

THE CHALLENGES OF INTERNAL AUDIT, BETWEEN TECHNOLOGICAL DEVELOPMENT AND NEW SKILLS

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Abstract

Over time, the evolution of the expectations of the stakeholders has constantly changed the perspective on the role of internal audit. Given the speed of technological change and globalization of markets, the internal audit function needs to evolve to help the organization understand and manage the associated risks, achieve the expected results from automation, and continue to innovate to achieve added value. The central place that the internal audit occupies within the organization is the result of a professional, objective work, raised at the level of the requirements and standards, as well as at the level of the constantly moving economic environment. In this paper we want to emphasize that a good mastery of computer techniques and innovations, as well as a permanent updating of the changes brought by the regulations in the field, can only bring a higher quality of the services offered by the internal audit, by well fundamental opinions and solid proposals. Thus, the pursuit of this profession would not be possible without the existence of the benchmarks represented by norms, directives, policies and standards, all together making up the complete set of tools with which a true auditor will begin the journey on the missions successfully and operationally accomplished. The main objective of this article is to make a short incursion of the concept and importance of internal auditing and reviewing the requirements of the new EN ISO 19011: 2018 standard.

Key words: *internal audit; challenges; digital revolution; new skills; ISO 19011: 2018.*

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I. INTRODUCTION - AN OVERVIEW OF AUDITING

In the last decade, there has been an increasing number of legislative and self-regulatory interventions aimed at improving the effectiveness of corporate controls in order to strengthen the guarantees for investor protection. On the other hand, the expectations of the stakeholders are constantly increasing due to the fact that the governance and processes of the control bodies adhere to recognized standards and benchmarking practices.

As the entity becomes more complex, remoteness of information, voluminous data and the existence of complex exchange transactions increase the risk of providing insecure information to decision makers. Therefore, in order to obtain reliable information in order to make a correct decision, it is necessary for the decision maker to resort to a certain type of verification - more precisely to the services of professionals independent of the entity's management. The audited information is then used in the decision-making process, assuming that they are reasonably complete, accurate and unbiased.

Globalization, as well as the computer evolution, create new challenges in the internal audit, so that it must obtain a unanimity regarding the traditional audit, but at the same time maintain a system appropriate to the level of performance. In order to increase the current role and improve the working methods, "auditors of the future" must develop their real capabilities and processes "(Fülöp & Secuiesc, 2017; Vlad, 2013).

Internal audit is the profession that presents as main responsibilities, among others, the careful and detailed examination of the financial statements of the entities and the accounting records, the verification of the compliance with the existing policies at the management level, the governmental regulations and the provisions of the applicable professional norms (Saptutra & Achmad Yusuf, 2019).

The current national legislation in this regard envisages: two laws (law no. 162 of July 6, 2017 and law no. 26/2010), two emergency ordinances of the government (GEO no. 75/1999, republished and GEO no. 37 of January 29, 2004), as well as a decision (decision of conference no. 2 of April 21, 2018) (see cafr.ro). Persons who have received the responsibility for organizing internal audit activities, coordinating commitments, and signing internal audit reports, must, according to Government Emergency Ordinance no. 75/1999, to have the capacity of financial auditor.

The standards occupy a central position in the relationship established between professional bodies (Chamber of Financial Auditors in Romania - CAFR); Internal Auditors Association of Romania - AAIR; The Body of Expert Accountants and Authorized Accountants of Romania - CECCAR, etc.) and clients of these bodies. The Romanian university professors, engineers and researchers Bejan & Rusu (2008), presented in their paper, the fact that standardization occupies the second place, after the material means, in the elements that determine the success in business of an organization / company.

This is of course, since the application of standards with rigor by any body or entity, entails a high level of quality of the services offered, as well as raising the level of competence of the specialists in the field.

The standards, together with the Code of Ethics, include "all the mandatory norms of the International Framework of Professional Practices; therefore, compliance with the provisions of the Code of Ethics and Standards proves compliance with all mandatory norms of the International Framework of Professional Practices" (see aair.ro).

II. THE EVOLUTION OF AUDITING

The emergence of the audit profession is related to the burning desire of the state and the Church, to prevent theft and to avoid misrepresenting the financial situation (Petrașcu & Tieanu, 2014). Proof of the existence of the audit has been found since Antiquity. The archaeologists' discoveries revealed various supporting documents with commercial operations, these being a primitive form of accounting verification, at the time (Bogdan, 2005).

With the increase of commercial transactions, the temptation of cheating, manipulation and even fraud on the part of people with an inclination towards such non-ethnic activities has multiplied. For this reason, the development of methods of verification, control and prevention, have undergone a rapid evolution. Ever since the Middle Ages, illegal acts of payment avoidance, as well as money and property that were used fraudulently, were being pursued. The state, the church and the universities were the three institutions that introduced from the XII-XIV centuries, the concept of verification and the idea of disciplining the offenders. Monks and civil servants were responsible for these tasks of keeping the accounts and checking the correctness of the accounts (Le Goff, 1977).

Starting with the modern era, things began to change, so that the state became the only and the main institution concerned with the prevention and supervision of the accounting system, business and in general, became concerned about the smooth running of things in society. With the economic boom, some people became experts in fraud, fraud, and this has aroused in the public opinion, since the eighteenth century, the growing desire to detect and avoid the existence of financial fraud and other criminal schemes used in order to obtain illegal property, property or political power (Stratmann, 2012; Grosu & Bostan, 2012).

In the mid-19th century, accounting professionals and auditors began to be the target group, with high training, specialized in the field of fraud and error prevention and detection. Their attributions have been developed, in the sense that they no longer deal only with finding and analyzing each given situation, but their concern has also been extended on identifying and assessing risks, but also on guaranteeing the efficiency of internal and external control mechanisms (Petrașcu & Tieanu, 2014; Bostan, Hurjui, Hlaciuc, Grosu & Ciubotariu, 2014).

In Romania, the internal audit was adopted as a fashionable term in the field of financial control, but over time the concepts of internal control and internal audit have succeeded. Currently, there is a problem with understanding the internal control system, which is the subject of the internal audit, includes all the internal control activities carried out inside an entity and the risks associated with them. At the same time, the concepts of external control and external audit, which operate in a competitive market economy, such as the Romanian one (Ghita & Ghita, 2006), must be correctly understood.

The implementation of the internal public audit in Romania (in its current form) is closely linked to the accession to the European Union and the formal requirements that had to be fulfilled (Calotă & Vânătoru, 2009).

Currently, auditors are a compulsory necessity, as they deal with guaranteeing the proper functioning of the entities, through methods, techniques and regulations designed to prevent and deter any attempt to defraud, theft, fraud and the like. We also emphasize the importance of the existence and implementation of international norms, directives and standards that are essential benchmarks in professional auditing activities. Although some entities may regard rules and standards as a politically technical dialect and with less importance and necessity, we believe that humanity has advanced in thinking and innovation, precisely because standards have broadened the business sphere by creating different concepts, such as the concept of strategic standardization, and which led to the true economic operators, in the realm of forecasted results.

Bostan & Grosu (2012: 100) as internal auditors, among others, should have "full responsibilities in preventing, identifying and reporting frauds and should carry out such actions that could raise awareness". The auditors generally present the "real and correct vision" of the financial situation of an organization, assuring with confidence the clients of the audit of the absence of any material misstatement. Therefore, the audit report prepared by the auditor, has a special significance not only for managers, but also for different actors outside the company.

III. NEWS IN THE INTERNAL AUDIT MATTER AND MANAGEMENT SYSTEMS

The challenges related to an adequate improvement of internal audit practices are related to the inevitable evolution of the profession, due to the significant changes in the reference context in which the organizations operate and the related new risk scenarios, but also to the related opportunities for the evolution of their operating methods (Blasi, 2018).

In this regard, the disruptive impact of technology, as well as the representation of an unquestionable source of opportunities, at the same time expose organizations to new and significant risks, which is why there is a need for full awareness and effective tools for managing them. It is certainly one of the main concerns of the organizations that require from the auditors the acquisition of different skills, methodologies and working tools.

Rezaee, Elam, & Sharbatoghlie (2001: 157) state that, "The new era of improving IT permits auditors to employ continuous auditing (CA) that acts more as preventive and deterrence." The authors consider that the technological evolution can only be a change for the better, because the software programs allow the identification of exceptions much easier and focus on risks, as well as the understanding of the client much faster.

The requirements of the new standard and the impact of the changes on the management systems

Although the reference to the new standard EN ISO 19011: 2018 will be applied only from January 1, 2021, in order to allow economic operators and third-party bodies to adapt both the management systems and the audit methods, we consider it appropriate to make a brief presentation of the news brought by this standard.

With the resolution no. 2019/1729 / EU of October 15, the EU Commission has identified in the standard ISO 19011: 2018 the reference for the audit regulations of the management system. Therefore, the legislation becomes the benchmark for all related regulations, including Emas certification.

The EN ISO 19011: 2018 standard, published in July 2018, replaces the previous one in 2011 and provides guidelines for conducting audit activities in management systems.

The approach is harmonized and standardized, so as to allow cross-audits to be carried out in those organizations whose certifications follow several management systems simultaneously. The standard is dedicated to first and second part audits (internal audits or other external stakeholders), but it also applies to certification audits. As the title itself shows, the standard refers to management systems (especially those described by standards such as ISO 9001 and ISO / IEC 27001), however it can be used as a useful reference for other audits.

The innovations introduced in 2018 refer to any company that needs to plan and conduct internal or external audits of management systems or manage an audit program. In particular, the 2018 version introduces a risk-based approach among audit principles. It also introduces a guide on the most important tools applicable: leadership, virtual audit, legislative compliance.

Regarding the changes of vision of the new standard, it should be noted that the principle of integrity was present in the old norm, but in an isolated form, and the concept underlying it is consolidated.

The principle of integrity emphasizes the importance of impartiality, the auditors have a duty to remain impartial, not to be influenced and to try to be as correct and balanced in all phases of the audit, showing that they are sincere, responsible and competent, respecting practically all the requirements of the code of ethics. and related integrity. An example of this could be a situation in which an auditor specified in the Audit Report that no system change is required, but later that certain changes are inevitable. It is obvious that in this context, the auditor violates the ethical conduct imposed by standards and will not present credibility to any interested party.

Professional integrity also requires the auditors to respect the deadlines set for the inspection. Auditors who have accepted the inspection are asked to notify the auditor in advance of communicating any overrides, requesting permission in advance to move, if necessary, the term to carry out the inspection. audit. Another important aspect is that the auditor must be available to the audited client when he requests a certain period of time to provide him with objective evidence or evidence that he needs in his activity.

The integrity of the auditor is maintained throughout the audit, including at the end of the audit process. Thus, in the summary essay and in presenting the result of the inspection, the auditor should always offer the client the opportunity to report any unclear point and the latter is free to ask for justifications for each doubt. It is necessary for the final information of the auditor to reflect the reality by offering a more accurate picture of the studied situation, for this reason, it is recommended that the client also bring additions, even with the possible missing findings (Calveri & Cibien, 2018). We realize that between the auditor and the person who benefits from the audit services there must be an open relationship based on professionalism and dedication.

Another relevant principle of the profile of the auditor, which is also presented in the new standard, is confidentiality. It is crucial that the auditor does not disclose the information that came into his possession during the audit, especially if he obtained a personal advantage from this information. Studying the new changes made by the standard, we noticed that this principle could have been included in the one of integrity, but the new ISO 19011 preferred to keep them separate in order to further emphasize their importance.

The main innovations brought by the new standard (Galotti, 2018) concern the following aspects:

- adding in addition to the principles of audit and risk-based approach;

- extension of the guidance on the management of the audit program, including risk considerations;
- extending the guidance on carrying out audits, in particular on their planning;
- extension of general requirements for auditor skills;
- improving the terminology to make it more process oriented;
- elimination of specific requirements for auditor skills (as reported by other standards);
- extension of Appendix A (detailed guide) to insert new concepts related to context, leadership and commitment, virtual audits, compliance and the supply chain.

Broad spectrum of potential users, including auditors, organizations that implement their management systems, as well as organizations that need to perform management system audits for contractual or regulated reasons. The users of this document can, however, apply these guidelines in developing their own audit requirements. The guidelines in this standard may also be used for the purpose of self-declaration and may be useful to organizations involved in training auditors or certifying individuals. Also, ISO 19011: 2018 includes guidance on coordinating an audit program, on planning and carrying out audits of management systems, as well as on the competence and evaluation of an auditor and an audit team.

The new standard maintains the same seven clauses as at present, but the sub clauses are more logical and more explicit (Roncea, 2018: 6).

In order to identify an excellent internal audit, in relation to the expectations of the stakeholders, there are 8 macro-attributes, namely (Table 1):

Table 1. The 8 macro attributes for excellent internal audit

No.	Attribute	Description
1.	Quality and innovation	Internal audit should promote quality and innovation by well-defined standards, promoting a culture that rewards innovation and continuous improvement, as well as ensuring the quality and alignment of the audit plan with the risk profile and changes of the organization.
2.	Service culture	Internal audit should be multifunctional, maintaining its autonomy and clear reporting lines in any situation. In this regard, the audit plan should be oriented towards the prompt anticipation of needs and changes in the reference context.
3.	Technology	Internal audit should effectively exploit technology in all areas of operation. Data analysis should focus on risk profiles and business understanding. The tools used should be geared towards improving understanding and risk assessment and helping to identify anomalies. In order to provide an effective contribution, internal audit teams must adequately understand the complexities of the company's systems architecture and innovate using technology to implement effective control and verification activities.
4.	Cost optimization	Internal audit should optimize costs by adopting an efficient audit methodology, based on standardized and streamlined processes to maximize effectiveness through cost optimization.
5.	Business alignment	Internal audit should ensure business alignment through proper strategic planning of its activities and coordination with the other "lines of defense", taking due account of the expectations of stakeholders in its mission and defining the value that the organization can provide.
6.	Focus on risks	Internal audit should have a holistic view of risks, divided into internal, external and emerging risks, identifying the most appropriate methods for relative evaluations ("top-down" approach) and achieving targeted / additional information in certain areas.
7.	Talent Model	Internal audit should have a "flexible talent" that reflects the need for specific business and risk skills. The model should include regular training and feedback to improve individual leadership development.
8.	Stakeholder management	Stakeholder management: Internal audit must understand and effectively manage stakeholder relationships, aligning relative communication methods and obtaining appropriate feedback.

Source: Adaptation by Blasi (2018)

The challenge of internal audit today seems to be more and more that of being accredited as a strategic partner, supporting top management and providing insurance, but also providing advice on the existence and functioning of an efficient process management system to mitigate risks.

IV. CONCLUSION

Although the audit is carried out in different social, legislative, cultural environments and there may be small differences between cultures, countries and behaviors, all bodies have the obligation to comply with the

International Standards for Professional Internal Audit Practice issued by the IIA (Internal Audit Standards) for compliance, responsibilities of internal auditors and internal audit activity. The standard EN ISO 19011: 2018 includes and at the same time separates the important information, in the idea of easy compliance with the rules contained, but at the same time emphasizing each particular principle.

There is an acceleration in the evolutionary path of the internal audit function, which will have a transition from limited checks on regulatory and procedural compliance issues to larger activities and added value in the context of providing and advising on systemic control, management, risks and corporate governance. In conclusion, it is at least internationally noted that the audit process evolved from the manual audit represented by a system with paper documentation, to audits that will contain in their computer, as well as emerging systems, online technologies, all mechanisms providing information, and real-time results.

Therefore, we believe that the internal audit function should extend its range of competencies and rely on specialists, both within and outside the company, who can understand, identify and analyze the risks posed by cyber threats. Internal audit must constantly collaborate with other functions of the company, such as information security, data protection or business continuity and disaster recovery, to ensure that this cyber security program works in accordance with management requirements.

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