

From the Chair / Un mot du président

A blog by / un blog de Richard Arthurs

Is the Future of Internal Audit at Risk?

I recently had the pleasure to represent IIA Canada at the IIA Global Council meeting in Tokyo. IIA leaders from over ninety countries discussed the current state of the internal audit profession around the world. Many facts were shared on the demands being placed on the internal audit profession by our many stakeholders, especially audit committees, regulators, and business leaders. These stakeholders are feeling significant pressure driven by the speed of change and disruption around the globe. Technology has brought great opportunity to innovate and disrupt business models, though with strategic change there is always strategic risk being created at the same accelerating rate.

Many are asking, "Is Internal Audit changing fast enough to stay relevant?". Internal Audit leaders must be asked, "Is your organization changing at a pace much greater than your internal audit function?". If the answer is yes, and this has been the case for an extended period, you should then ask, "Is your internal audit function remaining relevant while focusing on the greatest value-added opportunities?".

In summary, Internal audit functions may no longer remain relevant if they are not focused on the future strategy and risk facing your organization. This includes being a change agent for your organization. If your organization's greatest strategic risk is an outdated business model that is not keeping up with the competition, it is internal audit's role to advise on this risk. This is what you would expect from a future-focused Trusted Advisor.

The easiest way for internal audit to show the risk of competitive disruption is to monitor trends internally and with external competitors, while using this insight to benchmark your organization with competition. It is safe to say that internal audit leaders cannot assume anything will remain the same for an extended period. For example, watch very closely what one of the biggest disruptors in the world is doing, Amazon. In the US, Amazon is stealing market share from many retail businesses. Every time they venture into offering a new product or service, they disrupt the competition. Retailers cannot compete with Amazon's online service, analytic insight, and Prime delivery services. For example, Amazon is now selling pharmaceuticals online in the US. In Canada there has been significant economic growth driven by the legalization of cannabis. If you were the CAE of a Canadian cannabis company, should you be advising on the risk of Amazon entering the cannabis business in Canada? Are Canadian cannabis companies prepared for this risk?

IIA leaders from around the world are also recognizing the critical importance for internal audit functions to remain agile. This is being seen in various ways, such as aligning the mix of IA resource capability with the risk and opportunity in your organization. For example, most IA functions are

recruiting data analytic and IT experts. Also, IA functions are investing time into strategic partnerships to source experts when needed. Most IA shops do not have a blockchain or augmented intelligence expert on staff, though a blockchain or AI expert may be needed for specific audits or advisories.

What I found most interesting about this discussion with global IIA leaders was many of the principals of internal audit that applied in the past will always be important in this uncertain future. For example, CAEs must have courage, effective communication skills, have executive presence, and a passion for continuous learning and development. The best way to mitigate any risk of internal audit becoming irrelevant is to change in a value-added way as fast, if not faster, than your organization.

Don't be the CAE who is left asking "What just happened?"; instead be the CAE who gets credit for proactively influencing positive change, and then internal audit will never be at risk.