of increased reporting requirements; additional risks such as security, expanded roles such as risk advisory, all against the backdrop of resourcing issues (over 30% of respondents do not complete an independent assessment of their IA function, yet 95% state that their methodology is consistent with IIA standards). In April 2018, Deloitte in the study *Internal audit 3.0. The future of internal audit is now* emphasized the next generation of internal audit, a function that attuned to the challenges of emerging risks, technologies, innovation and disruption as the organization itself, a function able to assist in safeguarding processes and assets as management pursues new methods of creating and delivering value. Deloitte (2019) in the research *Internal audit insights. High-impact areas of focus-2020*, was the 8th annual edition of internal audit insights which identified activities and risks that present opportunities for IAFs to make a positive impact within their organisation. This report identifies the main internal audit key initiatives relating to digitalisation, as well as to sustainability, crisis management, extended enterprise risk management and the three lines of defence (the business, supporting functions, internal audit).

Potriviti (2017, 2019), the growing pressure bearing down on IAFs is reflected in the financial services industry of Potriviti's Annual Internal Audit Capabilities and Needs Survey, the findings discussed are based on responses from nearly 200 chief audit executives and internal

audit professionals in the US financial services industries on which we will return to the other sections of the present research.

In the first quarter of 2019, Potriviti in cooperation with ISACA had conducted the survey focused on Global IT Audit Benchmarking, when over 2.200 IT audit leaders and professionals worldwide have participated. The global survey was conducted online and it consisted of a series of questions structured into seven categories: emerging technology and business challenges; strategic technology project involvement; IT audit in relation to the overall audit department; risk assessment; audit plan; cybersecurity and the audit plan; skills, capabilities and hiring. The key result of this study identified cybersecurity, privacy and technologies still remain in the top overall challenges for IT audit teams and leaders.

KMPG: Top 10 in 2020: considerations for impactful internal audit departments – internal audit play an important role in helping organizations manage the risk environment while making progress on strategic and growth priorities.

CBOK 2015 Practitioner Survey was conducted by the Internal Audit Foundation, which had developed 26 reports based on the respondents' answers, and they prove to be an eloquent reference source for this scientific approach.

Roussy and Perron (2017) realized a new perspectives in internal audit research: a structured literature review in which the authors adopt a multi method and multi theoretical approach to identify current knowledge about internal audit as well as related knowledge gaps, ending with an overview of post-Sarbanes-Oxley Act literature, organizing in three sections: the multiple roles of internal audit, internal audit quality and the practice of internal audit. The authors mentioned above pointed out that because opinions differ about the expected or actual roles of internal audit, the literature gives the impression that IAF has become the “jack of all trades” of governance, but it fails to clearly capture the IAF's core business role.

Jing, Andre and Richard (2017) realized an international study of internal audit function quality, starting with the prior studies and hypothesis development; organizational factors associated with IAF quality

environmental factors associated with IAF quality, ending with additional analysis structured in individual IAF attributes and practices, IAF outsourcing.

From the perspective of the national specialized literature, we centralize without the claim of completeness of all the existing works the scientific contributions signed by the following specialists:

Boța-Avram (2010) in a study focused on the current challenges of internal audit function, debates the study conducted in 2010 by one of the big audit firms in the Big Four Group and which was carried out following questionnaires of three samples: members of the audit committees, internal auditors and executive managers, anticipating for 2015 different views on internal audit. Therefore, in general, the new internal audit strategy had to position the internal audit in that posture which will allow it to meet the expectations of the executive directors as well as the audit committee. The study highlighted that the interviewees perceived the future role of the IAF as evolving towards a management consultant role, thus offering recommendations for process improvement as a result of a good knowledge of the business models and processes within the organization.

Boța-Avram and Popa (2011) pointed out the atypical evolution of internal audit in Romania, namely its initial development in the public sector and only later in the private sector. This evolution is at least partially explained by the cultural peculiarities of the Romanian economic environment.

Precob and Rusu-Buruiană (2015) described the current characteristics of the internal auditing carried out by Romanian auditors, the internal auditors' opinions on their role in Romanian firms and the auditors' s opinions on the subsequent evolution of internal audit.

Chersan (2016, 2017) highlighted the results obtained globally in Europe and our country, capitalizing the CBOK study carried out in 2010 on the level of education and the skills of internal auditors, the entities that they work for, the trends in using various techniques and tools for auditing assignments, the certifications and the experience they have.

Zinca Voiculescu (2016) integrated in a research the major trends of the IAF in credit institutions, in order to be able to fulfill its role to assist the organization in achieving its objectives by carrying out an assessment of the internal control system, and by providing recommendations in order to improve corporate governance processes and ensuring compliance with the regulatory framework.

Fülöp and Szekely (2017) documented the evolution of the IAF in the context of corporate transparency undertaken a qualitative study which covered the perspectives of the internal auditing function, ending with the evolution of the priorities within the function of internal auditing.

Furtună and Ciucioi (2019) provided an overview of the priorities identified by companies in the field of internal audit and to illustrate opportunities to improve the efficiency and effectiveness of the internal audit departments activity.

Scientific research methodology

We used a theoretical research methodology, combining the review of the scientific literature relating to the priorities and challenges of the IAF, making a critical analysis of the recent articles/studies, other publications from the specialized literature which represent the main sources of information and documentation in order to meet the requirements imposed for such a scientific approach. Next to them, the reports issued following CBOK – the world’s largest ongoing study of the internal audit profession, including studies of international audit practitioners and other stakeholders, KMPG through the surveys of internal auditors, other studies conducted by Deloitte, Potriviti were interrogated to highlight areas where internal audit should focus to add value across the organization and maximize its priorities on the company.

Major priorities and challenges of the internal audit function

On 21-22 March 2013, the members of the Audit Committee Leadership Networks in North America (ACLN) and Europe (EACLN) met in Washington, DC for their eight summit meeting to discuss the challenges facing internal audit and the responses of internal audit departments and audit committees. Internal audit recorded an increase of the importance in the condition of the changing business environment. In this context, Mr. Harrington, vice president of internal audit at Raytheon Corporation, and the audit chairs discussed several aspects of this evolution and its oversight by the audit committee, included in the ACLS View Points-“Challenges of global internal audit”:

- Internal audit faces escalating challenges- today’s business environment is both elevating the importance of internal audit and subjecting it to significant challenges. As companies extend their operations across the globe, internal audit departments must recruit, train and manage staff that can operate across a variety of culture and far-flung locations. They must deal with multiple regulatory regimes, which require both tracking and interpreting new legislation and regulations, as well as an understanding of the legislative process and policy;

- Internal audit departments are responding in several ways, they must secure a strong position within their companies underpinned by trust and close relationship with staff in other business units. They must balance the advantages of centralization and decentralization, and they must marshal capable staff through hiring, training and co-sourcing. An understanding of the company’s business and strategy is critical. New approaches in data analytics (big data) are transforming audit processes even as they present their own challenges such as the need for additional expertise;

The internal audit function plays a number of key roles in large global companies. Thus, in terms of operating in a global environment, we refer here to the fact that large companies today operate in multiple

countries, large distance separate corporate headquarters from offices around the world and business is conducted in many languages and across diverse culture, the main challenges noted by the members were: resourcing- the challenges include staffing teams that have to understand not only language in a particular location, but also the business norms and the general culture; multiple regulatory regimes- which include tracking and interpreting new legislation and regulation as well as understanding the legislative process and the political dynamics that are driving policy.

In terms of intensifying focus on risk and risk management, internal audit plays a critical role in addressing:

- IT risks- internal audit can play a key role in testing security systems, protocols and policies at both the technical and procedural level. It can also help mitigate the risks of large scale IT systems implementations and it can ensure that there are business continuity and crisis management plans in place. Companies that have grown internationally through acquisitions may face special challenges around IT systems.

- Compliance risks- the challenges of operating in multiple jurisdictions were exacerbated by the pace of regulatory change in recent years, which has made it even more difficult to tack, implement and monitor compliance with regulations.

The internal audit departments are responding to the challenges facing them in a number of ways, using various organizational and resourcing strategies:

- positioning internal audit within the company as a trusted and valued player. Also, internal audit function must maintain its objectivity and independence;

- ensuring a balance between regional presence and centralized control, where two basic approaches emerged: decentralization- where it is necessary and effective presence of the audit teams with local staffing and centralization- when the presence of local audit teams is not efficient from cost- effectiveness point of view, or cannot be ensured an appropriate audit consistency, or by combining both mentioned above approaches;

- ensuring several resourcing options to help internal audit achieving it requires to tackle issues such as globalization, cyber security and compliance through the following aspects: staffing the audit department with qualified staff; training the staff through continuing education, moving people around, more engagement with business leaders;
- co-sourcing of the internal audit activity or outsourcing some elements. One of the common way of obtaining more resources and/or specific skills which was mentioned, was to hire consultants, often from audit firms.
- Using data analytics including the promise of big data as a tool for internal audit, which offers new possibilities for analysing business processes, policies and systems which auditors are beginning to leverage. In the same time, big data presents its own challenge for internal audit departments, ensuring the integrity and privacy of the data such challenges requires skills that are scarce.

Regarding the quality and oversight of the internal auditing function, important perspectives about it are reported from the CBOK 2015 Global Internal Audit Practitioner Survey, the largest survey of internal auditors in the world. The CBOK survey data indicates that there is a strong link between internal audit reporting lines and conformance to Standard 1300. More than 40% of CAEs who said that they were in full or partial conformance to Standard 1300 reported functionally to a board, audit committee, or equivalent. At organizations where these functional reporting lines were not in place, only 14% of CAEs said that they were in full or partial conformance. The link between audit committee oversight and conformance to the Standards should come as no surprise. In a separate CBOK survey, internal audit stakeholders were asked whether or not they had knowledge of the Standards; and if so, whether or not they believed that the Standards have value for the performance of internal auditing. Roughly half (53%) knew of the Standards, and nearly all of these believed that there was value in conformance to the Standards (94%). As a board member in the United States stated, "Conformance to the Standards is expected and must occur." Active oversight of the internal audit function

is essential for assuring internal audit quality, but active oversight is impossible if oversight bodies do not receive the information they need to fulfill their responsibilities. The 2015 CBOK survey data indicates that in a dismaying number of organizations where CAEs are not in conformance with the quality standards, their nonconformance may not be disclosed to the audit committee or any other oversight body. The 2015 CBOK practitioner survey found significant and troubling differences between actual internal audit practices and those described in the Standards. These differences may have profound implications for the profession of internal auditing and its stakeholders. Internal auditors should work together to enhance both conformance to the Standards and enforcement of these essential expectations (O' Loughlin, Swauger, 2016).

From the studies conducted by Protiviti (2014, 2016, 2017, 2018, 2019) resulted an increasing interest in IT technology, thus the internal auditor should be an expert in auditing activity, but also in IT area. Therefore, the auditors can use the following IT elements (Fülöp and Szekely, 2017): electronic worksheets; instruments for the management of the collected information; data analysis instruments; data mining instruments; continuous auditing instruments; mission planning instruments; instruments for tracking the implementation of the recommendations; software application for risk evaluation etc. The report relating with the navigating technology's, identified the top 10 risks using interviews with chief audit executives (CAEs) and information technology (IT) specialists from Africa, Latin America, the Middle East, Europe, Canada and the United State. Among of these: **cybersecurity** is probably the most discussed IT topic among executives internal auditors, audit committees, and the board of directors. According to the answers, internal auditors can play an integral role in the organization to ensure that cybersecurity risks are addressed appropriately. Depending on the size of the organization, the role they play may vary in terms of the activities they perform and the questions they may ask. Within small organizations (with fewer than 1,500 employees), 5 out of 10 internal audit departments perform minimal or no cybersecurity-related audit activity; whereas the internal audit department performs

extensive audit activity related to cybersecurity within 4 out of 10 of large organizations. Secondly, the **information security** refers to protecting the confidentiality, integrity, and availability of information that is critical to the organization. Internal audit has a major role to play in ensuring that an organization's information security program is effective and efficient. Internal audit plans should continue to include both physical security and cybersecurity activities, although cybersecurity activities will probably increase more rapidly. In this respect, more than 75% of respondents plan to increase cybersecurity activity, compared to 52% for physical security (Flora and Rai, 2015). Others risks are associated with IT systems development projects, IT governance, outsourced IT services, social media use, mobile computing, IT skills among internal auditor, emerging technologies, board and audit committee technology awareness.

From the internal audit's 2019 priority list, the respondents of *Protiviti's Annual Internal Audit Capabilities and Needs Survey* held up the following areas as top areas they are striving to improve: agile risk and complinace; dynamic risk assessment; Consumer Finance Protection Bureau exam readiness; stress testing for comprehensive capital analysis and review; model risk management; Anti-Money Laundering and Bank Secrecy Act. The reported challenges documented in Protiviti's survey are related to technology, including: cybersecurity, cloud computing, big data business intelligence, smart devices, mobile applications and digital transformation. While these issues figured prominently among the very top concerns in the survey findings, respondents also identified numerous other internal audit areas - some unique to the financial services industry (derivatives and hedging), others unique to financing activities (the current expected credit loss accounting standard) and still others applicable across all industries (the updated cloud computing accounting standard) — they intend to strengthen in the coming months. We have organized the chapters and call-outs that follow to reflect the priorities and focal points respondents identified: cybersecurity: robust cybersecurity programs required; technology: supporting innovation through risk-based technology

auditing; auditing the cloud requires strategic clarity; mobile and digital's speed and convenience risks; stress testing: regulators stress internal audit's role in model risk management; data analytics capabilities go deeper; model risk management: addressing CECL requirements; risk management: evolving opinions: an agile approach to assessing enterprise risk; facing the future with confidence: responding to regulatory volatility and other emerging risks; emerging risks get political; BSA/AML gets programmatic (and personal); CFPB examination readiness requires regulatory agility.

While internal auditors cannot project the future state of financial regulation, their work can help ensure that the organization remains equipped to handle likely regulatory shifts. The function needs to have the leadership, strategy, processes, technology and relationships in place that enable it to continually monitor how all emerging risks, including regulatory changes, along with all other elements of the organization's risk taxonomy, are developing. The findings and analyses that follow in this report are designed to help financial services industry internal auditors ensure that their organizations are prepared for an unknowable future.

The Deloitte Internal Audit 3.0 survey conducted in 2018, offers a future perspective about the next generation of internal audit as a function well attuned to the challenges of emerging risks, technologies and 'disruption'. It seeks to bring a culture of innovation, help functions keep pace with technological change, and enhance their impact and influence across the organisation. In order to successfully lead that transformation, internal audit will need to focus on domains such as: skills and capabilities (people), ways of working (processes – agile models are quite popular options recently) and digital assets and solutions (technology). Many leading internal audit functions have already begun their journey into the world of automation by extending their use of traditional analytics to include predictive models, robotic process automation (RPA), and artificial intelligence (AI).

Assure, advise, and anticipate constitute the triad of value that internal audit stakeholders now want and need, they are enabled through: digital assets, which have already begun to transform internal audit work, and are about to revolutionize it; skills and capabilities, which position internal audit to improve the interface with stakeholders and better meet their needs; enablers, which engage the system to deliver new value in desirable ways.

Assurance constitutes and remains the core role of internal audit. Yet the range of activities, issues, and risks to be assured should be far broader and more real-time than they have been in the past. Assurance on core processes and the truly greatest risks is essential but so is assurance around decision governance, the appropriateness of behaviours within the organization, the effectiveness of the three lines of defence (LoD), and oversight of digital technologies. Assurance is central to internal audit's role but must not be the limit. Advising management on control effectiveness, change initiatives, enhancements to risk management related to the three LoD and other matters – including business effectiveness and efficiency – falls well within internal audit's role and stakeholders' expectations. All sources confirm that a strong advisory role is key to maximizing the value of internal audit. Anticipating risks and assisting the business in understanding risks, and in crafting preventative responses, transforms Internal Audit from being a predominantly backward-looking function that reports on what went wrong to a forward-looking function that prompts awareness of what could go wrong, and what to do about it, before it happens. Internal Audit becomes more proactive and, through its assurance and advisory roles, helps management intervene before risks materialize (Deloitte, April 2018).

In a study accomplished in 2019, Deloitte and his partners, had presented the latest viewpoint on the information technology, the IT internal audit hot topics through the years: 2012-2020 in financial services. The continued presence of cybersecurity and transformation/change are placed at the top of the list, particularly in the past 4-5 years cannot be

ignored as well as the recent emergence of the new technologies enabling digital business models and transformation initiatives across financial services organisations.

Thus the main priorities and challenges faced by the internal audit functions during the above mentioned chronological segment are (Deloitte, 2019):

- **Cybersecurity**- internal audit's role over the past few years has been critical in terms of applying a risk lens to the organisations' cyber agenda, driven by regulatory, senior management and board demands on assurance and challenge';

- **Transformation and Change**- internal audit should reinforce the benefits and position 'change assurance' as pivotal for successful change delivery, offering healthy challenge that is far from acting as an inhibitor. Some areas that internal audit should focus on are: where organisations are delivering digital transformation and adopting new technologies and methods, auditors may require considerable shift to ways of working to mirror those by the business and technology functions alike. Internal audit should seek to understand the risks of disruptive digital and cloud technologies, in the context of transformation initiatives and beyond, and provide assurance over the risks to the realisation of benefits in a competitive landscape, but also the impact on customers, stakeholders and employees. Lack of the relevant technical and change management skills in internal audit functions can lead to misinterpretation and underestimation of the change impact to business as usual operations as well as strategic implications;

- **Operational resilience**- financial institutions operate in a complex and challenging environment, where the protection of customers and other market participants is paramount. Some of the challenges include: technical innovation, system complexity, changing consumer behaviours and expectations. This helpswiden the discussion of what operational resilience covers; it needs to be considered as a holistic,

enterprise-wide domain, straddling a broader range of strategic, technology, regulatory and operational risks. Improved alignment of risk management systems promotes better sharing of good practices and helps establish common understanding of what is important to the business, the impact of a disruption and the priorities during response and recovery. Internal audit functions auditing the effectiveness of operational resilience frameworks or capabilities should focus on whether firms can practically align what are often seen as separate risk management systems, such as business continuity, cyber and information security, operational risk and third-party risk. They need to better understand how they can collectively contribute to the overall resilience of business services.

- **Extended enterprise risk management-** financial services organisations are still facing challenges in the management of the extended enterprise, with a staggering 83 percent of organisations experiencing a third-party incident in the past three years, and many still struggling with the basic risk management practices and control in this area. These challenges against a backdrop of programmes to improve the management of third party risk by bringing efficiencies, investing in talent, cutting-edge technologies, and robust operating models, mean that internal audit should maintain their well-warranted focus on this area.

- **Digital Technologies-** the EU Commission's announcements highlight that the ethical dimension when it comes to disrupting new technologies is increasingly becoming a priority and, as such, it will need to become an integral part of firms' digital journey. In this regard, it makes sense from a regulatory and business perspective for internal audit functions to start challenging how these seven key requirements for trustworthy AI are integrated in both the solutions their firms are deploying, as well as those that are already in use. Naturally, the rate of adoption of disruptive technologies may be different for each company, and the approach and maturity levels of each internal audit department to respond to the risks posed will vary. Auditors need to accept that the business will be 'disrupted' and need to stay ahead of how to deliver quality

reporting, insightful assurance, and impactful advice. Internal audit should assess whether appropriate controls are being implemented to prevent and detect new and emerging risks, and they should find a balance among their responsibilities to: assure, advise and anticipate, preparing for new risks on the horizon.

- **Data protection & data privacy**- internal audit should challenge management on their customer data breach readiness procedures. Organisations that have experienced such events, recognise these are hugely complex events on many levels, technically, strategically and operationally. Internal audit should review these areas, focusing on clear accountabilities, crossfunctional collaboration, and readiness to timely respond in order to contain the issue while providing high-levels of customer service to safeguard reputation. Some of the areas that can be covered, include: technical and cyber response playbooks and forensic investigation strategies; customer and stakeholder notification, support strategies and implementation plans; insurance awareness, strategy and reality; legal support and access to privacy expertise; regulatory strategy and response; incident response capabilities; training, awareness and exercising; media monitoring, management and social media response. In addition, internal audit should consider the following in their data governance scope: assess the implemented data protection policies, procedures and controls to comply with GDPR; consider the gaps between current state and full compliance and the risks associated with the data privacy programmes to achieve full compliance; evaluate the effectiveness of the implemented framework and controls in response to the regulatory requirements; focus on technical data protection controls, including Data Leakage Prevention solutions and other security controls to prevent data breaches; evaluate effectiveness of high risk functions (e.g. incident management, marketing and any other functions handling large amount of personal data); and assess the accountability framework and data processing taking place abroad.

- **cloud governance and security**- it is imperative that risk, assurance and control functions ensure that businesses remain on top of the risks. It is also important to recognise that the cloud user organisation always remains accountable for the governing and safeguarding of its data (including data discovery, classification, assessing and mitigating risks of data exposure) while the cloud provider is responsible to address operational, security and privacy concerns. The focus of internal audit functions will vary depending on the level of cloud adoption by the business, but some of the areas functions can consider for their 2020 reviews are: cloud governance and strategy: benefits realisation; business alignment; appropriateness of cloud service model and deployment type (given the type of service, data and risk appetite of the organisation). This can also include a review of the shared responsibility and accountability model. The cloud consumer always remains accountable for the governing and safeguarding of its data.

- **IT governance and IT risk**- when auditing governance in IT or performing assessments of CIO or CISO functions of an organisation, internal audit teams should challenge whether their objectives are achieved, ascertain whether risks are managed appropriately and verify that the enterprise's resources are used responsibly. They should provide an opinion as to whether the IT is effectively and efficiently managed to deliver value to the business, whilst ensuring that associated risks are managed. IT Risk Management (risk management structures, policies and processes are in place to ensure that risks have been adequately managed including the assessment of the risk aspects of IT operations, projects or investments). IT internal audit has also a key role to play in evaluating the effectiveness and maturity of first or second line of defence IT risk functions. The role of such functions is elevated in recent years, with the emergence of cyber and technology risks as some of most complex and critical challenges organisations are (and will be) facing. Indicative areas that can be covered in such an assessment include: governance and organisation (including accountability structure,

resource, skills and capability); risk identification and assessment practices (threat intelligence and risk identification and assessment process); compliance, assurance and monitoring (controls self-assessment; ongoing controls effectiveness monitoring; risk and issue remediation tracking); reporting processes and mechanisms.

- **Application development-** knowledge is increasing across internal audit teams around the principles of Agile and DevOps practices and how these are applied in IT application development. Their approach towards assuring these has also needed to be adapted to accommodate these deliver methods. Agile is now being used outside of IT functions, including within internal audit, where we are seeing internal audit teams applying scrum practices and principles to transform their functions and ways of working. In such cases, reviews are carried out iteratively and in increments in accordance with more streamlined and shorter audit cycles. Initiatives such as these are bringing better alignment and understanding between IT and other parts of the business. Internal audit teams are required to challenge the consistency and diligence in which Agile and DevOps methods are applied across the end to end IT Application Development lifecycle.

- **Legacy technology environment-** legacy systems can pose a number of risks, such as security vulnerabilities, shortage of skills to manage and externally support the systems effectively, increased complexity caused by add-on interfaces to core systems and limited interoperability. It is imperative that internal audit works closely with stakeholders in CIO and CTO areas to understand the technology architecture and ensure they can achieve sufficient audit coverage of legacy platforms, interfaces and information flows. Internal audit functions also have a challenge in how to address this risk in their audit plans in a way that adds value to management, rather than simply echoing a known problem. Some of these ways could include: planning audit activity to assess the large-scale programmes in place to replace legacy systems; focusing on upgrading and consolidation change activity with respect to the impact this may have on the stability of the existing environment; and placing such considerations front and centre of routine continuity and resilience audit activity.

In Romania, in the survey conducted by Furtuna, C. and Ciucioi, A. At the end of 2018, the authors identified the following three main areas of focus for companies in 2019: operational efficiency and effectiveness, alignment with company objectives, and compliance with current regulations. According to the respondents answers, an effective internal audit function provides the following benefits to companies, such as: it provides a means to monitor and improve the company's internal control environment; it provides independent reporting to the board of directors; it focuses on the major risks and issues for the company, as advised by the board of directors; it provides valuable information on a wide range of risks for companies, including financial, operational, technological, strategic, fraud and compliance risks; it improves internal controls by risk mitigation, increasing efficiency and effectiveness and/or ensuring compliance with regulatory requirements; it provides recommendations to increase the efficiency and effectiveness of operational procedures; it facilitates a rapid alert system to identify and rectify deficiencies in a timely manner (Furtuna, Ciucioi, 2019).

Conclusions

In the light of these information presented, we can conclude that the most successful internal audit functions will anticipate and through proactive assurance, help organizations to keep pace with and get ahead of emerging risks. Internal audit functions need new skills and capabilities to position internal audit to improve their interface with stakeholders and change traditional thinking, approaches and mind-sets. The next generation of internal audit will be a function attuned to the challenges of emerging risks, technologies and disruptions.

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