



The Cutting-Edge Auditor

Unleashing Internal Audit's Value

Housekeeping

- Today's session will be 50 minutes with 10 minutes for Q&A.
- Please submit your questions through the Q&A panel on your GoToMeeting console
- This session will be recorded. We will send a copy of the recording and slides to all attendees.
- This session has been pre-approved for 1 NASBA CPE credit. **To be eligible, you must complete all 3 polling questions and stay on the line for 50 minutes.**

Learning Objectives

- How emerging technologies, like data analytics and automation, are affecting the scope of Internal Audit
- Inspiring stories of forward-thinking audit teams who are making an impact
- What skills are required to become a cutting-edge internal audit function



Geoff Thomasson CPA, MBA

Client Partner, Galvanize

Agenda

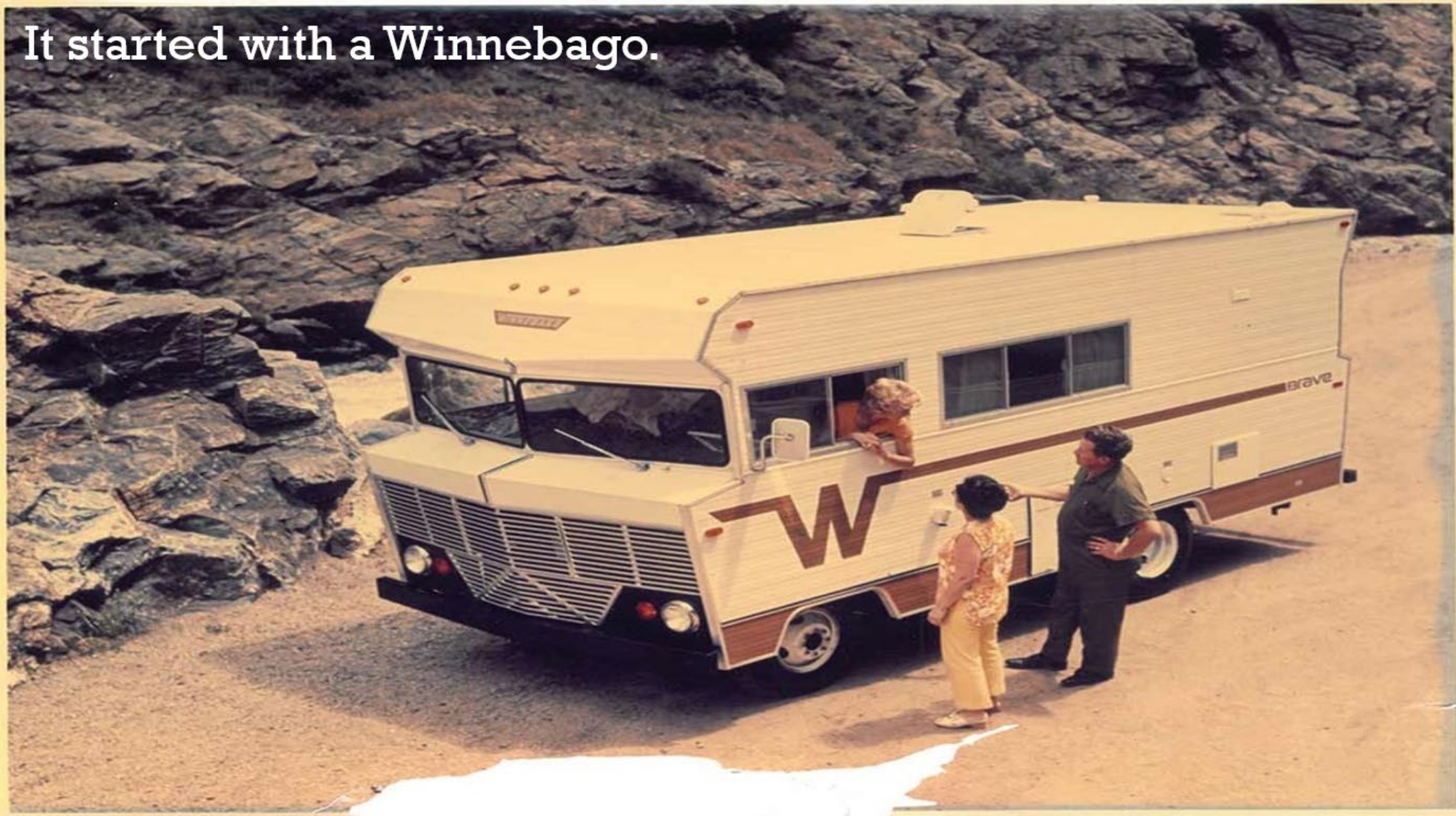
- Death of the tickmark recap
- Has the tickmark died yet?
- Unleashing Internal Audit's Value
- Organizations Biggest Risks and the focus of Internal Audit
- Bringing it all together
- The Internal Audit team built to add value



Death of the Tickmark

A quick recap...

It started with a Winnebago.



It starts

INCOME STATEMENT

Entity XYZ
Year ended 31 March YYYY
Annual Financial Report

Revenue	20X8	20X7
Expenses		
Expense A	XXX,XXX	XXX,XXX
Expense B	XXX,XXX	XXX,XXX
Expense C	XXX,XXX	XXX,XXX
NET PROFIT/LOSS	XXX,XXX	XXX,XXX

Notes to the Financial Statements (continued)

(g) Cash and cash equivalents
Cash and cash equivalents in the balance sheet are convertible to known amounts and are subject to insignificant risk of changes in value.

(iv) Revenue recognition
Revenue is recognised when it accrues. Intert a sentence here that doesn't make sense at all and is completely wrong.

Are we not often basically acting as financial statement auditors? If so... no wonder we have problems ADDING VALUE!

remove underline, not a subtotal

inappropriate description, amend font size

detailed note disclosure required

cannot agree to audited TB, please explain

yy,yyy

inconsistent font please fix

does not add

lowercase

note numbering incorrect

Expense detail item 1

Expense detail item 2

Total

⊗: amend as marked

^: adds/calcs checked

✓: internally consistent

py: agreed to prior year signed financials

Making Everything Easier!™

Auditing

OR

PROBLEMS

- Understand the concepts and theories of auditing
- Conduct internal and external audits
- Ensure accurate and correct records
- Avoid fraudulent practices

AUDIT CHECKLIST

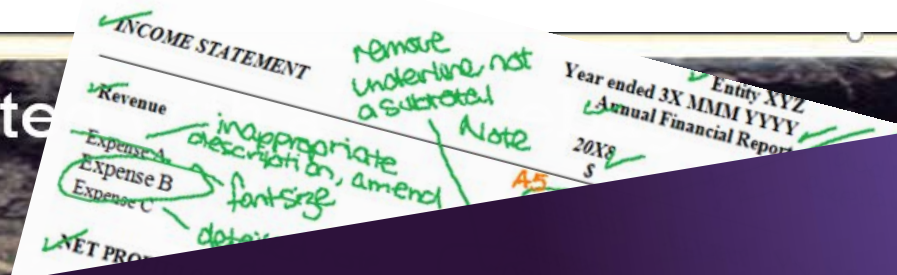
Audit Satisfactory

Nonconformances Found

Observations Made

Maire Loughran
Certified Public Accountant

It starts



A.I. and automation: Changing audit for the better

WEGALVANIZE.COM

Maire Loughran
Certified Public Accountant

AUDIT CHECKLIST

- Audit Satisfactory
- Nonconformances Found
- Observations Made

It starts

INCOME STATEMENT
Revenue
Entity XYZ
Year ended 3X MMM YYYY
Annual Financial Report
20X8
Remove underline, not a subtotal
Note



Real-life examples I've come across in my career



Mitigating bank robbery risk



Stopping child labor and avoiding conflict minerals



Freezing terrorist funding



Assessing armed services deployment readiness

It starts

Real-life example

“Five imperatives” for enhancing internal audit’s perceived value

Richard Chambers, IIA President and CEO – GAM 2014:

1. Assess and address apparent gaps in stakeholder expectations of internal audit’s focus and capabilities.
2. Develop and implement robust knowledge and talent acquisition strategies
3. Implement or enhance existing methodologies for assessing risks continuously.
4. Assume a leadership role in coordinating and aligning the activities of functions in the organization’s second line of defense
5. Find innovative ways to enhance internal audit efficiency.



INCOME STATEMENT
Revenue
Entity XYZ
Year ended 3X MMM YYYY
Annual Financial Report
20X8
Note
remove underline not a subtotal





Has the tickmark died yet?

IT'S
ALIVE!

...OR
MAYBE
NOT.

TICKMARK

B. RICH-HEDGEYE



Why hasn't the tickmark died?

Regulations

Why hasn't the tickmark died?

Regulations

Examples

- Sarbanes Oxley
- PCAOB Requirements
- Yellow Book/
Government Auditing
Standards
- IIA Guidance

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Change Management

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Change Management

Challenges

- Access to Data
- Management buy-in
- Team Skills
- Budget
- Where to start..

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Lack of Value

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Lack of Value

Why automate
activities, processes,
or audits that do not
add significant value?

POLL #1

Where would you say your organization lies on the evolutionary scale of automating aspects of Internal Audit?

- A. We have no plans to automate any aspects of internal audit
- B. We have not automated internal audit processes, but hope to begin in the next 12 months
- C. We have begun to automate some internal audit processes, but are early on
- D. We are fairly well along on automating several internal audit processes
- E. We have a highly automated internal audit function



Unleashing Internal Audit's Value

My 2 cents on value

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Providing assurance over the organization's biggest risks

My 2 cents on value

Providing assurance over the organization's biggest risks

Providing valuable insight by connecting data across systems, processes and teams

My 2 cents on value

Providing assurance over the organization's biggest risks

Providing valuable insight by connecting data across systems, processes and teams

Improving IA efficiency and increase assurance coverage with the same level of resources



Organizations Biggest Risks and the focus of Internal Audit

Protiviti's Top Risks for 2021

TOP RISKS FOR 2021

1. Impact of pandemic-related policies and regulation on business performance
2. Impact of economic conditions on growth
3. Pressure of pandemic-related market conditions on demand
4. Adoption of digital technologies may require new skills that are in short supply
5. Privacy, identity management and information security challenges
6. Cyber threats
7. Impact of regulatory change and scrutiny on operational resilience, products and services
8. Leadership succession challenges; ability to attract and retain top talent
9. Resistance to change operations and the business model
10. Ability to compete with "born digital" and other competitors

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4 Strategic Risks
5 Operational Risks
1 Compliance Risk

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1 Compliance Risk

- Artificial intelligence
- Robotics Process automation
- Internet of things
- Blockchain

Protiviti's Top Risks for 2021

TOP RISKS FOR 2021
1. Impact of pandemic-related policies and regulation on business performance
2. Cyberattacks and data breaches
3. Supply chain disruptions
4. Leadership succession challenges, ability to attract and retain top talent
5. Resistance to change operations and the business model
6. Ability to compete with "born digital" and other competitors

How many Internal Audit teams are looking at these risks?

4 Strategic Risks
5 Operational Risks
1 Compliance Risk

- Artificial intelligence
- Robotics Process automation
- Internet of things
- Blockchain

POLL #2

How well would you say audits at your organization cover top strategic risk areas?

- A. We do a great job of auditing areas of top strategic risks
- B. We do an adequate job of auditing areas of top strategic risks
- C. We probably don't do a very good job of auditing areas of top strategic risks
- D. We do a poor job of auditing areas of top strategic risks

Let's make a bold assumption....

**Most of Internal Audit time is focused on
Financial and Compliance Risk**

Internal Audit Value Transformation

**Let's convert that to
some numbers...**

Internal Audit Value Transformation

Let's convert that to some numbers...

Risk Area	Resource Allocation
Strategic Risk	10%
Operational Risk	10%
Financial Risk	40%
Compliance Risk	40%

Internal Audit Value Transformation

Now let's flip it...

Before

Risk Area	Time
Strategic Risk	10%
Operational Risk	10%
Financial Risk	40%
Compliance Risk	40%

To..

After

Risk Area	Time
Strategic Risk	40%
Operational Risk	40%
Financial Risk	10%
Compliance Risk	10%

Internal Audit Value Transformation

But what about the stuff we used to do?

Risk Area	Time
Strategic Risk	40%
Operational Risk	40%
Financial Risk	10%
Compliance Risk	10%

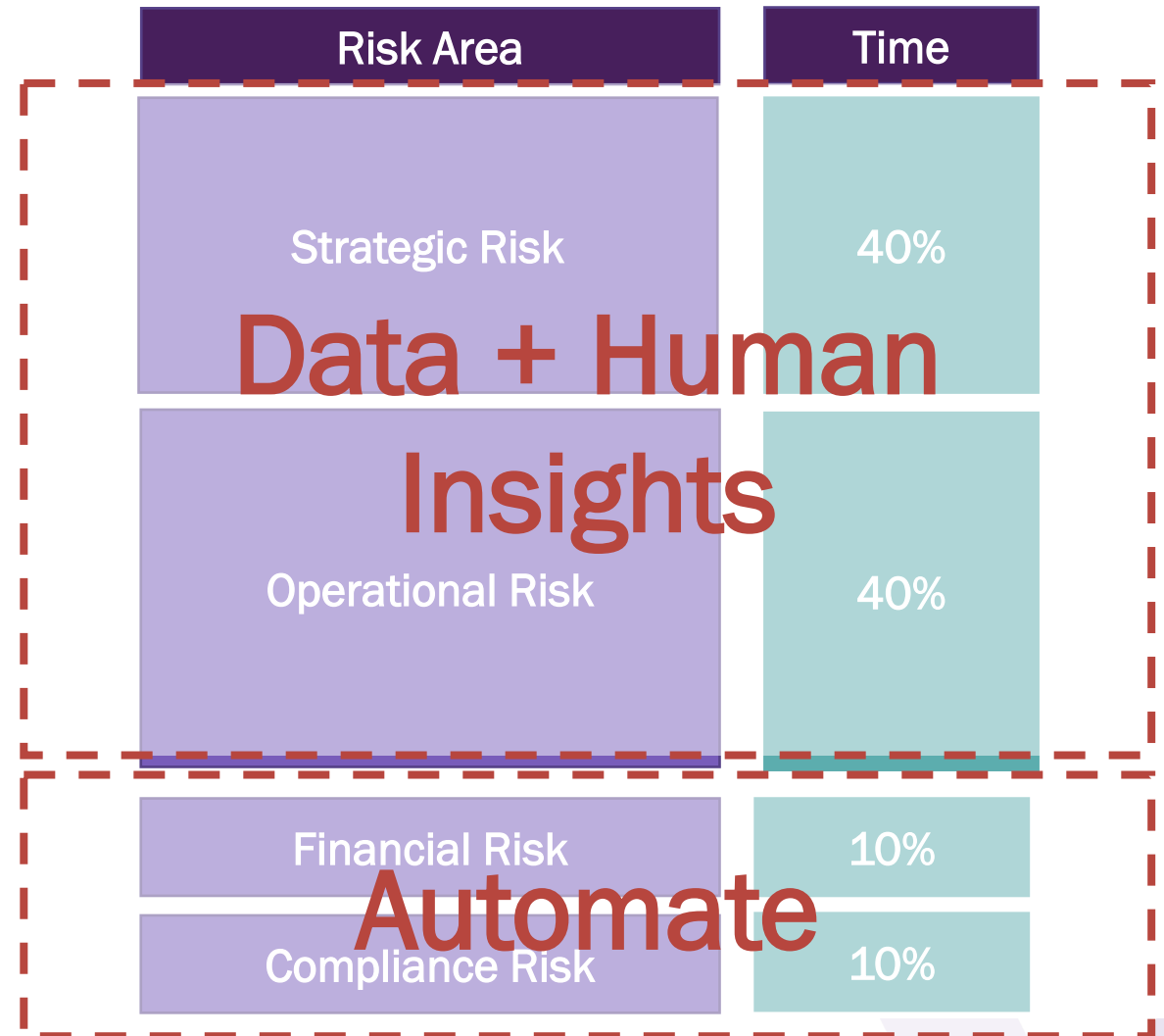
Internal Audit Value Transformation

But what about the stuff we used to do?



Internal Audit Value Transformation

Then leverage Data & Human Insights to help provide new insights to strategic and operational risks



POLL #3

About how much time would you say your organization spends auditing Strategic and Operational risk areas (as opposed to financial and compliance areas)?

- A. Less than 20% of internal audit's audit time is spent on strategic and operational risk areas
- B. From about 20% to 50% is spent on strategic and operational risk areas
- C. From about 50% to less than 80% is spent on strategic and operational risk areas
- D. About 80% or more is spent on strategic and operational risk areas



Bringing it together

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To unleash Internal Audit's value, we need to focus on freeing up time to focus on the organization's biggest risks, while still increasing assurance over traditional areas of financial and compliance risks.

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Continuous Monitoring

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Drive efficiency
everywhere...

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Automated Testing &
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Double down on the
biggest risks

Automated Testing & Continuous Monitoring

Typically, there are more areas of automation with financial and compliance risks. We need to focus on building analytics and continuous monitoring for more data focused processes.

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Adding more value
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Critical IT SOX
Support

Automated Testing & Continuous Monitoring

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Adding more value
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Critical IT SOX
Support

Supporting HR with
Automation

Drive efficiency everywhere...

Let's free up our own time! We need look at the internal audit process, identify the activities that take the most time and try to automate it.

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Leverage systems to help with requesting and following up on documents, meetings, etc

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Reporting

Leverage systems create 1 click planning memos, progress reports, and audit reports.

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Follow up

Leverage systems and automation to follow up and report on findings.

Double down on the biggest risks

With the time you have freed up leveraging automation, lets double down on reviews of your organization's biggest risks, combining human insights with data. We might need to leverage external firms, hire new resources, or work with the business.

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causes millions in
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Serial number data
highlights black market
electronics industry



The Internal Audit team built to add value

Top 10 skills of 2025

-  Analytical thinking and innovation
-  Active learning and learning strategies
-  Complex problem-solving
-  Critical thinking and analysis
-  Creativity, originality and initiative
-  Leadership and social influence
-  Technology use, monitoring and control
-  Technology design and programming
-  Resilience, stress tolerance and flexibility
-  Reasoning, problem-solving and ideation

Type of skill

-  Problem-solving
-  Self-management
-  Working with people
-  Technology use and development

Internal Audit Skills

Internal Audit Skills

Understand the
business

Internal Audit Skills

Understand the
business

Understand Risk &
Control

Internal Audit Skills

Understand the
business

Understand Risk &
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Analytics Thinking &
Problem Solving

Internal Audit Skills

Understand the
business

Understand Risk &
Control

Analytics Thinking &
Problem Solving

Data & Technology



QUESTIONS