

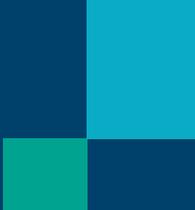


INNOVATION AND TRANSFORMATION ARE DRIVING THE FUTURE OF INTERNAL AUDITING

*Assessing the Results of Protiviti's
2022 Next-Generation Internal Audit Survey*

Face the Future with Confidence®

protiviti[®]
Global Business Consulting



innovation

(noun)

a new idea, method, or device;
the introduction of something new.

transformation

(noun)

an act, process, or instance of changing in
composition, structure, character or condition.

Table of Contents

| | |
|---|----|
| Executive Summary | 4 |
| Making Progress in Internal Audit Innovation and Transformation | 6 |
| Audit Committee Interest and Engagement | 18 |
| Profile of Internal Audit Innovation and Transformation Leaders | 20 |
| Getting Started on the Innovation and Transformation Journey | 21 |
| Appendix – Next-Generation Internal Audit Maturity Levels | 24 |
| Methodology and Demographics | 28 |

Executive Summary

Innovation is about the creation of ideas and how those ideas can translate into value. It is about new and different ways of thinking and working, performing established activities in new and better ways, and pursuing new ideas.

The past two years have seen unprecedented levels of innovation and transformation among organizations worldwide as they have pivoted and adapted in response to a historic global pandemic. Many organizations are operating in a significantly different manner than they did just a few years ago — focused on engaging with customers in new and different ways, the overall customer experience, strategic and operational resilience, and making better use of data as a competitive differentiator, including through the application of advanced analytics methods, the pursuit and implementation of enabling technologies and more. Innovation and transformation, in fact, are now mainstays in ensuring businesses stay relevant and competitive over the long term.

This unquestionably is a mindset that chief audit executives (CAEs) and their internal audit teams must adopt as well — and many have.

According to the results of our latest Next-Generation Internal Audit Survey, two out of three internal audit functions worldwide have completed or are currently undertaking one or more transformation or innovation initiatives. Three out of four CAEs report that these initiatives are happening, and many audit committees are highly engaged in their internal audit function's innovation and transformation efforts and the deeper insights they enable. But there are still numerous groups that have yet to take any steps toward innovation and transformation.

The most important takeaways from our research are clear: If the internal audit function has yet to undertake any form of innovation or transformation activities, it is missing opportunities to remain relevant, lagging the competition, and likely building barriers to accessing and developing talent. However, getting started need not be complicated. Even small steps toward starting the innovation and transformation journey are effective and can lead to long-term value. Transformation is a process. Even the first, perhaps small steps count. Incremental improvement over time and micro-innovations (incremental versus monumental) are legitimate paths to progress.

Key findings

Internal audit teams are focused more on innovation and transformation – Two out of three internal audit functions are now engaged in or have completed innovation and transformation initiatives, a 6% increase over our 2021 results.

Large organizations tend to be further along in their journey, but smaller ones are not far behind – A majority of internal audit groups in midsize and small organizations have undertaken or are currently undertaking innovation and transformation activities, and most of these groups are at a maturity level where the internal audit function actively encourages innovation and the exploration of new and better ways of delivering.

The ROI is there – Close to half of internal audit teams see a high or medium level of return on investment (ROI) resulting from innovation and transformation initiatives, while a majority of CAEs see these levels of ROI.

There may be an overreliance on training and developing current staff to support innovation and transformation efforts – On average, more than half of internal audit functions are focusing primarily on training and developing staff to build skills and expertise in next-generation internal audit competencies. This approach could be placing inordinate demands on internal audit teams that have been working at or beyond capacity over the past couple of pandemic-driven years.

The key is getting started – While a majority of internal audit functions are engaged in innovation and transformation activities, many remain in the early stages. This should be seen as an opportunity rather than an issue, as the key is to take the first steps, get started and move forward.

Making Progress in Internal Audit Innovation and Transformation

What You Need to Know

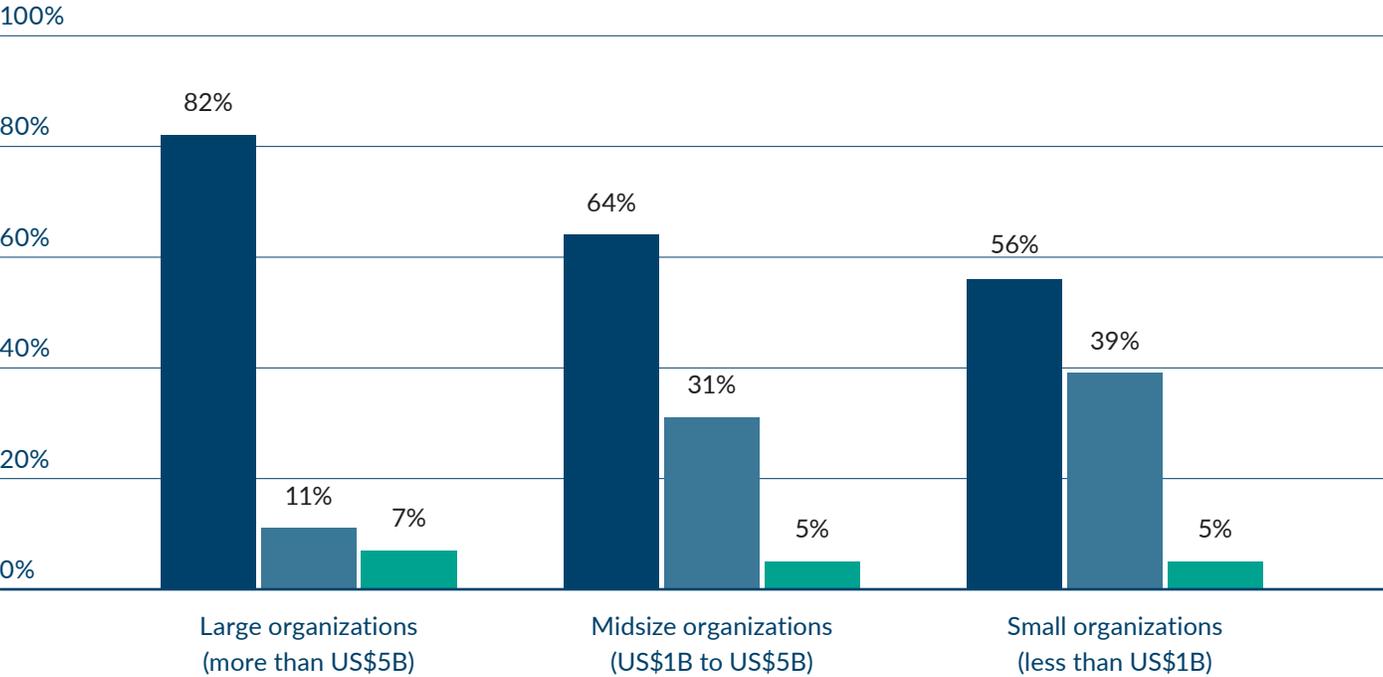
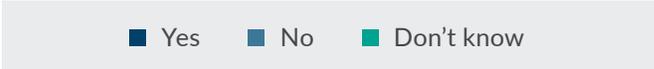
- Most internal audit groups, regardless of organization size, are engaged in innovation and transformation initiatives.
- Internal audit functions in large organizations are more likely to be involved in these initiatives. Still, even a majority of small organizations have committed to these activities, underscoring the recognition of the value of building a next-generation internal audit function.
- Most CAEs rate the ROI of innovation and transformation activities at a high or medium level – another proof point of the value such initiatives deliver.

Has your internal audit department completed or is your internal audit department currently undertaking any transformation or innovation initiatives?

| | All respondents | CAE/Director of Auditing |
|------------|-----------------|--------------------------|
| Yes | 67% | 74% |
| No | 28% | 25% |
| Don't know | 5% | 1% |

Has your internal audit department completed or is your internal audit department currently undertaking any transformation or innovation initiatives?

Company size



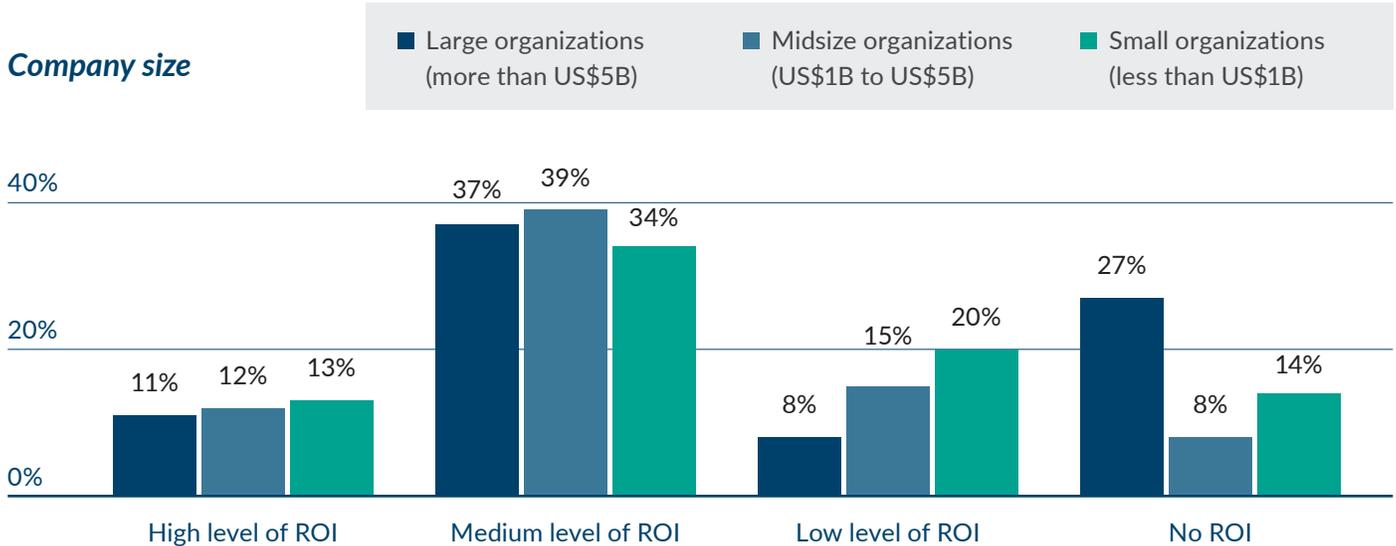
How would you rate the return on investment (ROI) of innovation and transformation activities within your internal audit organization?*

| | All respondents | CAE/Director of Auditing |
|---------------------|-----------------|--------------------------|
| High level of ROI | 12% | 14% |
| Medium level of ROI | 36% | 38% |
| Low level of ROI | 14% | 16% |
| No ROI | 17% | 12% |
| Don't know | 21% | 20% |

* Internal audit departments that have completed or are currently undertaking innovation or transformation activities.

How would you rate the return on investment (ROI) of innovation and transformation activities within your internal audit organization?*

Company size



Not shown: "Don't know" responses.

Commentary

It is positive to see notable year-over-year growth in the number of internal audit departments engaged in innovation or transformation initiatives — an increase of 6% compared with our prior year survey results, with the increase even higher in the CAE/Director of Auditing results. This is especially noteworthy given the demands over the past two years driven by changing business conditions along with remote and hybrid working models, and the resulting changes in priorities internal audit functions have experienced.

One takeaway for CAEs: Considering the difference in their perspectives on engagement in innovation and transformation activities compared with the overall results, they should ensure they routinely and clearly communicate to their teams about innovation strategy and activities.

Internal audit functions in large organizations are far more likely to have undertaken or have currently underway innovation and transformation initiatives. Still, even a majority of small organizations have

committed to these activities, underscoring the importance of having an innovation and transformation mindset and building a next-generation internal audit function in any size of enterprise.

It also is a positive sign that reported levels of ROI are strong. Close to half of internal audit teams see a high or medium level of ROI resulting from innovation and transformation initiatives, while a majority of CAEs see these levels of ROI. On a related note, high levels of ROI are not limited to organizations further along on their innovation and transformation journeys, but rather are evident among any organization undertaking these activities.

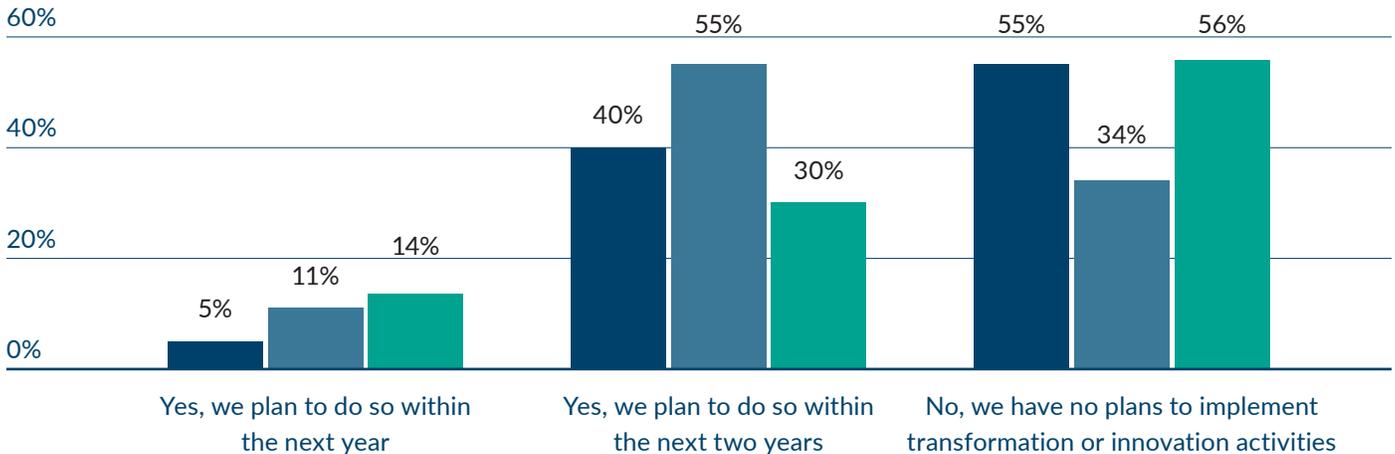
From an industry perspective, financial services and technology organizations lead the way in terms of transformation and innovation efforts within their internal audit groups. These industries also tend to see higher levels of return on investment in these initiatives. But manufacturing and distribution industry group organizations are close behind, with nearly three out of four undertaking such initiatives and seeing higher levels of value.

Does your internal audit department have plans to undertake any transformation or innovation activities?*

| | All respondents | CAE/Director of Auditing |
|--|-----------------|--------------------------|
| Yes, we plan to do so within the next year. | 11% | 11% |
| Yes, we plan to do so within the next two years. | 38% | 42% |
| No, we have no plans to implement transformation or innovation activities. | 51% | 47% |

Company size

■ Large organizations (more than US\$5B)
 ■ Midsize organizations (US\$1B to US\$5B)
 ■ Small organizations (less than US\$1B)



Commentary

Even among those internal audit organizations that have yet to engage in any innovation or transformation initiatives, these areas are on the agenda for many — a highly positive trend. However, there also is a sizable group expressing no plans to implement these initiatives. These organizations should consider this closely, as the results suggest their peers are moving forward with such plans.

Among the notable industry findings, well over a majority of technology industry organizations have plans to undertake one or more innovation or transformation activities within the next two years. Close behind them are organizations in the manufacturing and distribution industry, indicating the focus of these organizations on building greater innovation and automation into their internal audit operations.

* Internal audit departments that have not completed nor are currently undertaking innovation or transformation activities.

Where Innovation Is Planned

Among organizations that have yet to undertake any innovation or transformation initiatives but are planning to do so within the next two years, there are a number of notable priorities for these projects, as cited by CAEs and internal audit leaders:



Increased use of data and analytics solutions is the top area of planned focus among most respondents, especially those from midsize organizations. In addition, this is the top area of focus for a majority of CAEs – by far their most significant priority.



Other top-cited priorities are **improvements in the risk assessment approach and pursuit of continuous monitoring/auditing**.



Large companies also are focused on **evolving how the internal audit function coordinates and aligns with other assurance functions**.

Note: The remaining questions, results and commentary in this section focus on internal audit departments that have completed or are currently undertaking transformation or innovation initiatives.

Which one of the following statements best defines the current maturity of your internal audit transformation or innovation activities?

| | All respondents | CAE/Director of Auditing |
|--|-----------------|--------------------------|
| There is no formal innovation agenda with internal audit and no programs are in place to otherwise drive or encourage innovative thinking and pursuits. | 6% | 3% |
| Even if an innovation agenda does not exist, ideas are encouraged and often evaluated and explored. | 11% | 9% |
| While no formal innovation structure exists, the internal audit function actively encourages innovation and the exploration of new and better ways of delivering. | 42% | 47% |
| The entire internal audit function understands the importance of innovation and innovation contributions are tracked and measured as part of performance appraisals. | 26% | 23% |
| Innovation is defined as a core value for the internal audit function with an appreciation of and focus on continuous involvement to long-term success. | 15% | 18% |

Which one of the following statements best defines the current maturity of your internal audit transformation or innovation activities?

Company size

| | Large organizations (more than US\$5B) | Midsize organizations (US\$1B to US\$5B) | Small organizations (less than US\$1B) |
|--|--|--|--|
| There is no formal innovation agenda with internal audit and no programs are in place to otherwise drive or encourage innovative thinking and pursuits. | 9% | 0% | 6% |
| Even if an innovation agenda does not exist, ideas are encouraged and often evaluated and explored. | 11% | 13% | 10% |
| While no formal innovation structure exists, the internal audit function actively encourages innovation and the exploration of new and better ways of delivering. | 35% | 46% | 49% |
| The entire internal audit function understands the importance of innovation and innovation contributions are tracked and measured as part of performance appraisals. | 27% | 29% | 22% |
| Innovation is defined as a core value for the internal audit function with an appreciation of and focus on continuous involvement to long-term success. | 18% | 12% | 13% |

Commentary

Our overall results show there is a substantial increase in the number of internal audit functions encouraging new ideas that are evaluated and explored, as well as those running innovation challenges to generate ideas and pursue new solutions. This indicates clearly that more internal audit functions have achieved higher levels of maturity in their innovation and transformation efforts.

Understandably, internal audit functions in large organizations tend to have more of an innovation agenda and focus, though midsize organizations are close behind, while smaller organizations fall further back on the innovation scale. These findings suggest larger organizations have greater capacity to dedicate individuals, teams or centers of excellence to focus on innovations and changes to remain relevant.

However, it is positive to see that close to a majority of internal audit functions in small organizations

actively encourage innovation and exploring new and better ways of delivering work. Small organizations likely perceive more roadblocks to innovation and transformation — resources and expertise among them. Still, there are ample opportunities for all organizations, including smaller ones, to engage in more innovation and transformation activities. (We

explore these ideas further in our “Getting Started on the Innovation and Transformation Journey” section.)

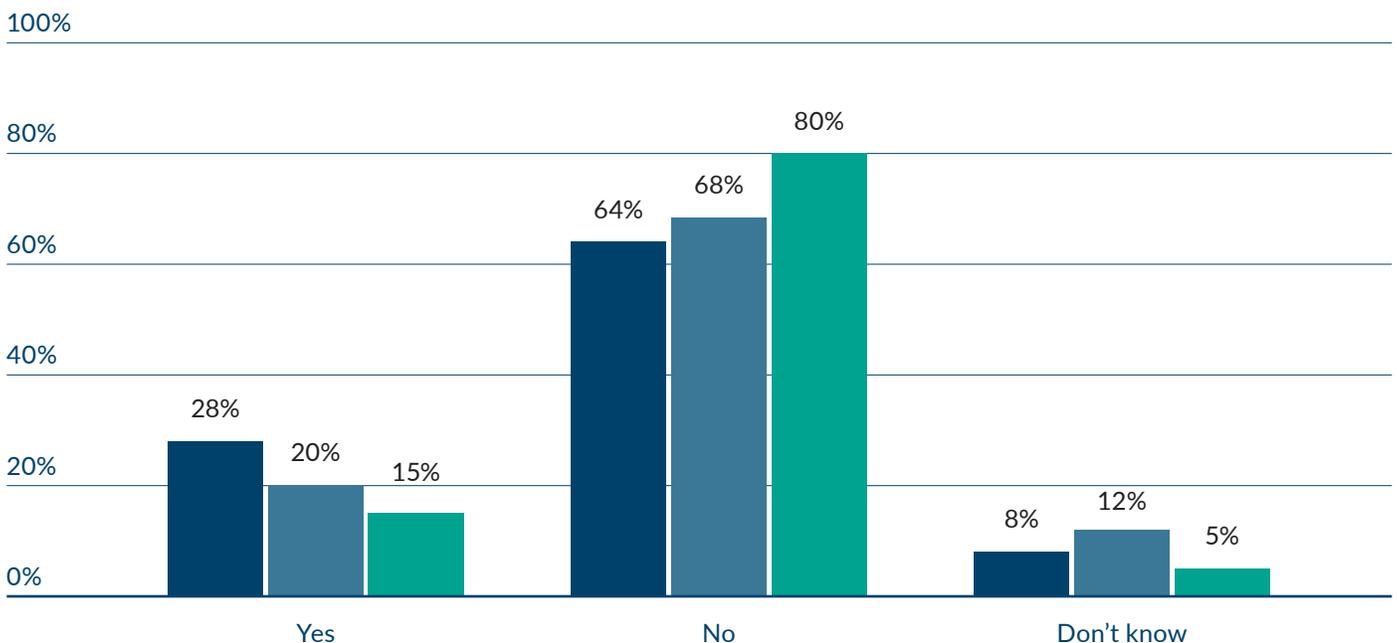
Assessing notable industry results, financial services organizations are much more likely to view innovation as a core value for the internal audit function than organizations in other industries.

Is your internal audit department currently hosting activities that foster transformation initiatives?

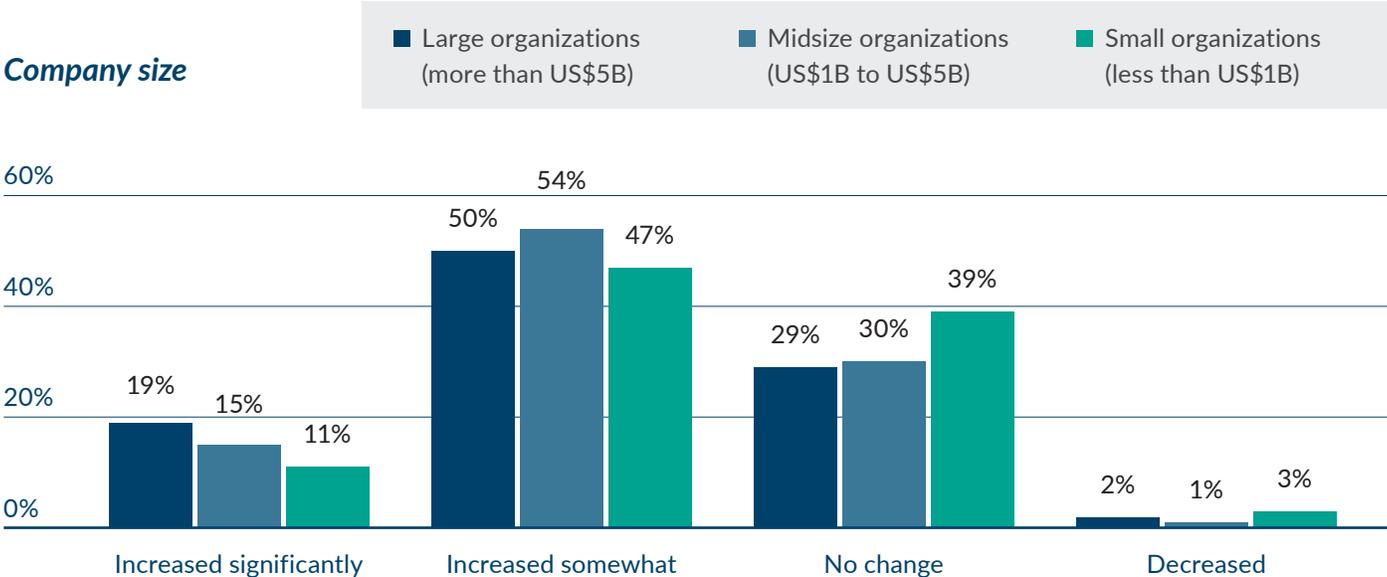
| | All respondents | CAE/Director of Auditing |
|------------|-----------------|--------------------------|
| Yes | 20% | 22% |
| No | 72% | 74% |
| Don't know | 8% | 4% |

Company size

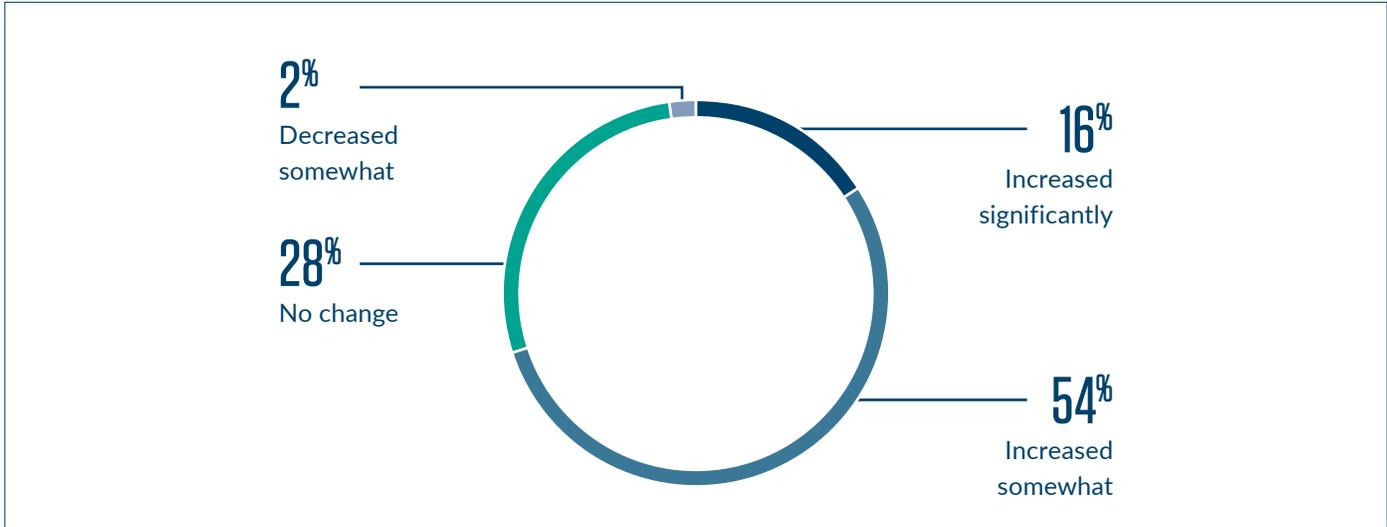
■ Large organizations (more than US\$5B)
 ■ Midsize organizations (US\$1B to US\$5B)
 ■ Small organizations (less than US\$1B)



Compared to one year ago, how has your internal audit department's focus on innovation/transformation initiatives changed?



How has the focus on internal audit innovation and transformation changed in the past year?*



* Respondents: CAE/Director of Auditing

What are the barriers to increasing the focus on innovation and transformation in internal audit functions?

Competing priorities coupled with a lack of capacity stand out as the top barriers to innovation and transformation in internal audit groups, followed by a lack of capabilities and skills to undertake transformation activities. These challenges are most pronounced in midsize organizations.

Interestingly, while respondents from the financial services and technology industries cite competing priorities and a lack of capacity as their top barriers, they did so less frequently than CAEs and internal audit leaders from other industries, suggesting that they may have more mature project management and resource planning processes in place.

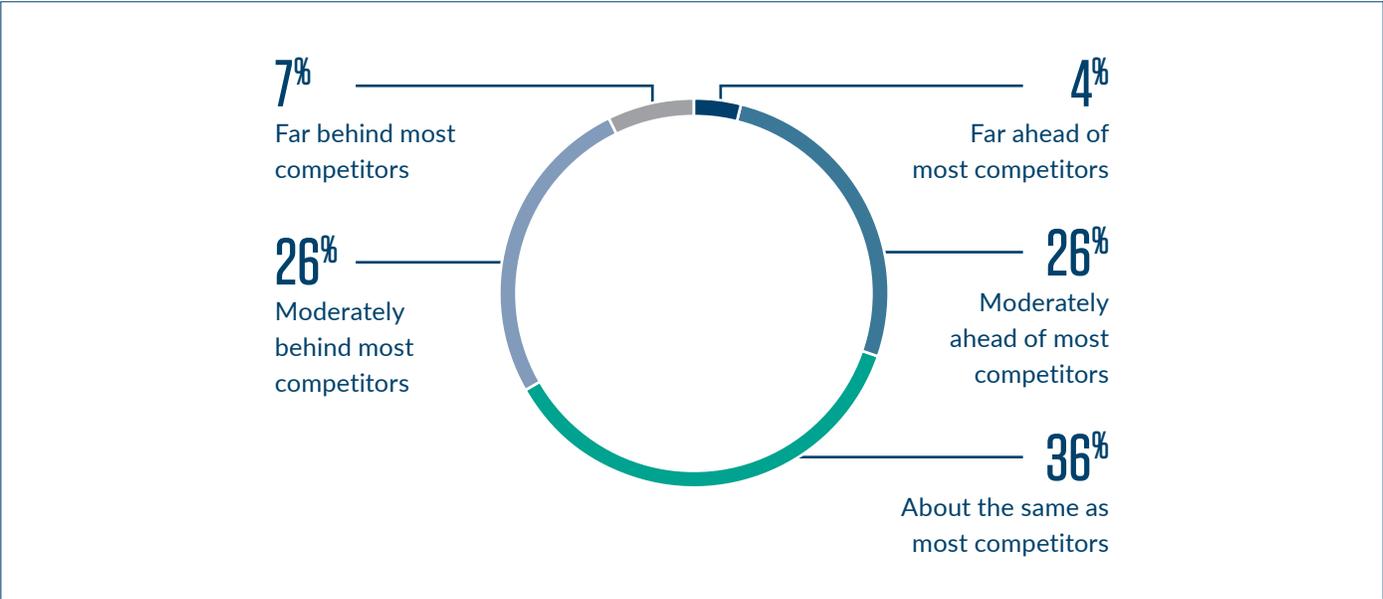
Of note, lack of executive and board support is the least-cited barrier to innovation and transformation, indicating that leadership is supportive of these initiatives. Given the growing expectations for internal audit

functions to become more technology- and data-enabled as part of broader efforts to embrace next-generation internal auditing practices, CAEs should view this result, in particular, as an opportunity to be bold. If they have yet to do so, they should plan to introduce innovation and transformation initiatives to their internal audit function, recognizing that more often than not, they have the backing of executive management and the board.

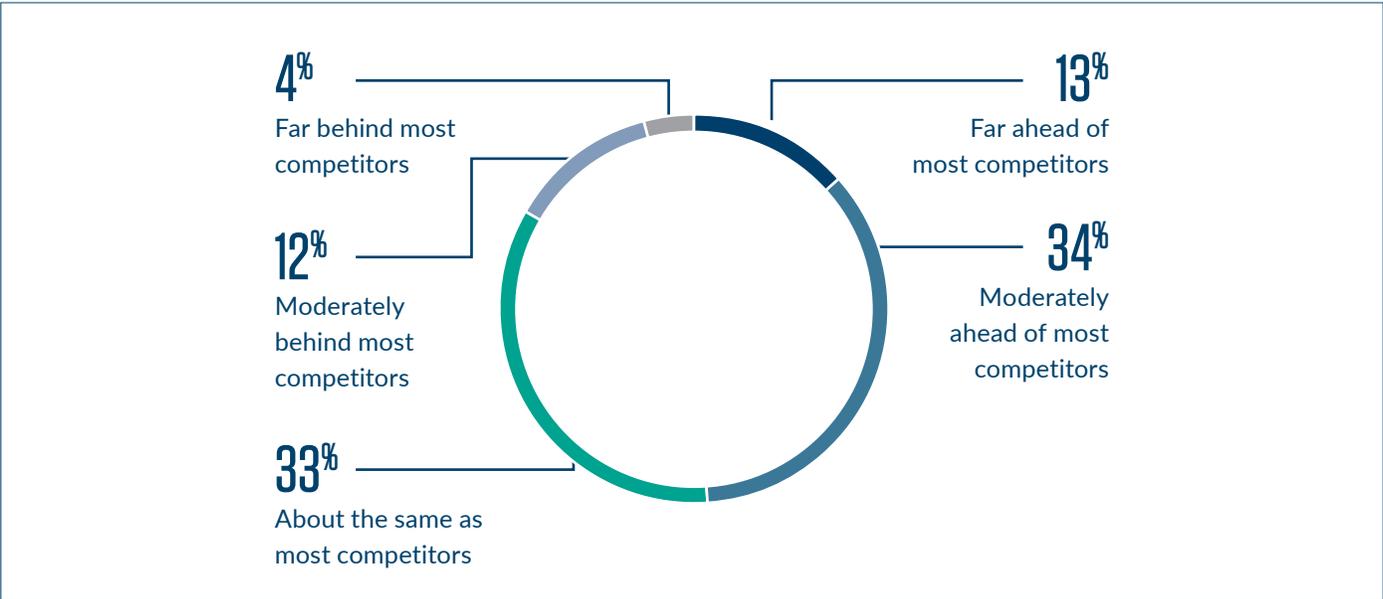
Finally, there is a continual debate in finding the right balance in internal audit between “business as usual” activities to support the organization and pursuing innovation and transformation activities. It often is convenient to prioritize the former over the latter, and sometimes that is necessary. Long-term, however, it’s vital to strike the right balance. The need for change and progress is rarely urgent, but it’s always important.

How do you believe your internal audit department compares with others in your industry regarding your overall level of employing innovation/transformation?*

Today



In two years



* Respondents: CAE/Director of Auditing ("Don't know" responses are not shown).

Commentary

Of note, when it comes to innovation and transformation, more CAEs collectively view their internal audit departments as being behind their competitors than those who view themselves as ahead of the competition. Looking ahead two years, however, the script flips, with more CAEs anticipating they will be ahead of the competition versus behind.

Internal audit departments in larger organizations are more likely to view themselves as ahead of their competitors today compared with smaller organizations, and nearly half believe they will be ahead of competitors in two years.

These findings suggest that more internal audit functions are planning continued advancements in their innovation and transformation agenda. While this is a positive trend to see, it also is one we have observed in prior years of our study. The key is for CAEs and internal audit groups to translate their goals into plans and ultimately into actions, starting with activities designed to reach realistic milestones with measurable outcomes that will advance them on their next-generation internal audit journey (see “Getting Started on the Innovation and Transformation Journey” on page 21). Even if an internal audit function is still in the early stages of its innovation and transformation efforts, this is not necessarily a red flag, provided that CAEs and their teams view themselves as on the journey and have plans in place. And this year’s survey results suggest this is the case. A focus on progress, continued growth and development is crucial.

In addition, remember that innovation is not one size fits all and does not necessarily require big steps, programs or investments. The internal audit organization should right-size its innovation strategy and priorities with respect to a few factors, such as budget and resources, what can practically be achieved, and access to skills and technology tools. Just because an organization cannot establish a dedicated team and structure does not mean it cannot pursue discrete/micro innovations and achieve progress in smaller steps, perhaps over a longer period of time. The most important result is progress — keeping to the status quo is not the answer.

It also is vital to consider where and how skills and talent development will take place. As shown in the results presented in the appendix (see page 24), many internal audit functions are focusing on training and developing staff in order to build up their next-generation internal audit capabilities. CAEs and internal audit leaders should be mindful not to overburden internal audit team members who have been working at or beyond capacity over the past couple of years. Complementing your team skills with external help — from the broader organization (e.g., rotational staff), external experts, peer internal audit functions, etc. — is important to consider as well.

Finally, keep in mind that modernizing and innovating the internal audit function and related processes are becoming critical steps toward attracting and retaining talent with the requisite skillsets to help the internal audit department advance on this journey.

Audit Committee Interest and Engagement

What You Need to Know

- Well over a majority of internal audit departments are sharing either a high or medium level of information with their audit committees.
- The level of information as well as audit committee interest in innovation and transformation trend higher among larger organizations.

How much interest has the audit committee shown in internal audit's plans to undertake transformation or innovation activities?

| | All respondents | CAE/Director of Auditing |
|--|-----------------|--------------------------|
| High level of interest from the audit committee | 22% | 21% |
| Medium level of interest from the audit committee | 39% | 45% |
| No interest/low level of interest from the audit committee | 28% | 29% |
| Don't know | 11% | 5% |

Company size

| | Large organizations (more than US\$5B) | Midsized organizations (US\$1B to US\$5B) | Small organizations (less than US\$1B) |
|--|---|--|---|
| High level of interest from the audit committee | 33% | 19% | 15% |
| Medium level of interest from the audit committee | 43% | 42% | 35% |
| No interest/low level of interest from the audit committee | 16% | 25% | 41% |
| Don't know | 8% | 14% | 9% |

How much information do you share with the audit committee about internal audit's plans to undertake transformation or innovation activities?

| | All respondents | CAE/Director of Auditing |
|---|-----------------|--------------------------|
| High level of information shared with the audit committee | 23% | 24% |
| Medium level of information shared with the audit committee | 43% | 50% |
| No information/low level of information shared with the audit committee | 25% | 23% |
| Don't know | 9% | 3% |

Company size

| | Large organizations (more than US\$5B) | Midsize organizations (US\$1B to US\$5B) | Small organizations (less than US\$1B) |
|---|---|---|---|
| High level of information shared with the audit committee | 28% | 20% | 22% |
| Medium level of information shared with the audit committee | 45% | 49% | 36% |
| No information/low level of information shared with the audit committee | 21% | 19% | 34% |
| Don't know | 6% | 12% | 8% |

Commentary

The overall results are largely consistent with findings from our prior year survey. With regard to innovation and transformation initiatives, well over a majority of internal audit departments are sharing either a high or medium level of information with their audit committees. As expected, the level of information

as well as audit committee interest in innovation and transformation trend higher among larger organizations, though even in small companies, there appear to be positive levels of interest and information sharing in these areas. This is vital, as these efforts are important to undertake, regardless of organization size and scope.

Profile of Internal Audit Innovation and Transformation Leaders

So, what is the general profile of an internal audit function that has advanced further on its innovation and transformation journey? According to our research, internal audit organizations leading the way in these areas:



Are more likely to have completed or be currently undertaking one or more transformation or innovation initiatives.



Tend to be larger organizations, though a majority of internal audit functions within smaller organizations are involved in these activities, as well.



Are more focused on increasing the use of enabling technologies within the internal audit function.



Are less likely, in terms of innovation and transformation priorities, to be focusing on improvements in how internal audit delivers, and are less likely to be seeking ways to evolve how the internal audit function organizes itself.



Are less likely to lack the talent, capabilities and skills to undertake transformation activities, as well as less likely to cite competing priorities and a lack of capacity as barriers to innovation. One possibility is that they are leaning more on co-sourcing and guest auditors versus solely on training and developing current staff (see below for further insights).

One interesting note is that ROI is not a key indicator among internal audit organizations leading the way in innovation and transformation activities. Any organization undertaking these initiatives sees similarly high levels of ROI. In addition, there are no significant differences in the level of interest from the audit committee, nor in the level of information shared with the audit committee regarding internal audit innovation and transformation activities.

Another interesting takeaway is that there is no meaningful increase in the tendency for the internal audit department to host activities that foster transformation initiatives within the organization. In other words, internal audit functions that are further along on their innovation and transformation journey are more likely to be involved in such initiatives being run by other groups in the enterprise.

Finally, when it comes to building up their next-generation internal audit competencies, internal audit innovation and transformation leaders tend to lean more on co-sourcing, rotational staff from the enterprise and guest resource programs to develop and deliver certain skills and capabilities, particularly with regard to technical and enabling technology areas. There is a tendency for many organizations to believe that in order to build the necessary skillsets and advance on their innovation and transformation journeys, they need to prioritize training and developing their current full-time equivalent teams. While this element is important, it should not be the exclusive approach. Moreover, with many internal audit teams working at or even beyond capacity over the past couple of years, acquiring skills and expertise from other sources can be highly beneficial.

Getting Started on the Innovation and Transformation Journey

This information was adapted from an article by Protiviti managing directors Cassie Putnam and Mark Peters. Read the full article at <https://blog.protiviti.com/2021/08/03/5-strategies-to-help-internal-audit-functions-accelerate-their-next-generation-transformation/>.

Pandemic-related disruption drove most internal audit functions to rethink their audit plan and approach. On the positive side, the need to pivot frequently has allowed auditors to engage and support the business in new ways. Now, many internal audit leaders are looking to build on this positive momentum by accelerating their efforts to establish a next-generation function.

Here are five strategies that internal audit leaders and their teams can use to jump-start, reinvigorate or advance their department's next-gen evolution.

1. Set a vision for the journey

Any transformation journey requires a goal or a vision for change toward which the organization needs to work. For internal audit, a starting point is determining why the function needs to transform, aside from the fact that it's critical for the future.

For example, are business stakeholders demanding change from the function? Probably. They may be hungry for more relevant and outcome-based auditing. They don't just want auditors to look at a process and confirm that it's working as intended and compliant. They want to know how that process could be more efficient or innovative. And they definitely want more insight into the data auditors are analyzing, and to have that information presented in more compelling ways.

Stakeholders' expectations can shape the vision for internal audit's transformation and give it purpose. And that vision, in turn, can create the necessary mindset for change within the function. One of the biggest obstacles in the next-gen journey is getting auditors to step out of

their comfort zone to think differently and innovatively, and to be more open to trying new things, failing at some, and learning continuously.

Internal audit leaders are tasked with building that culture and mindset within their team (starting with themselves, of course). They can empower auditors to try new things and communicate what went right or wrong. And they can encourage them to innovate any aspect of the audit cycle and question whether the team needs to take the same familiar, comfortable paths in their approaches. Motivating the internal audit team to think constantly about innovation, even in small but significant ways, helps fuel the next-gen journey.

2. Benchmark to chart a course for change

Another best practice to help internal audit functions crystallize the vision for their next-gen transformation is to benchmark their organization against others. This can inform the answers to questions such as:

- Where are we and where do we need to be?
- What are the steps on the road map to get us where we need to be?
- Should we conduct a maturity assessment?
- What metrics should we use to measure our progress?

A formal framework can help structure the benchmarking process. Protiviti's Next-Generation Internal Audit model (see the Appendix) can serve as a helpful starting point. It includes the key governance, methodology and enabling technology components that we find are hallmarks of next-generation internal audit functions.

3. Aim for quick wins that have impact

Even if stakeholders want to see internal audit evolve its practices, the amount of funding and other support needed to create the desired change isn't always there to start. But we've seen many leading internal audit organizations overcome this obstacle by building up strengths they already have, encouraging team members to explore new ideas and expand their abilities.

For instance, an internal audit function might look to an audit team member who is already skilled or interested in data analytics to advance their skills further. They can connect that person with more training to learn advanced analytics and then ask them to apply those new skills in their day-to-day work. Over time, that person can impart skills and knowledge to others on the team, and help the whole organization increase its use of advanced analytics in the auditing process.

Reporting is another area where internal audit can find quick wins for transformation — while also

demonstrating the function's value and relevance to the business. By using simplified, high-impact reporting that's customized for target audiences, internal audit teams can better communicate what stakeholders need to know and allow them to get granular on the details that interest them most. Visually appealing and shorter reports, with less text and more useful graphics and in-depth data analysis, are ideal. (Not sure what stakeholders want to see? Ask them.)

4. Market and get buy-in for agile auditing practices

Transitioning to a next-generation mindset involves adopting an agile mindset, along with a willingness to embrace change. The agile mindset is also foundational to agile auditing, an approach that demands internal audit and stakeholders focus on mitigating risks by responding to changing and emerging business needs and directions, while working to meet business and regulatory commitments.



When we meet with internal audit teams that want to take the next-generation journey, one of the first questions we typically hear is, “How do we get going with agile?” We suggest they begin by marketing the agile concept internally and getting buy-in from like-minded audit stakeholders — that is, groups already using agile working practices or that have a good working relationship with internal audit. Then, internal audit and the select stakeholders can work together to choose small pilot projects where they can begin applying an iterative approach to assessment, evaluation and feedback — and create a continuous loop for that feedback in order to keep adding value to the audit all along the way.

So, start small, learn from the results and, perhaps most important, publish those results. In agile auditing, business owners are involved in the audit report process early. And the final reports, which deliver future-focused insights, include the viewpoints of both auditors and business owners. Promote the success of your collaboration and help the entire business understand the benefits of agile auditing.

5. Designate a transformation champion

Finally, to ensure the next-gen journey stays on course toward the North Star vision, internal audit needs to identify who in the organization will be accountable for the success of the function’s transformation. This role — such as a “transformation director” — is responsible for and focused on driving change in the internal audit organization.

Now is an ideal time for internal audit teams to build on all the change they’ve experienced and helped to spearhead over the past two years. They can take advantage of business stakeholders’ newfound openness to working more collaboratively and even proactively with the internal audit function. Organizations are already disrupted. And as the business continues to change in response to new challenges, internal audit must keep changing right alongside it.

Appendix

Assessing Next-Generation Internal Audit maturity levels

| | All respondents | | CAE/Director of Auditing | |
|--|-----------------|------|--------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Governance | | | | |
| Internal Audit Strategic Vision | 5.5 | 5.4 | 5.9 | 5.8 |
| Organizational Structure | 5.9 | 5.4 | 6.1 | 5.5 |
| Resource and Talent Management | 5.8 | 5.2 | 6.0 | 5.4 |
| Aligned Assurance | 5.7 | 5.3 | 5.8 | 5.3 |
| Methodology | | | | |
| Dynamic Risk Assessment | 5.4 | 4.8 | 5.6 | 5.0 |
| Agile Audit Approach | 5.3 | 4.5 | 5.5 | 4.5 |
| High-Impact Reporting | 6.1 | 5.5 | 6.3 | 5.6 |
| Continuous Monitoring | 5.3 | 4.8 | 5.3 | 4.6 |
| Enabling Technology | | | | |
| Advanced Analytics | 4.5 | 4.2 | 4.5 | 4.1 |
| Automation | 4.4 | 4.0 | 4.6 | 3.9 |
| Machine Learning and Artificial Intelligence | 3.4 | 3.1 | 3.2 | 2.6 |
| Process Mining | 3.9 | 3.6 | 3.7 | 3.2 |

Access to necessary talent and skills (internal and/or external)
 (Shown: "Yes" responses)

| | All respondents | CAE/Director of Auditing |
|--|-----------------|--------------------------|
| Governance | | |
| Internal Audit Strategic Vision | 54% | 61% |
| Organizational Structure | 65% | 66% |
| Resource and Talent Management | 66% | 70% |
| Aligned Assurance | 70% | 74% |
| Methodology | | |
| Dynamic Risk Assessment | 64% | 68% |
| Agile Audit Approach | 58% | 61% |
| High-Impact Reporting | 71% | 70% |
| Continuous Monitoring | 70% | 70% |
| Enabling Technology | | |
| Advanced Analytics | 46% | 44% |
| Automation | 47% | 49% |
| Machine Learning and Artificial Intelligence | 19% | 21% |
| Process Mining | 28% | 29% |

Strategy to secure relevant talent and skills
 (Shown: CAE/Director of Auditing responses)

| | Hire | Train/Develop | Co-source | Rotation/ Guest Resource Programs |
|--|------|---------------|-----------|---|
| Governance | | | | |
| Internal Audit Strategic Vision | 18% | 55% | 20% | 7% |
| Organizational Structure | 20% | 59% | 20% | 2% |
| Resource and Talent Management | 25% | 57% | 14% | 4% |
| Aligned Assurance | 12% | 68% | 15% | 5% |
| Methodology | | | | |
| Dynamic Risk Assessment | 10% | 71% | 16% | 3% |
| Agile Audit Approach | 8% | 78% | 13% | 1% |
| High-Impact Reporting | 6% | 87% | 6% | 1% |
| Continuous Monitoring | 11% | 74% | 11% | 5% |
| Enabling Technology | | | | |
| Advanced Analytics | 23% | 59% | 16% | 3% |
| Automation | 14% | 68% | 14% | 4% |
| Machine Learning and Artificial Intelligence | 28% | 50% | 19% | 3% |
| Process Mining | 11% | 61% | 28% | 0% |

Senior management and the board/committees support acquiring or developing necessary talent and skills

(Shown: "Yes" responses)

| | All respondents | CAE/Director of Auditing |
|--|-----------------|--------------------------|
| Governance | | |
| Internal Audit Strategic Vision | 45% | 48% |
| Organizational Structure | 50% | 45% |
| Resource and Talent Management | 44% | 33% |
| Aligned Assurance | 33% | 30% |
| Methodology | | |
| Dynamic Risk Assessment | 29% | 25% |
| Agile Audit Approach | 24% | 27% |
| High-Impact Reporting | 66% | 68% |
| Continuous Monitoring | 29% | 31% |
| Enabling Technology | | |
| Advanced Analytics | 31% | 30% |
| Automation | 25% | 23% |
| Machine Learning and Artificial Intelligence | 20% | 20% |
| Process Mining | 32% | 36% |

Methodology and Demographics

Protiviti conducted its global 2022 Next-Generation Internal Audit Survey online from December 2021 through January 2022. More than 500 internal audit leaders and professionals (n = 538) completed the survey questionnaire, including a majority who reported as a CAE or Director of Auditing.

The purpose of this survey is to benchmark how internal audit departments are pursuing and implementing next-generation concepts related to people, process and technologies. In addition to questions related to internal audit innovation and transformation initiatives, the survey included questions asking respondents to identify their internal audit function's level of maturity in the next-generation internal audit components under three categories:

- Governance
- Methodology
- Enabling Technology

Survey participants also were asked to provide demographic information about the nature, size and location of their businesses, and their titles or positions within the internal audit department. These details were used to help determine whether there were distinct capabilities and needs among different sizes and sectors of business or among individuals with different levels of seniority within the internal audit profession. All demographic information was provided voluntarily by respondents.

Position

| | |
|-----------------------------|-----|
| Chief Audit Executive (CAE) | 33% |
| Audit Committee Member | 1% |
| Audit Director | 18% |
| IT Audit Director | 2% |
| Audit Manager | 18% |
| IT Audit Manager | 2% |
| Corporate Management | 3% |
| Audit Staff | 10% |
| IT Audit Staff | 2% |
| Other | 11% |

Industry

| | | | |
|---|-----|---------------------------------------|----|
| Manufacturing | 11% | Construction | 2% |
| Financial Services – Banking | 11% | Wholesale/Distribution | 2% |
| Technology (Software/High-Tech/ Electronics) | 7% | Automotive | 2% |
| Financial Services – Other | 4% | Chemicals | 2% |
| Government/Education | 4% | Higher Education | 2% |
| Telecommunications | 4% | Transportation and Logistics | 2% |
| Retail | 4% | CPA/Public Accounting/Consulting Firm | 2% |
| Insurance (other than Healthcare Payer) | 4% | Hospitality, Leisure and Travel | 2% |
| Services | 4% | Healthcare Payer | 1% |
| Oil and Gas | 3% | Financial Services – Broker-Dealer | 1% |
| Pharmaceuticals and Life Sciences | 3% | Media | 1% |
| Power and Utilities | 3% | Not-for-Profit | 1% |
| Healthcare Provider | 3% | Real Estate | 1% |
| Consumer Packaged Goods | 3% | Agriculture, Forestry, Fishing | 1% |
| Financial Services – Asset Management | 3% | Other | 7% |

Type of Organization

| | |
|----------------|-----|
| Public | 45% |
| Private | 39% |
| Government | 8% |
| Not-for-profit | 5% |
| Other | 3% |

Organization Headquarters

| | | | |
|--|-----|---------------------|----|
| United States of America | 32% | Saudi Arabia | 1% |
| Japan | 27% | Bahrain | 1% |
| Italy | 11% | India | 1% |
| United Kingdom of Great Britain and Northern Ireland | 3% | Switzerland | 1% |
| Brazil | 3% | France | 1% |
| Australia | 2% | Germany | 1% |
| Canada | 2% | Egypt | 1% |
| Qatar | 2% | Jordan | 1% |
| Kuwait | 2% | Oman | 1% |
| The Netherlands | 1% | Trinidad and Tobago | 1% |
| South Africa | 1% | Other | 4% |

Size of Organization (outside of financial services) – by gross annual revenue in U.S. dollars

| | |
|----------------------------------|-----|
| \$10 billion or more | 17% |
| \$5 billion - \$9.99 billion | 13% |
| \$1 billion - \$4.99 billion | 33% |
| \$500 million - \$999.99 million | 10% |
| \$100 million - \$499.99 million | 15% |
| \$25 million - \$99.99 million | 7% |
| Less than \$25 million | 5% |

Size of Organization (within financial services) – by assets under management in U.S. dollars

| | |
|----------------------------------|-----|
| \$50 billion or more | 36% |
| \$25 billion - \$49.99 billion | 8% |
| \$10 billion - \$24.99 billion | 6% |
| \$5 billion - \$9.99 billion | 11% |
| \$1 billion - \$4.99 billion | 20% |
| \$250 million - \$999.99 million | 6% |
| Less than \$250 million | 13% |

ABOUT PROTIVITI

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the *2021 Fortune 100 Best Companies to Work For*[®] list, Protiviti has served more than 60% of *Fortune* 1000 and 35% of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

PROTIVITI INTERNAL AUDIT AND FINANCIAL ADVISORY PRACTICE – CONTACT INFORMATION

Andrew Struthers-Kennedy

Managing Director
Global Internal Audit and Financial Advisory
+1.410.454.6879
andrew.struthers-kennedy@protiviti.com

Angelo Poulikakos

Managing Director
Leader, Technology Audit
+1.312.476.6097
angelo.poulikakos@protiviti.com

AUSTRALIA

Lauren Brown
+61.03.9948.1200
lauren.brown@protiviti.com.au

GERMANY

Peter Grasegger
+49.89.552.139.347
peter.grasegger@protiviti.de

THE NETHERLANDS

Jaap Gerkes
+31.20.346.0400
jaap.gerkes@protiviti.nl

BELGIUM

Jaap Gerkes
+31.20.346.0400
jaap.gerkes@protiviti.nl

INDIA

Sachin Tayal
+91.124.661.8640
sachin.tayal@protiviti.global.in

SINGAPORE

Ann Koh
+65.6220.6066
annchi.koh@protiviti.com

BRAZIL

Fernando Fleider
+55.11.2198.4200
fernando.fleider@protiviti.com.br

ITALY

Alberto Carnevale
+39.02.6550.6301
alberto.carnevale@protiviti.it

SOUTH AFRICA

Lindani Dhlamini
+27.011.797.6800
ldhlamini@skxprotiviti.co.za

CANADA

Ram Balakrishnan
+1.647.288.8525
ram.balakrishnan@protiviti.com

JAPAN

Yasumi Taniguchi
+81.3.5219.6600
yasumi.taniguchi@protiviti.jp

SWITZERLAND

Milena Danielsen
+41.43.508.9747
milena.danielsen@protiviti.ch

CHINA (HONG KONG AND MAINLAND CHINA)

David Cheung
+86.21.5153.6900
+852.2238.0499
david.cheung@protiviti.com

MEXICO

Roberto Abad
+52.55.6729.8070
roberto.abad@protiviti.global.com.mx

UNITED KINGDOM

Mark Peters
+44.207.389.0413
mark.peters@protiviti.co.uk

FRANCE

Bernard Drui
+33.1.42.96.22.77
bernard.drui@protiviti.fr

MIDDLE EAST

Sanjay Rajagopalan
+965.2295.7772
sanjay.rajagopalan@protiviti.global.me

UNITED STATES

Andrew Struthers-Kennedy
+1.410.454.6879
andrew.struthers-kennedy@protiviti.com



THE AMERICAS

UNITED STATES

Alexandria, VA
 Atlanta, GA
 Austin, TX
 Baltimore, MD
 Boston, MA
 Charlotte, NC
 Chicago, IL
 Cincinnati, OH
 Cleveland, OH
 Columbus, OH
 Dallas, TX
 Denver, CO

Ft. Lauderdale, FL
 Houston, TX
 Indianapolis, IN
 Irvine, CA
 Kansas City, KS
 Los Angeles, CA
 Milwaukee, WI
 Minneapolis, MN
 Nashville, TN
 New York, NY
 Orlando, FL
 Philadelphia, PA
 Phoenix, AZ

Pittsburgh, PA
 Portland, OR
 Richmond, VA
 Sacramento, CA
 Salt Lake City, UT
 San Francisco, CA
 San Jose, CA
 Seattle, WA
 Stamford, CT
 St. Louis, MO
 Tampa, FL
 Washington, D.C.
 Winchester, VA
 Woodbridge, NJ

ARGENTINA*
 Buenos Aires

BRAZIL*
 Belo Horizonte*
 Rio de Janeiro
 São Paulo

CANADA
 Toronto

CHILE*
 Santiago

COLOMBIA*
 Bogota

MEXICO*
 Mexico City

PERU*
 Lima

VENEZUELA*
 Caracas

EUROPE,
 MIDDLE EAST
 & AFRICA

BULGARIA
 Sofia

FRANCE
 Paris

GERMANY
 Berlin
 Dusseldorf
 Frankfurt
 Munich

ITALY
 Milan
 Rome
 Turin

THE NETHERLANDS
 Amsterdam

SWITZERLAND
 Zurich

UNITED KINGDOM
 Birmingham
 Bristol
 Leeds
 London
 Manchester
 Milton Keynes
 Swindon

BAHRAIN*
 Manama

KUWAIT*
 Kuwait City

OMAN*
 Muscat

QATAR*
 Doha

SAUDI ARABIA*
 Riyadh

UNITED ARAB EMIRATES*
 Abu Dhabi
 Dubai

EGYPT*
 Cairo

SOUTH AFRICA *
 Durban
 Johannesburg

ASIA-PACIFIC

AUSTRALIA
 Brisbane
 Canberra
 Melbourne
 Sydney

CHINA
 Beijing
 Hong Kong
 Shanghai
 Shenzhen

INDIA*
 Bengaluru
 Chennai
 Hyderabad
 Kolkata
 Mumbai
 New Delhi

JAPAN
 Osaka
 Tokyo

SINGAPORE
 Singapore

*MEMBER FIRM