



Audit Never Sleeps

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Chairman of the Global Board
The Institute of Internal Auditors

Today's Agenda

Audit Never Sleeps

Organizations Face Complex Risks

We Have an Opportunity to Add Value

How Do We Get There?

A Mission for Internal Audit



InternalAuditorOnline.org Blogs

Awareness About Internal Audit Should Also Focus on the Future

5 Bold Steps to transform Internal Audit's Image

Internal Audit's Relationship With Management Can Say a Lot About Organizational Culture

Proposed Changes to IIA Standards Will Raise the Bar Again

The FIFA Scandal: Five Lessons for Internal Audit

What 2015's Top 10 Blogs Tell Us About Internal Audit



The IIA's Beginnings



The IIA's first annual meeting was in New York City – the city that never sleeps.



Audit Never Sleeps

Our work offers round-the-clock assurance that our organizations are well-positioned to meet the challenges of a dynamic and complex business environment.





Organizations Face Complex R



Organizations Face Complex Risks

Cyber risk

Increased and evolving regulation

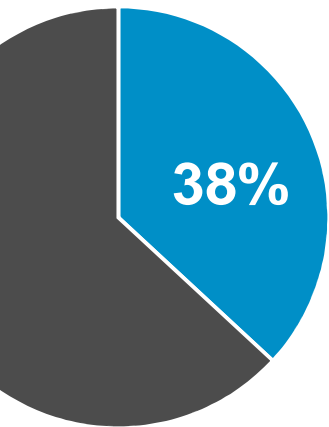
Reputation harm

Technology advancements and disruptive innovation

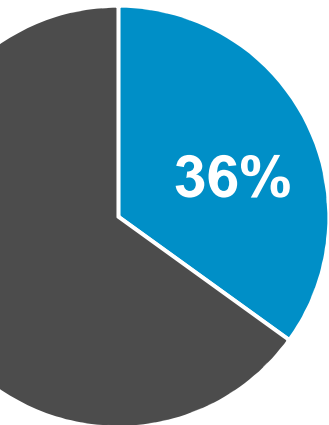
Global economic volatility



Cyber Breaches and Privacy/Information Security Continue to Plague Organizations



38% year-over-year increase in detected information security incidents



36% of corporate directors are not satisfied with the quality of information provided by management on cybersecurity and information technology risks

“Many executives are declaring cyber as the risk that will define our generation.”

— Dennis Cho
Global Risk Consulting Leader,

Regulation's Impact Is Growing

Regulation affects costs, growth, and innovation ... and regulation remains complex



83% say regulation's impact on organization is more significant compared with five years ago

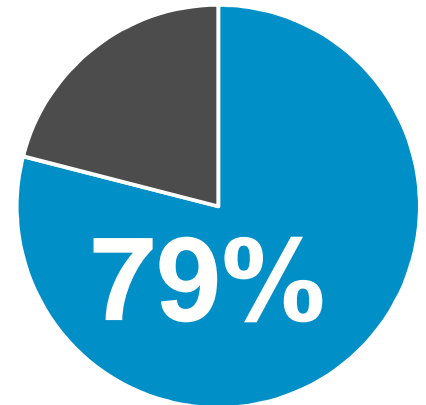


80% significant impact on business costs



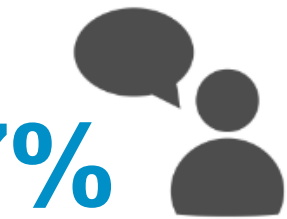
66% significant impact on growth opportunities

63% significant impact on innovation opportunities



say regulation impact their organization is complex

Reputation Events Can Have Outsized Impact



Executives rate reputation risk as more important than other strategic risks

Companies that experienced a negative reputation event were impacted in these areas:



41% Revenue/Earnings



41% Loss of Brand Value



37% Regulatory Investigation

Changes in Technology May Pose Risks That Are Difficult to Foresee

Disruptive innovation
Technological advancements
and new technologies



Global Economic Volatility Causes Risks to Emerge at a Faster Pace

Interconnectedness of economies

Volatility in global financial markets and currencies



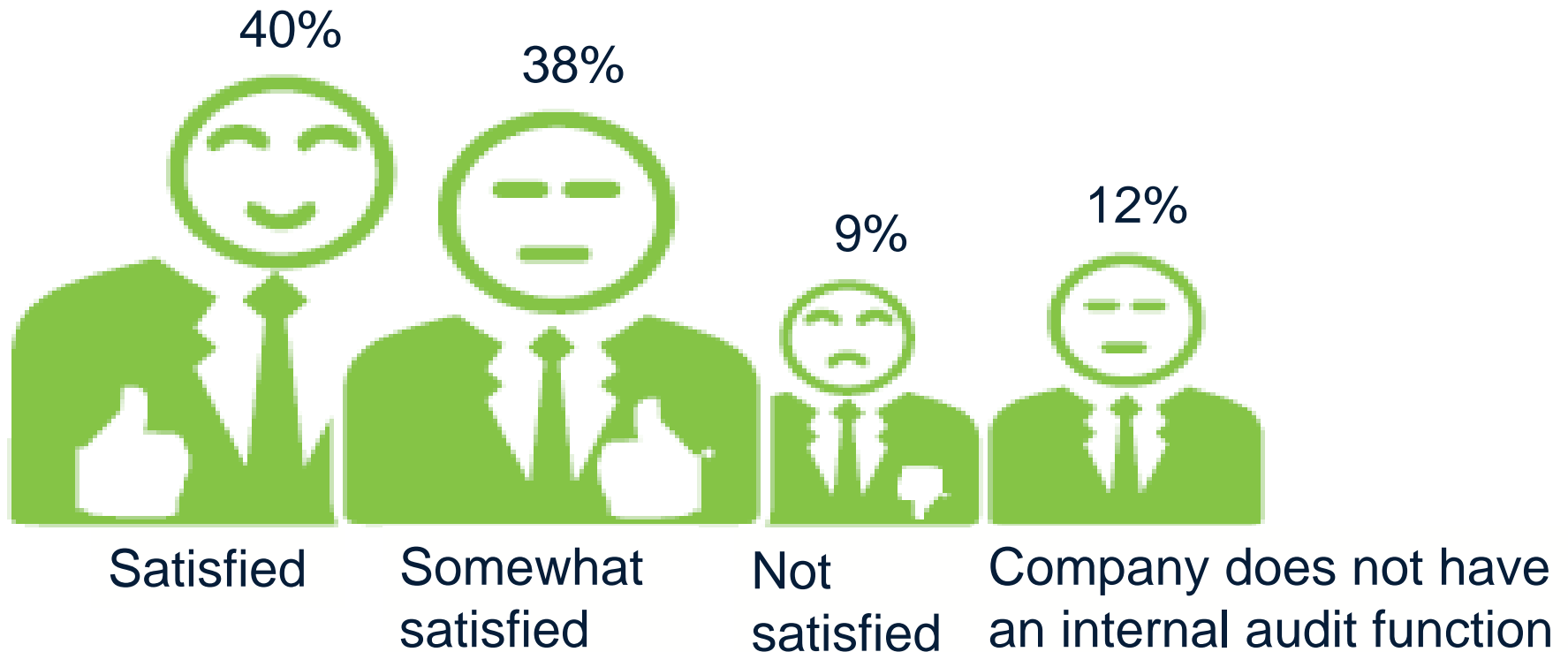


We Have an Opportunity to Add Value



We Have an Opportunity to Add Value

How satisfied are you in the value internal audit provides?



We Have an Opportunity to Add Value



10%

Agree that internal audit adequately responds to emerging risks

Should Internal Audit Go Beyond the Basics?

Areas beyond assurance that should be in scope for internal audit:



Q13: Which of the following areas should, beyond assurance, be in scope for internal audit? $n = 836$.
Source: Institute of Internal Auditors, Voice of the Customer: Stakeholders' Messages for Internal Audit, 2016.



Help Meet the Challenge

Know the risks. Audit the risks.

- Audit beyond traditional areas
- Align with organizational goals



Our Stakeholders Rely on Us



- They demand:
 - No surprises
 - Assurance **and** advisory services
 - Value



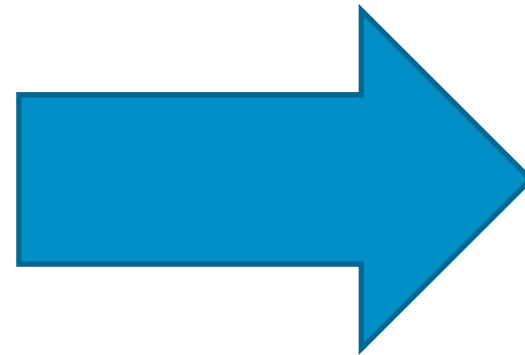
How Do We Get There?



How Do We Get There?



Fault Finder



Trusted Advisor





Communicate Well



A Trusted Adviser Communicates Well

Invests in relationships

Listens actively

Respects diverse perspectives

Uses formal and informal channels

98% of CAEs say communication skills are essential



Action Points: Board and Audit Committee Communication

Provide a quarterly update to the board and the audit committee on internal audit's work

Establish good, informal communication with executive and non-executive management

Produce timely, brief newsletters on points of interest to the board

Establish an ongoing performance evaluation by management and the board under Quality Assessment and Improvement Programs (QAIPs)





Become an Integrated Auditor



A Trusted Adviser Is an “Integrated Auditor”

Has a diverse set of competencies and soft skills

- Invests in new competencies
- Focuses on problem-solving
- Is able to compromise



Soft Skills Among Internal Auditors Are Lacking

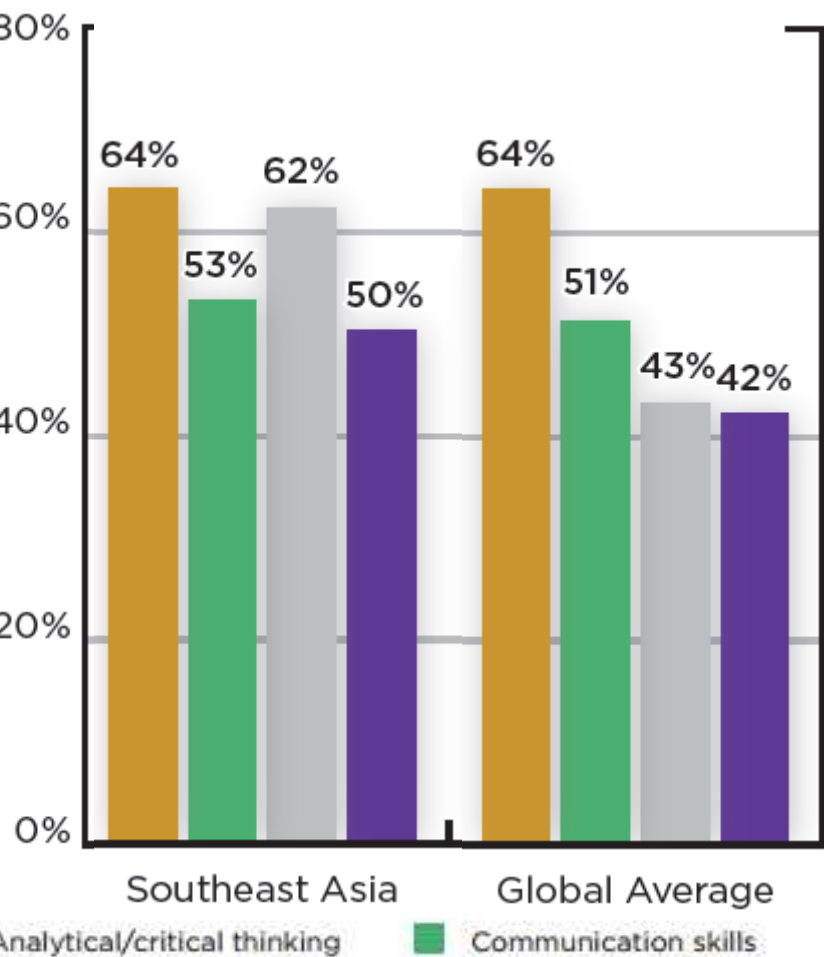
5% rated their average audit team member as not at all, slightly, or only moderately proficient in accounting for the organization's politics.

8% rated their average audit team member as not at all, slightly, or moderately proficient in balancing diplomacy with assertiveness.

3% rated their average audit team member as not at all, slightly, or only moderately proficient in managing conflict effectively.



Top 4 Skills Being Recruited for Internal Audit Department



- **Analytical/critical thinking** is the most important skill globally and in this region
- **Accounting** is in significantly higher demand in this region compared to the global average – higher even than **communication skills**

What skills are you recruiting or building the most in your internal audit department? (Choose up to five.) CAEs only. Includes only the top four skills by global average. *n* = 724 for Asia, *n* = 3,304 for global average.

Common Body of Knowledge Study.



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Do the Right Thing



A Trusted Adviser Is Transparent

The audit process:

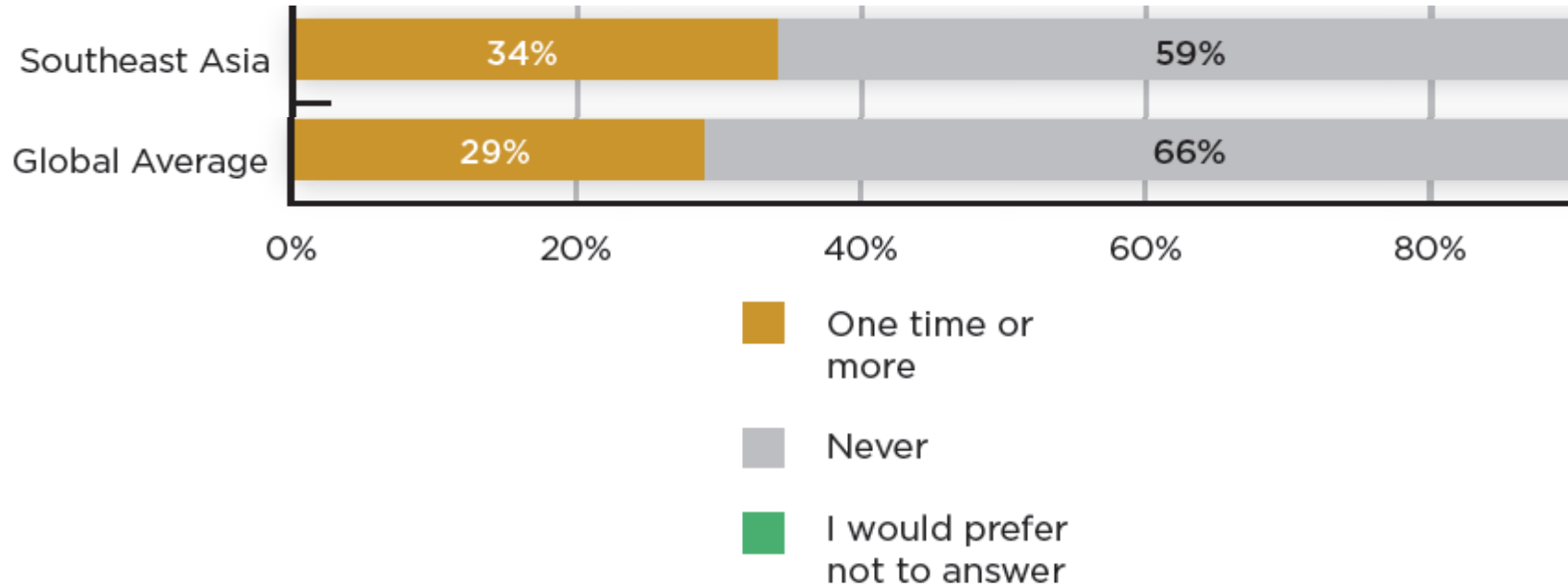
- Approved by management, board, audit committee
- Clearly defined judgment and assessment
- Clear and precise
- Well-documented with traceable evidence
- Tells the truth



A Trusted Adviser Acts With Integrity

ical
nest
gent
sponsible
spectful
stworthy
ective
e model

Pressure Felt to Change an Audit Finding or Report (CAEs Only)



Note: Q77: During your internal audit career, have you experienced a situation where you were directed to suppress, or sign, or modify, a valid internal audit finding or report? Due to rounding, some totals may not equal 100%. *n* = 549 for Asia. *n* = 2,614 for global average.



Be Strategic and Future-focu



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A Trusted Adviser Is Future-focused



- Keeps informed
- Adapts audit team's skills
- Anticipates future needs

A Trusted Adviser Thinks Strategically



43%

audit plan is not
aligned with
organization's strategy

- Understands key business risks
- Aligns audit plan with organization's strategic path
- Is proactive in advising stakeholders
- Collaborates inside, outside organization
- Benchmarks to peers

Source: 2015 Common Body of Knowledge Study, © 2015 Q.57



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Resources Used to Establish an Audit Plan

	Southeast Asia	Global Average
Used methodology	92%	85%
from management	69%	72%
of the organization's strategy and business objectives	71%	64%
Interactions with divisional or business heads	56%	62%
from previous year's audit plan	70%	61%
from the audit committee	69%	56%
from practice/regulatory requirements	64%	62%
Interactions with external auditors	24%	26%
from external auditors	15%	19%

- Action Points:

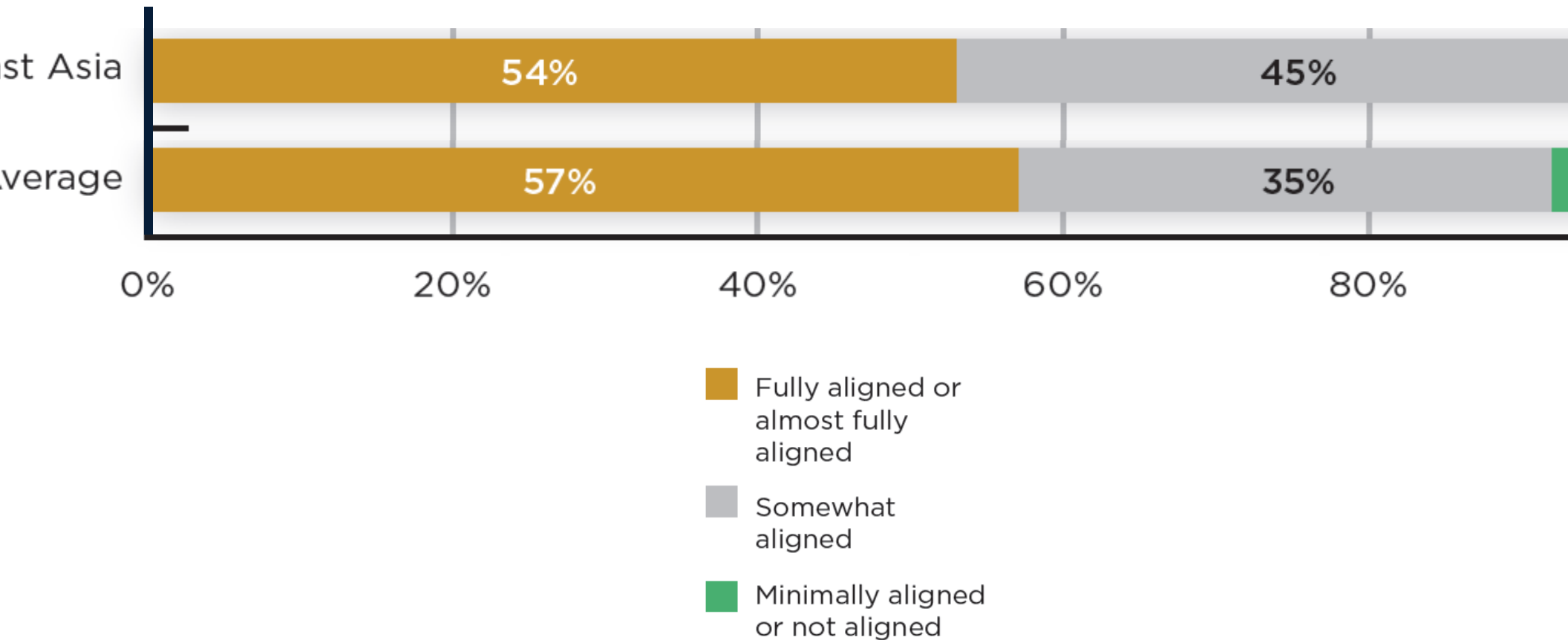
- Use a risk-based methodology
- Interact with management and the business units to determine risks

What resources do you use to establish your audit plan? (Choose all that apply.) CAEs only. Red text indicates a response notably lower than the global average, and blue indicates a response notably higher than global average. Black text indicates a response within 5% of global average. *n* = 671 for Asia. *n* = 3,040 for global average.

Non Body of Knowledge Study



Aligning Internal Audit With Strategic Plan



What extent do you believe your internal audit department is aligned with the strategic plan of your organization?

n = 594 for Asia. n = 2,756 for global average.



Action Points for Aligning With Strategy

Informal Methods

- Communicate with senior management as much as possible. Understand their interests, especially in achieving strategic objectives and the risks that threaten those goals
- Think from the perspective of the CEO and other senior management when you are planning and carrying out audit work to keep what is important to them in the forefront
- Think strategically — even when addressing daily issues — and share your point of view with colleagues



Action Points for Aligning With Strategy

Formal Methods

- Conduct periodic (at least annual) strategic risk assessment and prioritization of strategic risks confirmed in conjunction with management and the board
- Have a scalable audit plan flexible enough to accommodate or adjust to the changing risk profile during the year
- Align internal audit's risk assessment with the organization's risk management assessment





A Mission for Internal Audit



A Mission for Internal Audit

“To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”



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