

A man and a woman are standing in a server room, looking at a device held by the man. The man is wearing a grey sweater over a white shirt and a blue lanyard. The woman is wearing a white shirt and a blue lanyard. The background shows server racks and a blue-toned environment.

The Future of Internal Audit

A webinar series

IIA Norway in collaboration with EY
March 19th, 2021 | Oslo



**The Institute of
Internal Auditors**



EY

**Building a better
working world**

Welcome to the first of four IIA
Webinars hosted by EY

Webinar #1 The Case for Change

Webinar #2 Technology

Webinar #3 People

Webinar #4 Organizing the Future IA



Today's speakers



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Today's agenda

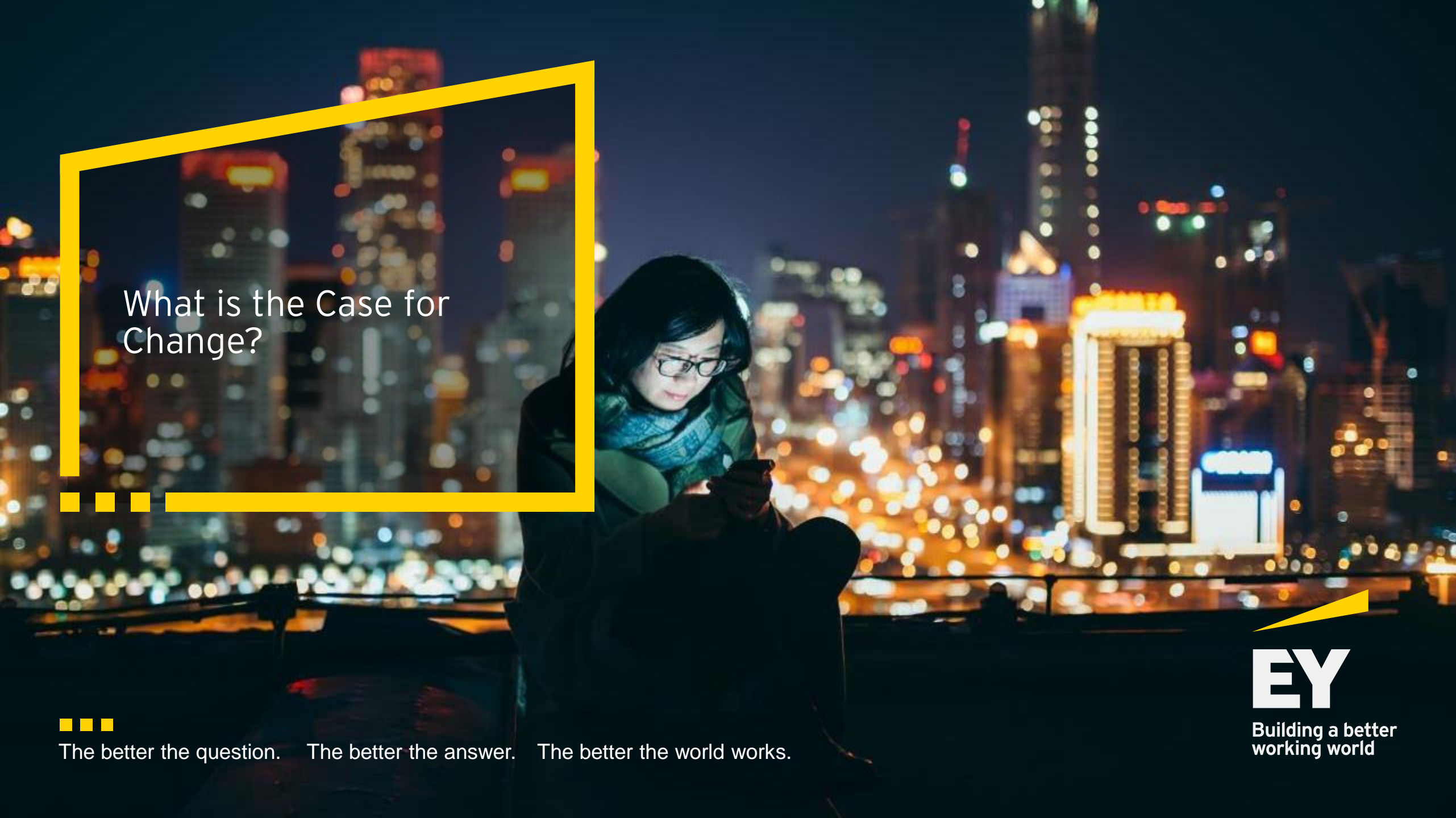
What is the Case for Change?

What are the implications for Internal Audit?

Wrap up and next steps



[mentimeter.com](https://www.mentimeter.com)



What is the Case for
Change?



The better the question. The better the answer. The better the world works.



Building a better
working world



The case for change

- 1 Organizations are managing evolving consumer expectations, new partnerships, dynamic ecosystems, changing industry boundaries, disruptive business models and new competitive domains.
- 2 Every industry is changing and the **cycles of change** are moving ever faster.
- 3 **Industry convergence** is touching every market segment.
- 4 From technology and climate, to geopolitics and trade, the outside **landscape** is changing dramatically.
- 5 **Operating models are shifting** - employees seek purpose-driven organizations; full time roles are being replaced by gig work; nature of work is changing due to technological advances

A breath-taking pace of change ...

Digital disruption is a strategic imperative.

The world is changing at an unprecedented pace and will never move this slowly again. Competitive advantage is only achieved through disruption and innovation.

This rapid pace of disruption brings on new risks including regulatory change.

Disruption is bringing new challenges and an added level of complexity that most organisations have never experienced.

Trust is imperative for success and longevity.

To deliver value to the organisation, leadership must prioritise building in trust by design to understand the risk portfolio and seize disruption with confidence.





... demands a new and different way of thinking

Until now, the assurance provided by Internal Audit has typically focused on avoiding negative outcomes. To thrive in the transformative age, Internal Audit needs to embrace disruption.

Real-time risk intelligence drives agile audit planning and delivery.

Data and technology offer huge potential and opportunity to Internal Audit to move away from traditional ways of working.

Changing skills and capability needs will drive a different Internal Audit workforce of the future.

Digitalization

The key game changer



Sectors are converging at lightning speed; creating **new risks** and **opportunities**

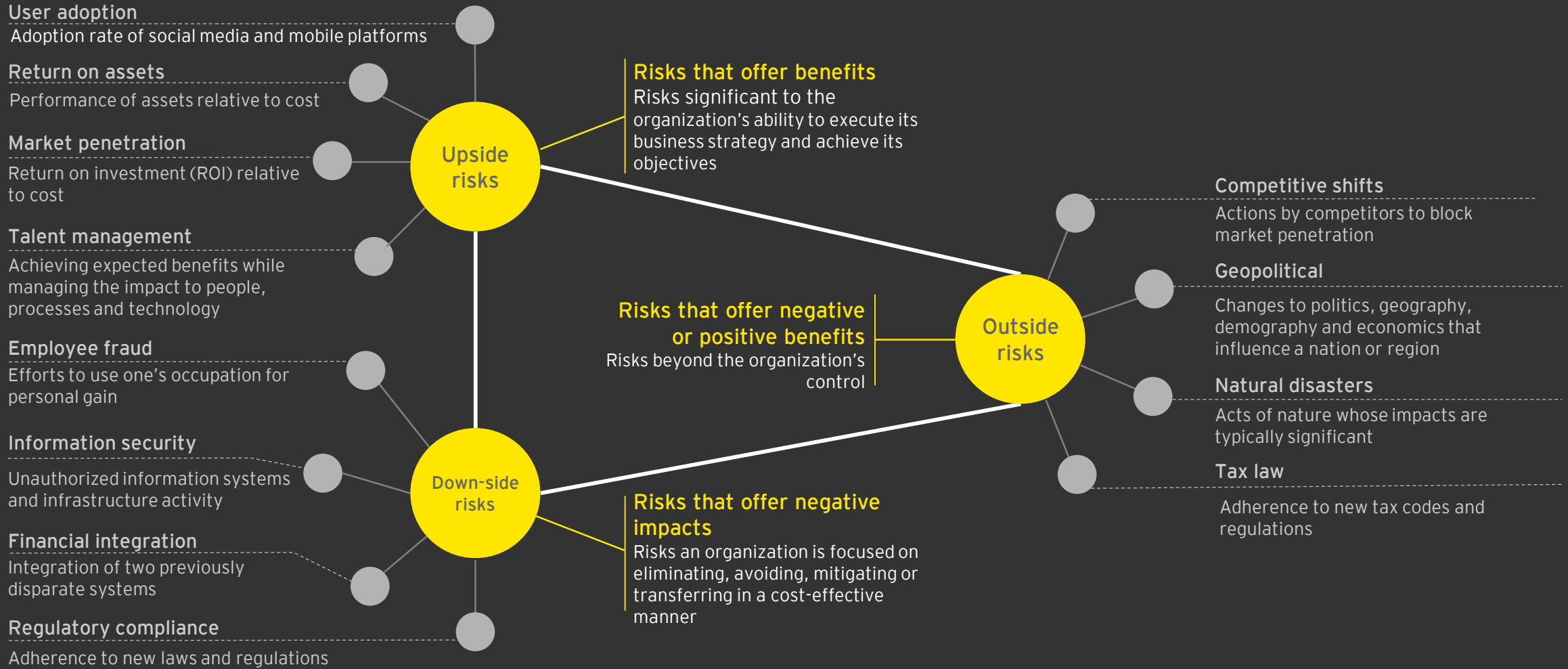
50%
of Fortune 500 Companies from 2006 no longer exist

- Are you ready:**
- ▶ To respond to changes to the risk profile?
 - ▶ To digitalize yourself?
 - ▶ To deliver more impactful results?

We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before.
World Economic Forum

The changing risk landscape

Organizations will need to shift their focus from simply mitigating risk to embracing new upside opportunities



A person in a white shirt and blue tie is holding a tablet in a server room. The room is filled with server racks and glowing lights. A large yellow overlay is positioned in the upper right, containing the text 'What are the implications for Internal Audit?'.

What are the implications for Internal Audit?

What do you believe are the biggest challenges internal audits are facing today?



Key issues Chief audit executives are facing

Challenges:

- » Limited Risk Coverage only focusing in-house
- » No capability to perform full population testing
- » No capacity and capability to perform full root cause analysis
- » Traditional backward looking approach
- » Annual Risk Assessment
- » Only reporting what has happened in the past
- » Not relevant for their stakeholders (C-Suite, AC)
- » No time to focus on risks and topics beyond today's scope

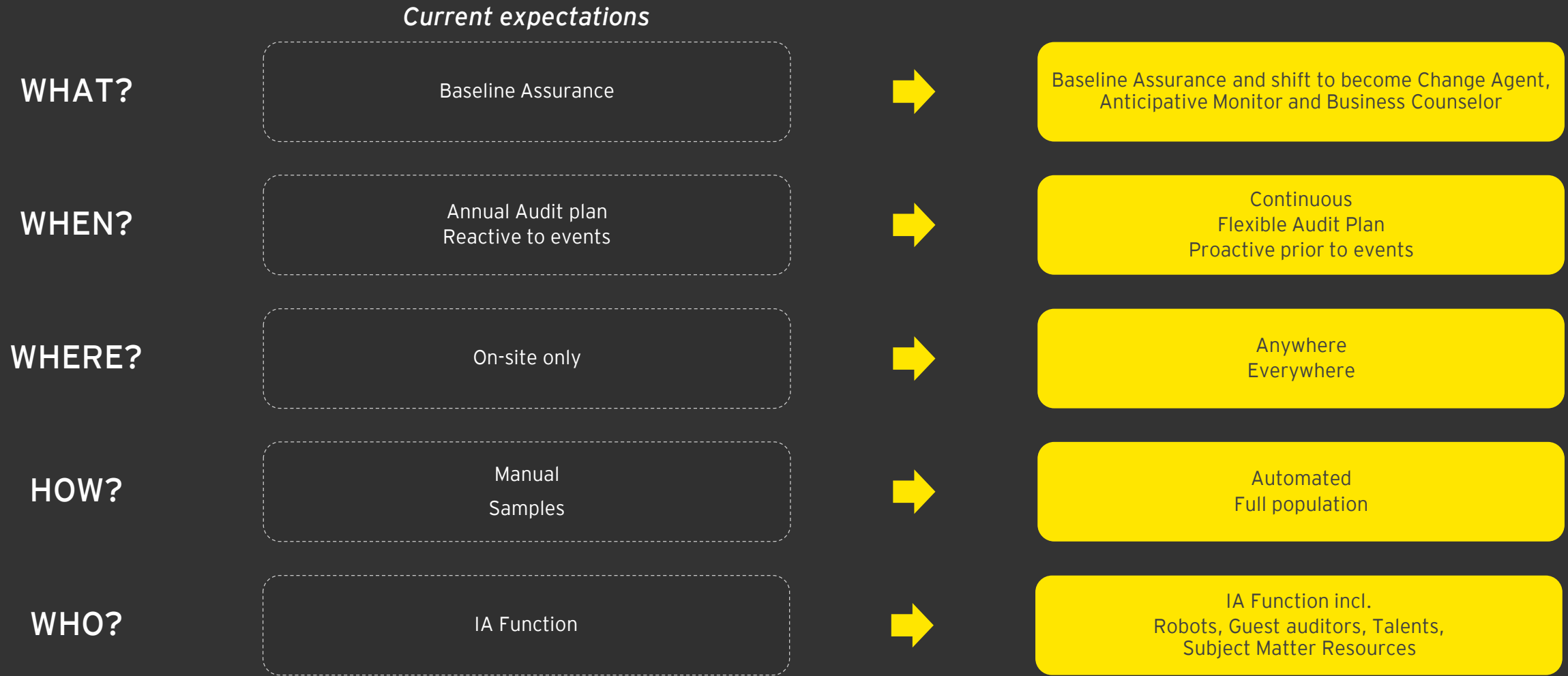
As of today:

- » All tools are providing a process flow or are scattered to address some of the challenges isolated only

The CAEs are looking for:

- » Full Risk Coverage of the defined audit universe (breadth and depth)
- » Full population testing
- » Full root cause analysis
- » Mix of continuous Risk Monitoring and periodical Risk Assessment
- » Combination of (traditional) backward looking approach, real-time and predictive analysis
- » Mix of reactive and proactive audit response
- » Become more relevant through deeper insights
- » More time to focus on risks and topics beyond today's scope
- » Flexible, differentiating and industrialized reporting capabilities

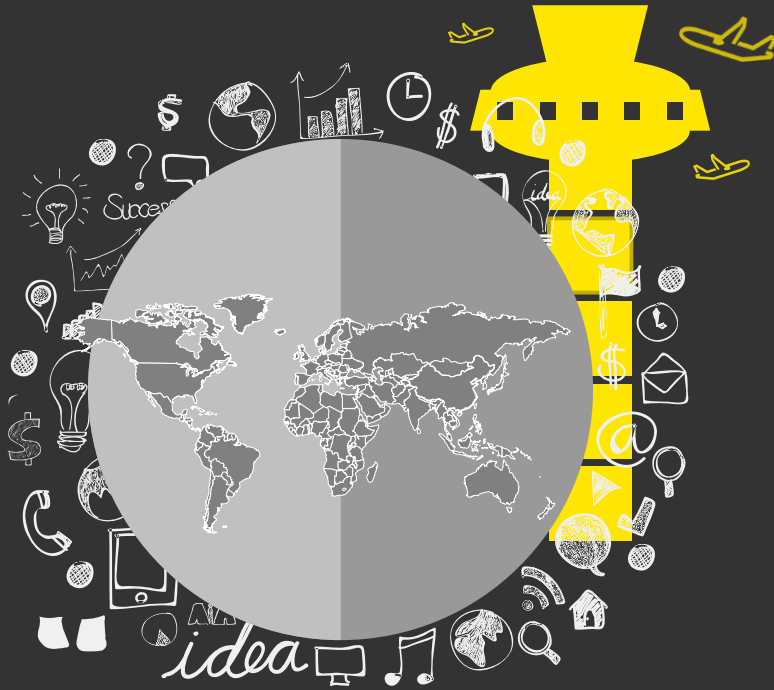
Internal Audit needs to be innovative and re-define their strategy



The internal audit function needs to be innovative and re-define the strategy and operating model for the digital age

The Case for Change

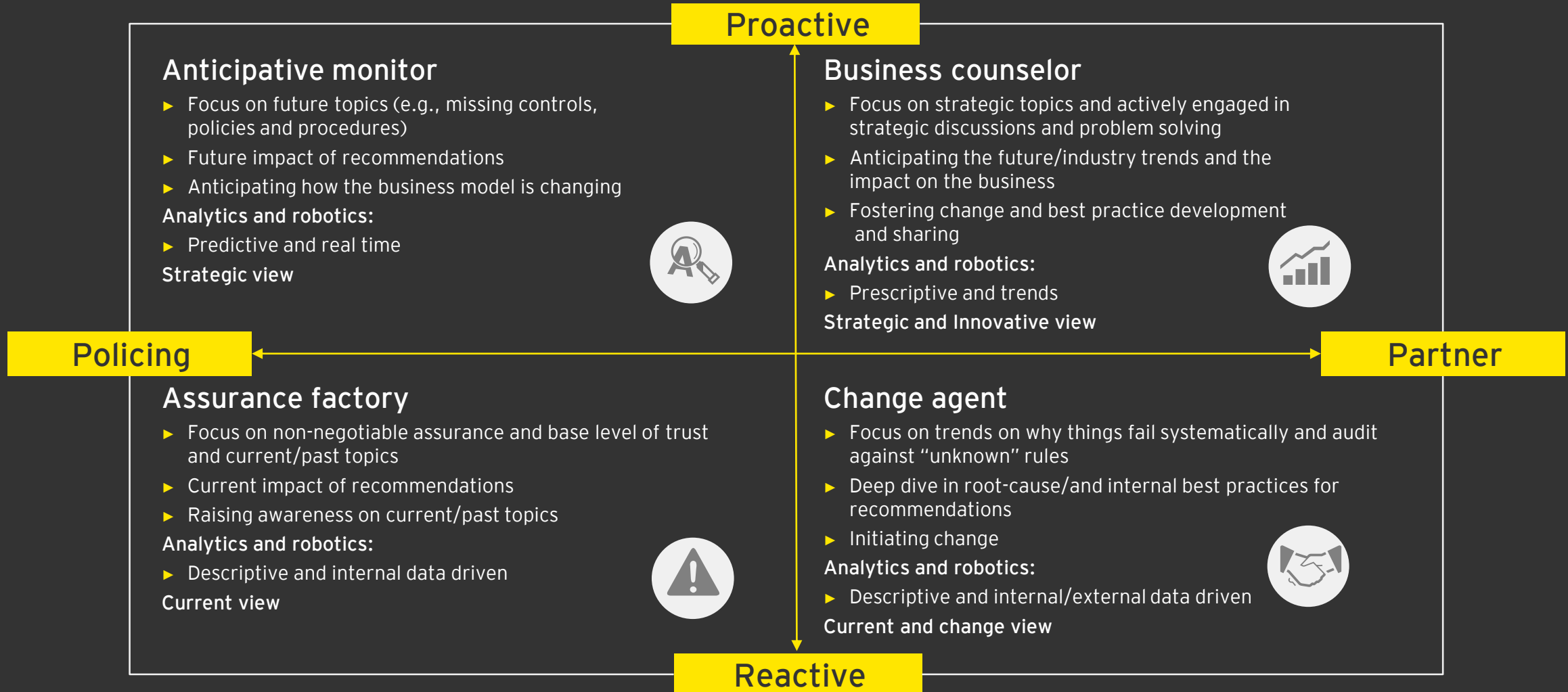
Vision for the future of IA to gain trust in the transformative age



In the future, IA will be viewed as an air traffic control tower. Technology will enable **real-time risk monitoring and timely reporting** of high-risk findings to instill trust, support confident decision making and ultimately contribute to increased business value.

This operating model will also enable a higher degree of **flexible sourcing**.

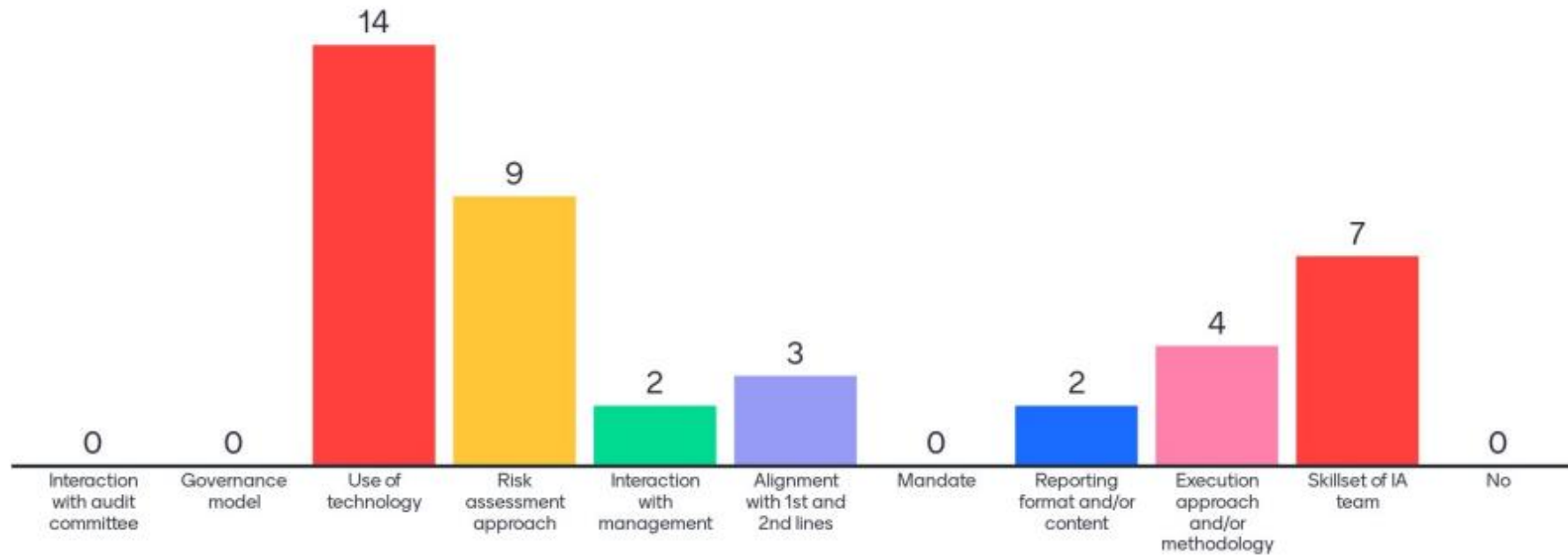
The role of the Internal Audit function is changing



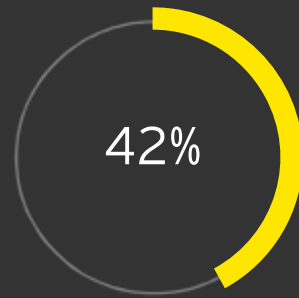
Mentimeter - Input from the participants

Do you see a need or an opportunity to change any part of your IA operating model as you go forward?

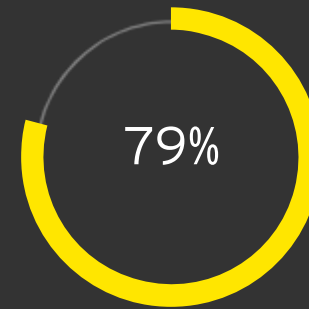
Mentimeter



How IA is changing - results from EY IA-survey post Covid-19

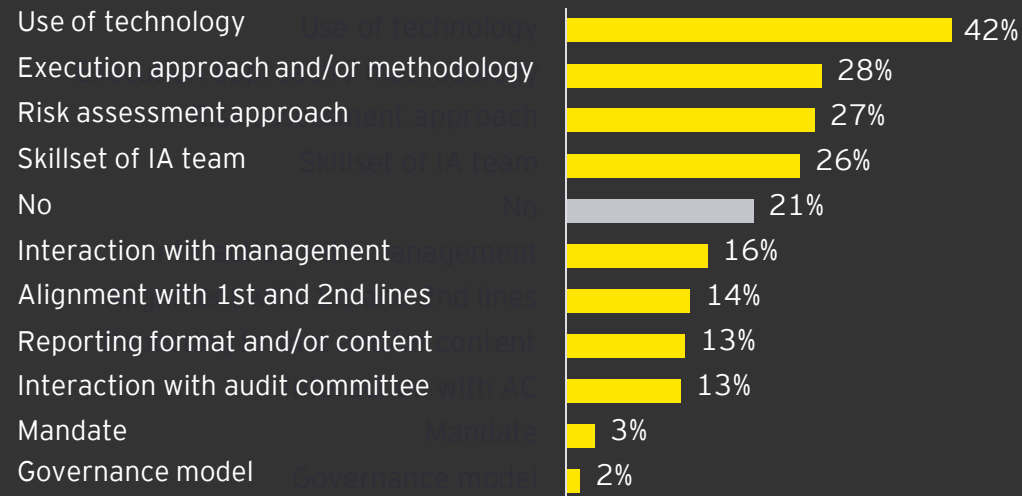


of respondents saw a need and/or opportunity to change the **use of technology** in their IA operating model going forward.



of respondents saw a need and/or opportunity to change **at least one part** of their IA operating model going forward.

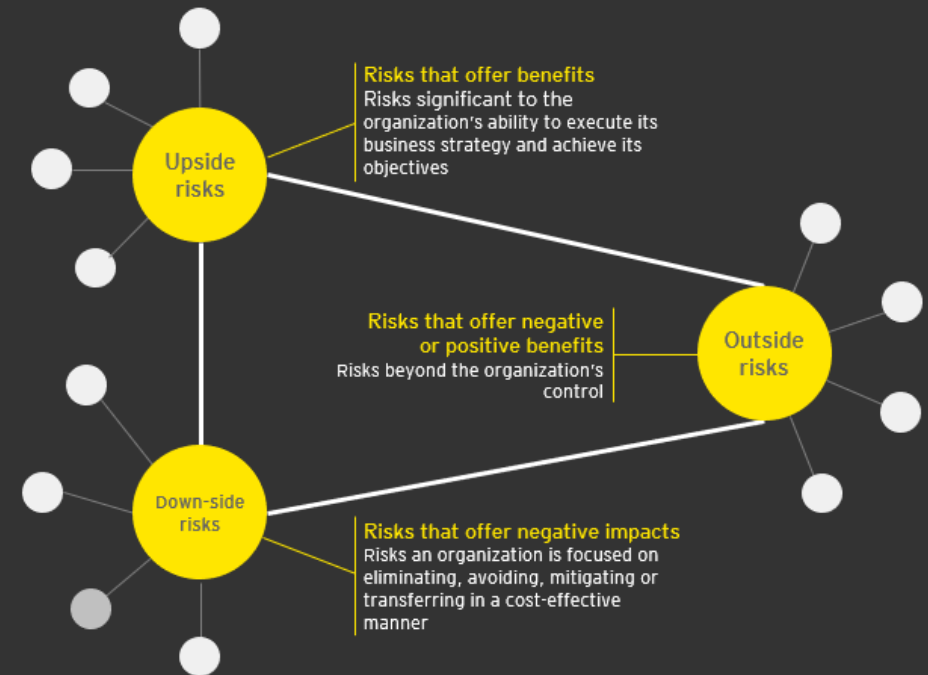
“Do you see a need or opportunity to change any part of your IA operating model as you go forward?”



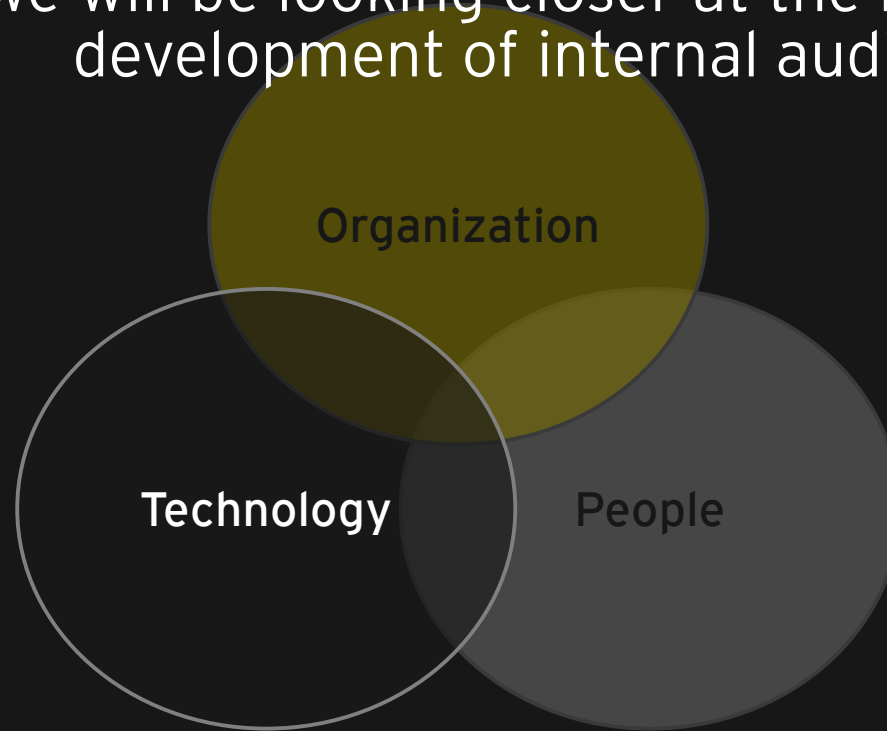
Wrap up and next steps

Key takeaways

- » Organizations are managing evolving consumer expectations, new partnerships, dynamic ecosystems, changing industry boundaries, disruptive business models and new competitive domains.
- » CAEs are facing numerous new challenges, for instance, lack of capability to perform full population testing.
- » In this transformative age, the upside and outside risks are exponentially more important to organizations as they try to stay competitive in a disrupted market.
- » We stand on the brink of a technological revolution and the role of the internal audit is evolving rapidly.
- » New technology creates massive opportunities for the internal audit, but it is also challenging to adapt.

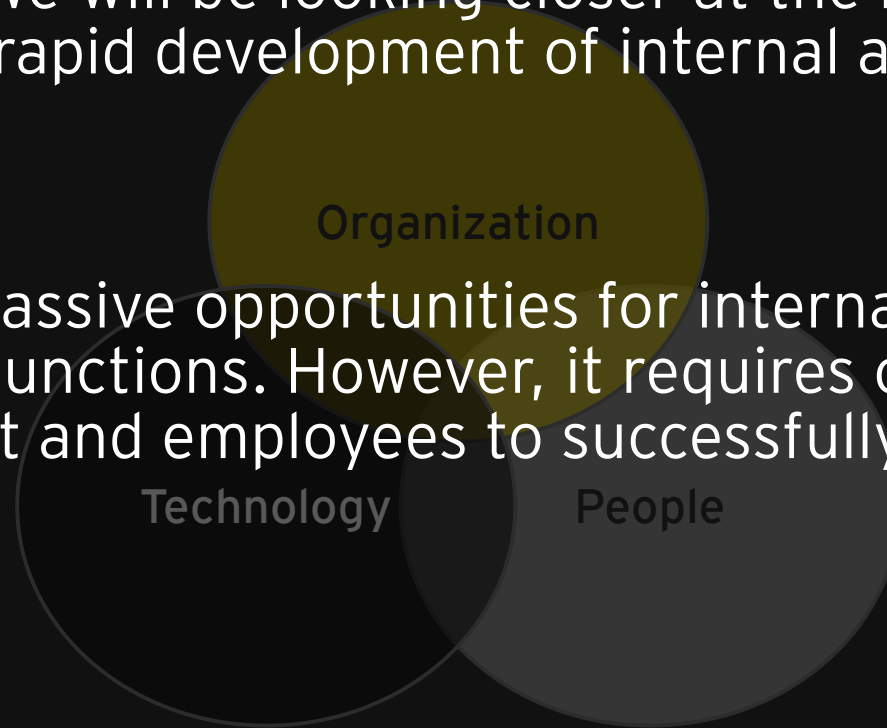


In the next webinar we will be looking closer at the role of technology in the development of internal audit



In the next webinar we will be looking closer at the role of technology in the rapid development of internal audit

Technology creates massive opportunities for internal audits, governance, risk and compliance functions. However, it requires collective effort from management and employees to successfully reap the fruits.





See you in five weeks!

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