

## Internal audit's role in business transformations

### Internal Audit Megatrends



Investment in business transformation (e.g., finance transformation, operating model redesign, development of shared services capability, system implementations) has become a requirement to remain competitive in today's rapidly changing business environment. Increased frequency, pace, and complexity of these initiatives increases organization-wide transition risks during the transformation and may introduce new risks that must be managed once the effort is complete. An integrated approach to risk management throughout the entire transformation lifecycle is needed to avoid falling short of return on investment (ROI) targets and to maintain an effective control environment. Internal audit's (IA) role in business transformation includes both partnering with the business to help maximize the ROI and enable better business performance through effective controls and governance.

### 5 things you should know

The risks to the **success of the transformation** and risks to the **control environment** are **equally critical** and often these risks are viewed in **silos by the project team**, or not considered at all impacting the return on investment.

Transformations create an **opportunity to modernize risk and controls** and enhance/ streamline the control environment.

**New controls** may be enabled or required, which is a part of the **value delivery and process optimization** and can be expensive as a retrofit after the fact.

**New or emerging risks** (e.g., handoffs with a third party, advanced technologies, talent retention) may be an unintended by-product of the transformation.

Internal audit teams **are changing their role and the function's narrative** from an "after the fact" audit of the solution to a strategic business partner enabling the transformation and aiding in the management of transition risk.

### 5 actions you can take

- 1 **Collaborate with the business** to educate, identify, and understand "what needs to go right" across each dimension (change management, program management, extended enterprise, and infrastructure) and how the project team plans to manage and monitor the risk to the project and to the control environment.
- 2 Have discussions with the business to develop a specific project thread related to risk and controls enhancement (**rationalization, automation, and modernization**), including change management for controls owners.
- 3 **Embed a controls transformation thread** into the transformation project team and design the controls along with the process and solution (with consideration to starting as early as "blue printing"). Expected outcomes include **clear accountability, cost savings, and "audit" ready**.
- 4 **Internal audit has a broad view of the organization** and is uniquely positioned to help the business understand how the transformation may introduce new risks and/or remove legacy risks. This should be contemplated prior to controls modernization.
- 5 Create real-time risk monitoring of the project or strategic stage-gates where key risk indicators (KRIs) are periodically assessed to **provide assurance over the transformation team's risk management program** throughout the project.

# IA business transformation case studies



## Change in outsourced IT service provider

### Business challenge:

A Fortune 225 company was in the process of transferring outsourced IT and data center support services from their legacy service provider to a new provider. Client challenges when assessing and managing the impacts on relevant controls (including technology, regulatory and business process automated controls) included:

- Understanding the **complexity of transition** and effectively managing controls during transition
- Effectively onboarding the new service provider to manage and execute relevant controls
- **Leveraging the transition to modernize** and streamline the current control environment

### Deloitte solution:

Deloitte engaged with the client and the third-party provider, bringing a risk and controls perspective to advise on the planned approach and estimated impact on internal controls design, including a specific program thread to manage the transition of internal controls. Deloitte was also engaged to perform post transition controls testing in order to assess **go live readiness and ongoing effectiveness**.

### Business outcomes:

Deloitte helped the client successfully execute their service provider transition by assisting with identification of control ownership and responsibilities during and after transition, **impact assessment** of control changes on the post transition environment, and identification of control design gaps and associated recommendations.



## Controls optimization and program assurance during business process outsourcing (BPO)

### Business challenge:

A Fortune 50 company was in the process of transforming their finance organization through engaging with a BPO service provider. In particular, the company was looking to achieve **substantial cost savings**, while improving reporting capability and **maintaining strong risk and compliance** postures during and after transformation. This program was deemed **“too big to fail”** and required significant transformation for its people, processes, and technology for a successful transformation.

### Deloitte solution:

Risk and control specialists were engaged **throughout the transformation** to lead a program assurance thread, which assessed how the company had identified and was managing/mitigating the top risks to the program, and to help identify and transition impacted controls (SOX and non-SOX controls) – both from a BPO lens and retained organization lens. External audit was also effectively engaged regarding the impact to SOX.

### Business outcomes:

Deloitte identified controls impacted by the transformation and assisted the client to effectively manage the transition of those controls, which included documentation maintenance, training, accountability alignment, and post go live validation. In addition, drivers of the program complexity and risk were identified proactively and effectively managed.



## Internal audit post go live validation

### Business challenge:

A Fortune 225 company recently completed a global BPO transformation, which impacted the design and execution of several of their key financial and operational controls. As part of the transformation, internal audit was tasked to perform post go live assessments to **assess the design and operating effectiveness of the impact control**.

### Deloitte solution:

Deloitte was engaged to support internal audit in performing the global post go live reviews. An end-to-end view on the design and operating effectiveness of the controls was deployed as testing procedures took place at both the retained organization and at the BPO. In addition, other risks of the outsourcing were assessed, such as technology and infrastructure set-up, communication protocols, and training/education.

### Business outcomes:

Deloitte was able to help internal audit identify several instances where controls were not designed and operating effectively, including development of remediation plans and opportunities to enhance the monitoring procedures.



For more information, or to explore insights visit:

[Internal Audit: Risks and Opportunities in 2022](#)

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