

2018 IIA INDONESIA NATIONAL CONFERENCE

Nurturing Agile Internal Auditors in Disruptive Times

The Global Internal Audit: Imperatives in 2018 and Beyond

Richard Chambers, President IIA Global





The Global Internal Audit Profession

Imperatives in 2018 and Beyond

Richard F. Chambers

CIA, QIAL, CGAP, CCSA, CRMA
President and CEO

The Institute of Internal Auditors

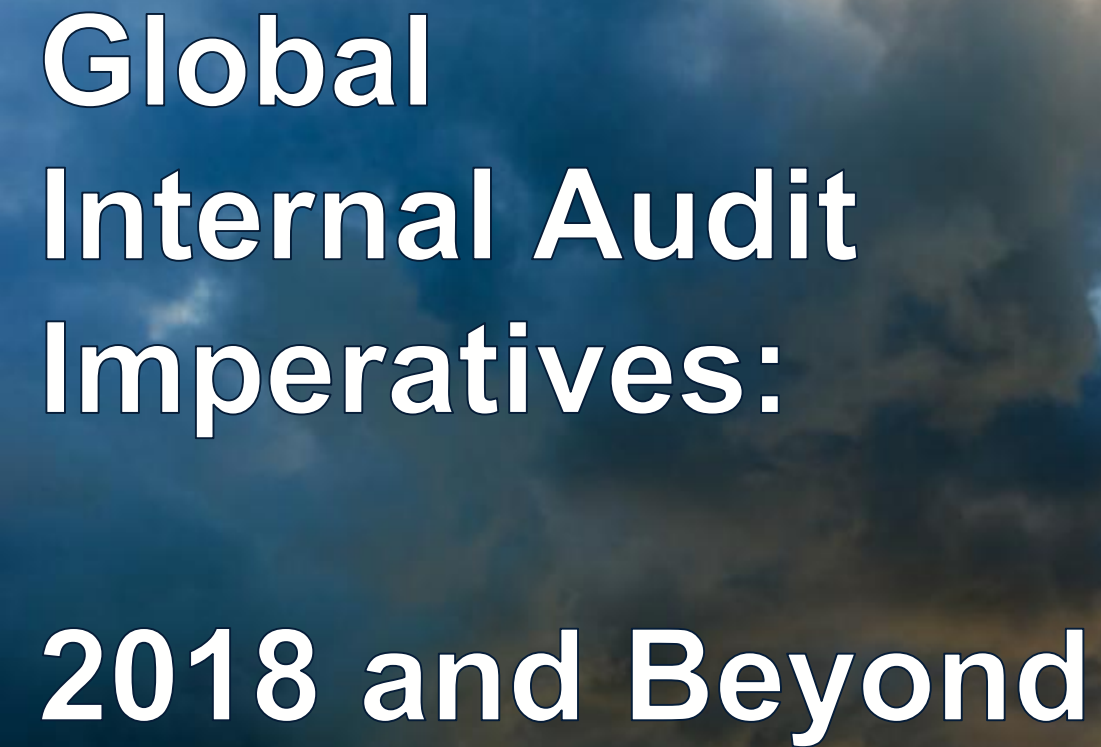


Overview

- Mounting Pressure on the Profession
- How Great Internal Audit Departments Are Preparing for 2018 and Beyond
- Parting Thoughts

Pressure Is Mounting on the Profession

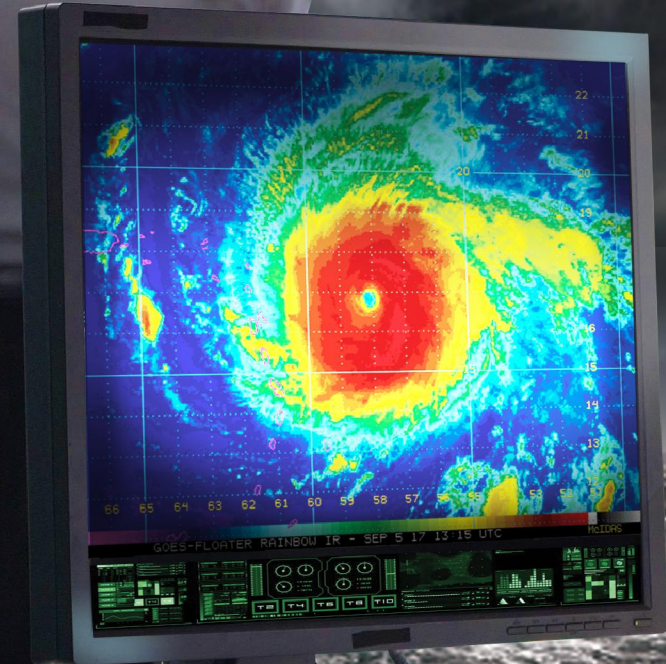
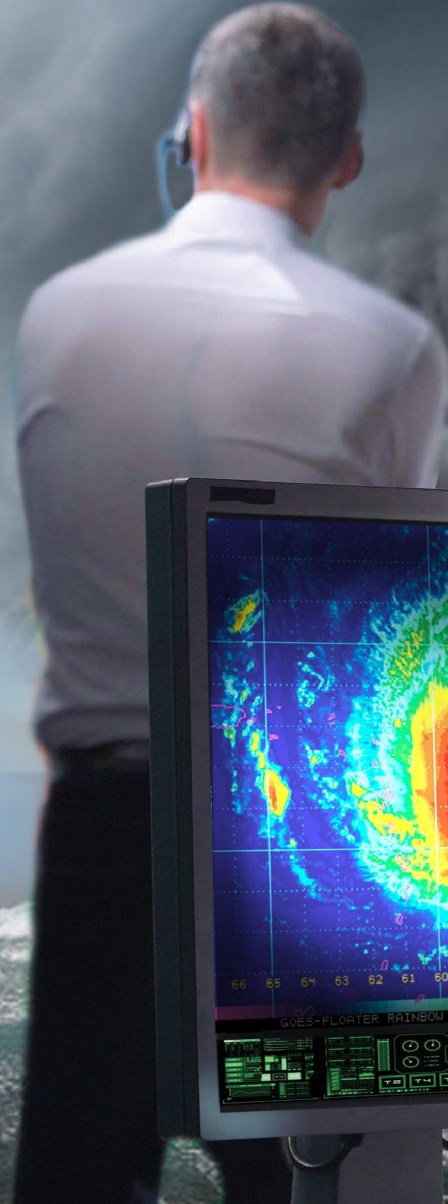




Global Internal Audit Imperatives: 2018 and Beyond

1. Maintain a Laser Focus on the Horizon.
2. Take the Offense in the War for Talent.
3. Sharpen and Deploy the Best Navigation Tools.
4. Be a Beacon for Transformation.
5. Sail *Toward* the Storm.

Maintain a Laser Focus on the Horizon



Maintain a Laser Focus on the Horizon



The Challenge for Internal Audit

- Risks are emerging at warp speed.
- Focusing on the horizon is essential to avoiding the post-crisis question:

**“WHERE WERE THE
INTERNAL AUDITORS?”**

The Imperative

- In focusing on the horizon:
 - Continuously assess risks.
 - Identify and swiftly respond to emerging risks.
 - Deploy “Doppler radar” to identify approaching storms.

Focus on the Horizon: Strategies for Success

Understand the Challenge

- How dynamic is your industry?
- Open a dialogue with management and the audit committee.
 - You need stakeholder support to focus on the horizon.

Key Indicators of Emerging Risks

- Economic forecasts
- Known strategic business risks facing your company
- New initiatives being planned
- Legislative and regulatory outlook
- Threats or opportunities facing your industry
- Primary competitors and their challenges
- Risks emerging as headlines via traditional or social media

Take the Offense



In the War for Talent

Take the Offense in the War for Talent

The Challenge for Internal Audit

- New risks mandate expertise in multiple areas.
- Experts are in high demand.
 - And they demand the best opportunities.

The Imperative

- To engage in the war for talent:
 - Understand stakeholder needs and expectations.
 - Assess existing competencies.
 - Develop and deploy strategies, including
 - Talent sourcing
 - Talent development
 - Succession
 - Continuously motivate and reward talent.



The War for Talent in East Asia/Pacific: The Battlefield in 2018

What Skills Are in Demand?

	Skills Being Actively Recruited	Rate
1	Analytical/Critical Thinking	74%
2	Communication	63%
3	Business Acumen	60%
4	Accounting and Finance	56%
5	Risk Management Assurance	55%
6	Process Improvement	52%
7	Data Mining and Analytics	50%
8	Innovative Thinking	45%
8	Industry-Specific Knowledge	45%
10	Cybersecurity and Privacy	39%

How Hard Are They to Find?

	Skills Most Difficult to Recruit
1	Cybersecurity and Privacy
2	Data Mining and Analytics
3	Industry-Specific Knowledge
4	Innovative Thinking
5	Fraud Investigations and/or Auditing
6	Business Acumen
7	Analytical/Critical Thinking
8	Risk Management Assurance
9	Persuasion and Collaboration
10	Process Improvement

Source: 2018 Global America Pulse of Internal Audit
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A vintage nautical chart with a grid of latitude and longitude lines. A red compass is visible in the bottom left corner, and a pair of dividers is in the bottom right corner. The chart features various geographical labels and scale markings.

Sharpen and Deploy The Best Navigation Tools

Sharpen and Deploy the Best Navigation Tools



The Challenge for Internal Audit

- Resource pace of growth has slowed.
- Environment is more complex.
- Expectations at an all-time high.

The Imperative

- Strive to audit smarter, better, and faster – and continuously deliver impact.
- Deploy leading technologies and practices to enhance capacity, effectiveness, and value.

Deploy the Best Navigation Tools

	Implementation of Technology Solutions	Full or Partial
1	Electronic workpapers	77%
2	Data analytics	62%
3	Automation of routine internal audit tasks (e.g. robotics process automation)	18%
4	Automation of analysis of evidence (e.g. automated judgement, artificial intelligence)	13%

- New technologies create agile and future-focused functions
- Today's tools of the trade:
 - Audit management systems
 - Data analytics
- Tomorrow's tools of the trade:
 - Robotics
 - Artificial intelligence (AI)
- Deploy solutions that will yield dynamic results/insights.

Be a Beacon For Transformation



Be a Beacon for Transformation

The Challenge for Internal Audit

- New market, value networks are disrupting at record pace.
- Established market-leading firms, products, and alliances are facing lethal risks.
- Innovation is often the only path forward.

The Imperative

- Champion transformation built on innovative thinking/actions.
- Provide stakeholders insight into best innovation processes/frameworks.
- Shine a light on:
 - Disruptive threats
 - Targets for transformation
 - Risks and controls throughout transformation processes



Sail Toward The Storm



Sail Toward the Storm



The Challenge for Internal Audit

- Tendency to avoid controversial topics, such as:
 - Executive compensation
 - Legal compliance
 - Corporate culture
 - Harassment/misconduct (gender, ethnicity, etc.)
- Looking the other way only compounds risks.
- Some internal auditors experience “courage deficit.”

The Imperative

- Internal auditors must:
 - Follow the risks – wherever they are.
 - Be willing to push on closed doors.
 - Summon the courage to sail toward (and even chase) the storm.

Parting Thoughts

A man in a dark suit is walking from left to right across a road that splits into two paths. The left path leads to a peaceful sunset over green hills, while the right path leads to a stormy, lightning-filled sky. The man is walking on the white line that separates the two paths.

In the Past:

We were focused on controls – to ensure the organization's resources were protected.

In the Future:

We must be recognized as critical to protecting and enhancing organizational value!

Thank You!

The Institute of Internal Auditors

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer

richard.chambers@theiia.org

 [twitter@RFChambers](https://twitter.com/RFChambers)

