



Chartered Institute of
Internal Auditors

IIA Conference Greece

Chartered Institute of Internal Auditors –
UK and Ireland

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Flying high: What the future holds for internal audit

- Challenges facing the profession
 - Corporate governance
 - Brexit
 - Emerging risks
 - Technology
- Changes in the profession
- What will 'good' internal audit look like?

Corporate governance – Organisations behaving badly

- Volkswagen
- FIFA
- Oxfam
- Carillion
- Uber
- Barclays
- Cambridge Analytica





Corporate governance – A new Code

Principle M:

“The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements”



Financial Reporting Council

THE UK CORPORATE GOVERNANCE CODE

JULY 2018



Corporate Governance key questions

- Can your internal audit function provide assurance that the 'tone from the top' cascades through the organisation in relation to conformance with the organisation's values?
- Does the internal audit function have the necessary skills and experience to assess the culture and behavioural metrics?
- Do staff feel confident to speak up and report any misbehaviour or poor practices i.e. is there a strong whistleblowing policy?

Brexit

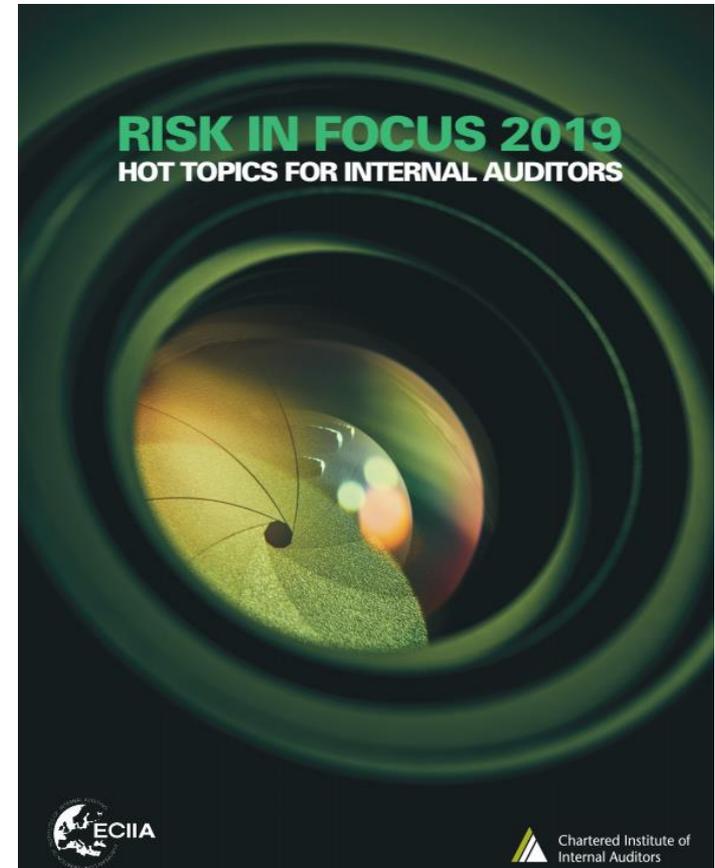
- 82% of organisations believe they are affected by Brexit
- Top 3 risks are:
 - regulatory change
 - volatility on the currency market
 - access to skilled/unskilled labour
- 55% of organisations have done scenario planning for a 'hard Brexit'
- Almost half of organisations not received an appropriate level of engagement from UK government
- Internal audit has a critical role in preparing the organisation for Brexit

Brexit key questions

- Has internal audit assessed your organisation's key risks associated with Brexit?
- Has your organisation undertaken Brexit scenario planning? Has internal audit undertaken a readiness assessment?
- Have you mapped out your UK suppliers and audited your supply chain? Where / how will the organisation source goods and/or services previously sourced from the UK?

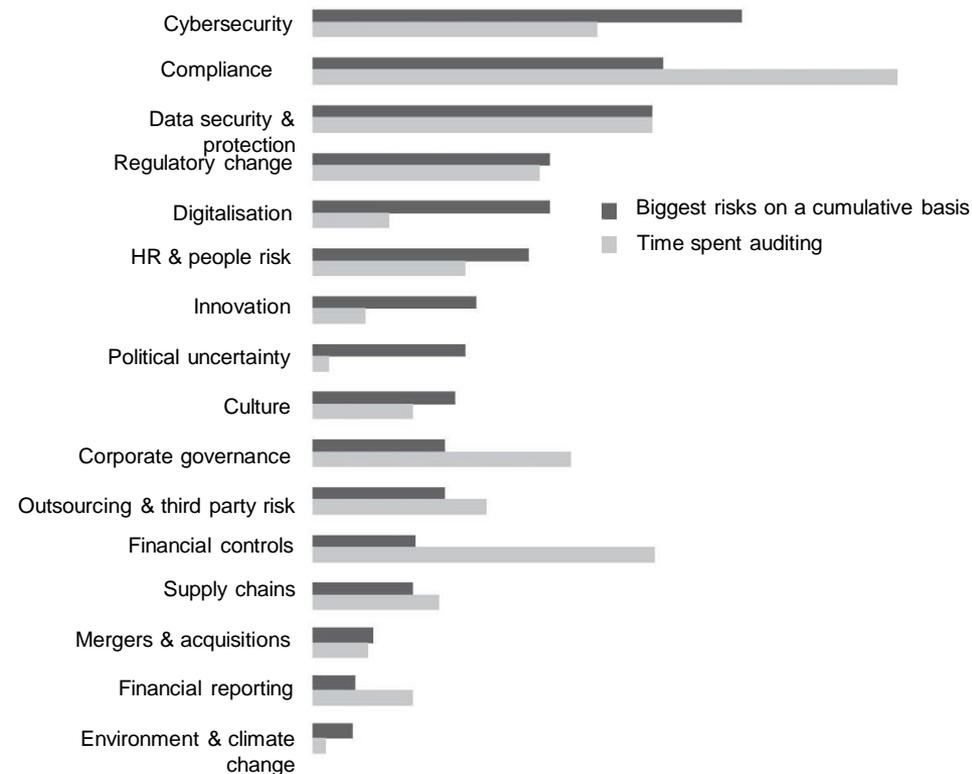
Emerging risks

- Cybersecurity
- Data protection
- Digitalisation, automation & AI
- Sustainability
- Anti-bribery & anti-corruption
- Communications
- Workplace culture
- Protectionism & sanctions
- Risk governance & controls
- Auditing the right risks



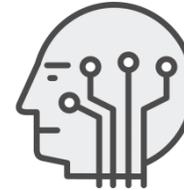
Emerging risks key questions

- Are these risks on your 2019 internal audit plan/risk radar?
- Does your internal audit function have the right skills in place to provide assurance in these areas?
- Are you confident that internal audit's time is being effectively matched to the organisation's biggest risks?



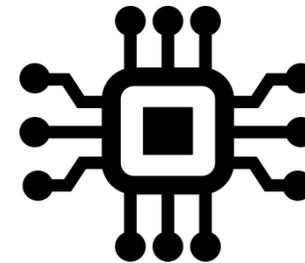
Technology

- Digitalisation
- Artificial intelligence
- Cybersecurity
- Data analytics
- Open banking
- Cloud computing
- Agile auditing



87%

87% of industrial companies plan to implement AI in production within the next three years...



66%

...66% of CAEs said that risks related to digitalisation and the adoption of new technologies would be an area of focus for their work in 2019 and beyond

Technology key questions

- What different technologies are being adopted? Is there a clear, documented rationale for doing so that is consistent with the organisation's broader operational and strategic objectives?
- Do assurance functions have sufficient technical skills to interpret their findings?
- Does the organisation have a process for identifying emerging technology threats and opportunities?



Development of the profession

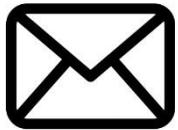
- Importance of professionalism in internal audit i.e. conformance with IPPF
- Providing stakeholder value
- Broader skills and knowledge
- Agility in internal audit functions
- Cyber auditing and IT / data focus
- Data analytics and Artificial Intelligence
- Greater expectations that internal audit will provide assurance around culture e.g. new FRC Corporate Governance Code

What will 'good' internal audit look like?

- Independent and objective assurance provider
- Seeks to add value and help improve the organisation
- Trusted advisor / critical best friend
- Tech savvy and tech fearless.
- Incessantly curious and professionally sceptical
- Ethically far-sighted
- Intellectually honest
- Cosmopolitan

Professional internal audit will be recognised as essential to the success of organisations **and their leaders**

Questions?



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