2020s
COVID-19, Disruption, and the Decade Ahead for Internal Audit

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Overview

• **Prologue:** Internal Audit in the 2010s

• **Insight 2020:** COVID-19 – Lessons and Imperatives

• **Foresight:** A Call to Action for the Decade Ahead

• **Parting Thoughts:** 6 Things We Must Get Right
PROLOGUE

The Journey Over the Past Decade
Prologue: Internal Audit’s Journey in the 2010s

• Weathering the financial crisis (2010-2012)

  • Global regulations illuminate board oversight of risk management
  • Chartered Institute of Internal Auditors issues Financial Services Code
  • COSO Internal Control Framework refresh

• Enhanced expectations to meet new scrutiny (2016-2017)
  • Global FS regulators raise the bar for internal audit
  • COSO Risk Management Framework refresh
  • Cyber breaches put CAEs in the crosshairs

• Explosion of new and emerging risks (2018-2019)
  • Culture
  • Data ethics
  • Artificial Intelligence
Prologue: The IIA’s Journey in the 2010s

- Audit Channel
- Pulse of Internal Audit
- Specialty/industry centers
  - Audit Executive Center
  - Public Sector Audit Center
  - Financial Services Audit Center
  - Environmental, Health & Safety
- Principles for internal audit
- NYSE opening bell
- CRMA
- OnRisk and ACGI

Milestones
- Global Affiliates top 110
- Membership crests 200,000
- CIAs eclipse 150,000
COVID-19: Lessons Learned and Immediate Imperatives
COVID-19: The First Global Crisis of the New Decade

- The most significant global disruption in generations
- Organizations face multitude of risks:
  - Financial
  - Operational
  - Compliance
  - Strategic/Business
  - Reputational
COVID-19: Profound Impact on Internal Auditing

• 49% Discontinued or reduced scope of 2020 audits

• 50% Canceled some engagements

• 42% Added engagements
  • Business continuity
  • Health and safety
  • Revenue risk
  • Supply chain

• 23% Redirected staff to do non-audit work

• 36% Lost budget and 22% lost staffing

COVID-19: Most Significant Challenges for Internal Audit

- **49%** Delays due to responsiveness of function being audited
- **25%** Adapting to different ways of evidence gathering
- **23%** Maintaining productivity in work-from-home environment
- **3%** Difficulty in conducting effective meetings

Source: Adapting the Internal Audit Function in the Era of COVID-19 © 2020 – Frazier & Deeter
1. Coverage is dramatically altered to address impacts of COVID-19 health and financial crises.

2. Risks are continuously assessed to identify those presenting the most significant threats – before they arrive.

3. Despite remote work, key risks aren’t falling through the cracks because they can’t be audited in person.

4. There remains a strong commitment to audit quality, even with obstacles.

5. Risks and coverage into 2021 are already being assessed:
   - COVID health and safety (employees and customers)
   - Business continuity
   - Global macroeconomic instability
   - Severe pressure on bottom line
   - Supply chain disruption
   - Cyber fraud
FORESIGHT
Call to Action for the Decade Ahead
COVID-19: Will Internal Audit Transformation Accelerate?

“Disruption accelerates innovation!”
Foresight: How the World Will Change in the 2020s

• **COVID-19 is the first** in a series of significant health, environmental, and economic crises the world will face.

• **The workplace** will be permanently altered in the wake of COVID-19.

• **The global economic** impact of COVID-19 will be felt for years.

• **Some industries** will be permanently altered – for better and worse.

• **The line** between human-machine interface will be permanently blurred.
Internal audit professionals will be universally recognized as indispensable to protecting and enhancing organizational value.
Foresight: Predictions for Internal Audit in the 2020s

- **COVID-19** will alter the profession:
  - How we are resourced
  - Where we work
  - How we assess risks
  - How we audit

- **Pressure will mount** on the profession to demonstrate greater value.

- **The gig economy** will give rise to on-demand staffing – “Uber Auditing.”

- **Data ethics and Artificial Intelligence** governance will become the next decade’s “culture” audits.

- **Torch will pass** to new tech-savvy and tech-fearless generation.

- **Scandals** will heighten awareness that internal audit serves the public interest.
PARTING THOUGHTS

6 Things We Must Get Right
In the Decade Ahead: 6 Things We Must Get Right

• **Be resilient** in the wake of COVID-19
• **Be a beacon** for emerging risks:
  • Data ethics
  • AI governance
  • Sustainability
• **Recruit and retain** game-changing talent
• **Be a champion** for strong governance
• **Innovate** for greater efficiency and impact
• **Be prolific in telling “internal audit’s story”**
  • How we preserve and CREATE value