

Global Audit Committee Survey
Sep, 2020

Executive Summary

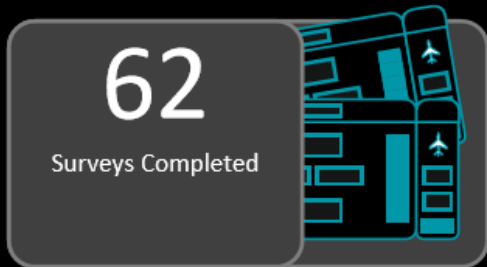
Global Audit Committee Survey – Executive Summary



Industry Coverage



Countries represented



EMEA

Belarus	Ireland	Kingdom
Denmark	Israel	South Africa
Finland	Italy	Kazakhstan
Germany	Turkey	Netherlands
Iceland	United	Russia

Americas

Brazil
Canada
Chile
Mexico
United States

APAC

Australia
Indonesia

KEY TAKEAWAYS



The Role of Internal Audit

- There is no longer a debate as to whether internal audit should conduct advisory work.
- Internal audit must move the needle toward more advisory work.
- What does the function need to do differently in order to be seen as a problem solver rather than a nuisance and something to be avoided?

Talent

- IA needs to team for success both within and outside the function, to drive progress.
- Think less about “auditors of the future” and more about “teams of the future.”
- Augment their teams with complementary, non-traditional skillsets, not just technical skills.

Budget

- Internal audit groups with the greatest impact are not necessarily those with biggest budget.
- IA budgets aren't likely to increase so it's not about doing more with less but doing different with less.

Psychological Safety

- Fostering trust and open communications will drive progress and Internal Audit has an active role to play here whether that is helping the second line to improve, working more closely with management or thinking about how the results of IA work can be positioned in a way that encourages control issues to be surfaced and addressed.

Reporting


- There is a still considerable room for improvement here.
- IA can tailor their output to better inform stakeholders of emerging concerns, before they become critical.
- The PoV presents a number of practical ideas to help improve here.

Internal Audit Advisory


Suggested steps to increase advisory activities

The Role of Internal Audit


Adopt Agile Methodologies
Adopt Agile methodologies, working in sprints, and raising issues and concerns early even they haven't been fully researched or tested




Forward-Looking View
Providing more forward-looking intelligence, with less focus on what went wrong and more on what can go right




Digital Solutions
Incorporate digital solutions to aid in risk anticipation, such as dynamic risk assessment and data visualization




Transformation Projects
Get involved in transformation projects and help assist in control design rather than waiting for issues to arise.




After-Sales Care
Considering audit reports not the end, but rather the beginning of an "after-care" process that consults with management to leverage the report for insights, actions, and solutions




LOD Alignment
Optimize alignment across the three lines of defense, with each group having clear expectations and accountability




Best Practices
Spread best practices and insights from inside and outside the company by drawing on IA's broad business understanding



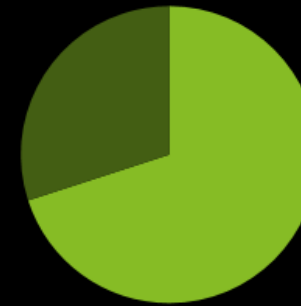
Actionable Recommendations
Provide actionable recommendations within reports, and offer real-time insights on trends, issues, and potential concerns



Organizational Improvement
Setting up recurring touchpoints with key stakeholders for open discussion of emerging risks, issues, and **opportunities**, with the goal of helping the organization get better rather than just "keeping score"



In Deloitte's 2020 survey of audit committee chairs and members:



70% said internal audit should spend **more** time on advisory activities



92% said IA should provide **insights** on and help prepare for emerging risks

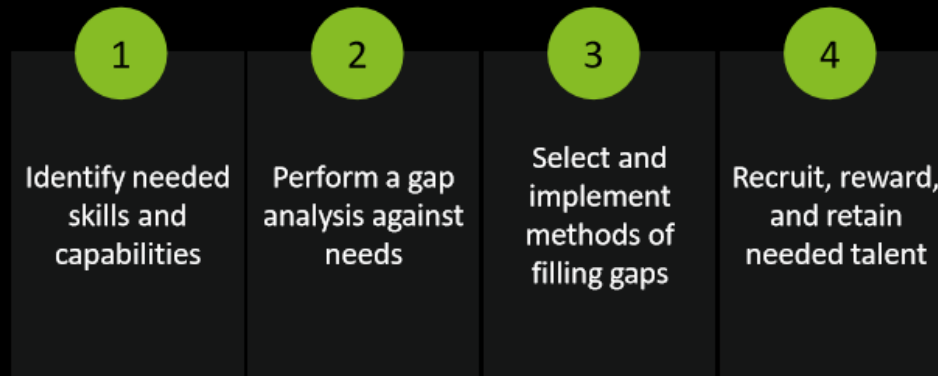
Internal Audit Skillset

Augment your team with complementary, nontraditional skillsets

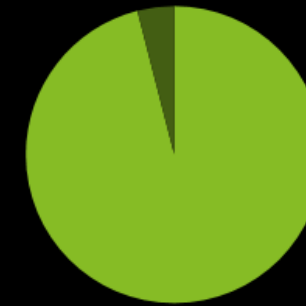


CAEs can consider these steps for upping their team's game:

- Recruit “purple people” and non-traditional skillsets.
- Team for success—within and outside IA—to drive progress. Think less about “auditors of the future” and more about “teams of the future”
- Invest not just in technical skills, but in “soft” skills in order for team members to successfully navigate the advisory world of internal audit.
- Adopt a “four-pillared” approach to talent:



In Deloitte's 2020 survey of audit committee chairs and members:



96% said internal audit needs to broaden its skillset

Desired Soft Skills



Internal Audit Culture – Psychological Safety

Fostering trust and open communications will drive progress

Psychological Safety

1. Contribute to developing an atmosphere of trust, a culture of sharing views, and an acceptance of constructive criticism.
2. Focus audit reports on improvements and being part of the solution, recognizing what went wrong but emphasizing the learning.
3. Work closely with management in the decision-making process through regular meetings with executives, especially the CEO and CFO.
4. Educate management on the key risks/controls; help them mitigate and manage those risks; and assist them in self-identifying areas where controls should be enhanced at the outset of an audit.
5. Share constructive feedback with management and clearly give management credit for self-identifying control issues.
6. Help develop incentives for management to communicate need for controls improvement, anomalies, or new risk drivers, without fear of retaliation or unfavorable consequences.
7. Consider the use of a dual-rated report structure (control environment and management awareness) to hone in on the risk-and-control culture and to acknowledge positive behaviors based on a defined ratings scale.

In Deloitte's 2020 survey of audit committee chairs and members:



86% said that management is encouraged to present issues and findings to the audit committee, but institutional **barriers** often prevent this from happening

Management should be encouraged to talk about their risks/control gaps and propose their own action plans, and the audit committee and CAE should clearly demonstrate support, confidence, and recognition.



- Audit committee chair at South American energy company

Internal Audit Reporting: Inform stakeholders of emerging concerns

Audit Committees expect the following from IA reports:



Don't wait for the report

- Schedule regular touchpoints with the audit committee chair and executive team to alert them about items on internal audit's radar.

Tell a Story

- Be persuasive, tell a story, something the reader will remember.

Peer Ahead

- Tell them what's coming and why it's critical.

Capture the big picture

- Start your report with an executive summary with compelling visuals.
- Highlight key points and emphasize the most important information.



Treat reports as the starting point, not the ending point

- IA can use their reports to generate conversations, collaboration, action, and positive outcomes.

Tailor your reports

- Full reports for management;
- Thematic reports for ACs.

Reinforce psychological safety

- Does your report take away from the management's willingness to consult early on challenges?

In Deloitte's 2020 survey of audit committee chairs and members:



63% said internal audit should be **faster** reporting results of their work.

Improvements desired in the following reporting areas:

- Report Messaging
- Presentation
- Accessibility
- Interactivity

Full report available

<https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Risk/IE-Audit-Committee-Survey-2020-fv.pdf>

Contact Deloitte Belgium

Arno De Groote

Partner | Risk Advisory | Financial Services Industry

Deloitte Consulting & Advisory

adegroote@deloitte.com