

Internal Audit Capabilities and Needs Survey



*Assessing General Technical Knowledge,
Audit Process Knowledge, and Personal Skills
and Capabilities of Internal Auditors*

Conducted Q3/Q4 2006

protiviti[®]
Independent Risk Consulting

Business Risk

Technology Risk

Internal Audit

INTRODUCTION

“Knowledge has to be improved, challenged, and increased constantly, or it vanishes.” — Peter Drucker

Today, the global profession of internal auditing offers more for professional career growth and advancement than at any time in our history. With these opportunities, however, comes the need for continuing professional development, which is integral to long-term success in a dynamic environment.

Under the leadership of The Institute of Internal Auditors (The IIA), our profession continues to evolve. Increasingly, internal auditors are relied upon by management, directors, legislators, regulators, investors, media and the public to provide guidance and expertise in areas including, but not limited to, corporate governance, Enterprise Risk Management (ERM), fraud policies and prevention, and information technology systems, in addition to the traditional area of internal controls. As a result, the responsibilities of internal audit functions have increased substantially in scope and complexity, creating the need for a commensurate increase in the knowledge, skills and expertise of internal audit professionals.

With this in mind, Protiviti recently conducted a survey of chief audit executives (CAEs), as well as internal audit directors, managers and other professionals to determine how they perceive their present capabilities, where they currently see need for improvement, and how they prioritize those needs. Respondents answered questions in three subject areas: General Technical Knowledge, Audit Process Knowledge, and Personal Skills and Capabilities.

The results offer many interesting findings. For example, as detailed in our report, respondents cited Fraud Risk Management (FRM), ERM and the COSO ERM Framework as areas of technical competency in greatest need of improvement. Auditing information technology functions also is an area in which the opportunity to improve skills and knowledge is high.

The respondents to our survey represent all sectors of industry: finance, insurance, real estate, manufacturing, services, transportation, communications, utilities and other industries. They work for corporations that generate revenues in excess of \$10 billion per year, as well as companies with less than \$100 million in yearly revenues. All levels of internal audit expertise and responsibility took part in this survey, from CAEs to audit directors, audit managers and those with less seniority in the internal audit profession.

Given the rapidly changing role of internal audit, we believe that our survey’s findings will be of great interest not only to members of the internal audit profession, but also to audit committees, boards of directors, CEOs, CFOs, CIOs, and other company executives and professionals as they all strive to improve the effectiveness of their internal audit functions.

We would like to extend our thanks and appreciation to the participants in our survey, who so generously shared their insights and experience with us, and made this survey possible. We also want to acknowledge The IIA for continuing to set admirably high standards for our profession, as we continue partnering with management and boards of directors to drive greater success in their organizations.

Protiviti Inc.
December 2006

I. ASSESSING GENERAL TECHNICAL KNOWLEDGE

Key Findings

FRM, ERM and COSO ERM stand out as the areas of General Technical Knowledge in greatest need of improvement, despite relatively high average competency levels.

Table 1 shows the five highest-ranked areas based on “Need to Improve” ratings.

Table 1: Overall Results, General Technical Knowledge

“Need to Improve” Rank	General Technical Knowledge	Competency (5-pt. scale)
1	Enterprise Risk Management	3.1
	Fraud Risk Management	3.2
2	COSO Enterprise Risk Management Framework	3.0
3	International Financial Reporting Standards (IFRS)	2.3
	Six Sigma	2.3
4	Gramm-Leach-Bliley Act (GLBA)	2.0
5	U.S. GAAP	3.0

Respondents were asked to assess, on a scale of one to five, their competency in issues and areas of technical knowledge important to internal audit, with one being the lowest level of competency and five being the highest. They were then asked to indicate whether their level of competency is adequate or needs improvement, taking into account the circumstances of their company and the nature of its industry. For the 19 areas of knowledge under consideration, see sidebar. Figure 1 (next page) depicts a comparison of “Need to Improve” vs. “Competency” ratings in a General Technical Skills landscape.

The need for improvement in FRM, ERM and COSO ERM is understandable – these processes have emerged relatively recently as priorities for internal auditors and businesses have undergone a sea change. While other areas of expertise, such as Basel II, ISO 14000, GLBA and even Tax Laws, are rated at much lower competency levels, none of them elicited such obvious calls for improvement as those for these top three areas.

Areas Evaluated by Respondents

- Basel II
- Corporate Governance Standards Corp Gov Stds
- COSO Enterprise Risk Management Framework COSO ERM
- COSO Internal Control Framework COSO ICF
- Enterprise Risk Management ERM
- FDICIA
- Fraud Risk Management FRM
- Gramm-Leach-Bliley Act GLBA
- International Financial Reporting Standards IFRS
- ISO 14000
- ISO 9000
- PCAOB Audit Standard No. 2 (audit of internal control over financial reporting performed in conjunction with an audit of financial statements) PCAOB AS #2
- Sarbanes-Oxley Section 301 (complaints regarding accounting, internal controls or auditing matters)
- Sarbanes-Oxley Section 302 (disclosure controls and procedures)
- Sarbanes-Oxley Section 404 (internal control over financial reporting)
- Six Sigma
- Standards for the Professional Practice of Internal Auditing IIA Standards
- Tax Laws (applicable to the relevant region/country)
- U.S. GAAP

Note: Terms in blue correspond to text in Figure 1 (next page).

Figure 1: General Technical Knowledge – Perceptual Map



Comments from Respondents:

“Potentially could learn more in this area [IFRS] (U.S.-listed company that follows U.S. GAAP). ... being familiar with international standards could help promote best practices.” – Vice president, finance, internal control services: transportation, communications and utility industries

“[Need] annual refresher and more follow-up training on linking our process more to COSO [ICF].” – Audit director: manufacturing industry

In contrast to their ratings of risk management, respondents generally have strong confidence in their understanding of the COSO Internal Control Framework (COSO ICF), The IIA Standards, and Sarbanes-Oxley Act provisions relating to disclosure controls (Section 302) and internal control over financial reporting (Section 404). Interestingly, competencies in U.S. GAAP practices were rated noticeably lower than those in Sarbanes-Oxley provisions, even though GAAP competency would be expected to play an important part in enabling Sarbanes-Oxley compliance.

Competencies are not linked strongly to company size or industry sector. However, perceptions as to which skills need improvement vary markedly among the different sizes and sectors of the industry. For instance, respondents from the largest companies rated IFRS, Basel II and FDICIA as areas for improvement; these same areas may be less likely to play a part in the activities of smaller businesses and certain industries.

Survey participants from financial, insurance and real estate companies see less need for improvement than other sectors, with their strongest focus on the need to improve FRM. Those from transportation, communications and utilities indicated a substantially higher need for improvements in IFRS, U.S. GAAP, Section 301 and Tax Laws. Within the services sector, the greatest need for improvement is with COSO ERM and COSO Internal Control Framework.

Focus on Chief Audit Executives

As one would expect, CAEs reported higher competency levels and less need for improvement than those with less seniority (see Table 2). This is particularly true in the areas of U.S. GAAP, COSO Internal Control Framework and Section 301, where significantly less need for improvement is reported. But the need for improvement in COSO ERM among CAEs is about the same as among their more junior colleagues, although the CAEs noted a somewhat lower need for improvement in ERM and FRM. Along with their more junior colleagues, CAEs also expressed similar needs to improve in the areas of IFRS, Six Sigma and GLBA.

Table 2: General Technical Knowledge Results for CAEs

“Need to Improve” Rank	General Technical Knowledge	Competency (5-pt. scale)
1	COSO Enterprise Risk Management Framework	3.2
2	Enterprise Risk Management	3.6
3	International Financial Reporting Standards (IFRS)	2.3
4	Fraud Risk Management	3.3
5	Six Sigma	2.5

II. ASSESSING AUDIT PROCESS KNOWLEDGE

Key Findings

Auditing IT—Program Development, Security, Change Control, Continuity and Computer Operations—is clearly the top concern related to Audit Process Knowledge for internal audit professionals.

Overall, across all areas of Audit Process Knowledge, the lower the competency level, the greater the need to improve.

Table 3 shows the five highest-ranked areas based on “Need to Improve” ratings.

Table 3: Overall Results, Audit Process Knowledge

“Need to Improve” Rank	Audit Process Knowledge	Competency (5-pt. scale)
1	Auditing IT – Program Development	2.8
2	Auditing IT – Security	2.9
3	Auditing IT – Change Control	2.9
4	Auditing IT – Continuity	2.9
5	Auditing IT – Computer Operations	2.9

Respondents were asked to assess, on a scale of one to five, their competency in a variety of skills or areas of knowledge, with one being the lowest level of competency and five being the highest. They were then asked to indicate whether their level of competency is adequate or needs improvement, taking into account the circumstances of their company and the nature of its industry. Some skills, such as Assessing Controls Design and Assessing Controls Operating Effectiveness, were subdivided and considered from multiple aspects and at different levels. For the 32 areas of knowledge under consideration, see sidebar. Figure 2 (next page) depicts a comparison of “Need to Improve” vs. “Competency” ratings in an Audit Process Knowledge landscape.

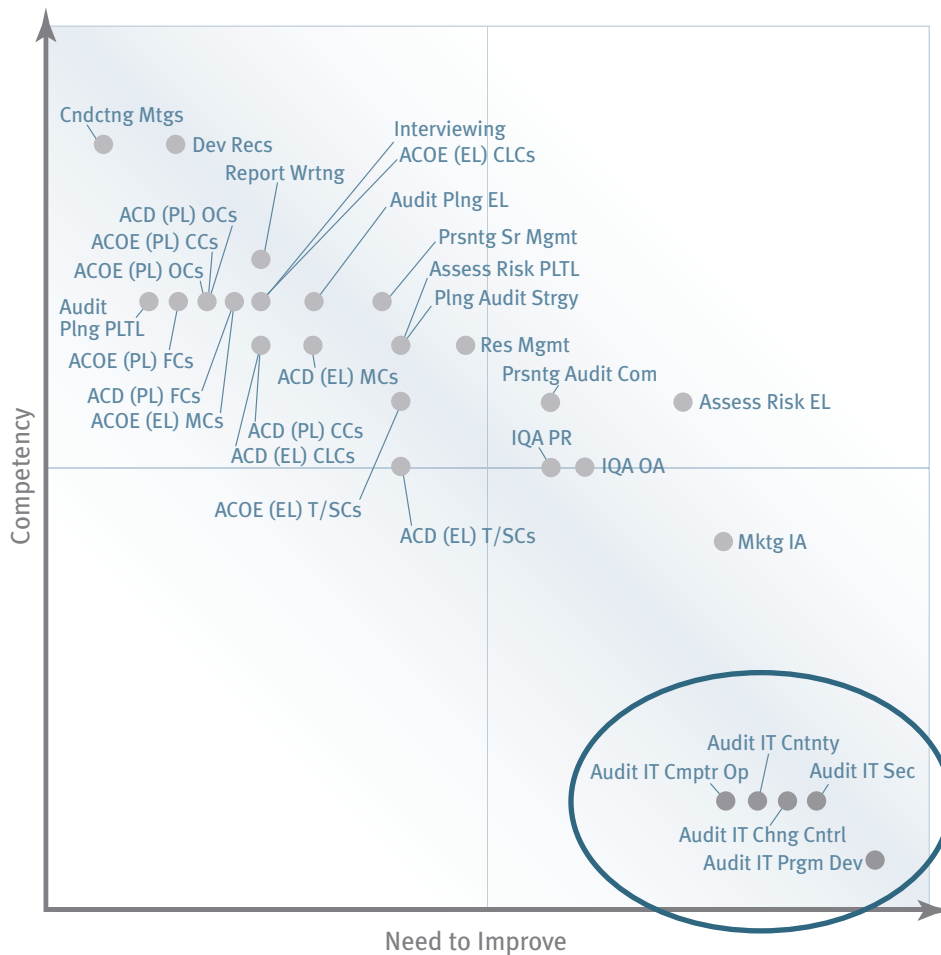
Auditing Information Technology poses the most serious challenge to respondents, who uniformly cited IT as the area of Audit Process Knowledge for which they have the lowest competency and greatest need for improvement. This challenge is felt within businesses of all sizes and in all industries. This is an understandable finding given the constantly evolving nature of IT and the specialized expertise required to audit this area effectively.

Areas Evaluated by Respondents

- Assessing Controls Design (Entity Level):
 - Company-Level Controls ACD (EL) CLCs
 - Monitoring Controls ACD (EL) MCs
 - Tone/Soft Controls ACD (EL) T/SCs
- Assessing Controls Design (Process Level):
 - Compliance Controls ACD (PL) CCs
 - Financial Controls ACD (PL) FCs
 - Operational Controls ACD (PL) OCs
- Assessing Controls Operating Effectiveness (Entity Level):
 - Company-Level Controls ACOE (EL) CLCs
 - Monitoring Controls ACOE (EL) MCs
 - Tone/Soft Controls ACOE (EL) T/SCs
- Assessing Controls Operating Effectiveness (Process Level):
 - Compliance Controls ACOE (PL) CCs
 - Financial Controls ACOE (PL) FCs
 - Operational Controls ACOE (PL) OCs
- Assessing Risk:
 - Entity Level Assess Risk EL
 - Process, Location, Transaction Level Assess Risk PLTL
- Audit Planning:
 - Entity Level Audit Plng EL
 - Process, Location, Transaction Level Audit Plng PLTL
- Auditing IT:
 - Security Audit IT Sec
 - Change Control Audit IT Chng Cntrl
 - Computer Operations Audit IT Cmptpr Dev
 - Program Development Audit IT Prgm Dev
 - Continuity Audit IT Cntnty
- Conducting Opening/Closing Meetings Cndctng Mtgs
- Developing Recommendations Dev Recs
- Internal Quality Assessment (Ongoing Assessment) IQA OA
- Internal Quality Assessment (Periodic Review) IQA PR
- Interviewing
- Marketing Internal Audit Internally Mktg IA
- Planning Audit Strategy Plng Audit Strgy
- Presenting to the Audit Committee Prsntg Audit Com
- Presenting to Senior Management Prsntg Sr Mgmt
- Report Writing Report Wrtnng
- Resource Management (Hiring, Training, Managing) Res Mgmt

Note: Terms in blue correspond to text in Figure 2 (next page).

Figure 2: Audit Process Knowledge – Perceptual Map



Comments from Respondents:

“IT audits are assigned only to IT auditors, leaving others without opportunity or experience with such items.” – Senior internal auditor: financial, insurance and real estate industries

“Currently rely [for auditing IT – security] on the audits by DCAA [Defense Contract Audit Agency] and outside auditors.” – Director, internal audit

Auditing IT Program Development was rated consistently as having the lowest average competency of all the internal audit process skills listed in the questionnaire. The other areas of IT auditing pose similar challenges: IT Security, Change Control, Computer Operations and Continuity are all perceived as having much lower competency than any other types of skills. These findings are consistent with the strongly expressed need for improvement in all aspects of Auditing IT.

Larger firms have stronger IT abilities

The findings suggest large firms have stronger capabilities in Auditing IT functions for all areas of IT. This higher level of competency is not surprising, particularly in light of the larger internal audit departments employed by these companies. Respondents from large firms also listed Assessing Risk (at the Entity, Process, Location and Transaction Levels) and Assessing Controls Design (Monitoring Controls and Tone/Soft Controls) as among their top five areas needing improvement. Respondents from midsize and smaller companies rated Marketing Internal Audit Internally as one of the top five areas most in need of improvement.

Different industry sectors have different needs

Capabilities are very similar across all sectors of industry, with the highest Audit Process Knowledge ratings corresponding to Developing Recommendations, Conducting Internal Audit, Conducting Opening and Closing Meetings, Report Writing, and Making Presentations to Senior Management. The lowest competency ratings were assigned to IT-related audit process areas.

Beyond IT-related audit process areas, the skills respondents cited as needing improvement vary widely among the different industry sectors. Among financial services, insurance and real estate companies, respondents are twice as likely to perceive a need to improve Resource Management (Hiring, Training and Managing) than their colleagues in the manufacturing and services sectors.

Those in the services sector expressed a strong need for improvement in presentation and interviewing skills. Interestingly, respondents from the services sector did not see a strong need for improvement in their IT audit abilities, even though their IT abilities were rated significantly lower than those in other sectors.

Focus on Chief Audit Executives

CAEs noted IT Audit Knowledge as an area in which they need to improve, with IT Program Development being the area they most frequently cited as needing improvement (see Table 4). As should be expected, CAEs show higher proficiencies in all areas compared to more junior internal audit professionals, particularly in Presenting to the Audit Committee or Senior Management, Audit Planning at the Entity Level and Planning Audit Strategy.

Table 4: Audit Process Knowledge Results for CAEs

“Need to Improve” Rank	Audit Process Knowledge	Competency (5-pt. scale)
1	Auditing IT – Program Development	2.9
2	Auditing IT – Security	3.1
3	Auditing IT – Computer Operations	3.0
	Auditing IT – Continuity	3.1
4	Auditing IT – Change Control	3.2
5	Marketing Internal Audit Internally	3.7

III. PERSONAL SKILLS AND CAPABILITIES

Key Findings

Developing Other Board Committee Relationships is the area of Personal Skills and Capabilities with the lowest average competency and in greatest need of improvement.

Negotiation, Leadership (within the Internal Audit Profession), Presenting (Public Speaking), Developing Outside Contacts/Networking, Developing Audit Committee Relationships, Leadership (within Your Organization), Creating a Learning Internal Audit Function and Persuasion are the other areas in greatest need of improvement.

Overall, across all areas of Personal Skills and Capabilities, the lower the competency level, the greater the need to improve.

Table 5 shows the highest-ranked areas based on “Need to Improve” ratings.

Table 5: Overall Results, Personal Skills and Capabilities

“Need to Improve” Rank	Personal Skills and Capabilities	Competency (5-pt. scale)
1	Developing Other Board Committee Relationships	3.1
	Negotiation	3.4
2	Leadership (within the Internal Audit Profession)	3.3
	Presenting (Public Speaking)	3.4
3	Developing Outside Contacts/Networking	3.4
4	Developing Audit Committee Relationships	3.3
	Leadership (within Your Organization)	3.5
5	Creating a Learning Internal Audit Function	3.4
	Persuasion	3.5

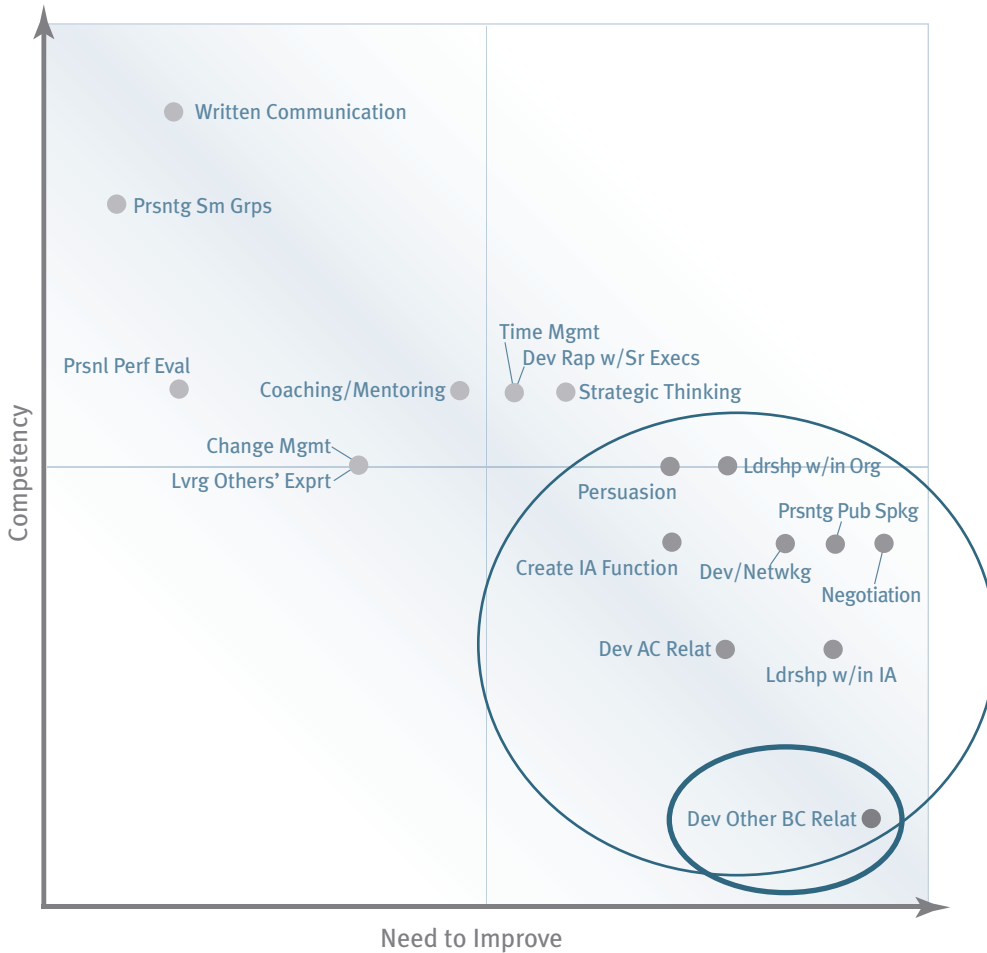
Respondents were asked to assess, on a scale of one to five, their competency in a wide range of Personal Skills and Capabilities, with one being the lowest level of competency and five being the highest. They were then asked to indicate whether their level of competency is adequate or needs improvement, taking into account the circumstances of their companies and the nature of their industries. For the 18 areas of knowledge under consideration, see sidebar. Figure 3 (next page) depicts a comparison of “Need to Improve” vs. “Competency” ratings in a Personal Skills and Capabilities landscape.

Areas Evaluated by Respondents

- Change Management Change Mgmt
- Coaching/Mentoring
- Creating a Learning Internal Audit Function Create IA Function
- Developing Audit Committee Relationships Dev AC Relat
- Developing Other Board Committee Relationships Dev Other BC Relat
- Developing Outside Contacts/Networking Dev/Netwkg
- Developing Rapport with Senior Executives Dev Rap w/Sr Execs
- Leadership (within the Internal Audit Profession) Ldrshp w/in IA
- Leadership (within Your Organization) Ldrshp w/in Org
- Leveraging Others’ Expertise Lvrg Others’ Exprt
- Negotiation
- Personnel Performance Evaluation Prsnl Perf Eval
- Persuasion
- Presenting (Public Speaking) Prsntg Pub Spkg
- Presenting (Small Groups) Prsntg Sm Grps
- Strategic Thinking
- Time Management Time Mgmt
- Written Communication

Note: Terms in blue correspond to text in Figure 3 (next page).

Figure 3: Personal Skills and Capabilities – Perceptual Map



Comments from Respondents:

“[One way to improve in this regard is] to share best practices [for Leadership within the Internal Audit Profession] and promote our audit group within the industry ...”
 – Vice president, finance, internal control services: transportation, communications and utility industries

“[Improvements could be made by] marketing internal audit as a path to Leadership [within the Organization].” – Director of internal audit: transportation, communications and utility industries

Priority on Developing Relationships with Board Committees

Assessing Personal Skills and Capabilities is a highly subjective task, and one for which there are few standards in making quantitative assessments. Yet, personal skills are directly linked to the professional effectiveness of internal auditors. The ability to clearly and persuasively communicate the meaning of data accumulated through the audit process is just as valuable as the data itself. The importance of personal skills is reflected in the responses of the survey participants, who reported a need to improve even those skills that are fairly well developed.

As previously stated, Developing Relationships with Board Committees (other than the audit committee) is rated as the skill with the lowest competency and greatest need for improvement. This may reflect a tendency among those surveyed to focus their attention on the audit committee, whose members may be more likely to “speak their language,” and with whom, traditionally, interaction and relationships have been frequent and strong.

Negotiation Skills, Public Speaking and Leadership (within the Internal Audit Profession) also are among those skills most frequently cited as needing improvement.

Written Communication Skills have the highest competency ratings among those from all sizes of businesses, in all industries and at all levels of responsibility. Delivering Presentations to Small Groups and Performing Personnel Evaluations garner the next highest competency ratings. High confidence in these skills is reflected by the perceptions of 80 percent of the participants, who indicated little need to improve these abilities.

Business size and sector determine priorities

Within businesses of all sizes, there tend to be similar trends in competencies, although those from the largest businesses noted relatively higher skill levels. When it comes to assessing the need for improvement, however, there are different priorities among businesses of different sizes.

For instance, respondents from small companies (those with annual revenues under \$1 billion) most often cited Negotiation Skills, Developing Relationships with Other Board Committees and Public Speaking as needing improvement. Those from medium-sized organizations (annual revenues between \$1 billion and \$10 billion) most often cited Developing Other Board Committee Relationships, Leadership (within the Organization) and Creating a Learning Internal Audit Function. Participants from large companies (annual revenues in excess of \$10 billion) cited yet another group of skills in need of improvement: Developing Outside Contacts and Networking, Leadership (within the Internal Audit Profession) and Public Speaking.

Areas for improvement also vary widely among the different industry sectors:

- Financial services, insurance and real estate firms indicated a need to improve skills related to Creating a Learning Internal Audit Function and Developing Other Board Committee Relationships.
- Manufacturing firms noted a strong need to improve in Developing Outside Contacts and Networking.
- Respondents from the services industries cited four areas that need attention: Public Speaking, Persuasion, Leadership (within the Internal Audit Profession) and Leadership (within the Organization).
- Transportation, communications and utilities internal audit professionals saw a need to improve Audit Committee and Other Board Committee Relationships, Developing a Rapport with Senior Management and Negotiation Skills.
- Those respondents who were affiliated with unspecified industries were more likely than any other sector to indicate that skills need to be improved, particularly in the areas of Negotiation, Public Speaking, Persuasion and Time Management.

Focus on Chief Audit Executives

Competencies in all areas of personal skills are noticeably higher for CAEs than for those with less seniority (see Table 6). Even the lowest-rated skill among CAEs (Developing Other Board Committee Relationships) earns nearly the same score as the highest-rated skill (Written Communication) among those with the least seniority.

CAEs also are clear about their priorities regarding which of their skills need to be improved. The two personal skills most likely to be cited as needing improvement among CAEs are Leadership (within the Internal Audit Profession) and Negotiation. These priorities reflect the higher profile and wider responsibilities of CAEs compared to the more junior members of their organizations and the profession in general.

Table 6: Personal Skills and Capabilities Results for CAEs

“Need to Improve” Rank	Personal Skills and Capabilities	Competency (5-pt. scale)
1	Leadership (within the Internal Audit Profession)	3.6
2	Negotiation	3.6
3	Developing Other Board Committee Relationships	3.5
4	Developing Outside Contacts/Networking	3.7
	Presenting (Public Speaking)	3.7
	Creating a Learning Internal Audit Function	3.8
	Leadership (within Your Organization)	4.0
5	Persuasion	3.9

WHAT'S NEXT?

Given the rapid pace at which internal audit professionals have developed their Sarbanes-Oxley compliance capabilities, it is tempting to expect similar progress as they enhance their knowledge and skills in those areas that, according to the survey, are in greatest need of improvement. However, unlike Sarbanes-Oxley, there is no clear regulation or standard to follow in strengthening these competencies.

Information technology, for example, permeates nearly every corner of every business, yet it is in a constant state of flux: New technologies overtake old ones; security strategies evolve to counter ever-stronger threats. Gaining expertise in any area of IT is time-consuming, so much so that those who audit the IT functions are often IT specialists who have gained internal audit skills rather than the other way around. Tax laws, too, are subject to regular change from legislatures – domestic and foreign, national and local – all of them with unique sets of demands.

This doesn't mean that internal audit professionals aren't able to improve in these areas, only that improvement will not be achieved by meeting a static goal, but by committing to the dynamic process of continual professional development. In light of the seriousness with which the internal audit profession has accepted its recently expanded responsibilities, we can expect to see ongoing improvement in other areas of expertise.

Again and again, survey participants commented that they desire additional training, practical seminars, well-designed interactive coursework and pragmatic discussions with colleagues in order to improve their capabilities.

Protiviti anticipates conducting future surveys to ascertain how skill levels and priorities for improvement may change. As the internal audit profession further matures as a key player in corporate governance, risk management and control, we will continue to monitor and report on the capabilities and needs of internal audit professionals.

For organizations interested in conducting this survey within their internal audit function or other departments, please contact:

Robert B. Hirth Jr.
Managing Director
Global Practice Leader, Internal Audit
Protiviti Inc.
+1.415.402.3621 (direct)
robert.hirth@protiviti.com

SURVEY DEMOGRAPHICS

A total of 456 respondents participated in the study. Demographic questions were voluntary. Please note that the percentages below correspond *only* to those answering each demographic question, and not the total sample.

Education:

Ph.D.	1%
Professional degree (J.D., M.B.A.)	21%
Master’s degree	27%
Undergraduate degree (B.A., B.S.)	50%
High school	1%

Position:

CAEs	26%
Directors of auditing	20%
Audit managers	24%
Audit staff	17%
All others	13%

Industry:

Finance, insurance and real estate	20%
Manufacturing	19%
Services	15%
Transportation, communications and utilities	14%
Other	14%
Wholesale and retail trade	10%
Government	8%

Type of organization:

Publicly traded	62%
Private	23%
Government	7%
Not-for-profit	7%
Other	1%

Size of organization (gross annual revenues):

<\$100 million	8%
\$100 million – \$500 million	15%
\$500 million – \$1 billion	13%
\$1 billion – \$5 billion	31%
\$5 billion – \$10 billion	8%
\$10 billion – \$20 billion	5%
>\$20 billion	18%

Region:

North America	82%
Europe	6%
Asia-Pacific	5%
Latin America	4%
Middle East	3%

Years in current position:

>10 years	16%
5 – 10 years	17%
<5 years	67%

Years internal audit department has existed:

>10 years	47%
5 – 10 years	18%
1 – 5 years	27%
<1 year	8%

Internal audit department full-time (or equivalent) personnel:

1 – 10	51%
11 – 20	20%
21 – 50	14%
>50	14%

Using resources through a co-sourcing arrangement:

No	57%
Yes	43%

Full-time equivalent co-sourced personnel (if co-sourcing):

1 – 5	66%
6 – 10	13%
11 – 15	8%
>15	13%

METHODOLOGY

Survey overview

The survey was conducted from June 20, 2006 to July 31, 2006. A total of 456 respondents submitted completed surveys during that time. The survey consisted of a series of questions grouped into three divisions: General Technical Knowledge, Audit Process Knowledge, and Personal Skills and Capabilities. Participants were asked to respond to 69 questions, each with two parts. The purpose of the survey was to elicit responses that would illuminate the current perceived levels of competency in the many skills necessary to internal auditors, and determine which knowledge areas are most in need of improvement.

In addition to the survey questions, participants were asked to provide background information about the nature and size of their businesses, and their titles or positions within the internal audit department. This demographic information was used to help establish whether there were distinct patterns of capabilities and needs among different sizes and sectors of business, or among individuals with different levels of seniority within the internal audit profession. No one was required to provide demographic information, but many chose to do so on a voluntary basis.

Sources of respondents

- *65th Annual IIA International Conference in Houston, Texas (June 19 – 21, 2006).* This conference is the largest annual conference for internal audit professionals. Survey forms were distributed to attendees on the second day of The IIA Conference. Completed forms were returned to the Protiviti booth at the conference, as well as by mail or fax to Protiviti's office locations.
- *Web-based survey at KnowledgeLeaderSM.* Electronic surveys were made available online to KnowledgeLeaderSM subscribers, including those with trial subscriptions. KnowledgeLeaderSM is a subscription-based Protiviti website designed to assist internal audit professionals with finding information, tools and best practices they can use to improve the efficiency and quality of their work.
- *Electronic surveys.* Surveys also were forwarded to other internal audit professionals who expressed an interest in participating.

ABOUT PROTIVITI

Protiviti (www.protiviti.com) is a leading provider of independent risk consulting and internal audit services. We provide consulting and advisory services to help clients identify, assess, measure and manage financial, operational and technology-related risks encountered in their industries, and assist in the implementation of the processes and controls to enable their continued monitoring. We also offer a full spectrum of internal audit services to assist management and directors with their internal audit functions, including full outsourcing, co-sourcing, technology and tool implementation, and quality assessment and readiness reviews.

Protiviti is proud to be a Principal Partner of The IIA. More than 1,000 Protiviti professionals are active members of The IIA, and these members are actively involved with local, national and international leadership to provide thought leadership, speakers, best practices, training and other resources that develop and promote the internal audit profession.



Protiviti, which has more than 50 locations in the Americas, Asia-Pacific and Europe, is a wholly owned subsidiary of Robert Half International (NYSE symbol: RHI). Founded in 1948, Robert Half International is a member of the S&P 500 index.

Among Protiviti's many publications are:

- *Internal Auditing Around the World, Volumes I and II*
- *Top Priorities for Internal Audit in a Changing Environment*
- *Guide to the Sarbanes-Oxley Act: Managing Application Risks and Controls, Frequently Asked Questions*
- *Guide to Enterprise Risk Management: Frequently Asked Questions*
- *Partnering with the Rest of the Board*
- *Protiviti Risk Barometer*
- *Guide to Internal Audit*
- *Moving Internal Audit Back into Balance*

In addition, Protiviti publishes *The Bulletin*, a periodic newsletter covering key corporate governance and risk management topics of interest to internal auditors, board members and C-level executives.

To request a complimentary copy of any of our publications, please visit www.protiviti.com or call 1.888.556.7420.

KnowledgeLeaderSM

provided by **protiviti**[®]

KnowledgeLeaderSM is a subscription-based website that provides information, tools, templates and resources to help internal auditors, risk managers and compliance professionals save time, stay up-to-date and manage business risk more effectively. The content is focused on business risk, technology risk and internal audit, and is updated weekly.

The tools and resources available on KnowledgeLeaderSM include:

- **Audit Programs** – A wide variety of sample internal audit and IT functional audit work programs are available on KnowledgeLeaderSM. These work programs, along with the other tools listed below, are all provided in downloadable versions so they can be repurposed for use in your organization.
- **Checklists, Guides and Other Tools** – More than 400 checklists, guides and other tools are available on KnowledgeLeaderSM. They include questionnaires, best practices, templates, charters and more for managing risk, conducting internal audits and leading an internal audit department.
- **Policies and Procedures** – KnowledgeLeaderSM provides more than 200 sample policies to help in reviewing, updating or creating company policies and procedures.
- **Articles and Other Publications** – Informative articles, survey reports, newsletters and booklets produced by Protiviti and other parties (including *Compliance Week* and Auerbach) about business and technology risks, internal audit and finance.
- **Performer Profiles** – Interviews with internal audit executives who share their tips, techniques and best practices for managing risk and running the internal audit function.

Key topics covered by KnowledgeLeaderSM:

- Business Continuity Management
- Control Self-Assessment
- COSO
- Credit and Operational Risk
- Enterprise Risk Management
- Fraud and Ethics
- Internal Audit
- Sarbanes-Oxley and Corporate Governance
- Security Risk
- Technology Risk

Also available on KnowledgeLeaderSM – Methodologies and models, AuditNet Premium Content, discounted certification exam preparation material, discounted CPE courses, white papers, audit, accounting and technology standards, and best business links.

To learn more about KnowledgeLeaderSM, sign up for a complimentary 30-day trial by visiting www.knowledgeleader.com. Protiviti clients and alumni, and members of The IIA, ISACA, the AICPA and AHIA, are eligible for a subscription discount. Additional discounts are provided to groups of five or more.

PROTIVITI'S RISK SOLUTIONS iTRAINING DEVELOPMENT SERIES



Protiviti's Risk Solutions iTraining is a comprehensive collection of interactive, Internet-based training courses offering a rich source of knowledge on internal audit and business and technology risk management topics that are current and relevant to your business needs.

Topics include:

- Introduction to Self-Assessment
- Testing and Controls
- Information Technology (IT) Audit
- Enterprise Risk Management
- Audit Project Management
- Sarbanes-Oxley Act Compliance

Composed of materials originally developed for training Protiviti's consulting professionals, these courses are designed to give organizations and individuals a high-quality learning experience in a convenient format. The wide array of courses provides process owners, general management, boards of directors and other professionals with continuing education opportunities they can access anytime via the Internet. Protiviti's iTraining offerings also qualify for CPE credit.

This content can give you and your employees a significant advantage as you face continuing regulatory, corporate governance and internal control challenges. Courses incorporate real-life knowledge and practical skills that can be immediately applied within the work environment.

For more information, visit www.protiviti.com.

PROTIVITI INTERNAL AUDIT PRACTICE – CONTACT INFORMATION

Robert B. Hirth Jr.
Managing Director
Global Practice Leader, Internal Audit
+1.415.402.3621
robert.hirth@protiviti.com

AUSTRALIA

Mark Harrison
Managing Director
+61.2.62435175
mark.harrison@protiviti.com.au

CANADA

Carmen Rossiter
Managing Director
+1.647.288.4917
carmen.rossiter@protiviti.com

CHINA

Christopher Low
Managing Director
+86.21.3401.4630, ext. 818
christopher.low@protiviti.com

FRANCE

Francis Miard
Managing Director
+33.1.42.96.22.77
f.miard@protiviti.fr

GERMANY

Michael Klinger
Managing Director
+49.69.963.768.155
michael.klinger@protiviti.de

ITALY

Giacomo Galli
Managing Director
+39.02.6550.6303
giacomo.galli@protiviti.it

JAPAN

Yasumi Taniguchi
Managing Director
+81.3.5219.6600
yasumi.taniguchi@protiviti.jp

MEXICO

Roberto Abad
Managing Director
+52.55.9171.1501
roberto.abad@protiviti.com.mx

THE NETHERLANDS

Carl Messemaeckers van de Graaff
Director
+31.20.346.04.00
carl.messemaeckers@protiviti.nl

SINGAPORE

Matthew Field
Managing Director
+65.6220.6066
matthew.field@protiviti.com

UNITED KINGDOM

Paul Marshall
Managing Director
+44.20.7024.7547
paul.marshall@protiviti.co.uk

UNITED STATES

Robert B. Hirth Jr.
Managing Director
+1.415.402.3621
robert.hirth@protiviti.com

NOTES

The Americas

UNITED STATES
+1.888.556.7420
protiviti.com

BRAZIL
+55.11.3443.7240
protiviti.com.br

CANADA
+1.416.350.2181
protiviti.ca

MEXICO
+52.55.9171.1501
protiviti.com.mx

Europe

FRANCE
+33.1.42.96.22.77
protiviti.fr

GERMANY
+49.69.963768.100
protiviti.de

ITALY
+39.02.655.06.301
protiviti.it

THE NETHERLANDS
+31.20.346.04.00
protiviti.nl

UNITED KINGDOM
+44.20.7930.8808
protiviti.co.uk

Asia-Pacific

AUSTRALIA
+61.3.9948.1200
protiviti.com.au

CHINA
+86.21.3401.4630
protiviti.cn

INDIA
+91.11.4051.4198
protiviti.co.in

JAPAN
+81.3.5219.6600
protiviti.jp

SINGAPORE
+65.6220.6066
protiviti.com.sg

SOUTH KOREA
+82.2.2198.2065
protiviti.co.kr

Protiviti is a leading provider of independent risk consulting and internal audit services. We provide consulting and advisory services to help clients identify, assess, measure and manage financial, operational and technology-related risks encountered in their industries, and assist in the implementation of the processes and controls to enable their continued monitoring. We also offer a full spectrum of internal audit services to assist management and directors with their internal audit functions, including full outsourcing, co-sourcing, technology and tool implementation, and quality assessment and readiness reviews.

Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.