

Achieving Audit Relevance

Internal audit's path to continued delivery of value and relevance is strongly tied to adopting innovative approaches to talent, and technology enablement, per findings from Protiviti's 2023 Next-Generation Internal Audit Survey.

Internal audit functions face a continuing talent crunch and ongoing demands to support the organisation's transformation efforts in response to external events and evolving business strategies and priorities. Amid these challenges, chief audit executives (CAEs) are focused on enhancing internal audit's relevance with the board, senior executives and other stakeholders.

High-impact reporting, which the survey results reveal is the most valuable driver of internal audit relevance, requires strong enabling technology as well as the right talent.

For internal audit functions, elevating their relevance and the value they deliver requires ongoing evolution and a committed focus on continuous improvement through innovation and transformation. The results of Protiviti's **2023 Next-Generation Internal Audit Survey** reveal that when it comes to these objectives, many are pursuing them by focusing on access to required talent – filling the technology skills gap is an acute need – and advancing internal audit's technology enablement, the maturity of which continues to lag other Next-Generation Internal

Audit capabilities (a trend we have seen in prior years of our study). They also are focusing on producing and delivering highly impactful communications, including through the reporting process.

High-impact reporting, which the survey results reveal is the most valuable driver of internal audit relevance, requires strong enabling technology as well as the right talent. We have observed that Next-Generation Internal Audit components related to technology and talent are often interrelated and

self-reinforcing. Functions that are more active in their pursuit and use of data and technology, as well as innovation more broadly, tend to be more successful in attracting and retaining talent, and their resources tend to have more aptitude in and enthusiasm toward enabling tech and other next-gen capabilities. This combination is what tends to propel leading functions toward the goals of increased relevance and value.

Considering that the future of work – including access to talent along with the need to upskill and reskill teams – represents not only a pressing 2023 issue but one organisations must confront and manage **over the next decade**, assessments offered by CAEs and internal audit leaders regarding access to talent, sourcing strategies and executive/board-level support of these efforts reveal promising news. Board and executive-level support of internal audit’s talent acquisition and development activities is robust. With executive and board-level support in place, the onus is on internal audit leaders to define, communicate and execute against talent sourcing strategies that will give them access to skills and experiences needed for the near term and what is coming next.

Top transformation priorities for CAEs and Audit Directors

- Evolving how the internal audit function coordinates and aligns with other assurance functions
- Internal audit strategy that is better defined and aligned to the overall organisation
- Increasing use of data and analytics solutions

Most significant barrier to increased focus on innovation and transformation

- Competing priorities/lack of capacity

Key Findings

Top-performing internal audit groups share similar traits – They focus more on streamlined, tailored, impactful communications and reporting, they evolve and adapt routinely, and they push themselves to find and build talent and resources from both within and outside their organisations.

Impactful communications, along with the methodologies, data and systems required to produce them, are the most important contributor to growing internal audit's relevance – Efficacy of communications and reporting requires the optimisation of activities throughout the audit lifecycle, including risk assessment, scoping/planning, project, status, audit committee reporting, and issue follow-up and validation.

Fewer than six in 10 internal audit functions have access to the talent they need across any of the 12 Next-Generation Internal Audit competencies.

Competing priorities are the greatest barrier to internal audit innovation – Perhaps not surprisingly, this is the case across different groups of survey respondents, Next-Generation Internal Audit maturity levels and other segments. For organisations struggling with these challenges, it may be of comfort to learn they are not alone. Of note, far fewer respondents report a lack of executive and board support to be a barrier to innovation and transformation (see below), meaning internal audit leaders should ensure they are communicating their concerns and challenges around talent and competing priorities through their executives and board reporting channels. All audit committees should be routinely asking internal audit leaders questions such as, “Do you have the resources you need?” and “Is there anything stopping you from focusing on priority items, near- or long-term?” Internal audit leaders should be prepared to answer these questions directly and thoroughly, and with relevance and value as the frames of reference.

Next-Generation Internal Audit Enabling Technology maturity levels continue to lag – Though there are some improvements in the results, overall maturity levels in Enabling Technology competencies, including advanced analytics, automation and process mining, continue to lag reported skill levels in Governance and Methodology components such as aligned assurance, strategic vision, agile audit and dynamic risk assessment.

Access to talent, especially technology skills, is a major challenge requiring innovative approaches – Fewer than six in 10 internal audit functions, on average, have access to the talent they need across any of the 12 Next-Generation Internal Audit competencies. CAEs view the ability to recruit qualified candidates and retain their people as their top HR-related concerns.

The board and C-suite support internal audit's innovation agenda – There is strong executive management and board support when it comes to acquiring or developing the necessary talent and skills related to Next-Generation Governance, Methodology and Enabling Technology capabilities in the internal audit function. Perhaps not coincidentally, when it comes to innovation and transformation barriers, significantly fewer CAEs view executive and board support as an inhibitor compared with competing priorities (as noted above) and lack of budget. This underscores our prior research and findings noting that the board and C-suite want internal audit functions to focus on innovation, transformation, and improving their capacities with technology and processes.

What Is Relevance?

In this survey, we explore the perspectives of internal audit leaders and other practitioners on the topic of relevance. We also evaluate how leading internal audit functions are positioning themselves to deliver against the goal of increasing relevance. Broadly speaking, being relevant means being connected and aligned on what's important and being insightful and providing value through communications and other forms of information sharing.

As we see in the survey results, while there are some clear priorities and areas of focus, there is also variability as to where internal audit leaders are focusing their efforts. Pursuing relevance for internal audit functions can take many different forms, some of which include examining:

- Processes around how vision and strategy are established;
- How talent is accessed and aligned to tasks;
- How internal audit works across the organisation to coordinate and align with other risk and assurance functions;
- How risk assessment processes are reimaged to be more dynamic;
- The pursuit of agile concepts and more impactful reporting and communications; and
- The use and integration of data and enabling technologies.

“It is crucial for internal audit to stay relevant and keep pace with changing demands, forces both internal and external to the organisation, as well as evolving expectations of and advancements in the profession, all while delivering on the core mandate of the internal audit function and high levels of value.”

Andrew Struthers-Kennedy
Managing Director
Global Leader, Internal Audit and Financial Advisory Practice, Protiviti

Relevance can be, and necessarily is, defined a little differently depending on organisational context, current capabilities and gaps, mandate from executives and the board, regulatory scrutiny, and more. Herein lies part of the beauty in a focus on relevance – there will be multiple, entirely valid paths to the same overall goal.

About the 2023 Next-Generation Internal Audit Survey

Protiviti conducted its global 2023 Next-Generation Internal Audit Survey online from November through December 2022. More than 550 internal audit leaders and professionals (n = 573) completed the survey questionnaire, two-thirds of whom reported as a CAE or Audit Director.

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 12 Next-Generation Internal Audit components under three categories:

- Governance
- Methodology
- Enabling Technology

Read our full research report, *Achieving Audit Relevance*, on the Protiviti website.

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