

Um futuro rico em oportunidades

A Auditoria Interna capturando as oportunidades para atuar como consultora estratégica

PricewaterhouseCoopers 2010

Pesquisa sobre a Profissão de Auditoria Interna



Introdução

A PwC conduziu no último trimestre de 2009, sua pesquisa anual sobre Auditoria Interna visando provocar o debate sobre as preocupações emergentes e tendências que impactam o dia-a-dia. Nossa pesquisa teve quatro propósitos:

1. Capturar uma fotografia atualizada da Auditoria Interna.
2. Compartilhar percepções e observações sobre os desafios, as tendências e as mudanças que estão redefinindo a Auditoria Interna.
3. Identificar as melhores práticas para apoiar as empresas em seus processos e procedimentos de Auditoria Interna.
4. Definir uma linha mestra que permita a mensuração das mudanças na Auditoria Interna.

As consequências da crise financeira global de 2008 confirmaram que a gestão de riscos estratégicos é um grande desafio para todos os líderes empresariais. A pesquisa conclui que os departamentos de Auditoria Interna são os instrumentos internos organizacionais melhor preparados – considerando sua visão holística, grau de penetração e conhecimento acumulado de toda a empresa – para atuar como consultores de riscos estratégicos junto aos acionistas, conselheiros, comitês internos, administradores e *stakeholders*.

A pesquisa envolveu mais de 2 mil profissionais de Auditoria Interna em mais de 50 países e identificou as seguintes tendências:

- As necessidades e expectativas das empresas estão mudando, a Auditoria Interna está acompanhando?
- Auditoria Interna 2.0 – definindo a próxima geração.
- Indo além do *status quo*.
- Alavancando oportunidades em Governança Corporativa.
- Integrando atividades de riscos e de *compliance*.
- Fortalecendo a abrangência da auditoria e suas implicações.
- Empregando tecnologia como um facilitador.

Neste ano, pela primeira vez, além dos executivos de Auditoria Interna de grandes corporações globais, a pesquisa teve a participação de 70 empresas brasileiras.

Introduzimos nesta pesquisa o conceito de “Auditoria Interna 2.0”, provocando e estimulando as empresas a considerar mudanças acentuadas no *status quo* de seus departamentos. Na medida em que os executivos de Auditoria Interna são constantemente confrontados com novas e contínuas necessidades e expectativas, a adoção de iniciativas para a redefinição de seus papéis e responsabilidades torna-se premente.

Isto significa que os executivos de Auditoria Interna devem expandir suas competências e se preparar para atuar como protagonistas internos e importante instrumento dos *stakeholders* para o alinhamento das estratégias empresariais com a identificação, avaliação e gestão de riscos.

Como resumo de nossa pesquisa, destacamos algumas conclusões:

- Para permanecer em destaque e atender às demandas dos *stakeholders*, os departamentos de Auditoria Interna devem evoluir para o estágio “Auditoria Interna 2.0”, que proporcionará aos líderes empresariais informações concretas para a gestão inteligente dos riscos de negócio.
- Para que os departamentos de Auditoria Interna assumam seu papel de protagonista nas questões de identificação, avaliação e gestão de riscos estratégicos, seus principais colaboradores precisam ter competências e habilidades que permitam:
 - (i) identificar, de forma precisa, os potenciais focos de problemas;
 - (ii) analisar e sintetizar grandes quantidades de dados e informações; e
 - (iii) empregar tecnologia para apoiar as empresas nos seus desafios em um ambiente competitivo.

As necessidades e expectativas dos *stakeholders* à luz das responsabilidades dos Auditores Internos nunca foram tão elevadas. A questão é se a Auditoria Interna está respondendo à altura. Na pauta do dia, temos o desafio de construir um consenso para um papel expandido e mais estratégico da função de Auditoria Interna. Nossa pesquisa identificou três aspectos críticos nos quais os executivos de Auditoria Interna acreditam que têm mais espaço para o amadurecimento:

- Antecipação de riscos e problemas críticos.
- Alinhamento da proposição de valor da Auditoria Interna com as expectativas dos *stakeholders*.
- Comparação da atual estrutura de recursos humanos da Auditoria Interna com sua proposta de valor.

Nossa pesquisa indica que os departamentos de Auditoria Interna estão evoluindo de uma abordagem tradicional de auditoria para uma abordagem mais centrada em riscos estratégicos, buscando também o atendimento às demandas customizadas dos *stakeholders*. Neste sentido, nossa pesquisa sinaliza importantes passos a serem adotados:

- Iniciar um plano de trabalho robusto e estratégico.
- Reavaliar as práticas de identificação, avaliação e gestão de riscos.
- Eliminar as lacunas de habilidades e competências dos recursos de Auditoria Interna.
- Alinhar a função de Auditoria Interna com outras funções de asseguarção nas empresas.
- Focar na obtenção de retorno sobre o investimento por meio de tecnologia.

A adaptação para os desafios atuais requer liderança, visão e agilidade. O resultado de nossa pesquisa comprova que os departamentos de Auditoria Interna já passaram por mudanças significativas e muito positivas nos últimos anos e que são merecedores de uma priorização e foco de investimentos por parte dos líderes empresariais; contudo, há ainda lacunas para o atendimento com excelência na prestação de serviços de Auditoria Interna, com maior valor agregado para o acionista.

A future rich in opportunity

Internal audit must seize opportunities to enhance its relevancy

PricewaterhouseCoopers 2010
State of the internal audit profession study



PricewaterhouseCoopers' sixth annual *State of the internal audit profession study* supports the notion that internal audit departments have made significant change and that they have the right priorities, but that there is still a critical performance gap in achieving the key attributes of high-performing internal audit functions.

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The heart of the matter

Needs and expectations
are changing... is internal
audit delivering?

The world in which internal audit operates continues to change. Industries, economies, and regulatory environments were altered forever by the crisis of 2008-09. In the past year we have moved from economic crisis to cautious optimism; however, many of the fundamental causes of the recession have not been addressed. Consequently, more change is likely.

Most consumer-oriented companies continue to face significant challenges, and growth overwhelmingly tops the list. In addition, the reputation of financial services and the automotive industries has suffered, and as a consequence these industries are undertaking new activities to positively influence public perception. Across all industries, chief executive officers (CEOs) are focusing on initiatives to realize cost efficiencies, develop talent, grow organically, and implement new information technology (IT).

Stakeholders expect more as well. Many have characterized the crisis as a failure in risk management, and consequently countries are making regulatory moves to improve risk management. In the United States, the SEC revised its proxy disclosure rules, prescribing more disclosure about the board's risk oversight and the impact of compensation on risk taking. The National Association of Corporate Directors issued new guidelines calling for improved risk management and risk oversight. Both of these initiatives emphasize the need to focus on material and strategic risks. And finally, PricewaterhouseCoopers' (PwC) most recent annual CEO survey¹ reports that "the importance of good risk management was by far the most frequently cited lesson learned" during the past two years.

Most organizations acknowledge that an internal audit function, with the visibility and a mandate that cuts across the entire organization, has the necessary vantage point to help the organization address the significant challenges and risks it faces.

The 2010 survey data supports the notion that internal audit departments have made significant change and that they have the right priorities, but that there is still a critical performance gap in achieving the key attributes of high-performing internal audit functions. Some of this may be due to a critical dilemma we observe in the field in discussions we have had with chief financial officers (CFOs) and audit committee members. They often have a sense that their internal audit function could and should deliver more value, but they are unsure as to what that is or how they should do it.

¹ PricewaterhouseCoopers 13th Annual Global CEO Survey, January 2010

An in-depth discussion

Internal audit 2.0— defining the next generation

Internal audit 2.0—moving beyond the status quo

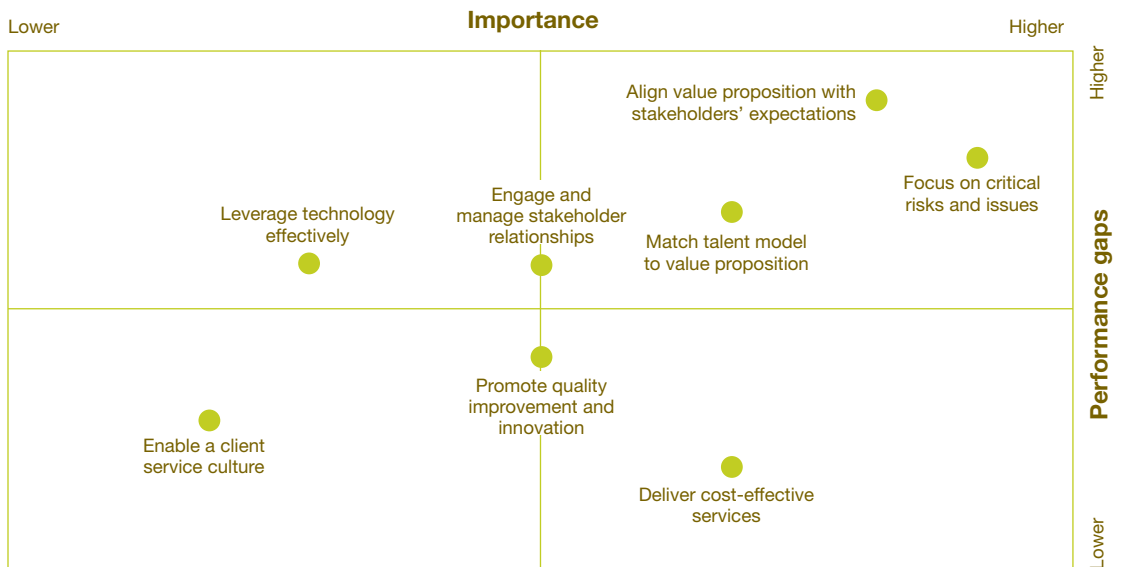
Most internal auditors recognize they can no longer maintain the status quo if they are providing the audit committee those data points with which the function has long been comfortable. The challenge lies in building consensus for internal audit’s expanded role and then delivering upon those higher expectations. To meet the need for increased scope and improved execution, auditors of the future must be able to enhance their capabilities and processes.

Enter the notion of internal audit 2.0, a concept that reflects an ideal—not the state of the profession as we surveyed it at the end of a turbulent decade, but the expectation and anticipation of an internal audit function that improves its game to meet a higher standard through alignment, collaboration, and acceleration.

The crux of the situation is this: Companies must do better at monitoring and managing risks that matter—the make-or-break risks that can spell fortune or failure for even the most powerful enterprises. In 2010’s business environment, company leaders must understand the events and shortcomings that drive risk, the effects risks may have on their organization’s strategies and objectives, and the capabilities required to manage and mitigate the key risks. To do this effectively, they must have actionable business intelligence, rather than a sea of unconnected data points.

In our recent publication, *Maximizing Internal Audit*,² we introduced the concept of eight key attributes shared by high-performing internal audit functions, regardless of their scope of work. The 2010 survey asked participants to rate the importance and current performance gap of the eight attributes, which are summarized in Figure 01.

Figure 01. Please rate the following attributes in terms of importance and current performance.



² Maximizing Internal Audit, 2010 PricewaterhouseCoopers

The results point to a consistent acknowledgement that a focus on critical risks and issues, aligning internal audit's value proposition with stakeholder expectations, and matching the talent model to the value proposition are at the same time critically important and the areas that have the most room for improvement from a performance perspective.

The biggest surprise was the low emphasis placed on enabling a client service culture, given the priority that audit leaders have indicated they will place on improving their

teams' softer skills. Those survey results are discussed later in this document.

For internal audit, addressing these gaps hinges on leveraging the governance opportunity, continuing to elevate risk assessment, integrating further with other risk and compliance functions, enhancing scope toward more value, closing the skills gap, responding to ongoing cost pressures, and using technology more productively.

That is the challenge and opportunity in front of internal audit today (See Figure 02).

Figure 02. Eight attributes of a maximized internal audit function



Align value proposition with stakeholders' expectations

- Mission and vision is clearly articulated and communicated
- Scope of services are well-defined and communicated
- A strategic plan captures vision and milestones toward the desired future state
- The balanced scorecard includes metrics to measure progress toward the stated mission and vision

Leverage technology effectively

- Audit management systems are used to improve audit effectiveness and efficiency
- Technology is utilized to improve audit process efficiency through data retrieval and testing, data mining, and analytics
- Continuous audit techniques are leveraged to increase audit coverage and provide early warning of risk indicators
- Specific steps are taken to capture and share knowledge through internal audit and the business
- Governance, risk and compliance (GRC) tools are leveraged to ensure related activities are efficient and coordinated

Promote quality improvement and innovation

- Applicable quality standards have been defined and communicated
- Formal quality reviews are regularly completed to ensure improvement opportunities are identified
- Innovation is embedded in the culture of internal audit and is constantly fostered and rewarded

Enable client service culture

- Training plans include elements to improve business acumen, judgment, and perspective
- All services provided balance, independence, objectivity, and value
- Cultural bias toward customer service
- Metrics measure customer satisfaction based on stakeholder expectations

Focus on critical risks and issues

- The audit planning risk assessment and resource allocation is based on a top-down, strategic view of business risk
- The audit plan contains sufficient flexibility to respond to emerging risks and business issues
- Enterprise, emerging and fraud risks are captured in the risk assessment
- Internal audit has a clearly defined role in GRC assurance

Engage and manage stakeholder relationships

- Stakeholders perceive internal audit as operationally excellent, a key business partner and, where appropriate, a provider of strategic support
- Capture expectations, communication strategies, and timelines
- Seek feedback regularly and capture on both a one-on-one and survey basis
- Communicate value delivered to stakeholders on a periodic basis

Deliver cost-effective services

- The staffing model effectively leverages management, staff, geographic, and external resources to efficiently complete audit activities
- Productivity is actively measured and managed to ensure the most cost-effective delivery of services
- Audit processes are standardized and simplified to be cost effective
- Investments in audit infrastructure are based on a disciplined ROI approach

Match talent model to value proposition

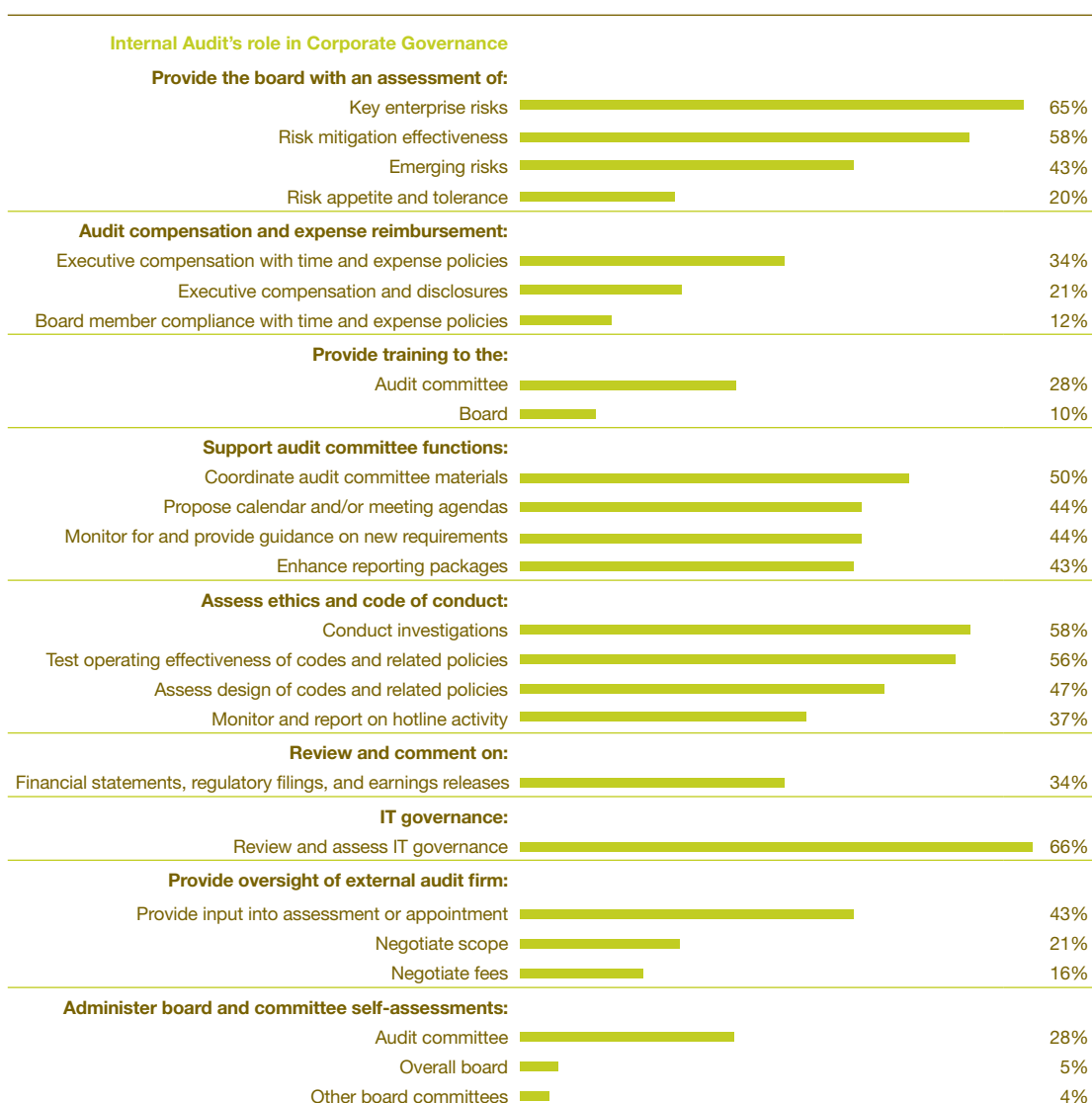
- An appropriate mix of core internal audit and specialist staff exists to complete required activities in the internal audit mission and vision
- A formal career path for internal audit staff has been defined and has the support of senior leadership in the organization
- A continual learning and development model exists to improve internal audit's knowledge of the business, experience, and credentials
- Staff performance is measured against the mission/vision of internal audit

Source: PricewaterhouseCoopers, *Maximizing Internal Audit: A 10-Step Imperative for Thriving in a Challenging Economy*

Leveraging the governance opportunity

Corporate governance is a strategic issue today, as it has been for some time. Our 2010 survey set out to better understand what internal audit functions are doing to support the governance processes at their organizations (See Figure 03).

Figure 03. Which of the following governance activities do you perform in support of your organization's board and audit committee?



Among the activities most performed for boards and audit committees were assessing key enterprise risks, measuring risk-mitigation effectiveness, assessing ethics and codes of conduct, and reviewing and assessing IT governance.

However, there remain a number of areas where many internal audit departments can increase their contribution to and support of corporate governance. These include work in the executive and board compensation area, training and orientation of the board and audit committee, and benchmarking and facilitating board and committee self-assessments. On the latter point, the governance guidelines from the National Association of Corporate Directors provide a new and relevant framework for such an assessment.

Elevating risk assessment

On the previous table we note the high positive response rate to the question about providing the board with an assessment of key enterprise risks. However, this is not consistently borne out by our observation in the field. Yes, risk assessments are being used to drive internal audit plans, but from our perspective they frequently do not provide the type of insights into key strategic risks that boards are looking for. Thus the question remains, is internal audit currently helping to assess key enterprise risk, or not?

The answer probably lies somewhere in the middle. Based on survey results it is clear that internal audit organizations want to assist their boards and management in this area, but it is one where there is a broad range of practice. It is also an emerging area where there is a lack of a well-proven path and clear direction from management or directors on what the output and outcomes should be.

What is clear, though, is an expectation for better clarity and context for risk assessment to bring a strategic focus to the effort. While management has become accustomed to answering the age-old question—what keeps you up at night—our research shows that there is a better approach as highlighted in the accompanying case study. Another particular area of need is to better identify emerging risk, not necessarily the “one in a million black swan” type risk, but those that would be evident if one were focused on looking for them in the right way.

In summary, elevating risk assessment today requires a focus on and refinement in two areas—the identification and assessment of both strategic and emerging risk (See Figure 04).

Integrating risk and compliance activities

When asked which initiatives are driving the coordination and integration of risk and compliance activities, survey respondents indicated that rationalizing their GRC activities has risen to a strategic level. A substantial percentage reported a current involvement in or plans to significantly enhance the key steps in the risk management process, by focusing on the front-end aspects of:

- Defining overall risk management and compliance policy
- Establishing common enterprise risk framework and definitions
- Developing a common risk assessment methodology
- Integrating assurance and audit plans (See Figure 05)

Figure 04. An internal audit team within a large financial services company changes its approach to risk assessment

The company's issue

After being spun off from its parent company, the newly formed company established an internal audit function to meet the needs of a standalone organization. At the time, the new company needed an internal audit function heavily focused on internal controls and compliance auditing.

After two years of successfully providing controls-based services, internal audit's work showed a positive impact on the organization through a higher occurrence of satisfactory audits, and a significant reduction in the number of control weaknesses identified in their work. At the same time, the chief audit executive recognized that for internal audit to remain a valued business partner, it could no longer continue to focus as it had in the past.

Change was required, but where to start? Internal audit needed to strike a balance between providing continued assurance over the maturing financial reporting controls, and the emerging risks that faced the company as management executed its strategic plan to deliver growth to its shareholders. The team needed to align audit activities with what mattered most to management and the audit committee.

Where to start?

The team's previous risk assessment process provided an effective means for allocating audit department resources. However, the new challenge was to help management avoid risk rather than react to it, which required a reengineering of the risk assessment process. To start, the audit team needed to fully understand the business and the associated risks by using a variety of tools and resources. The team reviewed internal and external data and information sources and strategic plans and incorporated the enterprise risks captured elsewhere within the organization into their learnings.

The team not only did its homework, but also it leveraged information gained in meetings with executive leadership to validate an understanding and knowledge of business risks. These conversations were much different from the risk assessment conversations of the past because they

entered into these discussions with a deep understanding of the business, its strategies, objectives, and risks. Discussions centered on the things that needed to happen for the company to achieve its objectives. The exchange of information and internal audit's depth of business knowledge impressed the executives. For the first time, the executives benefited from the conversations with internal audit instead of simply fulfilling an annual obligation to share potential risks.

With the additional information gathered through a small number of well-timed executive interviews, the team used its comprehensive understanding to develop a plan. First, it captured the overall risk themes and supported those themes by aligning them with the strategic initiatives and objectives of the organization and business units. At the same time, they identified those control or compliance activities that required assurance. To complete the risk assessment, the team developed an audit plan that identified the type of audit activity, ranging from additional meetings and inquiry, to detailed control and process testing, which was necessary to provide management assurance over risks.

The internal audit team also made organizational changes to align itself with individual business units. These changes fostered deeper relationships within the business. The team had changed its approach from performing only scheduled business unit audits to one of continual involvement in risk assessment and mitigation.

Most importantly, internal audit demonstrated that it could do more and that it had the necessary skills and capabilities to help management oversee the business and achieve its long- and short-term goals.

Although the internal audit team has met with success, it must continue its effort to embrace the new approach to risk rather than fall back on old habits that may represent a more comfortable way of working for process-driven audit professionals. In adopting its new way of approaching risk, this internal audit team also overcame inertia, quickly put ideas into action, and executed on its goal of becoming a trusted adviser to management.

Figure 05. Which of the following steps has your organization taken to further the coordination and integration of various risk and compliance functions? Which steps is your organization planning to take?

	Have undertaken	Plan to undertake	Plan to significantly enhance	No plans to undertake
Define overall risk management and compliance policy	57%	16%	13%	14%
Develop a common risk assessment methodology	54%	21%	12%	12%
Establish common enterprise risk framework and definitions	52%	21%	13%	14%
Integrate assurance and audit plans	49%	21%	10%	19%
Map sources of assurance against key risks	44%	28%	13%	15%
Integrate risk and compliance reporting	35%	26%	11%	28%
Leverage an enterprise risk assessment across multiple risk and compliance functions	34%	30%	13%	23%
Implement risk and compliance software across multiple functions	16%	22%	7%	54%

The survey also indicated many had plans to undertake or significantly enhance most of these steps with one key exception, which was implementing integrated risk and compliance software.

In the survey, we also wanted to more definitively understand with whom and to what extent coordination and integration activities were taking place. Not surprisingly Sarbanes 404, external audit, and compliance were the functions for which internal audit had the most structured processes. Large numbers of participants were also continuing to work on improving coordination and integration with external audit, enterprise risk management, information and IT security, compliance, and legal (See Figure 06).

This is good news. The benefits to such integration include insight into what risks

need attention from a resource perspective. This is an area where internal audit can play a strong role. As raw data provides insight, it can help auditors determine how to allocate resources and offer guidance as to what may be over- or under-resourced. Having this insight elevates the discussion with senior management.

As noted earlier, the survey data indicated that a broad number of participants were working on developing common “front end” risk management processes. We would expect that as attention turns to the “back end” processes of common and integrated reporting and follow-up, and an integrated assurance plan that is broader than Sarbanes 404 and external audit is developed, that the benefits will be both tangible and meaningful.

Figure 06. Please rate the extent of information sharing, coordination, or integration between internal audit and the following functions.

	Little information sharing or coordination	Some informal information sharing	Actively working to improve information sharing and coordination	Structured integration processes and plans are in place
Environmental sustainability	49%	27%	15%	8%
Health and safety	42%	30%	18%	10%
Quality	33%	33%	24%	10%
Sarbanes 404	29%	10%	15%	46%
Loss prevention	29%	31%	29%	11%
Credit risk	27%	32%	28%	13%
Business continuity	17%	33%	33%	17%
Legal	14%	34%	34%	17%
Enterprise risk management	13%	20%	42%	25%
Information data and security, including privacy	8%	27%	43%	21%
Risk and compliance functions & activities	8%	19%	48%	26%
External audit	8%	22%	38%	32%
IT security	7%	25%	44%	24%
Compliance	7%	21%	43%	29%

Enhancing scope and its implications

The 2010 survey sought to determine the extent that the scope of work had evolved within the internal audit profession as a result of the economic crisis that swept the globe in 2008-2009. Boards, audit committees, and senior executives often want to tap into internal audit's strengths, which include a broad perspective of the enterprise and its operations, and a mature,

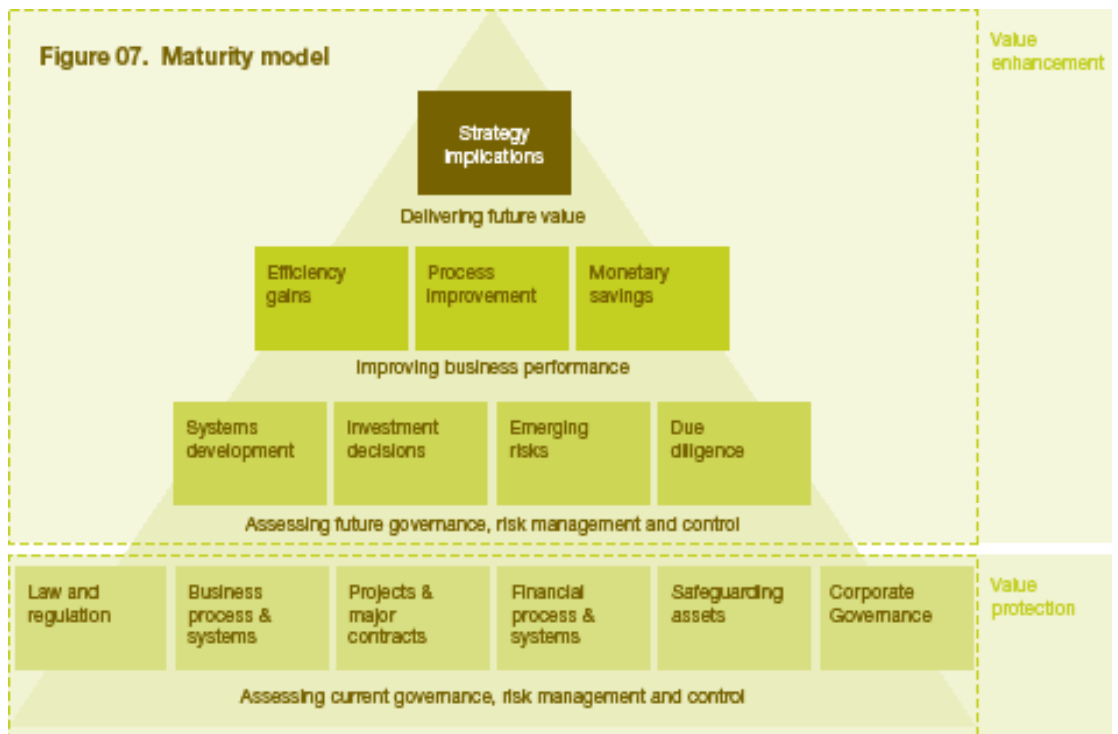
structured methodology that can be applied in innovative ways to discover and highlight risks that might otherwise be overlooked.

The bottom level of the diagram in Figure 07 depicts what might be considered internal audit's "baseline" assurance mandate. Efforts in these areas help management protect the organization's value. That the focus for many internal audit functions is changing is evident as the survey shows that respondents expect even more new activities will be added as they look ahead

and that the mix of activities will change over the next three years to include more value enhancement projects.

The upper-three levels in the diagram depict value enhancement activities, efforts that provide insights that inform and assist management in improving the operations

as a primary objective. The levels depict a natural order of progression—in other words, stages of maturity—for enhancing value by improving governance, risk and compliance, to improve day-to-day business performance, and ultimately to support the execution of strategic initiatives.

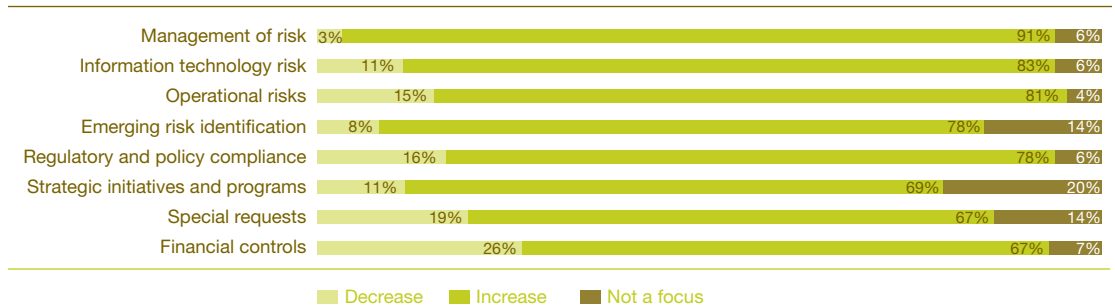


Although survey respondents express a desire to change, how the profession will respond is less clear. When asked to rate a list of activities on the basis of increasing or decreasing effort over the next three years, respondents mentioned a large number of increased priorities with very little corresponding reduction (See Figure 08).

without significant changes. There are three fundamental approaches to handling the additional workload: leverage other functions in the enterprise, become more efficient for the same total spend, and/or add people.

This report addressed the notion of integrating assurance functions in an

Figure 08. Please indicate whether the level of focus in the audit plan will increase or decrease in the next three years.



Most interesting is the 67 percent who predicted an increase in focus on financial controls. This was in contrast to 26 percent who predicted a decrease, which was the most significant reduction by far and the more expected result.

The overarching implication of the large number of areas that are predicted to increase is that the profession will be hard pressed to deliver on all of them

earlier section. It will address the efficiency question in the segment on use of technology. The question as to whether internal audit budgets will increase to enable a higher headcount, is largely dependent on the profession's ability to deliver additional value commensurate with the increase in resources. In our view, this means addressing the value enhancement component of the pyramid.

Closing the skills gap

The expansion of scope and drive to deliver more value was expected to have implications on the skills of auditors and the mix of skills. We asked respondents to rank the most important increases in specific skills and capabilities over the next three years. Overall, a number of skills and experiences were identified as increasing significantly over the next three years, as depicted in Figure 09.

The increased need for the two technical skills was to be expected, as was the recognition of the need for improved soft skills to enhance auditor effectiveness. The increase in strategic understanding is also a necessity for moving internal audit up the value enhancement chain.

More puzzling, though, was the relative lower ranking of business experience outside of internal audit, which we view as an important element to effectively identify risks and add

Figure 09. Please indicate whether the need for the following capabilities and depth of knowledge will increase, stay the same, or decrease over the next three years.

	Increase	Stay the same	Decrease	Not applicable
Critical thinking and analysis	68%	31%	1%	1%
Knowledge of risk management approaches	67%	31%	1%	1%
Communication	63%	36%	0%	0%
Understanding of organization's strategy & business model	61%	39%	1%	0%
Specific technology experience (i.e., security, ERP)	60%	36%	2%	3%
Leadership	54%	44%	1%	1%
Experience in the business outside of internal audit	53%	42%	3%	3%
Collaboration and teamwork	50%	49%	1%	0%
Qualifications (CPA, CIA, BSA, CISA, etc.)	49%	50%	1%	2%
Other specific industry skills	27%	9%	0%	64%

Four types of soft skills were identified, with critical thinking and analysis and communications being the first and third overall needed skills. Two technical skills ranked in the top five, being knowledge of risk management approaches, and IT skills. Finally, two types of general business knowledge, understanding of strategy and business model, and experience outside internal audit, were ranked fourth and seventh, respectively.

value in areas beyond the more traditional financial and policy compliance areas.

In terms of improving these skills, a majority of respondents (58 percent) said that once a gap is identified, training staff can effectively close it. Other methods of acquiring new skills were considered much less likely. Hiring into the group was a distant runner-up, with 29 percent of respondents saying it would be used as a “significant” tactic during the next three years.

Training is a logical choice to fill a skills gap, but the strategy is not without challenges. The first consideration is to invest training in the right people. And although it is implicit that someone on staff would be selected for training, companies need to look ahead and establish consistent recruitment programs that target candidates who will become high-performing employees. The additional time required to close a skill gap through training must also be considered.

PwC's research shows company internal audit staff often are sent into a classroom environment to learn a new skill to address an organization's skills gap. However, upon their return to the office, there is little support for the learners as they attempt to apply the classroom knowledge. Without ongoing support, development, and on-the-job training by an experienced and knowledgeable coach, it's impossible for the learner to fully develop those classroom skills.

Leading organizations use an "apprentice model," which provides the learner the support necessary to fully develop the new skills and apply them on the job. However, this assumes an in-house coach with the required expertise exists within the organization, which is often not the case, and constitutes a challenge for many organizations. As a best practice, companies must find the right mix of virtual training and classroom training and match it with purposeful coaching and development.

As management's expectations grow, internal audit must respond by bringing new skills to the table. Otherwise, management may look elsewhere.

Among the most interesting—and possibly worrisome—results of the survey is that despite the recognition of a major scope broadening and a simultaneous effort to expand internal audit's skill set, not much change is anticipated in staffing mixes or sourcing models over the next three years. In the case of specialized positions, for example, respondents strongly favor a permanent position in preference to a model that leverages the advantages of rotation. Sixty-eight percent said IT auditors do not rotate into IT or other business units.

The survey results also do not indicate there will be much change over a three-year horizon. The percentage of permanent auditors without rotation into the business is expected to fall just 4 percentage points from 60 percent to 56 percent between 2010 and 2013, for example, while rotating staff from the business is expected to grow from 9 percent to 12 percent of the staff. Survey participants expect other options to remain unchanged.

The survey also found that internal audit sourcing models are not expected to change significantly within the next three years despite significant changes affecting the enterprise. According to the survey, in 2013, 27 percent of vacant positions will be filled with internal candidates, compared with 26 percent today. The percentage of new hires with a public accounting background is expected to drop from 33 percent today to 31 percent in three years.

58 percent

A majority said that once a gap is identified, training staff can effectively close it.

Responding to cost pressures

The recession has had an impact on internal audit, although only a third of the companies that reported overall downsizings included internal auditors. This is a positive sign about the perceived value of internal audit and can be a springboard into an expanded role. While layoffs in internal audit were more limited than for other functions, initiatives to increase efficiency and changes to audit's scope of work have been common.

Turning to the type of cost-cutting initiatives within their companies and for internal audit, respondents confirmed that enterprisewide programs such as headcount reductions, travel restrictions, and hiring freezes were commonplace in 2009.

Between 56 percent and 62 percent of respondents reported that most of these programs affected their departments. The outstanding exception was headcount reduction, which, as noted above, showed a greater degree of insulation. Only 37 percent of the respondents reported

that companywide layoffs included internal audit. Although internal audit functions have managed to somewhat avoid the specter of staff reductions, a substantial number (37 percent) are managing costs through attrition and open positions, which will give them the opportunity to broaden the department's skills portfolio as hiring freezes end.

A number of efficiency-related tactics have been widely employed in the past, and a significant number of internal audit departments plan to continue these initiatives (See Figure 10).

In particular, the internal audit efficiency priorities looking ahead include:

1. Increasing the use of technology
2. Simplifying and streamlining reporting
3. End to end audit process streamlining
4. Moving to a more risk-based approach
5. Standardizing audit procedures and systems

Figure 10. Which of the following tactics/strategies have you employed, or are you planning to employ to increase efficiencies within the internal audit function?

	Plan to employ	Have employed	Not applicable
Increasing the use of technology and automated tools	46%	42%	12%
Simplifying and streamlining reporting	34%	49%	17%
Performing end-to-end examination of the audit process to identify inefficiencies in planning, fieldwork, and reporting	29%	58%	13%
Moving to a risk-based approach; reducing time spent on non-key areas	24%	69%	8%
Standardizing procedures and systems in the audit process (i.e., standard audit approach/coverage across multiple locations, leveraging prior knowledge, etc.)	23%	69%	8%
Reducing contract services	15%	24%	61%
Reducing travel	14%	39%	46%
Reducing external training	11%	31%	58%
Delaying projects	10%	26%	64%
Other	10%	12%	79%
Staff reductions	6%	23%	71%

We also wanted to find out how internal audit departments had adjusted their scope as a result of the crisis (See Figure 11).

Figure 11. As a result of cost pressures and cost-cutting initiatives within the organization, have any of the following audit activities/projects been added to your 2009/2010 audit plan? Please also indicate what percentage of your budget is consumed with such audit activities in 2009 and expected in 2010.

	Yes	No	Budget percentage during 2009 (Avg)	Budget percentage during 2010 (Avg)
Fraud prevention or detection activities	53%	34%	12%	13%
“Cost recovery” reviews (e.g., duplicate payment reviews, contract compliance reviews, travel and expense policy compliance)	46%	41%	12%	17%
Fraud investigations	44%	40%	8%	8%
Monitoring to ensure management’s cost-cutting initiatives are sustainable, measurable and are producing the desired results (e.g., control deterioration assessments, pre-implementation cost-reduction review)	32%	50%	14%	14%
More services for the external auditors in order to reduce external audit fees	28%	52%	10%	15%
Additional assurance activities that have traditionally been housed elsewhere	21%	55%	13%	25%

Although many respondents reported expanding the number of projects within six audit plan categories, budget allocation percentages changed dramatically for three of the categories.

The most striking increase was the category additional assurance activities that have traditionally been housed elsewhere, which almost doubled—from 13 percent in 2009 to 25 percent in 2010. Many chief audit executives appear to be positioning their departments to optimize corporate resources by providing more combined assessments on risk and compliance processes for the organization than they did in 2009, as well as increasing external audit

support by 5 percent. In addition, the budget allocation for value-enhancing cost recovery work is projected to grow 5 percent in 2010.

In summary, many internal audit departments fared better than other functions in avoiding layoffs and thus are relatively well positioned resource-wise. Efficiency initiatives were widely utilized in the past, and a significant number plan to continue that trend although the priorities have changed. In addition, the allocation of resources has changed, with some of it directed at optimizing assurance activities and the rest at value enhancement through cost recovery work.

Using technology as an enabler

There is a wide array of specialized tools to support and enhance the entire spectrum of internal audit processes. The survey results indicate that internal auditors, for the most part, are not taking advantage of them. Realizing the potential from technology and tools must proceed along three axes: tool availability; skill set adequacy; and collaboration with other corporate functions.

In taking stock of the state of technology in internal auditing, we probed in depth the use of organizational systems and data analysis tools, while also surveying the use of selected automated control monitoring tools and GRC applications, as well as collaboration tools.

Organization systems

Data warehouse software and ERP systems offer a view across the organization that appears to be underutilized by internal auditors. Only 51 percent of survey respondents indicated that the use of such systems by internal audit staff is widespread, and only about 8 percent reported using such systems proactively to monitor key risk indicators.

Thirty-two percent of respondents indicated they depend on other functions within the

enterprise to provide reports generated from organization systems. This can severely limit internal audit's ability to fulfill its mission. The nature of the systems requires concise, well-thought-out queries. A nonauditor unaccustomed to composing audit queries can be hard-pressed to do this successfully. Thus we asked the question as to the greatest barriers to internal audit better leveraging enterprise systems (See Figure 12).

One possible reason for dependency on other corporate functions to provide data is a skill set gap within internal audit. The survey supports this view. A lack of skills was cited as a significant barrier to leveraging organization systems: 56 percent considered lack of skills the most significant barrier; while 36 percent chose lack of access as a significant barrier.

Two other categories provide further evidence of challenges within the profession: 41 percent marked as a significant barrier the lack of an audit methodology to support the technology's use. Even more to the point, 37 percent indicated that the most significant barrier is that the systems are not considered as an efficient means of increasing audit efficiency.

Figure 12. Please rank the greatest barrier in leveraging your organization's significant systems (ERP, data warehouse, etc.) when performing audit activities.

	1 Greatest barrier	2	3	4	5 Least barrier
The requisite skills and knowledge do not currently reside within the internal audit department	34%	22%	16%	16%	12%
Lack of access to significant systems	16%	20%	21%	27%	16%
Lack of audit methodology and approach supporting the use of significant systems	15%	26%	38%	17%	4%
Use of significant systems is not perceived as a means to increase the efficiency of conducting audit activities	14%	23%	19%	32%	12%
Other	37%	8%	4%	4%	46%

Note: In text above, ranks 1 and 2 were combined for the percentage

Data analytics

Once obtained, the data from organization systems must then be sifted and massaged by tools for data mining, computer-aided audit techniques (CAATs), and operational dashboards.

The survey revealed a slightly more encouraging situation for the deployment and use of these types of tools. When respondents were asked to place their departments' use of data analytics technology on a continuum from immature to robust, 20 percent placed themselves in the two most mature categories while 10 percent placed themselves in the least mature category.

The same pattern of responses that characterized the barriers to utilization of organization systems characterized this category: 55 percent ranked lack of skills as an important barrier. Lack of access

to the technology was considered the most significant barrier by 43 percent of respondents. The pattern continued, with 40 percent marking as significant the barrier described as lacking an audit methodology to support data analytics and CAATs (See Figure 13).

The survey also shows that Excel is by far the tool of choice for a range of data analysis activities and that the utilization of technologies such as ACL, IDEA, and Oversight is relatively low. Similarly, more sophisticated data analysis tools used to complete tasks such as security monitoring activities and risk assessment are rarely used. The survey also indicates low penetration rates for collaboration tools (other than audit management systems) and for specialized tools used for monitoring automated controls and security (See Figure 14).

Figure 13. Please rank the greatest barrier in leveraging data analytics/CAATs when performing audit activities.

	1 Greatest barrier	2	3	4	5 Least barrier
The requisite skills and knowledge do not currently reside within the internal audit department.	34%	21%	18%	14%	12%
Lack of access to data analytics/CAATs tools	20%	23%	21%	23%	13%
Lack of audit methodology and approach supporting the use of data analytics/CAATs	12%	28%	35%	19%	6%
Use of data analytics/CAATs is not perceived as a means to increase the efficiency of conducting audit activities.	13%	18%	19%	34%	15%
Other	44%	10%	9%	5%	32%

Note: In text above, ranks 1 and 2 were combined for the percentage

Figure 14. In which areas is technology leveraged and what types of technology are used in the following?

Leveraging technology to optimize audit operations	Annual Risk Assessment	Resource Planning	Planning	Control Analysis	Data Analysis	Substantive Testing	Risk Assessment Updates	Workpaper Management	Reporting	Issue & Remediation Tracking	Performance Metric Measurement	Communication	Client Satisfaction Surveys	Continuous Control Monitoring	Knowledge Management	Continuous Auditing	Other
Data analysis tools																	
Excel	69%	68%	69%	53%	55%	56%	57%	44%	41%	48%	47%	30%	34%	28%	23%	26%	1%
Access	6%	5%	5%	8%	16%	9%	4%	4%	6%	9%	3%	3%	3%	4%	3%	4%	0%
SQL	3%	1%	2%	4%	10%	7%	2%	3%	3%	2%	2%	1%	1%	4%	2%	4%	0%
ACL	4%	1%	3%	10%	31%	21%	2%	2%	2%	1%	1%	1%	1%	9%	2%	13%	0%
IDEA	1%	0%	0%	2%	8%	6%	1%	0%	1%	0%	1%	0%	0%	1%	0%	2%	0%
Oversight	3%	2%	3%	4%	2%	3%	4%	5%	5%	4%	4%	6%	5%	5%	6%	4%	0%
Application/ security monitoring tools																	
Approva/ Versa	2%	2%	2%	3%	2%	2%	2%	1%	1%	1%	2%	2%	2%	2%	2%	3%	0%
Audit/GRC Systems																	
GRC platforms*	7%	5%	6%	6%	4%	5%	6%	7%	6%	7%	5%	5%	4%	4%	5%	4%	1%
SAP GRC	2%	2%	2%	2%	3%	3%	2%	2%	2%	2%	1%	2%	1%	2%	1%	2%	1%
Collaborative tools																	
Audit mgmt**	19%	19%	22%	16%	13%	17%	16%	28%	24%	22%	14%	14%	11%	11%	12%	11%	1%
Dashboard	9%	7%	7%	7%	7%	5%	7%	6%	8%	8%	9%	7%	4%	6%	5%	5%	1%
Survey tools	10%	4%	5%	4%	4%	4%	6%	3%	4%	3%	3%	5%	13%	3%	3%	3%	0%

*Paisley, Open Pages, Resolver

**TeamMate, AutoAudit

Technology's value

Better application of technology is a possible answer to addressing the scope expansion depicted earlier. The best way to approach this is by initiating a pilot project for a technology-enabled audit methodology or audit life cycle. Instead of approaching technology upgrades from the perspective of evaluating tools and what they do, the starting point should be a diagram of the pilot audit's life cycle. At every point in the life cycle a determination can be made about the opportunity for technology to enhance and streamline that process.

This approach also has the advantage of making the results of deploying technology measurable. This is important for raising the performance bar because this year's survey results indicate that auditors are presently

not convinced that technology has a clear benefit. Fifty-six percent of respondents said they were either unable to calculate a benefit (41 percent) or had seen no benefit (14 percent) from previous technology deployments.

Respondents were split on the type of benefits technology provides. Greater coverage was the most popular choice (38 percent). Targeted risk testing ranked second (28 percent), with 28 percent followed by efficiency (18 percent) and continuous monitoring (17 percent) (See Figure 15).

Fortunately, budget restraints are not a barrier to using technology. Only 4 percent indicated that they had scaled back on technology use because of cost pressures.

Figure 15. What is the primary benefit of leveraging technology in the audit process?

	1 Highest benefit	2	3	4	5 Lowest benefit
Greater coverage	38%	30%	23%	8%	1%
Targeted risk testing	28%	24%	25%	21%	2%
Efficiency/reduced cost	18%	24%	30%	27%	2%
Continuous monitoring	17%	22%	20%	34%	7%
Other	7%	3%	5%	7%	78%

What this means for your business

Adapting to today's
challenges requires
leadership, vision,
and agility

As a profession, internal audit is in an enviable position. Needs and expectations are at an all-time high with the increasing call to provide insight across a broad range of critical business risks. It is also clear that internal audit organizations in aggregate still have a performance gap related to their most important attributes. Without delivering on its promise, internal audit organizations are at risk of losing the stature gained through their leadership during the Sarbanes-Oxley years, and could once again be perceived as a controls and compliance monitoring function.

With these new challenges in mind, internal audit must take a more radical approach to change than it has in the past and rethink and redefine its capabilities and the way it works. We describe this approach as a move to internal audit 2.0, and the need to define the future of the profession.

Start with a plan

How to get started? Defining and executing on a strategic plan supported by and aligned with management and the audit committee is a good place to begin. In doing so, internal audit itself needs to define its vision with clarity and build the business case to support it. Some stakeholders may continue to gravitate to familiar models and tendencies but the environment is different, and old prescriptions no longer have the same relevance or impact. Slow growth, globalization, technology and volatility are among the forces here to stay. They have and will continue to radically reshape the business environment, creating challenges for enterprises large and small. Depending on the starting point, this may require internal audit leaders to take a hard look at all aspects of their scope, people, processes and technologies, and really challenge whether they have the right strategy and capabilities in place.

It is hard to bring about significant change without a plan. Internal audit organizations that break down their vision and goals into key initiatives that can be tackled logically and systematically are also the ones most likely to succeed in driving value in their organizations.

Rethink risk assessment practices

Next, internal audit must rethink how it conducts risk assessments to more clearly demonstrate to management the link between what they are focused on and the organization's critical risks. It is far more powerful to ask managers to share their specific concerns about growing revenue or delivering unique value to customers rather than approaching them with the generic and overused "What keeps you up at night?"

By making an effort to fully understand and focus on the main business drivers, internal audit organizations can craft an audit plan that delivers value to the business. Many organizations are uncomfortable with breaking free of their bottom-up risk assessment practices. If that approach is effective and truly helps allocate resources in a risk-oriented way, then a powerful solution can be to supplement the existing approach by layering on a strategic risk profile that enables the identification of strategic audit projects.

The message from regulators and others is that risk management needs to improve. Internal audit should take the lead in making that happen by refining the risk assessment process and laying the groundwork for defining a more value-enhancing scope of work.

Fill the skills and capabilities gap

According to our 2010 CEO survey, developing talent stands near the top of the list of CEO priorities and challenges. From an internal audit perspective, it is no different. When looking out three years, internal audit leaders recognize the importance of continuing to improve their teams' softer skills in areas such as critical thinking and analysis, communications, and understanding strategy and business models. In many cases, training focused on these issues is the best route to pursue. From a knowledge perspective, the internal audit leaders also recognize the growing importance of risk management and the need for improved knowledge of different risk management approaches. They also foresee the need for more specific technology experience, which is not surprising, given the continuing importance and dependence enterprises have on IT.

However, as we stated earlier, a different environment demands a different audit plan, which in turn requires different functional skills and experience. Thus, we were surprised to see that although internal audit leaders saw an increased need for staff with experience outside of internal audit, that factor had only the seventh-highest ranking.

Changing the staffing model can be difficult, but such a bold move may be necessary to deliver a next-generation profession able to meet today's needs and expectations. To us, adding more non-audit business experience to the team is critical to increasing credibility with clients, adding value through practical insight, and perhaps most importantly developing internal audit talent.

Align with other assurance functions

Improving the alignment of internal audit, with the various risk management, compliance, and internal control functions to ensure optimal assurance levels should be a fundamental objective in any complex organization. It is a trend that is evident in the survey data, though much of the integration work to date relates to financial reporting-related work.

Some leading companies have gone through the exercise of mapping the sources of assurance against the key risks and compliance requirements of the organization. The next step along the maturity curve is to determine an audit strategy with respect to the other nonfinancial assurance functions, taking into account the degree of independence in each

function together with an assessment of the risks being addressed and the competence of the function.

Internal audit is well positioned to develop the concept and drive the execution of aligned assurance activities and by doing so further improve its position and value within the organization.

Focus on obtaining Return on Investment (ROI) from technology

The use of technology is almost universally seen as a driver of both efficiency and effectiveness, yet in practice that has been hard to achieve and even harder to clearly demonstrate. The survey data points to the use of technology as being the number one efficiency initiative when looking ahead.

Leveraging technology should be directed at solving a business problem or issue rather than acquiring technology for technology's sake. This requires a clear assessment of the audit life cycle to find ways to use technology to enable measurable efficiency. The survey revealed that approximately 50 percent of internal audit functions have typically not used an ROI mindset in deploying technology tools. It also showed that most internal auditing organizations

believe they lack the skills, access, and methodologies needed to effectively use technology.

Significant progress in leveraging technology starts with a clear vision and then takes a disciplined business-oriented approach that considers required skills and a number of other factors such as those outlined in PwC's document *Maximizing internal audit: A 10-step imperative for thriving in a challenging economy*.

Defining a 2.0 internal audit organization

We introduced the concept of an internal audit 2.0 to start organizations thinking about change. As internal audit confronts new needs and expectations, it must take the initiative to redefine its role, expand its skill sets, and prepare to take the lead in meeting the challenges of today's ever-changing business environment.

And the time to act is now, while internal audit has management's attention.

Survey methodology

The *2010 State of the internal audit profession survey* was conducted in the fourth quarter of 2009 and includes responses from more than 2,000 internal auditors from more than 50 territories around the world.

The survey had four purposes:

- 1) Capture a snapshot of the internal audit profession.
- 2) Share insights and observations from PricewaterhouseCoopers about major issues, trends, and changes reshaping internal auditing today.
- 3) Collect benchmarking data to help organizations compare and contrast their internal audit processes and procedures.
- 4) Provide a baseline to measure ongoing changes in the profession.

Missão e equipe

Nossa missão e papel como consultores em Auditoria Interna

A Auditoria Interna, quando bem estruturada e capacitada, é componente chave essencial no âmbito das empresas, sejam de pequeno, médio ou grande porte. Somos consultores pragmáticos que assessoramos nossos clientes a resolver problemas complexos de negócio, desenhando e implantando soluções em Auditoria Interna.

Nosso papel, como consultores, é o de prover soluções em Auditoria Interna que sejam mensuráveis aos olhos dos *stakeholders*, que estejam alinhadas às melhores práticas e requerimentos regulatórios e que agreguem valor para a organização.

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