



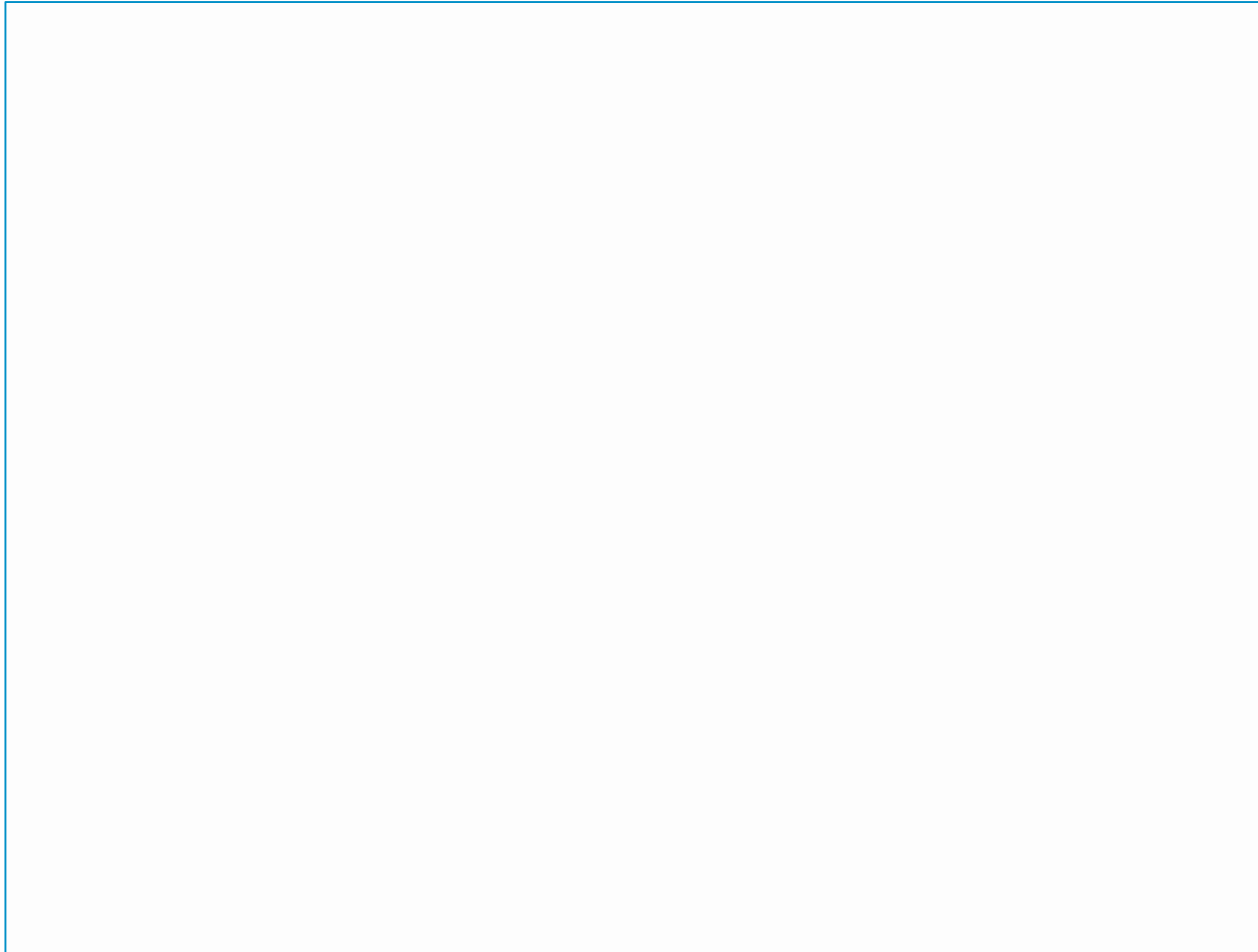
Changing Times, Changing Environment: What Lies Ahead

Angela Witzany, CIA, QIAL, CRMA
Senior Vice Chairman of the Global Board

Outline

- Organizations face complex risks
- We have an opportunity to add value
- How do we get there?
- A mission for internal audit
- Audit Never Sleeps

IPPF FUN VIDEO



The Global IIA in 2015



180,000+

MEMBERS

170+

COUNTRIES

100+

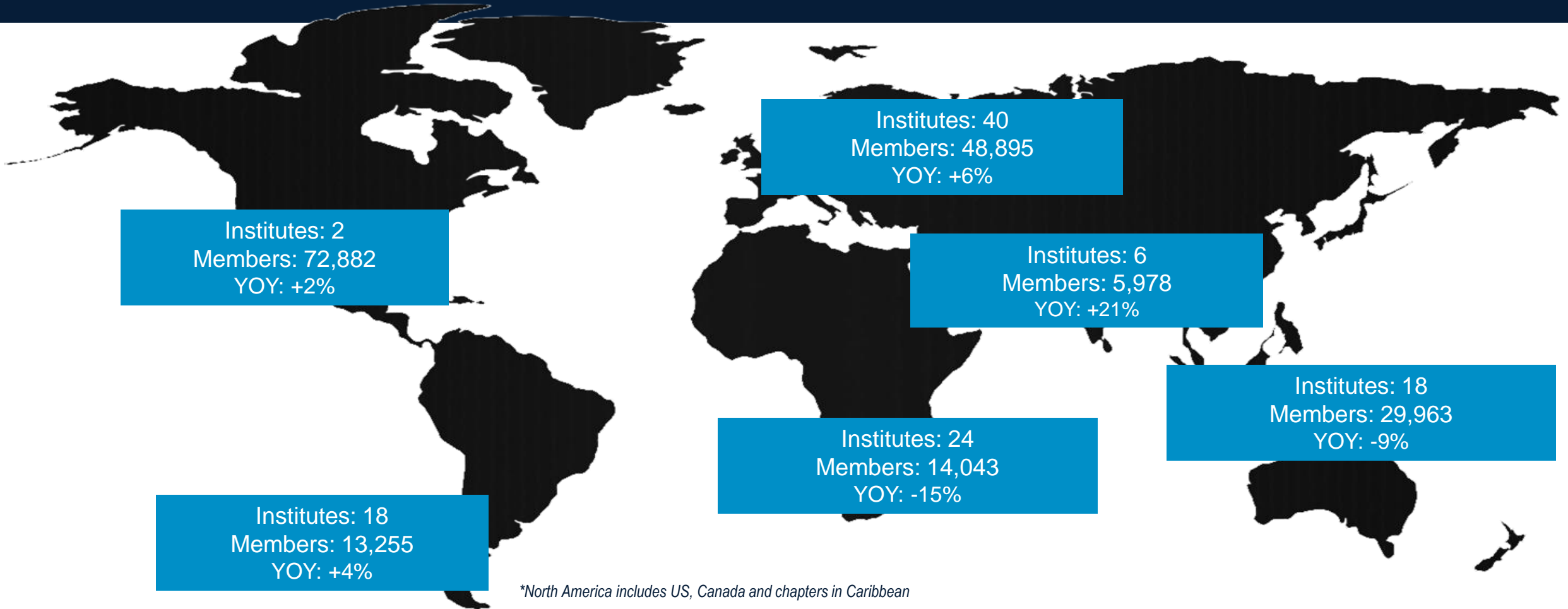
INSTITUTES

161

CHAPTERS

Members By Region

May 2015



**North America includes US, Canada and chapters in Caribbean*

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**



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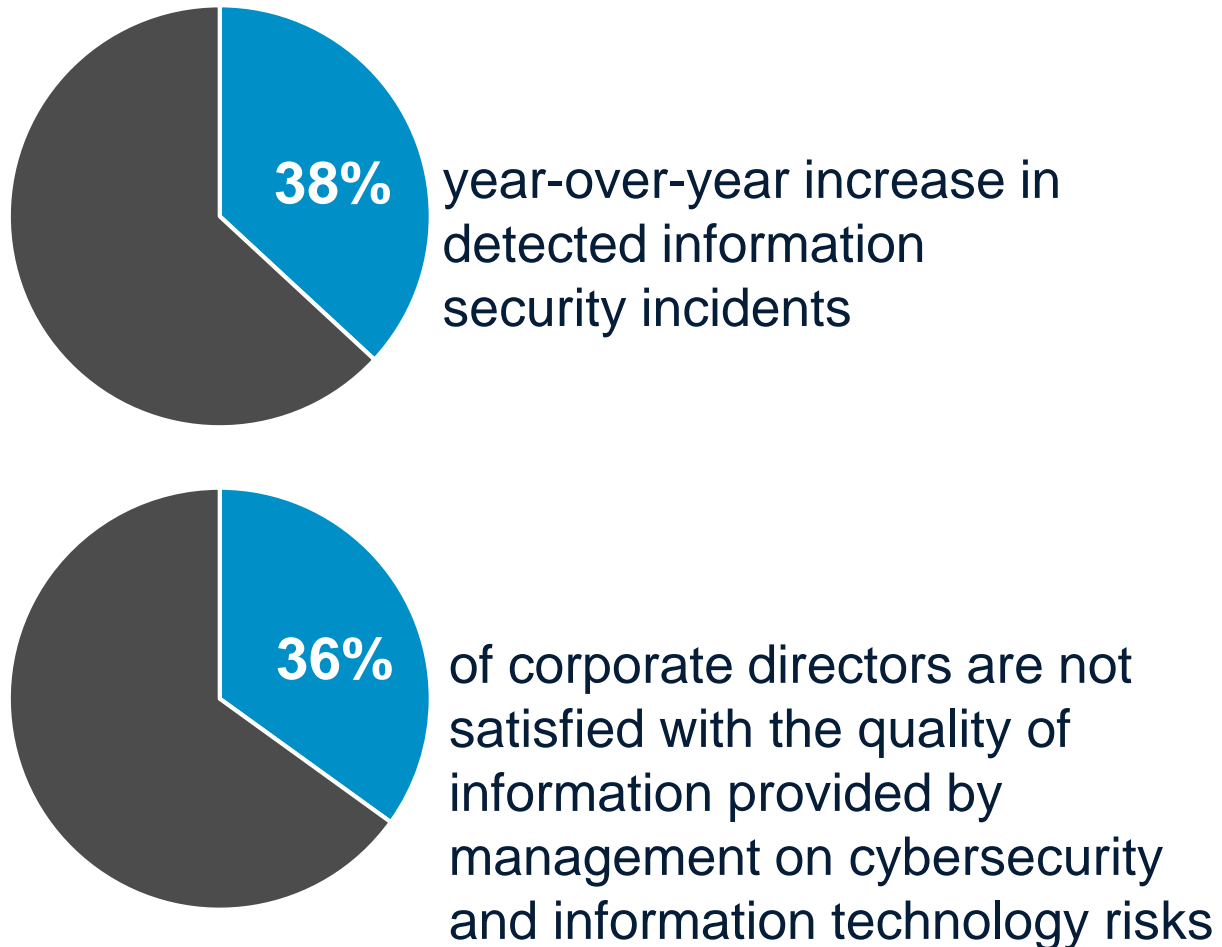
Organizations Face Complex Risks

Organizations face complex risks

- Cyberrisk
- Increased and evolving regulation
- Reputational harm
- Emerging issues



Cyber risk continues to plague organizations



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

— Dennis Chelsey,
Global Risk Consulting Leader, PwC

Regulation's impact is growing

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



83%

said regulation's impact on organization is more significant compared to five years ago



80%

significant impact on business costs



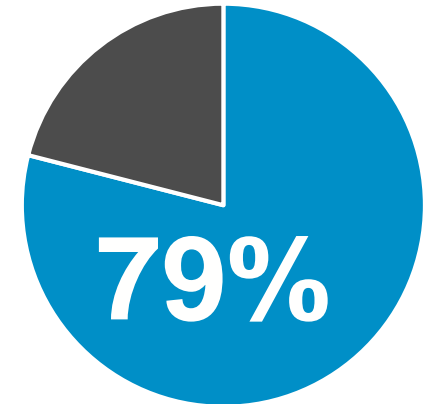
66%

significant impact on growth opportunities



63%

significant impact on innovation opportunities



said the regulation impacting their organization is complex

Reputation events can have outsized impact

87% 
of 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

Risks emerge at a faster speed

- Among the top 10 risks in 2016:
 - Economic conditions
 - Privacy and information security
 - Succession challenges, ability to hire/retain talent
 - Rapid speed of disruptive innovation and new technologies
 - Volatility in global financial markets and currencies
 - Sustaining customer loyalty and retention

Imperative to Audit at the Speed of Risk

- Vast majority use risk-based methodologies when planning
- But, emerging risks present a challenge
- Risks often materialize with little or no warning
- Decades of accumulated value can evaporate
- We must be able to “audit at the speed of risk”

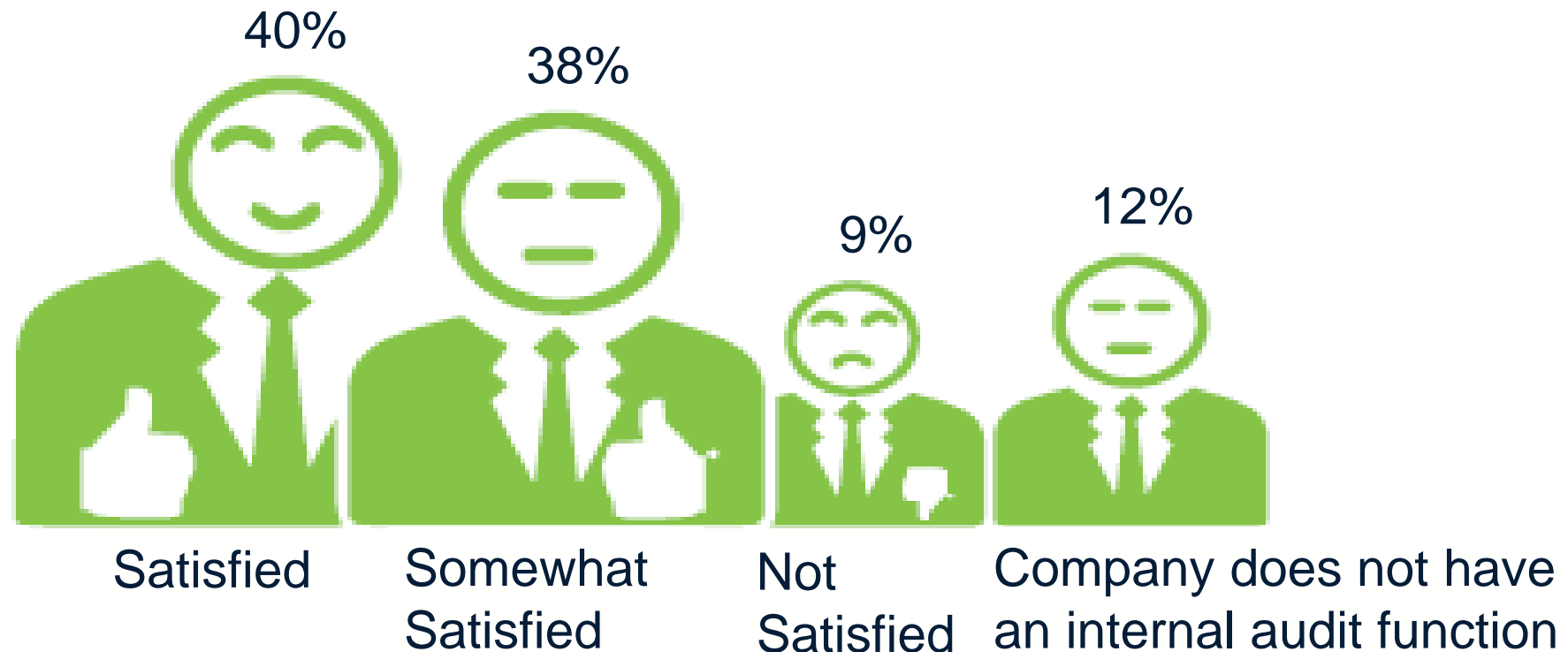




We have opportunity to add value

We have opportunity to add value

How satisfied are you in the value internal audit provides?



We have opportunity to add value



The value of internal audit

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



Should internal audit go beyond the basics?

Areas Beyond Assurance that Should Be in Scope for Internal Audit:

85%



Identify known/emerging risk areas

78%



Facilitate/monitor effective risk management practices

78%



Identify appropriate risk management frameworks/practices/processes

Help meet the challenge

- Know the risks. Audit the risks.
 - Audit beyond traditional areas
 - Align with organizational goals



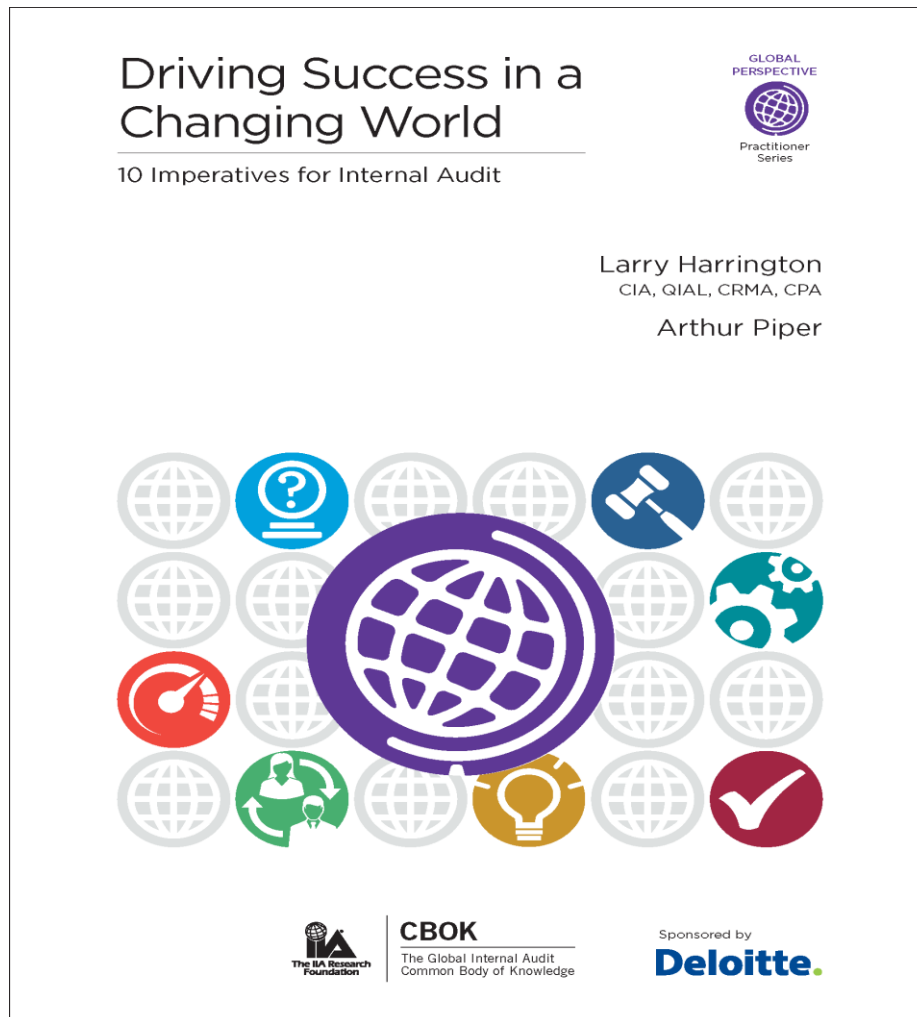
Our stakeholders rely on us



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

10 Imperatives for Internal Audit

Driving Success in a Changing World: *10 Imperatives for Internal Audit*



Available free of charge:
www.theiia.org/goto/CBOK



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Overview: The 10 Imperatives

Play a Leading Role

1. Anticipate the needs of stakeholders
2. Develop forward-looking risk management practices
3. Continually advise the board and audit committee
4. Be courageous

Beat the Expectations Gap

5. Support the business's objectives
6. Identify, monitor, and deal with emerging technology risks
7. Enhance audit findings through greater use of data analytics
8. Go beyond The IIA's *Standards*

Invest in Excellence

9. Invest in yourself
10. Recruit, motivate, and retain great team members



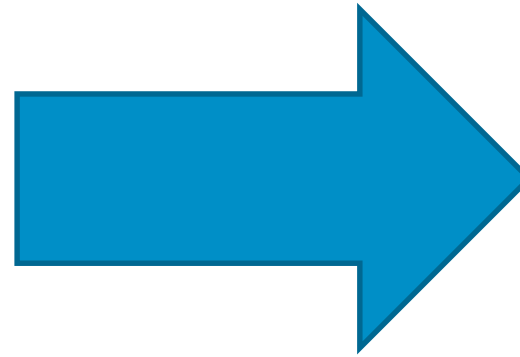


How do we get there?

How do we get there?



Fault-finder



Trusted adviser



Communicate well

A trusted adviser communicates well

- Invests in relationships
- Listens actively
- Respects diverse perspectives
- Uses formal and informal channels





Become an integrated auditor



A trusted adviser is an “integrated auditor”

- Has 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

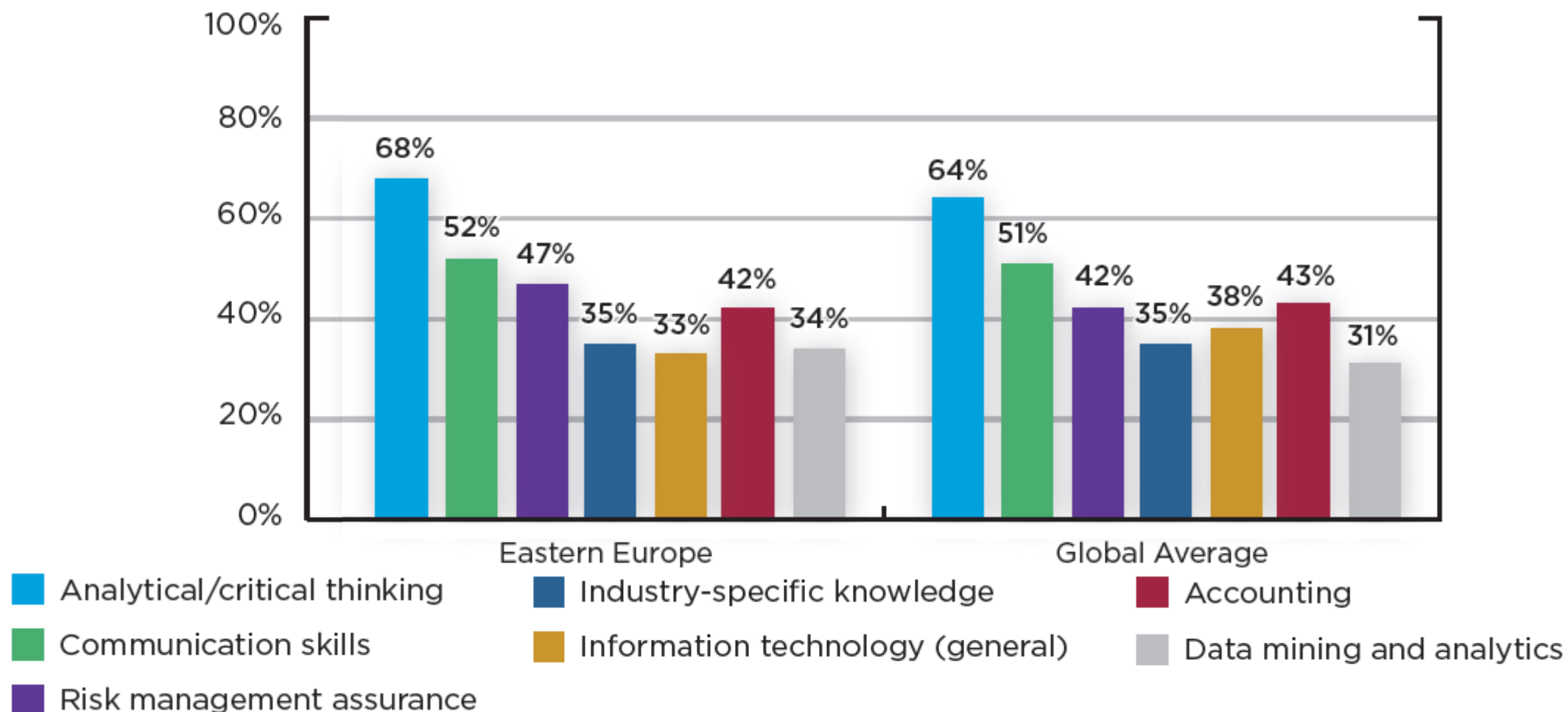
65% rated their average audit team member as not at all, slightly, or only moderately proficient in accounting for the organization's politics.

58% rated their average audit team member as not at all, slightly, or moderately proficient in balancing diplomacy with assertiveness.

63% rated their average audit team member as not at all, slightly, or only moderately proficient in managing conflict effectively.



Skills being recruited for internal audit departments



Note: Q30: What skills are you recruiting or building the most in your internal audit department? (Choose up to five.) CAEs only. n = 927 for Europe. n = 3,288 for global average.



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Do the right thing



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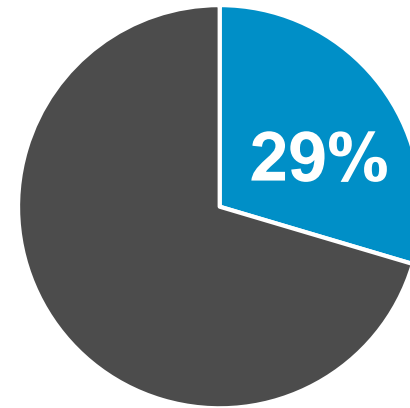
A trusted adviser is transparent

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



A trusted adviser acts with integrity

- Ethical
- Honest
- Diligent
- Responsible
- Respectful
- Trustworthy
- Objective
- Role model



of CAEs in Europe say they have been asked to modify or suppress legitimate audit findings at least once during their careers

2015 Common Body of Knowledge, Q77, n = 774.



Be strategic and future-focused

A trusted adviser thinks strategically



43%

say audit plan is not well-aligned with organization's strategy

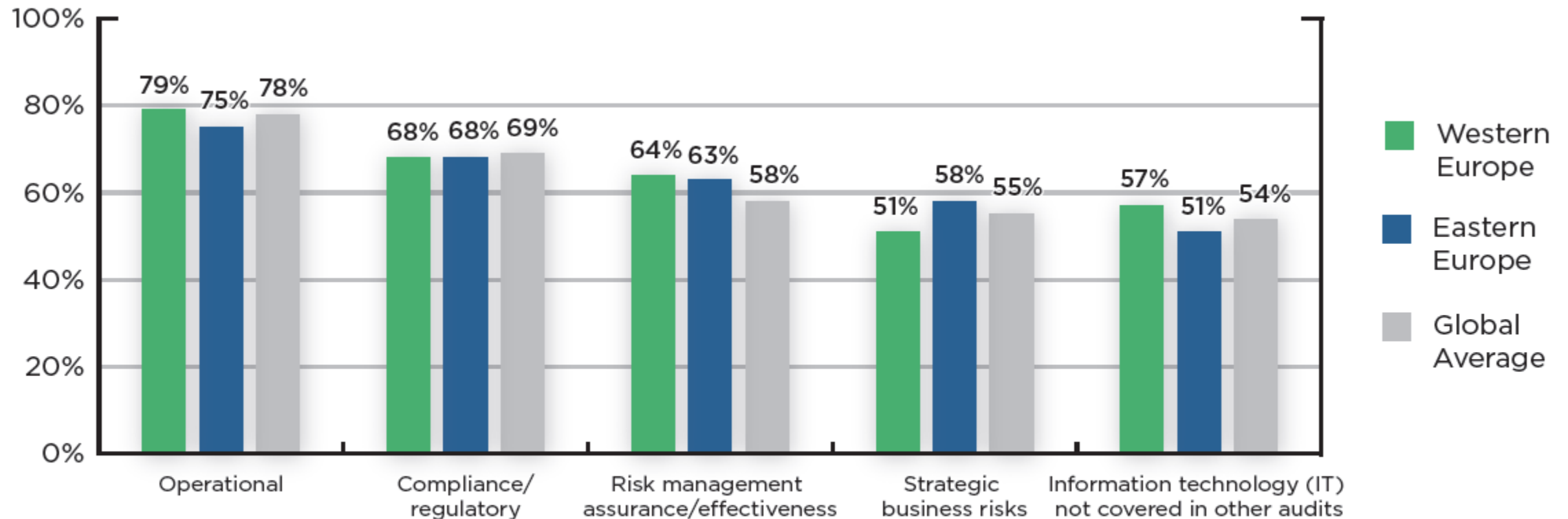
- Understands key business risks
- Aligns audit plan with organization's strategic path
- Is proactive to advise stakeholders
- Collaborates inside, outside organization
- Benchmarks to peers

A trusted adviser is future-focused



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

Anticipate future needs

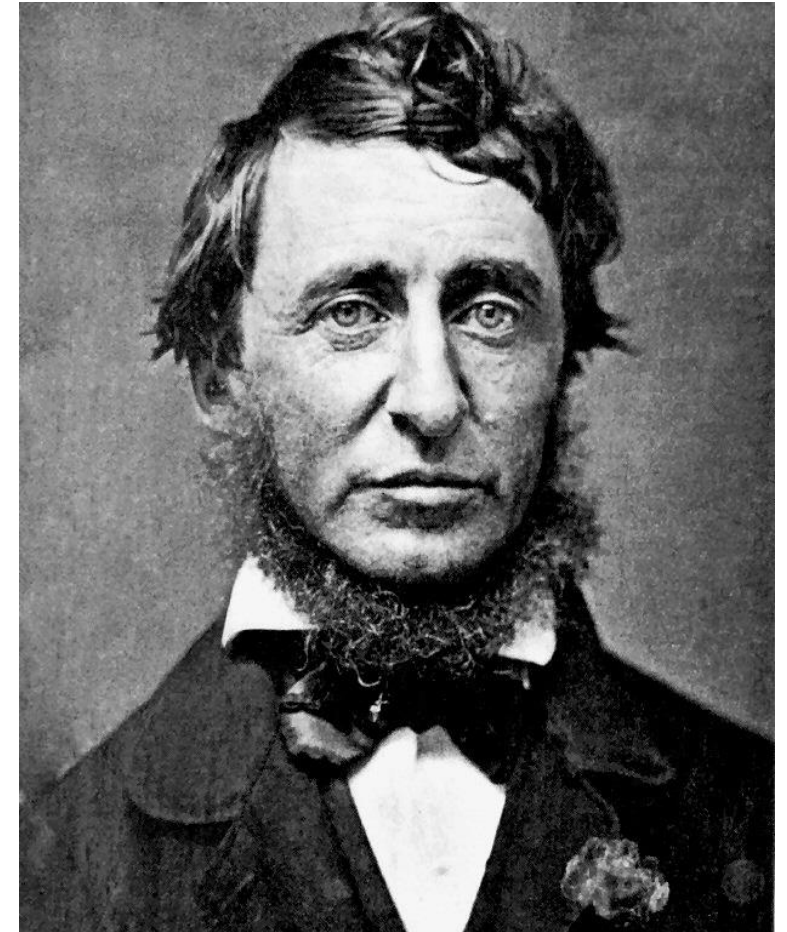


Note: Q66: Please identify the top five risks on which your internal audit department is focusing the greatest level of attention in 2015. CAEs only. $n = 798$ for Europe. $n = 2,742$ for global average.

Internal auditors are trusted advisers

“What lies behind us and what lies ahead of us are tiny matters compared to what lives within us.”

- Henry David Thoreau





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.”



Audit Never Sleeps

