

21<sup>st</sup> BIENNIAL Forum of Government Auditors

The Global Internal Audit  
Profession  
Vision for the Future

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Challenges and a Path Forward

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# Discussion Topics

- Where we are as an internal audit profession
- Future vision for the profession
- Continuing challenges
- Path forward and closing thoughts

# Disclaimer

- Opinions expressed are mine alone.

Where are we as a profession?

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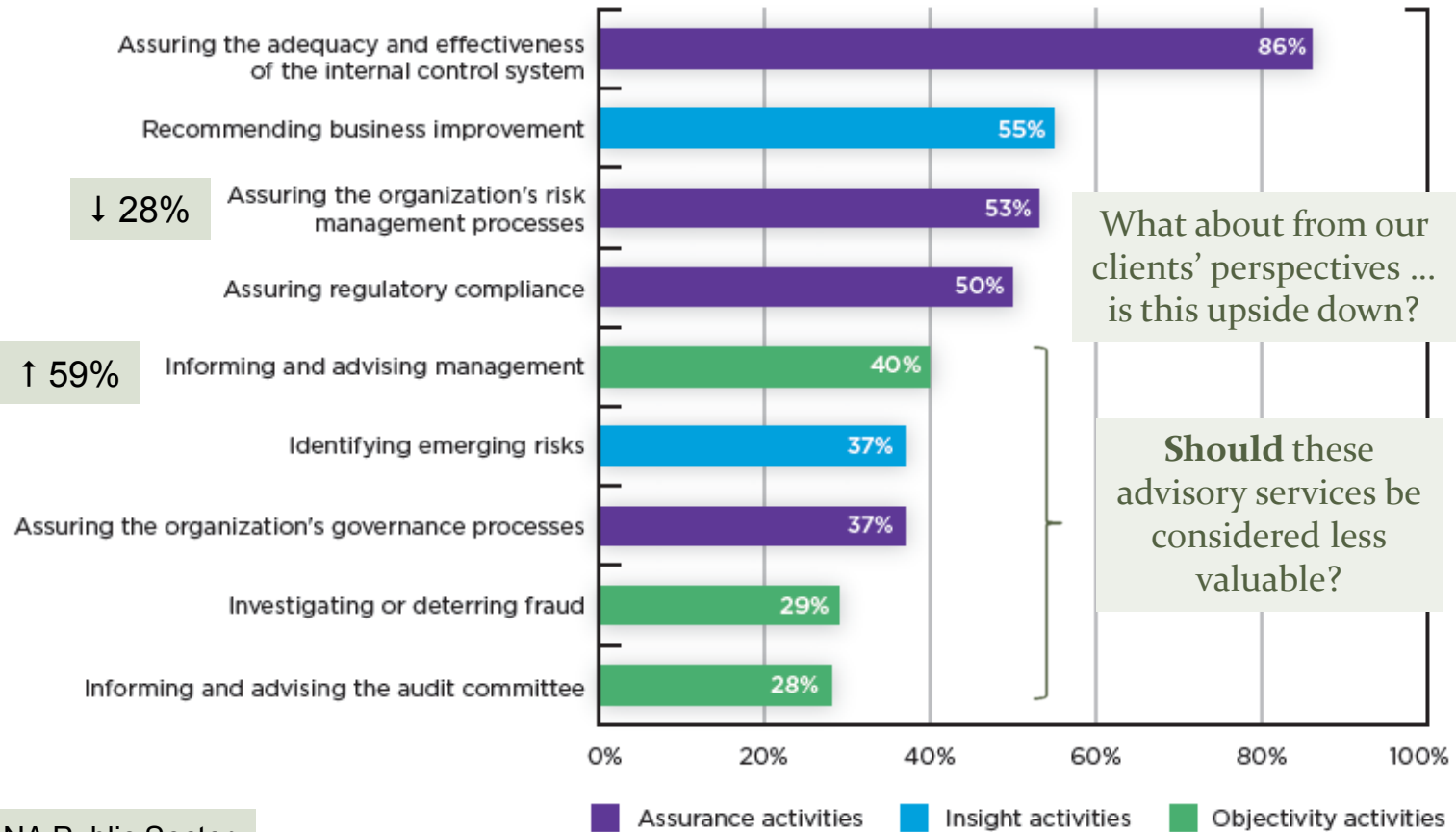
# Where we are

Are we truly helping organizations accomplish objectives, including strategic objectives?

- Definition of internal audit (IIA)
  - Independent, objective ?
  - Assurance activity ✓
  - Advisory (consulting) activity ✗
  - Systematic, disciplined approach ✓
  - Governance, risk management and control ✗
  - Add value, improve organization's operations, help accomplish objectives ?

# CAE view of value

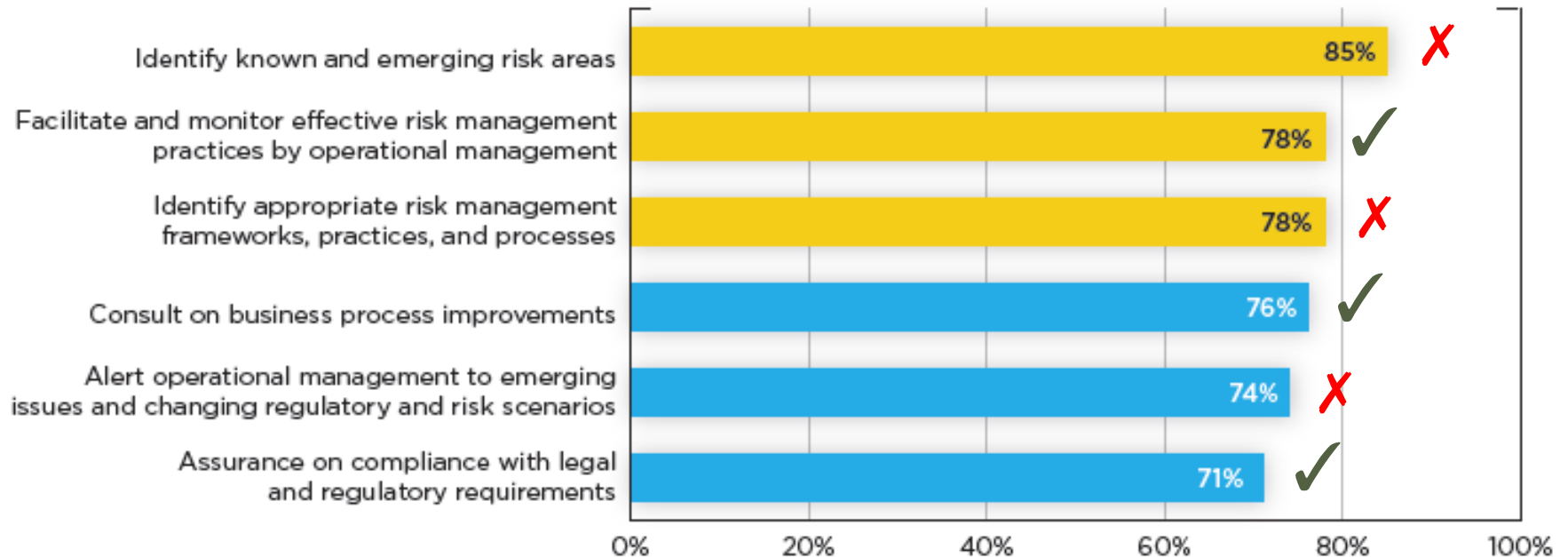
**Exhibit 3 Audit Activities That Bring Most Value (CAEs Indicating Their Top Five Choices)**



Note: Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? (Choose up to five.) CAEs only. Purple bars are assurance activities, royal are insight, and green are objectivity, as related to The IIA's Internal Audit Value Proposition.  $n = 2,641$ .

# Client view of value

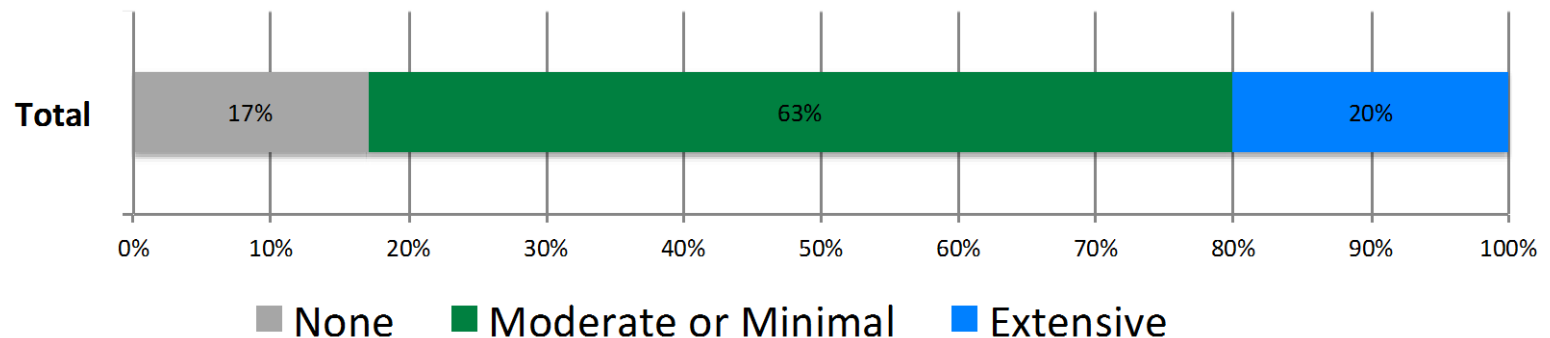
**Exhibit 1** Areas—Beyond Assurance—That Should Be in Scope for Internal Audit



Note: Q10 to Q13 combined: Which of the following areas should, beyond assurance, be in scope for internal audit? (Choose all that apply.) North American stakeholders only.  $n = 433$ .

# Example - cyber security audit activity

## Extent of Internal Audit Activity Related to Cybersecurity of Electronic Information



*Note:* Q92: For information technology (IT) security in particular, what is the extent of the activity for your internal audit department related to the following areas: employee use of social media, cybersecurity of electronic information.  $n = 9,941$  for cybersecurity;  $n = 9,747$  for social media.



# Future vision

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# Evolving stakeholder expectations

- **Traditional expectations**

- Regular assurance on financial controls, possibly compliance as well
- “No surprises”
- Reliable execution of internal audit plans
- Demonstrate cost effectiveness of IA function
- Tight coordination with external audit

- **New expectations**

- CAE with executive presence, strong communication skills
- Ongoing relationship versus periodic communication
- Focus internal audit activities on what is most important
- Address emerging issues and risks
- Provide insights, not just test results

# Action items for internal audit

- Understand the business
- Understand the industry
- Be aware of emerging issues
- Be anticipatory, proactive and flexible
- Auditing skills to provide assurance regarding mitigated risks
- Consulting skills to support addressing new or unmitigated risks
- Provide useful results

# Strategic auditing


- Focusing on key and emerging strategies, objectives, and associated risks of the organization, for example:
  - Assess accuracy/completeness of management reporting
  - Pre-implementation assessments – systems, processes, organizations
  - Process re-design
- Remembering to answer “**Why?**” and “**So What?**”
- Demonstrating a balanced assurance and consultative role
- Helping management determine, implement and monitor risk mitigation activities which help achieve strategies

# IA supportive roles

Impact on Value	H	<b>Assurance of Preparedness</b> <ul style="list-style-type: none"> <li>Assess if risk mitigation in place and effectively designed and operating</li> <li>Maturity assessment</li> <li>Process design</li> <li>Data analytics</li> </ul>	<b>Enhance Risk Mitigation</b> <ul style="list-style-type: none"> <li>Control design</li> <li>Contingency plan assistance</li> <li>Problem solving assistance</li> <li>Process design</li> </ul>
	L	<ul style="list-style-type: none"> <li>Rotational coverage, if resources available</li> </ul> <b>Redeploy Resources</b>	<ul style="list-style-type: none"> <li>What-if analysis; scenario planning</li> </ul> <b>Measure for Cumulative Impact</b>
		L	H
		<b>Vulnerability</b>	

# Vision of the future

- Strategic alignment
- Risk based, business perspective
- Objective assurance and insight
- Professional delivery
- Reliable and useful recommendations and results



Trusted  
and valued  
advisor

# Core principles

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

# Continuing key challenges

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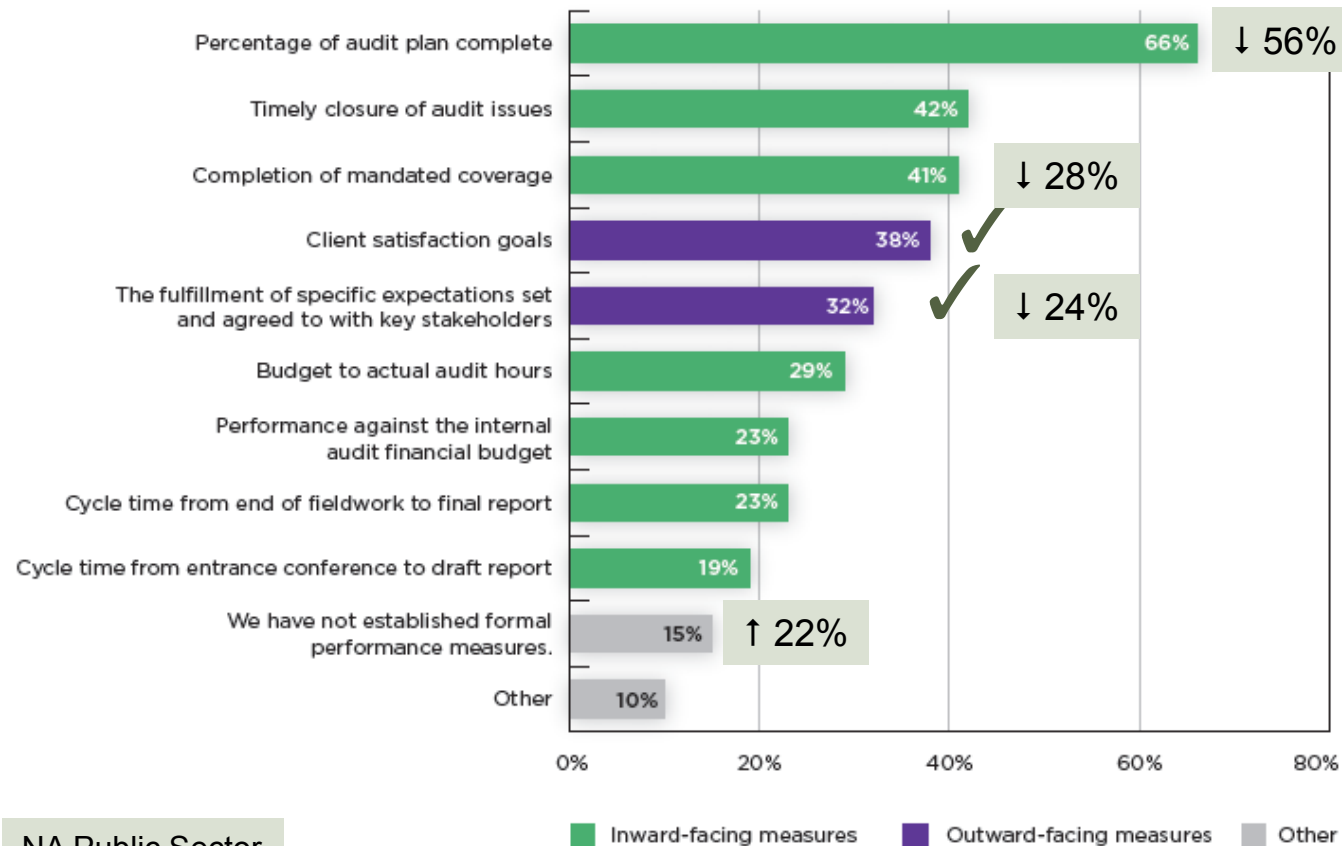


# Limited and limiting self view

- “We are the control experts.”
- “Our primary job is to test controls.”
- “We help management find issues before the regulators do.”
- “Our job is to help the organization succeed by
  - having effective governance processes,
  - avoiding or managing unacceptable risks,
  - executing efficient and effective processes.”

# Wrong measurements of success

**Exhibit 4 Measures Used for Internal Audit Performance (CAEs Choosing All That Apply)**



Note: Q90: What specific measures does your organization use to evaluate the performance of its internal audit activity? (Choose all that apply.) Green bars are inward-facing measures, purple bars are outward-facing measures, and gray are other options. CAEs only. *n* = 2,641.

# Aligned balanced metrics

- Considers results, not just process
  - Value delivered
  - Quality of service
- Considers people development

<b>Value</b> <ul style="list-style-type: none"><li>• No. of Management Requests (or % of Hrs.)</li><li>• Dollar Value of Revenue Enhancing/Cost Savings/Opportunity Savings (ROI)</li><li>• % of Recommendations Implemented</li></ul>	<b>Quality</b> <ul style="list-style-type: none"><li>• Customer Satisfaction Survey (feedback on results, not just process)</li><li>• Internal Quality Assessment Results</li></ul>
<b>People Development</b> <ul style="list-style-type: none"><li>• No. of Former Auditors in Leadership Roles</li><li>• "Key Contacts" Measure (how frequently did each auditor meet with key business relationship(s))</li><li>• Employee Turnover (Internal and External)</li><li>• % of Staff Certified; with Advanced Degrees</li></ul>	<b>Efficiency</b> <ul style="list-style-type: none"><li>• Timely Issuance of Reports / Average Days from Fieldwork Complete to Report Issuance</li><li>• Staff Utilization (Productivity)</li><li>• % of Plan Completed</li><li>• % of Projects Completed Within Budget</li></ul>

# Path forward and closing thoughts

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# Starts with the CAE

- Open minded, business judgment, courageous, evidence-based
- Understands and aligns with the organization's strategies and objectives
  - Identifies emerging risks; future focused
- Focuses on building relationships with the board and management
  - "We are all on the same team."
- Communicates strategic role, audit objectives, progress, and good and bad news effectively
- Builds a strong, professional competent team
  - Balanced performance metrics
- Role models and guides internal audit to trusted and valued advisor role

**Result:** **Trusted and Valued:** Objective assurance, consultative assistance and insights on achievement of strategies and objectives