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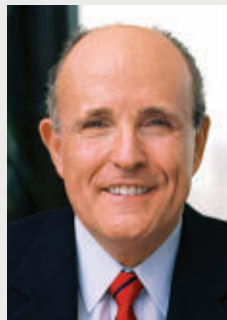
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## PRESIDENT'S LETTER

Two days after the attack on Pearl Harbor, as a shocked nation sought assurance on how it would move forward after the deadliest foreign attack on U.S. soil, a newly formed group of 11 internal auditors gathered to listen to President Franklin D. Roosevelt's radio address. The president laid out the hard challenges that faced the nation as it prepared for a war that would reshape the world.

I imagine those intrepid and motivated practitioners drew strength from Roosevelt's resolute message at a pivotal point in the nation's history. From those beginnings was born The IIA, which now serves the needs of more than 180,000 members around the world.

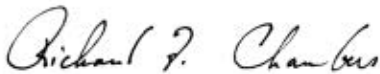
Since then, The IIA has met and conquered many challenges as it has grown to become the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. As we enter our 75<sup>th</sup> year, we should take pride in what we have accomplished and gain inspiration from the challenges that lie ahead.

This month's issue of *Internal Auditor* helps kick off our diamond anniversary by providing a fascinating look at where the internal audit profession has been, where it is today, and what its future holds. As one of The IIA's most popular member benefits, this award-winning publication has been an important learning tool for practitioners for nearly as long as The IIA has existed. The first issue was published in connection with The Institute's third annual meeting in 1944.

As you read through this issue, I urge you to think about what The IIA means to you and the profession. I also encourage you to participate in upcoming events and tributes planned to help celebrate our 75<sup>th</sup> anniversary, including our International Conference, July 17-20, in New York.

On behalf of IIA headquarters staff, thank you for your support of The Institute and *Internal Auditor* magazine.

Sincerely,



**RICHARD F. CHAMBERS, CIA, QIAL, CGAP, CCSA, CRMA**

*President and CEO*

*The IIA*

# Congratulations on 75 years!

Deloitte is honored to be a principal partner alongside an organization that continues to guide the internal audit profession and help auditors adapt their skillset to meet the prominent demands of the current environment.

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INTERNAL AUDITOR

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# CELEBRATING

# 75

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COVER PHOTOGRAPH BY  
MARK TUSCHMAN







# Congratulations to the IIA on 75 years!

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## EDITOR'S NOTE

# BEHIND THE SCENES

It all started with a photo shoot in Vancouver.

The IIA's 75th Anniversary Planning Group had tasked the magazine staff with creating a special issue to celebrate The Institute's milestone anniversary. We decided the 2015 International Conference would be the perfect place to shoot a fold-out magazine cover that would portray the "faces of the profession." We weren't disappointed. Everyone we asked to pose for the cover said "yes," and we were able to bring them all together at the conference (meet this diverse group beginning on page 6).

Before the shoot, the magazine's designer, Joe Yacinski, asked that we find volunteers to serve as stand-ins for our cover models. Again, we weren't disappointed. Even with their busy schedules as conference volunteers, nine IIA members happily stepped forward and



**Seated (from left): Katrina Craig, Angelina Vavasour, Jerry Mah, Chris Smysnuck, and Sohaib Muneer. Standing: Janet Hnytka, Lalon Bolt, Michael Lin, and Daniel Torres.**

let photographer Mark Tuschman position and reposition them to help mold his vision for the photograph. A big thank you to those "blue shirts" – we had a great time with them (see photo).

A willingness to step up and participate has been a constant trait of IIA members over the past 75 years and is, in no small part, responsible for the success of The Institute, as well as this magazine. In this issue, for example, the cover was just the beginning of what we envisioned as a broad look at the internal audit profession – past, present, and future – through the eyes of the

many people who make up The IIA. We had no shortage of members willing to write or be interviewed for articles. The result is an issue packed with informed perspectives on the profession from around the world.

Thank you to the many practitioners who helped us tell the story of the internal audit profession, and happy 75th anniversary to the many members who make up The IIA. I hope you enjoy reading this issue.

*Anne*

@AMillage on Twitter

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**Russell A. Jackson**

EXPERTS FROM AROUND THE GLOBE  
PROVIDE A SNAPSHOT OF THE PROFESSION,  
DISCUSSING KEY ISSUES IMPACTING  
INTERNAL AUDIT.



Anniversaries always present an opportunity to look back fondly and to look forward hopefully. As The IIA celebrates its 75<sup>th</sup> anniversary, many practitioners find themselves doing exactly that – reflecting on the role and structure of internal audit when it was first organized as a profession and envisioning a future filled with challenges and responsibilities its earliest members may have never imagined. The experts surveyed here – featured on this issue’s cover – represent different countries, industries, and experiences, and have a wide range of views about internal auditing. We asked each of them to talk about an issue that captures the profession’s essence as it moves toward a century of formal organization. Overall, they emphasize change, both in what’s expected of the internal audit function and in the tactics practitioners have at their disposal to carry out their evolving responsibilities.

IIA President and CEO Richard Chambers, in fact, stresses that, from his perspective, internal audit has been in “evolutionary mode” since The Institute was created. “In the early era, we were focused on hindsight,” he says. “As we evolved, we also started to provide insight. Ultimately, the future of internal audit has to include a component of foresight.” That means, he adds, that the art of internal audit is “looking behind, around, and ahead.” With that 360-degree view of the enterprise, an internal auditor can better provide perspective on the risks lying ahead. That’s what will keep the profession focused on the future for the next 75 years.



**Angela Witzany,**  
CIA, CRMA, QIAL  
*Head of Internal  
Audit*  
Sparkassen  
Versicherung AG  
Vienna  
*Senior Vice  
Chairman,*  
IIA Board of  
Directors

## Remaining mindful of diverse staff needs is paramount to retention.

starts once the hire has been made. For example, internal audit is often but one of the stops on a years-long journey to another part of the enterprise—maybe an operational unit or the finance department or the C-suite. “By combining as much technology-based training as possible with an emphasis on soft skills—like broader strategic thinking and a better customer focus—internal audit leaders can prepare their team members for future career possibilities, not just the job at hand,” Witzany says. Also, she stresses, it’s critical to provide a clear path to straightforward promotions for internal audit hires. A recent report from The IIA Research Foundation—*Job Satisfaction for Internal Auditors: How to*

*Retain Top Talent*—backs her up, pointing out that higher job satisfaction and lower turnover often result when companies put those paths in place. But not every internal audit hire has aspirations to executive success; many simply want to be career internal auditors. “That type of talent needs to be managed, too,” Witzany stresses. “Many new hires have their sights set on internal audit for the long term, and those ambitions should be supported whenever possible.” Regardless, remaining mindful of the diverse needs and interests of staff is paramount to retaining a talented audit team and to meeting the ever-increasing demands of today’s organizations.

Keeping talented internal auditors happy is a priority for Angela Witzany. Indeed, she points out, as difficult as finding exactly the right person can be, the tough part of managing exceptional auditors

## Practitioners often find increased opportunity under risk-based auditing.

You wouldn’t have to go far to find internal audit practitioners who’d agree with Audley Bell that the transformation from compliance-based to risk-based audit represents the most significant operational change the profession has seen in The IIA’s 75 years. “Although value was being derived from the compliance audit approach,” he explains,

“many key stakeholders felt the potential of the internal audit function was not being realized. Very little time was spent engaging and collaborating with them.” For those who are still looking to make the transition, he advises starting by seeking input from management, business owners, internal audit staff, and the audit committee. “While it is not possible to satisfy the needs of all stakeholders,” he says, “the objective should be to address those that would yield the greatest value to the organization.” Under risk-based internal audit, practitioners often find increased opportunity for career and professional development and enhanced knowledge of the organization’s operations, he adds. “Most importantly, auditors are better prepared to add value to the organization.” Bell says it also took a while for

**Audley Bell,** CIA,  
CPA, CISA, CFE  
CAE  
World Vision  
International  
Baldwin, N.Y.



key stakeholders across the globe to see and appreciate the benefits of the change. But it is now widely accepted—and the benefits are “visible within the organization.”



**Karen Brady,**  
CIA, CFE, CRMA  
*Corporate Vice  
President of  
Audit and Chief  
Compliance  
Officer*  
Baptist Health  
South Florida  
Coral Gables, Fla.  
*Member, IIA North  
American Board*

For Karen Brady, the time has come to give back to the profession through volunteering—something she says younger practitioners may not appreciate the value of. “I don’t think they understand that not only is it important for the profession to

Increasingly, internal audit operates in conjunction with other important assurance functions within an organization. Jenitha John says internal audit should take the lead in making sure that combined assurance is well-coordinated. Combined assurance, she says, is about integrating, coordinating, and aligning the efforts of



**Jenitha John,**  
CA (SA), QIAL  
CAE  
FirstRand Ltd.  
Sandton, South  
Africa

volunteer and advocate, but it’s good for the individual, also,” she explains, noting that the contacts established when volunteering are “invaluable.” Volunteers meet peers to discuss issues and compare situations, she says, adding that “in certain circumstances you can meet individuals who may become clients—or even future employers!” Brady points out as well that involvement in professional organizations can raise auditors’ knowledge about internal audit, at a time when it’s more important than ever to be at the forefront of emerging practices. “The one thing that remains constant is the tremendous opportunity we have to learn from one another about issues that impact everyone in the profession,” she says. “In the end, it’s a genuine love for and dedication to the profession that brings volunteers together to elevate internal audit and enhance professionalism.”

management and internal and external assurance providers to optimize and maximize the level of risk, governance, and control oversight over its risk landscape. “Internal audit must step up to the challenge and spearhead discovery and execution,” she says. “The internal audit function is well-positioned and has an established network within an organization, which is beneficial in influencing the design of the combined assurance framework.” Topical issues from the CEO, the chief operating officer, and the audit committee chair will influence the agenda of the combined assurance program, she adds, but “certain types of risk warrant more input from specialists and lend themselves to knowledge transfer to internal audit if the combined assurance methodology is adopted.”



**Zachary Kodjo**  
*Graduate Student  
Albers School  
of Business and  
Economics  
Seattle University*

Who better to look to the future of internal audit than a student who’s just beginning to appreciate what the profession has to offer? Zachary Kodjo is pursuing a master’s degree in professional accounting. After attending The IIA’s Leadership Retreat and Conference in September 2015, Kodjo says, “the message I took away from all the speakers is that internal auditors in every organization should partner with management and stakeholders to improve the business.” He says the best internal auditors are those who are empathetic, because “they need to understand the challenges that managers face to advise them.” He adds that it’s up to his generation of practitioners to craft the future of the enterprise. “Change in internal audit needs to start at the bottom,” he says. “Students should try to contact industry professionals to get their take on the challenges unique to internal audit.” It’s important, he says, that students realize the profession is about more than understanding and applying rules—it’s about building strong relationships.



**Larry Harrington**, CIA, QIAL, CRMA, CPA  
*Vice President, Internal Audit*  
Raytheon Co.  
Waltham, Mass.  
*Chairman, IIA*  
Global Board of Directors

## If you don't invest in yourself, you can't grow as an individual.

the attitude that once they graduate from college, they're no longer responsible for their own education," he says. "Companies aren't investing enough, so you have no choice but to invest in yourself. It's up to you to spend your own dollars to accelerate your career." Indeed, he recommends that internal auditors devote a percentage of each paycheck to that aim. "At the end of the day, we're responsible for ourselves," he adds. "If you don't invest in yourself, you can't grow as an individual." The particular skills internal auditors should invest in, he suggests, include, first and foremost, soft skills—specifically, the verbal and written communication skills that provide the ability to

persuade people. "No one has to do what an internal auditor tells them to do," Harrington notes. "You have to persuade them." He also stresses interviewing skills, pointing out that it's not the first question that usually gets the answer—it's the second and third. And of course, internal auditors need to invest in internal audit skills, including understanding how to be more efficient and effective in practice—and, because they audit every function in a company, they must also learn more about each of those functions. "Read publications and go to conferences," he urges, "to attain the knowledge and expertise that adds value."

There's no better investment than the investment you make in yourself and your career, Larry Harrington says. But not enough internal auditors follow that advice. "Today, people have

## Technology is disrupting traditional industries and creating new opportunities.

If there's been a lesson learned consistently by each generation of internal auditors over the last three-quarters of a century, it's that practitioners must be able to adapt to rapid change. That's truer than ever today. "The global business environment is changing the fastest through innovative technology that is disrupting traditional industries

and creating new opportunities," says Lisa Lee. "Government regulations are having to adapt to these changes in the business environment, and stakeholders are growing accustomed to, and demanding, change, as well. But both of these are following the changes in the business environment." For internal auditors who want to be prepared for the next 75 years of rapid change, Lee says, that means focusing on two key aspects of internal audit practice: making sure work objectives are clear and ensuring constant communication. "Clarity on the objective allows for focus on the end goal regardless of whether the scope or approach changes," she says. "Constant communication ensures the team stays in synch, can navigate ambiguity, and can make on-the-fly adaptations to the work plan so the objective is still achieved, regardless of the changes."

**Lisa Lee**  
*Director, Audit*  
Google Inc.  
Mountain View, Calif.



And that's not optional moving forward. Rather, Lee says, these practices are critical to ensuring that internal audit teams remain relevant and add value.

Richard Chambers says that focusing on stakeholders' expectations—and aligning the internal audit function to better meet them—is a hallmark of the profession as it hurtles toward 100 years of formal organization. And one of the key areas of alignment, for him, is around strategy risk. “Increasingly, board members and management are appreciating the risk that not having an effective strategy for the company represents,” Chambers says. As such, internal audit departments are tasked more and more with providing assurance on the effectiveness of managing strategy risks to avoid the fate of companies—like Borders Bookstores, Kodak, and Blockbuster—that “suffered because they didn’t adapt their strategy,” he adds. “They were giants in their markets

because they had strong business models, but they failed to see the evolution that was happening around them and thus failed to adapt.” That’s why, he stresses, getting internal audit involved in assessing whether the company has an effective strategy is vital, as is determining whether management has adequately assessed the risks around strategy. In all cases, Chambers says alignment has to be rooted in communication, and it starts with strong relationships. “It’s important for a CAE to possess relationship acumen, or the ability to build relationships with board members and executive management so a level of trust exists that will foster communication,” he says. “Once that’s there, a good CAE will be able to constantly calibrate internal audit’s capabilities and performance against stakeholder expectations.”

**Richard Chambers**, CIA, QIAL, CGAP, CCSA, CRMA  
*President and CEO*  
The IIA  
Altamonte Springs, Fla.



## The evolving nature of internal audit clients brings about policy changes.

Sushant Janakiraman stresses the importance of internal auditors having an understanding of the business they’re auditing. His internal auditors usually have an operational finance background, so “they have spent a number of years understanding the vital relationship between hotel operations, accounting, and financial decision making,” he explains. The accounting arm of a hotel business supports multiple functional areas, he adds, such as front desk, restaurants and bars, retail, procurement, and IT. Janakiraman says that when internal auditors understand those operational roles, it adds significant value to the review process, enabling them to

better comprehend subsequent challenges. One specific area of added value is a profound understanding of policies in delivering intended results. “Working through an operational environment, one gains a firm understanding of policies and procedures established within the organization and by government regulators,” he says. “In the auditing sphere, this becomes the yardstick against which future performances are gauged.” He notes that the evolving nature of internal audit clients also brings about policy changes—and keeping them relevant becomes an important part of the function. Such fluidity, he says, “becomes easier having had experiences with our end customers and by understanding

**Sushant Janakiraman**  
*Director, Internal Audit*  
Four Seasons Hotels and Resorts  
Dubai, United Arab Emirates



internal processes.” In that scenario, he stresses, internal audit adds value by not only being engaged to provide assurance services, but also to evaluate process effectiveness. [\[a\]](#)



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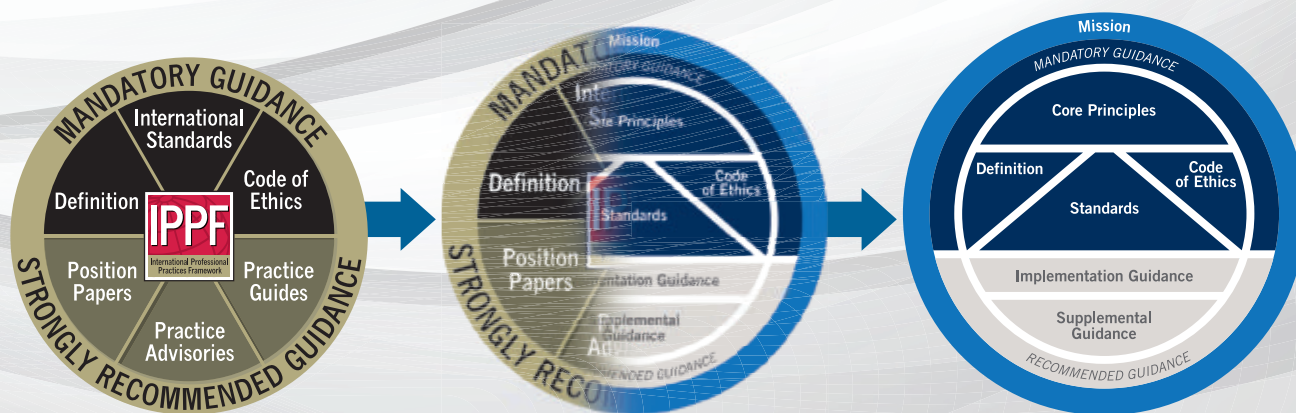
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 The Institute of  
Internal Auditors



# WHERE WE'VE BEEN

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# A CAREER ON POINT

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Shannon Steffee

# W

hen recently retired Under-Secretary-General for Internal Oversight at the United Nations Secretariat Carman Lapointe became an internal auditor in 1981, she was one of few women in the profession. "The first IIA International Conference I attended was in San Francisco in the early 1980s, and there were only 100 or so women in attendance," Lapointe recalls. Today the situation is considerably different—she sees numerous, highly qualified women successfully leading the internal audit departments of major organizations.

The advancement of women in the profession is just one of many positive changes Lapointe says she has seen over the years. The biggest transformation, she says, is the perception that others have of internal auditing. "For many years, internal auditors were seen as just bean counters, but we've distinguished ourselves as experts in controls for all types of risk management and governance, in addition to financial reporting controls."



**Carman Lapointe**, CIA, CCSA, CFE  
*Retired Under-Secretary-General for  
Internal Oversight Services, United  
Nations Secretariat*

Given Lapointe's successful career, it may come as a surprise to learn she was a reluctant recruit to the profession. She was working in accounting in Ottawa when her boss transferred over to the internal audit department and convinced her to join him. For Lapointe, that meant four years of night school and eventually pursuing IIA professional credentials: the Certified Internal Auditor and the Certification in Control Self-Assessment.

Since making that decision, Lapointe says she's never looked back.

"I became active in IIA activities early in my career, which helped build a network of helpful contacts," Lapointe says. "When I thought I'd reached my promotion limit with a particular organization, I looked for promotional opportunities in other organizations, which helps with learning new skills in a new type of business. While I had opportunities to move out of internal auditing, I never did—I couldn't imagine a job being more interesting or challenging."

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Lapointe also was the first woman to become The Institute's chairman of the Board in 1994, something she says she considers an honor and a privilege. "I was scared to death at the time, but with the support of other leaders I got through it and learned a lot about myself, politics, and the process," Lapointe says. "It prepared me for many subsequent challenges in my career."

For those just beginning their careers in internal audit, Lapointe says working in this profession is the best way to learn a lot about any organization. "Even if beginners decide to move on after a stint in internal auditing, it's the best way

to prepare for a leadership position elsewhere." Nevertheless, pursuing a career in internal auditing must be done professionally, so obtaining the CIA isn't optional, she says. "Newer auditors will be surprised by how much they learn during the process that will be valuable early and later in their careers."

Lapointe's retirement hasn't slowed her down. In addition to speaking engagements, she is planning to do some advisory and consulting work – such as on audit committees, quality assessment reviews, and capacity development. "This is my third 'retirement,' and I am hoping this one sticks a little better," she says. [la](#)

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## EXPANDING THE FOUNDATION

Required audit competencies have changed considerably over the years, placing more and more emphasis on technology, business acumen, and soft skills. **Craig Guillot**

**T**he history of internal auditing, traced to its earliest roots, dates back to at least 4000 B.C., when businesses and governments in the Near East used the profession's predecessors to ensure they were accounting for tax receipts and disbursements correctly. Technology and organizations advanced over the years, but one of internal auditing's main functions remained largely the same — evaluating compliance.

That, of course, has changed over the past few decades, as new regulations, shifting priorities, and the need to improve efficiencies have altered the focus of internal audit work. Particularly in the last quarter-century, there has been dramatic movement in the roles and responsibilities of practitioners. With a rise in prominence, a larger voice in enacting change, and a hand in many aspects of the business, internal audit has matured into a highly respected function. Whereas auditors once operated as reclusive, task-oriented individuals, they're now often called to be forward-thinking drivers of change who have strong leadership and people skills.

Internal audit has gone through "stages of maturation" over the years, each stage requiring its own changing skills, says Hans Spoel of AJS Consulting in Brussels. Spoel points to internal auditors' progression from simply certifying the organization's internal accounts to what he now calls the



“effectiveness and efficiency” stage. “When internal audit was tucked away in the comptrollership, skills used to be basic and analytical,” he says. “Internal audit is now a serious partner at the table, and auditors need to be more communication-, presentation-, and consulting-oriented.”

**TECHNOLOGY'S INFLUENCE**

Many attribute the shift in audit to the changes in technology since the mid-1990s. Advanced computing and the Internet have increased the flow of information, allowing auditors to spend more time evaluating processes and understanding the business than dealing with tedious tasks like gathering data and taking inventories.



**“What really evolved was the ability [and expectation] to add value to the organization.”** –Betty McPhillimy, Northwestern University

**“Technology not only became an internal audit compliance tool but also came with its own set of risks.”** –Rod Winters, Microsoft (Retired)



Günther Meggeneder, senior vice president of corporate internal audit and compliance at ista International GmbH in Essen, Germany, says technology has fundamentally changed the nature of information at auditors' disposal. While auditors used to test “hand-picked samples” in the 1970s and 1980s, they can now evaluate entire populations of data. Internal auditors of the past conducted “theoretical” interviews, whereas today's interviews are based on comprehensive analytics. “[Changes] have had a big impact on soft skills, but process knowledge and analytical thinking remains very important,” he says.

Richard Anderson, clinical professor at the Kellstadt Graduate

School of Business at DePaul University in Chicago and a retired partner from PricewaterhouseCoopers LLP, also points to the importance of technology-related advancements in the 1970s and 1980s. He says the rise of computers required auditors to have new skills in IT, prompting organizations to start developing IT audit groups that were “different from other internal auditors.” By the 1990s, the simplification of computers made them easier to operate and, to an extent, merged the two types of practitioners. Soon enough, auditors learned to leverage the Internet, applications, and devices to take some of the legwork out of obtaining data. Moving from manual auditing to a continuous auditing process has also enhanced the need for analytical skills, Anderson says.

Technology has also brought with it an entirely new set of risks that internal auditors must understand, says Rod Winters, retired general auditor for Microsoft Corp. Those risks require practitioners to understand not only organizational processes, but the technology and systems that enable them. “Technology not only became an internal audit compliance tool but also came with its own set of risks,” Winters says.

**SOFT SKILLS AND BUSINESS ACUMEN**

Sridhar Ramamoorti, associate professor at the School of Accountancy and director of the Corporate Governance Center at Kennesaw State University in Kennesaw, Ga., says the psychology of audit also became more complex over the years, requiring more soft skills. Today's internal auditors need to use a “chemistry approach” of adaptability, flexibility, and relationship-building acumen. “Internal auditors now need to have the people skills to demonstrate the competence and

  
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## By the 1990s, the simplification of computers, to an extent, merged IT auditors and traditional practitioners.

credibility of the internal audit function,” Ramamoorti says.

Betty McPhilimy, associate vice president for audit and advisory services at Northwestern University in Evanston, Ill., cites the early-2000s as a “big turning point” for the profession. In 2002, The IIA changed the definition of internal auditing, redefining the

responsibilities to be “more than just the testing and sampling of transactions.” Internal auditors started to provide advisory services with recommendations to enhance efficiency, effectiveness, and controls. “What really evolved was the ability [and expectation] to add value,” McPhilimy says. “It completely changed how

organizations view internal audit and the skill sets auditors were expected to have.”

Anderson explains that several events changed skill sets since the 1970s. One was that the focus on internal control “really started to develop as a knowledge set.” By the 1990s, he says companies were



ILLUSTRATION: SANDRA DIONISI






# THE GROWTH OF GOVERNANCE

upgrading and professionalizing their internal audit groups, looking for people who had experience with accounting and internal controls. Another change was that companies started looking for internal auditors who had been in the business for a while and knew about procedures and operations. "There was a lot of growth by acquisition, and companies needed internal auditors who knew about the business," Anderson says.

As internal auditors became instruments of improvement and change, they needed more leadership skills than in the past, Winters says. That move from mere financial compliance is leading organizations to seek internal auditors with strategic thinking capabilities, strong communication skills, and the ability to influence others.

In the earlier days of the profession, internal auditors were simply supposed to look for problems. Now they're expected not only to do that, but to look for improvements, identify solutions, and sell them to management and decision-makers. "It grew into a bigger role, and auditors were expected to have much broader skill sets and business acumen than they did in the past," Winters says. "Relationship-building, networking, and demonstrating competency in multiple facets of the organization became more important."

If Winters were hiring an auditor in 1985, it would have been an accountant or IT person who "sat in an area by themselves," he says. Today, Winters would be hiring a person who had knowledge of operations and strong people skills.

"There's still a need for traditional skills," he says. "But internal auditors now need long-term adaptability, continuous learning, critical thinking, and judgment." 

**CRAIG GUILLOT** is a freelance reporter in New Orleans.

**Corporate oversight is changing with the business environment.** Mark Brinkley

**A**t the beginning of the new millennium, epic scandals brought some firms cast as "too large to fail" to disaster. Internal auditors quickly learned what they considered progress of the last 75 years was worthless in relation to protecting investors.

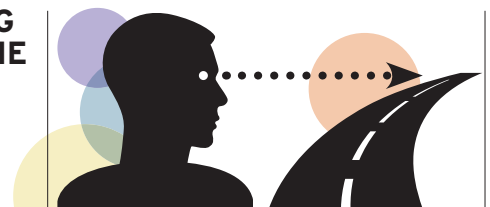
The institutional investor was born in the mid-1900s, creating a massive, organized voting block to advocate shareholder interests. In the early 1990s, reforms streamlined rules regarding shareholder communications, including the nomination of director candidates from the shareholder base. These activities provided the opportunity for the modern activist within the corporate governance sphere.

In response to the new rules of the 1990s, the board initiated a more active role in oversight, claiming responsibility for ensuring the investor's interest was paramount. This put assurance functions such as internal audit, risk management, and compliance in the spotlight, and at times the hot seat. Internal audit reaffirmed its independence from management as the board moved toward executive sessions with assurance providers. This single practice of meeting without management as a board and with the assurance provider was a significant shift in governance.



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## LOOKING DOWN THE ROAD at corporate strategy



**57%** of directors studied competitor initiatives that could introduce disruptive approaches

**76%** examined long-term, economic, geopolitical, and environmental macro-trends

**71%** considered emerging technological macro-trends

SOURCE: PWC 2015 ANNUAL CORPORATE DIRECTORS SURVEY. ICONS: LEFT, VLADGRIN; RIGHT, BERKUT/SHUTTERSTOCK.COM

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## LINES OF DEFENSE

Today, risk management functions have a vast reach within the organization—addressing financial risks such as cash flow and capital access, operational risks, and even strategic risks impacting corporate reputation. The increased interaction of the assurance providers with each other and the audit committee is happening frequently and without reservation.

Many of the ways corporate governance has changed may be attributable to the growing influence of the audit committee. The influx of outside directors, increased scrutiny of the investor, and the independent director also have influenced the corporate governance culture.

Looking forward, organizations are at a crossroads. Many have adopted new practices as a result of governmental reforms, but to make the system work appropriately they must do their part regarding implementation, including:

- Increasing dialogue between the shareholder and organization, emphasizing mutual interests and finding common ground. The communication medium should be flexible and seek to create trust and understanding.
- Internalizing that good governance is not simply compliance or a check box.
- Operationalizing governance as a part of the corporate culture.

Corporate governance has flexed and been restrained in its history, though the past 25 years have been climactic at times. Organizations have experienced prosperity and recession, corruption and dysfunction. A key takeaway of recent times is that governance cannot be only legislated, it must also become a part of our business process and DNA. [ia](#)

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**MARK BRINKLEY, CIA, CFSA, CRMA,** is the director of grants at the Kauffman Foundation in Kansas City, Mo., and the contributing editor to *Internal Auditor's* "Governance Perspectives" column.

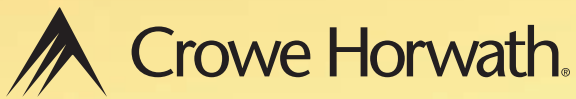


# CHANGING WITH THE PROFESSION

The IPPF has a history of adapting to meet stakeholder and member needs.

**Debi Roth + Laressa Nelson**

**T**he IIA has long recognized the inevitability of change in the profession of internal auditing. Listening to its members and stakeholders, The Institute keeps a finger on the pulse of the profession worldwide and responds with guidance to address internal auditing's evolving role and challenges. Based on the foundation of the original Statement of Responsibilities of the Internal Auditor issued in 1947, the Code of Ethics adopted in 1968, and the first set of *Standards for the Professional Practice of Internal Auditing (Standards)* approved



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RISK-16010-038A

# The rapidly changing business environment continues to require astute responsiveness from the audit profession.

in 1978, The IIA has built a strong and flexible framework that guides the work of internal auditors.

As the profession has changed, so has the structure of The IIA's professional guidance. Throughout its history,



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The IIA has proactively chartered task forces to evaluate the adequacy of its guidance and to recommend potential enhancements. Members, volunteers, and

stakeholders play pivotal roles in the development, adoption, and promulgation of IIA guidance. These collective efforts have helped shape the framework, from its early beginnings to its most recent July 2015 update.

## A FRAMEWORK WITH VISION

Perhaps one of the most significant developments in the history of IIA guidance started in 1997, when a Guidance Task Force was appointed to evaluate whether a gap existed between evolving internal audit practice and the *Standards*, and whether the guidance development process could be improved. In its report, *A Vision for the Future*, the task force recommended the adoption of a comprehensive, flexible professional practices framework and a broader, more proactive definition of *internal auditing*. The definition that subsequently emerged, and remains in place today, encompassed both assurance and consulting services, included the concept of adding value, and expanded internal auditing's organizational focus to include risk management and governance processes. The task force also proposed organizing the *Standards* into the categories used to this day—attribute, performance, and implementation standards—and endorsed periodic quality assurance reviews and continuing education as requirements for conformance.

A Vision for the Future proved an apt title, offering a forward-looking premise that formed the basis for the development of The IIA's Professional Practices Framework (PPF). Released in 2002, the framework remained adaptable enough to serve as an effective guide for many years afterward.

## ADAPTING TO CHANGE

Although consulting services had gained the spotlight by the turn of the millennium, high-profile fraudulent financial reporting and bankruptcy cases involving global organizations made it increasingly important that the internal audit activity demonstrate its professionalism, independence, and ability to provide objective assurance, while continuing to add organizational value. Fortunately, the PPF's structure enabled internal auditors to manage these competing demands. The development of implementation standards throughout the early 2000s provided guidance for applying attribute and performance standards specifically to either assurance or consulting engagements.

With the addition of "international" to the framework's name, the International Professional Practices Framework (IPPF), released in 2009, brought with it a more consistent, transparent, and rigorous due process for the development of authoritative guidance, involving regular cycles of review by an internationally representative IIA committee. IPPF changes released in the framework's 2011 and 2013 iterations fine-tuned elements aimed at enhancing the positioning

and professionalism of the internal audit activity.

## CONTINUED ENHANCEMENTS

In 2014, the work of the IPPF Relook Task Force inspired the addition of two new IPPF elements: the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing. A new IPPF graphic (see below) depicts the Mission encircling the other elements of the framework and the Core Principles comprising part of the framework's core, along with the Definition, Code of Ethics, and *Standards*.

As new mandatory guidance, the Core Principles embodies the essence of what makes internal auditing effective, quality-based, and value-focused. The Mission of Internal Audit articulates what internal auditing aspires to accomplish. Together, the new elements offer a concise summary of how

internal audit contributes to an organization.

And contributing to an organization is the heart of internal auditing. As practitioners have recognized the value added by expanding their focus to the broader processes of risk management, control, and governance, The IIA has

responded by developing a strong, flexible, internationally pertinent guidance framework that continues to evolve to meet the challenges faced by internal auditors and their stakeholders. [ia](#)

**DEBI ROTH, CIA**, is managing director, Global Standards & Guidance, at The IIA.  
**LAURESSA NELSON** is a technical writer, Global Standards & Guidance, at The IIA.





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# 21<sup>ST</sup> CENTURY MILESTONES

Over the last 15 years, several watershed events helped define the practice of internal auditing.

**Doug Anderson**



Internal auditing, like the organizations it serves, is never dull. Practitioners are affected by the changing activities of their clients, but also by events in the broader business world. In this century alone, so far, numerous events have had a significant impact on the profession. Should we have seen these coming? What caused them? How do we learn from them going forward?

Four events, in particular, shifted the profession in one form or another. Each has had a considerable influence on internal auditing as it's practiced today, and has helped define the role of today's auditor.

**1** **Flagrant Financial Reporting Fraud** Financial reporting fraud has most likely been present since the beginning of financial reporting itself. But the extent and audaciousness of the reporting frauds at the start of the 21<sup>st</sup> century were unprecedented. While *Fortune* magazine named Enron “America’s most innovative company” for six years, little did anyone know that its greatest

innovation may actually have been dreaming up new ways to deceive auditors and investors. And Enron was not alone as we consider WorldCom, Tyco, and others.

The biggest impact on internal auditing as a result of these scandals was probably the U.S. Sarbanes-Oxley Act of 2002—particularly Section 404, which focuses on internal controls over financial reporting. A problem companies and external audit firms faced was that many employees lacked internal control expertise. Company personnel had for years been working to squeeze costs out of routine processes, and external audit firms had shifted away from detailed testing of processes. I recall a conversation I had with a Big Four audit partner in 2003 who told me that in his firm only the “old timers” like us—we were in our mid-40s at the time—knew anything about testing internal controls. Most companies looked to their internal auditors to help them understand controls and comply with the new law. We all learned that while financial reporting was supposedly mature, internal auditors cannot ignore a risk area just because we have become comfortable with it.

**2 Financial Markets Melt-down** What does one do when banks that are “too big to fail” look like they are going to collapse under the weight of toxic loans and market illiquidity? I recall a conversation with a Fortune 50 chief financial officer in 2008 who said that a government bailout was needed, as liquidity in the banking system is like blood in the human body—when it is missing, nothing works and a transfusion is required. I am neither a banker nor a medical doctor, but these events taught us all a lot about risk. While enterprise risk management (ERM) was birthed before the financial

market meltdown, ERM’s lack of maturity became painfully evident during this period.

Financial institutions that were revered for their ERM expertise were the same ones that apparently didn’t fully understand risk or see concentrations of risk. Many internal auditors who had been trained to audit internal controls over financial reporting were now asked to roll up their shirt sleeves to help implement or improve ERM processes.


One outgrowth of the increased attention to ERM was further development of the Three Lines of Defense governance model. This model helped outline the role of internal audit versus line management and others like ERM functions. The “best” role for internal audit in ERM has not been agreed upon, nor probably will it ever be, given the differences among organizations. But it is clear that internal auditing needs to live and breathe risk.

**3 Cybersecurity** A newer issue for virtually every organization is cybersecurity risk. What started as seemingly isolated attacks on companies for specific purposes has grown into a generalized concern over security of all electronic data. Today, it would be difficult to find a board of directors that doesn’t have cybersecurity on its agenda.

Internal auditors were often caught unprepared for this risk. For decades, many audit functions have struggled to find enough qualified IT auditors. With cybersecurity risk, that task is even more difficult. I recall meeting a cosourced team of penetration-testing auditors and wondered whether any of them had graduated from high school yet. The technology is new, and the way it is implemented relies on methods that didn’t exist at the beginning of the 21<sup>st</sup> century.

  
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### FROM 2014 TO 2015

  
**38% more**  
cybersecurity incidents were detected

**56% increase** in theft of hard intellectual property

  
**22% rise**  
in cybersecurity breaches attributed to business partners

**59%** of organizations used big data analytics to help manage cyberrisk

SOURCE: PWC, THE GLOBAL STATE OF INFORMATION SECURITY SURVEY 2016. ICONS: TOP, VECTOR ICONS; BOTTOM, LEONE\_V/SHUTTERSTOCK.COM



**4 Bribery and Corruption**  
Bribery and corruption have been part of human history for about as far back as records exist. The U.S. Foreign Corrupt Practices Act (FCPA) was passed into law in 1977 to help combat fraud of this nature. But what has changed recently? Attention and focus. Many countries have passed new laws addressing bribery—some stronger than the FCPA, like the U.K.'s Bribery Act 2010. Every company of reasonable size faces risk not only of bribery perpetrated by its employees, but also of violating strict laws that are strongly enforced.

Perhaps the most glaring example of bribery occurred at German industrial group Siemens, where it was reported that processes organized to implement bribery payments were

quite mature. But any observers who think the risk only involves large organizations would be fooling themselves. All it takes is one person with access to cash for bribery to become a risk.

#### LEARNING FROM THE PAST

While it is interesting to look back on the events that have shaped internal auditing, practitioners must ask themselves what they should learn from these events moving forward. A few key messages stand out:

- Human behavior is always a risk. Each of the aforementioned events resulted from people making the wrong decisions, often for the wrong reasons.
- The world of potential risks we might face is enormous. No matter how good our risk assessments

may be, we will not always be able to anticipate the next big event.

- While new risks regularly come into view, the old ones never seem to go away completely.

So what should an internal auditor, specifically, take away from this retrospective look? We must stay true to what makes us indispensable to our respective organizations. Audit departments should assemble the best talent they possibly can, stay focused on risk, keep watching for what is happening inside and outside the organization, and challenge themselves to ever increasing levels of performance. Any less would be a disservice to our organizations. [\[a\]](#)

**DOUG ANDERSON, CIA, CRMA**, is managing director of The IIA's Audit Executive Center.

## THE PERCEPTION OF VALUE

In 2011, The IIA Research Foundation (IIRF) published *Insight: Delivering Value to Stakeholders*, a report aimed at gauging CAEs' and key stakeholders' views on insight provided by internal audit. Not surprisingly, expectations were high across all survey participants—89 percent agreed that internal audit should furnish insight. Unfortunately, the research also affirmed that internal audit was not consistently meeting those expectations. Less than 60 percent of executives said internal audit provided insight, with only 38 percent reporting that insights were presented either always or frequently.

Considering the overall strides internal auditing has made over the years, this gap was surprising. The authors of the report dug deeper to better understand why it existed. Their analysis showed the major causes were a misalignment of executives' and internal audit's expectations, a lack of operating or general management experience within internal audit ranks, a need for highly competent CAEs with

A comparison of two IIA studies suggests internal audit may still have a long way to go in delivering stakeholder insight.

**J. Michael Jacka**





strong leadership and communication skills, and the need for both the CAEs and their internal auditors to understand their role as change agents rather than “police officers.”

Underlying each of these areas was the need for better communication. The report indicated that CAEs should improve their dialogue with the board and executives to improve alignment, to help stakeholders understand the broad-based knowledge of the internal audit staff, and to provide stakeholders with evidence of the value internal audit delivers.

In July 2015, The IIA published the Global Internal Audit

Common Body of Knowledge (CBOK) report, *Driving Success in a Changing World: 10 Imperatives for Internal Audit*. Comparing it to the Insight study, the CBOK research serves as a report card on how well the profession has

reversed perceptions identified in 2011. Unfortunately, little progress, if any, has been made in the areas of communication, discussion, and alignment with stakeholders.

The CBOK report reveals that, when developing audit plans, just over 60 percent of audit departments consult with divisional or business heads, and 56 percent use requests from the audit committee. Furthermore, only 57 percent say their plan is fully or almost fully aligned with the strategic plan of the organization. When stakeholders do not see alignment between their objectives and those of internal audit, there is little chance they will see internal audit providing valuable insight.

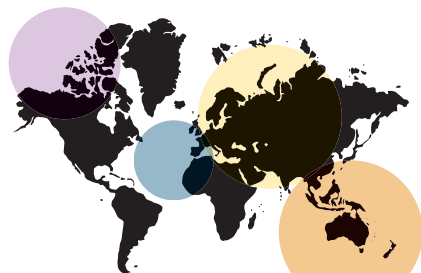
While the 2011 report showed executive management’s desire for internal auditors who understood the business, CBOK found that just over half of respondents’ internal audit training programs included business knowledge related to the industry and organization. In addition, only 27 percent indicated that business acumen was among the skills they looked for when recruiting internal auditors. By ignoring a key desire of stakeholders, internal audit inadvertently sends a message that their priorities are unimportant.

But perhaps one of the most alarming results can be found in Exhibit 2, *Performance Measured Against Stakeholder Expectations*. Fewer than 32 percent of respondents indicated they measure internal audit value against specific expectations set and agreed with stakeholders. According to an old adage, “What gets measured gets done.” But if internal audit is not ensuring that measures are established based on the needs of its stakeholders, then what gets done may provide those stakeholders with little or no value.

Over the years, internal auditing has made great gains as a profession. Nonetheless, those past successes have meant that stakeholders expect much more from us. And all those gains will be for naught if we do not take the messages of these two reports to heart. We have to understand what our stakeholders need while ensuring they know the value we can provide. And the only way that can occur is with an open and free exchange of values and concerns. Like so many other things in life, the first step forward is through better communication. [i](#)

**J. MICHAEL JACKA, CIA, CPCU, CFE, CPA**, is cofounder and chief creative pilot for *Flying Pig Audit, Consulting, and Training Services* in Phoenix and author of the “*Mind of Jacka*” blog on *InternalAuditor.org*.

**INTERNAL AUDIT'S PERFORMANCE** is measured against stakeholder expectations:



- 46%** South Asia
- 42%** Sub-Saharan Africa
- 37%** Latin America & Caribbean
- 35%** North America
- 31%** Middle East + North Africa
- 28%** Europe + Central Asia
- 26%** East Asia + Pacific
- 32%** GLOBAL AVERAGE

SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: SHUTTERSTOCK.COM



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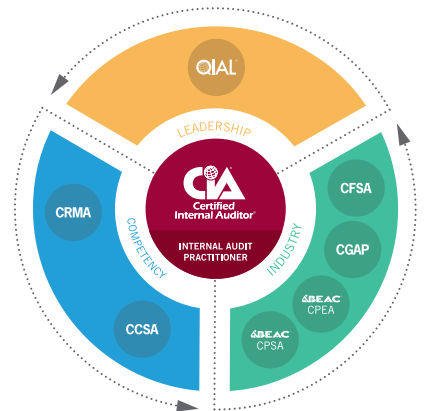


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# WHERE WE ARE

TODAY'S INTERNAL AUDITORS ENJOY  
GREATER STATURE WITHIN THE  
ORGANIZATION AND ARE WORKING TO  
MEET EVER-INCREASING EXPECTATIONS.

**32 A Steady Progression** Now at the midpoint of his career, Tim Penrose has seen the expectations on internal audit increase significantly.

**BY SHANNON STEFFEE**

**33 Conformance to the Standards** IIA Quality Services presents the top 10 nonconformance issues from recent EQAs.

**BY JOYCE VASSILIOU**

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# A STEADY PROGRESSION

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Shannon Steffee

**T**im Penrose took a nontraditional path to internal audit, starting his career in a technical role as a computer and systems engineer and then moving into a management associate program at a leading financial services organization. He rotated into different roles across multiple functions—gaining risk and control experience—and then made the move to one of the Big Four. Now he is managing director, internal audit, at TIAA-CREF.



**Tim Penrose, CIA**  
*Managing Director, Internal Audit,  
TIAA-CREF*

During his 13 years in internal audit and risk-related roles, Penrose has seen the expectations on internal audit increase significantly, which has further elevated the responsibilities and stature of the function in many organizations.

“This has driven an increased demand for talent, such that audit professionals are constantly being recruited,” Penrose says. “By consistently delivering value, internal audit has been able to gain a seat at the table, serving as a trusted business partner while maintaining the necessary independence and

objectivity. There is still work to do, but internal audit has seen some positive advances in the last 10 to 15 years.”

Penrose also points out that perception is reality and that it must be managed. “You may think your team is the best in the world,” he says. “But if senior leadership does not see the full value of your role or function, you are responsible for actively managing and improving that perception.”

Today, Penrose says he sees growth opportunities for internal auditors who can flex within and outside of their current roles—such as a senior auditor who proactively volunteers to lead an engagement or the audit director who runs a project outside of his or her scope of responsibilities to successfully complete the audit plan on time.

“There are huge opportunities for individuals who can equally understand strategic and operational risks, critical business processes, technology considerations, and data analytics,”

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Penrose adds. "These individuals are able to strategically differentiate themselves through the resulting audit work and deliverables."

One area where Penrose says internal audit should be doing more is in marketing itself within the organization, with boards and audit committees, and within the industry. "By networking aggressively with peers, auditors are able to bring best practices and lessons learned to their functions and organizations," Penrose says. "This allows them to better anticipate risk areas that may require a heightened level of focus."

Cross-training is another area where Penrose says internal audit has room to improve. Like any department, internal audit runs the risk of staying within its silos of responsibility. Rotation of personnel across the department – as well as rotating guest auditors into the function and auditors into

business areas – serves as a knowledge transfer opportunity for technical skills, best practices, and business understanding, he says.

When it comes to personal development and advancement, Penrose says auditors must be well-rounded while also demonstrating subject matter expertise in their specific areas of interest. Moving up in the profession requires not just breadth of knowledge, but depth of knowledge. His advice for the auditor just starting his or her career is to take personal accountability and make an effort to learn something new every day.

"I learned a great deal within all my roles and would not trade my industry or public accounting experience," Penrose says. "Having the opportunity to work within leading organizations and with strong leaders has proved instrumental to my career path and progression." 

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# CONFORMANCE TO THE STANDARDS

IIA Quality Services presents the top 10 nonconformance issues from recent EQAs. **Joyce Vassiliou**

**O**ver the past several years, the scope of the external quality assessment (EQA) has in many cases evolved from solely an assessment of conformance to the *International Standards for the Professional Practice of Internal Auditing (Standards)* to the present practice of also identifying recommendations for improving the effectiveness of the activity through an interactive approach with the CAE. This approach provides the audit committee, executive management, and the

CAE recommendations for aligning with the strategies of the organization to improve its effectiveness and add value. For organizations that had an EQA performed by IIA Quality Services in 2014, 96 percent resulted in an overall opinion of general conformance with the *Standards*. However, there are nonconformance trends in specific standards. The top 10 are listed on page 34. To read recommendations for addressing these issues, see the expanded version of this article on [InternalAuditor.org](http://InternalAuditor.org).



**TO COMMENT on this article, EMAIL the author at [joyce.vassiliou@theiaa.org](mailto:joyce.vassiliou@theiaa.org)**



## STANDARD / ISSUE

**1. Standard 1311: Internal Assessments.** Internal assessments must include ongoing monitoring of the performance of the internal audit activity and periodic self assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

*A comprehensive Quality Assurance and Improvement Program (QAIP) is not in place.*

**2. Standard 1320: Reporting on the QAIP.** The CAE must communicate the results of the QAIP to senior management and the board.

*Most nonconformance issues noted relate to internal assessments required by Standard 1311.*

**3. Standard 1010: Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter.** The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the Standards must be recognized in the internal audit charter. The CAE should discuss these with senior management and the board.

*In many instances, internal audit charters failed to recognize the mandatory nature of these elements.*

**4. Standard 1312: External Assessments.** External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The CAE must discuss with the board:

- » The form and frequency of external assessment.
- » The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

*An external assessment has been conducted outside the five-year requirement.*

**5. Standard 1300: Quality Assurance and Improvement Program.**

The CAE must develop and maintain a QAIP that covers all aspects of the internal audit activity.

*The internal audit manual doesn't fully describe all required elements such as objectives, scope, internal and external assessment components, and communication of the results. Reflection of a comprehensive QAIP in the manual will support its sustainability and consistent execution.*

**6. Standard 1310: Requirements of the QAIP.** The QAIP must include both internal and external assessments.

*The QAIP doesn't include both ongoing monitoring of the internal audit function's performance and periodic self-assessments, in addition to the requirement of an external assessment at least once every five years.*

**7. Standard 2240: Engagement Work Program.** Internal auditors must develop and document work programs that achieve the engagement objectives.

*Key issues noted include lack of:*

- » Sufficient detail required to demonstrate the engagement objectives.
- » Supervisor review of audit programs before audit testing.
- » Supervisor approval for audit program/testing changes.

**8. Standard 1000: Purpose, Authority, and Responsibility.** The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics,

and the Standards. The CAE must periodically review the internal audit charter and present it to senior management and the board for approval.

*Key issues noted include:*

- » Significant time has passed since the last review of the audit charter.
- » Internal audit charters do not reference conformance with The IIA's Code of Ethics.
- » Internal audit charters do not have specific reference to the nature of consulting services.

**9. Standard 2050: Coordination.**

The CAE should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

*The roles and responsibilities of assurance providers in an organization are not always well-documented and coordinated to ensure resources are used efficiently. Without coordination and reporting, work may be duplicated or key risks may be missed or misjudged.*

**10. Standard 2020: Communication and Approval.** The CAE must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The CAE must also communicate the impact of resource limitations.

*The annual internal audit planning process doesn't begin with the complete audit universe indicating the high-risk areas followed by current audit resources' coverage. [1a](#)*

**JOYCE VASSILIOU, CIA, CRMA, CCSA,** is director of quality services at The IIA.

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# THE “ANTI-FRAUD MOMENT”

Fighting fraud demands more than just awareness. **John Hall**

**C**ybercrime, wire transfer schemes, fake vendors, purchase card abuse, kickbacks, contractor overcharges, journal entries that manipulate financial results, and dozens of additional old and emerging fraud threats come to life every day. Just when one exposure is under control, another one pops up somewhere else in the organization. It feels like a never-ending process of putting out fires with little time or energy left to focus on meaningful prevention.

The most important element organizations must address to make a measurable difference in their anti-fraud efforts—regardless of the specific fraud scheme or exposure—is meaningful skills training of all employees. Many organizations provide awareness training—often a one-hour annual review of their anti-money laundering, code of conduct, or ethical behavior policies—but very few go deep enough into the red flags, symptoms, and indicators of fraud schemes employees and managers might actually see in their work. Awareness is the first step. Knowing exactly what to look for in documents is what enables employees to block fraud and wrongdoing before damage occurs.

The “anti-fraud moment” is the moment when a supervisor or control employee has a transaction document and a pen in hand. The task in that moment is to review the transaction for reasonableness, accuracy, completeness, and compliance with policy. It’s at this moment that fraud is prevented or allowed to occur. Effective anti-fraud skills training emphasizes the information needed at the moment of transaction review and approval. Fraud prevention theory is nice; lists of red flags from organization documents are critical.

Do the organization’s employees know what to look for to block fraud schemes? Do its executives? How about board

members? If not, here are a few ideas to help prepare employees and plug this hole in the organization’s fraud defenses.

**Create simple articles to share with employees.** Stick to topics that have a wide audience and are present throughout the organization, such as “Good Questions to Ask Before Approving Invoices,” “What Fraud Looks Like in Travel Expenses,” and “Eight Red Flags of Purchase Card Abuse.”

**Record five-minute training videos.** There is no need for elaborate opening and closing graphics. Just jump right in with the content. For example, “Hi everyone, I’m John from the Corporate Audit Services Team. Have you ever wondered what questions you should ask yourself as you are approving invoices from your suppliers? In this short video, I’ll give you seven suggestions to get you started. Question No. 1...”

**Take advantage of live formal and informal skills training opportunities.** These can include new employee orientation, new supervisor training, staff meetings, regional management conferences, and board meetings. Minimize the theoretical and cut right to the actual schemes and



**TO COMMENT on this article, EMAIL the author at [john.hall@theiia.org](mailto:john.hall@theiia.org)**

## INTERNAL AUDIT responsibility for detecting or preventing fraud

### DETECTING FRAUD

- 6% All of the responsibility
- 23% Most of the responsibility
- 59% Some of the responsibility
- 12% None of the responsibility

### PREVENTING FRAUD

- 6% All of the responsibility
- 21% Most of the responsibility
- 57% Some of the responsibility
- 17% None of the responsibility



SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: LEFT, OLESYA K; RIGHT, RLRLRL/SHUTTERSTOCK.COM



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**David Barboza**  
Investigative Journalist,  
*The New York Times*  
Pulitzer Prize Winner



**Judge Jed S. Rakoff**  
U.S. District Judge  
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observable indicators that managers and employees will see in the documents they handle. That's the information they need to act.

Knowing exactly what to look for at the moment of transaction approval is the critical difference in preventing fraud. Internal auditors often know more about fraud prevention than any department in the organization, so it is up

to them to make sure that every employee is equipped with this information, as well. [ia](#)

**JOHN HALL, CPA, CBA**, has been a speaker and trainer at IIA conferences and chapter events for more than 25 years. He is the contributing editor for Internal Auditor's "Fraud Findings" department.

## HOW MUCH DO RISKS REALLY CHANGE?

The risk landscape shifts radically from one year to the next. **Paul Sobel**

**W**hile most of us weren't alive in 1941 when The IIA was formed, can you imagine what the top risks of the day were? World War II was escalating, and the economy was still primarily local-centric and not global. Risk management, while practiced to an extent, was much less mature and ad hoc. Needless to say, the risk environment has changed a lot in 75 years.

Risks change much faster now. Comparing headlines in October 2014 with October 2015 reveals specific changes affecting risks: The price of oil plummeted 48 percent, the economic and migrant challenges in Europe caused the euro to lose more than 10 percent of its value, the



threat of the Ebola virus went from daily headlines to an afterthought, and cybersecurity moved from primarily plaguing retailers (Home Depot, Neiman Marcus, Staples, and Target) to targeting entertainment (Sony), health care (Anthem), and the



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 The Institute of  
Internal Auditors




U.S. government (Office of Personnel Management).

In a global, interconnected economy, management and boards must deal with risks continuously. Evolving risk profiles in a rapidly changing world is the new normal, and it's causing internal audit functions to update risk assessments at the speed of risk. A recent IIA Global Internal Audit Common Body of Knowledge report, *Who Owns Risk?*, notes that 23 percent of CAEs now rely on continuous risk assessments and 36 percent conduct annual assessments with periodic formal updates.

So what does the next year or two hold for organizations?

- ➔ *Disruptive technological breakthroughs* will change how manufacturers operate (Internet of Things), how health care is provided (online diagnoses and early experimentation with nanotechnology), and how people communicate (the smartphone and computer of today will be radically different).
- ➔ *World events* will open new markets, disrupt supply chains, and cause wild currency fluctuations among some countries.
- ➔ *The immediacy of social media* will cause unexpected and quick reputational damage to well-known companies and influence the political landscape.
- ➔ *Regulations* will change, either helping or hurting the economy, increasing or reducing poverty, or opening or closing certain global markets.

There's an old saying about the weather that applies to today's risk world. Whether you like it or are uncomfortable with the risk environment, just wait a few minutes and it will change. 

**PAUL SOBEL, CIA, CRMA, QIAL**, is vice president and CAE of Koch Industries Inc. in Atlanta and contributing editor to Internal Auditor's "Risk Watch" department.

# INTERNAL AUDIT FUNDAMENTALS

The most basic skills remain largely unchanged.

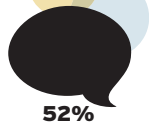
James Roth + Laura Soileau

## INTERNAL AUDIT SKILLS

Skills internal audit departments are recruiting or building



64% Analytical/critical thinking



52%

Communication skills

43% Accounting

42% Risk management assurance

38% IT (general)

35% Industry-specific knowledge



31% Data mining and analytics

SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: TOP AND BOTTOM, GRAPHIXMANIA; CENTER, FADGZ/SHUTTERSTOCK.COM

The skills today's internal auditors need most can be found in the most recent update of The IIA's Global Internal Audit Common Body of Knowledge (CBOK) Study. The first report, *Driving Success in a Changing World: 10 Imperatives for Internal Audit*, asked CAEs, "What skills are you recruiting or building the most in your internal audit department?" Their responses are to the left on this page.

It should be no surprise that the top two desired skills have not changed since at least 1980. As business risks evolve and change, being able to understand and communicate the impact of whatever risks are present at a given point will continue to be fundamental to the role of internal audit.

It is also no surprise that accounting skills rank third in the skills CAEs are recruiting. Interestingly, the CBOK survey also found that accounting was the main educational focus (57 percent) of respondents. Next are internal auditing (42 percent), finance (32 percent), business management (27 percent), external auditing (23 percent), and economics (22 percent).

According to the CBOK report authors, this narrow focus threatens to restrict the skills available to CAEs. "Today, CAEs say they are particularly seeking to increase skills in critical thinking (64 percent) and communication (52 percent) in their departments. ... A top priority should also be industry-specific knowledge and general IT skills, with an emphasis on the link between what employees learn and its relevance to the objectives and needs of their organizations."

Going down the list of desired skills, the next five all point to broader business and technical knowledge to complement the essential critical thinking and communication skills: risk management assurance, general IT, industry-specific knowledge, data mining and analytics, and business acumen.


Finally, the CBOK authors point out that it may be necessary for most internal audit departments to cosource some



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of the highly specialized skills that are needed today and in the near future. Though the authors do not specify these skills, data mining, cybersecurity, forensics and investigations, and legal knowledge are likely candidates.

The fundamental skills an internal auditor needs—broad-based analytical and communication skills—will probably never change. These skills must be strong when entering the profession and continually improved through training and experience. The

more specific skills and knowledge change at the speed of business and technology, so perhaps curiosity and eagerness to learn new things are just as fundamental. 

---

**JAMES ROTH, PHD, CIA, CCSA, CRMA**, is president of *Audit-Trends LLC* in Hastings, Minn., and a contributing editor to *Internal Auditor's "Back to Basics"* department.

**LAURA SOILEAU, CIA, CRMA, CPA**, is a director in *Postlethwaite & Netterville's Consulting Department* in Baton Rouge, La., and a contributing editor to *Internal Auditor's "Back to Basics"* department.

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# AROUND THE GLOBE

Internal auditors around the world are providing value to their organizations in a wide variety of ways and at different levels of complexity and sophistication.

Meanwhile, businesses and governments are increasingly recognizing internal audit as being necessary to good governance.

To get a snapshot of the state of internal auditing around the globe, we asked the leaders of seven IIA institutes and two chapters to provide an overview of where the profession stands in their countries.

IIA-Australia's advocacy plan encourages all levels of government to require that the *Standards* be followed.



ILLUSTRATION: SANDRA DIONISI

## AUSTRALIA

**Peter Jones, CEO, IIA-Australia**

IIA-Australia has embarked on an advocacy program to promote the profession of internal auditing and the institute, itself. It has developed



a detailed advocacy plan to enable it to encourage all levels of government in Australia to formally require that the *International Standards for the Professional Practice of Internal Auditing (Standards)* be followed. One of the major challenges we face is that internal audit is still not well-understood in many quarters. One objective of the advocacy plan is to promote the internal audit brand and function and

to demonstrate the value that internal audit brings to organizations. Profiling members with success stories is one way we are doing this. IIA-Australia increased its membership in 2015 to nearly 3,000 members and will look to further expand its membership and profile in 2016. The institute is looking forward to welcoming IIA members from around the globe to the 2017 International Conference in Sydney.

# The UAE prime minister has issued a decree requiring ministries to have internal audit functions.

## CANADA

**Jim Barbour**, CIA, CRMA, CFSA  
President, IIA-Toronto Chapter

In Canada, internal auditing predates the formation of the first IIA chapter outside the U.S.—in Toronto in 1944. Witness the 150th anniversary



of an international Canadian bank, where the 1930s Methods and Operations was a precursor to today's

Three Lines of Defense. Today, internal audit plays a valuable role in Canada's financial institutions and its broader public sector, and it serves as a voice for risk management and assurance. IIA-Canada actively funds and conducts research to benefit the profession and advocates it to regulators. Although corporate governance trends bode well for internal auditors, the challenge will be conducting our work in new ways, with new competencies, and with new talent that may be quite different than even in the very recent past.

## CHINA

**Guoming Bao**, CIA  
CEO, IIA-China

In China, internal auditing is at a critical phase of development. At the end of 2014, China had nearly 63,000 internal audit functions and more than 38,000 people had acquired the Certified Internal Auditor certification. Internal audit functions, assuming the responsibility to serve the organization's strategic objectives, have seized a great opportunity for development with the introduction of new technology and an anti-corruption campaign throughout the entire country. However, there are still challenges. For instance, there is room for improvement in auditors' competencies; internal audit in different sectors, different areas,



and different industries has developed in an uneven manner; external quality assessment of internal audit is still not a common practice; and risks posed by cybersecurity and social media are still relatively new to practitioners.

## COLOMBIA

**Ana Cristina Zambrano Preciado**, CIA, CCSA, CRMA  
CEO, IIA-Colombia

In Colombia, an unexpected evolution in business has resulted in a high demand for internal auditors who have extensive knowledge of the organization and its industry and can effectively communicate using new technologies. Internal auditors are seeking to achieve increased participation in the organization's decision-making processes. The level of professionalism in internal audit in private companies has risen. Unfortunately, a large percentage of organizations still do not understand that



internal control is the responsibility of the organization and not the internal auditor. This can be seen more dramatically in the public sector. Internal audit could, in some cases, lead change, but enterprise-level initiatives require strong support from senior management and the board, and, in some other cases, depend on government regulations.

## SOUTH AFRICA

**Claudelle von Eck**, PHD  
CEO, IIA-South Africa

Internal audit is in an interesting in-between space in South Africa. It can no longer claim to be the new kid on

the block (IIA-South Africa celebrated its 50th anniversary in 2014), but, relatively speaking, when compared to other professions, it is still rather young. Despite its age, the profession has made significant strides in our country. Internal audit is mandatory in the public sector, and The IIA's *Standards* are included in legislation and regulation governing the public sector. Furthermore, reference is made to the *Standards* in our country's corporate



governance code, King III, which has been widely adopted and is compulsory for companies listed

on the stock exchange. This has resulted in the profession evolving and growing at a rapid rate. Much work still needs to be done in educating the stakeholders of internal audit—all while the profession is in the process of taking the next quantum leap to becoming indispensable guardians of governance.

## SPAIN

**Javier Faleato**, CIA, CCSA, CRMA  
CEO, IIA-Spain

Internal auditing is more popular in Spain today, and it is practiced more intelligently. Unlike in the past, internal audit functions exist in all types of organizations. Internal audit professionals are promoted to other top management positions, helping to spread internal control and risk management knowledge throughout the organization. All of this has happened only over the past few years. Internal auditors face new challenges ahead. Key topics such as



auditing culture and cybersecurity will demand stronger and less traditional skills, where evidence will sometimes



be substituted with more subjective, but convincing judgment. All of this makes our profession more exciting than ever.

**UNITED ARAB EMIRATES**

**Abdulqader Obaid Ali**, CRMA, QIAL  
*President, UAE Internal Auditors Association*

Most organizations now have internal audit departments, even within the government in the UAE. Senior management looks to internal audit for assistance and guidance. And, it is a healthy sign that the nation's leadership is recognizing the importance of the profession. There has been a ministerial decree from UAE Prime Minister HH Sheikh Mohammed bin Rashid Al Maktoum requiring ministries to have internal audit functions. This has given a boost to the profession and has driven the UAE Internal Auditors Association to launch HASAAD, a special program



to develop and give a platform to UAE nationals to enter the internal audit mainstream. Nevertheless, new and different forms of communication and ways of doing business necessitate that we continue to work to address ever-changing conditions.

**UNITED KINGDOM AND IRELAND**

**Dr. Ian Peters**, MBE  
*CEO, Chartered Institute of Internal Auditors*

Internal auditing has never had the level of influence it now enjoys in the U.K. and Ireland, with increased expectations of what internal auditors should be doing now and in the future. Achieving Chartered Status in 2010 was a landmark for the development of the institute and the profession. Internal auditing is recognized as providing a unique

function serving the public interest. It has never been more attractive to be an internal auditor, with institute membership at record levels. The institute's key 2013 Financial Services Code and the influential 2014 report on auditing culture have created opportunities for us to influence the perception of the profession among key stakeholders. Internal auditors are now assessing strategic risks to organizational objectives and are




giving opinions on organizational culture and tone at the top. Boards increasingly see the profession as a trusted adviser, relying on it to provide an independent, robust challenge in the boardroom.

**UNITED STATES**

**Juan Perez**, CIA  
*President, IIA-New York Chapter*

For 75 years, U.S. internal auditors have maintained a strong tradition for innovation and commitment to the profession. The vigorous U.S. economic environment has enabled practitioners to witness firsthand the evolution of internal audit from an assurance discipline to an integral senior management function focused on adding organizational value. Now, internal auditors offer advisory services along with traditional assurance and validation activities. These services help achieve organizational objectives and increase operational effectiveness. Going forward, U.S. practitioners are faced with the critical task of rebranding the internal audit function to convey the broad vision of the internal



auditor role as an essential adviser. Practitioners will continue to learn from the past and provide insight into future challenges. 

**% OF INTERNAL AUDIT DEPARTMENTS** that are fully or almost fully aligned with the organization's strategic plan



- 72%** Latin American & Caribbean
- 69%** Sub-Saharan Africa
- 59%** Middle East + North Africa
- 57%** Europe + Central Asia
- 54%** North America
- 45%** East Asia + Pacific
- 43%** South Asia
- 57%** GLOBAL AVERAGE

SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: REDKOALA/SHUTTERSTOCK.COM

  
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# INDUSTRY ROUNDUP

## THE PUBLIC SECTOR

Public sector internal auditing was once considered a one-dimensional effort to control resources, confirm the existence of assets, and check the accuracy of vouchers and legality of transactions. During the Great Depression, when government spent more in one year than it had spent in the past 100, better ways of managing activities were developed. New laws shifted government audit to be more like the private sector. In the mid-1940s, the fledgling IIA helped define the objectives and scope of internal auditing. Today, public sector auditing goes beyond mere financial or compliance audits and serves in an oversight role focused on performance auditing to support policy matters. It is often seen as a partner, instead of a watchdog, assisting management to increase an organization's effectiveness. An effective public sector audit function strengthens the governance of an organization and increases citizens' trust in the public sector entity. A code of ethics mandates integrity, objectivity, confidentiality, and competency. Going forward, internal audit in the public sector will focus more on enterprise risk management and identification of emerging risks, while providing insight about effective policies, procedures, and programs.

**CHRIS POLKE, CGAP**, is director of Standards & Guidance at The IIA.

The challenges internal auditors face today are many and vary by sector.

## FINANCIAL SERVICES

Since 1941, the financial services industry has evolved at a rate that is arguably rivaled only by high-tech. Whether it is banking, asset management, or insurance, there are more sophisticated products, strategies, and technologies available than ever to borrow, save, grow, and protect assets. Along with this innovation comes the inevitable increase in risk. Cybersecurity consistently ranks in the top five risks for

financial services companies. As clients continue to demand more efficient means to access assets, companies are expected to develop nearly impenetrable systems to keep criminals out. Firms hold extremely valuable information, and internal auditors face the massive challenge of providing assurances that the controls in place to guard that information are adequate. The world has become more interconnected. Funds can be

moved from all corners of the world with ease, making financial institutions prime targets for money laundering and terrorist funding activities. The coordination of the three lines of defense is paramount. Finally, numerous innovative financial products helped organizations reach extraordinary profits and gave their clients access to unprecedented wealth. The race to profits led to the adoption of risky business practices in the industry within the past

10 years, which contributed to a global financial crisis. The worldwide backlash brought upon a regulatory environment designed to monitor, scrutinize, and penalize companies to prevent a recurrence of such systematic failures. Regulators have shown that they will lean on an organization's internal audit function as a partner of sorts to ensure compliance.

**CASSIAN JAE, PMP**, is director of The IIA's Financial Services Center.

## HEALTH CARE

Historically, when one thinks of the health-care industry, the two largest segments are the providers and the payers—insurance companies, doctors, hospitals, labs, etc. As a result, the primary risk over the years has been the accurate and timely payment and receipt of medical expense reimbursements. While accuracy of claims expense is still a significant priority, new issues have emerged. Quality of service, coverage expectations, enrollment expectations, compliance with government regulations, and data security and privacy have greatly increased the pressure on the industry and, by extension, its internal audit functions. The trend of further automation will continue to challenge companies to securely and economically deliver innovative solutions. An increased regulatory burden reinforces the need for well-designed control environments. Significant advances in data collection have increased

risk. The reliance on systems for data transmission and storage, coupled with the enormous aggregated value of this data, makes the industry a target for data thieves and hackers. Contrary to public perception, many elements of the health-care industry operate on a very low margin. A low profit margin indicates a low margin of safety and higher risk that sales and profits will decrease. These constraints allow internal auditors to bring value to their organizations through emphasis on ensuring strong project management controls. The successful management of third-party vendors, emerging technologies that improve the quality of care, cost containment, and data security is a value that cannot be overemphasized.

**MIKE JOYCE, CIA, CRMA, CPA**, is the chief auditor and compliance officer at Blue Cross Blue Shield Association based in Chicago.

### INTERNAL AUDIT CONDUCTS AN ANNUAL RISK ASSESSMENT

with periodic formal updates or continuous assessment



67%

Financial sector

60% Publicly traded (excluding financial sector)

56% Public sector



55% Privately held (excluding financial sector)

SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: TOP, IRONSV; BOTTOM, BIORAVEN/ SHUTTERSTOCK.COM

## ENVIRONMENTAL, HEALTH, & SAFETY

Seventy-five years ago, business risks associated with environmental impact, worker safety, and health effects related to production were not considered, nor hardly known. The industrial revolution had made the U.S. the global leader in innovation, manufacturing, and use of raw materials. An appetite for bigger, faster, and cheaper was achieved at a cost to the nation's air, water, and soil quality. The undesirable side effects of progress resulted in disease, birth defects, and even death to those exposed to contaminants or hazards created in the process. The 1960s social change movement in the U.S. led to the passing of many of the environmental, health, and safety laws that govern business today. The 1970 National Environmental Policy Act required federal agencies to assess the environmental and related social and economic effects of their proposed actions. The progression of laws put the onus of compliance on the generator of the waste and with that the liability. To evaluate risk comprehensively, internal audit began to view processes from "cradle-to-grave" to minimize threats to businesses. Today, a global economy requires a world view of corporate responsibility. The United Nations is driven to ensure the promotion of an economically, socially, and environmentally sustainable future for the planet and for present and future generations. Internal audit is key to moving companies into a sustainable future. Through integrated reporting, internal audit can take a holistic view of business and incorporate a vision that includes the full reach of the company. [la](#)

**TAMMY WYCHE** is director of The IIA's Environmental, Health, & Safety Audit Center.



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# A DIFFERENT PERSPECTIVE

Internal audit's business partners offer their views of the profession. **Arthur Piper**



**F**ive years ago, Francie Frederick, general counsel to The University of Texas System's (UT System) Board of Regents, says she was often confused about the difference between internal audit and compliance. In those days, she recalls, internal audit was frequently involved in testing compliance procedures, so the distinction between the two roles was not always obvious.

"I've been educated since then," she says, "especially since we have moved as an organization from looking backward at what happened to looking forward to how things can be improved."

As organizations such as the UT System have shifted their focus to the future, expectations of internal audit have changed. That has created the need for auditors to communicate with their business partners on a more strategic level, and to reassess the scope and nature of the work they do in response to evolving expectations.

## A TRUSTED ADVISER

The UT System's audit team has been hard at work developing such a strategy—particularly because the function spans an educational establishment with multiple institutions. While compliance audits are important, Frederick

says, she now expects more of audit. In particular, the function helps the university strengthen its business and operational practices, as well as enhance its operational effectiveness and efficiency.

"Because of its overview of the organization, audit is in a unique position to identify opportunities for improvement across the institution," she says. "Ways we can be more efficient. Ways we, as 14 different entities, can collaborate more."

She says J. Michael Peppers, the organization's CAE, has been able to create a climate where people are open and sharing. That has been important

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"**We can help the business preempt regulator criticism** because of the approach that we take; the GRC process with that a lot."

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Category	Value (Thousands)
Benefits	PV \$1,484,384
Costs	PV \$58
Net Present Value	

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# Internal audit has to demonstrate to management that every engagement is based on a sense of mutual respect.

to get managers at UT System's different institutions working together.

Frederick wants to see audit as a team of trusted advisers—picking up on a term that has been bandied about in the profession for a while. For her, that means internal audit needs to have good technical skills and a sound knowledge of the business. But, more importantly, it needs to be able to communicate its findings clearly to the governing board and the institutional teams, defending them where necessary.

“There’s a rare group of people who excel in doing large public presentations, and I think your CAE has to be able to do that,” she says. “Being a good communicator involves as much listening as actually talking, so being an active listener is quite important, too.”

## A STRONG SKILL SET

Striking the right balance of skills is difficult. “In today’s world especially, technical skills become hyper-critical, given the complexities of business, the use of systems as a tool, the global nature of a lot of organizations, and the operating requirements of a lot of different countries,” says Bill Chiasson. He is chairman of LeapFrog Enterprises, chairman of the Audit Committee of Fossil Group, and serves on several private company boards. But he emphasizes that these essential skills are only the foundation of what internal audit offers.

“On top of all that, the department needs a strong and positive culture of constructive dissatisfaction,” he says. He wants auditors to look at those areas that management struggles with, or is even embarrassed to tackle, because of past failures. That requires tact. He says he has encountered some managers who believe being successful entails identifying and dealing with everything without external help.

That’s why internal audit has to demonstrate to management that

## FACTORS STAKEHOLDERS CONSIDER

when assessing the performance of internal audit



**83%** Quality audit work and reliable results on key risk areas

**82%** Useful recommendations that address root cause of identified issues



**71%** Timely communication of identified risk to appropriate stakeholders

**62%** Consultative guidance. Helpful suggestions on new and emerging risk areas

**43%** Perception of internal audit within the organization

**36%** Performance related to specific expectations of stakeholders

**32%** Quantitative value-added metrics

SOURCE: CBOK 2016 GLOBAL STAKEHOLDER STUDY. TOP: MARNIKUS; BOTTOM: STEINAR/SHUTTERSTOCK.COM

every engagement is based on a sense of mutual respect, he says, and a desire to improve the business’s performance. He says a good audit team takes its time in establishing that its findings are based on a sound understanding of the business, which generally means speaking to the appropriate manager early in the process.

“You cannot have internal auditors who hide problems from you,” he says. “That creates a horrible environment.” A strong, self-aware, experienced internal audit leader needs to be able to work with the business on identifying the problems and helping devise a workable solution that can be incorporated into the audit findings.

## MOVING FORWARD

“Ten years ago, the internal audit mind-set tended to be that the CAE was looking for the one trophy he or she could hang on the wall that says internal audit identified the adjustment,” says Holly Millard, network senior vice president of Finance at the Indianapolis-based health-care business Community Health Network. “Now, it’s about identifying issues that help reduce risk for the organization and make a process better.”

That puts internal audit in the position of a business partner—but one that is independent of the organization. At Community Health Network, while the internal audit function reports internally to the executive vice president of general counsel, its primary reporting line is to the audit committee, which is an external third-party, independent from the organization.

Millard says that prevents any manipulation of the audit findings and has encouraged management to develop a response to each significant audit outcome. In addition, internal audit adds a risk exposure level to each report, from low to high, to better



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# EDUCATING AUDITORS

Determining what internal audit students need to know now is a constant challenge.

Jane Seago

help the organization target its remedial actions.

She says she does not think the qualities that make a good internal auditor are likely to change too much in the future, but she does think audit needs to do more to prepare organizations for the ongoing impact of the digital world.

“Internal auditors need to get deeper understandings of application and general computer control,” Millard says. That means obtaining a better understanding of the technologies the organization employs and having the ability to think through the more complex risks associated with them. “It’s going to get increasingly sophisticated, and when you’re in a business that contains so much personal information, from a health standpoint, we are entering into a very different environment,” she explains.

Millard says CAEs will need to review their recruitment procedures to attract more “digital natives” — those who have grown up with the Internet. She says doing so will help internal auditors develop the right mind-set for the future and help them in their continuing quest to better serve their organizations.

## BUILDING A RELATIONSHIP

Stakeholder expectations of internal audit are continuing to push the profession in new directions. Moving away from a narrow focus on compliance is part of that transformation, as is the need to develop a broader understanding of the business, and to hone and acquire new skills. And while it is impossible to see with certainty what the future holds for auditors, getting in better touch with their business partners should be high on the agenda. [ia](#)

**ARTHUR PIPER** is a writer who specializes in corporate governance, internal audit, risk management, and technology.

It’s the age-old balance between supply and demand. When demand exceeds supply, competition for the limited supply increases. That’s the situation in internal audit today, as recruiters struggle to fill available positions with well-trained, highly skilled staff.

In March 2015, The IIA’s North American Pulse of Internal Audit survey reported that roughly 40 percent of CAEs characterize attracting and retaining skilled personnel as a high or critical priority in their audit plans. More than half say the increased competition for talent has resulted in audit teams that are not fully equipped with all the necessary skills.

The portfolio of in-demand internal audit skills is not static. It changes constantly, as business risks change. A decade ago, cybersecurity and data mining were unlikely to be top-priority areas of focus for internal auditors; today, skills in those areas are highly desired—and scarce. Determining what internal auditors need to know *now* is a constant concern for those who teach the next generation of internal auditors, those who hire new graduates, and the new hires, themselves.

## IN-DEMAND SKILLS

Before the technical courses begin, it’s important to give students some background on what the profession is all about, emphasizes Rich Clune, director, Internal Audit Center, Coles College of Business, Kennesaw State University in Kennesaw, Ga. “Internal audit is often a new idea to students,” he says. “You have to lay the groundwork. Only then can you begin to help them think analytically about risk, who owns risk, controls to offset risk, and tests of controls.”

Glenn Sumners, director, Center for Internal Auditing, Louisiana State University in Baton Rouge, focuses on behavioral, operational, analytics, and technology skills in teaching students who plan to go into internal auditing. In a perfect world, he would do even more: “What would I add

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to my curriculum, if time and resources allowed? More analytics and technology.”

The University of Texas at Dallas program focuses on the development of technical skills and soft skills needed to succeed as a beginning internal auditor, according to Joseph Mauriello, director of the Center for Internal Auditing Excellence at the university. He describes a focus on internal audit standards, guidelines, and emerging professional issues; understanding governance, risk, and control; and using technology, and adds, “The end game is simulating real-world internal audit experience through internships, cases, and class projects.”

“Case studies help teach students the intangible skills of critical thinking and problem solving,” agrees David Y. Chan, assistant professor, St. John’s University in New York. “Our goal is to transform students from passive learners to active, engaged learners.”

This focus on real-world examples is highly beneficial to students, according to recent graduate Neeraja Natarajan, supervisor, Fund Financial Services, at The Vanguard Group in Philadelphia. “My first role at Vanguard was as an internal auditor, and one of my most helpful college courses focused on real business scandals, specifically the ‘whys’ behind them. It prepared me to walk into my first job already wearing my risk hat.”

Of course, not everything can be taught. “Successful internal auditors are usually perceptive and inquisitive people by nature,” Mauriello explains. “Fomenting this heightened sense of intellectual curiosity, and distilling it into the classroom, is daunting, given the time available.”

Soft skills, the traits that facilitate human relationships, are often cited as absent or lacking in graduates today—not only those studying internal auditing. Chan agrees. “Many students lack the ability to listen and

communicate effectively. Unfortunately, many programs do not prepare students beyond teaching them the knowledge base component of a respective discipline.”

Natarajan echoes the importance of soft skills education. “I took a business etiquette class that covered things like table manners, body language, and how to talk to people. I still go back to those lessons today.”

Soft skills are also of great interest to those doing the hiring, such as Katherine Findlay, vice president, internal audit, at Southwest Airlines in Dallas, who affirms, “Internal auditors need strong communication skills to articulate their audit objectives confidently and professionally. They must be assertive, but not aggressive, and able to develop



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**“You have to lay the groundwork. Only then can you begin to help them think analytically about risk.”**—Rich Clune, *Kennasaw State University*

**“Overall, I have been very impressed with the capabilities of recent new hires.”**—Katherine Findlay, *Southwest Airlines*

rapport with auditees to promote cooperation and timely action.”

#### **LIMITED TIME TO TEACH**

Ultimately, when it comes to internal audit education, the clock is often the enemy. Time simply runs out before all topics can be covered adequately. According to Sumners, “The profession is expanding significantly due to increased regulation, technology, globalization, and complex business models. It is a constant challenge to address the skills needed by entry-level internal auditors before the students move on.”

Clune agrees. “In the course of a semester, classroom time is about 40 hours—one work week. As educators,





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we have to choose wisely what students need to learn in the brief time we have with them.”

Chan points to The IIA’s Internal Audit Education Partnership (IAEP) program as an aid to providing students the information they need for an internal audit career. St. John’s University has an IAEP-compliant graduate concentration program in internal auditing, which offers students additional courses covering pertinent topics, such as enterprise risk management, IT auditing, and fraud examination. “These extra courses help position our students for career success,” he says.

### GROWTH POTENTIAL

The real test occurs after the hiring decisions are made. Are companies happy with their new hires? Do the new graduates show up equipped for the job? According to Findlay, the answer is “yes.” “Of course, confidence grows as a new hire gains comfort in the position and with the company, but overall I have been very impressed with the capabilities of recent new hires.” She appreciates their strong motivation to perform well, their desire to seek out mentors, their understanding of internal audit’s purpose, and their drive to contribute

to the department’s and the company’s successes. Moreover, she notes, “The new hires make wonderful suggestions for tools or methods to make us more efficient.”

However, for all the skills new graduates bring with them to their first jobs, there is one thing they do not possess: experience. And that’s fine. “It’s important to take the time to grow as a professional,” Findlay counsels. “One cannot speed up experience. It just takes time.” [la](#)

**JANE SEAGO** is a business and technical writer in Tulsa, Okla.

## MEETING MEMBER NEEDS

**What do you think is the most significant initiative you will oversee during your term as chairman?**

The IIA is in the midst of a massive technology investment to better support North American chapters and members. The resource demands in both capital and people

are significant, but hopefully will help lead to a much better experience for our members and our chapter volunteers, through the automation or enhancement of many critical administrative and operational processes.

**As someone coming from the health-care industry, why do you think The IIA’s focus**

**on industry centers is so important for members?**

There are usually risks, business processes, emerging trends, and government regulations that are unique to particular industries. Being able to network with others from that industry group can be especially beneficial in quickly developing mitigating controls, audit

Mike Joyce, chairman of the North American Board, discusses three important IIA initiatives.

approaches, and risk strategies.

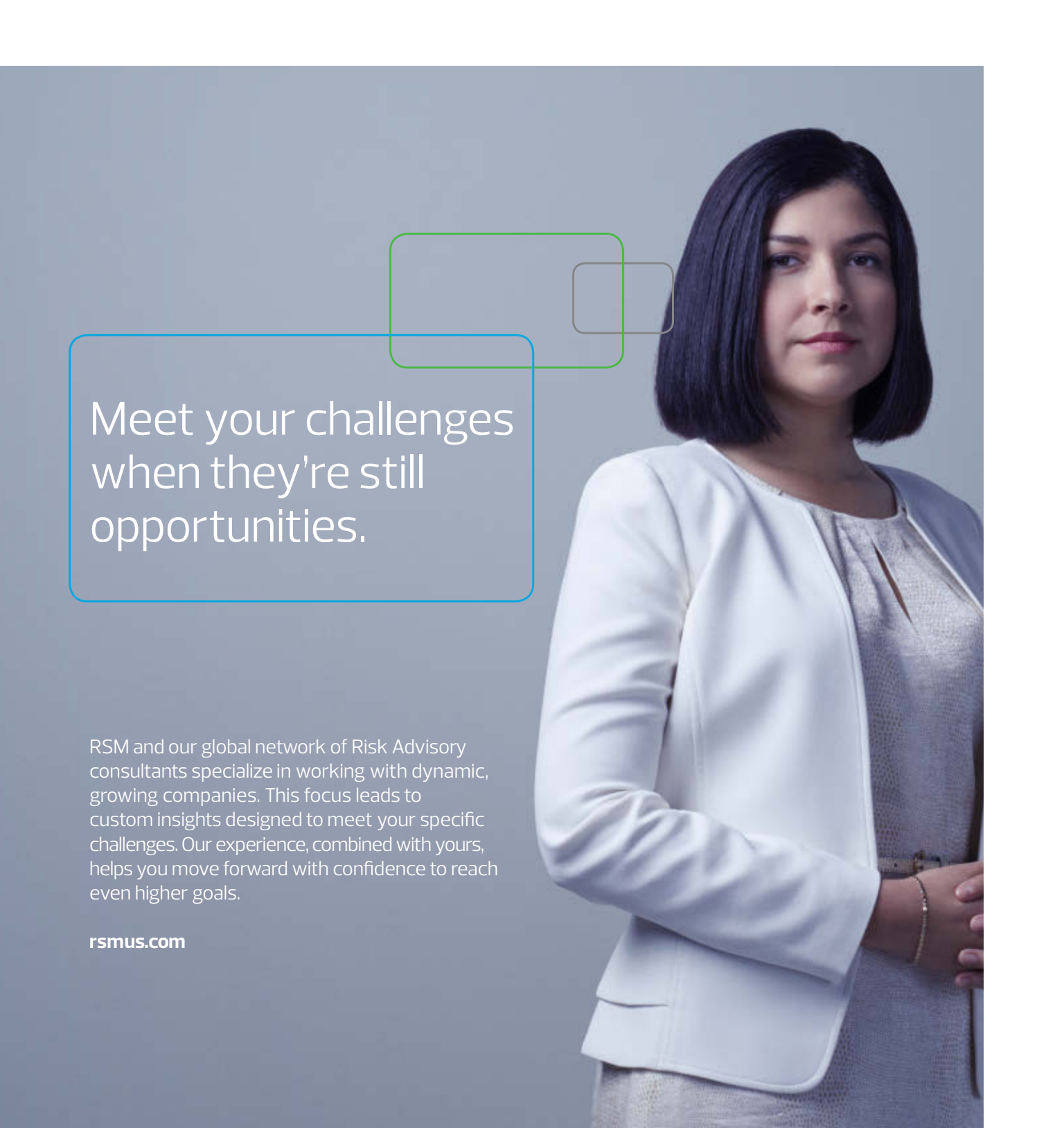
**What can you share about The IIA’s diversity initiative?**

I am gratified that The IIA, and the North American Board in particular, has for years recognized and stressed the need for increasing diversity in every aspect of our profession, our membership,



and our volunteer base. The profession’s future leaders should reflect the wide range of perspectives in our society today and tomorrow. Trying to identify these future

leaders through networking and outreach opportunities has been, and will continue to be, a high priority in all of The IIA’s strategic planning. [la](#)



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# WHERE WE'RE GOING

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Technology will continue to bring new risks for organizations in the form of The Internet of Things, digital strategy, and disruptive change. **BY STEVE MAR**

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The magazine has been at the forefront of the profession since 1944.



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# INTERNAL AUDITING'S FUTURE

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Shannon Steffee

D

aniel Seghers didn't consider a career in internal auditing until he attended an informational session for Louisiana State University's Center for Internal Auditing (LSUCIA) in Baton Rouge during his freshman year. Now, after spending two summers interning for Walmart and graduating from LSU, he's working as a staff auditor for the discount retail giant.

"In that session, I realized the role of the internal auditor aligned with many of my interests," Seghers says. "I wanted to add value and bring a positive impact to a business while understanding how it operates, and internal audit presents opportunities not found in other roles within a company." In addition, Seghers loves knowing his work could impact millions of customers around the world.

Seghers meets daily with senior leaders throughout Walmart to learn about their roles, projects, and strategies, and enjoys the work he does in a typical week. Recently,



**Daniel Seghers**  
*Staff Auditor, Global Audit Services,*  
WALMART STORES INC.

merchant leaders approached his team because they had seen a decrease in market share and needed internal audit's help to identify opportunities for improvement. Internal audit underwent a two-week crash course to learn industry standards and trends before discussing the observations and opportunities to help the company gain back market share. "My position gives me the flexibility to not only conduct meetings with leadership in our home office, but also to travel to

stores, Sam's Clubs, and distribution centers across the country," Seghers says.

He got his foot in the door at Walmart through an internship-recruiting event at LSU. After accepting a summer internship, he worked alongside several teams in the Global Audit Services department, learning the history and culture of the company. Walmart prides itself on community involvement and volunteerism. Walmart, United Way, and Coca-Cola hosted a volunteer event that was personally impactful for

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# IT AUDIT TRENDS AND FORESIGHT

Technology will continue to bring new risks for organizations. **Steve Mar**

Seghers, which involved the collection of more than 110,000 school supplies.

As he continues learning about new processes and his responsibilities increase over the next several years, Seghers says he hopes to serve as a mentor to those who are just beginning their careers, and help guide them on a path that will help them professionally and personally—just as he was guided while in school.

“I was fortunate to work as a graduate assistant for Glenn Sumners, director of the LSUCIA program,” Seghers says. “One of the many lessons I learned from him was his lead-by-example style of professional etiquette and mannerisms. I know that I would not be where I am today without his efforts and guidance.”

The decisions Seghers affects within the business can often be seen by millions of customers around the world, which makes his work intimidating and exciting. Though he’s still learning about internal audit, he welcomes the opportunity to bring an internal audit mindset to all of Walmart’s business units. In short, Seghers’ love of his work reminds him of a quote that has stuck with him throughout his college and internship experience: “If you enjoy what you do for a living, you will never work a day in your life.” 

**D**isruptive, fast, impactful, and risky describe the next five years facing the IT audit team. Three topics that could drive the future IT audit agenda during that time are the Internet of Things (IoT), digital strategy, and disruptive change.

## ADDRESS THE INTERNET OF THINGS

A November 2015 Gartner study predicts 20.8 billion connected devices will be in use by 2020. For example, cars will come with Wi-Fi installed, traffic light sensors will monitor traffic, and software-enabled road infrastructure will be able to monitor each car as it moves. Such IoT applications will create value for users, but they also could present privacy challenges.

IT auditors will need to understand what, when, and how devices are connected to assess the process, security, or privacy risks raised by the IoT. These risks will go beyond the organization that captures the data to include other companies or government agencies with access to it.

Auditors can start by determining the inventory of connected devices and what repositories collect the data they generate. Next, they should identify the data governance and risk profile, which creates an opportunity to discuss with management what controls are needed. Auditors can then decide what resources to allocate to assess IoT risks and controls.

## UNDERSTAND THE VALUE OF DIGITAL STRATEGY

IT auditors should ask whether the organization has a digital strategy. Technology makes it easier and less expensive for new competitors to enter an organization’s business. This shift means external risks will emerge faster and with greater potential impact. New competitors might only hit one segment of the organization’s value creation chain, but that might be enough to make the organization irrelevant.

Auditors need to analyze significant and material external digital strategy risks from potential competitors. For example,



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what happens if their organization's top customers see a competitor offering the same products at a significant discount and with faster delivery? Auditors should analyze both internal and external digital strategic risks, as well as assess how well-equipped the organization's technology infrastructure is to deal with the pace of change.

IT auditors need to assess the risk of technology change and the organization's ability to reinvent business applications and technology processes. They may need to assess how the organization can launch new products or services that call for disruptive change management. One way auditors can assess the change risk is to perform a technology development portfolio management review. IT auditors should assess whether the project team created a robust business case that articulates the project value, as well as assess the project governance.

### **SURVIVING DISRUPTIVE AND IMPACTFUL CHANGE**

Today's strategy leaders recognize that organizational processes need to be reinvented to keep pace with disruptive and impactful change. Yet, the purpose of creating mature, consistent, lean, and efficient methods is to "not change" the process. This translates into change resistance. For example, the organization might have perfected a process to reconcile, approve, and pay thousands of vendors. Then, a startup offers a new and inexpensive app that in real time does all those things—and more—potentially adding cost savings. Will the organization adopt this new app?

### **STORM PREPARATION**

The IoT, digital strategy, and disruptive change are coming in like a hurricane. To brace for their impact, auditors will need to learn new skills and adapt to address the risks these forces will pose to their organizations over the next five years. Organizations should start planning now to build their IT audit talent and strategy. [▶](#)

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**STEVE MAR, CFSA, CISA**, is the IT audit director for a U.S. specialty retailer and the contributing editor for Internal Auditor's "ITAudit" department.

# THE CHANGING BUSINESS WORLD

**Auditors can anticipate future developments by looking beyond their organization's current business situation. Arthur Piper**

**A**nticipating the future is never easy, especially because many pundits believe technological developments are fueling exponential changes in modern society. Anticipation means thinking globally and acting quickly—but shortsightedness is more common among today's leaders and managers, says Dominique Turpin, president of IMD Business

School in Lausanne, Switzerland. "Businesses have been very bad at predicting the future," he says, "because they think too narrowly."

Although he says rapid technological development is one of the three "megatrends" that will impact industries over the next five to 10 years, focusing on technology alone is a huge mistake. "Not many businesses are considering how global demographic changes will



ILLUSTRATION: SANDRA DIONISI


affect them and what leadership will mean in the future,” he observes.

Increasing longevity, for example, in both the developing and developed world, is likely to affect the health and pharmaceutical sectors. But it also will change global markets radically in the near future.

“People are talking about Asia right now, but shifting demographics mean that Africa is most likely to

present the best economic potential in terms of growth rates,” he says. Even though many countries in the continent face considerable political and governance hurdles, improved public health and infrastructure promise to transform consumer demand and boost opportunities for investment. Over the next five years, Ethiopia, Mozambique, and Tanzania, just to name a few, are likely to grow as fast as, or faster than,





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**Coming soon!** Findings from the CBOK Stakeholder Study will be available at The IIA's General Audit Management (GAM) Conference, March 7–9, 2016, in Dallas/Ft. Worth.

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some of the recent Asian champions, he predicts. “How many organizations outside the health sector have plans to take advantage of opportunities in those countries in the coming years?” he asks.

### LOOK TO THE FUTURE

Businesses need to step back from their everyday concerns and create space to think, says Bob Treadway, principal at Treadway and Associates Inc., a horizon-scanning consultancy in San Diego. “Too many of today’s corporate environments are missing a critical component of management—effective contemplation. This type of thinking should not be something left to top management. It should be an ongoing best practice throughout the organization.”

Businesses should allocate time to look into the future, make sense of the complexities they face, and strategize about effective mitigation or response. Action should follow. Internal audit could play a key role in this process, but to do so, it needs to harness its existing analytical skills with the ability to anticipate the impact of upcoming risk. “The ability to anticipate is the most overlooked and important skill for individuals in the audit profession,” he says. “What CEOs want are well-informed people they can trust. They want them to be able to ‘see around corners.’”

Getting started doesn’t need to be difficult. Auditors can build familiarity with current events by subscribing to Internet sources—Treadway recommends Quartz (<http://qz.com>), a free service from *The Atlantic*, Next Draft (<http://nextdraft.com>), and *The Economist* ([www.economist.com](http://www.economist.com)), for starters. A customized Twitter feed should serve more specialized industries.

But, he warns, horizon scanning should be a team effort, involving regular discussion and feed-in to forecasting projects. And individuals who make important contributions to the process should be rewarded, even if it is only

with recognition that they have contributed. That helps create a culture of forward thinking.

### A WIDER FOCUS

Markus Wissmann, head of corporate audit and advisory at the German retailer Metro Group in Düsseldorf, Germany, agrees that businesses often fail to identify or understand important developments in society—often because they are too concerned about their own internal operations. If they want to understand the future of their businesses, they need look no further than their customers.

“It is key for businesses to frequently talk to their customers to see how their needs are changing—what they really want from you—and thoroughly understand it,” he says. In addition, businesses need to focus on the competition and adopt what is working well in the industry, where appropriate. He also says those involved in horizon-scanning strategies need an open door to both senior management and those working at the ground level.

“Internal audit has a good overview of what is going on inside a company, so if it also learns about the external business environment, it would be well placed to help,” Wissmann says. Historically, not many internal auditors have seen themselves in this role. But the key, he stresses, is for auditors to be able to see both sides of the risk coin, so they understand how an appropriately managed risk can help the organization take advantage of new, or changing, situations.

### CRITICAL THINKING IS KEY

The need for businesses to look ahead has put pressure on internal auditors to rise to the challenge. “Executive management and boards are now looking for audit to really provide insights that wow and delight people, and to provide sustainable action that moves the

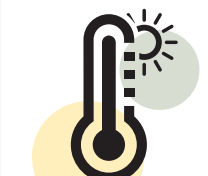
## TOP CHALLENGES BUSINESSES FACE

in the next 20 years

**43%** Accelerating technological change



**33%** Competition from emerging markets



**31%** Climate change



**31%** Increasing complexity

**28%** Lower public trust in business

SOURCE: TOMORROW'S COMPANY, THE FUTURES PROJECT SURVEY OF U.K. COMPANIES. ICONS: TOP, VOODOODOT; CENTER, STREJMAN; BOTTOM, ART DESIGNER/SHUTTERSTOCK.COM



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needle in a bigger way than the work that we've done before," says Bethmara Kessler, CAE at Campbell Soup Co. in Camden, N.J.

Anticipating how situations may work out can come from the simple act of encouraging managers to think about their processes or practices afresh. A new angle on a changing problem can lead to significant insights, she says. "It takes courage, and you have to be willing to challenge the organization to think differently," she asserts. "But that's the place where we really should be playing."

To be successful in this role, the auditor of the future needs to be better trained in critical thinking and soft skills than many are today. In fact, Turpin says such soft skills could be the answer to what he sees as a crisis in leadership in many organizations. "We used to think leadership was almost a holy gift," he observes, "but no one has all of the answers anymore."

Leaders—whether they are CEOs or CAEs—who are best placed to meet the challenges of the next five to 10 years are likely to be less specialized in a particular business sector

and more willing to show humility in the face of complex change. "They will have to admit they don't have the answers and demonstrate willingness and ability to work with a broader range of people to find them," Turpin says. "In dealing with the future, what people need is the kind of inspiration that comes about through better collaboration. And a good sense of humor would help, too." 

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**ARTHUR PIPER** is a writer who specializes in corporate governance, internal audit, risk management, and technology.

## FIVE TRENDS

Top global internal audit thinkers take a broad look at key issues that will shape the profession.

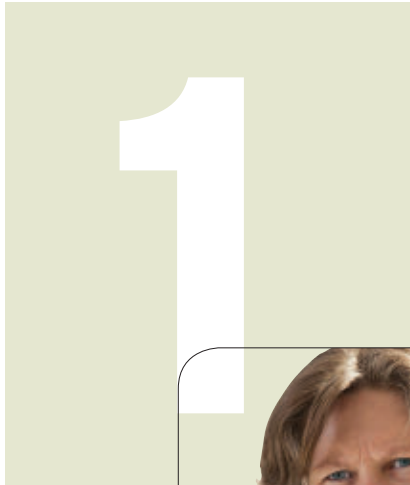
**W**hen change is constant, it's difficult to anticipate the future. Yet, broadly speaking, there are clear trends emerging that internal auditors must confront over the next five to 10 years: a volatile risk environment, growing regulatory scrutiny, rising stakeholder expectations, complex technology risk, and competition for top audit talent.

Auditors may not be able to predict exactly how these five trends will play out in the long term, but keeping track of how they are developing now can help internal audit and its organization prepare for what is ahead. *Internal Auditor* asked audit leaders from around the world to discuss each of these emerging trends and what internal auditors must do to provide relevant assurance and advice about them in the coming years.



## A WORLD OF VOLATILE RISK

**Lucy Elliott, ACA**, director, Internal Audit & Evaluation, Organisation for Economic Co-operation and Development (OECD)



The speed of change in the world is accelerating; changes are fast and sometimes surprising. The risk landscape within which practitioners audit is ever more volatile, interlinked, interdisciplinary, and complex. For example, Europe's current migration crisis brings ramifications across public policy and the private sector, impacting local and national services, markets, security—multiple dimensions that may bring audit risk in Europe and beyond.

Another example is the transition to a low-carbon economy, which may have an impact on business models and profitability, and force the risk profile to evolve in future years. Moreover, disruptive technologies can quickly bring real and immediate business risks, such as new competition through the sharing economy (“uberization”).

If internal auditors want to be relevant, they must keep pace with change and rise to the demand of shifting risks. No longer can auditors relax into a comfort zone of predictable, cyclical—and perhaps boring—audit work with more or less foreseeable results. Instead, they face an uncertain risk landscape, where audits will be ever more challenging, interesting, and remarkably impactful as long as audit professionals comprehend that landscape well.

In today's world, risks change faster than the audit work plan; risks even shift during an audit engagement, affecting the audit and audit client. New risks need to be analyzed, understood, and communicated sensitively, and the auditor needs to manage the distinction between audit and advisory work, which can become increasingly blurred when the risks are ever-changing. Audit plans and schedules must adapt, as must the auditors, who will need the skills to integrate insights from other disciplines, be flexible and good communicators, bring cross-sectorial awareness, and listen. Moreover, they must guard against intellectual capture—where the auditor is no longer able to imagine risks outside the client's accepted wisdom—and groupthink among the audit team.

To understand this new risk environment, internal auditors need to question current conventional audit wisdom and methodologies and continuously think about the future. For example, developing strategic foresight can enable auditors to create views of different possible futures, keep an open mind about the bigger picture, and better understand complex and long-term challenges. Auditors must take risks themselves by using new risk modeling approaches; updating their analytical

### TOP GLOBAL TECHNOLOGY CHALLENGES

facing IT audit professionals

1. Emerging technology and infrastructure changes



2. IT security and privacy/cybersecurity

3. Resource, staffing, and skills

4. Infrastructure management



5. Cloud computing/virtualization

6. Bridging IT and the business

7. Big data and analytics

8. Project management and change management

9. Regulatory compliance

10. Budgets and controlling costs

SOURCE: ISACA AND PROTIVITI, 2015 IT AUDIT BENCHMARKING SURVEY. ICONS: TOP, BABII NADIA; BOTTOM, VOODOODOT/SHUTTERSTOCK.COM

# As the compliance scope expands, organizations must manage an ever-changing range of activities.

framework; and exploring new avenues, methods, and issues. In this way, the risks auditors take will reap rewards; they will incorporate state-of-the-art thinking and advance the cutting edge of audit research and policy through adaptation and experimentation in their day-to-day work.

Accepting the volatility of the risk landscape may be uncomfortable for some auditors. But if internal auditors fail to update their mind-sets, understand the future, analyze the impact on the audit function and the client, and adapt accordingly, they will be left behind in a changing world.

## COMPLIANCE: WHAT'S IN SCOPE?

**Jonathan Blackmore, CA**, partner and risk sub service line leader, Europe, Middle East, India, and Africa, EY

In the aftermath of the global financial crisis, the regulatory compliance environment has become more complex and fines are rising—and are expected to keep growing in the future. Because compliance failures now have a significant impact on an organization's brand and market value, preventing these failures is strategically important to management and the board. As the compliance scope continues to expand, organizations must manage an ever-changing and complex range of compliance activities.

There is no right answer when it comes to determining internal audit's compliance scope. The "right" scope is influenced by the maturity of an organization's existing functions and capabilities. Organizations with no dedicated compliance group are more likely to expand internal audit's scope of compliance activities.

Internal audit functions with a compliance mandate also are more likely to absorb incremental compliance activities. Leading practices to consider include explicitly communicating the scope of compliance activities to key stakeholders, realistically assessing competencies and how they align with compliance requirements, and communicating risks or gaps that may exist because of resource or capability constraints.

CAEs need to challenge the status quo by asking:

- » Is internal audit the right function to provide assurance on compliance risks and controls?
- » Is internal audit addressing the risks that matter related to compliance?
- » Does internal audit have the right people to address and execute the compliance activities for regulations such as the U.S. Foreign Corrupt Practices Act, OECD's Base Erosion and Profit Shifting, and E.U. Data Privacy?
- » Is internal audit optimizing how it leverages technology and automation?

It is critical for internal audit to focus on driving value from compliance activities. This value may include:

- » Enhanced integration, communication, planning, execution, and reporting across functions.
- » Insight and foresight, rather than hindsight.
- » Linking internal audit's compliance activities to upstream process and control improvements.
- » Highlighting trends and anomalies through data analytics.
- » Sharing lessons learned from compliance breaches.
- » Getting involved at the front end of major business changes.

### INTERNAL AUDIT'S RISK ROLE EVOLVING



**90%** say internal audit does not provide risk management oversight

**46%** say internal audit currently leverages the work of others



**72%** say internal audit will leverage the work of others in three years

SOURCE: EY GLOBAL GOVERNANCE, RISK, AND COMPLIANCE SURVEY 2015. ICONS: BLAN-K/SHUTTERSTOCK.COM



# Internal auditors need to equip themselves for the future by being creative, insightful, and knowledge-seeking.

- » Getting in front of changes and new regulations and helping management comply with new requirements.

Pressure to reduce the cost of compliance is increasingly driven by global economic uncertainty and enterprisewide cost-reduction initiatives. Management expects that compliance costs will be reduced but has “zero” tolerance for noncompliance. It needs to understand the impact of change early in the process and want assurance that there are safety nets to manage any transition.

Progressive internal audit functions are proactively engaged in the “cost of compliance” discussion. Leading practices for driving efficiencies include performing a detailed assessment of compliance activities and how they are executed; undertaking a compliance risk assessment and scoping process; and leveraging automation and the use of data analytics for testing, trend analysis, timely detection of errors, and real-time compliance monitoring.

Leveraging internal audit’s knowledge of the organization, its processes, and controls can support management in identifying the right compliance risks and the process and control improvements and automation opportunities that will enhance business performance while making compliance effective.



## STAKEHOLDERS DEMAND MORE

**Christine Ong, CIA, CRMA, FCA (Aust.),** senior group general manager – Internal Audit, IGB Corp. Berhad

The profile of the internal audit profession has risen significantly in recent years, thanks to the untiring efforts and professionalism displayed by internal auditors around the world. Stakeholders look to internal auditors in areas of governance, risk management, and controls. With increasing recognition of the profession, the expectations of stakeholders also have increased.

Regulators have acknowledged internal audit as one of the pillars of corporate governance. As regulators become more active in issuing pronouncements, regulations, codes of governance, and listing requirements to regulate the dynamic business environment, they expect internal auditors to keep up with the new regulations and advise their organizations accordingly. Regulators also seek comments and suggestions from the profession to get a different perspective on the impact of the regulations. In this respect, The IIA and its members must be at the forefront of these developments and be the voice of the profession.

As organizations embrace constantly changing technologies, management expects internal auditors to be conversant in IT controls and cybersecurity issues and have a reasonable level of knowledge of IT. Apart from conducting IT audits, management expects internal auditors to provide advice on system implementation, change controls, and business continuity plans. It also expects internal auditors to use IT tools to enhance the efficiency and effectiveness of their audits. In the era of big data and data analytics, exception reporting on a sampling basis may be on the way out. Management expects to be informed of the full extent of the impact or loss if a control breakdown has been found.

Organizations and businesses continue to grow, sometimes organically, but most times through new ventures or mergers and acquisitions. Internal auditors need to keep up with management’s strategic direction and equip themselves with the knowledge of various industries. They must be ready when consulted to review new businesses and must understand the organization’s business and its



**IT AUDIT'S FUTURE**



Respondents who say IT audit activity will increase in these areas within the next three years

- 75%** Electronic security
- 63%** Data quality
- 61%** IT procurement
- 61%** Project assurance
- 60%** Disaster recovery
- 54%** Social media
- 52%** Physical security
- 52%** Websites

SOURCE: CBOK 2015 PRACTITIONER SURVEY. ICONS: TOP, LIGHTENIR; BOTTOM, INSPIRON, DELL, VECTOR/SHUTTERSTOCK.COM

strategy. Auditors' knowledge must extend beyond the current business in which their organization is involved. They must expand their networking circle outside the profession. If auditors aim to be part of the C-suite, they must be worthy of the calling.

Internal auditors are expected to enhance and protect the organization's value. Although auditors have insight into their organization's operations to achieve this, stakeholders' concerns have now expanded beyond governance, risk, and controls to also encompass environment, safety, and sustainability. Auditors need to apply their knowledge to new areas and extend it to include innovative, transformational, and sustainable practices.

To continue to serve stakeholders effectively, internal auditors need to equip themselves for the future by being creative, innovative, and knowledge-seeking. Moreover, they must establish a firm foundation through certification and professional development. As the need for learning never stops and their stakeholders' expectations continue to grow, internal auditors must rise to the challenge—there is no other option.

**TECHNOLOGY RISK GETS MORE COMPLICATED**

**Charlie Wright, CIA, CPA, CISA**, vice president, Internal Audit, Devon Energy Corp.



Internal auditors face an increasingly complex technological environment. Boards of directors and audit committees recognize that the future has arrived and are highly engaged with technology risk. Topics ranging from mobile technology and cybersecurity to cloud computing and 3-D printing are becoming common strategic discussions at the board level. This underscores the need for internal audit functions to quickly evolve and increase technological audit capabilities.

Well-trained and experienced auditors can ensure that IT project implementation follows strong project management methodologies and change management procedures. They play a critical role in evaluating and testing new internal controls, including physical and logical access to new applications. Auditors also can identify gaps and issues that hinder full deployment of new technologies. Partial deployment of new technologies is a common problem that causes inefficient operations and budget overages.

While the business is accountable for the overall strategy and implementation, internal auditors can bring an independent and objective view to the tactical aspects of integrating complex and high-risk tools. For example, during the implementation of new financial systems, internal auditors can help validate key controls and ensure those controls are sufficient to protect the integrity of the new system. There are numerous ways internal auditors can respond to the technology challenge, beginning with training. From reading the latest technology articles, to obtaining professional certifications, to attending conferences and seminars, internal auditors can improve their own technology skills and be better prepared to serve their organizations.

In addition to training existing staff members, audit management should recruit employees who have IT work experience and education and can be trained to perform audits that will add value for their organizations. By leveraging the expertise of former IT employees, internal audit can obtain greater insight into the relevant controls, risks, and processes. Alternatively, audit management can create





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development programs that rotate audit professionals through technology-oriented job assignments. When they return to an internal audit role, the newly trained auditors can apply the skills learned during their job rotation. Management also can use guest auditors on audits that require a specific type of technology expertise.

If they don't have the right people within their organizations, audit functions should bring in outside resources who have the technological capability for a specific audit. Although bringing in a third party can be expensive, audit functions have an obligation to ensure that appropriately skilled resources are available to perform the most complex technical work.

With the pace of change accelerating, auditors can expect a growing number of technology risks to their organizations. Boards and audit committees are seeking assurances that these risks are being assessed, managed, and monitored appropriately, and it is internal audit's job to provide that assurance.



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## TRAINING THE AUDITOR OF 2020

**Karl Erhardt, CPA**, executive vice president and chief auditor, MetLife


At MetLife, we are training our auditors to become "The Auditor of 2020." We recognize that to keep pace with the ever-evolving expectations of our stakeholders, we need to continuously develop and advance both our skills and experiences.

The recipe for success is shifting, and the new secret sauce is all about how internal auditors leverage data and advance their use of analytics. The other key ingredients remain important, including combining business acumen, subject matter expertise, and generalist knowledge with auditors' soft skills. MetLife's goal is to train our auditors today for the skills and experiences they will need to effectively deliver on internal audit's mission in the year 2020.

Why are data and analytics so important? It is well-documented that the amount of data produced is exploding. In 2020, there will be exponentially more data produced than in the previous decade. Knowing this, internal auditors can imagine the evolving expectations and enormous challenges they will face.

As the internal audit profession looks to maximize its use of this data, audit functions must emphasize training auditors in both data and analytics. Auditors need to strengthen their foundational skills, know how to increase their everyday use of data and analytics, and know when to leverage outside experts. The ultimate benefit of advanced data analytics is to help auditors exceed tomorrow's stakeholder expectations. In 2020, this will be the best way to effectively deliver on internal audit's mission: to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

"The Auditor of 2020" is not just about data and analytics. It is about advancing internal auditors' skills and experiences. That is why MetLife's audit department recently revamped its competencies with today and tomorrow in mind. Our new competencies include integrated business knowledge; a governance, risk, and control mind-set; analytical and critical thinking; simple, effective, and transparent communication; trusted stakeholder advocacy; and teamwork and agility. Tailoring individual learning paths that emphasize data, analytics, and critical thinking are a big part of training for tomorrow.

Audit talent is in high demand. The organizations that train with "The Auditor of 2020" in mind will be best positioned to retain the talent of today and, most importantly, attract the talent of tomorrow. 





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# THE MILLENNIALS

## ARE HERE

Meet the future of the profession.

Jane Seago

**H**ave you attended a meeting recently and noticed that most of the people around the table seem relatively young? Welcome to the new demographics of business. According to the Pew Research Center, more than one-third of U.S. workers are Millennials, surpassing Generation X to become the largest share of the country's workforce. Moreover, The Brookings Institute predicts 75 percent of the global workforce will be Millennials by 2025.

Millennials encompass the people born between 1982 and 1995, making them 21 to 34 in 2016. There are 76 million of them in the U.S. population, and their habits—from purchases to Internet usage to causes—are tracked by marketing analysts with a focus bordering on obsession. In virtually any office building they occupy a lot of desks. Soon they'll move into the corner office.

Bill Hull, internal audit principal with PricewaterhouseCoopers (PwC) in Atlanta, says his firm has opened its doors to the Millennials. "The largest part of our hiring comes from campuses—individuals aged 22 to 24," he notes. "This year, we expect approximately 80 percent of our U.S. and global workforce to be Millennials."

### BEYOND THE STEREOTYPE

Given the predominance of this group, it is not surprising to learn that they are

under nearly constant study by groups such as Boston College, the Intelligence Group, KPMG, Pew Research, and PwC, in an effort to know what makes them tick. Of course, generalizations are always questionable, but all this research does seem to indicate that Millennials exhibit some common workplace traits. They are dedicated to self-development and have a need for frequent, interactive feedback. Their communication style can be brief and impersonal due to their marked preference for social media. Hence they may be awkward in displaying or reading visual cues that facilitate understanding. They are team-oriented. Their knowledge and mastery of technology seem to be hard-wired. They place a distinct priority on maintaining work-life balance.

Seth Peterson, internal audit manager with The First National Bank in Sioux Falls, S.D., and a Millennial himself, agrees with at least some of the traits attributed to his generation. "The desire for frequent and interactive feedback is true," he says. "We have grown up accustomed to information on demand. We don't want to wait to hear how we did on a project, because the next one might be starting tomorrow. We need to know now what we did right and what we did wrong."

As for broad knowledge of technology, Peterson says Millennials are not necessarily tech-savvy, but they



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definitely are tech-dependent. Hull notes that the dependency on technology and the work options it enables may contribute to the well-known Millennial perspective that work is a thing, not a place and certainly not a life. “Working outside the office is very natural to them,” Hull explains. “And they are not convinced that excessive work demands are worth the sacrifice on their personal lives.”

An urgency to seek variety characterizes much of Millennials’ behavior, says Joseph Keating, managing director for KPMG in Boston. “They like to sample many things and get diverse experiences,” he explains. “They crave challenges and regular stimulation. This is a good thing: They are not afraid to take on new tasks. Just-in-time learning is a comfortable fit for them.”

Carey Oven, regulatory, forensics, and compliance practice lead with Deloitte in Detroit, indicates that two hallmarks of Millennials are a sense of personal responsibility for making a difference in the world and prioritizing work-life balance. “In my experience, Millennials are highly

educated, high-performing, and high-aspirational,” she says. “Internal audit — with its opportunities to learn multiple aspects of an organization, travel, and impact the business from a variety of vantage points — is an attractive profession for them.”

### THE WORK ENVIRONMENT

Given the sheer number of Millennials, no organization can afford to ignore them. Companies should start acting now to create a working environment that engages Millennials and capitalizes on their contributions.

Robin Brown, a Millennial who works as a risk advisory senior consultant with Dixon Hughes Goodman LLP in Atlanta, points to her company’s collaborative environment as conducive to Millennials. “We offer opportunities for employees of all ages, all backgrounds, and different roles to have a voice,” she explains. “Everyone’s voice matters and carries equal weight. I never feel as if I can’t share my opinions and ideas with a director or partner. In fact, one of our offices was recently awarded the 2015 Young

Professional Workplace Award for its special efforts in this area.”

Keating points out that KPMG brings in a new group of Millennials each year through new hires or internships, so it’s become adept at accommodating them. But managers have to recognize the cues from those new auditors. “We may have more structure than they are accustomed to,” he explains. “And we sometimes have to slow them down to make sure they take time to learn the skills they need. If we don’t, we’re setting them up for a less successful career than they might otherwise have.”

Hull notes several approaches PwC has taken over the past few years to welcome the rising tide of Millennials. “We have changed our methods of feedback to offer faster, more frequent, less formal evaluation, and we provide recognition more often,” he says. For example, the firm has apportioned the bonus pool to enable multiple rewards per year, and it confers promotions at midyear as well as year-end.

Deloitte, half of whose professionals are now Millennials, has evolved

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how it recruits that generation's talent, Oven says. "We've increased our use of social media to connect with candidates and video technologies for interviews, building one-on-one relationships, and offering views into what a career at Deloitte is really like," she explains. The firm also supports the social-mindedness of many Millennials by offering opportunities to serve on pro bono service projects and organizing an annual firm-wide day of community service.

Professional associations like The IIA also see the benefit of engaging a diverse group of members, including Millennials. The Institute has established a diversity and inclusion initiative. "We are surveying members, hosting focus groups and networking events, and discussing engagement strategies with our local chapters," explains Bill Michalisin, The IIA's chief operating officer, North America. "We want to present a platform for young professionals throughout the IIA community to share their views and ideas through more active participation in The Institute; and provide opportunities for them to support the profession, advance in their careers, and form meaningful relationships."

### SUCCESS IS A TWO-WAY STREET

In any organization, the process of accommodating Millennials in the workforce is unlikely to happen quickly, easily, or even painlessly. As Oven notes, speaking of the need to open more lines of communication with Millennials, "It sounds simple enough, but you really have to invest the time necessary to make it work."

Keating recommends encouraging Millennials to tap into their elders in the workplace (see "Generational Connectivity" on this page). "There is a lot they can learn from those who have some experience under their belts, but they may have to be reminded to make the contact," he says.

## GENERATIONAL CONNECTIVITY

Generational connectivity involves trust and communication. Trust develops through direct interaction and sharing of information—both that which is gained through experience and that which is learned through the use of technology. Communication develops through making time for meaningful discussion.

A key to building generational

connectivity is mentorship—teaching the skills an individual has learned, demonstrating the importance of ethics and work-life balance, and staying in touch as those who are mentored progress in their careers. Although mentoring opportunities may come up in unexpected places or brief encounters, mentorship often starts with direct involvement with students.

For internal auditors, mentorship can be

accomplished by developing student internships in their work environment, speaking with passion to student organizations about the profession, contributing to scholarships or financially helping students, and giving students opportunities to demonstrate their technical and communication skills.

By being alert to opportunities to connect with the next generation, internal auditors can experience the

generational connectivity that strengthens the profession and improves its contributions to society. This will enable auditors to pass down to future generations the lessons they have learned and pass the torch to those eager to carry it.

**THOMAS LUCOCK, CIA**, is retired director of internal audit and special adviser to the president of Michigan State University.

Brown agrees that Millennials can learn much from their older colleagues. "Don't believe the false narrative that as soon as Millennials start a job, we want to be CEO," she asserts. She says organizations can foster a collaborative and inclusive environment by establishing a strong program for educating both Millennials and managers, empowering Millennials to take on responsibility, and providing young professionals with opportunities for personal and professional growth.

Such support can help organizations compete in the "talent acquisition game" for the best and brightest people. "If we want the firm to be here in 100 years, accommodating Millennials is what we have to do today," Hull says.

However, Peterson points out that, despite the current focus on Millennials, they are not the first generation to reshape business. "Each generation takes account of the current environment, uses its own skill set to make improvements, then holds on as the next generation challenges those changes," he says.

Moreover, Brown reminds Millennials that success is a two-way street. "You have to adjust to the environment around you," she says. "But, at the same time, you also need to be willing to ask for what you need. Take ownership. Your career is what you make of it." ■

**JANE SEAGO** is a business and technical writer in Tulsa, Okla.





# WHAT THE FUTURE HOLDS

INTERNAL AUDITOR'S Emerging Leaders see challenges and opportunities ahead.

**N**o one has a greater stake in where the internal audit profession is going than those individuals who are in the early stages of their careers. For the Millennial generation of internal auditors, the next five years and beyond will see them move into positions of leadership and put them at the vanguard of addressing tomorrow's risks. *Internal Auditor* asked young auditors who have been honored as Emerging Leaders over the past three years to share their thoughts on the challenges they are facing now and where they see the profession heading by 2020.

## What trends do you see for internal auditors over the next five years?

**Derrick Li** I see internal auditors moving away from a traditional compliance focus—the U.S. Sarbanes-Oxley Act of 2002 and compliance audits—toward a focus on business performance—performance audits and strategic reviews. I also see a trend for internal auditors to not only strive to be trusted advisers but also to strive to be “the go-to advisers.” However, to get there, internal auditors need to think more strategically and develop stronger business acumen.

**Shakeya McDow** For many years the profession has promoted leveraging data analytics to enable the effectiveness, efficiency, and completeness of the work that internal auditors perform. As the role of data continues to evolve and is looked at as an asset to the organization, it is important for internal audit to develop a comprehensive strategy to address it. Also, the role of internal audit since the early 2000s has been the function that helps “keeps us out of trouble.” Now that we are more than a decade after the implementation of Sarbanes-Oxley and the related work has stabilized, the more critical it is that internal audit not only keeps the organization out of trouble but also serves as a trusted adviser to the organization.



**Derrick Li, CIA, CPA, CA, CCSA**  
 Director, Internal Audit & Performance Improvement,  
 TransLink  
 2014 Emerging Leader

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**Shakeya McDow, CIA, CPA, CFE**  
 Senior Manager,  
 Health Advisory Services  
 EY  
 2014 Emerging Leader

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**Maja Milosavljevic, CIA**  
 Senior Internal Auditor,  
 Erste Bank A.D.  
 2015 Emerging Leader

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**Khristi Ferguson, CIA, CPA, CA, CFE**  
 Consultant,  
 AccuAccounts  
 2013 Emerging Leader

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**Jesus Valdez, CIA**  
 Senior Auditor,  
 Southwest Gas Corp.  
 2015 Emerging Leader

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**Maja Milosavljevic** Internal auditors will have to change the focus of their work to acknowledge the external environment when designing the scope of their work. Internal efficiency in doing something that is not recognized in the market cannot create value for any organization. Thus, focusing on external environment factors, such as customers' expectations, cooperation with suppliers, supply chain, and dealing with competition, will have significant impact on the design of internal audit engagements and provide internal auditors with greater opportunities for value creation. Consequently, the role of internal auditors, as well as their position as trusted advisers, will become more important for all organizations.

### What challenges or obstacles are you facing?

**Khristi Ferguson** First, from a local standpoint here in The Bahamas, the role of the internal auditor has not been fully embraced. At times the internal auditor is seen as a foe rather than a tool for success. There is still the sentiment that the internal auditor and external auditor are one and the same. Second, the internal auditor cannot perform or act independently at all times. Management, whether it is in the public sector or private sector, has yet to accept how critical and important the role of the internal auditor is. This can sometimes lead to strained relationships. Last, technology has been a challenge, because as time passes, technology becomes obsolete and one has to continuously upgrade one's technology skills.

**Jesus Valdez** One of the biggest challenges we are currently facing is helping business process owners understand that they are obligated to identify and understand the nature of risks related to their area of responsibility as well as to perform a risk self-assessment of their process or function.

### How will these challenges change the way you and other internal auditors do your jobs?

**Valdez** Once business process owners understand, identify, and rank their risks, not only are they better prepared to effectively manage their risks and control environment, but auditors can focus on the right risks. This will help us further identify any gaps in the process, as well as recommend controls that should be implemented in response to the risks. It will also further assist process owners in achieving their business objectives. Finally, gaining the trust of business owners so that we can work with them in ways other than pure assurance or compliance will help overcome many obstacles.


### How would you like to see the profession evolve in the near future?

**Ferguson** I hope that the internal audit profession will receive the recognition it deserves from stakeholders—both locally and internationally—and that the importance of the profession is understood and embraced by all. The internal audit profession is critical to the success of any organization; however, many organizations still have not embraced the role of the internal auditor.

**Li** There is a real opportunity for the profession to take the next step forward and expand our focus from risk-based auditing to include value-based auditing and performance improvement. Value-based auditing goes well beyond looking at risks and controls. It involves the CAE really understanding and focusing on the areas that the department's stakeholders—the audit committee, C-suite, and customers—value the most. Internal auditors should not be afraid to venture beyond providing assurance. Instead, we are uniquely positioned to work with the business to identify opportunities to ultimately improve business performance.

### What advice do you give internal auditors who are just entering the profession?

**McDow** Maintain the network you have built in school or in your previous profession and continue to expand your internal and external network. Be open to a life of continuous learning—knowledge is the foundation of our profession and what allows us to gain credibility with our stakeholders. And have what I call “courageous curiosity”—if you don't have it, get it, and if you have it, never lose it. There is a well-known quote that I love by Bernard Baruch that says, “Millions saw the apple fall, and Newton asked why.”

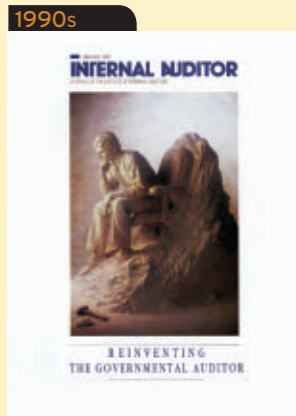
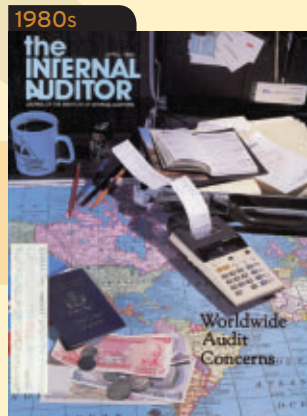
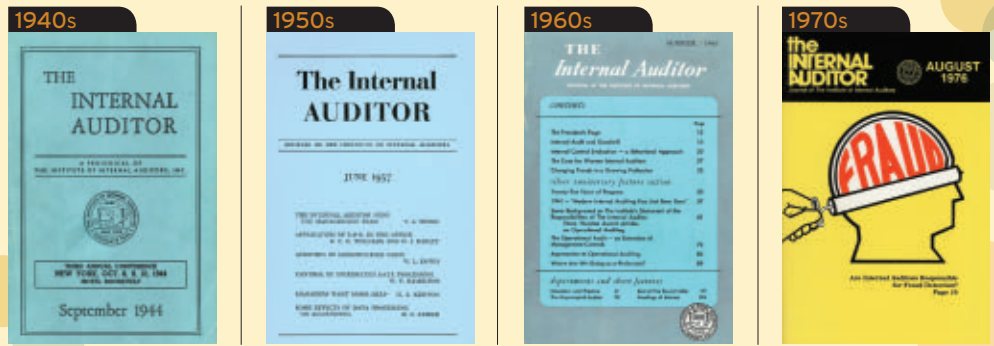
**Milosavljevic** My advice is to put themselves in a position of trusted adviser and use all of their knowledge, skills, and abilities to work the best they can as professionals. Additionally, professional certification is an important and distinctive competitive factor for internal auditors and should be considered at the entrance into the profession. Finally, persistent work on building relationships with people internal auditors work with in every organization is a critical factor for success that requires significant effort, but gives long-term results. 



TO COMMENT  
on this article,  
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# INTERNAL AUDITOR'S



## INTERNAL AUDITOR MAGAZINE

In the beginning, *Internal Auditor* was a simple professional journal. With its minimalist covers, the design meetings for the first issues must have been brief. Over the years, the magazine embraced distinctive art and more engaging, magazine-style articles, laying the foundation for today's publication.

**I**nternal Auditor has come a long way – from a simple booklet to an award-winning magazine published across multiple media. One thing that has remained consistent is the magazine's commitment to covering internal audit best practices. Here's a look at the magazine then and now. 

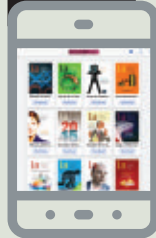
# EVOLUTION

The magazine has been at the forefront of the profession since its first issue in 1944.

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PHOTO: GABRIEL SHOCKEY, IIA

The magazine team at work on the IIA 75th anniversary issue: From left, Nicole Licourt, intern; Gretchen Gorfine, production manager; Tim McCollum, associate managing editor; Anne Millage, editor in chief; Shannon Steffee, senior editor; and David Salierno, managing editor.

## DIGITAL+ SOCIAL MEDIA

In the 21st Century, *Internal Auditor* made the giant leap to digital. The magazine publishes across the Web, mobile, and social media. InternalAuditor.org offers magazine, blog, and online-exclusive content, while the *Internal Auditor* mobile app puts our content in the palm of readers' hands. The digital edition includes an archive dating back to 2004. Our Facebook and Twitter feeds highlight the latest content and breaking news for internal auditors.



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## THE FINAL WORD

# AN INCREDIBLE JOURNEY

### A longtime IIA volunteer reflects on key moments in the profession's history.

**Denny Beran**



As we prepare to celebrate The IIA's 75th anniversary, I thought it would be an appropriate time to reflect on how internal auditing's role has evolved during my 40-plus years as a practitioner. The changes I've witnessed are extraordinary, paralleling key shifts that occurred during the profession's growth and evolution.

When I began my journey as a staff auditor with J.C. Penney Co. in 1971, the role of an internal auditor was vastly different than it is today. I was first assigned to visit stores and other support units strictly to verify compliance with company policies and procedures. We were all asked to be mindful of internal fraud as well. Back then, managers did not always welcome us with open arms.

From the late 1960s through the 1970s, The IIA made great progress in advancing internal auditing as a profession. We adopted a Code of Ethics, launched the Certified Internal Auditor (CIA) exam, and issued professional standards. As a staff auditor, I was excited about these initiatives and was especially pleased to be able to sit for the first CIA exam in August 1974. Passing that exam had

a very positive impact on my career—I received a promotion and was assigned greater responsibilities.

During my years with J.C. Penney, the audit function continued to evolve as it did in many organizations around the world by taking a more active role in helping the company achieve its business objectives. Management asked us to participate on numerous task forces and committees to address key organizational challenges. When the company undertook a strategic evaluation, we participated on the strategy team with senior management. When The Committee of Sponsoring Organizations of the Treadway Commission issued its *Internal Control-Integrated Framework*, internal audit and legal were asked to lead the review of our company control structure and to determine where improvements needed to be made. And when the

U.S. Sarbanes-Oxley Act of 2002 was enacted, internal audit played an important role in developing the processes for ensuring compliance and was actively involved in quarterly evaluations, including reporting to the Audit Committee.

Our relationship with both management and the Audit Committee continued to improve over the years. In the 1970s and early 1980s, we may have been perceived by some as a necessary evil or as corporate cops. As we developed our capabilities to better add value, we evolved into a trusted business adviser.

My journey as an internal auditor has been an incredible one because, rather than remaining stagnant, our role progressed over time and led to internal audit's recognition as a critical need within the organization. I was very fortunate to work for a company that was not only receptive to having an internal audit function but constantly challenged and encouraged us to be real contributors and to candidly share our thoughts and recommendations on how to strengthen overall control processes. The question that we all need to ask ourselves is what each of us needs to do to keep advancing the profession within our organization so that we can be viewed as not only relevant, but as a valued, indispensable asset. [la](#)

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**DENNY BERAN, CIA, CCSA, CRMA, QIAL, CPA, CFE**, is retired senior vice president of audit for J.C. Penney Co. and 2011-2012 IIA chairman of the board.

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