



# Agents of Change: Internal Auditors in an Era of Disruption

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The Institute of  
Internal Auditors  
Indonesia

**SHOUT OUT TO  
ALL INTERNAL  
AUDITORS!**



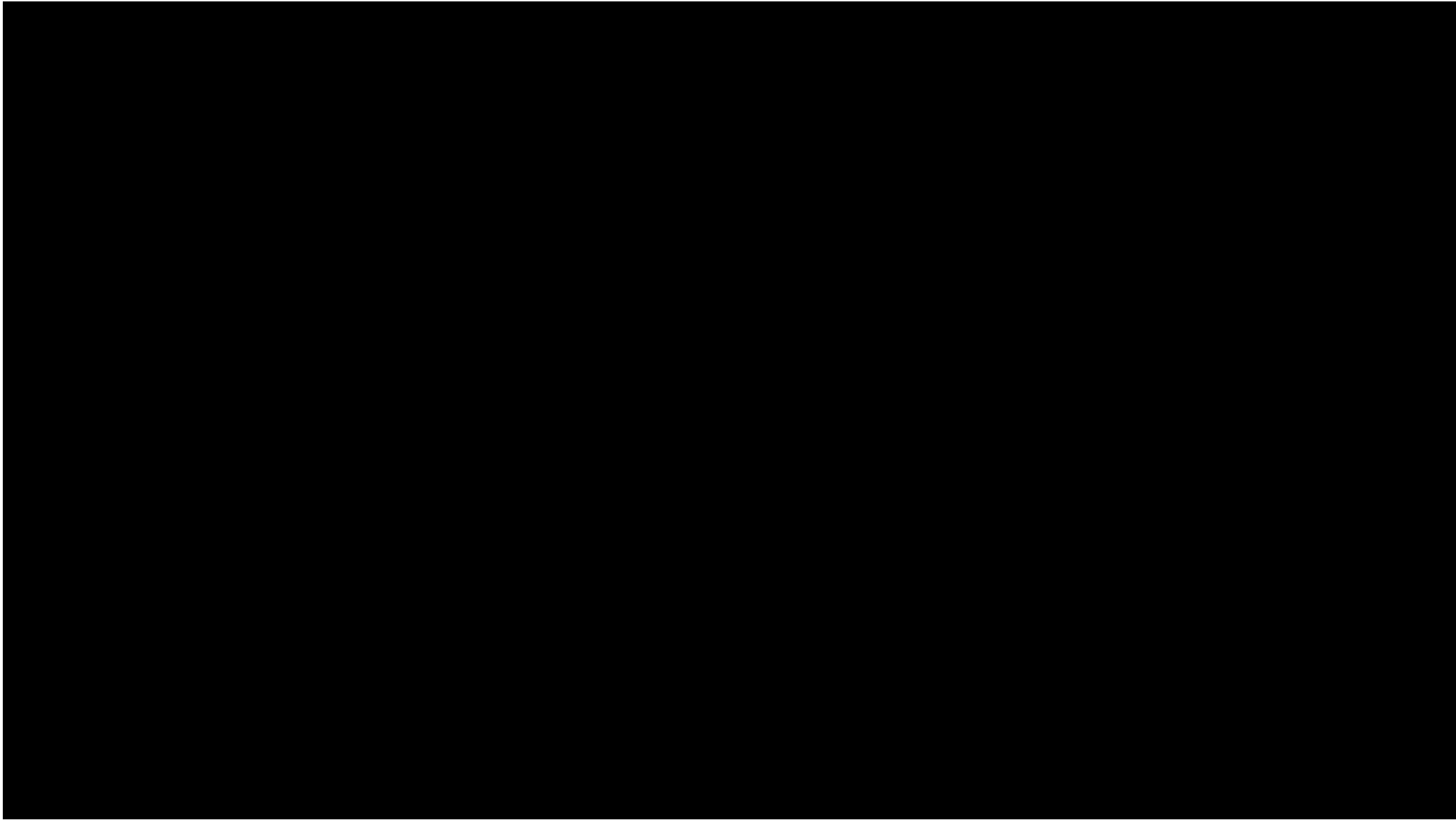
# Agenda



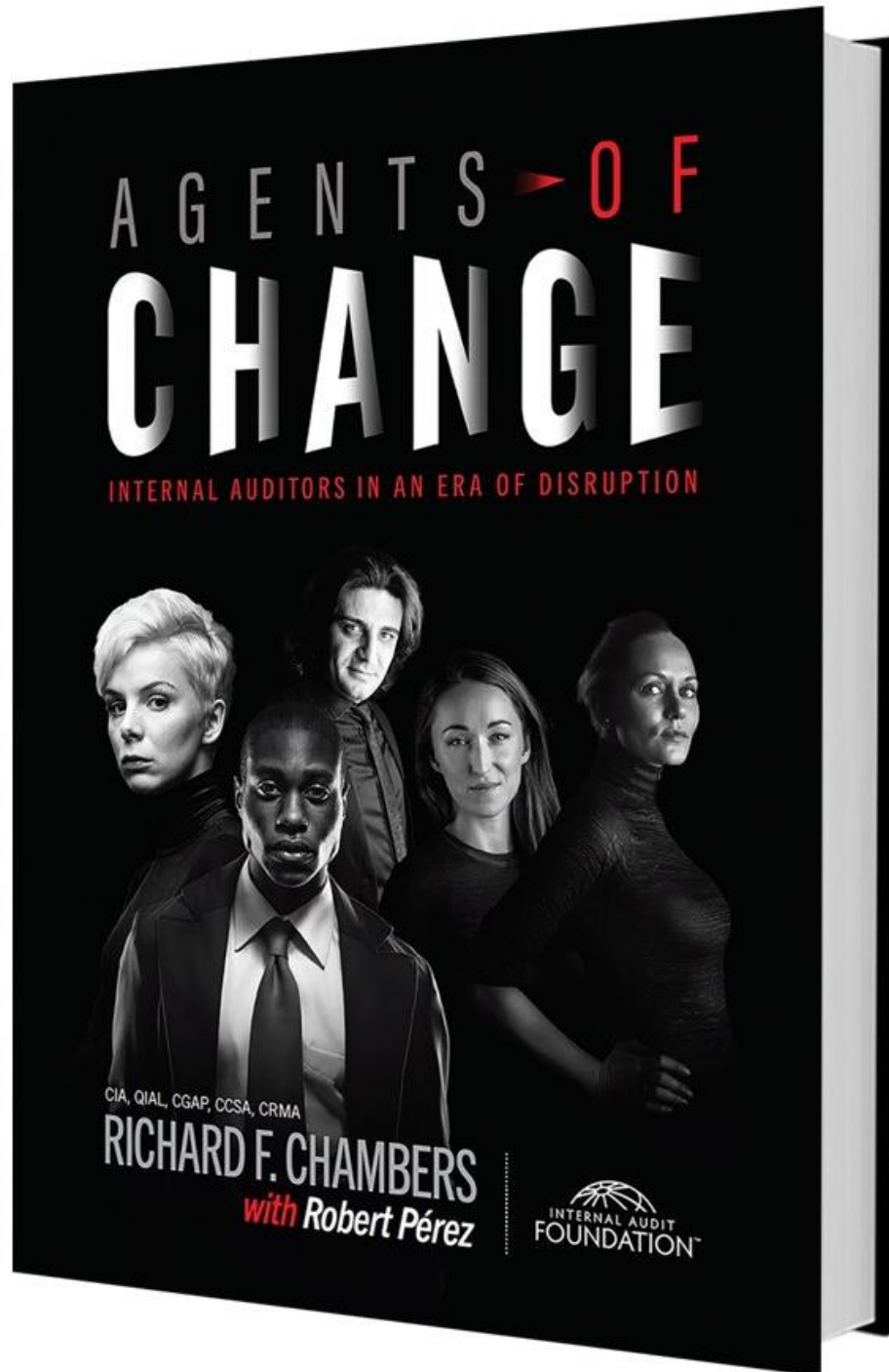
- Introduction
- A Legacy of Change
- Enacting the Change
- The Right Stuff
- Conclusion
- Q&A?



# Introduction



Source: <https://youtu.be/GffbVBEGvoc>



# About the Book

- Title: Agents of Change: Internal Auditors in an Era of Disruption
- Authored By: Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA (ex president and CEO of The IIA) and Robert Pérez (The IIA's Director of Content Development & Delivery)
- Publication Year: 2021
- Page Count: 178



# A Legacy of Change

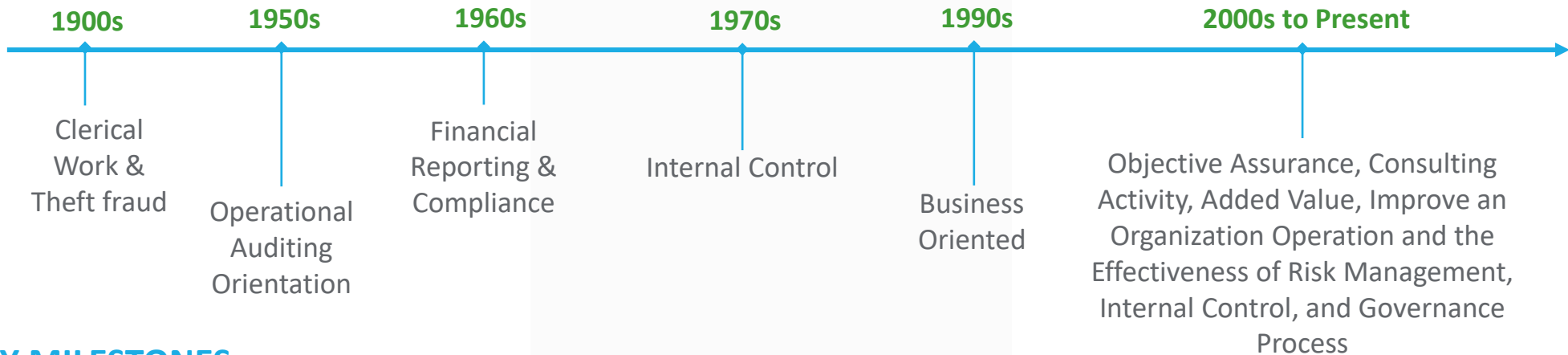
# History of Audit

- 5000 years ago, in the Middle Kingdom of the Nile live Mesopotamian Civilization, the Pharaoh's deputy was overseeing the storage of grains. Auditing was a matter of reperforming the work of others. Auditing meant observing, counting and double-checking records.
- The processes and systems were very simple, and so was auditing.
- As the business organizations grew in size and complexity, the practice of Internal Audit also evolved.





# Evolution of Internal Audit



## KEY MILESTONES

### IA set to emerge as a Profession

- 1941 – Formation of the IIA
- 1947 – Issued the Statement of the Responsibilities of the IA (Revised in 1957, 1971, 1976, 1981, and 1990)

### IA began as a Profession

- 1968 – Issued the Code of Ethics
- 1972 – Published the CBOK
- 1974 – Created the Professional Certification for IA
- 1976 – Formation of the IIA Research Foundation
- 1977 – Created a Professional Magazine for IA
- 1978 – Issued the IA Standards
- 1989 – Establishment of the IIA Indonesia

### Advance & Strengthening of IA Profession

- 1999 – Issued Current Definition of OA
- 2000 – Revised the Code of Ethics
- 2002 – Issued the New IA Standards
- 2006 – The Standards has been Recognized Globally
- 2007 – Issued a New IA Framework – the IPPF
- 2015 – Issued a New Enhancement of the IPPF (latest update was in 2017)

# Influences of a Dynamic Risk Landscape

1700s – mid 1800s

Industrial Revolution, increase in transaction yet recording still using manual method.

1929 – 1933

The Great Depression, a severe worldwide economic depression starting in the US. (Global GDP decline -26.7%, Peak Global Unemployment 24.9%).

1987

Black Monday Crash, global, sudden, severe, and largely unexpected stock market crash.

1997 – 1999

Asian Financial Crisis, financial crisis that gripped much of East Asia and Southeast Asia.

1999 – 2002

US Stock Market Crashes, world.com, Tyco, Enron, etc.

2008

Global Financial Crisis, the most serious financial crisis since the Great Depression and prior to COVID-19 Pandemic.

2015

Industry 4.0, breakthroughs in emerging technologies such as robotics, artificial intelligence, nanotechnology, quantum computing, biotechnology, the internet of things, 3D printing, etc.

2020 – ...

COVID-19 Pandemic, is a global health problem which impacted several important aspect for humankind in the area of health, social, economic, lifestyle, etc.

# The Imperative for Change



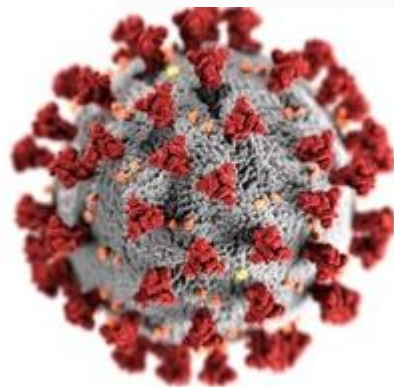
**5G** fuels a “connected everything” world (connected cars, smart communities, IoT, immersive education)



**Cybersecurity challenges** already a significant concern for the past 5 years



**+50 billion** connected **devices** and generated **+59 zettabytes** (trillions of gigabytes) of **data** in 2020



Global **COVID-19** pandemic hits organizations in many ways



**Black Swan Risks** are increasingly become routine

E  
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Next-gen internal auditing principles:

- Agility
- Real-time risks & controls monitoring
- Dynamic risk assessments
- Effective leveraging of data & advanced technology

**Are We Ready??**

# Where Internal Audit is Lagging

## Outdated Processes

Annual risk assessments; rigid, risk-based annual audit plans; lengthy audit engagements; verbose, narrative-driven reports.

## Low Technology Adoption

Protiviti survey “Embracing the Next Generation of Internal Auditing 2019” found that most were only beginning the journey of innovation & transformation. Serious competency gaps were found within IA functions in various IT areas including cloud computing, IT audit, big data, IoT, etc.

## Processes Slower than Speed of Risk

Part of any revolution must include a change in how we adapt and adopt technology such as Robotic Process Automation (RPA) and Artificial Intelligent (AI).

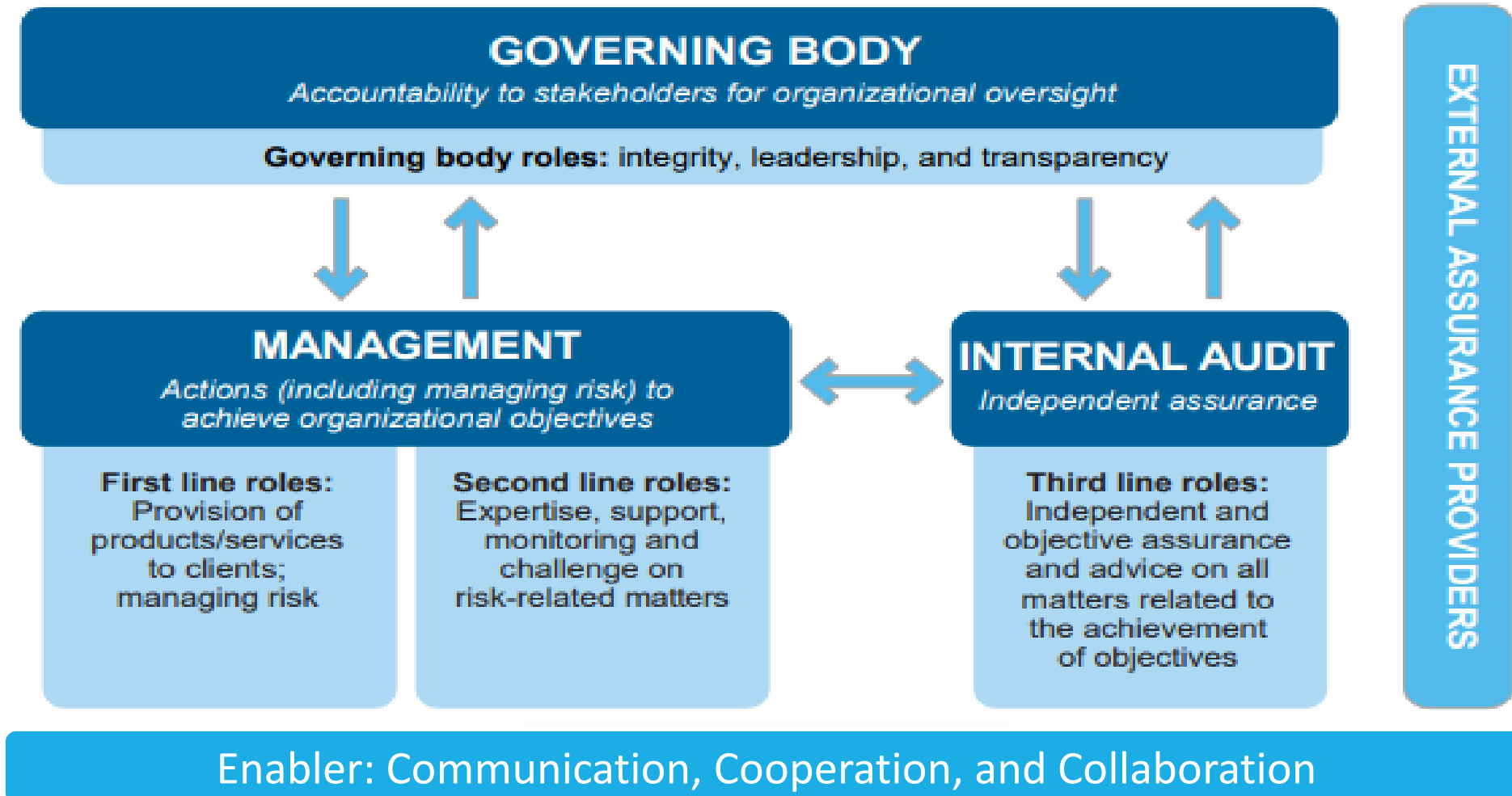
## Mindset Focuses on Protecting Value

And not creating value. The new Three Lines Model expect all roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with prioritized interests of stakeholders.

## Resistance to Change

Change is hard. It is fraught with uncertainty. It questions our abilities. It disrupts what we see as an already challenging and complex job.

# TLM: Creating, not just Protecting, Value



# Trusted Advisors vs Change Agents



**CLASSIC ASSURANCE PROVIDERS**

(“BEAN COUNTERS”)



**TRUSTED ADVISORS**

(“KNOW HOW TO GROW, HARVEST, AND  
TAKE BEANS TO THE MARKET”)



**CHANGE AGENTS**

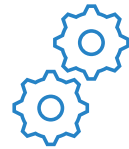
(“BOLD AND CONFIDENT TO ADVOCATE  
CHANGING THE CROP TO MAXIMIZE  
RESULTS”)

# Enacting the Change



# Agent Change Thyself

Four areas in need of change:



Processes



Work products



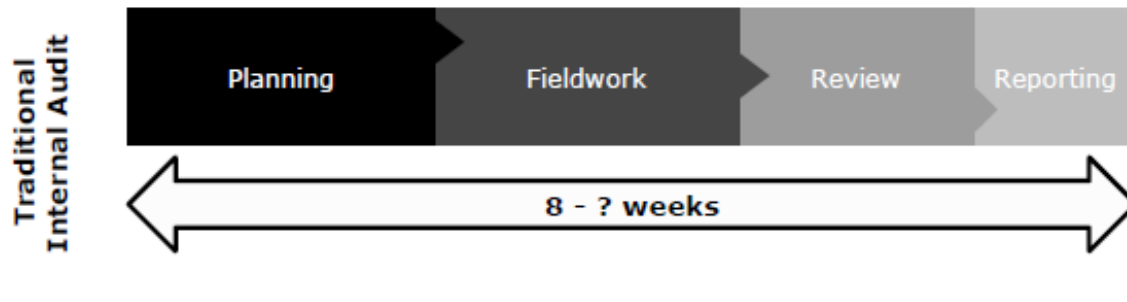
Skillsets



Mindsets

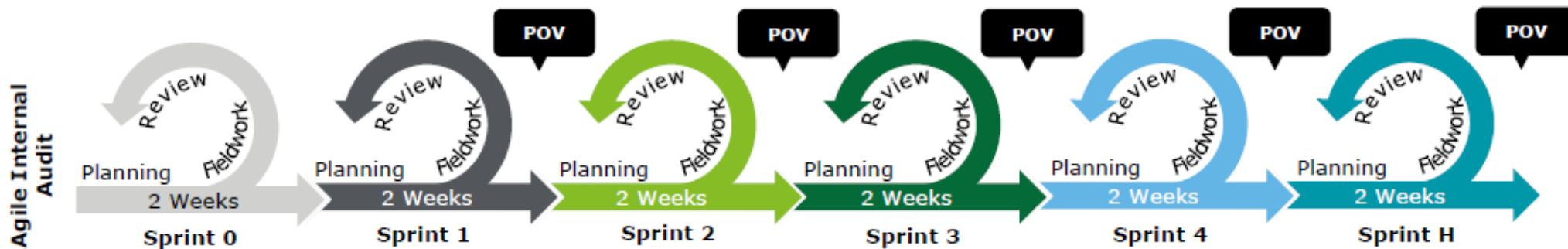


# Driving Change Means Being Agile



## Impacts to Customer

- 💰 Am I losing money?
- 🕒 What is going on?



I am now more informed.



I can react to and modify my plan based on the interim point of views.



I have collaborated with the right individuals.

### Key Terms Defined

**Sprint:** A time-boxed period during which the team will complete a set of prioritized stories.

**Point of View (POV):** A summary of the relevant insights gained from observations and stories. It is a condensed understanding of the area with highlights to relevant insights of the state of risk and controls.

**Time-box:** Defined timeframe no longer than 2-3 weeks.



# Leveraging Enabling Technology

## Technology Solution that Creates Value

Enables remote collaboration with team members, stakeholders, consultants and external auditors

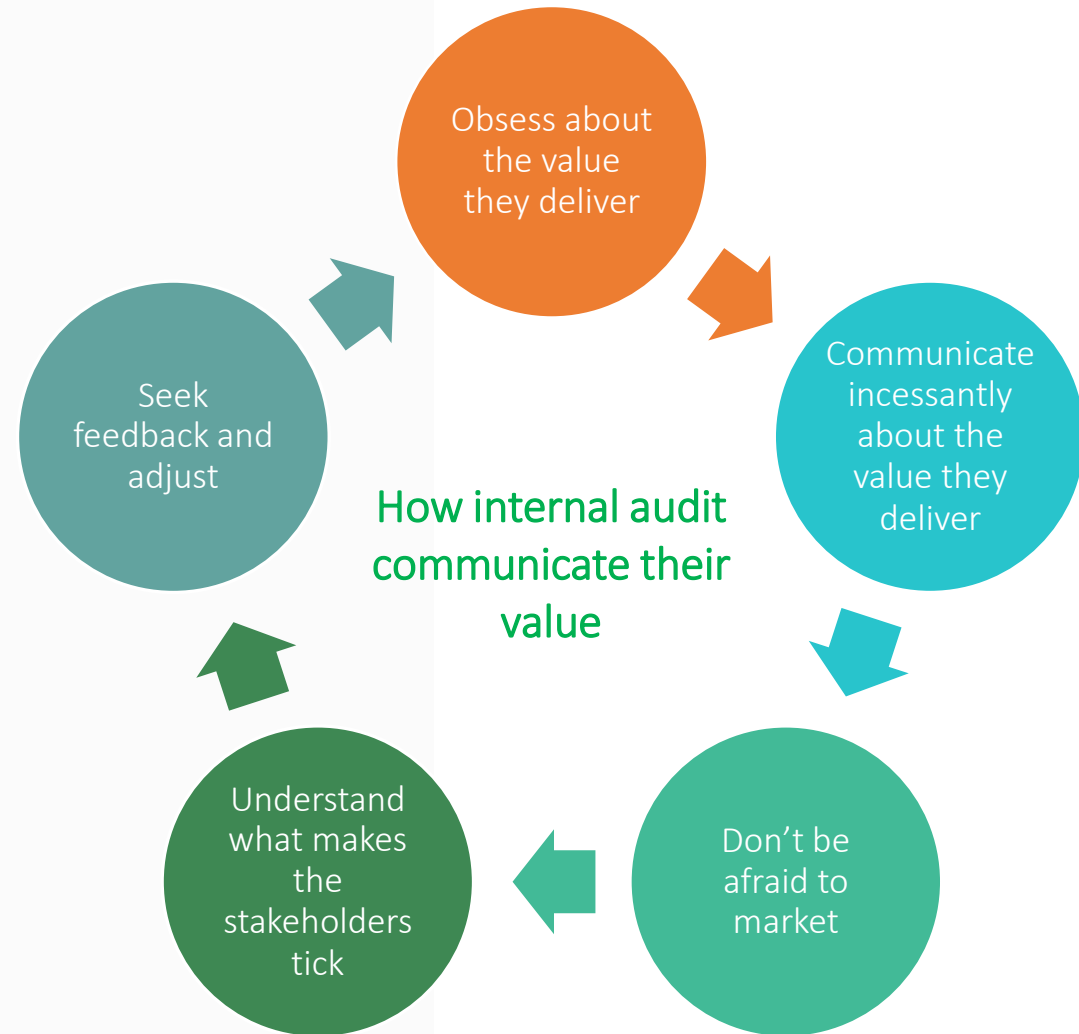
Serves as the single source of truth for all audit, risk, and controls data

Has end-to-end automated workflows from planning to testing to reporting and issue management

Enables and empowers integrated risk management & combined assurance

# Change Agents $\neq$ Secret Agents

Internal auditor need to communicating their value. If their value is not fully appreciated, and the potential is unknown – they risk being a well-kept secret in the organization.





# The Right Stuff

# Business Acumen

## Financial acumen

- Understanding and interpreting financial statements.

## Marketplace acumen

- Competition, market drivers, consumer needs, marketing.

## Operational acumen

- Day-to-day operations and production, supply chain, third-party relationship, quality assurance.

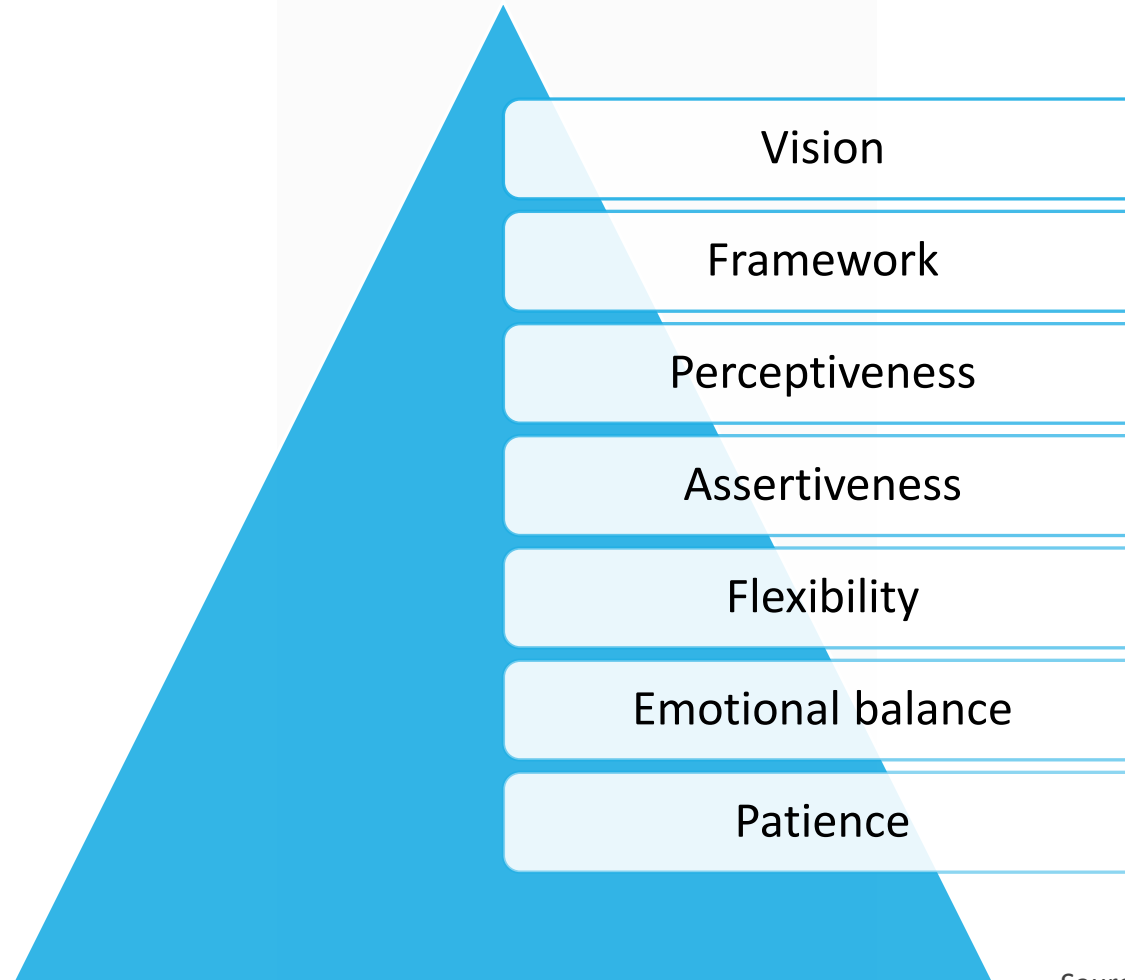
## Technology acumen

- Leverage and possessing technology skillsets, understanding basic software program coding.

## Strategic acumen

- Understanding systems that define and influence an organization's goals and direction including risk management, decision-making, long-term planning, culture.

# Strategic Acumen



*Source: Forbes article by Paloma Cantero-Gomez*

# Tactical vs Strategic Thinking

Tactical	Strategic
Keeps opportunities and issues separate so that they are digestible.	Recognizes that the solution may not be to simply correct a problem, one that will enhance value.
Looks at what is happening at face value.	Recognizes that the root cause may be far more complex than is evident on the surface.
Works to fill information holes, answering one question and moving to the next without asking any other questions in between.	Doesn't wait until an audit engagement is complete before applying critical thinking skills.
Focused on checking items off a list to get it finished.	Audit plans should remain dynamic and implementing agile auditing.
Sequential, focusing on one thing followed another.	Implements holistic examination of operations that transformational change can be envisioned and advised.
Avoids complexity.	Embraces complexity.

# Building Blocks of Positive Relationship

Verbal  
communication  
skills

Nonverbal  
communication  
skills

Listening skills

Networking  
skills

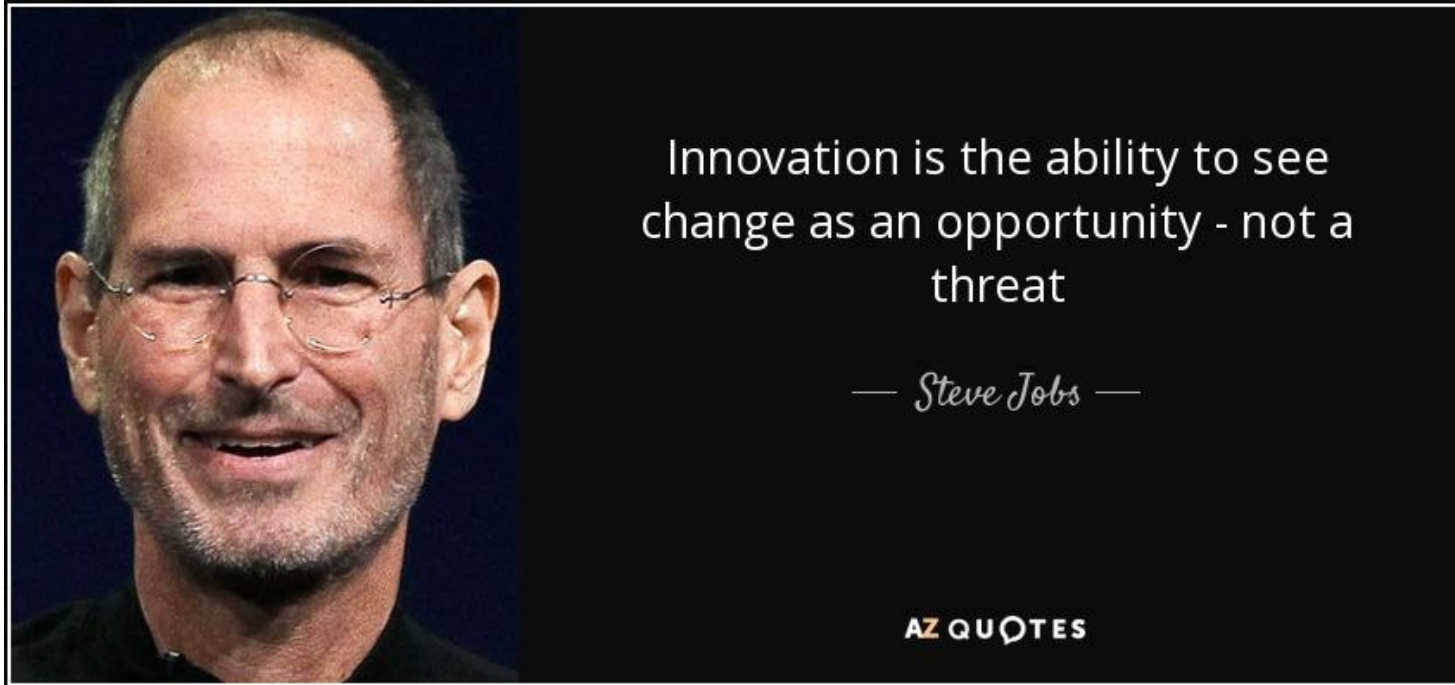
Team-building  
skills

Empathy

Emotional  
intelligence



# Innovative Mindset



Free yourself from the fear of failure

Create a culture where innovation is rewarded

Make risk-taking a more consistent behaviour

# Conclusion

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# Agents of Change Key Aspects

Transforming mindset to thrive in an era of unrelenting change.

Acknowledging shortcomings and committing to improvement.

Letting go of what's comfortable and accepting a radical way of thinking.

Embracing technology as a critical element of internal audit's mission.

Expanding our skill sets in communication, innovation, and proactive thinking.

Viewing independence and objectivity as tools for change – not barriers.

Willingly taking on the mantle of agents of change.

# Powerful Voice for Change

- Use your voice and speak out
- Take a step
- Communication
- Tell the story
- Be bold. Be innovative
- Use setbacks
- Gain skills as you go
- Stay focused
- Generate and appreciate your followers
- Remember the big picture – and the little guys

# Agents of Change Among Us

The leaders of this revolutionary evolution are the agents of change among us to make the IIA vision 2030 for the profession become reality:

**“Internal audit professionals are universally recognized as indispensable to effective governance, risk management, and control.”**



Q&A?

# Thank you

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

– Charles Darwin –