

Session 4A

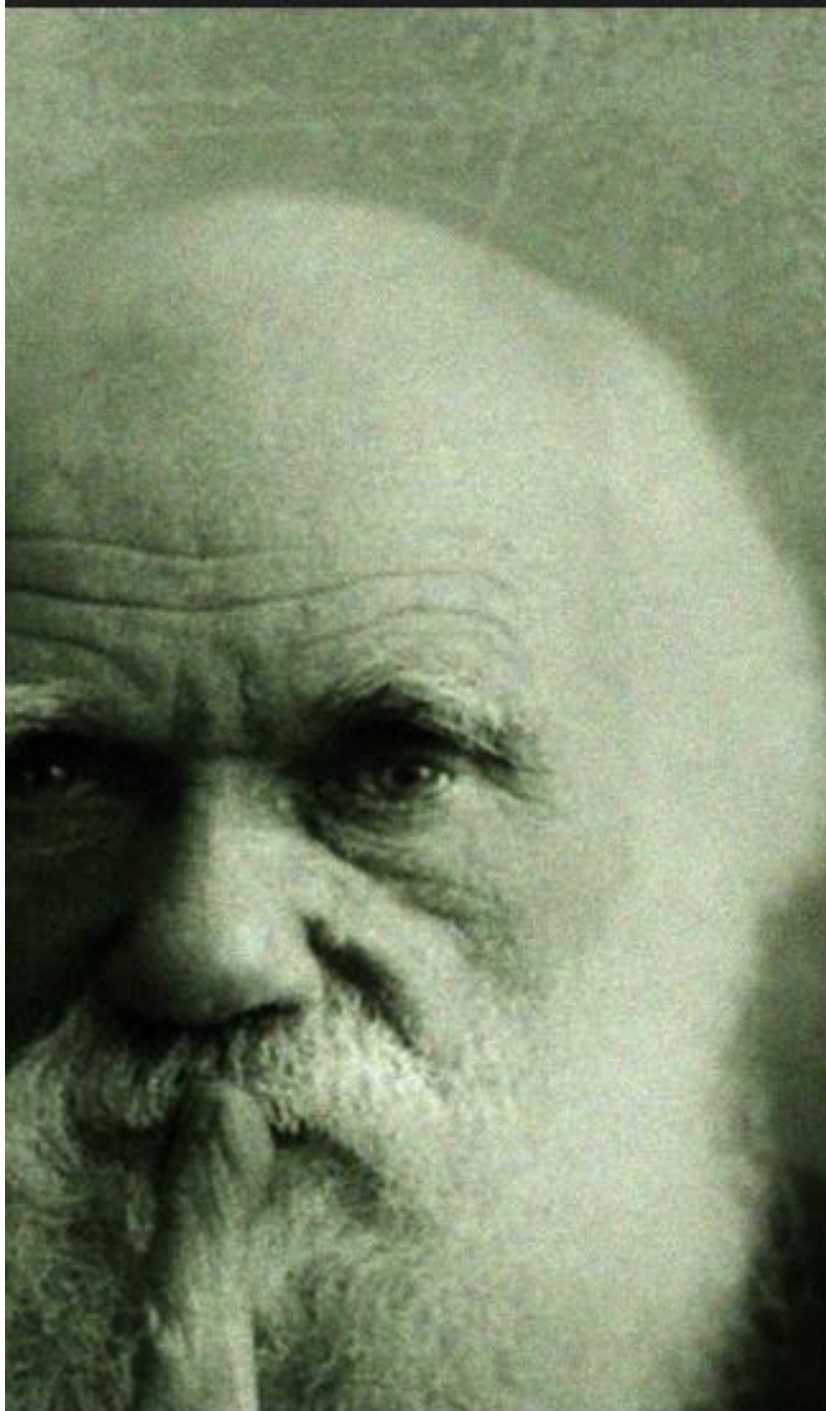
Internal audit: Preparing for the future

Presented by

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Head of Internal Audit
Police Bank

Internal Audit: **Preparing for the future**



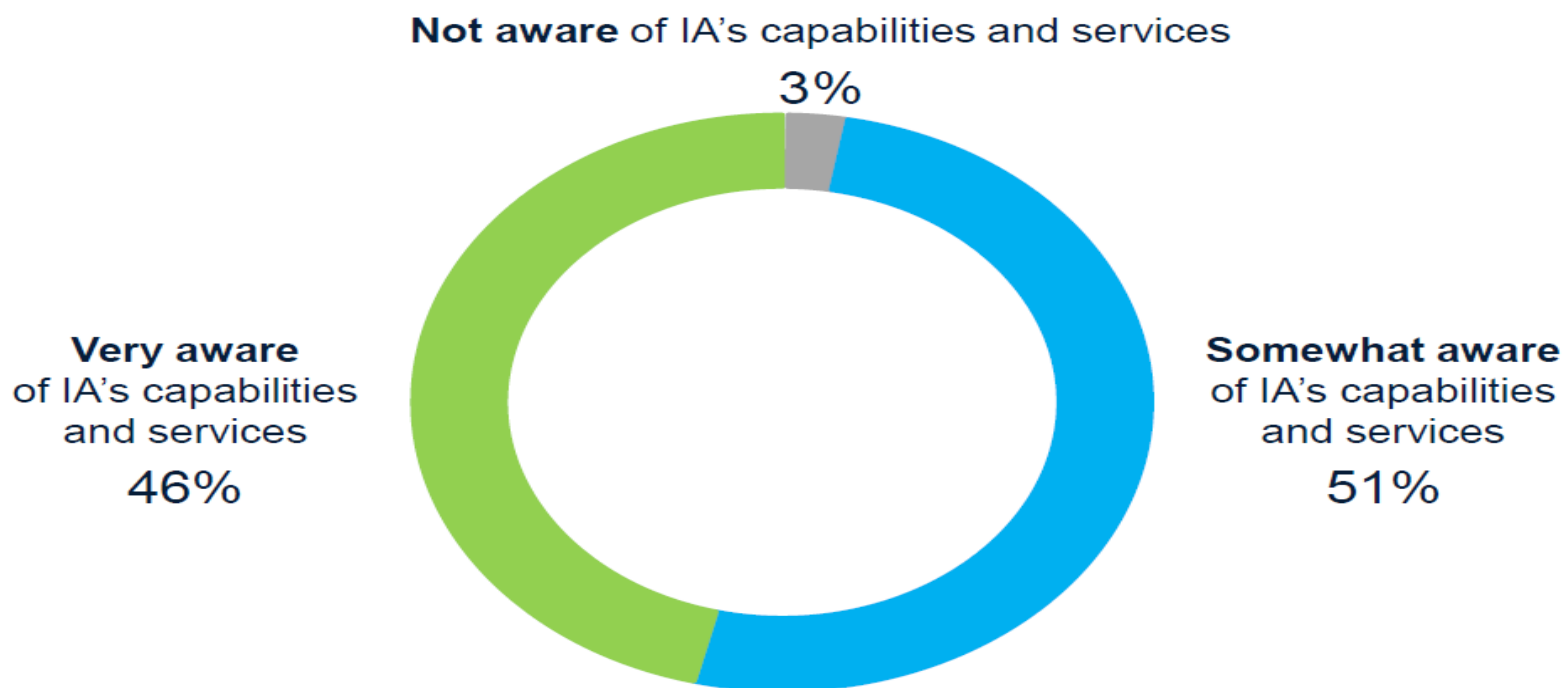


“It is not the
strongest of the
species that
survives, nor the
most intelligent,
but the one most
responsive to
change.”

~Charles Darwin, 1809

Current State of Internal Audit

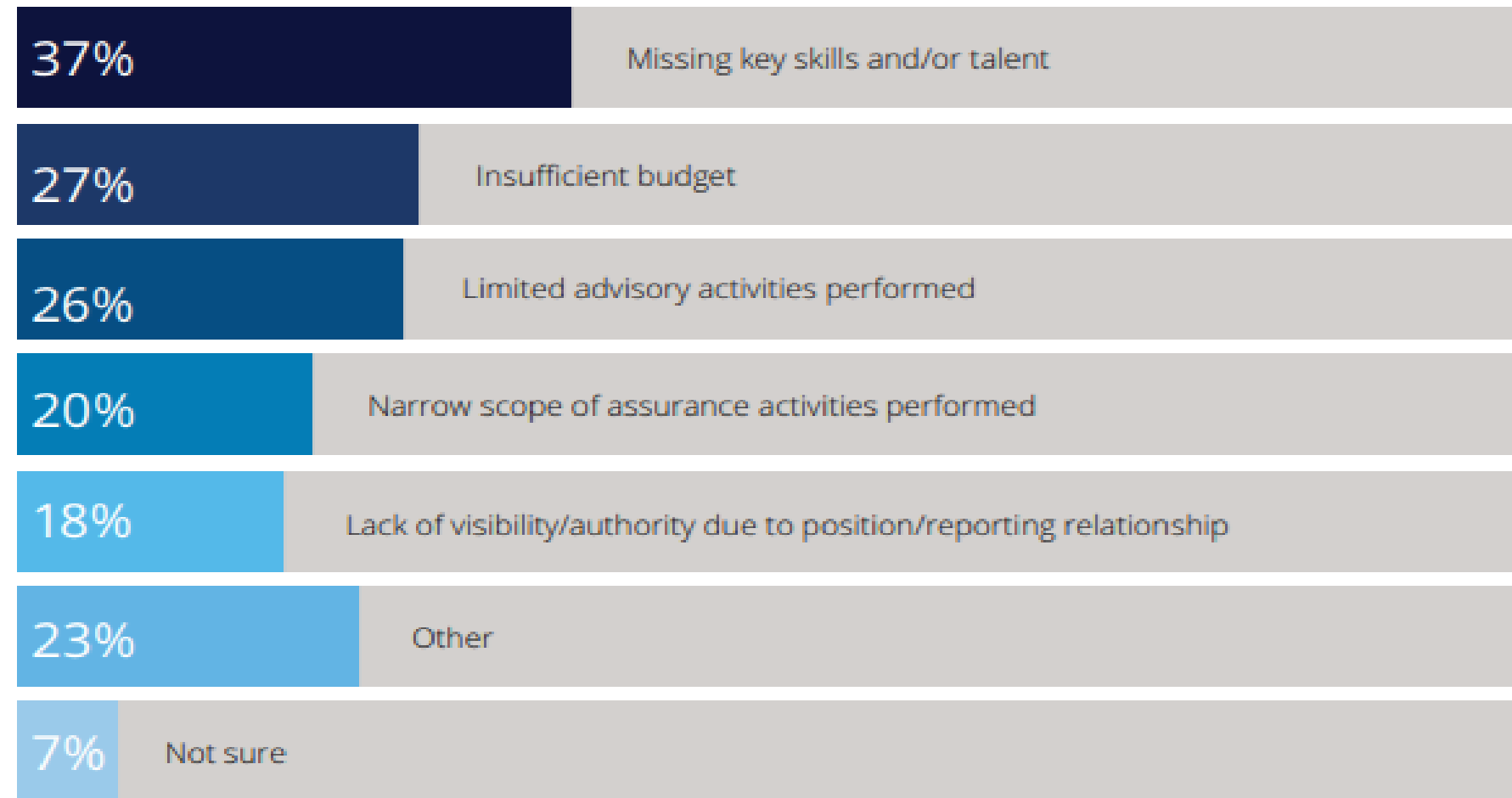
While organizations are generally aware of the Internal Audit function...



Source: Deloitte's 2018 Global Chief Audit Executive Research Survey

Key Challenges for IA

Key challenges faced by the Internal Audit function in making an impact

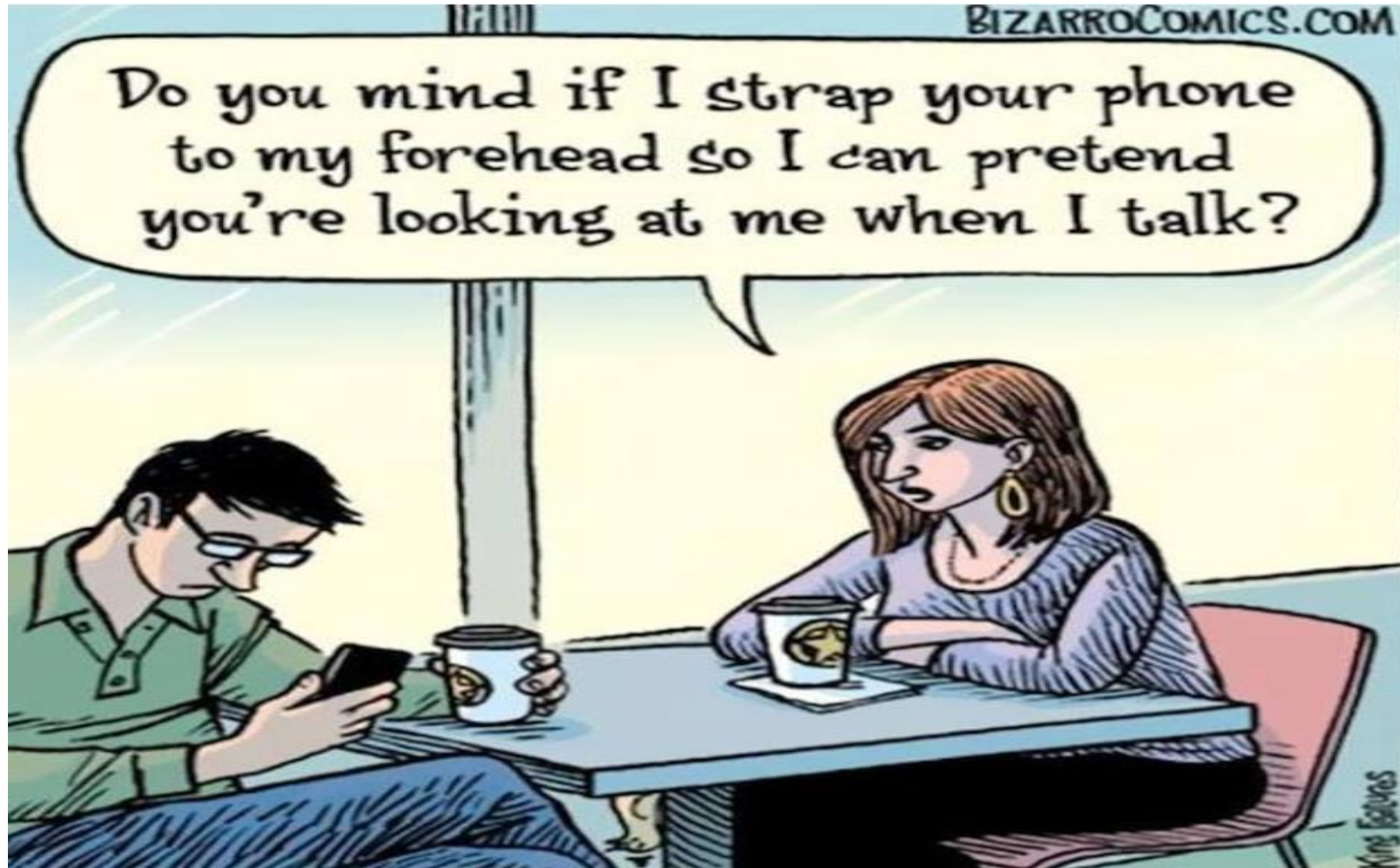


Source: Deloitte's 2018 Global Chief Audit Executive Research Survey

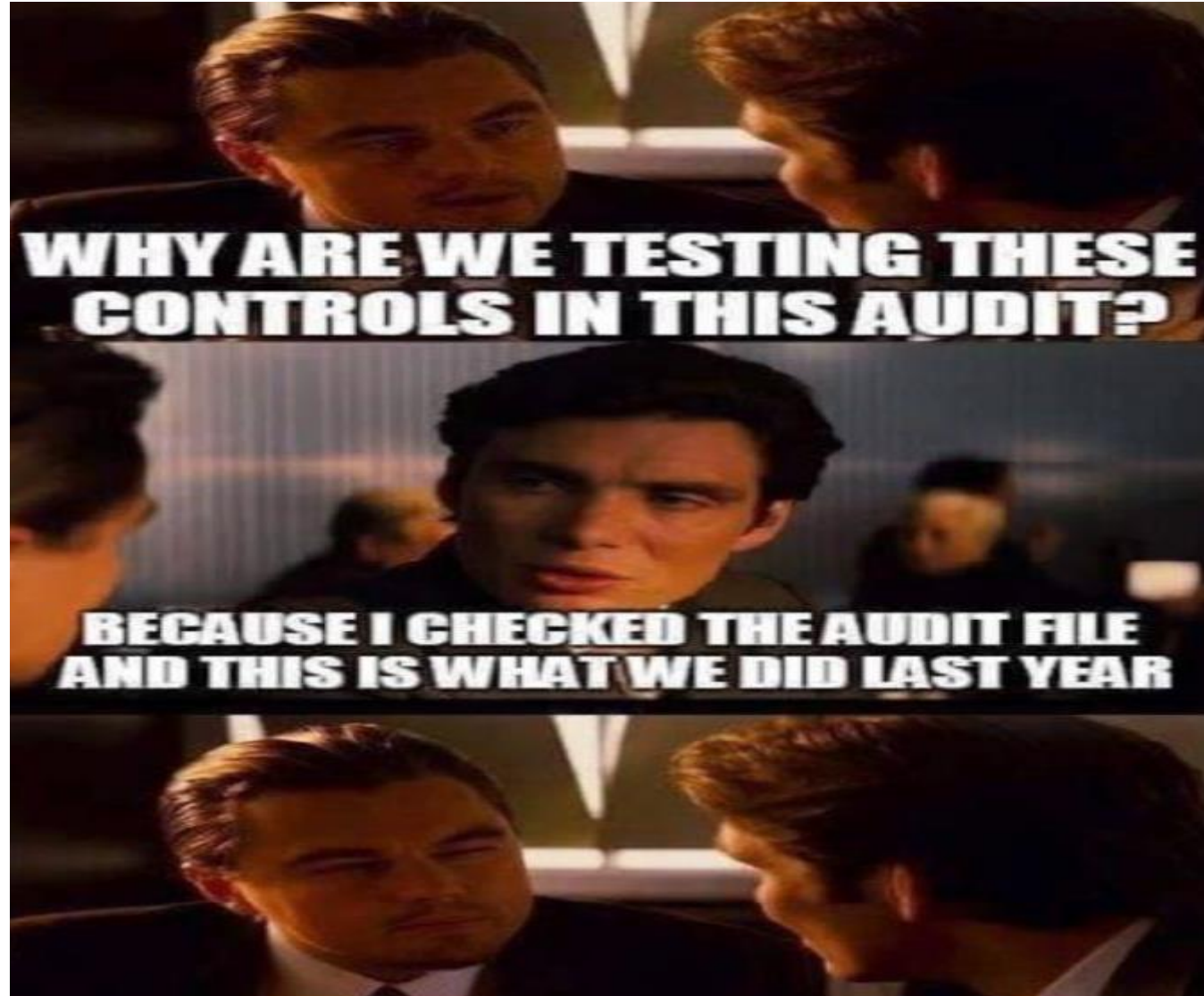
How long to reach 50 million users?



Changing Realities



This is not going to work anymore



Innovate or become irrelevant

- Only 11% of Fortune 500 companies from 1955 still exist today.
- The average time that companies stay in the top 500 has fallen from 90 years in 1935 to 18 years in 2017.
- 65% of children currently in primary schools will grow up to work in jobs that do not exist today.
- 94% of the responsibilities of accountants and auditors will be completed by robots in 5 years time.



Digitalisation – the new normal

- Digital journey brings heightened risks.
- Robotics and automation will have a major impact on the future workplace and the internal audit profession.
- We must equip ourselves with the skills to audit these technologies as they are implemented by out stakeholders.



Internal Audit Imperative

- Embrace the disruptive technology revolution; become part of the strategic transformation team.
- Get involved in your organization's current initiatives in the technology space.
- Understand how new technologies are implemented in the business and the risks they pose to the business.

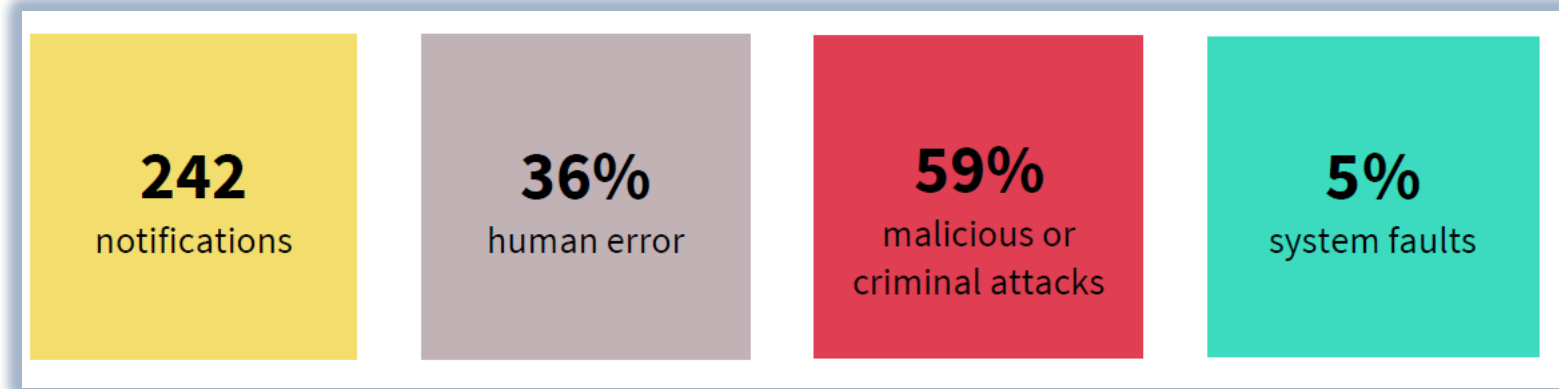


Cyber Risk

Top 10 Risks in Australia (2018):

Rank		Percent	2017 rank	Trend
1	Cyber incidents (e.g. cyber crime, IT failure, data breaches)	70%	2 (32%)	▲
2	Business interruption (incl. supply chain disruption)	45%	1 (39%)	▼
3	Natural catastrophes (e.g. storm, flood, earthquake)	30%	2 (32%)	▼
4	Loss of reputation or brand value NEW	25%	-	▲
5	New technologies (e.g. impact of increasing interconnectivity, nanotechnology, artificial intelligence, 3D printing, drones)	20%	2 (32%)	▼

Data Breaches



Notifiable Data Breaches Quarterly Statistics Report

[oaic.gov.au](https://www.oaic.gov.au)

1 April – 30 June 2018

It is easier to *hack people*
than *hack systems* !



Internal Audit – A key ally

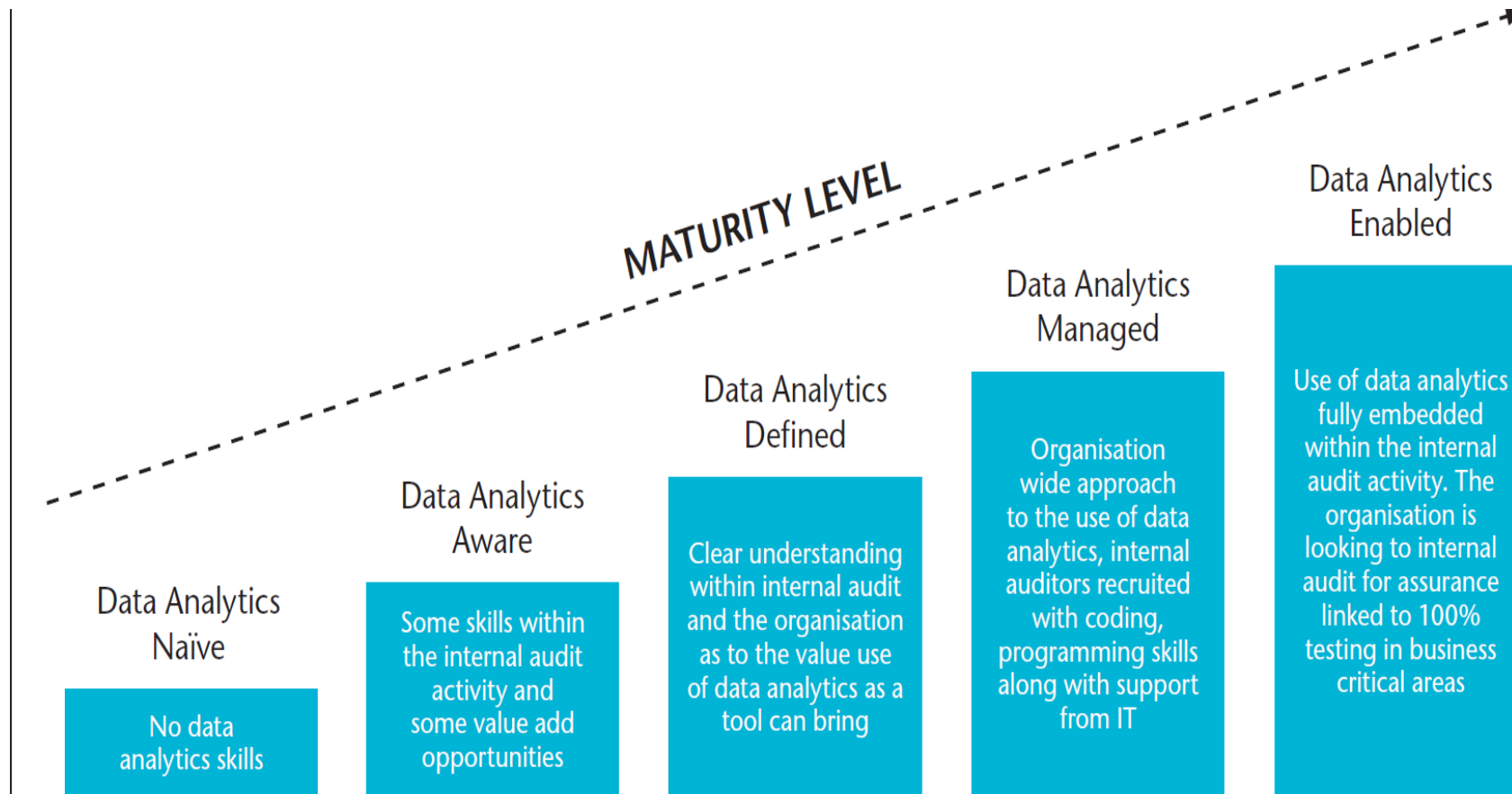
- Educate stakeholders on Cyber Risk/Threat
- Broaden the perspective on Cyber Security.
- Position internal audit findings at the right governance level.
- Provide regular Cyber Security reporting to the stakeholders.
- Advice on Cyber Security resourcing and projects.



Data Analytics

- Data Analytics is a major innovation opportunity for Internal Audit.
- Maturity in Data Analytics is low.
- 69% of internal audit functions either have basic or no analytics capabilities.
- If you are not using data in internal audit right now, you are behind the game !

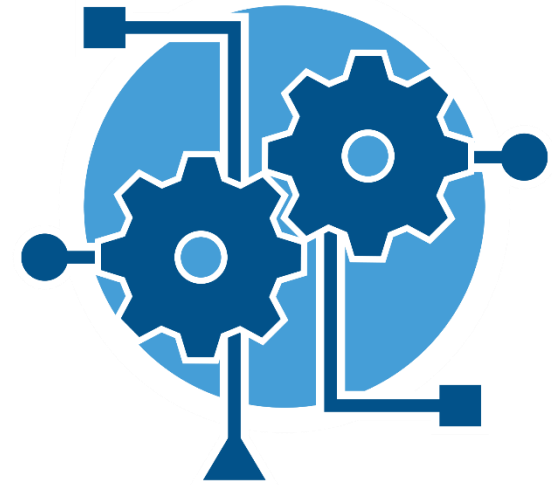
Data Analytics



Data Analytics

Steps to consider:

- Discuss with your Audit Committee Chair on why and when internal audit function will use data analytics to get their support for investment in the area.
- Assess what data is readily available in the business and start to use analytics for unusual patterns and relationships.
- Invest in 'off the shelf' analytics tools which are simple, cheap and easy to use.



Examples of stable, new and redundant roles, all industries

Stable Roles	New Roles	Redundant Roles
Managing Directors and Chief Executives	Data Analysts and Scientists*	Data Entry Clerks
General and Operations Managers*	AI and Machine Learning Specialists	Accounting, Bookkeeping and Payroll Clerks
Software and Applications Developers and Analysts*	General and Operations Managers*	Administrative and Executive Secretaries
Data Analysts and Scientists*	Big Data Specialists	Assembly and Factory Workers
Sales and Marketing Professionals*	Digital Transformation Specialists	Client Information and Customer Service Workers*
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	Sales and Marketing Professionals*	Business Services and Administration Managers
Human Resources Specialists	New Technology Specialists	Accountants and Auditors
Financial and Investment Advisers	Organizational Development Specialists*	Material-Recording and Stock-Keeping Clerks
Database and Network Professionals	Software and Applications Developers and Analysts*	General and Operations Managers*
Supply Chain and Logistics Specialists	Information Technology Services	Postal Service Clerks
Risk Management Specialists	Process Automation Specialists	Financial Analysts
Information Security Analysts*	Innovation Professionals	Cashiers and Ticket Clerks
Management and Organization Analysts	Information Security Analysts*	Mechanics and Machinery Repairers
Electrotechnology Engineers	Ecommerce and Social Media Specialists	Telemarketers
Organizational Development Specialists*	User Experience and Human-Machine Interaction Designers	Electronics and Telecommunications Installers and Repairers
Chemical Processing Plant Operators	Training and Development Specialists	Bank Tellers and Related Clerks
University and Higher Education Teachers	Robotics Specialists and Engineers	Car, Van and Motorcycle Drivers
Compliance Officers	People and Culture Specialists	Sales and Purchasing Agents and Brokers
Energy and Petroleum Engineers	Client Information and Customer Service Workers*	Door-To-Door Sales Workers, News and Street Vendors, and Related Workers
Robotics Specialists and Engineers	Service and Solutions Designers	Statistical, Finance and Insurance Clerks
Petroleum and Natural Gas Refining Plant Operators	Digital Marketing and Strategy Specialists	Lawyers

Source: Future of Jobs Survey 2018, World Economic Forum.

The computers are coming

Probability of computerization (1 = certain)



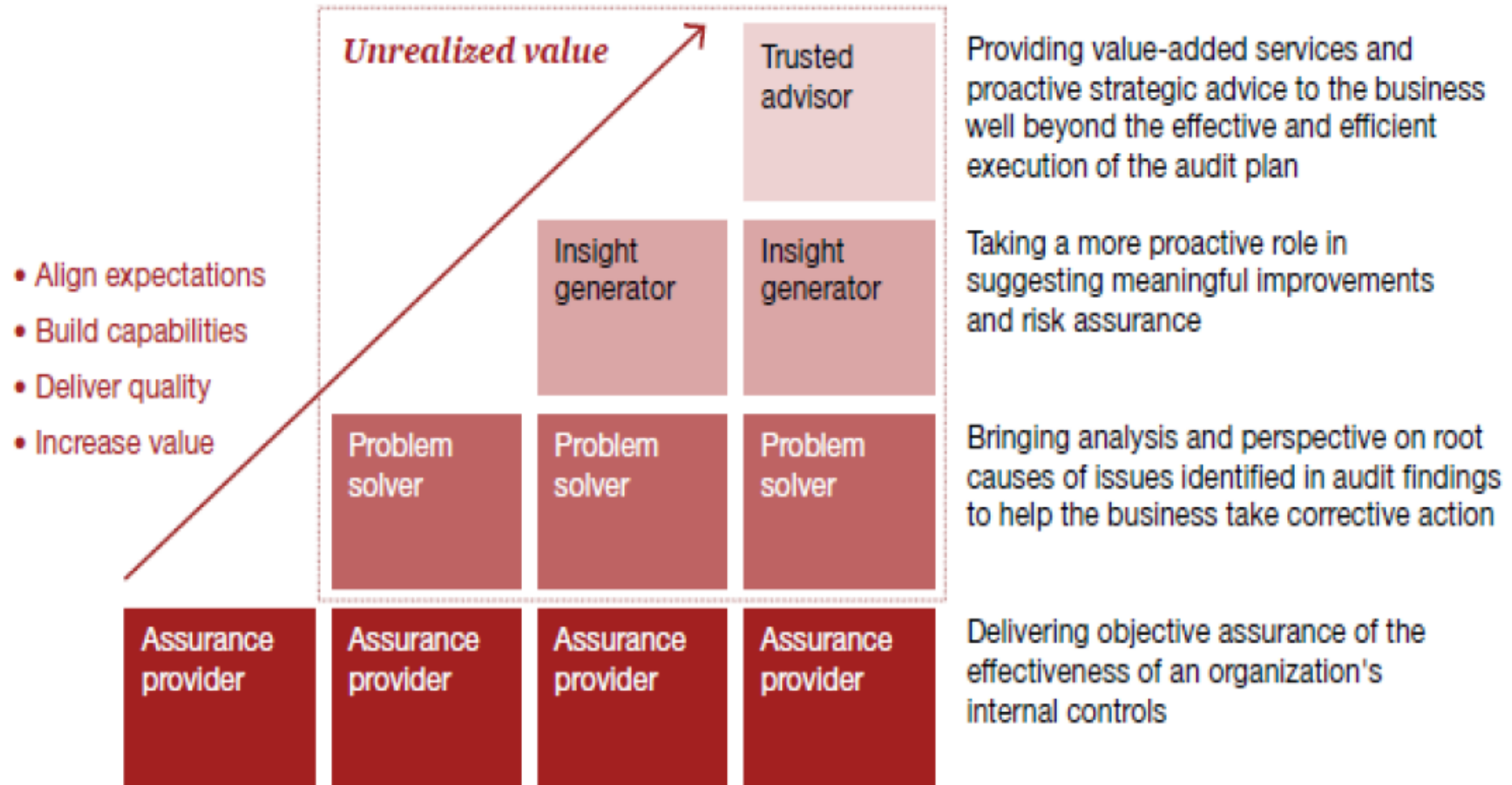
Source: The Economist/"The Future of Employment" by C. Frey/M. Osborne (2013)

Time to Change

Predict the weather, Don't just report it !



Future Auditor Potential



Source: PwC State of the internal audit profession study

Top 5 Internal Audit skills sought

- Analytical and critical thinking (72%)
- Communication skills (57%)
- Data Mining/Analytics (49%)
- General IT knowledge (49%)
- Business acumen (43%)

The Way Forward

- Stay ahead of the curve on evolving technology and the changing regulatory environment
- Sharpen technology, critical thinking and communication skills
- Develop long-term relationships with clients and other stakeholders, based on integrity, professionalism, objectivity and their ability to share valued insights based on these capabilities
- Look ahead and provide insights on future challenges and opportunities



Questions?