

# Welcome

**The State of the Profession**

**Internal Audit and Disruption: Trends and Opportunities in 2019**

*Adopted from IIA Global Council 2019*

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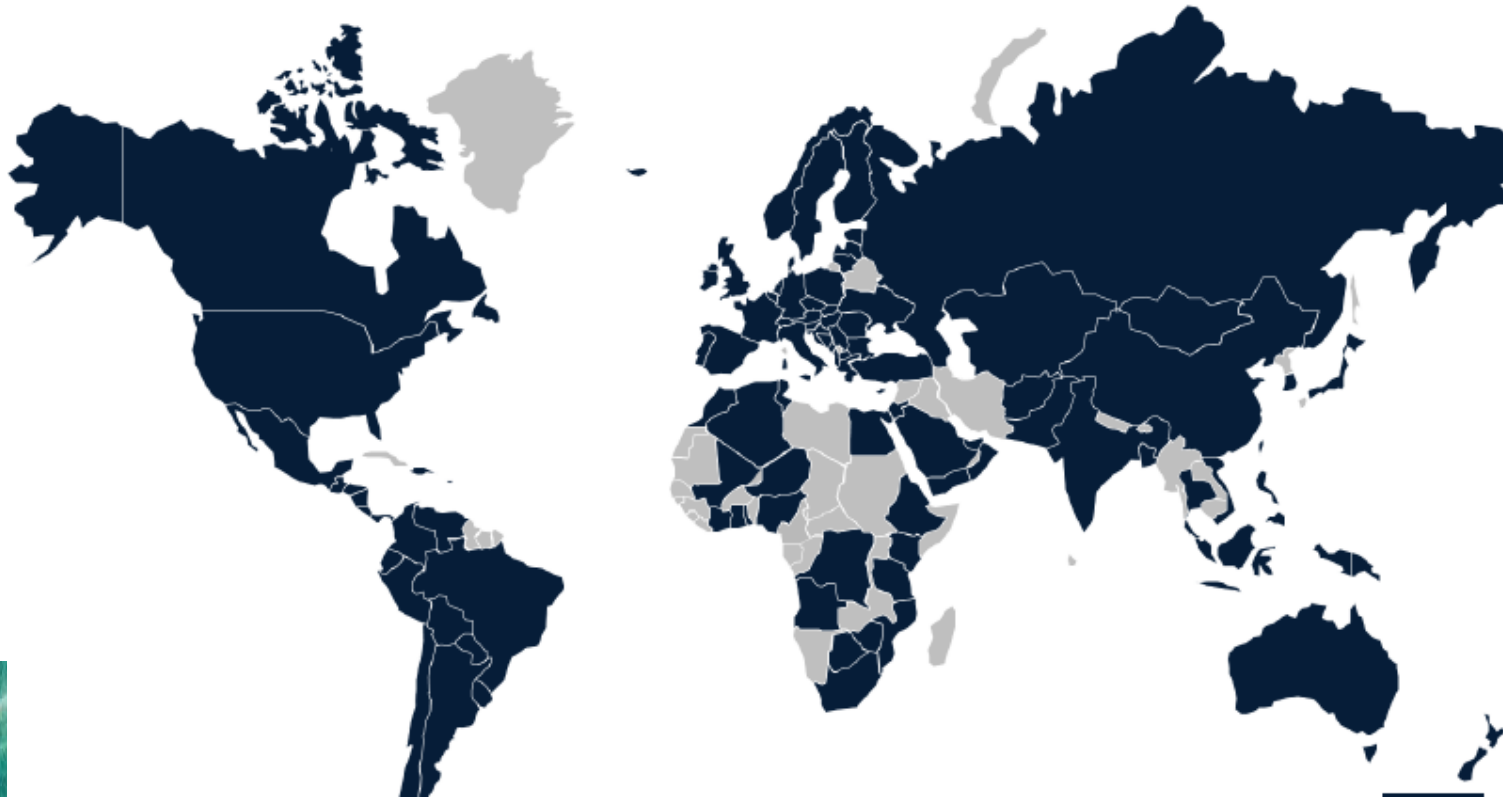
**President – IIA Fiji**

# 2019 Conference at a Glance

- Theme: Raising the Standards
  - Focus on IIA standards, IT Security standards, certification, etc.
    - Topics to support the theme
  - Focus on raising our own standards through active participation
- Over 50 organisations present
- Nearly 150 delegates
  - FICAC, FNPF, Parliament of Fiji, USP, BSP Group with large numbers.
  - Number of first timers, especially day delegates due to hosting the conference in Nadi.

# IJA Global

- Started in 1941
- Reached milestone of over 200,000 members worldwide!



# Agenda

## The Speed of Disruption

### 5 Disruptive Trends for Internal Audit

1. Risk Volatility
2. Stakeholder Expectations
3. Competition
4. Technology
5. Talent

- **McKinsey estimates the current rate of change is 10 times that of the Industrial Revolution, and that change is happening at 300 times the scale –and with roughly 3,000 times the impact.**

- **This year represents the slowest rate of technological and societal change you are likely to experience in the rest of your life!**

**–Jonathan MacDonald**

# *Disruptive Trend 1: Global Risk Volatility*

World Economic Forum

## Top 5 Global Risks in Terms of Likelihood

	2009	2014	2019
1	Asset price collapse	Income disparity	Extreme weather events
2	Slowing Chinese economy	Extreme weather events	Failure of climate-change mitigation and adaptation
3	Chronic disease	Unemployment and underemployment	Natural disasters
4	Global governance gaps	Climate change	Data fraud or theft
5	Retrenchment from globalization	Cyberattacks	Cyberattacks

# “Where Were the Internal Auditors?”

- To identify emerging or atypical risks, boards turn to:
  - Executive management 78% of the time
  - Internal audit 49% of the time
- Yet, 47% of CAEs report it is fairly common for management to be caught off guard by these risks
- The speed of these risks often surprises management, internal audit, and the board
- Leading to the question: *“Where was internal audit?”*

*Source: 2019 North American Pulse of Internal Audit: Defining Alignment in a Dynamic Risk Landscape © 2019, The Institute of Internal Auditors, Inc.*



## *Disruptive Trend 2: Stakeholder Expectation Gap*

### • **MANAGEMENT**

- Company Expertise
- Advice/Insight
- Foresight
- Risk-Centric Focus
- Value

### • **REGULATORS**

- Independence
- Proficiency
- Assurance
- Focus on Compliance
- Insight on Culture

### • **AUDIT COMMITTEE**

- Assurance
- Relationship Acumen
- Communication
- Coordination with Other Risk/Control Functions

# Where Stakeholders See Risks

Top Risks for 2019	
1	Existing operations meeting performance expectations, competing against “born digital” firms.
2	Succession challenges and ability to attract and retain top talent.
3	Regulatory change and regulatory scrutiny.
4	Cyber threats.
5	Resistance to change operations.
6	Rapid speed of disruptive innovations.

## *Disruptive Trend 3: Emerging Trends*

- Burgeoning 2ndLOD
- The “Gig” Economy
- Robotic Process Automation
- Artificial Intelligence
- Next-Generation Delivery Models

## *Disruptive Trend 4: Technology*

- **Internal Audit Slow to Embrace Technology Change**

Next-Generation Technologies	
Continuous monitoring	29%
High-impact reporting	29%
Agile audit approach	22%
Dynamic risk assessment	23%
Advanced analytics	22%
Process mining	20%
Robotic process automation	19%
Machine learning/Artificial Intelligence	17%

# *Disruptive Trend 5: The Talent Crisis*

## **The Challenge for Internal Audit**

- New risks mandate expertise in multiple areas
- Experts are in high demand
  - And they demand the best opportunities
- **The Imperative**
- To engage in the war for talent:
  - Understand stakeholder needs and expectations
  - Assess existing competencies
  - Develop and deploy strategies, including:
    - Talent sourcing
    - Talent development
    - Succession
  - Continuously motivate and reward talent

# Waging The War for Talent in 2019

## What Skills Are in Demand?

	Skills Being Actively Recruited	Rate
1	Analytical/Critical Thinking	74%
2	Communication	63%
3	Business Acumen	60%
4	Accounting and Finance	56%
5	Risk Management Assurance	55%
6	Process Improvement	52%
7	Data Mining and Analytics	50%
8	Innovative Thinking	45%
	Industry-Specific Knowledge	45%
10	Cybersecurity and Privacy	39%

## How Hard Are They to Find?

	Skills Most Difficult to Recruit
1	Cybersecurity and Privacy
2	Data Mining and Analytics
3	Industry-Specific Knowledge
4	Innovative Thinking
5	Fraud Investigations and/or Auditing
6	Business Acumen
7	Analytical/Critical Thinking
8	Risk-Management Assurance
9	Persuasion and Collaboration
10	Process Improvement

# Parting Thoughts

*“There is a great path forward for internal auditors, provided that we are aligned to the right things and forego our resistance to change. We need to adapt, we need to evolve, we need to transform.”*

-Brian Christensen, Executive Vice President, Global Internal Audit, Protiviti