IA CAPABILITIES
& NEEDS SURVEY RESULTS

Middle East

Overview

In recent years, mammoth waves of disruption have both buffeted and ignited organisations in their drive to change and stay relevant. Not surprisingly, internal audit functions are also seeing the effects. It is now time for internal audit leaders and their teams to take the initiative and stand up and ride their own wave of transformation and innovation.

Becoming a next-generation internal audit function shares more than a few similarities with big-wave surfing. Both require overcoming trepidation and committing completely. There are also different forms of knowledge to acquire, unfamiliar challenges to navigate, and new skills and competencies to develop. The results of our latest Internal Audit Capabilities and Needs Survey show that most internal audit functions need to quickly improve their acquisition and development of next-generation auditing skills.

In fact, in rating their competency levels for different areas of next-generation internal audit governance, methodology and enabling technology, Chief Audit Executives (CAEs) and internal audit professionals provided scores that are among the lowest levels in our entire survey.

These findings should serve as a wake-up call for internal audit leadership. Next-generation auditing capabilities, processes and tools — from strategic vision, agile auditing and dynamic risk assessment

to artificial intelligence (AI), machine learning and process mining, amongst others — should be pressing priorities for the internal audit function to build and grow as their organisations continue to transform and stakeholder expectations for these capabilities rise. Our results show that audit committees certainly hold this to be true. At present, many internal audit teams, whilst acknowledging that need to change, are not fully committed to the difficult but necessary transformation.

Internal audit leaders need to clarify for their teams the high risks of sticking with the status quo. If internal audit does not develop next-generation internal audit competencies around governance, methodologies and advanced technologies, other lines (as per the three lines model) within the organisation are poised to assume these responsibilities.

Finally, internal audit should embrace new ways of thinking and operating in a planned and phased manner and not hurry into it. The discussions that follow depict leading practices, including those deployed by audit

groups with comparatively mature approaches to transformation (which we refer to as 'Digital Leaders'), that demonstrate the value of pursuing transformation to achieve high-value benefits beyond efficiency gains. Whilst many of our survey results underscore how much progress internal audit functions need to make on their next-generation journeys, the insights also provide useful guidance on the skills and techniques auditors need to ride the transformation wave successfully.

Internal Auditing Amid the COVID-19 Pandemic

The ongoing contagion (COVID-19) has accentuated the need for an immediate transformation in the IA function. Based on our interactions with multiple internal audit leaders from across the region and the globe, following are some key takeaways:

- Flexibility and agility are the key words for internal audit teams during these unprecedented times. This calls for making timely and judicious investments in acquiring capabilities enabling remote auditing with a high degree of assurance in a digital environment. An equal thrust will be required in fortifying the technology infrastructure from a data privacy and cyber security perspective.

- As companies are testing their crisis management and business continuity plans to full capacity in this crisis, Internal Audit can help by shifting its approach to offering consulting services. It is the need of the hour that internal audit teams are more agile and closer to management, focus on areas of high risk and become part of the crisis management teams of the companies they serve.

- As the world enters the next phase of COVID-19, internal audit teams are looking at how their resources need to be deployed. Independence of internal audit is being practiced in spirit, where team members are being put on tactical secondments to other teams where they can make an impact. Assignments have been varied, where they can add significant value and bring back learnings when they rejoin the internal audit team.

- A global trend is moving towards a remote working environment and while it has many positives, organisations still need to build controls to monitor overall performance of resources under the remote working environment. This is a cultural shift for most of the organisations and it is believed that internal audit can play a significant role in preparing for this new future.

Our Key Findings

01

Next-generation internal audit competencies need to be prioritised rather than marginalised — especially enabling technologies. CAEs and internal auditors report their competency levels in next-generation governance, methodologies and enabling technologies to be remarkably low at a time when these capabilities should be the priority areas for growth and development.

02

Fewer internal audit groups are undertaking some form of innovation or transformation but the maturity of these capabilities has increased. This progress is good news but makes it imperative for internal audit groups not currently undertaking some form of innovation or transformation, to get moving — or risk falling too far behind.

03

Audit committees want CAEs to communicate how their transformation and innovation efforts are resulting in more coverage of risks and deeper audit reviews. As internal audit groups advance transformation activities, the audit committee's interest in these efforts increases, which in turn requires audit leaders to enhance the risk relevance, visual appeal and conciseness of their communications to the audit committee.

04

In addition to next-generation internal audit competencies, top audit plan priorities include cyber threats, enterprise risk management, fraud and third-party risks. Aligned assurance, internal audit strategic vision, and high impact reporting, being core next-generation competencies, rank highest among the audit plans.

Methodology and Demographics

Close to 96 respondents from the Middle East region completed the questionnaire for Protiviti's 2020 Internal Audit Capabilities and Needs Survey, which was conducted online in the fourth quarter of 2019.

The survey consisted of a series of questions grouped into three divisions:

- Internal Audit Innovation and Transformation
- General Technical Knowledge
- Audit Process Knowledge

Participants were asked to assess their skills and competency by responding to questions concerning nearly 200 topic areas.

The purpose of this annual global survey is to elicit responses that will illuminate the current perceived levels of competency in the many skills necessary to today's internal auditors and to determine which knowledge areas require the most improvement. Survey participants also were asked to provide demographic information about the nature, size and location of their businesses, and their titles or positions within the internal audit department. These details were used to help determine whether there were distinct capabilities and needs among different sizes and sectors of business or among individuals with different levels of seniority within the internal audit profession. All demographic information was provided voluntarily by respondents.

The majority of the responses were provided by Audit Managers (28%) followed by the CAEs (26%) and Directors of Audits (11%). Organisations participating in the survey were primarily from the private sector (50%), while the balance were public sector (semi government) and Government entities. From an industry perspective, financial services companies provided the most responses (21%) and telecommunications and oil and gas were the other prominent industries in the region, providing (14%) and (10%) of other key responses.

• • • Position

Chief Audit Executive (CAE)	26%
Audit Manager	28%
Audit Staff	8%
Director of Auditing	11%
IT Audit Staff	3%
IT Audit Manager	4%
Corporate Management	3%
Management Consultant	2%
IT Audit Director	2%
Audit Services Contractor	1%
Audit Committee Member	1%
Educator	1%
Others	10%

• • • Organisation type

Public	30%
Private	50%
Government	19%
Not-for-profit	1%

• • • Industry

Financial Services	21%
Government/Education/Not-for-profit	3%
Manufacturing	4%
Technology	1%
CPA/Public Accounting/Consulting Firm	4%
Energy and Utilities	17%
Retail	2%
Telecommunications	14%
Transportation and Logistics	2%
Services	1%
Real Estate	3%
Automotive	1%
Chemicals	4%
Construction	3%
Healthcare	5%
Distribution	2%
Mining	1%
Others	12%

• • • Size of Organisation (by gross revenue in U.S. dollars)

$20 billion +	3%
$10 billion - $19.99 billion	7%
$5 billion - $9.99 billion	6%
$1 billion - $4.99 billion	32%
$500 million - $999.99 million	15%
$100 million - $499.99 million	16%
Less than $100 million	15%
N/A - I work for an organisation in the financial services industry	6%

Next-Generation Knowledge

What You Need to Know

- Among the three next-generation competencies, the Governance competencies rank the highest when compared with Methodology and Enabling Technology.

- In what should represent a red flag for CAEs, enabling technology skills and tools — which include AI/ machine learning, process mining, robotic process automation (RPA) and advanced analytics — received some of the lowest competency level self-assessments in the entire survey.

I. Governance

• • • **Next-Generation Governance Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Aligned Assurance	2.5	2.8
2	Resource & Talent Management	3.0	3.1
3	Organisational Structure	3.0	3.2
4	Internal Audit Strategic Vision	2.8	3.3

• • • **Governance competencies being undertaken to transform the audit process**

Next-Generation Governance Competencies	Currently undertaking		Currently evaluating and planning to undertake within the next year		Currently evaluating and planning to undertake within the next two years		No plans to adopt	
	ME	Global	ME	Global	ME	Global	ME	Global
Aligned Assurance	28%	33%	18%	22%	19%	23%	35%	22%
Resource & Talent Management	32%	37%	23%	25%	15%	19%	30%	19%
Organisational Structure	29%	35%	25%	25%	14%	18%	32%	22%
Internal Audit Strategic Vision	38%	41%	25%	26%	13%	18%	24%	15%

Commentary

- Aligning or combining assurance across the three lines provides a holistic visibility and assurance to the board and other stakeholders. Collaborating across the three lines is not new, but the concept has not been widely incorporated into internal audit practices. For such collaboration to be effective, internal audit needs to define a methodology to assess the other lines and alleviate common challenges.

- Resource and talent management: Merging skills with different techniques and driving each other's strengths allows internal audit teams to arrive at success from many directions. It is essential to have diverse teams to handle the many issues and perspectives coming at companies today. Research has shown that more diverse teams have higher performance and more innovative approaches to opportunities and challenges.

- The third-rated competency of all next-generation capabilities is the organizational structure. The chief audit executives (CAEs) report to a level within the organisation that allows the internal audit activity to fulfill its responsibilities. The organisational level to which the CAE reports may be an indication of whose interests the CAE will ultimately serve. The size of the internal audit department heavily influences the structure of the Internal Audit Function (IAF). Large IAFs are more likely to have a hierarchical management structure, with managers exercising control over specified internal auditors and audit teams. Auditors in larger organisations may have less autonomy, while auditors in smaller IAFs will likely complete a wider variety of tasks and participate in several types of engagements.

- The internal audit strategy is fundamental to remaining relevant – playing an important role in achieving the balance between cost and value, while making meaningful contributions to the organisation's overall governance, risk management and internal controls. Internal Audit Strategic Vision is the highest rated competency of all next-generation capabilities; this indicates that the internal audit departments in the Middle East are concentrating on rebuilding the strategy of internal auditing to support the business decisions and meet the demands of management and the audit committees by providing objective assurance with consultative services.

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Next-generation internal audit helps organisations make better decisions not only by addressing and managing current risks, but also by illuminating the risks and unforeseen consequences inherent in their longer-term digital transformation and growth strategies.

— Sanjay Rajagopalan, Managing Director, Internal Audit and Financial Advisory
  Protiviti Member Firm for the Middle East Region

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II. Methodology

• • • **Next-Generation Methodology Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Agile Audit Approach	2.5	2.7
2	Dynamic Risk Assessment	2.1	2.8
3	High-Impact Reporting	2.3	2.8
4	Continuous Monitoring	2.7	3.1

• • • **Methodology competencies being undertaken to transform the audit process:**

Next-Generation Governance Competencies	Currently undertaking		Currently evaluating and planning to undertake within the next year		Currently evaluating and planning to undertake within the next two years		No plans to adopt	
	ME	Global	ME	Global	ME	Global	ME	Global
Continuous Monitoring	26%	36%	17%	24%	20%	24%	37%	16%
High-Impact Reporting	25%	30%	26%	31%	18%	20%	31%	19%
Agile Audit Approach	19%	24%	26%	30%	19%	23%	36%	23%
Dynamic Risk Assessment	20%	24%	32%	35%	18%	23%	30%	18%

Commentary

- Continuous Monitoring marks the highest competency level on the five-point scale among other competencies and is currently undertaken by more internal audit teams in the Middle East as compared to other competencies.

- The capabilities in High-Impact Reporting and Dynamic Risk Assessment also need to be further reinforced. Internal audit reporting could be enhanced by the use of dashboards to present the key information in various visually impacting ways. Next-generation internal audit reports will be developed in a way that they precisely communicate what the stakeholders need to know. For enhancing the capability in Dynamic Risk Assessment,

organisations need to move from the traditional quarterly risk assessment reporting to real-time risk updates and their impacts on the organisation.

- The Agile audit approach has not gained familiarity in the Middle East and is rated at the lowest competency level on the five-point scale. This needs to be improved, as agile auditing will provide more flexibility in responding to the requirements of the current changing environment. Implementing agile auditing would bring quick iterative activities, frequent communication with stakeholders and improvement in delivering quality results and would enhance the overall transparency of the audit process.

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Next-generation internal audit methodologies are designed to equip organisations with increasingly revealing insights into real-time risks. Agile and advanced data management and analysis approaches represent key enablers of this real-time view.

— Sanjeev Agarwal, Country Market Leader
  Protiviti Member Firm for the Middle East Region

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III. Enabling Technology

• • • **Next-Generation Enabling Technology Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Robotic Process Automation (RPA)	2.0	2.1
2	Process Mining	1.9	2.2
3	Machine Learning (ML) and Artificial Intelligence (AI)	1.8	2.0
4	Advanced Analytics	2.2	2.6

• • • **Enabling technology competencies being undertaken to transform the audit process**

Next-Generation Enabling Technology Competencies	Currently undertaking		Currently evaluating and planning to undertake within the next year		Currently evaluating and planning to undertake within the next two years		No plans to adopt	
	ME	Global	ME	Global	ME	Global	ME	Global
Machine Learning/ Artificial Intelligence	6%	7%	12%	15%	22%	25%	60%	53%
Process Mining	9%	10%	15%	21%	18%	28%	38%	41%
Robotic Process Automation	7%	12%	9%	17%	23%	24%	61%	47%
Advanced Analytics	19%	25%	21%	29%	24%	28%	36%	18%

Commentary

- Technology competency levels and their required knowledge have been rated low by the internal audit departments in the Middle East. Very few internal audit functions are upgrading their technology competency for transforming their audit processes.

- While the adoption of AI/machine learning, process mining and RPA remains low, the reasons that respondents cite most frequently for investing in these enabling technologies offer cause for optimism — enhancing audit coverage, enabling continuous auditing, driving efficiency and identifying unknowns. The substantial year-over-year increases in the reasons being cited suggest growing awareness of the benefits of these technologies, which deliver more and longer-lasting value and are therefore likely to help make the case for additional next-generation investments.

- Advanced analytics is currently undertaken by only 19% of the internal audit functions, and other tools such as AI, RPA and process mining have even lower adoption levels. Moreover, far too many internal audit groups indicate they have no plans to adopt them. Each of these advanced technologies received some of the lowest competency level self-assessments in the entire survey.

- As audit groups leverage data-driven insights to deliver more proactive, effective and efficient assurance, audit leaders should recognise and make the case that machine learning/AI, process mining and RPA deliver similar benefits. In fact, as we look at the responses addressing the primary reasons technologies are being used, it is apparent that internal audit functions have a much clearer view about where and why these technologies should be applied to deliver value.

Innovation, Transformation and the Audit Process

What You Need to Know

- More than 50% of internal audit organisations are currently undertaking transformation or innovation activities. Additionally, 64% of internal audit organisations plan to undertake transformation activities within the next one to two years.

- On a positive note, the results of the survey indicate that a comparatively higher percentage of respondents describe the maturity of their internal audit transformation or innovation activities in positive terms, such as 'the entire internal audit function understands the importance of innovation, and innovation contributions are measured as part of performance appraisals' and 'innovation is defined as a core value for the internal audit function with an appreciation and focus on continuous reinvention to long-term success'.

- Audit departments are currently undertaking transformation or innovation initiatives, and this was echoed by a majority of the respondents (56%). While 10% were not sure of such changes, 34% said no such changes were being undertaken.

- Internal audit departments are not currently hosting activities that foster transformation initiatives (for example RPA development, innovation challenges). This was the view of 59% of the respondents. Further, respondents were not keen to transform and innovate their internal audit function in the near future, with 36% saying no such activities were planned.

Responses on certain other key aspects were as follows:

- • • i. **Compared to one year ago, how has the focus on innovation/transformation initiatives to support audits within your organisation changed?**

Response	All Respondents	
	ME	Global
Increased significantly	14%	16%
Increased somewhat	50%	50%
No change	34%	32%
Decreased somewhat	1%	1%
Decreased significantly	1%	1%

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

Response	All Respondents	
	ME	Global
Far behind most competitors	6%	11%
Moderately behind most competitors	30%	27%
About the same as most competitors	41%	42%
Moderately ahead of most competitors	22%	17%
Far ahead of most competitors	1%	3%

Commentary

- Considering the evolution of technology and innovation, a change is necessary in the way the internal auditors operate. The survey results depict that the number of internal audit departments currently hosting activities that foster transformation initiatives (for example RPA development, hack-a-thons, innovation challenges etc.) are significantly low (59%).

- When comparing internal audit functions with their peers in the industry, most respondents believe that their overall level of employing innovation/transformation is about the same as others (41%) or moderately behind others (30%).

Key facts

- - - **Percentage of internal audit departments with designated 'innovation/transformation champions'**

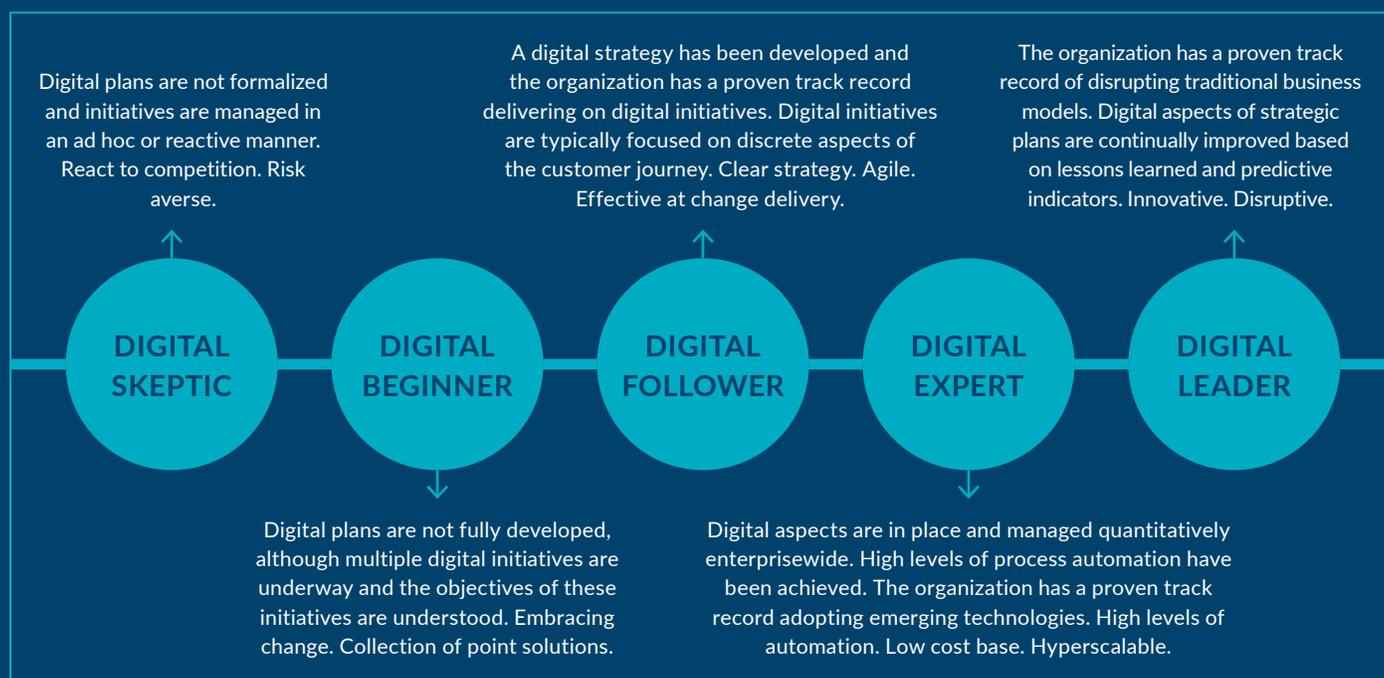| Response	All Respondents	
	ME	Global
Yes	33%	31%
No	61%	60%
Unsure	6%	9%

ASSESSING DIGITAL MATURITY

We asked our respondents (total of 96 in the Middle East) to rank their overall digital maturity on a 10-point scale as defined in Protiviti's Digital Maturity Model, a spectrum based on the sophistication of digital strategy and related indicators within organisations (see definitions below). Throughout our report we refer to the 'Digital Leader'

category of organisations, which we define as those ranking their digital maturity at a level of '7' or higher.

Protiviti offers an online Digital Maturity Self-Assessment Tool that organizations and leaders, including CAEs can use to assess their organisations. This complimentary tool is available at www.protiviti.com/digital.

• • • **Digital Maturity Scale**

Digital plans are not formalized and initiatives are managed in an ad hoc or reactive manner. React to competition. Risk averse.

A digital strategy has been developed and the organization has a proven track record delivering on digital initiatives. Digital initiatives are typically focused on discrete aspects of the customer journey. Clear strategy. Agile. Effective at change delivery.

The organization has a proven track record of disrupting traditional business models. Digital aspects of strategic plans are continually improved based on lessons learned and predictive indicators. Innovative. Disruptive.

DIGITAL SKEPTIC — **DIGITAL BEGINNER** — **DIGITAL FOLLOWER** — **DIGITAL EXPERT** — **DIGITAL LEADER**

Digital plans are not fully developed, although multiple digital initiatives are underway and the objectives of these initiatives are understood. Embracing change. Collection of point solutions.

Digital aspects are in place and managed quantitatively enterprisewide. High levels of process automation have been achieved. The organization has a proven track record adopting emerging technologies. High levels of automation. Low cost base. Hyperscalable.

• • • Where would you rank your organisation on the Digital Maturity Scale? (definitions provided above)

	ALL RESPONDENTS				ALL RESPONDENTS	
	ME	Global			ME	Global
1 — Digital Skeptic	3%	4%	6 — Digital Follower +		18%	20%
2 — Digital Skeptic +	5%	5%	7 — Digital Expert —		4%	5%
3 — Digital Beginner	17%	17%	8 — Digital Expert		5%	6%
4 — Digital Beginner +	20%	20%	9 — Digital Expert +		2%	2%
5 — Digital Follower	14%	18%	10 — Digital Leader		2%	3%

Audit Committee Engagement

What You Need to Know

- Audit committees are showing more interest in internal audit innovation and transformation activities as internal audit groups advance these activities to more mature levels.

- Respondents believed that the level of information shared by the internal audit functions with the audit committee is at a medium or high level. However, it is more important to ensure that information shared with the audit committee is relevant, concise, risk-informed and insightful.

Responses on certain other key aspects were as follows:

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

Response	All Respondents	
	ME	Global
No interest/low level of interest from the audit committee	50%	40%
Medium level of interest from the audit committee	25%	35%
High level of interest from the audit committee	12%	17%
Don't know	13%	8%
Decreased significantly	1%	1%

• • • **ii. How much information do you share with the audit committee about internal audit's plans to undertake transformation or innovation activities (for example: advanced analytics, agile reporting, RPA, agile assurance, etc.)?**

Response	All Respondents	
	ME	Global
No information/low level of information shared with the audit committee	39%	29%
Medium level of information shared with the audit committee	40%	48%
High level of information shared with the audit committee	14%	19%
Don't know	7%	4%

• • • **iii. How do you believe your company will compare with others in two years?**

Response	All Respondents	
	ME	Global
Far behind most competitors	14%	11%
Moderately behind most competitors	24%	27%
About the same as most competitors	33%	42%
Moderately ahead of most competitors	15%	17%
Far ahead of most competitors	14%	3%

Commentary

- It makes sense that the audit committees interest in internal audit transformation and innovation activities is rising. The ability to compete with 'born digital' competitors continues to rank as a top-five strategic risk among board members, likely making internal audit's transformation and innovation activities one of their top-of-mind concerns.

- As audit committees receive more detailed information about internal audit transformation, their interest in these initiatives increases. CAEs should bear in mind that the quality of information they share — and their communication approaches — are just as important as the quantity of information they deliver, if not more so.

- To that end, CAEs need to craft relevant board-level updates on next-generation activities that are linked to strategic risks, based on dynamic risk assessments and other next-generation audit methodologies and technologies, and delivered with compelling visual appeal.

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COVID-19 forced many around the world to rethink our daily lives from work to school to entertainment. Firms which have been able to adapt, evolve, transform and rethink their business model for the future by fast-tracking digital transformation will be ones ahead of their competition. Internal audit needs to respond to these organizational changes in order to drive the delivery of more efficient audits, deeper insights and increased risk assurance through leveraging emerging technologies and data analytics. This will require challenging the status quo with regards to skills, techniques and methodologies and how we measure success, as opposed to new technologies "dropped into" old ways of doing things. The risk of inaction has never been bigger – Internal Audit has two choices, disrupt or be disrupted.

— Amit Ray, Managing Director, Data & Digital
   Protiviti Member Firm for the Middle East Region

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Assessing Internal Audit Capabilities — Research Methodology

For the following four sections, respondents were asked to assess, on a scale of 1 to 5, their competency in different areas of knowledge of internal auditing, with '1' being the lowest level of competency and '5' being the highest.

1. Cybersecurity

2. Analytics and Technology

3. Strategy and Culture

4. Financial Reporting, Accounting and Controls

For each area, they were then asked to indicate whether their level of knowledge is adequate or requires improvement, taking into account the circumstances of the organisation and industry. In addition, for applicable areas, respondents were asked to indicate whether they are included in the organisation's 2020 audit plan.

• • • Top 10 Audit Plan Priorities for 2020

NO.	Audit Plan
1	Fraud Risk Management
2	Enterprise Risk Management
3	COSO Internal Control - Integrated Framework
4	Vendor/Third-Party Risk Management
5	Cybersecurity Risk/Threat
6	Agile Risk and Compliance
7	COBIT
8	ISO 27000 (information security)
9	Big Data/Business Intelligence
10	Cloud Computing

Cybersecurity

• • • **Overall Results, Cybersecurity Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	AICPA'S Criteria for Management's Description of an Entity's Cybersecurity Risk Management Program (Exposure Draft)	2.0	2.0
2	ISO 27000 (information security)	2.0	2.4
3	Auditing IT: Security	2.5	2.9
4	Cybersecurity Risk/Threat	2.5	2.8
5	Vendor/Third-Party Risk Management	3.2	3.2

Analytics and Technology

• • • **Overall Results, Cybersecurity Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Internet of Things (IoT)	2.2	2.4
2	Auditing Process Automation/Robotic Process Automation	2.0	2.2
3	Cloud Computing	2.3	2.4
4	Data Analytics Tools: Data Manipulation	2.3	2.6
5	Big Data/Business Intelligence	2.0	2.5

Strategy and Culture

• • • **Overall Results, Strategy and Culture Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Agile Risk and Compliance	2.3	2.6
2	Auditing Corporate Culture	2.5	2.8
3	Fraud: Fraud Detection/Investigation	3.0	3.2
4	Fraud: Fraud Risk	2.9	3.3
5	Fraud Risk Management	3.0	3.3

Financial Reporting, Accounting and Controls

• • • **Overall Results, Financial Reporting, Accounting and Controls Competencies**

'Need to Improve' Rank	Areas Evaluated by Respondents	Competency Level (5-pt. scale)	
		ME	Global
1	Cloud Computing Accounting Standard – (Accounting Update 2015-05—Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement)	1.7	1.9
2	Current Expected Credit Losses Accounting Standards Update No. 2016-13 Topic 326 (CECL)	1.5	1.9
3	Derivatives and Hedging - Update No. 2017-12 (Topic 815)	1.6	1.8
4	Quality Assurance and Improvement Program (IIA Standard 1300): Ongoing Monitoring (IIA Standard 1311)	2.5	2.9
5	Quality Assurance and Improvement Program (IIA Standard 1300): External Assessment (Standard 1312)	2.8	2.9

Call to Action

Internal auditors need to develop both a mindset and skillset oriented toward becoming more technology- and data-enabled. Innovation and transformation require more than just a series of discrete activities. They necessitate a fundamental rethinking of the design and capabilities of internal audit. Rather than auditing the past, emphasis should be placed on auditing the current controls and protecting the organisation for the future. Granted, most internal audit functions do not have the luxury of starting from scratch. But that does not preclude them from being innovators; it just means they have to be open to new ideas. Innovation in internal audit is driven by a next-gen, trailblazer mindset, along with a willingness to make bold decisions, learn from mistakes and never stop asking, 'How can we get even better?'

To build and manage a next-generation function, internal audit leaders and teams have a host of their own governance, methodology and enabling technology competencies to hone. These findings should serve as a wake-up call for internal audit leadership. Next-generation auditing capabilities, processes and tools — from strategic vision, agile auditing and dynamic risk assessment to artificial intelligence, machine learning and process mining, among others — should be pressing priorities for the internal audit function to build and grow as their organisations continue to transform and stakeholder expectations for these capabilities rise.

ABOUT PROTIVITI

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

Named to the 2020 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60% of *Fortune* 1000® and 35% of *Fortune* Global 500® companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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