



# 2015 GLOBAL PULSE OF INTERNAL AUDIT

Embracing Opportunities  
in a Dynamic Environment

JULY 2015



This report is driven by The IIA Research Foundation™  
Common Body of Knowledge® (CBOK®)



AUDIT EXECUTIVE  
CENTER®



## DISCLAIMER

Copyright © 2015 by The Institute of Internal Auditors (IIA) located at 247 Maitland Ave., Altamonte Springs, FL, 32701, U.S.A. All rights reserved. Published in the United States of America. Except for the purposes intended by this publication, readers of this document may not reproduce, redistribute, display, rent, lend, resell, commercially exploit, or adapt the statistical and other data contained herein without the permission of The IIA.

## ABOUT THIS DOCUMENT

The information included in this report is general in nature and is not intended to address any particular individual, internal audit function, or organization. The objective of this document is to share information and other internal audit practices, trends, and issues. However, no individual, internal audit function, or organization should act on the information provided in this document without appropriate consultation or examination. To download a digital version of this report, visit [www.theiia.org/goto/globalpulse](http://www.theiia.org/goto/globalpulse).

## ABOUT CBOK

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession. Supported by IIA institutes around the world, CBOK includes comprehensive studies of internal audit practitioners and their stakeholders. For more information on CBOK, visit [www.theiia.org/goto/CBOK](http://www.theiia.org/goto/CBOK).

## ABOUT THE AUDIT EXECUTIVE CENTER

The IIA's Audit Executive Center® is the essential resource to empower CAEs to be more successful. The Center's suite of information, products, and services enables CAEs to respond to the unique challenges and emerging risks of the profession. For more information on the Center, visit [www.theiia.org/cae](http://www.theiia.org/cae).



## TABLE OF CONTENTS

Introduction.....	4
Methodology & Demographics .....	5
Responding to Emerging Risks .....	6
Achieving an Enterprisewide View of Risk.....	9
Holistic Reporting Expands Internal Audit Opportunities .....	13
Managing the Pressure .....	16
Conclusion .....	21
Appendix.....	22

## INTRODUCTION

---

Today more than ever before, the challenge of defining the role of internal audit is complicated by a dynamic business environment. Emerging risks never seem to slow down, stakeholders want and need a comprehensive view of risk, new reporting models are arising, and chief audit executives (CAEs) are frequently troubled by political pressures.

To address these concerns this year, The IIA's Audit Executive Center coordinated with The IIA Research Foundation (IARF) to include the Pulse of Internal Audit survey questions in the 2015 Global Internal Audit Common Body of Knowledge (CBOK) Practitioner Survey. By doing so, we reached a record number of CAEs to inform the 2015 Global Pulse of Internal Audit report.

Four major themes are explored in this report:

- Risks continue to emerge rapidly for organizations. An annual risk assessment is no longer sufficient. CAEs need to understand emerging risks quickly, revise their audit plans in response to this new information frequently, and communicate these changes with key stakeholders effectively.
- Risk cannot be viewed in silos, but must be considered broadly. Internal audit needs to have the same broad view. This means that internal audit should work closely with other risk functions in defining, assessing, and providing assurance over risks.
- External reporting for organizations includes more than financial reporting. Use of sustainability and integrated reporting has grown. Both types of reports would benefit from the expertise and insight of internal audit. CAEs can take this opportunity to provide greater value to their organizations.
- Political pressures can be successfully navigated. To do so, CAEs need to optimize their reporting lines, consider the impact their choices have on their objectivity when performing internal audit activities, insist they obtain access to all information they need, and ensure their work is of high quality to withstand challenge.

Through the Global Pulse of Internal Audit report, we hope to support your efforts to advance your organizations and the profession.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA  
President and CEO  
The Institute of Internal Auditors

## METHODOLOGY & DEMOGRAPHICS

---

Coordinating efforts with The IIA, The IIA's Audit Executive Center incorporated the Pulse of Internal Audit survey questions into the 2015 Global Internal Audit CBOK Practitioner Survey. This resulted in more than 14,500 usable responses from 166 countries for inclusion in CBOK reports. All responses were anonymous. The survey was live between 2 February 2015 and 1 April 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were considered usable as long as the demographic questions were fully completed.

Survey responses from 3,344 *CAEs or equivalent* and 1,630 *directors or senior managers* were analyzed for the 2015 Global Pulse of Internal Audit report. Within this report, these two groups are referred to as CAEs and directors. Unless otherwise indicated, the data provided in this report stems from the analysis of CAE and director responses. In some instances, CAE respondents were strictly analyzed. Please note that the data reported herein represents averages among those who responded to the Survey and may not be generalized to the overall population of internal auditors in any particular region.

CAEs and directors responded to the Survey from organizations that vary widely in location, type, size, and industry sector. Most of these respondents (28 percent) reported working primarily in Europe & Central Asia — followed by East Asia & Pacific and North America at 20 percent each. Additionally, 14 percent responded from Latin America & Caribbean, 8 percent from the Middle East & North Africa, 6 percent from Sub-Saharan Africa, and 3 percent from South Asia. See the appendix for details on the number of CAE and director respondents by country or territory.

CAEs and directors who responded to the Survey came from various organization types: 35 percent identified their organization as privately held; 33 identified as publicly traded; and 23 percent as public sector.

Although many CAEs and directors (34 percent) reported annual revenue of more than US\$1 billion for their individual organizations, most respondents estimated total revenue as substantially smaller. In fact, 34 percent reported annual revenue of US\$100 million or less. Similarly, audit staff sizes also varied widely among CAEs and directors with the majority (61 percent) reporting staff sizes of one to nine — although a significant 12 percent reported staff sizes of 50 or more.

Selecting from 20 possible responses, 29 percent of CAEs and directors identified their industry as finance and insurance. Other industries represented in high numbers include manufacturing (13 percent), and public administration (8 percent).

## RESPONDING TO EMERGING RISKS

At a time when the world has instantaneous access to information, risks capable of destroying decades of accumulated value can materialize overnight and without warning. Geopolitical, macroeconomic, and cyber-related surprises have become almost routine. Rarely a day goes by without reference to new global threat or cyberattack.

Whether political unrest, earthquakes, or a budding pandemic, each has an impact on business. The volatility of such emerging and evolving risks is putting enormous pressure on internal audit functions, which must contend with a broad array of issues ranging from the identification and management of risks related to globalization and interdependency to the proliferation of interconnected global communication channels.

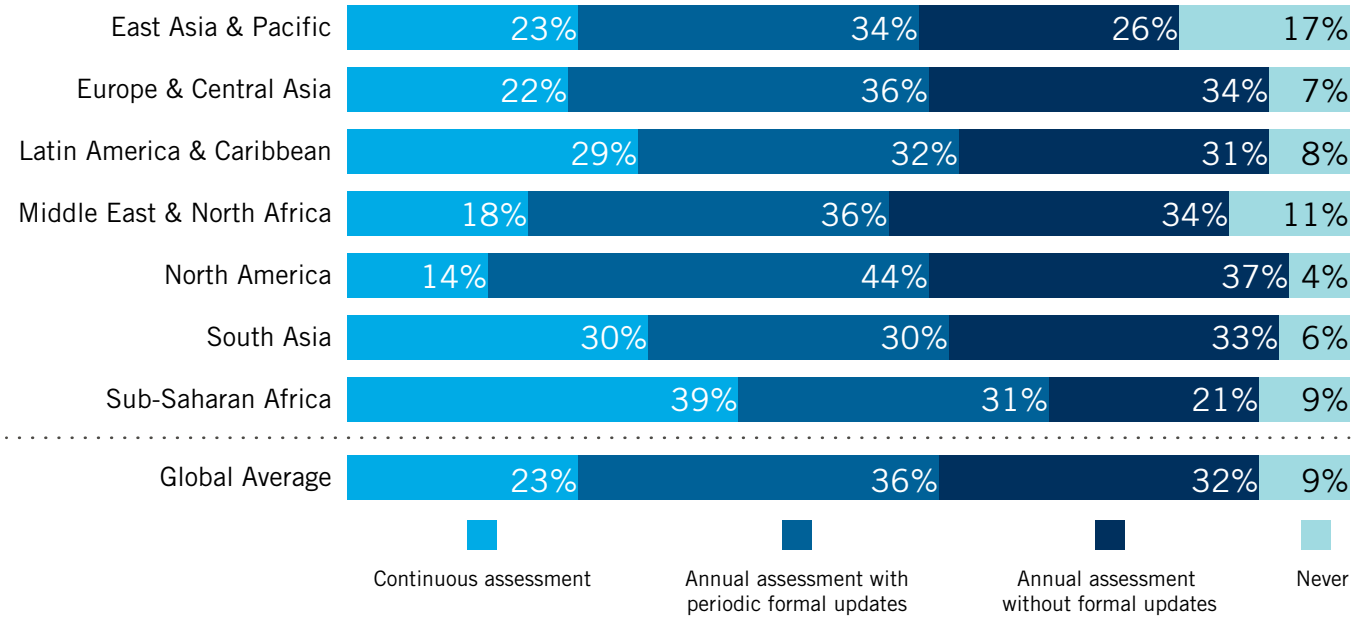
The IIA's *International Standards for the Professional Practice of Internal Auditing* (*Standards*) require internal auditors to have a risk-based plan. As such, our focus should be on areas of an organization most likely to be affected by factors that impede the organization's objectives — the highest risk areas. Traditional, routine risks are easily identified, well known, and readily assessed. Emerging risks, those not identified before last month or this year, are the hardest risks to identify and assess. But for this very reason, they may also be the most critical on which internal audit must focus.

### Findings Related to Emerging Risks

**AUDIT PLANNING.** CAE respondents to the Survey indicated greater focus on strategic business risks (48 percent), IT (42 percent), and corporate governance (32 percent) — areas particularly susceptible to emerging risks. At the same time, CAEs reported updating their risk assessments at intervals that might be less frequent than needed. Only 23 percent reported they conduct continuous risk assessment (see Exhibit 1). This may be the reason the majority of CAEs also reported they update their audit plan at most one or two times a year (see Exhibit 2). Although the speed at which risks change is swift, only 16 percent of CAEs indicated that their audit plan process is flexible enough to respond to emerging risks immediately.

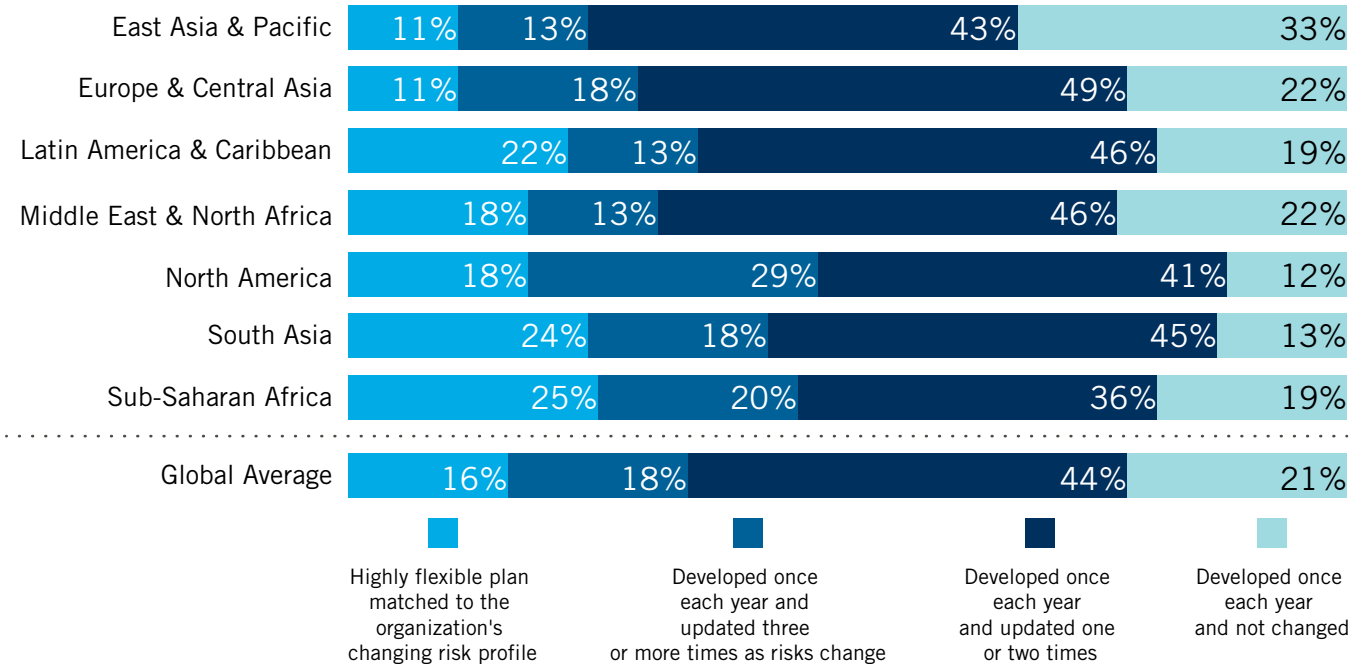
This data indicates that 77 percent of CAEs may not identify risks in a timely manner and 84 percent would delay in responding with an updated audit plan if faced with a crisis, such as a failed enterprise resource planning system upgrade, a major cyberattack at a close competitor, or the overthrow of a government in a country in which the organization does business. The CAE may be thinking such items will not have an impact on the organization, but the history of major risk events suggests organizations are often unprepared to respond quickly due to overconfidence in their ability to avoid such risks.

Exhibit 1 Frequency of Risk Assessments



Note: Q42: How frequently does internal audit conduct a risk assessment?  
CAEs only. n = 2,941. Due to rounding, some region totals may not equal 100 percent.

Exhibit 2 Frequency of Update to Audit Plan



Note: Q38: How would you describe the development of the audit plan at your organization?  
CAEs only. n = 3,014. Due to rounding, some region totals may not equal 100 percent.



Increased attention from internal audit on areas most susceptible to emerging risks suggests progress, but the progress is slow. Internal auditing needs to audit at the speed of risk, not at the speed of their traditional internal processes.

## Looking Ahead

Given the threat, scope, and significance of emerging and evolving risks, it is imperative that internal audit functions and the organizations they serve capably assess risk on a continuous basis and swiftly respond to that risk. Auditing at the speed of risk means CAEs need to develop the capability in their team to continuously align or realign their audit coverage to address major risks and avoid damaging surprises. Global companies in particular need to constantly recalibrate their audit plans based on what is happening within their organizations, their industries, and the world.

## Essentials for the CAE

The mandate to address emerging and evolving risks is clear. Risks are emerging at an unprecedented pace, and stakeholders' impatience with surprises is evident. The following suggested actions are adapted from *Imperatives for Change: The IIA's Global Internal Audit Survey in Action*<sup>1</sup>:

- **DEVELOP** processes within internal audit to identify and report on emerging risks:
  - Make the identification and evaluation of emerging issues a key competency of internal audit.
  - Coordinate with the organization's business and functions to share information and views on emerging issues.
  - Use external sources of data, knowledge, and business issues to assist in the identification of external emerging issues.
- **ASSESS** the existing process for revising the internal audit plan; develop an approach to move faster and make more frequent changes to the audit plan as the organization's risks change.
- **COMMUNICATE** with key stakeholders (executive management and the board) about changing risks and the need to revise the audit plan timely.
  - Seek agreement on an appropriate balance between the need for internal audit to "complete the annual plan" and the need for internal audit to respond to emerging and changing risks.
- **REPORT** to key stakeholders on changing risk and directly link these changes to changes in the audit plan.

1. Richard J. Anderson and J. Christopher Svare, "Imperatives for Change: The IIA's Global Internal Audit Survey in Action," (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2011).



## ACHIEVING AN ENTERPRISEWIDE VIEW OF RISK

---

When it comes to risk mitigation, one of the board's primary goals is to achieve an enterprisewide view of the broad range of risks facing the organization. Although internal audit functions are well-positioned to assist boards with their oversight of risk management and governance, this will vary by the nature, size, and type of organization as well as the markets it serves. In smaller organizations, for example, internal auditors can provide boards with independent, objective, and informed insights needed to gain a comprehensive picture of organizational risks. By comparison, a large organization might have a chief risk officer tasked with assisting the board in its oversight responsibilities on a regular basis. In such cases, internal audit's role is more likely ancillary and collaborative in support of management's risk identification activities.

Regulatory activities stemming from capital-market legislation also drive board oversight responsibilities and contribute to the relative maturity of a company's risk management activities. For instance, according to the U.K. Corporate Governance Code<sup>2</sup> (U.K. Code), which governs companies listed on the London Stock Exchange, the board of directors holds responsibility for "determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives" and maintaining "sound risk management and internal control systems." The U.K. Code also charges the board with the responsibility of establishing arrangements around the application of corporate reporting, risk management, and internal control principles.

Techniques used by internal audit to provide assistance to boards in their risk oversight responsibilities range from simple worksheets to elaborate systems. The objective of these techniques is to provide a view of enterprise risk management (ERM) and combined assurance.

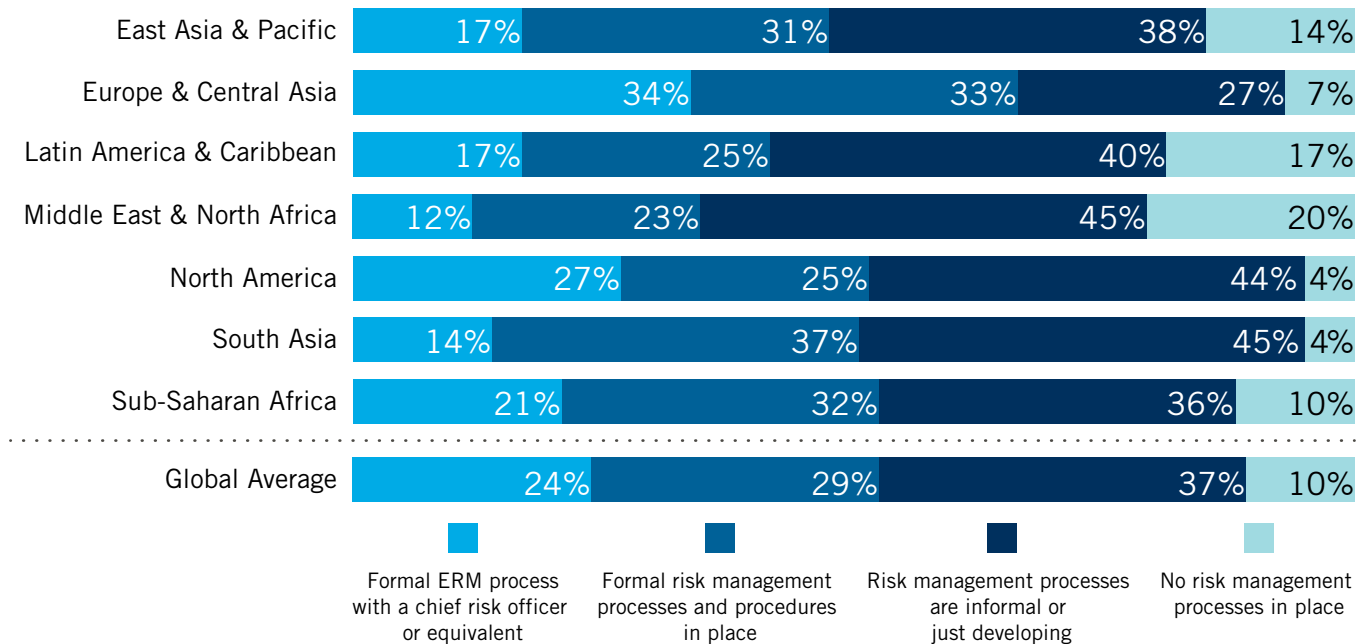
### Findings Related to an Enterprisewide View of Risk

Given that ERM is a common method used to profile risk across an organization, the Survey sought to gain an accurate picture of current internal audit responsibilities in ERM. As reported in the Survey, 47 percent of CAE and director respondents provide assurance on individual risks, 46 percent provide assurance on risk management as a whole, and 56 percent provide advice and consulting on risk management activities. When asked to describe the relative maturity of their organization's risk management processes, 37 percent of CAE respondents described their risk management processes as informal or just developing, 29 percent reported that they had formal

---

2. *The U.K. Corporate Governance Code*, (London: Financial Reporting Council, 2014), 17.

Exhibit 3 Maturity of Risk Management Processes

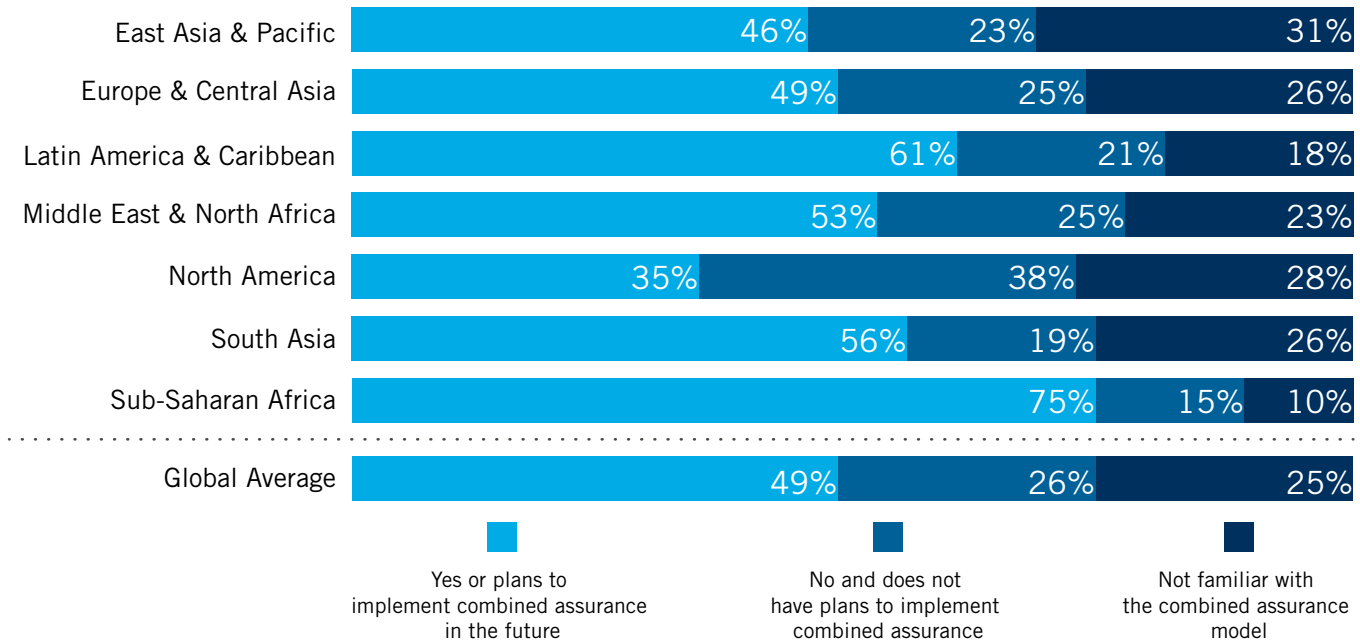


Note: Q58: What is your organization's level of development for its risk management processes? CAEs only.  $n = 2,675$ . Due to rounding, some region totals may not equal 100 percent.

risk management processes and procedures in place, and 24 percent said their organization has a formal ERM process with a chief risk officer or the equivalent (see Exhibit 3).

**INTERNAL AUDIT AND ERM.** Survey respondents also reported on the relationship between internal audit and ERM in their organization. Twelve percent of CAE and director respondents reported internal audit and ERM are separate functions, with no interaction. Another 66 percent reported that although they are separate functions, internal audit and ERM are more collaborative with the two staffs coordinating and sharing knowledge. A significantly higher percentage (72 percent) in Europe and Central Asia stated this collaborative arrangement described the relationship between the two functions in their organizations. Meanwhile, 15 percent of CAE and director respondents indicated that internal audit is responsible for the organization's ERM function, and another 7 percent stated internal audit is currently responsible for ERM, but the organization plans to shift ERM responsibility to another area. Independence and objectivity are key considerations for the 22 percent that are currently responsible for ERM. Internal audit cannot audit processes for which it has responsibility.

Exhibit 4 Planning to Implement Combined Assurance



Note: Q61: Has your organization implemented a formal combined assurance model? Only responses from CAEs and directors are reported. “Yes or plans to implement combined assurance in the future” included those who answered “yes, implemented now”; “yes, but not yet approved by the board or audit committee”; and “no, but plan to adopt one in the next 2 to 3 years.” n = 3,795. Due to rounding, some region totals may not equal 100 percent.

**INTERNAL AUDIT AND COMBINED ASSURANCE.** The Survey also measured respondents’ activities in the area of combined assurance, which, as King III<sup>3</sup> notes, “aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the company.” Specifically, CAEs and directors were asked whether their organizations had implemented a formal combined-assurance model: 49 percent reported that they had already implemented a model or plan to do so in the future; 26 percent reported having no plans to adopt such a model; and another 25 percent indicated that they were not familiar with the model at all (see Exhibit 4). Of note, 57 percent of CAEs and directors also reported that their internal audit functions issue a written combined-assurance assessment.

Although combined assurance provided by internal audit offers a number of obvious benefits, Ernesto Martínez Gómez, corporate deputy chief of internal audit at Banco Santander and IIA global director at large, noted it “could jeopardize the independence of an internal audit activity and affect its positioning as a true global

3. King Code of Governance Principles, (Parklands, South Africa: Institute of Directors in Southern Africa, 2009).

assurance provider. Assurance provided by management is not identical to assurance provided by internal or external auditors, who have different levels of independence and objectivity than management does.”

## Essentials for the CAE

Increasing cross-functional collaboration and promoting a coordinated focus on risk with adjacent functions are primary ways internal audit can serve the organization. To optimize opportunities in the risk management arena:

- **COLLABORATE** with adjacent functions to achieve an effective enterprisewide approach to risk management. In practice, internal audit may focus on risks mitigated through internal controls, while other functions may look beyond these risks to provide added perspective. Bringing together all functions that are engaged in identifying, managing, and reporting on risks results in a more comprehensive picture of risk management for the organization as a whole.
- **DETERMINE** how internal audit and its adjacent functions can best support board oversight of risk management and governance activities. Take into account the maturity of the risk management operations and ability of internal audit and risk-related functions to coordinate addressing ERM.
- **LINK ASSESSMENT EFFORTS.** For an internal audit function, the ultimate goal is to provide independent and objective assessment on risk management, including the activities of the first and second lines of defense in the Three Lines of Defense Model<sup>4</sup>. If an organization has a number of separate functions in the second line of defense conducting risk assessments and providing assurance of some type — such as IT and risk management in addition to internal audit — the organization should develop a comprehensive view of all activities for the board.
- **CHALLENGE** the risk assessment process to ensure that all significant risks are properly identified and evaluated for the board. Consider the methods used to define and measure risk.
- **BE CREATIVE.** No single model of addressing ERM works for all organizations. Identify, explore, and critique different approaches to ERM to determine the best for the organization.

4. *The IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control*, (Altamonte Springs, FL: The Institute of Internal Auditors, 2013).

## HOLISTIC REPORTING EXPANDS INTERNAL AUDIT OPPORTUNITIES

---

Banking and other crises have caused stakeholders to question strategic decisions and the true value of an organization. The value of an organization goes beyond financial analysis and reporting into resource allocation and decision making. The ability for organizations to communicate a comprehensive, holistic view of value creation has become more important. Historically, some companies release financial, sustainability, and other internal or external reports. The current movement is toward reporting that incorporates results from several reports to create a holistic story about the value of an organization. This method is referred to as integrated reporting, which is simply a concise document that describes how an organization plans to create value in the short, medium, and long term, focusing on six organizational capitals<sup>5</sup>.

Although relatively new, the use of integrated reporting is expected to grow significantly. At the same time, the use of sustainability reporting, which has been used for years to improve marketing strategies and decision making, is also growing. For both types of reports, there is a strong need for the expertise and insight of internal audit.

### Findings Related to Holistic Reporting

**INTEGRATED REPORTING.** CAE and director respondents to the Survey were asked whether their organizations were planning to create an annual integrated report based on the International Integrated Reporting <IR> Framework, which was released in late 2013. When asked, 30 percent of CAEs and directors stated that they plan to issue an integrated report this year or in the foreseeable future — with 63 percent of those responding from Sub-Saharan Africa<sup>6</sup> indicating that they are adopting the framework (see Exhibit 5).

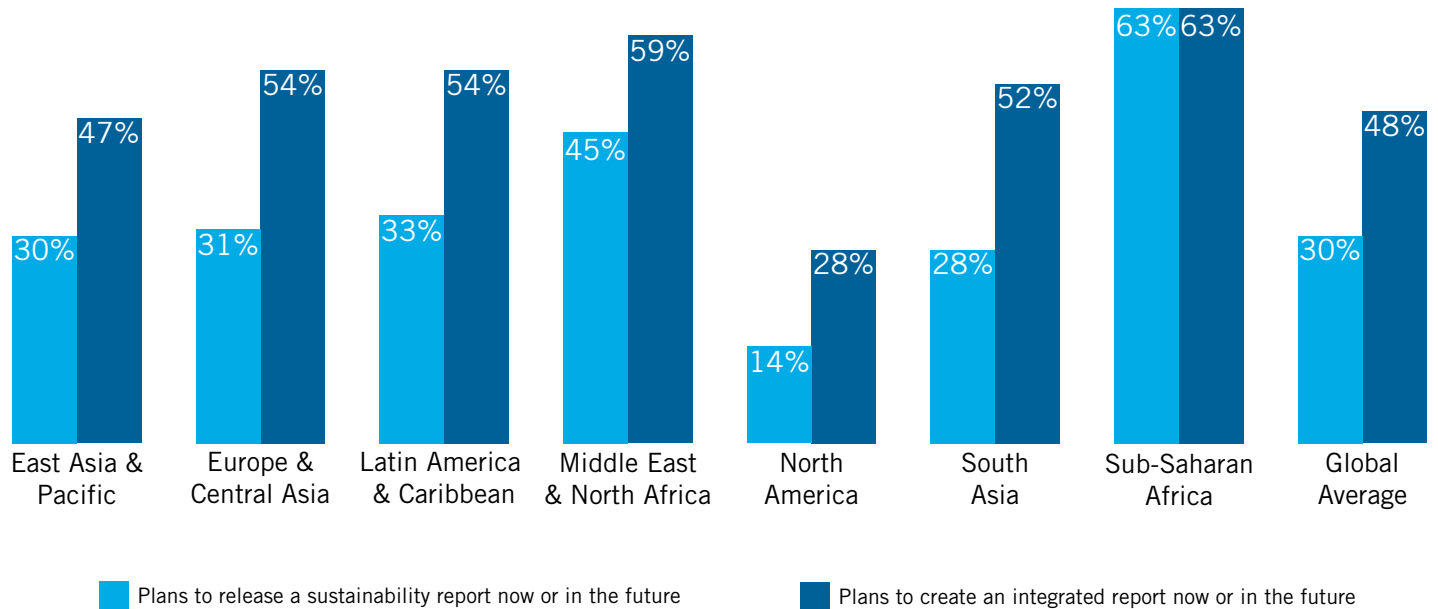
**SUSTAINABILITY REPORTING.** Meanwhile, nearly half (48 percent) of CAE and director respondents to the Survey said their organizations plan to issue a sustainability report this year or in the future (see Exhibit 5). According to these responses, North America trails behind with only 28 percent planning to issue a sustainability report.

---

5. *The International <IR> Framework*, (London: The International Integrated Reporting Council, 2013).

6. *Thirty-three percent of CAE and director respondents from Sub-Saharan Africa indicated that they were based out of South Africa. In 2010, the Johannesburg Stock Exchange adopted King III principles, which recommend the use of integrated reporting.*

Exhibit 5 Comparison of Integrated and Sustainability Reporting



Note: Q69: Does your organization plan to create an annual integrated report based on the International Integrated Reporting (< IR >) Framework? Q70: Does your organization plan to release a report on sustainability? Includes those who answered “yes, this year”; “yes, at some time in the next 2 to 3 years”; and “yes, at an unspecified point in the future.” Only responses from CAEs and directors are reported. n = 3,746; 3,346

## Internal Audit Is Well Positioned to Support Integrated and Sustainability Reporting

Internal audit is uniquely qualified to support the implementation of integrated reporting. As noted in a recent paper issued by the European institutes of internal auditors, CAEs routinely interact with key players central to an organization’s integrated reporting process<sup>7</sup>. With appropriate organizational independence and a sound understanding of the business, internal audit can provide the assurance needed to increase the credibility of integrated reporting and can help to strengthen the consistency of communication across business units. Much the same can be applied to sustainability reporting. Although historically internal audit has not been involved with sustainability reporting, internal audit can bring value by communicating the impact on business processes. “No one can provide meaningful integrated reporting without a solid understanding of their sustainability impacts and how business processes incorporate the sustainability data,” noted Eric Hespeneide, chair of the Technical Advisory Committee of the Global Reporting Initiative and former partner at Deloitte.

7. “Enhancing Integrated Reporting — Internal Audit Value Proposition,” (IIA–France, IIA–Netherlands, IIA–Norway, IIA–Spain, IIA–UK and Ireland, 2015).

Growing interest in these reports creates the opportunity for CAEs to engage more with their organization, to offer insight regarding the impact of sustainability risks, and to provide assurance on the reliability of sustainability data. Furthermore, the popularity of integrated and sustainability reporting affords internal audit the opportunity to “enable better decision making,” as pledged in the mission statement of a leading technology manufacturing company.

## Essentials for the CAE

As integrated and sustainability requirements grow across the globe, CAEs can demonstrate leadership through the following measures:

- **DEVELOP** a solid understanding of integrated and sustainability reporting by assessing the culture of the organization and connecting with stakeholders to understand the impact of sustainability on the business.
- **IDENTIFY** relevant nonfinancial data, the processes and procedures for handling this data, and opportunities for internal auditing to provide advisory services for improvement.
- **COLLABORATE** with key stakeholders to determine where internal audit can provide assurance regarding the quality of existing data and management systems, e.g., supply chain audits.
- **CREATE** a comprehensive audit strategy for assurance and advisory services for processes and systems that support integrated and sustainability reporting. Include a feedback mechanism to help ensure stakeholder alignment.



## MANAGING THE PRESSURE

---

To be successful, CAEs need the courage to deal effectively with political pressures so they can address a broad range of sensitive issues facing their organizations. As a recent report from The IIA Research Foundation<sup>8</sup> points out, some CAEs demonstrate the courage and diplomacy needed to navigate political minefields effectively. News reports evidence other internal audit leaders who appear to have failed in this effort. Multiple factors contribute to success in this arena: reporting lines, personal and organizational goals, and board support — as well as being in conformance with the *Standards*.

The Survey responses highlight certain areas in which CAEs should give their attention to effectively handle political pressure.

### Findings Related to Pressure on the CAE

**REPORTING LINES.** The positioning of an internal audit function within its parent organization has much to do with its ability to carry out its mission effectively. When asked about the primary functional reporting line for the CAE or equivalent in their organization, 72 percent of CAE respondents said they report to the audit committee (or its equivalent) or the board of directors (see Exhibit 6). Such a reporting structure is ideal because it enables a CAE to seek advice, counsel, and support from key stakeholders who are unlikely to be a source of undue pressure on the auditing process. At the same time, however, 19 percent of respondents said they report functionally to the CEO, president, or governmental agency head and another 4 percent said the CFO.

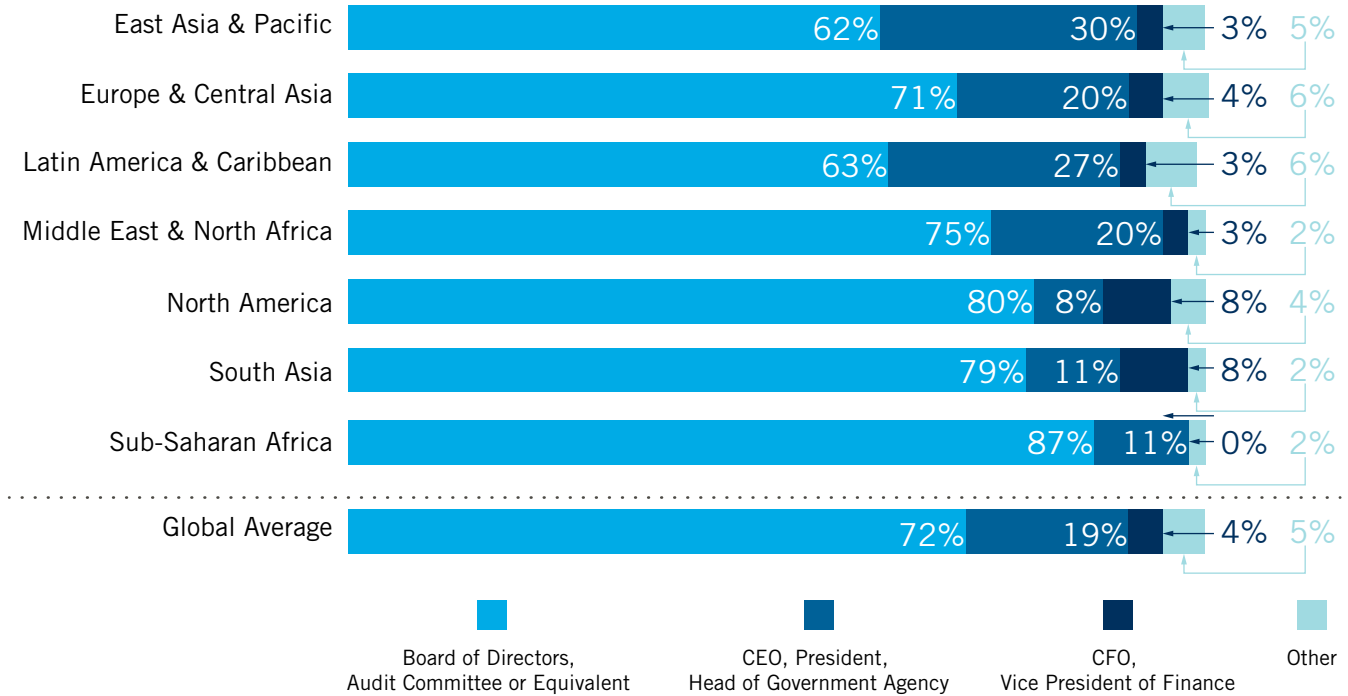
To audit successfully, CAEs should be free from the control of those they need to audit. To this end, reporting lines are critical, but are insufficient, in and of themselves, to ensure freedom from control. For the 72 percent of CAEs who report to an oversight group, reporting needs to be robust, open, collaborative, and honest — all factors serve to reinforce a courageous approach to auditing. Achieving such positive characterizations requires building and maintaining close professional relationships with key overseers. Furthermore, 29 percent of CAEs indicated that they report both functionally *and* administratively to management. These CAEs may find it much more difficult to deal with political pressure.

**CAREER PLANNING.** According to survey results, 29 percent of CAEs report being subject to political pressure to change an audit finding or report. Obviously, such pressures can have significant consequences, ranging from loss of favor to job demotion or job loss. When asked about career planning, 72 percent of CAEs said they plan to

---

8. Dr. Larry Rittenberg and Patricia K. Miller, *The Politics of Internal Auditing*, (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2015).

Exhibit 6 Functional Reporting Line for CAE



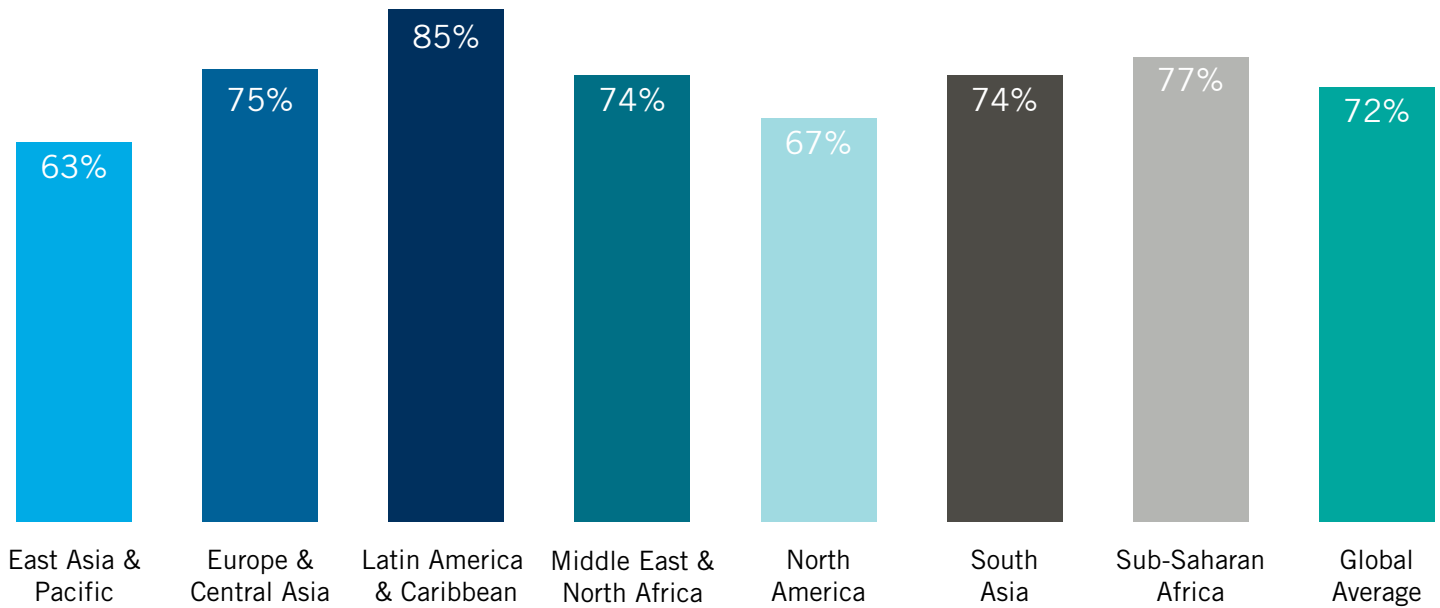
Note: Q74: What is the primary functional reporting line for the chief audit executive (CAE) or equivalent in your organization? CAEs only. The survey stated that “functional reporting refers to oversight of the responsibilities of the internal audit function, including approval of the internal audit charter, the audit plan, evaluation of the CAE, compensation for the CAE.” n = 2,599. Due to rounding, some region totals may not equal 100 percent.

stay in the internal audit profession for the next five years, 9 percent said they plan to retire, and the rest are unsure or plan to take on different roles (see Exhibit 7).

Aside from CAEs planning to retire from the profession, most audit leaders face challenges stemming from political pressures. The 72 percent of CAEs planning to stay within internal audit need to explore career moves and external options if their organization is unwilling to respect their resistance to political pressure. CAEs planning to leave internal audit, including rotational CAEs for whom internal audit is a career stepping stone, need to decide whether fulfilling their responsibilities as the CAE outweighs their long-term career options within the parent organization.

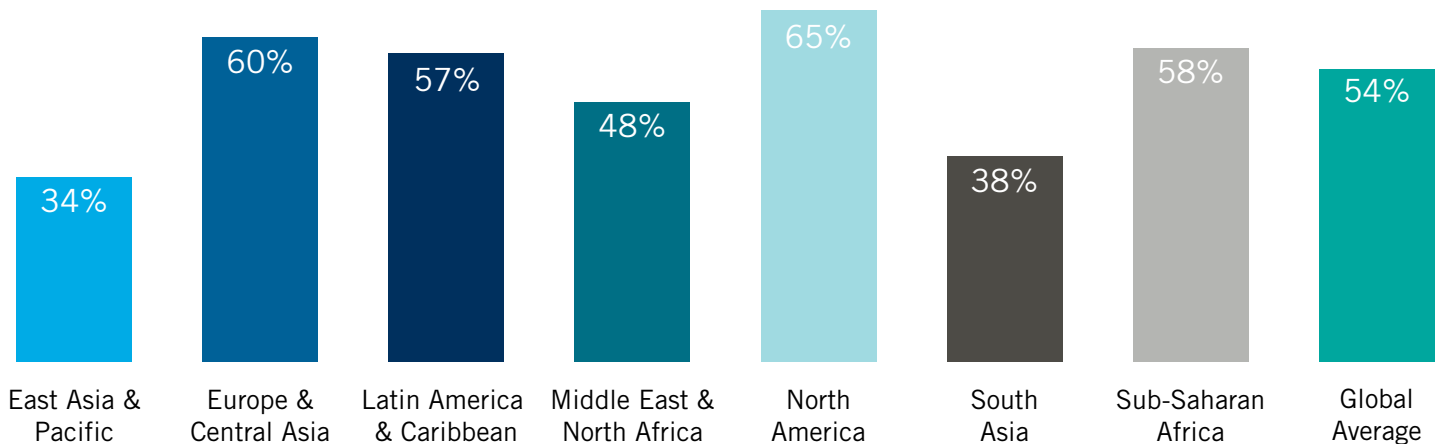
**SUPPORT AND ACCESS.** Survey results related to board support for internal audit suggest this should be an area of concern. While just over half (57 percent) of CAEs reported having complete support of the board to review organizational governance policies and procedures, a significant 43 percent reported some or no support. Governance policies and procedures often take internal auditors into areas with a direct personal impact on management, such as executive compensation, ethics related programs, free flow of information between management and the

Exhibit 7 CAEs Planning to Stay in Internal Audit



Note: Q36: In the next five years, what are your career plans related to internal auditing? Only responses from CAEs are reported.  $n = 3,108$ .

Exhibit 8 CAEs Reporting Unrestricted Access



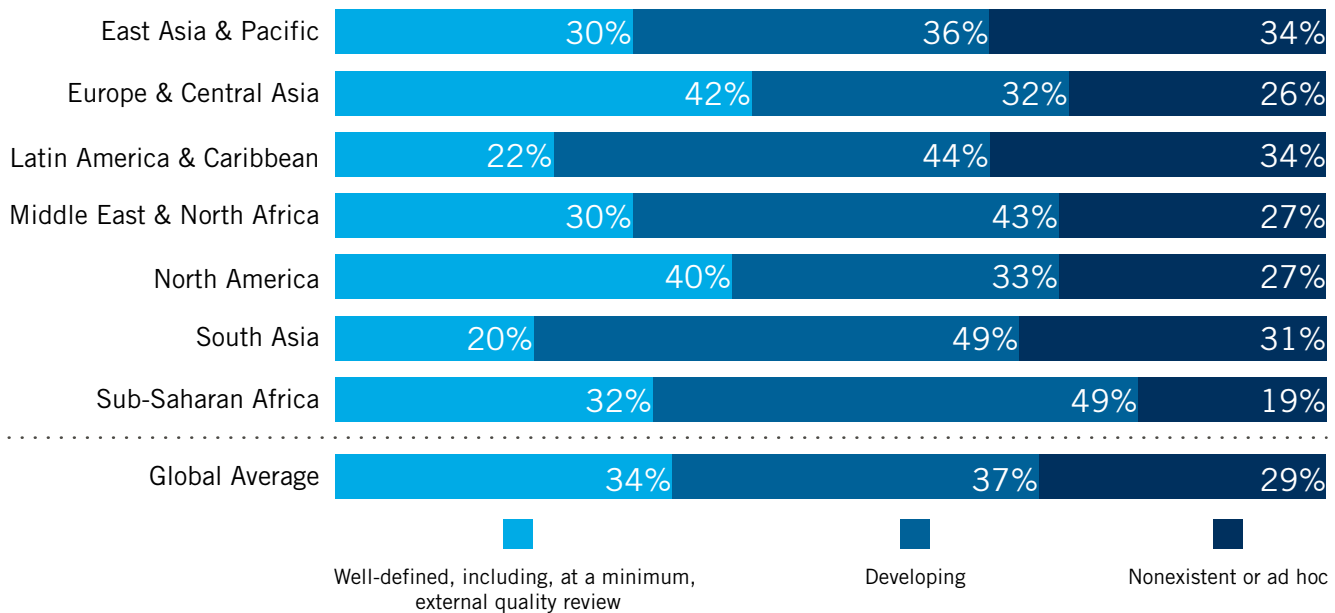
Note: Q53: In your opinion, to what extent does the internal audit department at your organization have complete and unrestricted access to employees' property and records as appropriate for the performance of audit activities? Only responses from CAEs are reported.  $n = 2,765$ .

board, management exemptions from organization policies, etc. Support from the board is critical should a CAE encounter sensitive findings that require courage to address.

Survey respondents were also asked about internal audit access to necessary records and property when conducting internal audits. A slim majority (54 percent) of CAEs reported that internal audit has complete and unrestricted access to employee records and property when conducting internal audits (see Exhibit 8). Essentially this means that in slightly less than half of the organizations, CAEs can be prevented from obtaining documentation from employees about work-related matters — unrestricted access is essential for internal auditors.

**CONFORMANCE WITH THE STANDARDS.** CAEs who take politically unpopular positions are challenged by management, and therefore, need to document their work effectively. The best defense against incomplete, inadequate, and poorly constructed audit work is strong adherence to the *Standards*. Effective conformance with the *Standards* requires a robust Quality Assurance and Improvement Program (QAIP). When asked, only 34 percent of CAE respondents to the Survey reported having a well-defined QAIP (see Exhibit 9). Another third of CAEs said their QAIP was in development and the remaining third indicated that their program was ad hoc or nonexistent. If audit processes cannot withstand scrutiny from stakeholders, CAEs will find it difficult to take a courageous stance.

Exhibit 9 Maturity Level of the Quality Assurance and Improvement Program



Note: Q47: How developed is the quality assurance and improvement program (QAIP) at your organization? CAEs only. "Well defined" includes those who answered "well defined, including external quality review" or "well defined, including external quality review and a formal link to continuous improvement and staff training activities." n = 2,833.

## Essentials for the CAE

Although each organization is distinct, CAEs everywhere need to strengthen their ability to deal effectively with sensitive issues. To this end, CAEs should:

- **DEVELOP** reporting lines and relationships that position internal audit with the independence necessary to address sensitive topics directly with the members of the oversight organization (e.g., the board). Avoid relying too heavily on organizational charts or formal relationships.
- **CONTEMPLATE** the impact sensitive issues can have on the CAE role or career. In particular, this applies to CAEs who plan to move into an area outside of internal auditing in the same organization.
- **GAIN** the stakeholder support and access needed to audit high risks across the organization.
- **ENSURE** internal audit has a robust QAIP in place to confirm that audit work is being performed with sufficient quality to withstand stakeholder scrutiny.

## CONCLUSION

---

In the current business environment, with its emerging risks and ongoing change, internal audit needs to be more responsive and resourceful. CAEs who embrace their responsibility to help the board fulfill their risk oversight duties position themselves to navigate this dynamic environment successfully. Therefore, the 2015 Global Pulse of Internal Audit report advocates broad views of risk and flexible audit planning — as well as boldness to expand internal audit's domain and courage to handle political pressures.

Whether assessing emerging risk through formal risk assessments or informal conversations, CAEs should use this information to drive adjustments to the audit plan. The more volatile the risk profile for an organization, the more flexible and responsive the audit plan should be. As internal audit expands its view to include enterprise risks, CAEs should focus on providing assurance for enterprise risk assessments — regardless of who manages those risks. Furthermore, internal audit needs to ensure its involvement in ERM or combined assurance never threatens the function's independence and objectivity.

Enterprise concerns include financial and nonfinancial data used for decision making. More specifically, stakeholders are paying more attention to nonfinancial reporting, such as integrated and sustainability reporting. This presents opportunities for internal audit to expand its domain by providing assurance in areas previously unaddressed. The first step is to understand the impacts of sustainability on the organization and where internal audit can support measures to assess the related risks.

To meet the changing demands on the profession, CAEs also need to withstand the political pressures of their role. Internal audit requires appropriate mechanisms of defense — namely independence, board support, and a quality internal audit function — in order to combat these pressures. To the degree a CAE can influence these areas, they can also influence the extent of access internal audit has in an organization and protect their own objective decision making.

In short, as noted by Douglas Anderson, former CAE and current thought leader in the profession, “Now is not the time for CAEs to be complacent. The world is quickly changing around us and we must not just react, but be prepared. Focus on risk, the scope of your work, and how you will ensure you can handle political pressures.”

## APPENDIX

East Asia & Pacific CAEs & Directors	Europe & Central Asia CAEs & Directors	Latin America & Caribbean CAEs & Directors	Middle East & North Africa CAEs & Directors	North America CAEs & Directors	South Asia CAEs & Directors	Sub-Saharan Africa CAEs & Directors
<i>n</i> = 977	<i>n</i> = 1,355	<i>n</i> = 675	<i>n</i> = 394	<i>n</i> = 999	<i>n</i> = 166	<i>n</i> = 317
Australia .....62	Austria .....37	Argentina .....61	Israel .....58	Canada .....119	Bangladesh.....24	South Africa .....106
China .....290	Croatia .....21	Brazil .....92	Oman .....24	United States ...880	India .....128	Tanzania, United Republic of .....55
Indonesia .....52	Czech Republic .....24	Chile .....70	Saudi Arabia ....119		Other .....14	Uganda .....20
Japan .....176	Denmark .....30	Colombia .....55	United Arab Emirates .....120			Zimbabwe .....36
Malaysia .....81	Estonia .....25	Costa Rica .....56	Other .....73			Other .....100
New Zealand .....22	France .....124	Ecuador .....38				
Philippines .....23	Germany .....126	El Salvador .....33				
Singapore .....49	Greece .....57	Mexico .....77				
Taiwan .....179	Italy .....82	Nicaragua .....20				
Other .....43	Latvia .....22	Panama .....32				
	Poland .....41	Peru .....45				
	Romania .....23	Uruguay .....25				
	Russia .....27	Other .....71				
	Serbia .....22					
	Slovenia .....31					
	Spain .....128					
	Sweden .....35					
	Switzerland .....166					
	Turkey .....69					
	Ukraine .....21					
	United Kingdom .....47					
	Other .....197					

*Note:* Q6: In which region are you based or primarily work? Respondents identified their region and then selected a specific country or territory. Responses were redistributed into the seven regions as defined by the World Bank. Only responses from CAEs and directors are reported. “Other” includes countries or territories within the region with fewer than 20 responses. *n* = 4,883. Excludes respondents who did not identify a global region.







*A*UDIT *E*XECUTIVE  
— C E N T E R<sup>®</sup> —

GLOBAL HEADQUARTERS  
247 Maitland Avenue  
Altamonte Springs, FL 32701-4201  
[www.globaliia.org](http://www.globaliia.org)