

Internal Audit 2017: Global Trends and Outlook

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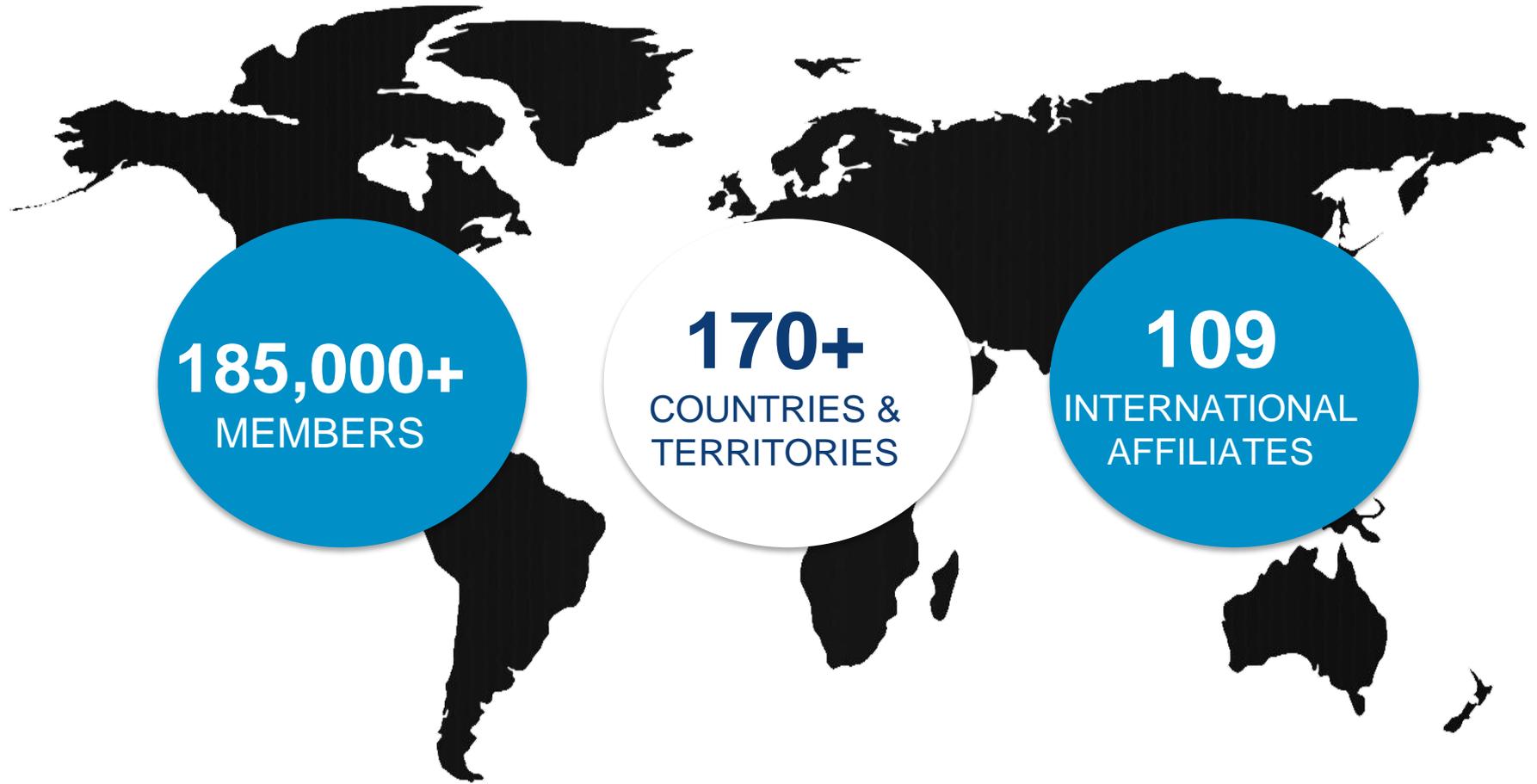
**The Institute of
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Global Trends and Outlook: Overview

- The Global IIA
- The profession in 2017
- Five strategies for the future
 - Following the Voice of the Customer
 - Striving for agility
 - Transforming our talent
 - Revolutionizing our processes
 - Elevating our image

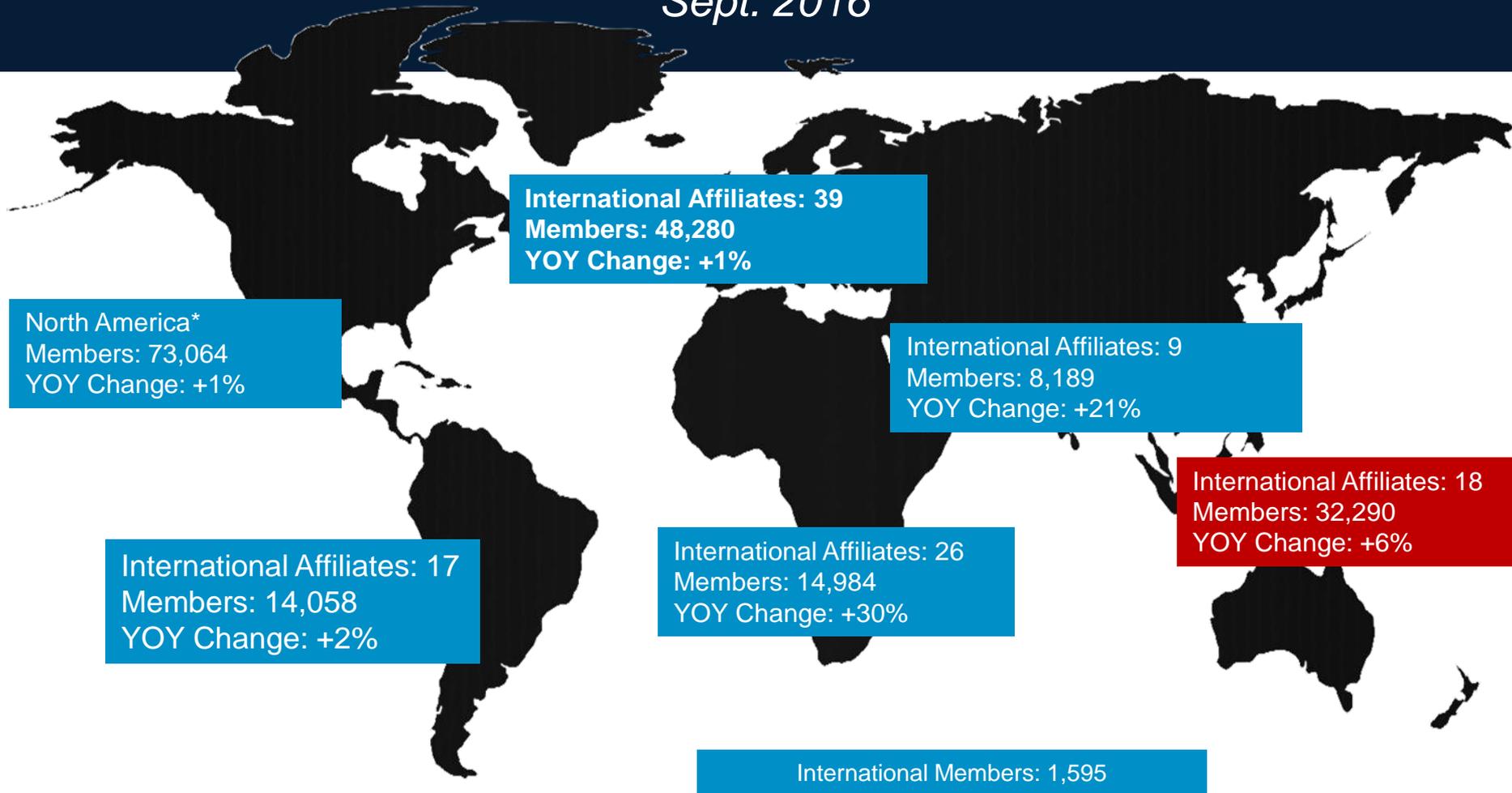


The Global IIA in 2017



Members by Region

Sept. 2016



North America*
Members: 73,064
YOY Change: +1%

International Affiliates: 39
Members: 48,280
YOY Change: +1%

International Affiliates: 9
Members: 8,189
YOY Change: +21%

International Affiliates: 18
Members: 32,290
YOY Change: +6%

International Affiliates: 17
Members: 14,058
YOY Change: +2%

International Affiliates: 26
Members: 14,984
YOY Change: +30%

International Members: 1,595

**North America includes US, Canada and chapters in Caribbean
YOY Growth from Sep 2015 – Sep 2016*

Global Certifications & Qualifications

CIA: 142,283

CRMA: 14,691

CCSA: 7,174

CFSA: 6,632

CGAP: 4,758

QIAL: 530

CIA growing
globally almost
40% since 2011

Internal Audit: The Profession in 2017



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Where We Are Today: 2016 Emerging Trends

Powered by Global Pulse of Internal Audit

Our Global Pulse of Internal Audit survey collected data from **2,254** survey respondents from **111** countries or territories.

- 17% of survey respondents were from the Asia-Pacific region
- The report is available now from your Institute or at www.theiia.org/gpi



Where We Are Today: 2016 Emerging Trends

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Enhanced stature and growth:

- Approaching half (45%) report administratively to the CEO*
- Nearly three-quarters (73%) report functionally to the board/audit committee*
- 35% expect budgets to increase (only 9% expect a decrease)
- 26% expect staffing to increase (only 6% expect a decrease)

*or equivalent

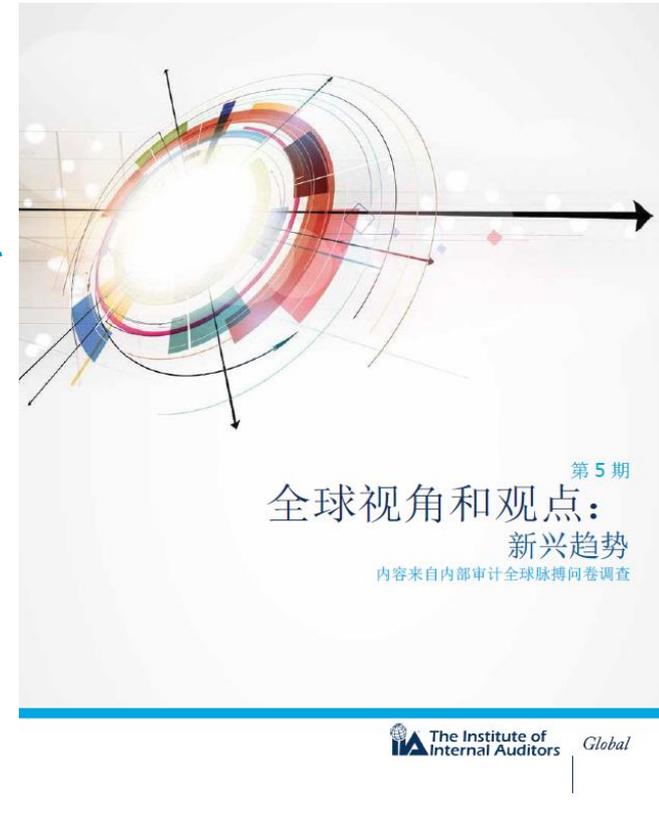


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Increased time devoted to critical areas:

- Risk management assurance (43%)*
- Strategic business risks (42%)*
- Corporate governance (31%)*



*Percent of respondents who indicated they will increase efforts over the next twelve months

Where We Are Today: 2017 Emerging Trends

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The need to focus on auditing culture:

- 86% agree that their internal audit departments understand risks associated with organizational culture, yet...
 - Only 53% indicate that their internal audit departments understand how to audit culture, and
 - Only 28% say they actually are auditing culture



Where We Are Today: 2017 Emerging Trends

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The need to focus on cybersecurity:

- 93% agree that their internal audit departments understand risks associated with cybersecurity, yet...
 - Only 61% indicate that their internal audit departments understand how to audit cybersecurity, and
 - Disappointingly, 25% say they have not audited cybersecurity



Where We Are Today: 2017 Emerging Trends

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The need to focus on big data:

- 92% agree that their internal audit departments understand risks associated with big data, yet...
 - Only 71% indicate that their internal audit departments understand how to audit big data, and
 - 26% say they have not audited big data*

*In organizations that have made or plan to make an investment in big data



Where We Are Today: 2017 Emerging Trends

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Achieving trusted advisor status:

- Stakeholders want us to raise the bar, but...
 - 28% say they rarely or never participate in major organizational change initiatives,
 - 31% are never invited to join a full board meeting, and
 - Only 26% of CAEs view themselves as members of executive management



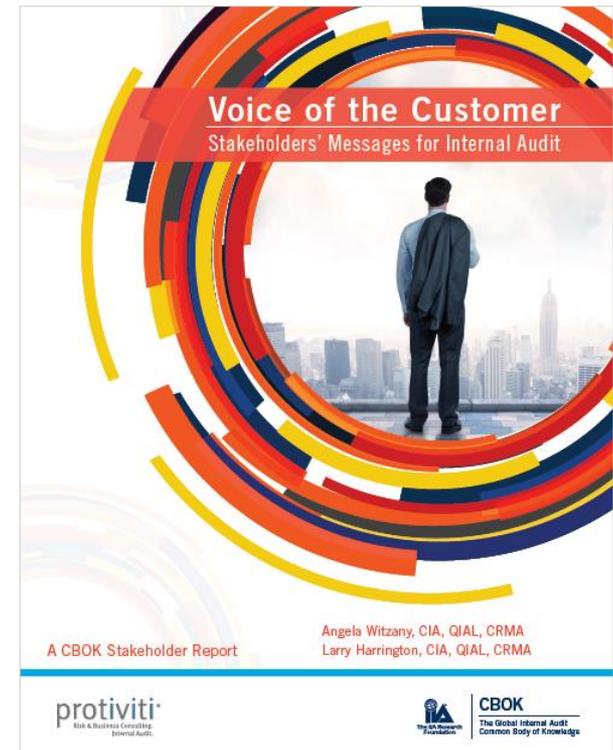
The Outlook for Internal Audit: Five Strategies for the Future



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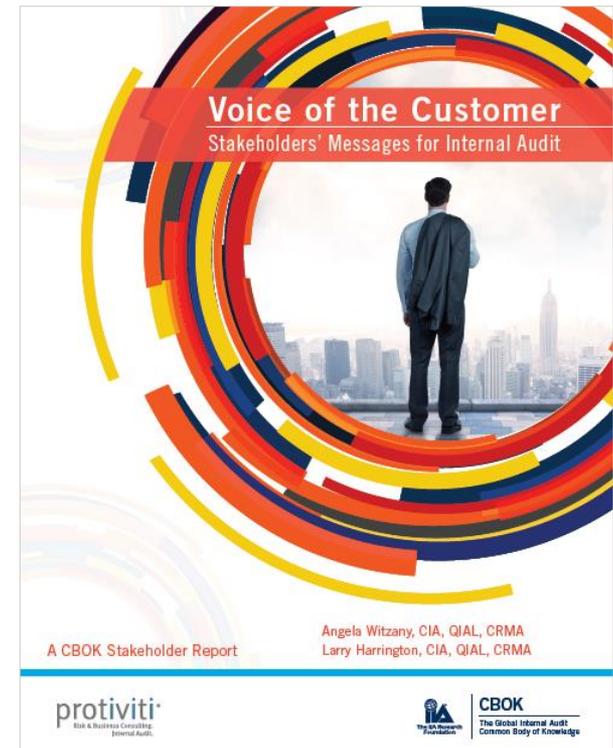
Voice of the Customer: Stakeholders' Messages for Internal Audit

- The Internal Audit Foundation and Protiviti
- The CBOK Stakeholder Study:
 - 1,124 survey participants
 - 112 interview participants
 - 23 countries
 - 13 languages
- The Participants:
 - 34% - Board members
 - 15% - CEO's
 - 18% - CFO's
 - 34% - Others in the C-suite



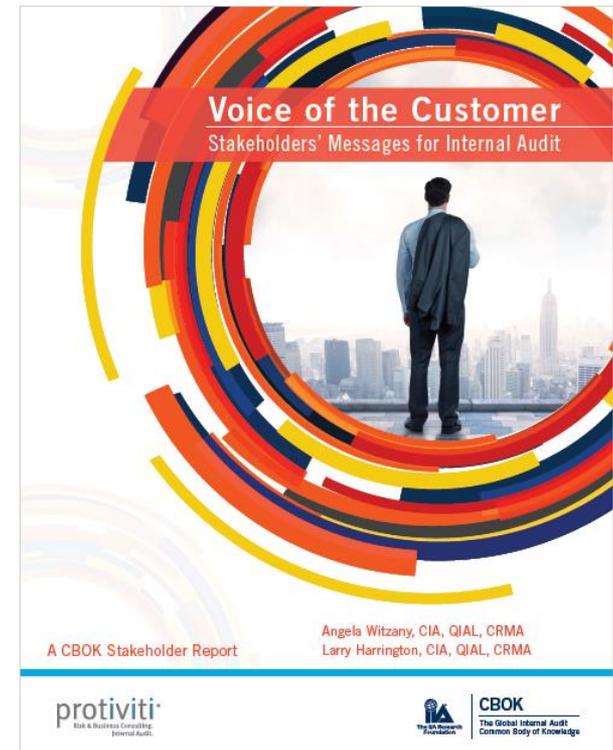
Poised for the Future: Respond to the Voice of the Customer

- Know your organization's mission, strategy, objectives and risks.
- Assurance work:
 - comes first
 - is highly valued
 - is most valued when aligned with strategic risks
- Advisory work:
 - is highly desired
 - should align with areas related to risks
- Build relationships with management and board members



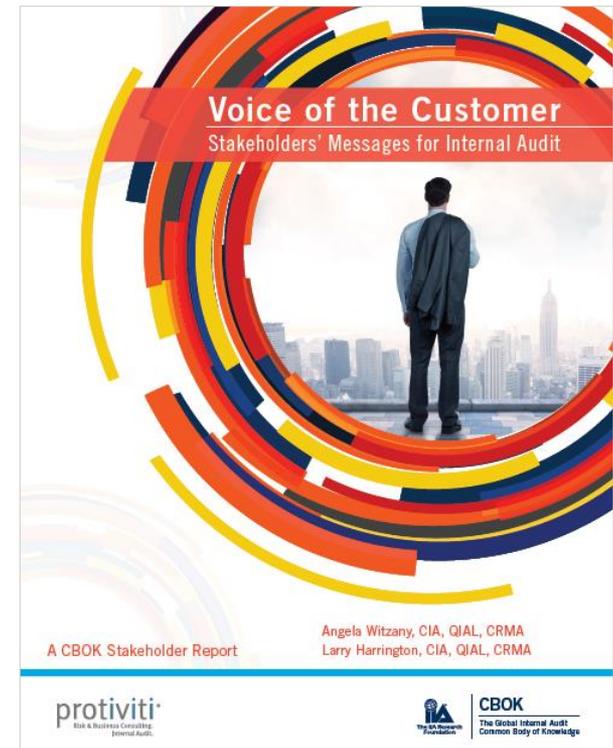
Poised for the Future: Respond to the Voice of the Customer

- Conformance with the IPPF is expected
- When it comes to communications:
 - communicate observations and opinions frequently
 - do not rely solely on written communications
- Coordinate with second line of defense and rely on objective and reliable assurance work
- Internal audit must be structured properly in the organization



Poised for the Future: Respond to the Voice of the Customer

- Key “action items” for internal auditors:
 - Become masters in knowing the mission, strategy, objectives and risks of your organization.
 - Explicitly consider both current and future risks when planning assurance work.
 - Take advantage of internal audit’s unique role to bring increased understanding of risk and risk management to the entire organization.





Poised for the Future: Striving for Agility

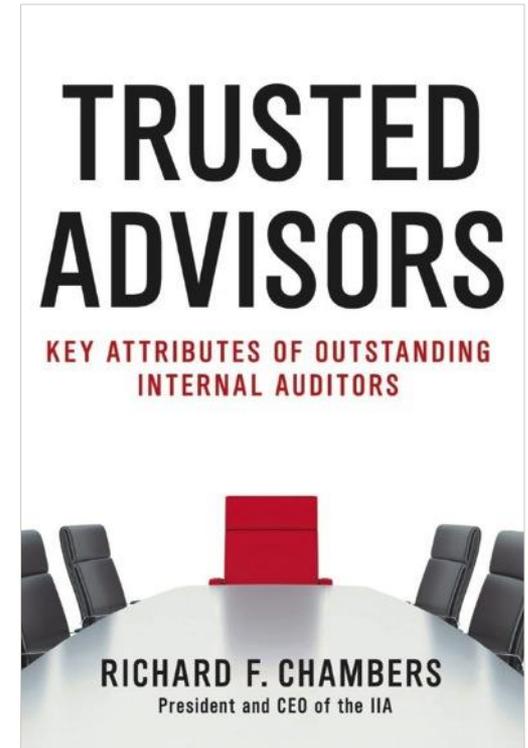
- The winds of risk shift rapidly
- Emerging risks:
 - Cybersecurity
 - Business continuity
 - Unhealthy culture
 - Geopolitical instability
 - 21st century technology risks
 - Cloud computing
 - Mobile technology
 - Social Media

Poised for the Future: Striving for Agility

- The good news:
 - 91% assess risks
 - 85% develop risk-based plans
- Yet CBOK revealed we are not “auditing at the speed of risk”
 - 63% update audit plans no more than twice a year
 - 15% have “highly flexible plans”
 - 31% don’t update risk assessments
 - Only 21% deploy continuous risk assessment methodologies

Poised for the Future: Transforming our Talent

- Emerging risks demand different skills
- Transformation necessitates an effective talent management strategy
- We must transform talent by:
 - Development
 - Acquisition
 - Sourcing



Poised for the Future: Transforming our Talent

Top 5 Skills Being Recruited by Internal Audit Departments

- 1 Analytical/Critical thinking
- 2 Risk Management Assurance
- 3 Forensics and Investigations
- 4 Information Technology
- 5 Communication Skills

Poised for the Future: Revolutionizing Our Processes

- Our processes limit our capacity, our efficiency, and ultimately our value
- Streamline processes to multiply our capacity and impact
 - Risk assessment
 - Audit planning
 - Audit fieldwork
 - Audit reporting
- Leveraging technology
 - Data mining and analytics
 - Internal audit management systems
 - Mobile tools

Poised for the Future: Elevating our Image

- Professions serve the public interest
- Advocacy is critical to elevating our image – but “it begins at home”
 - Well crafted strategic plans
 - Alignment with the business
 - Dynamic risk-centric audit plans
 - Quality assurance and improvement
 - Continuous feedback and realignment
- The IIA advocates to:
 - Legislators
 - Regulators
 - Standard setters
 - The media and public



Thank You!

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