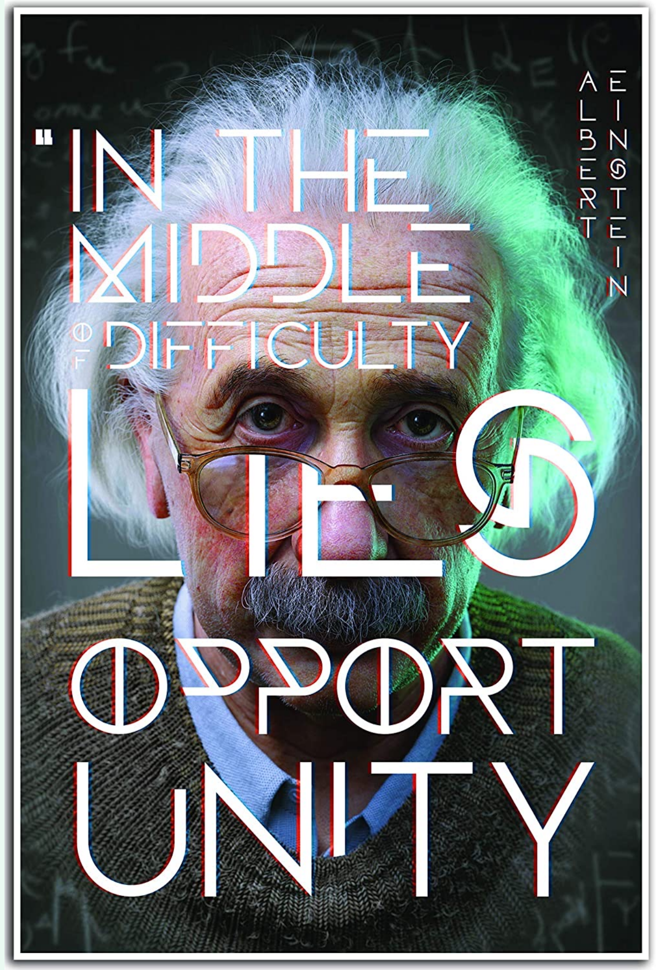
Auditing The Future – Where Does Internal Audit Go From Here?

Setting the Scene

“In the Middle of Difficulty lies Opportunity” – Albert Einstein



Internal Audit is at a critical cross-roads

- exponential technology advancement
- business complexity
- increased control automation
- skill-sets - increase in required competencies
- increasing Audit Committee / Board / Management expectations
  - ❑ assurance & sizing risks
  - ❑ value added / un-locked
  - ❑ strategic insights / catalyst changes
  - ❑ speed of delivery

Can we be experts in everything?

Historical Orientation Perceived or Real?

- Internal Audit orientation has been largely backwards looking (historically)
- testing historical data and outcomes
- governance opinions of what has occurred
- relevance limited and at times dismissed

- Does the old joke – Audit bayonetting the wounded after the battle….ring true?

Changing Audit Expertise & Skill-sets

Can we be experts in everything?

- extensive process and control automation challenges historical audit
- breadth of capabilities required by Audit is growing
- increased collaboration with in-house experts

Need to be more selective on differentiating skill-sets

Survival of the Fittest?

Accounting profession is changing rapidly

- ❑ CPA has announced a new tech centered curriculum for 2024
- ❑ accounting proposed as a STEM topic given tech / data analytics
- ❑ numbers of students entering the profession in decline / perception?

How do accountants and Internal Auditors adapt to stay relevant?

Polling Question # 1

Are you optimistic about the future for Internal Audit in a digital / AI world?

Internal Audit Orientation & Skill-sets

Internal Audit Forward-Looking Orientation

- must be forward-looking
- data analytics - audit full populations enables unique Audit lens on business outcomes and risks
- outcomes focus helps to size real issues
- positioned to audit risk themes and topics that matter
- seat at the table with catalyst role for positive change

future of the Audit / Accounting profession is bright if we embrace continuous improvement in our skill-sets, leverage tech to anticipate risks better and add value

Auditing Competencies over Time

Past

Accounting
Audit
Tax
IT
Consulting

Present

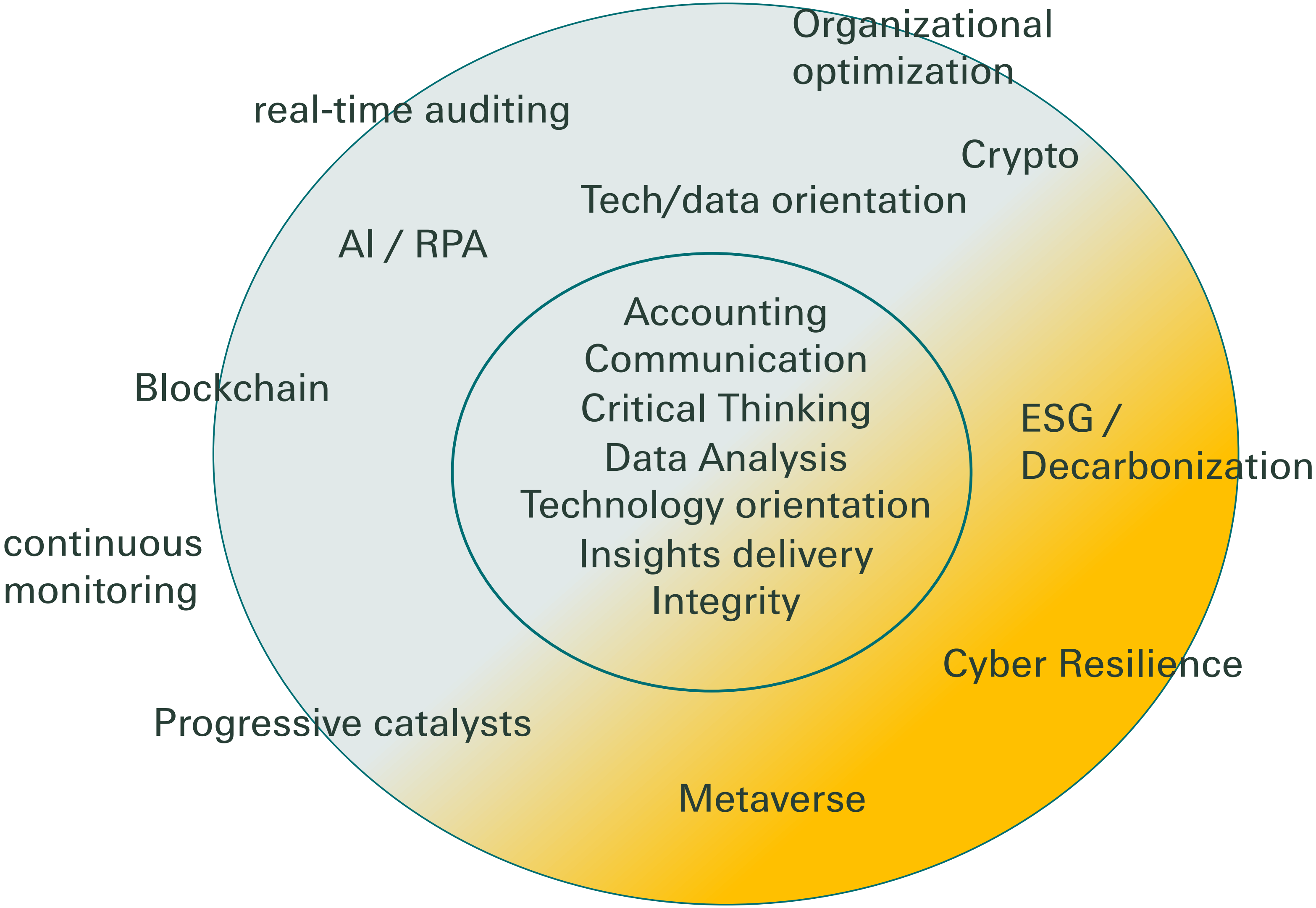
GAAP / IFRS / SoX / ICoFr
Economic Value measurement
Outsourcing / Off-shoring / Near-shoring
ESG / Accounting for Climate Change & Risks
Data Analytics / Full Population testing
Tax
ITGCs / Cloud Computing
Insights
Internet of Things
Crypto
Digital ecosystems

Future

Robotic Process Automation
AI / Machine Learning / Predictive Analytics
Carbon Flow Accounting
Decarbonization
Cyber Security
Process Mining
Social Governance
Recovery & resilience experts
Digital ecosystems
Blockchain
Metaverse
Quantum Computing

Invest in critical skills to focus IA team differentiation

Core vs. Future Skill-sets



- ❑ core audit skills will NOT go away and will be a given
- ❑ strategic / differentiation skills will be tech heavy and require continuous investment –in next 5 – 10 years
- ❑ different challenges for different generations of auditors – Boomers / Gen X/Y / / Millennials

What to Expect.................... & How to Action

- core skills will remain critical BUT IA needs to invest heavily in technology and data skills
- internal Audit must have strong tech / data skills to stay relevant
- increased IA outsourcing
- shorten the audit cycle dramatically => months/weeks => weeks /days
- IA may perform more consulting supporting real-time activities and greater integration with Line 1.5/2
- audit differently
- greater internal assurance competition; proof of value added to keep you seat at the table

- set a clear Audit Vision and Mission
- be progressive and audit topics/risks that matter
- stakeholder partnering
- actively assess IA team skill-sets
  - develop the most critical skills relentlessly
  - clarity around external expertise needs
  - retain a core IA team training curriculum
- closer alignment with other Lines of Defence
- invest in auditing differently => learning and application of audit tech – data analytics, rpa, blockchain, crypto
- market IA impact more proactively
- sharpen your sales skills

Digital Auditing

Implications of Exponential Technology Change for Internal Audit

Present

- data analytics driving full population (hypotheses) testing
  - de-emphasis of sample testing
- technology skills underpinning business & audit
- blurring of organizational boundaries
- skill-sets needed in IA teams greatly expanded => use of outsourcers

Future

- IA must adapt continuously, invest in tech/data skills and increase value add OR risk irrelevance
- IA needs to be ready for challenge from other Lines of Defence
  - => real-time problem-solving
  - => organization optimization
  - => data context miners
- audit cycle measured in days not weeks or months
- auditors will be data and tech savvy and adept at communicating / presenting results close to real-time
- IA teams will become ecosystems as unique skill-sets grow / portability increases

Digital Internal Audit – Game-changing?

Digitalization has created many automated, controlled processes

- ❑ Robotic Process Automation (RPA) driving processing efficiency and owning repetitive tasks
- ❑ Blockchain structures affirming perfect outcomes
- ❑ Machine learning / AI using very sophisticated, evolving algos

So Where is the value-add from Internal Audit?

- ❑ existence of clear governance frameworks
- ❑ are RPA coded and developed to controlled standards? Are bots deployed to the intended standards? Are outcomes those intended?
- ❑ conformance of blockchain to security protocols
- ❑ are algos conforming to business principles and regulations? How is new AI logic validated?
- ❑ how are processes, outcomes assessed for bias both intentional and unintentional?

Audit is adapting to provide assurance in these areas. Are you?

Digital Internal Audit – Game-changing?

Principles to support having a progressive IA Function and Team

change skill-set mind-set

- ❑ auditor of the future will be data / tech savvy with business knowledge and critical thinking

adapt or die

- ❑ early adoption of Audit tech will differentiate Internal Audit capabilities and C-suite relevance
- ❑ build continuous tech learning into your Audit Vision / Strategy

focus relentlessly on adding commercial value

- ❑ don't let historical thinking block your progress - deliver value and be ready to change form
- ❑ be progressive in adding value and don't be afraid to fail
- ❑ don't wait to be asked. Be agile and just DO IT!

Digital Internal Audit – Pandemic Effect

- The pandemic has changed the way we work in terms of remote / hybrid working

- Digital auditing is here to stay

- Implications for Internal Audit include:

  - ❑ Staffing models
  - ❑ Approach to developing relationships
  - ❑ Team building and collaboration
  - ❑ Management profile and networking
  - ❑ Value perception – adapting to new normal / risks

Polling Question #2

Do you believe that Chartered Accountants / Internal Auditors are investing sufficiently in tech / data skills?

Closing Remarks

Closing Remarks

- ❑ be forward looking
- ❑ embrace change and anticipate integration with other Lines of defence
- ❑ set progressive Audit Vision & Mission (maintain it)
- ❑ invest in Audit tech skills continuously – ADD deployment ambition(s) to your audit methodology
- ❑ keep core skills sharp; new skills even sharper!

Closing Remarks

- ❑ strive to audit differently
- ❑ be agile & maintain relentless focus on adding value
- ❑ audit risks / topics that matter
- ❑ market and sell IA impact / be catalysts for +VE change

Panel Discussion

Polling Question # 3

Do you believe that internal audit will likely be integrated over time with other Assurance functions i.e. Lines 1.5/2.0?


Wow the sun is so brigh...
Dinotor - CaE


Thank you