

Internal Audit 2024

5 New Year's Resolutions for the Year Ahead

Richard Chambers

Senior Internal Audit Advisor

AuditBoard

Agenda



Looking Back at 2023

Strategic Risks for the Year Ahead

5 Resolutions for 2024

Parting Thoughts



2023

LOOKING BACK

Five 2023 Lessons for Internal Auditors

1. Permacrisis persisted
2. AI proliferated
3. Compliance risks materialized
4. Collaboration flourished
5. Culture risks lurked



The Most Disruptive Factors for Internal Audit in 2023

1. Persistent talent shortage
2. Rapid emergence of AI
3. New compliance requirements
4. Macroeconomic turbulence
5. Rapid evolution of non-AI technology

Source: LinkedIn Poll – Jan. 2024 (500+ responses)



Poll Question #1

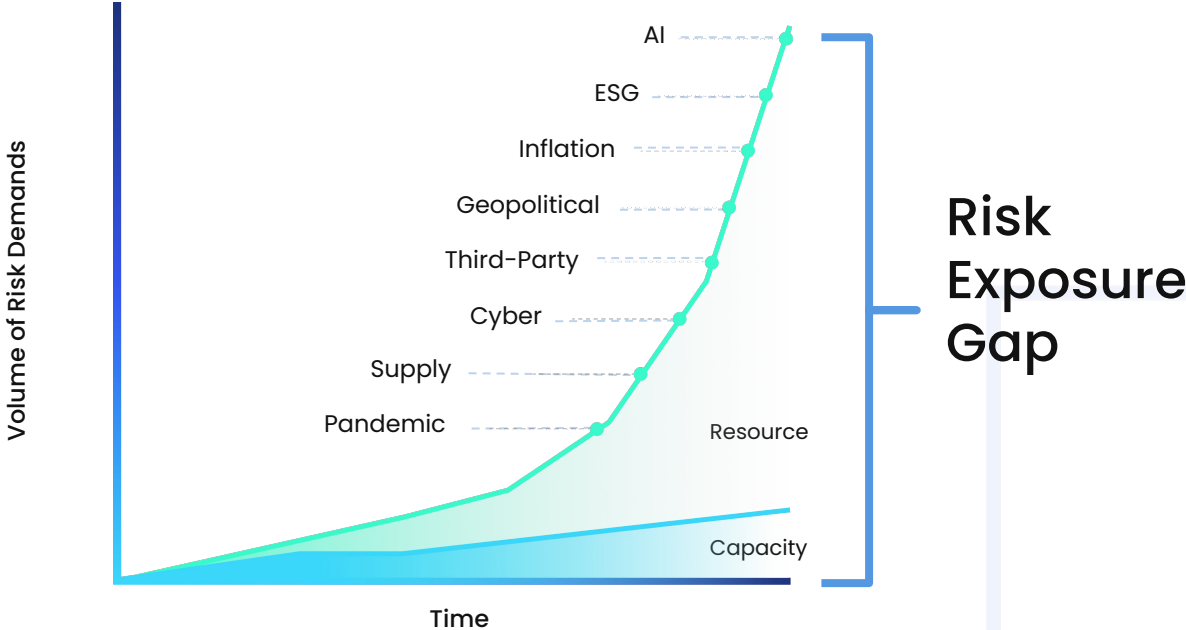
What was the most “disruptive factor” for your internal audit function in 2023?

- a. Persistent talent shortage
- b. Rapid emergence of artificial intelligence
- c. New compliance requirements
- d. Macroeconomic turbulence
- e. Rapid evolution of non-AI technology
- f. Other

Internal Audit's BIGGEST
Challenge in 2024:

**Delivering risk-based
audit coverage in the
shadow of a widening
risk exposure gap!**

Permacrisis is Fueling the Risk Exposure Gap



Strategic Risks for Internal Audit



Strategic Risks in the Next 5 years

1. Ability to attract and retain talent
2. Inability to identify emerging risks
3. Ability to effectively leverage technology
4. Inability to leverage AI
5. Lack of IT Expertise
6. Ability to identify and address critical risks
7. Stakeholder audit/oversight fatigue



Source: "7 Strategic Risks That Threaten the Future of Internal Auditing." © 2024 Richard F. Chambers and Associates, LLC. <https://www.richardchambers.com/7-strategic-risks-that-threaten-the-future-of-internal-auditing/>

Poll Question #2

What is the most significant strategic risk facing your internal audit function over the next five years?

- a. Ability to attract and retain talent
- b. Inability to identify emerging risks
- c. Ability to effectively leverage technology
- d. Inability to leverage AI
- e. Lack of IT expertise
- f. Ability to identify and address critical risks
- g. Stakeholder audit/oversight fatigue

5 Resolutions for the Year Ahead



5 Internal Audit Resolutions for 2024

Redouble Efforts to Communicate Impactfully

Cultivate Allies to Secure Internal Audit Investments

Leverage AI as a Capacity Multiplier



Embrace Complexity and Ambiguity as an Opportunity

Prioritize Compliance With New IIA Standards

1. Redouble Efforts to Communicate Effectively

Feedback from our stakeholders:

- We only speak when asked.
- Communications aren't risk-centric.
- We don't communicate with impact.
- We don't connect the dots.
- We communicate too much – summarize.
- We don't offer enough context/insight.
- Communications are too long.
- We read our slides.



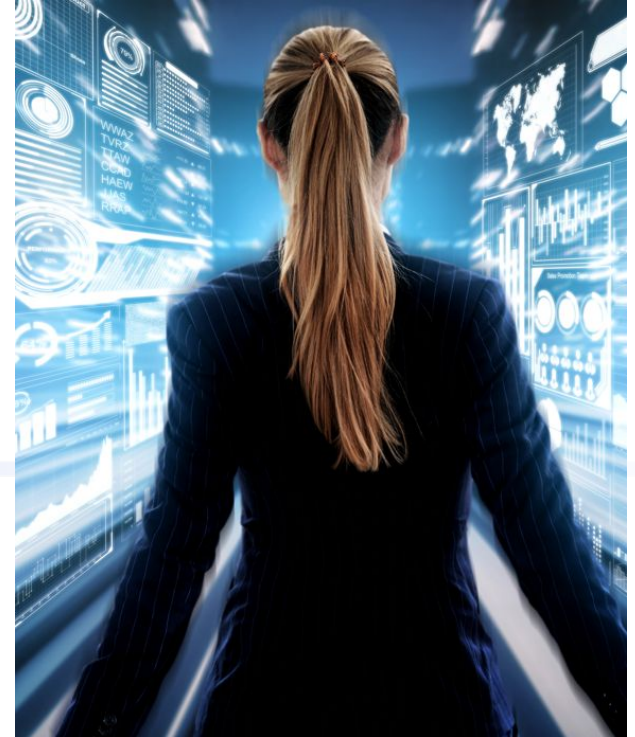
Strategies for Impactful Communication

- **Know your audience** – What's important?
- **Be clear and concise** – Less can be better.
- **Contextualize** – Not only what, but why.
- **Risk-informed** – Understand the "So what?"
- **Insightful** – Connect the dots.
- **Watch your tone** – "How you say it..."
- **Timely** – Sometimes better never than late.



2. Cultivate Allies to Support Internal Audit Technology Investments

- Ability to leverage technology: A top three strategic risk for internal audit.
- You can't leverage what you don't have.
- Technology costs cited as the big impediment.
- Companies often "trapped in a web of siloed solutions, legacy tools, budget constraints, and internal politics."
- We often need allies/champions – for IT investments.
- Be ready to "work the room" for IT funding.



5 Steps to Persuade Decision Makers to Invest in Technology Solutions

Step 1: Identify specific pain points you're solving for, the solutions you need, and the premier vendor(s).

Step 2: Identify measurable benefits to justify investments. Rationalize an ROI.

Step 3: Identify internal stakeholders for support in software purchase decisions. Who holds the purse strings?

Step 4: Make your case to secure funding. Be persistent and elevate.

Step 5: Work closely with procurement, IT, and legal.

Step 6: Follow through – demonstrate the investment value.

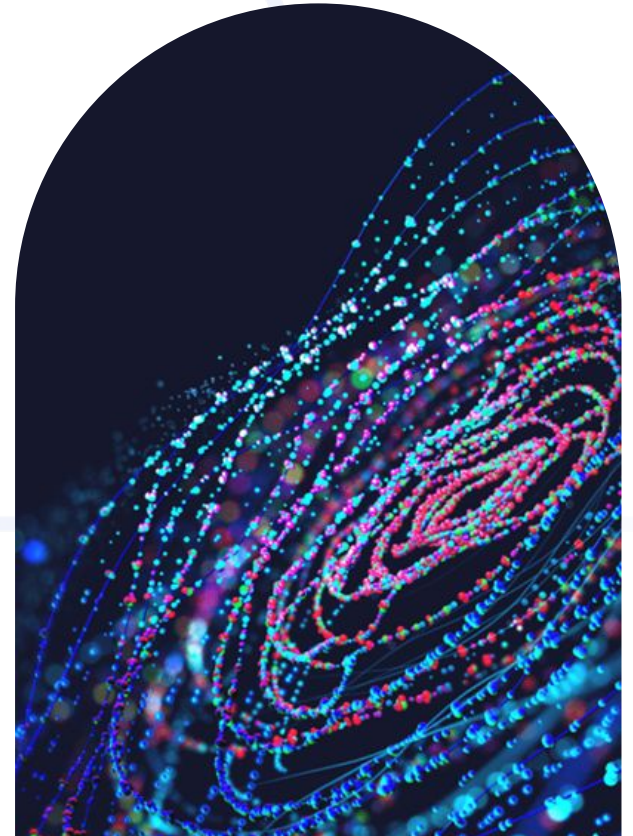


Source: "5 Steps to Persuade Decision Makers in Your Org to Invest in Technology Solutions," © 2023, AuditBoard.

3. Leverage AI as a Capacity Multiplier

- Inability to leverage AI: Third most-critical strategic risk
- Internal audit lagging in substantial/initial use of generative AI:
 - 4.8%: Risk assessment
 - 5.3%: Development of the plan
 - 5.9%: Engagement planning
 - 6.4%: Fieldwork
 - 3.7%: Engagement reporting
- "Most powerful change agents in our profession are inherently innovative, deploying innovative solutions to transform internal audit itself."

Source: "An AI Powered Call to Action." © 2023, AuditBoard.
<https://www.auditboard.com/blog/an-ai-powered-call-to-action-for-internal-audit/>



7 Ways Internal Audit Can Use AI

1. Risk Assessment and Prediction
2. Continuous Auditing and Monitoring
3. Data Analysis and Mining
4. Predictive Analytics
5. Enhancing Quality and Accuracy
6. Automating Routine Tasks
7. Scenario Analysis and Decision Support



Poll Question #3

In which of these has your internal audit function made the most progress leveraging AI?

- a. Risk assessment
- b. Development of the annual internal audit plan
- c. Engagement planning
- d. Fieldwork
- e. Engagement reporting
- f. We have used AI in none of the above

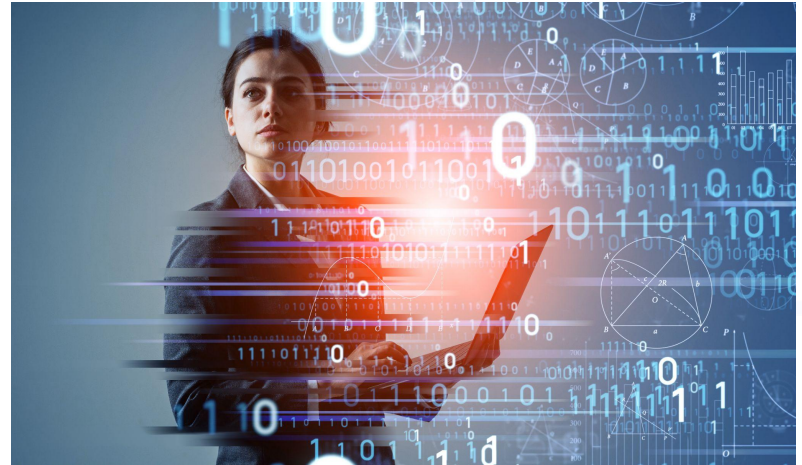
4. Embrace Complexity and Ambiguity as an Opportunity

- Era of permacrisis defined by velocity, volatility, complexity, and ambiguity
- **Complexity:** Multiple interconnected parts, factors, or variables
 - Interconnectedness
 - Dynamism
 - Nonlinearity
 - Diversity and variability
- **Ambiguity:** Incomplete, contradictory, or unclear
 - Multiple interpretations
 - Uncertainty
 - Vagueness
 - Lack of information



Benefits of Embracing Complexity and Ambiguity

1. **Fosters Innovation and Creativity**
2. **Enhances Adaptability**
3. **Improves Problem-Solving Skills**
4. **Encourages Learning and Growth**
5. **Builds Resilience**
6. **Enhances Decision-Making**
7. **Prepares for the Future**
8. **Promotes Flexibility**
9. **Facilitates Deeper Understanding**
10. **Encourages Collaboration**



Poll Question #4

Which of the following reflects the greatest benefit of embracing complexity and ambiguity?

- a. Fosters innovation and creativity
- b. Improves problem-solving skills
- c. Encourages learning and growth
- d. Enhances decision-making
- e. Prepares for the future
- f. Encourages collaboration

5. Prioritize Conformance With the New Global Internal Audit Standards

- New Global Internal Audit Standards were released on Jan. 9, 2024
- 5 domains
- 15 principles
- 33 standards
- One year to achieve compliance



Source: The Institute of Internal Auditors, Inc. © 2024.

Strategies for Achieving Compliance with the Global Internal Audit Standards

1. Review and understand new requirements
2. Undertake a “gap analysis” to ascertain extent of compliance
3. Identify key actions needed to comply
4. Forge a project plan with milestones and success measures
5. Brief key stakeholders on new requirements and actions being taken to achieve conformance
6. Undertake a “readiness assessment” to assess conformance as 2025 approaches



Source: The Institute of Internal Auditors, Inc. © 2024.

Parting Thoughts



The 2024 Resolutions are a Product of the Era

- Permacrisis is generating volatility, uncertainty, and a widening risk exposure gap.
- Every year brings new disruption for the profession and organizations we serve.
- We face an abundance of lingering and emerging strategic risks.
- In 2024, we must focus on:
 - Redoubling efforts to communicate impactfully
 - Cultivating allies to secure internal audit investments
 - Leveraging AI as a capacity multiplier
 - Embracing complexity and ambiguity as an opportunity
 - Prioritizing compliance with new IIA standards



Questions & Answers

The Modern Connected Risk Platform

Elevate your audit, risk, and compliance teams with the intelligent, collaborative, connected risk management platform.

RiskOversight

Risk Management Centralized

Integrate and elevate every element of your risk management program.

ESG

ESG & Sustainability Operationalized

Streamline ESG program management and ensure audit-ready data.

SOXHUB

SOX Management Simplified

Tackle SOX compliance and controls management with ease and precision.

CrossComply

Compliance Management Unified

Accelerate cross-framework compliance, including SOC, ISO, NIST, PCI, and more.

TPRM

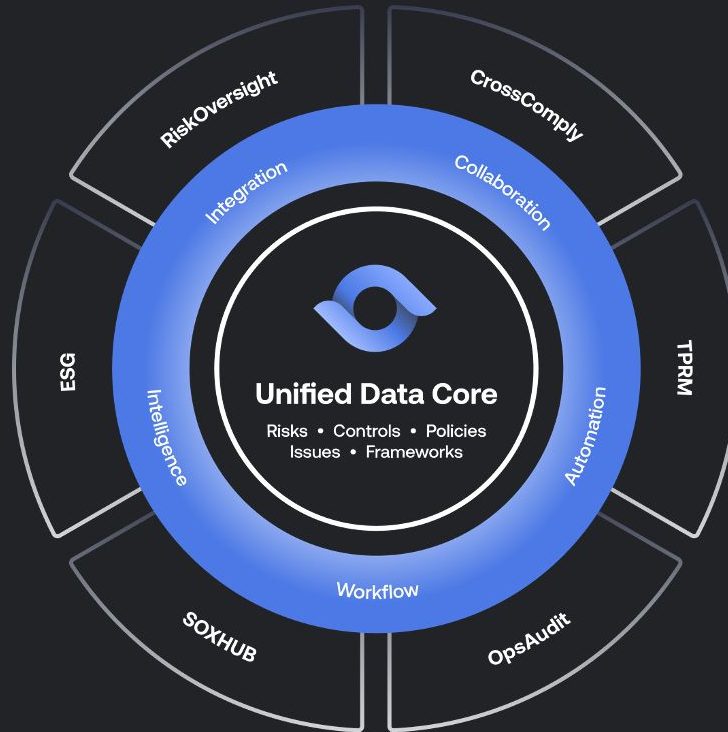
Vendor Risk Management Modernized

Visualize, assess, and mitigate the third-party IT risks facing your organization.

OpsAudit

Internal Audit Streamlined

Drive greater strategic impact and productivity at every step of your audit program.



A FREE VIRTUAL EVENT

INFOSEC COMPLIANCE NOW

February 22, 2024 | 8:30 AM - 12 PM PT | 11:30 AM - 3 PM ET | 3 CPEs

REGISTER NOW



Thank you.

If you qualified for a CPE, you will receive your certificate by email by the end of the day.

Questions? Email webinars@auditboard.com.

