



 GLOBAL COUNCIL 2017  
19-22 FEBRUARY / ROME, ITALY

# Internal Auditing Global Outlook 2017

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# Global Trends and Outlook: Overview

- The Profession in 2017
- 5 Strategies for the Future
  - Monitoring/responding to key stakeholder perspectives
  - Striving for agility
  - Transforming our talent
  - Revolutionizing our processes
  - Elevating our image
- The IIA in 2017: A Catalyst for Success



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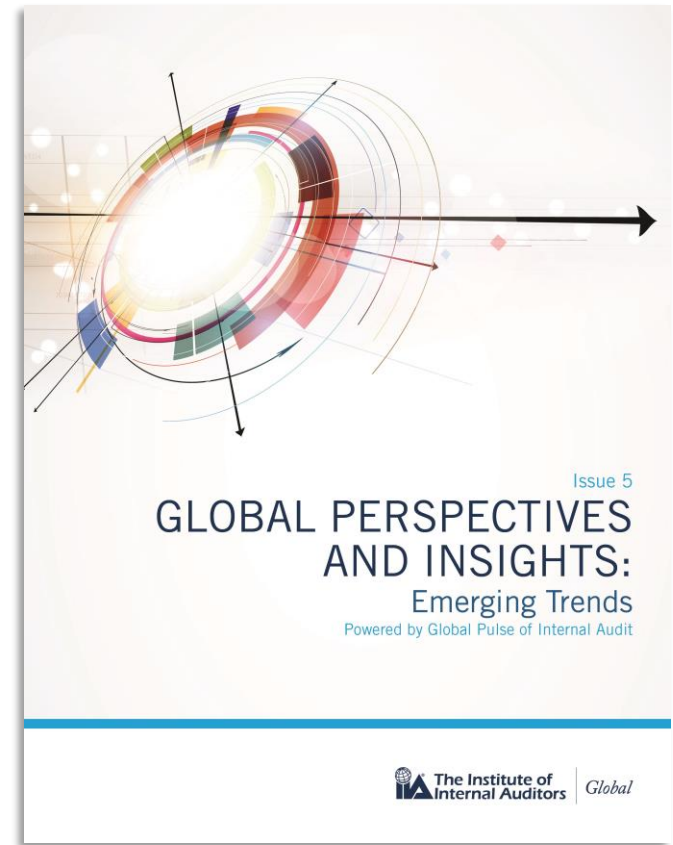
# 2017: Emerging Trends in Internal Auditing

# Where We Are Today: Emerging Trends for 2017

Powered by Global Pulse of Internal Audit

Our Global Pulse of Internal Audit survey is based on data from **2,254** respondents in **111** countries or territories.

- The report is available from your Institute or at [www.theiia.org/gpi](http://www.theiia.org/gpi)



# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

## Enhanced stature and growth:

- 45% report administratively to the CEO\*
- 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



# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

Increased time devoted  
to critical areas:

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



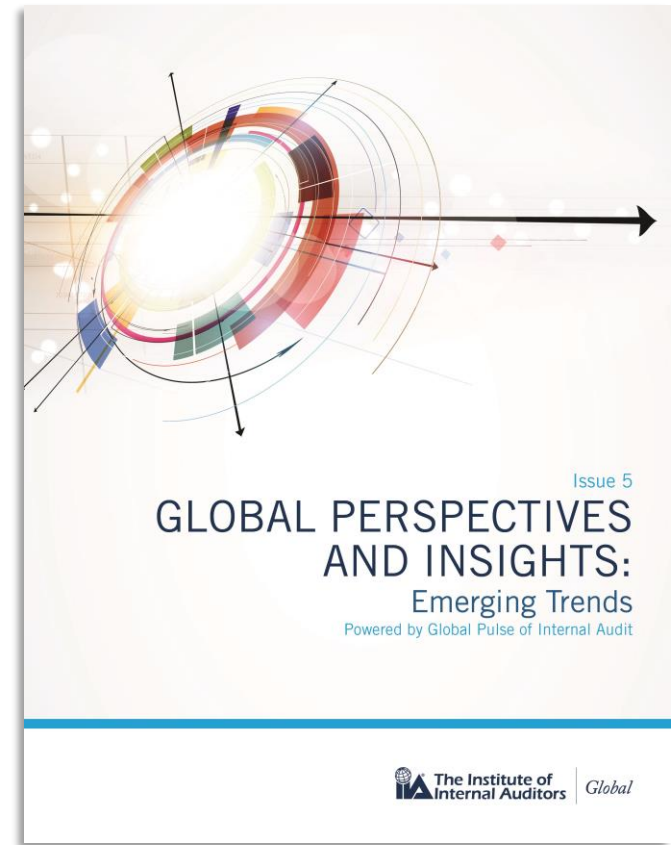
\*Percent of respondents who indicated they will increase efforts over the next 12 months

# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

## The need to focus on culture:

- 86% say their internal audit department understands risks associated with organizational culture, however,
  - Only 53% indicate their internal audit department understands how to audit culture, and
  - Only 28% say they actually are auditing culture



# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

## The need to focus on cybersecurity:

- 93% say their internal audit department understands risks associated with cybersecurity, however,
  - Only 61% say their internal audit department understands how to audit cybersecurity, and
  - Disappointingly, 25% say they have not audited cybersecurity



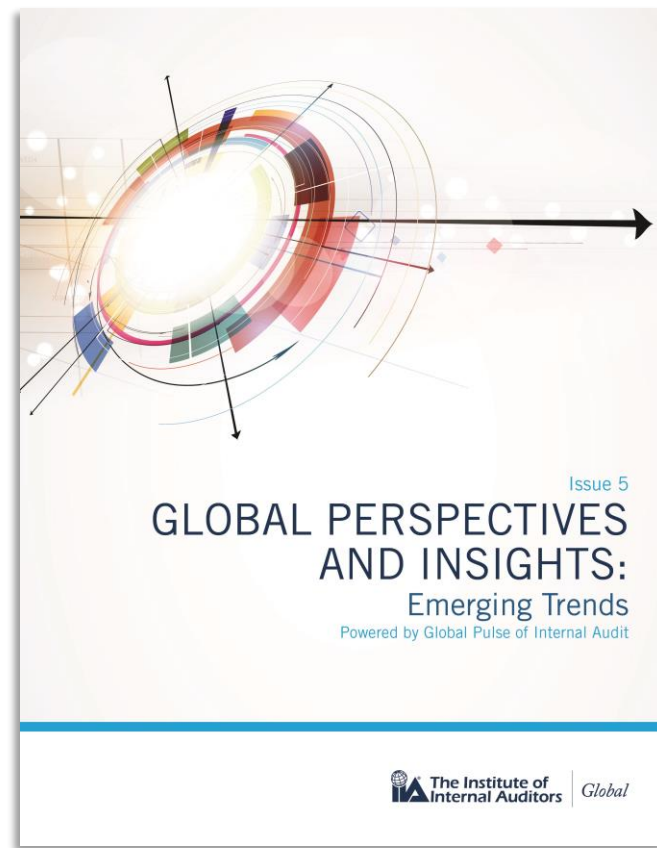


# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

## The need to focus on big data:

- 92% say their internal audit department understands risks associated with big data, however,
  - Only 71% say their internal audit department understands how to audit big data, and
  - 26% say they have not audited big data\*



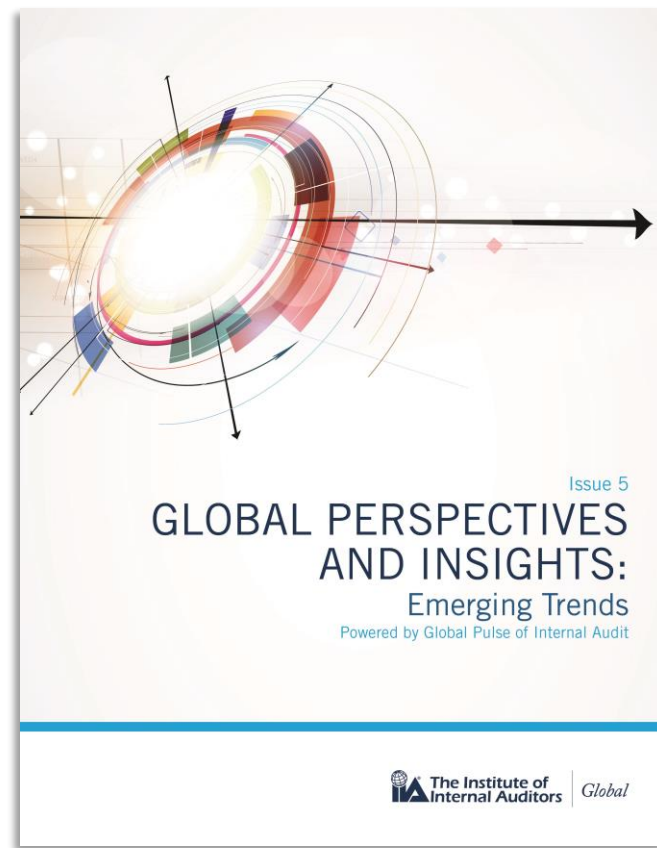
\*In organizations that have made or plan to make an investment in big data

# Where We Are Today: Emerging Trends

Powered by Global Pulse of Internal Audit

## Achieving trusted advisor status:

- Stakeholders want us to raise the bar, however,
  - 28% of CAEs 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



# Key Internal Audit Priorities for 2017

- Cyber security
- Technology risks (mobile, cloud, etc.)
- Culture/soft controls
- Crisis management planning
- Vendor governance
- Corporate governance
- Regulatory compliance
- Anti-bribery/anti-corruption

Sources: KPMG, Deloitte, and The IIA



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# The Outlook for Internal Audit: 5 Strategies for the Future

# Global Trends and Outlook: Overview

- 5 strategies for success:
  - Monitor/respond to key stakeholder perspectives
  - Strive for agility
  - Transform talent
  - Revolutionize processes
  - Elevate our image

# Monitoring and Responding to Key Stakeholder Perspectives

- KPMG's 2017 Global Audit Committee Pulse Survey
- 832 responses
  - 42 countries
  - 55% audit committee chairs
  - 45% audit committee members
- 63% public companies
- 25% private companies



Source: KPMG's Audit Committee Institute – "Is Everything Under Control?" 2017 Global Audit Committee Pulse Survey, © 2017 KPMG LLP

# KPMG's 2017 Global Audit Committee Pulse Survey

Which of the following poses the greatest challenges to your company?

Greatest Challenges in 2017	Response
Effectiveness of the risk management program	41%
Legal/regulatory compliance	34%
Managing cyber security risks	28%
Maintaining the control environment in the company's extended organization	28%
Tone at the top and culture of the organization	24%

Source: KPMG's Audit Committee Institute – "Is Everything Under Control?" 2017 Global Audit Committee Pulse Survey, © 2017 KPMG LLP

# KPMG's 2017 Global Audit Committee Pulse Survey

What are the most significant gaps in your company's ability to manage cyber risks?

Leading Areas of Concern	Response
Organizational awareness/culture	31%
Keeping technology systems up to date	31%
Vulnerability from third parties/supply chain	24%
Talent/expertise	22%
Monitoring and reporting of cyber threats	21%

Source: KPMG's Audit Committee Institute – "Is Everything Under Control?" 2017 Global Audit Committee Pulse Survey, © 2017 KPMG LLP



# KPMG's 2017 Global Audit Committee Pulse Survey

Beyond financial reporting and compliance risks, what steps can internal audit take to maximize value?

Targets for Internal Audit to Maximize Value	Response
Expand audit plan on key areas of risk (e.g. cyber security, and key operational and technology risks)	56%
Maintain flexibility in the audit plan	53%
Expand the audit plan on effectiveness of risk management processes generally	49%
Improve internal audit's talent and expertise	42%
Helping to assess / "audit" the culture of the organization	27%

Source: KPMG's Audit Committee Institute – "Is Everything Under Control?" 2017 Global Audit Committee Pulse Survey, © 2017 KPMG LLP



# Poised for the Future: Strive for Agility

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



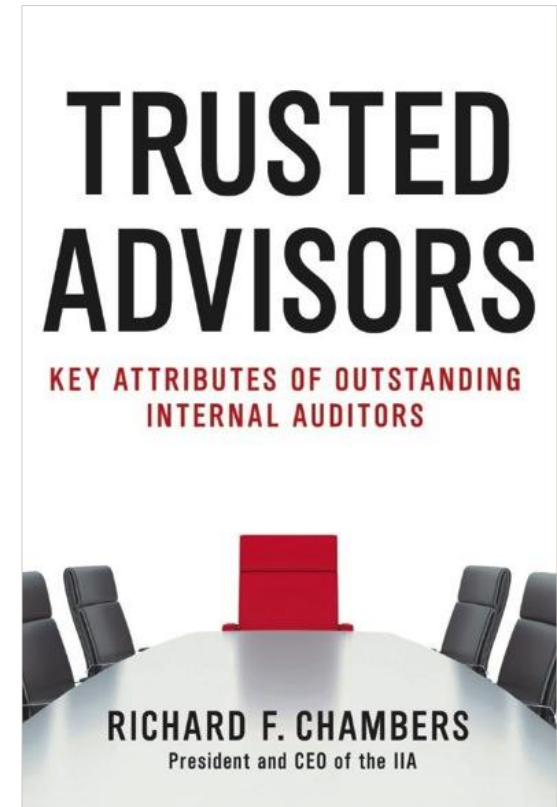
# Poised for the Future: Strive for Agility

- The good news:
  - 91% of CAEs assess risks
  - 85% develop risk-based plans
- However, CBOK revealed we are not “auditing at the speed of risk”
  - 63% of CAEs 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

Sources: The Pulse of Internal Audit survey: ©2015 The IIA Audit Executive Center conducted in collaboration with the 2015 Common Body of Knowledge Study, © 2015 The IIA and The IIA Research Foundation. All rights reserved. No part of this data may be copied, reproduced or otherwise disseminated without explicit permission from The IIA. Note: Q42: How frequently does internal audit conduct a risk assessment? Q48: What resources do you use to establish your audit plan?

# Poised for the Future: Transform 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: Transform 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: Elevate Our Image

- Profession serves 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
  - Media and public





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# The IIA in 2017: A Catalyst for Success



# Global Membership

December 2016

**190,000+**  
MEMBERS

**170+**  
COUNTRIES &  
TERRITORIES

**109**  
INTERNATIONAL  
AFFILIATES

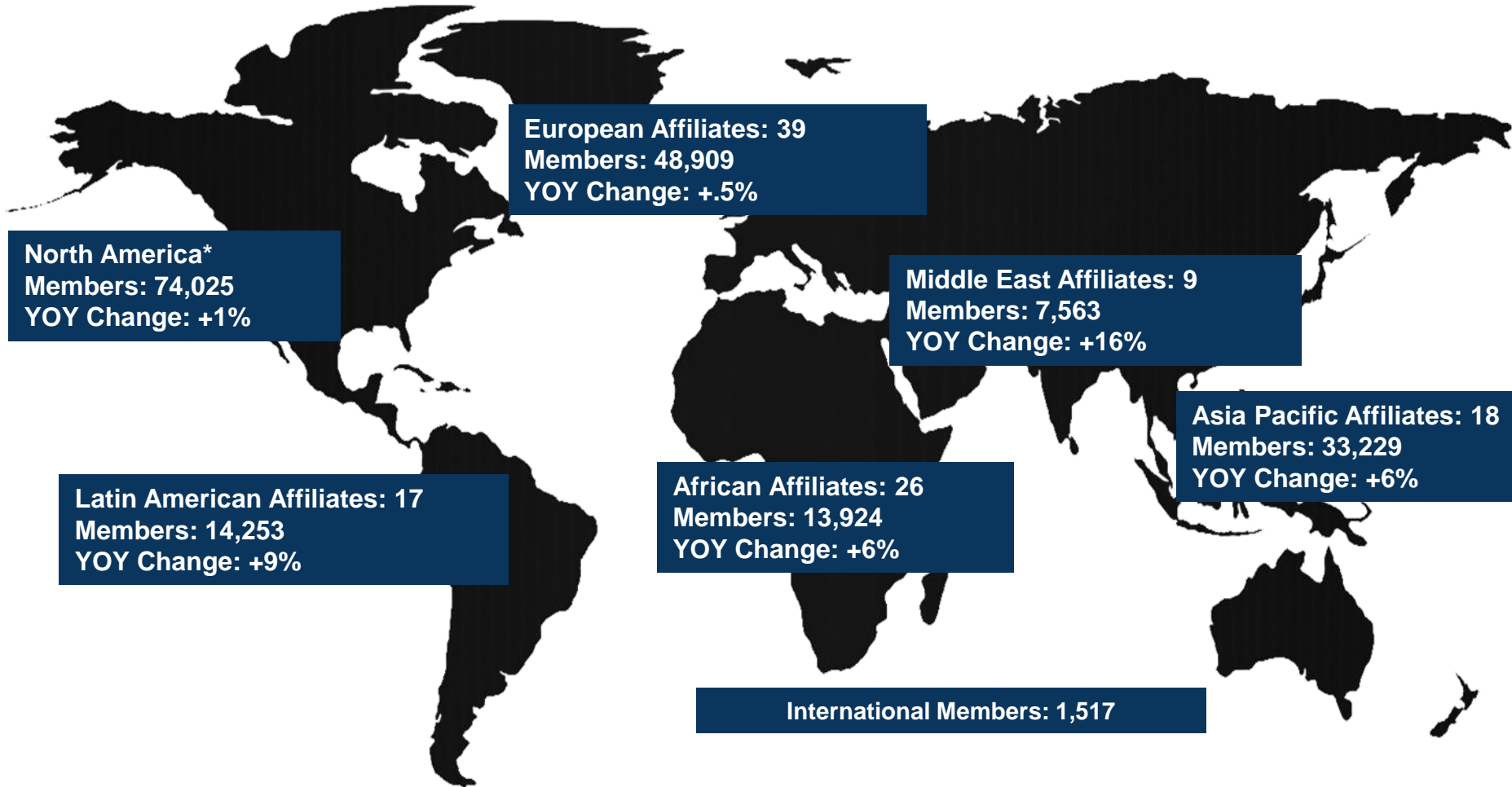
**162**  
NA CHAPTERS

Region	Members	PCT
North America	74,025	38%
Europe	48,909	25%
Asia Pacific	33,229	17%
Latin America	14,253	7%
Africa	13,924	7%
Middle East	7,563	4%
International Members	1,517	1%
<b>Total Membership</b>	<b>193,420</b>	



# Members by Region

December 2016



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

YOY Growth from Dec 2015 – Dec 2016

# Global Certifications & Qualifications

## GLOBAL DATA

CIA: 143,269

CRMA: 14,722

CCSA: 7,207

CFSA: 6,656

CGAP: 4,829

QIAL: 536

**CIA Growth  
Globally More  
Than 40% Since  
2011**

As of 31 December 2016



# IIA Global Headquarters: Key Priorities for 2017

**PROFESSIONALISM** – We continually elevate our position as the global leader in enhancing internal auditor professionalism.

**VALUE** – We continually enhance and elevate the value derived by our members, institutes, affiliated bodies, and other stakeholders.

**PARTNERSHIP** – We leverage the power of our global organization to elevate service delivery to all members, customers, and relevant stakeholders.

**PERFORMANCE** – We sustain prudent financial stability and viability that fosters appropriate levels of managed growth, strategic investment, and fiscal discipline in the best interests of our members over the long term.

# IIA Affiliates: The First Line of Service for the Profession

- Professionals join their affiliates: It is “The IIA” for them
- Affiliates have a vital mission to serve members in countries and territories around the world:
  - Leading voice and chief advocate for the profession
  - A source for networking
  - The premier educator
  - A source for professional credentials
  - A conduit for information on local and global trends
  - A catalyst for elevating the profession

# IIA Affiliates: The First Line of Service for the Profession

- Success demands:
  - A strategic mindset
  - Strong and effective governance
  - A viable and sustainable value proposition for members
  - A strong and effective business plan
- Yet, the most common reason institutes fail is financial viability
- NFPs/NGOs are fueled by 4 common revenue streams:
  - Membership dues
  - Training and education
  - Sponsorships and partnerships
  - Certification fees

# When It Comes to Affiliate Success

*Never forget:*

**IIA Global  
Is Here  
To help!**

# Thank You!



**Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA**  
President & CEO, The Institute of Internal Auditors