The future of internal audit is now
Increasing relevance by turning risk into results
Survey insights: an overview
Our survey results show that while 75% of respondents believe that their internal audit function has a positive impact on their overall risk management efforts, 80% acknowledge that their internal audit function has room for improvement.

Increasing relevance from strategy to impact
To truly create value and assist the organization in achieving its business objectives, internal audit needs to focus on aligning its strategy to the business. We offer four key steps internal audit can take to become more strategically relevant to the organization.

Conclusion: adding value
The future of internal audit is not on the horizon. It’s here. And internal audit functions need to act now to drive business impact – or be left behind.
Survey insights: an overview

In January 2012, Ernst & Young commissioned Forbes Insights to conduct a global survey about the evolving role of internal audit. Respondents included chief audit executives (CAEs), C-suite executives and board members representing organizations with global revenues of $500 million or more and spanning 26 industry sectors.

In the survey, 75% of respondents believe strong risk management has a positive impact on their long-term earnings performance. An equal number believe that their internal audit function has a positive impact on their overall risk management efforts. And yet, 80% of respondents acknowledge that their internal audit function has room for improvement. Of these respondents, 70% believe that the improvements should be undertaken within the next 24 months.

Top five improvement priorities for internal audit

The key priorities of both CAEs and stakeholders have clearly shifted from compliance and financial controls to risk coverage and business relevance. When we asked respondents about the future of their internal audit function – where they most need to make improvements – their top five priorities were:

1) Improving the risk assessment process
2) Enhancing the ability to monitor emerging risks
3) Becoming more relevant to achieving the organization’s business objectives
4) Reducing overall internal audit function costs without compromising risk coverage
5) Identifying opportunities for cost savings in our business

Q: What sort of impact has strong organizational risk management had on your long-term earnings performance?

- Strongly positive: 33%
- Somewhat positive: 42%
- No impact at all: 10%
- Somewhat negative: 2%
- Strongly negative: 3%
- Don't know: 10%
Trends in execution

Our survey further suggests that internal audit will continue to focus on a mix of business and information technology (IT) reviews, with an increased emphasis on strategic and operational risks.

Internal audit risk assessments, regulatory requirements and enterprise risk assessments will remain the top three drivers of the audit plan, mirroring the top two improvement priorities. Already, internal audit is playing a more prominent role in organizational issues, such as:

- Major capital projects (49%)
- IT systems implementations (42%)
- Mergers and acquisitions (37%)
- Material contracts (32%)

Technology also remains a key area of focus for internal audit functions, comprising 18% of the current audit plan – a percentage we expect will grow in the next two years. In fact, 48% of respondents suggest that IT security and privacy risk are top priorities.
Realizing strategic alignment of the Internal Audit function

Based on previous research and our own experience, we believe that companies with more mature risk management practices outperform their peers financially. To truly focus on the risks that matter, create value and help the organization achieve its objectives, internal audit needs to focus on aligning its own strategy to that of the overarching organizational strategy. There are four steps leading internal audit functions need to take to realize strategic alignment, increase its relevance to the business and help the company achieve a risk maturity that accelerates stronger financial performance.

1. Leverage organizational strategy
   - Growth strategy (e.g., organic vs. acquisition, domestic vs. international)
   - Branding strategy (e.g., premium vs. low-cost provider, key differentiators)
   - Market entry strategy (e.g., market/countries to enter, FDI vs. JC vs. partnership)
   - Product strategy (e.g., product customization, life cycle management)
   - Operations strategy (e.g., supply chain, project management, level of centralization)

2. Develop well-aligned IA strategy
   - Internal audit strategy
     - Time horizon aligned with organizational strategy
     - Driven by stakeholder expectations
     - Compliance and making the business better
     - Risk coordination
     - IA initiatives

3. Employ critical enablers throughout
   - Critical IA strategic requirements
     - People and sector knowledge
     - Continuous risk coordination
     - Innovation

4. Run IA operations like a business
   - Internal audit business drivers
     - Define
       - Design strategic mandate
       - Develop value charter and scorecard
       - Determine organizational structure based on overarching business model
     - Plan
       - Conduct risk assessment
       - Evaluate against strategy and key business drivers
       - Determine operating structure
       - Develop strategically aligned audit plan
     - Execute
       - Execute against audit plan
       - Use data analytics throughout
       - Periodically recalibrate audit plan
     - Evaluate
       - Assess KPIs against mandate value scorecard
       - Re-evaluate strategy and audit plan
       - Employ continuous improvement

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1 Ernst & Young, *Turning risk into results: how leading companies use risk management to fuel better performance*, 2011.
1) Leverage the organizational strategy

To create value and maximize relevance to the organization, CAEs need to have a line of sight and a solid understanding of the organization’s broader business imperatives.

However, our study revealed that when we asked respondents whether internal audit has a documented mandate that is aligned to the business, 61% said no.

Internal audit can use the organization’s overarching organizational strategy to identify the risks that matter most in the context of the organization’s risk appetite. Elements of the organizational strategy will vary by industry and are very specific to the business. But to remain relevant, internal audit needs to use risk assessments based on the organization’s strategic objectives.

Q: Does internal audit have an explicit and documented mandate aligned to business?

- Yes, aligned with the overarching business strategy: 39%
- No, no explicit internal audit mandate has been articulated: 9%
- No, separate independent from the overarching business strategy: 52%

**Key learning:** Don’t gamble when it comes to addressing risk. Become more relevant by using the organization’s business strategy to identify the risks that matter most.
2) Develop a well-aligned internal audit strategy

Many CAEs new to their role embark on a journey to transform their internal audit function. But it is often tactical in nature and doesn’t focus on long-term strategic planning for internal audit.

Internal audit may have a charter and an annual plan, but many do not have a higher-level, internal audit-specific strategic plan. A detailed strategy enables internal audit to align its objectives to the organization.

The internal audit strategy should have a long-term (e.g., three-to-five-year) time horizon and have a road map that is based on the organization’s overall strategy, stakeholder expectations, regulatory requirements and the role of the other risk functions.

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Key learning: Develop an internal audit-specific strategy that matches the organization’s strategic plan time horizon to increase organizational alignment and improve internal audit’s relevance to other operating functions.
Creating a comprehensive strategy document and road map

Leading internal audit functions follow four steps to create a well-aligned strategy:

1) Develop or refine internal audit’s strategic vision. Know the function’s roles and responsibilities, the needs of its key stakeholders, what its mandate is and what the internal audit function should accomplish over a long-term period.

2) Identify and prioritize key strategic initiatives. Based on the mandate and strategic vision, align initiatives to key business risks and key operational and financial priorities. Make sure that processes, methodologies and tools are up to date, that internal audit has the industry and functional insights it needs, and that staffing models are flexible enough to anticipate change and address emerging risks/issues.

3) Design the appropriate key performance indicators (KPIs). Determine how internal audit measures its success against the prioritized initiatives, how it aligns with stakeholder expectations, and how to track productivity and value-driven measures.

4) Develop an operating strategy. Detail activities that enable internal audit to achieve its strategic initiatives. Determine key milestones and how the function is communicating its progress to key stakeholders. Also, put steps in place that enable internal audit to adapt to changing priorities so that it can maximize its relevance to the business.

**Key learning:** Create a strategy document that details internal audit’s strategic vision, key initiatives, relevant KPIs and an implementation plan that maps initiatives against a timeline, resources and competing priorities.
3) Employ critical enablers throughout the audit life cycle

Critical enablers are the primary levers an internal audit function has in day-to-day execution. The appropriate resources, a suitable level of risk coordination and innovation are crucial for ongoing success.

Assessing skills and managing talent

As the role of the internal auditor evolves and stakeholder expectations rise, internal audit increasingly requires competencies that exceed the more traditional technical skills. In addition to internal audit knowledge, stakeholders expect internal auditors to have the ability to team with management and business units on relevant business issues. They also expect internal audit resources to have deep sector knowledge and business acumen.

When we asked survey respondents the areas for which their internal audit function has defined competency plans for staff development, 58% indicated that they have a plan for technical internal audit skills, 54% have a plan for business or industry acumen, and only 47% have a plan for business management and leadership. Surprisingly, 8% indicated that they have no defined competency plan at all.

It is important that internal audit understands the skills it has, the skills it needs and where the gaps are in each competency area. Here are two main approaches internal audit can take to attract the right capabilities:

1) Auditor rotation program. This program provides opportunities for auditors to rotate through other positions within other business units or functions in other parts of the organization.

2) Guest auditor program. This program provides an opportunity for high-performing employees from other parts of the business to gain internal audit experience, providing the function with specialized skills that may reside in other functions or business units.

Key learning: Constantly assess and understand the skills internal audit has, the skills it needs and what it needs to do to fill the gaps.
"I believe that the experience and the way of thinking one gains from working in an audit department, public or private, is unique and transferable to other parts of the company. Three of my positions are rotations, with the stated purpose of staying for two years, gaining the experience of working in an audit department and learning how they perform and control. It’s a great way to sprinkle this knowledge and improve the control environment throughout the company."

– Auditor survey respondent
Realizing strategic alignment of the Internal Audit function
Continuous risk coordination

As an organization changes and grows, its risk, control and compliance activities often become fragmented, siloed, independent and misaligned. This has an impact on both the governance oversight and the business itself. Often, there are multiple communications to management and the board that overlap and cause confusion.

In addition to generating cost savings and reducing fatigue on the business, coordinating among risk functions can improve key risk coverage and drive valuable strategic insights. Reporting on risk through a coordinated lens enables the board to gain a broader perspective into the health of the organization and its risk management strategy.

When asked, stakeholders indicated they are seeking significantly higher risk coordination in the next two to three years.

How coordinated are the following activities among the organization’s risk functions? How coordinated would you like them to be? While coordination with other risk functions is beneficial, internal audit needs to balance that coordination with the need to maintain a level of objectivity and independence.

<table>
<thead>
<tr>
<th>Current state</th>
<th>Aspired state</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk assessments</strong></td>
<td><strong>Risk assessments</strong></td>
</tr>
<tr>
<td>9%</td>
<td>67%</td>
</tr>
<tr>
<td>51%</td>
<td>29%</td>
</tr>
<tr>
<td>40%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Issue reporting</strong></td>
<td><strong>Issue reporting</strong></td>
</tr>
<tr>
<td>8%</td>
<td>67%</td>
</tr>
<tr>
<td>53%</td>
<td>28%</td>
</tr>
<tr>
<td>39%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Work planning</strong></td>
<td><strong>Work planning</strong></td>
</tr>
<tr>
<td>14%</td>
<td>58%</td>
</tr>
<tr>
<td>49%</td>
<td>37%</td>
</tr>
<tr>
<td>37%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Policies and procedures</strong></td>
<td><strong>Policies and procedures</strong></td>
</tr>
<tr>
<td>6%</td>
<td>67%</td>
</tr>
<tr>
<td>59%</td>
<td>29%</td>
</tr>
<tr>
<td>35%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Board/audit committee presentations</strong></td>
<td><strong>Board/audit committee presentations</strong></td>
</tr>
<tr>
<td>9%</td>
<td>63%</td>
</tr>
<tr>
<td>57%</td>
<td>31%</td>
</tr>
<tr>
<td>34%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Issue tracking</strong></td>
<td><strong>Issue tracking</strong></td>
</tr>
<tr>
<td>10%</td>
<td>64%</td>
</tr>
<tr>
<td>59%</td>
<td>32%</td>
</tr>
<tr>
<td>31%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Key learning:** Coordinate among risk functions to improve risk coverage and drive valuable insights for the business. Use coordinated risk reporting to give the audit committee a broader perspective into the health of the organization.
Realizing strategic alignment of the Internal Audit function

“A changing area where we’re having some success is data analytics and data mining. If you can use data for predictive analysis, identifying key risk indicators and other red flags, that’s more efficient and proactive. Mining the data to identify key indicators can help you audit more efficiently, effectively and timely.”

— Auditor survey respondent

Employing innovation throughout the audit cycle

In our survey, 80% of respondents indicate that they use data analytics for risk assessments, 73% use them for audit execution, and 70% use them for audit reporting.

A clear majority of internal audit functions say that they use data analytics. Yet, in many cases it is used on an ad hoc basis, without the additional capabilities of data warehousing, benchmarking or continuous auditing. As well, only a small percentage of resources within internal audit have the skills to use data analytics.

Internal audit should consider developing a comprehensive data analytics program that can be embedded into the entire audit life cycle. Using analytics can produce more focused risk assessments, more efficient execution, increased risk coverage and more effective reporting.

Data analytics options available to augment traditional rules-based tests include: model-based, statistical and text mining analysis, as well as visual analytics.

Key learning: Use analytics as part of a comprehensive program throughout the audit life cycle rather than on an ad hoc basis. Embedding data analytics into the audit plan can help internal audit guide the risk assessment, drive enterprise efficiencies and results that add tangible value to the business, and effectively communicate to the audit committee.
4) Run internal audit like a business

Internal audit needs to operate like other facets of the business, holding itself accountable for operational excellence, continuous improvement and tracking impact.

Internal audit functions should use define, plan, execute and evaluate drivers to:

- Design the value charter and scorecard
- Determine an optimal operating structure
- Conduct real-time risk assessments
- Execute a focused, dynamic audit plan
- Evaluate successes and monitor KPIs defined on the value scorecard

**Key learning:** Hold internal audit to the same standards of continuous improvement to which operational functions are held.

"Being able to look at the totality of the business and of the processes – that’s what sets a good internal audit department apart."

— Auditor survey respondent
Realizing strategic alignment of the Internal Audit function

“An internal audit charter offers assurance to the audit committee and other stakeholders in the areas of finance and accounting, fraud and IT systems, to name a few.”

— Stakeholder survey respondent

Designing a value charter and scorecard to define value

The value charter should include a vision statement and commit internal audit to:

› Delivering consistent, seamless and high-quality service to the organization
› Being recognized as the catalyst for strengthening the organization’s control performance
› Serving as a catalyst for the enhanced efficiency of the organization’s control environment

Developing a value charter enables internal audit to effectively measure the value it delivers to the organization.

In addition to the value charter, developing a value scorecard is essential for measuring internal audit’s success. Traditional KPIs have focused on internal audit’s level of effort (i.e., productivity), such as utilization or completing the audit plan — as cited by 41% of survey respondents.

<table>
<thead>
<tr>
<th>Vision statement</th>
<th>Value charter</th>
<th>Value attributes for IA</th>
<th>Value scorecard measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic goals:</td>
<td>• Staff placement/attraction to/from business</td>
<td>• Leadership development</td>
<td>• Percentage of subject-matter resources that increase an audit’s depth or value</td>
</tr>
<tr>
<td>• People</td>
<td>• SMRs leveraged in the audit project(s)</td>
<td>• Subject-matter knowledge</td>
<td></td>
</tr>
<tr>
<td>• Highly engaged workforce</td>
<td>• Training hours, CPEs and certifications attained</td>
<td>• Training and certification</td>
<td></td>
</tr>
<tr>
<td>• World-class safety</td>
<td>• Team headcount and utilization</td>
<td>• Utilization</td>
<td></td>
</tr>
<tr>
<td>• Performance product and process:</td>
<td>• High-risk areas addressed</td>
<td>• Audit relevance to risks that matter most</td>
<td></td>
</tr>
<tr>
<td>• Number one in quality</td>
<td>• Issues monitored and closed (H/M/L)</td>
<td>• Efficiency and effectiveness of audit process</td>
<td></td>
</tr>
<tr>
<td>• Market leadership</td>
<td>• Recommendations made and implemented</td>
<td>• Value impact on the business (process improvement)</td>
<td></td>
</tr>
<tr>
<td>• Market-leading availability</td>
<td>• BU executive interactions and key initiative inclusion</td>
<td>• Business relationships, insights and advisory focus</td>
<td></td>
</tr>
<tr>
<td>• Profitable growth:</td>
<td>• Costs contained/recovered and revenue enhancements identified/implemented</td>
<td>• Six Sigma-principled</td>
<td></td>
</tr>
<tr>
<td>• Revenue</td>
<td>• Emerging market insights and red flags monitored and reported</td>
<td>• EPS growth</td>
<td></td>
</tr>
<tr>
<td>• EPS growth</td>
<td></td>
<td>• Critical success factors:</td>
<td></td>
</tr>
<tr>
<td>• Critical success factors:</td>
<td>• Percentage of subject-matter resources that increase an audit’s depth or value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• People</td>
<td></td>
<td>• People</td>
<td></td>
</tr>
<tr>
<td>• Quality</td>
<td></td>
<td>• Quality</td>
<td></td>
</tr>
<tr>
<td>• Product</td>
<td></td>
<td>• Product</td>
<td></td>
</tr>
<tr>
<td>• Velocity</td>
<td></td>
<td>• Velocity</td>
<td></td>
</tr>
<tr>
<td>• Distribution</td>
<td></td>
<td>• Distribution</td>
<td></td>
</tr>
<tr>
<td>• Emerging markets</td>
<td></td>
<td>• Emerging markets</td>
<td></td>
</tr>
</tbody>
</table>

Developing a value charter enables internal audit to effectively measure the value it delivers to the organization.

However, more effective KPIs focus on the value internal audit is delivering to the organization. Measureable value-drivers can include:

› Business unit cost savings realized
› Leading practices implemented
› Benchmarking and business insights internal audit brings to the business

Key learning: Use a value charter to effectively establish and measure the value internal audit is delivering to the organization.
Establishing an internal audit structure that fits

There is no “one-size-fits-all” organization structure for every internal audit function. An organization could be centralized, decentralized or a hybrid hub. In fact, when we asked respondents how their internal audit function was structured, there was an almost 50-50 split between functions that were centralized in one location and functions that were structured another way.

When selecting an internal audit structure, CAEs need to ensure that it aligns to the overarching organization structure. They also need to consider both the benefits and the risks of each structure before making a decision:

- **Centralized functions** enable increased consistency and control, and demand management, as well as a comprehensive view of the overall organization. However, audit teams may not be close enough to operating units or geographic locations to offer deep insights or strategic value.

- **Hybrid functions**, which generally operate as regional hub and spoke models, are often used by global organizations. This structure tends to offer better access to language, culture and local regulatory knowledge, while maintaining a high level of consistency.

- **Decentralized functions** offer the highest level of operating unit knowledge and responsiveness and can often play a strong advisory role at a local level. However, decentralized structures can inhibit global consistency and objectivity. Under this model, local internal audit functions must have strong reporting relationships to the CAE.

**Key learning:** Make a confident choice on internal audit’s structure – centralized, decentralized or a hybrid – based on organizational alignment, risk tolerance and the culture of the organization.
Realizing strategic alignment of the Internal Audit function

“We are revising some of our methodology around audit planning and identifying the drivers of risk that help us align our resources.”

– Auditor survey respondent

Conducting real-time risk assessments

Improving the risk assessment process is the number one priority of CAEs and stakeholders alike. Identifying risks that are truly significant to the business is the first step to effective risk management and monitoring.

Today’s internal audit functions are focused on enterprise-wide risk coverage, leadership engagement and direct linkage to strategy to increase the relevance of the risk assessment. As well, most leading organizations are incorporating a quantitative component. Data-driven analytics can produce more focused stakeholder discussions, help to frame facilitated workshops and drive the scope of internal audit reviews.

Which of the following do you consider to be the key elements of the internal audit risk assessment process? Select your top three.

<table>
<thead>
<tr>
<th>Key Elements</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise-wide coverage</td>
<td>47%</td>
</tr>
<tr>
<td>Active participation by business unit management</td>
<td>45%</td>
</tr>
<tr>
<td>Linkage to company strategy and key initiatives</td>
<td>40%</td>
</tr>
<tr>
<td>Active participation by executive management</td>
<td>34%</td>
</tr>
<tr>
<td>Input from other risk management functions</td>
<td>28%</td>
</tr>
<tr>
<td>Active participation by external audit</td>
<td>19%</td>
</tr>
<tr>
<td>Formal facilitated workshop to validate and prioritize key risks</td>
<td>14%</td>
</tr>
</tbody>
</table>

Key learning: Risks are always changing. An annual risk assessment is no longer enough if internal audit wants to remain relevant to the business. Focus regular risk assessments on enterprise-wide coverage, management participation and a direct link back to the company’s overall strategy.
Executing a focused, dynamic audit plan

Internal audit must develop an audit plan that focuses on organizational strategic imperatives and key business risks identified during the risk assessment, including an appropriate blend of:

- Advisory and assurance reviews
- Thematic audits
- Issue-based audits

No longer an annual process, the audit plan must be refreshed regularly (e.g., quarterly) and with triggering events. Leading functions are developing a “3 + 9” plan—a three-month frozen window and nine-month fluid plan. However, 40% of CAEs surveyed still rely on an annual refresh process.

For this group, and the 6% who do none at all, the risk is that they leave themselves unprepared for events that could crop up throughout the year. These events may include:

- Transactions (mergers, acquisitions, carve-outs or divestiture)
- New product launch or retirement
- New market entry
- Patent expiry
- Litigation

**Key learning:** Update audit plans according to business cycles and triggering events such as a merger or acquisition, new product launch or litigation.
Strategic and valued advisor

The IA function serves as a subject-matter resource to business management around strategic initiatives, challenges and changes in the organization. The function has the people, knowledge and experiences to effectively provide this level of service.

Business insight

In addition to covering the “basics,” the IA function is designed to provide high-quality, relevant business insight as an integral part of its activities. Business insight is not a by-product, but an explicit outcome from the function’s activities.

Control and compliance monitoring structure

IA function focused on evaluating the design and the effectiveness of internal controls in those areas outlined in their charter or mandate. Also includes focusing on compliance with key regulations and policies.

Key learning: Create an audit plan that has the right balance between assurance and advisory. There needs to be a balance between audit committee and management expectations on the one side and company or business initiatives on the other.
Conducting thematic audits

Thematic audits are not new to internal audit. But they are making a resurgence as stakeholders increasingly want to know the implications, magnitudes and insights that audit findings convey.

In our survey, nearly one-fifth of respondents indicated that they would like to see improvements to internal audit reporting by putting issues into perspective relevant to the risk and identifying trends. Thematic audits are one way of doing this. Themes should be tailored to the sector, organizational structure, business life cycle and strategy.

**Key learning:** Use thematic audits to put issues into perspective relative to risk for stakeholders seeking to understand the implications and insights the audit findings convey.

Conducting issue-based audits

Issue-based audits are another way for internal audit to add value to the business by providing insights on strategic business issues. These audits can be planned in advance, aligned to the business strategy or ad hoc based on business requests or unexpected events that occur throughout the year. These audits can include a mix of advisory and assurance reviews. Internal audit would also be wise to build time into the audit plan for potential ad hoc issues.

**Key learning:** Provide risk advice to the organization throughout significant business activities, review the process by which these activities take place and provide assurance once the project is complete.

“We keep our eyes and ears open for changes occurring internally. Recently, we decided to take out some things we were going to do and add others.”

— Auditor survey respondent

“Whenever we have to implement or design a new IT system ... we put one or two internal audit people into the project group. They help to assure that while being developed, it will live up to everything including any new regulatory requirements. By having IA in place up front, we build it right the first time and save costs and worries later on.”

— Non-auditor survey respondent
Evaluate successes and monitor KPIs defined on the value scorecard

Becoming more relevant to the business was cited as a key priority for CAEs in our survey. And yet, only 18% of respondents use support of key business initiatives as a metric to measure internal audit’s effectiveness. To help internal audit execute effectively and achieve the objectives established in the internal audit strategy, the function needs to be able to regularly track its performance.

Q: What metrics do you include on a value scorecard to measure internal audit effectiveness? (Select all that apply)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significance of findings and recommendations</td>
<td>43%</td>
</tr>
<tr>
<td>Completed audits per plan</td>
<td>41%</td>
</tr>
<tr>
<td>Length of time for issue audit report</td>
<td>36%</td>
</tr>
<tr>
<td>Percentage of recommendations implemented</td>
<td>35%</td>
</tr>
<tr>
<td>Length of time to resolve audit findings</td>
<td>34%</td>
</tr>
<tr>
<td>Budget compared to actual hours per audit</td>
<td>32%</td>
</tr>
<tr>
<td>Process improvement recommendations</td>
<td>30%</td>
</tr>
<tr>
<td>Business unit/auditee satisfaction surveys</td>
<td>27%</td>
</tr>
<tr>
<td>Audit committee satisfaction</td>
<td>26%</td>
</tr>
<tr>
<td>Revenue enhancement/savings/cost reductions identified</td>
<td>24%</td>
</tr>
<tr>
<td>Requests from the business for a review/audit/advice</td>
<td>21%</td>
</tr>
<tr>
<td>Support of key business initiatives</td>
<td>18%</td>
</tr>
<tr>
<td>Return on investment of the internal audit function</td>
<td>17%</td>
</tr>
<tr>
<td>Value of realized revenue and/or savings</td>
<td>17%</td>
</tr>
<tr>
<td>Meetings/relationship with “customer”/auditee</td>
<td>14%</td>
</tr>
<tr>
<td>IA personnel transfers into the business</td>
<td>10%</td>
</tr>
<tr>
<td>None</td>
<td>3%</td>
</tr>
</tbody>
</table>

Key learning: Use KPIs outlined in the value scorecard to track performance and ensure internal audit is achieving the objectives outlined in the internal audit strategy.
Conclusion: adding value

Ernst & Young’s global internal audit survey results confirm that the future of internal audit is now. Nearly three-quarters of respondents believe that internal audit has a positive impact on the organization’s overall risk management efforts. But an even larger majority believes that internal audit can do more – and wants them to do it within the next two years.

Internal audit functions can turn risk into results and become more relevant to the business by:

• Using the organization’s overarching business strategy to identify the risks that matter most and set the tone for an internal audit strategy
• Developing an internal audit-specific strategy with a three- to five-year time horizon that focuses on stakeholder expectations, coordinates risk functions and drives internal audit initiatives
• Employing critical enablers throughout the internal audit life cycle, such as an organizational structure that aligns to the business and fits the organization’s culture, and an appropriate talent management program that ensures internal audit has the right people with the right skills in the right positions
• Running internal audit like a business by employing data analytics to drive enterprise efficiencies and results and by designing a value charter and scorecard that define how value to the organization is measured and whether internal audit is achieving its goals

With the right internal audit-focused strategy in place, internal audit can add value to the business by becoming strategic advisors, identifying efficiencies across the enterprise, supporting key business initiatives and quantifying internal audit’s return on investment.

The future of internal audit is not on the horizon. It’s here. And internal audit functions need to act now to remain relevant to the business – or be left behind.

Key learning: Add value to the business by becoming a strategic advisor, identifying efficiencies across the enterprise, supporting key business initiatives and quantifying internal audit’s return on investment.

“I’m very confident that we will continue to increase our partnering and our interaction and alignment with internal audit. I think that internal audit is a very powerful and valuable function in the company. It can help to look at things more from a business process perspective.”

– Non-auditor survey respondent
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