

# Internal Audit, *catalyst of value and change*



Instituut van  
**Internal Auditors**  
Nederland

**Peter Hartog**

November 6, 2024

ISACA Risk Event

# The setting

- A volatile, VUCA world
- Complexity of risks, less predictability
- Increasing legislation and regulations
- Increasing demand for transparency
- ...



- Resilience and adaptability
- Changes in governance, risk management and control
- ...

Added Value



# Challenges



- *AI and RPA will make IAF redundant?*
  - *Analyses and assessments are automated*
  - *Continuous monitoring strengthens the 1st and 2nd line, making the 3rd line less relevant*
- *Continuous change is the required competence; can the IAF audit that?*
- *Isn't the IAF becoming the (SOX) compliance assessor?*
- *Given increasing automation, the IAF is an IT audit function that requires highly specialized knowledge (which is difficult to obtain on the market)?*
- *The control structure in agile organizations makes results faster and more transparent - are specialized control functions decreasing in importance?*
- ....

**In 10 years ..... ??**



# Key questions for IAF

1. Doing the right things?

2. Doing things right?

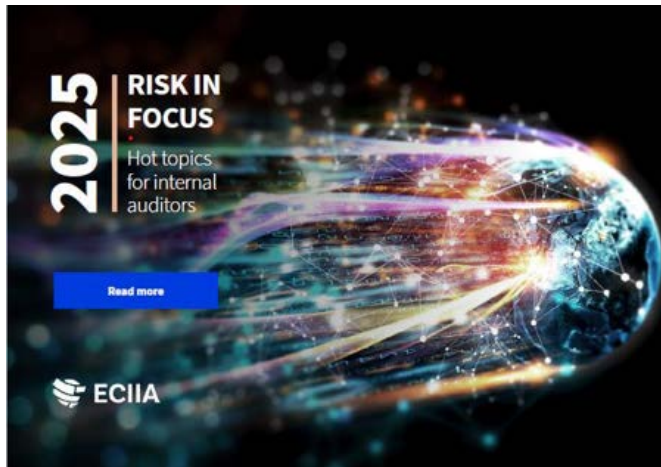


*How to assure added value as an IAF?*

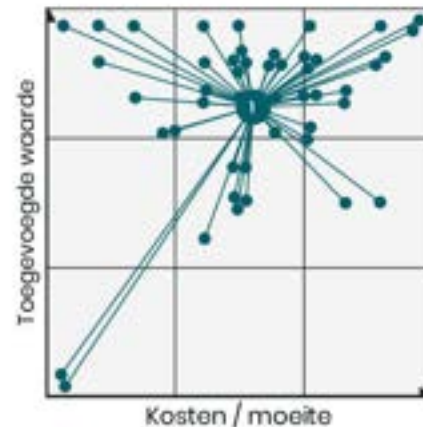
*How to keep the IAF futureproof?*

# 1. Are we doing the right things?

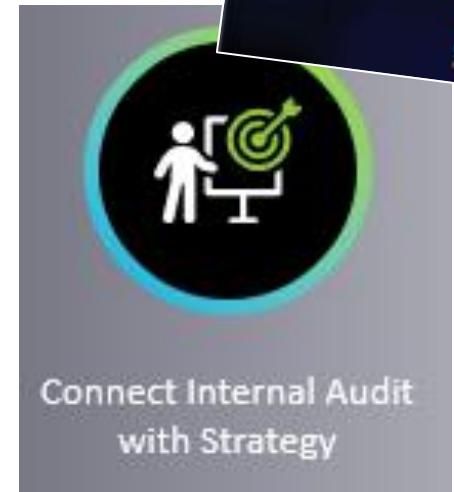
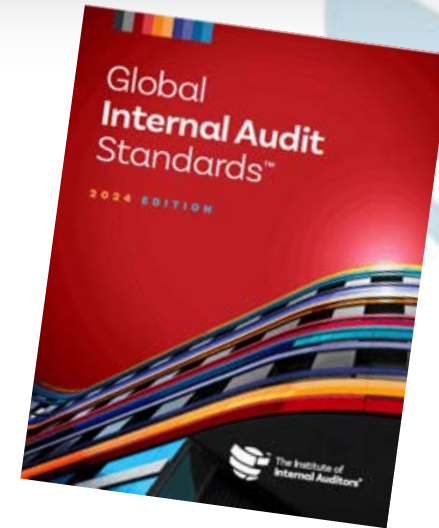
- *Are we looking at the relevant objects?*
- *Do we deliver it with the 'added value' expected?*



Wij kunnen onze dienstverlening m.b.v. verschaffen 'Insight' nog sterk verbeteren



1 dienstverlening



# TRANSFORM NOW

*or Become Irrelevant by 2035*



## TO GET THERE, WE MUST:

Shift Current Perceptions of IA

Embrace Technology

Expand our Scope

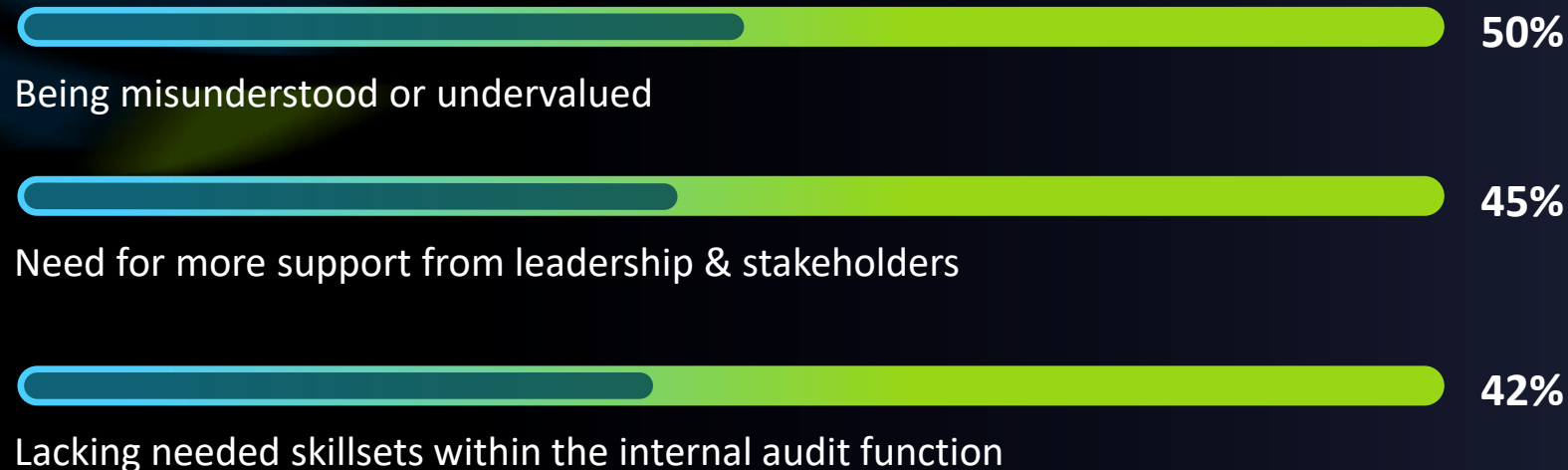
Connect Internal Audit with Strategy

Grow our Talent Pipeline



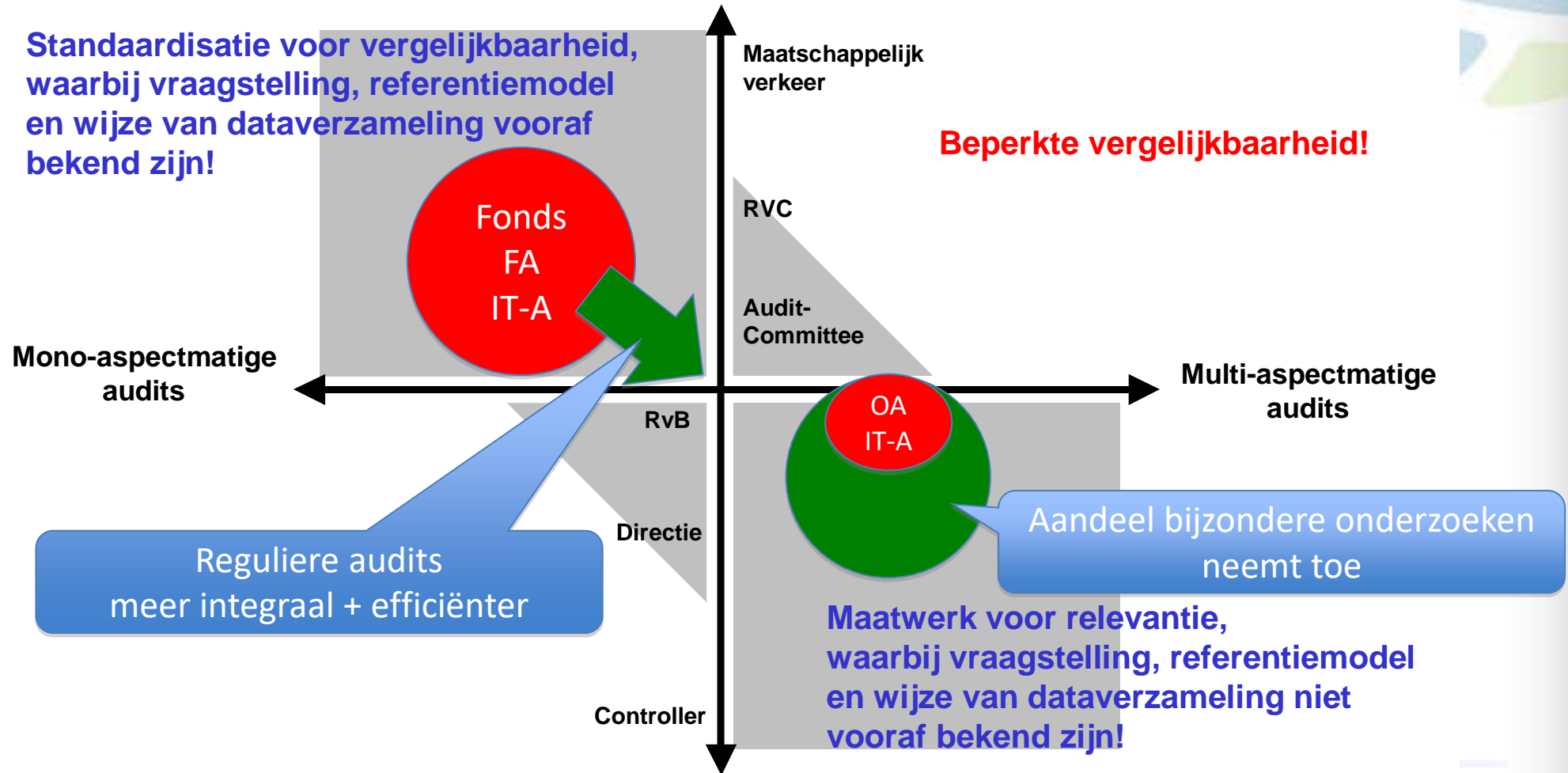
# We Shift Current Perceptions of Internal Audit by **BECOMING STRATEGIC ADVISORS & CATALYSTS FOR CHANGE**

## What Are The Greatest Challenges Facing Internal Audit?



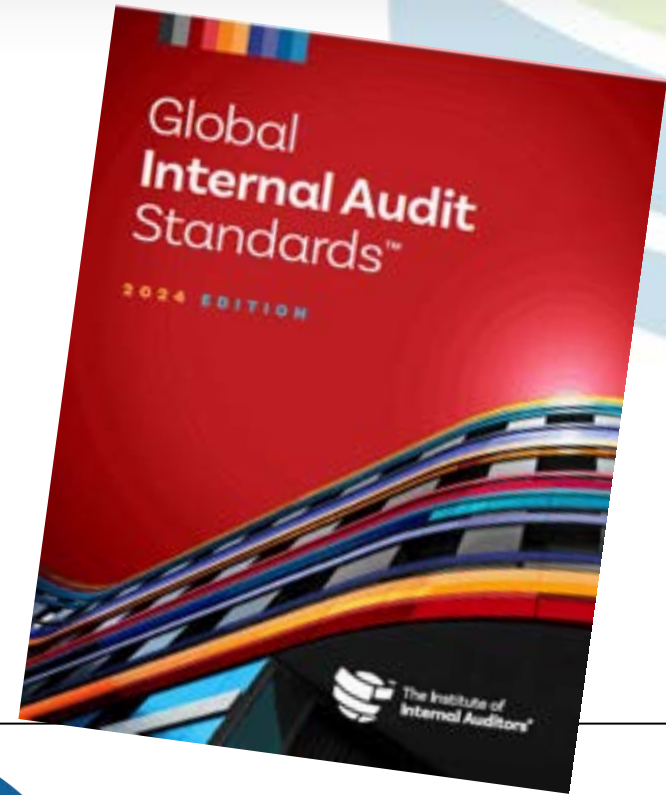


# Role in Governance and added value



# New Standards

- Quality = Conformance + **Performance**
- **Performance** driven by:
  - Strategic Plan
  - Performance measurement
  - Knowing the business
  - Communication with stakeholders
    - general and each engagement



# Domain I. Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to **create, protect, and sustain value** by providing **the board and management** with **independent, risk-based, and objective assurance, advice, insight, and foresight**.

## Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

**BENEFITS**

## • Internal auditing is most effective when:

- It is performed by qualified internal auditors in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from influence and undue influence and committed to making objective assessments.

**CONDITIONS**

# Risk in Focus

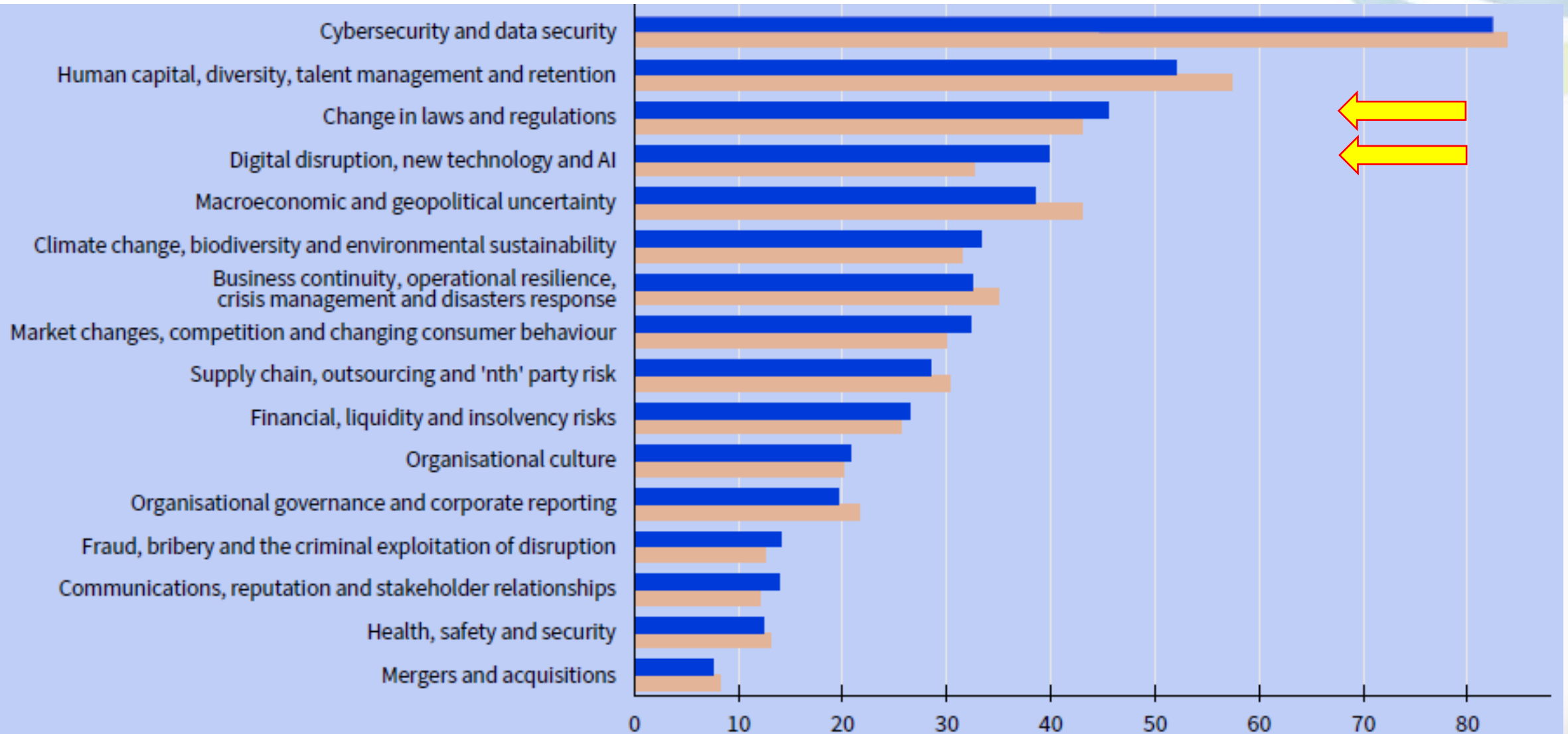
*- looking at things that matter*



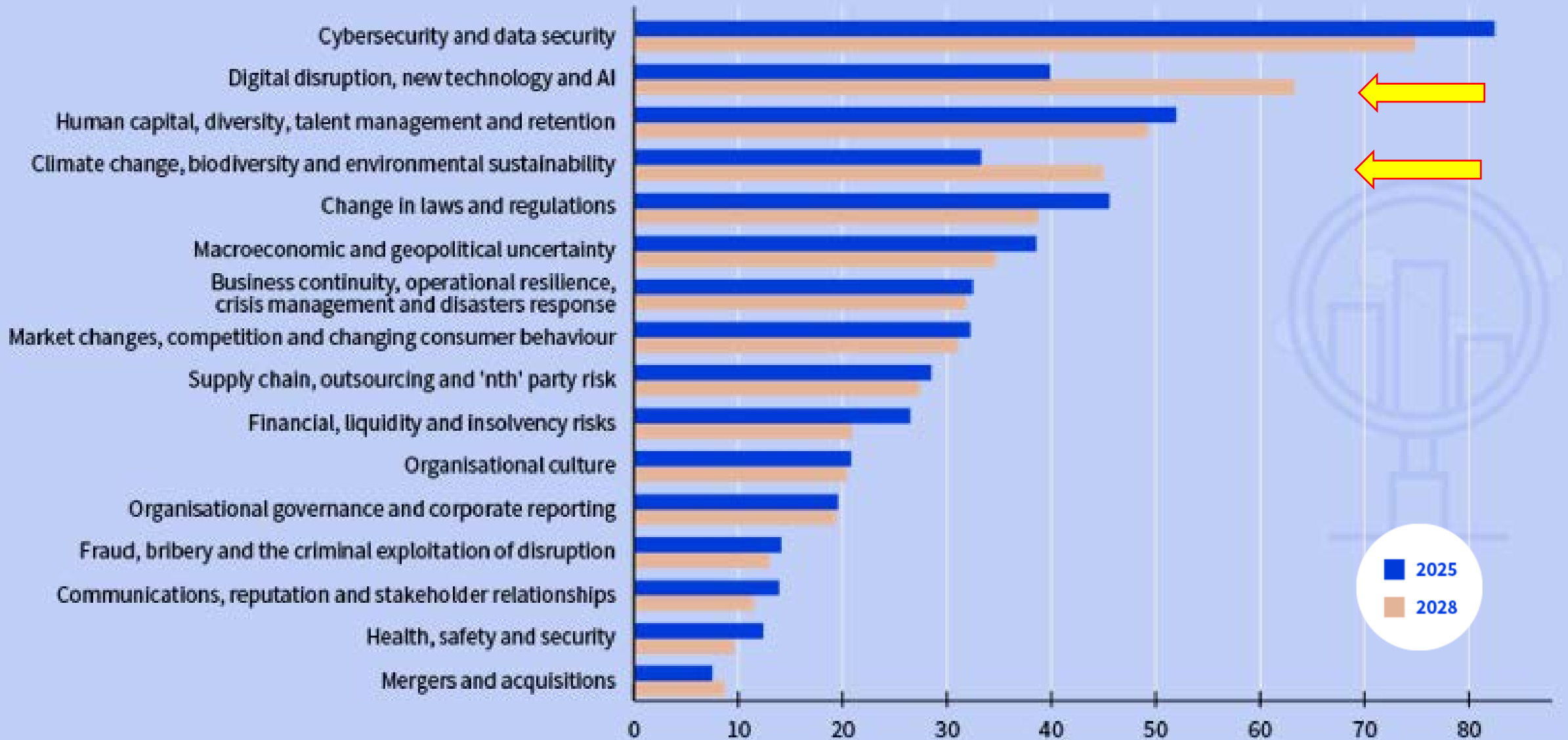
- Most important risks for the organization
- Hot topics for internal audit



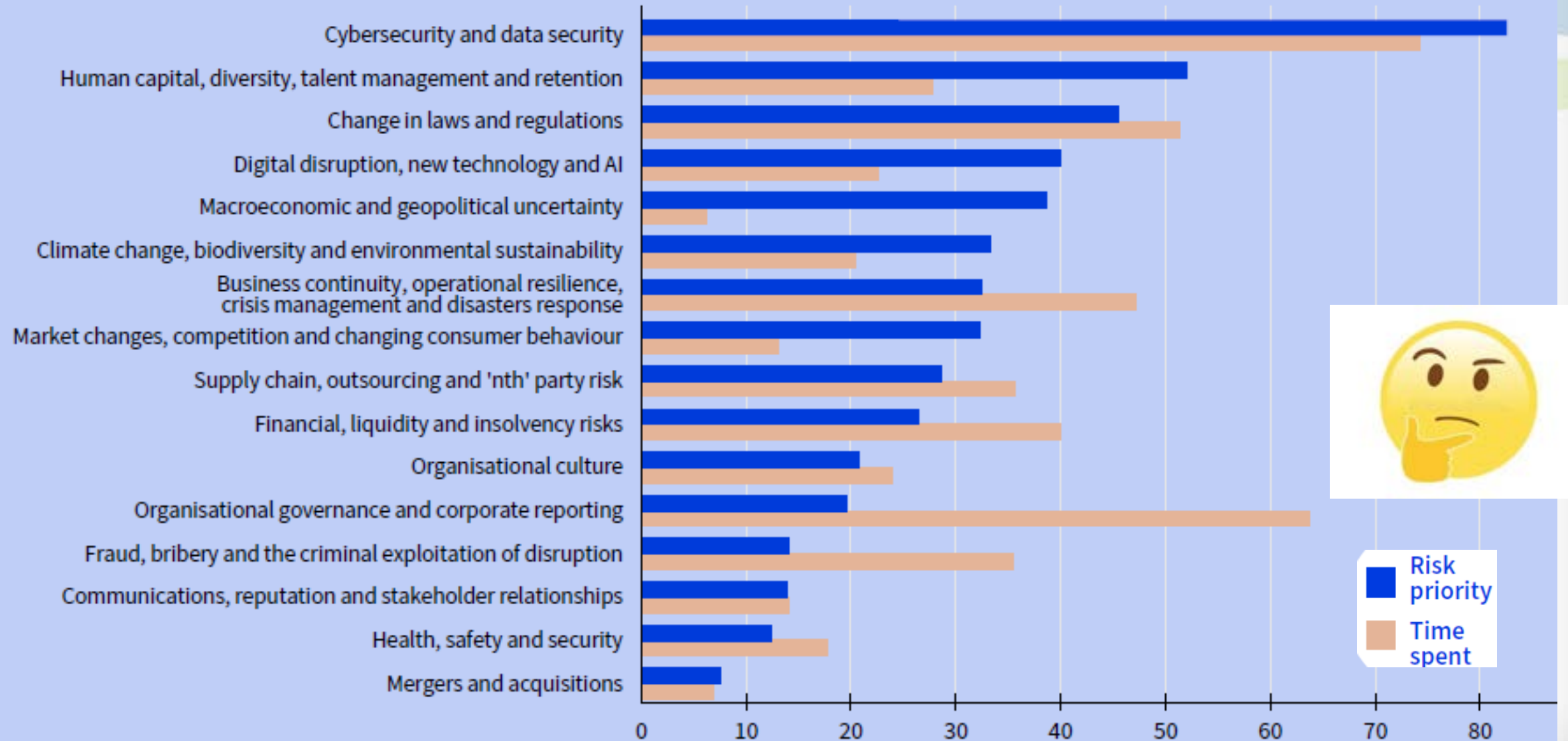
# The top 5 risks organisations face today



# The top 5 risks organisations will face by 2028



# Risks compared internal audit effort



■ Risk priority  
■ Time spent

# Hot topics 2025

- Digital disruption, new technology and artificial intelligence (AI)
- Cybersecurity and data security
- Human capital, diversity, talent management and retention
- Macroeconomic and geopolitical uncertainty
- Climate change, biodiversity and environmental sustainability



1. What's happening?
2. How IA can help?





# Expanding the Scope of Our Work

## Top Areas In Audit Scope Now

**47%**  
Information Technology

**84%**  
Regulatory Compliance

**64%**  
Fraud & Risk Management

**55%**  
Governance & Culture

## Expected to be Increase in Future Audit Scopes

**+Cybersecurity**

**+Sustainability**



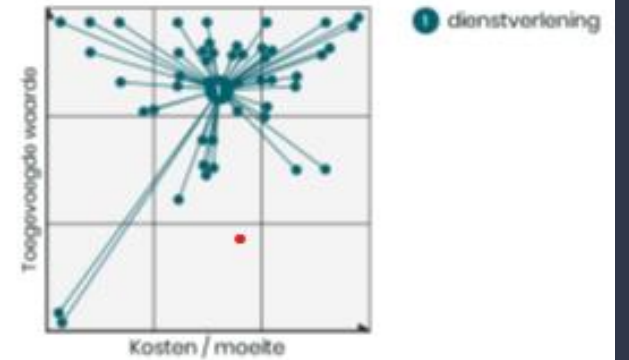
# Connect with Strategy To Drive Value for Stakeholders



From hindsight  
to insight and foresight

YEAR  
2035

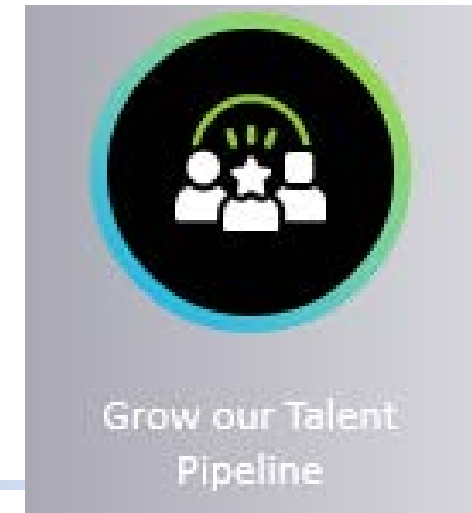
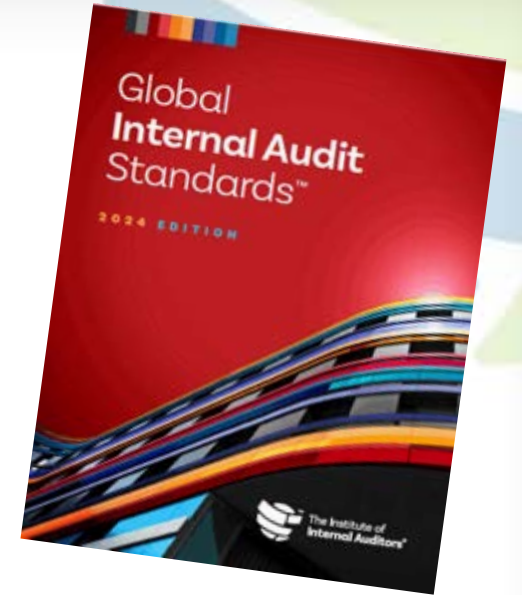
Wij kunnen onze dienstverlening m.b.v.  
verschaffen 'Insight' nog sterk verbeteren



Shift away from hindsight and move into foresight

Go beyond assurance and  
compliance

## 2. Are we doing the things right?



# Collaboration assurance functions

## GIAS – St. 9.5: Coordination and reliance

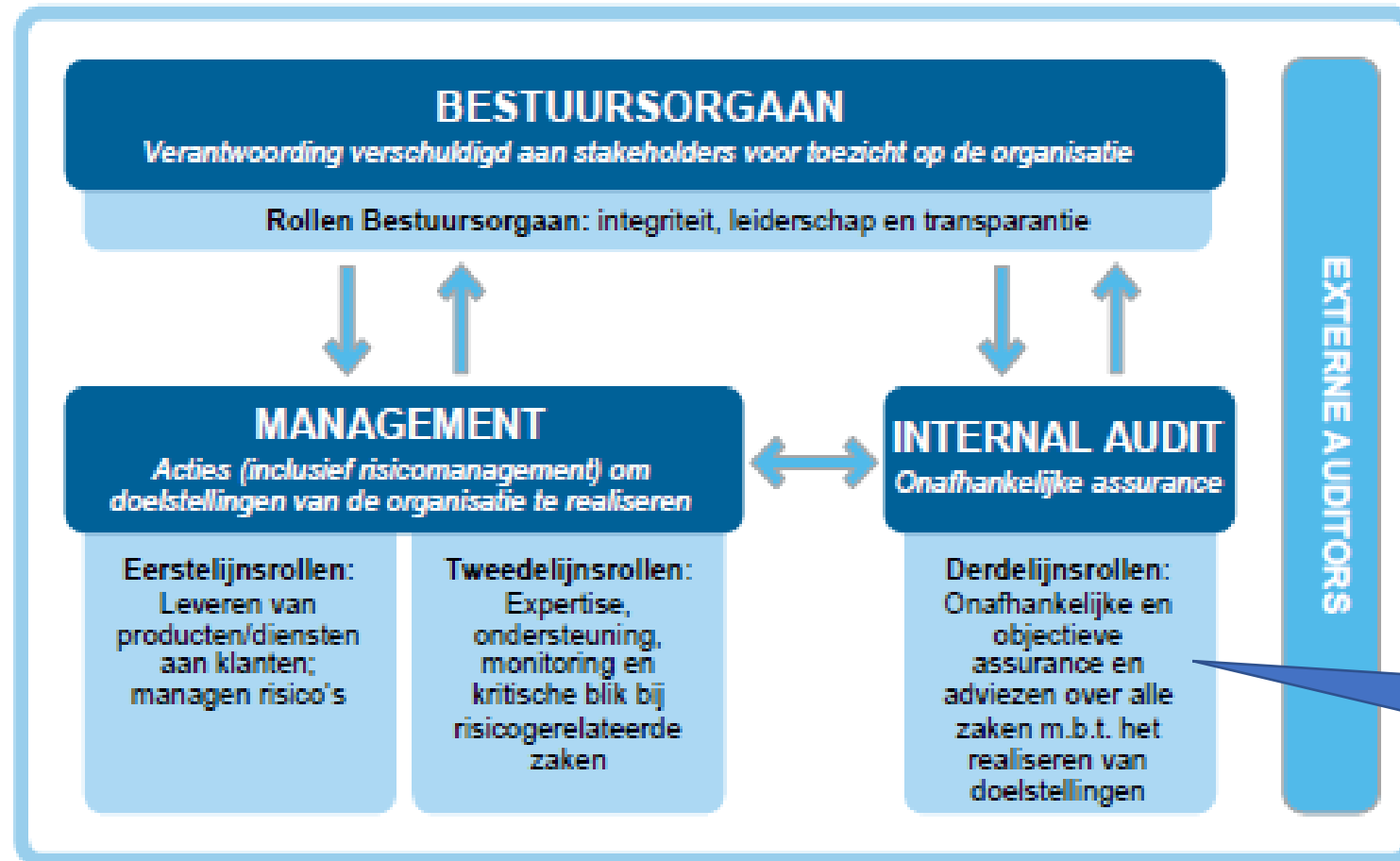
The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.

### Alignment upfront:

- checks to be performed
  - # checks
- way of documenting
  - .....



# 3L - tool for task allocation and collaboration



*“Independence does not imply isolation”*

**LEGENDA:**    ↑ Verantwoording, rapporteren    ↓ Delegeren, richting, middelen, toezicht    ↔ Afstemming, communicatie, coördinatie, samenwerking

# Points to consider during analysis/application

- Be specific: appoint lines and structure per quality aspect / objective / risk area
  - instead of generically appointing departments as X<sup>th</sup> line
- Analyze needs (for all 3 and separate lines) based on risk analysis
  - Using 'Assurance Mapping'
- Coordinate, align and evaluate



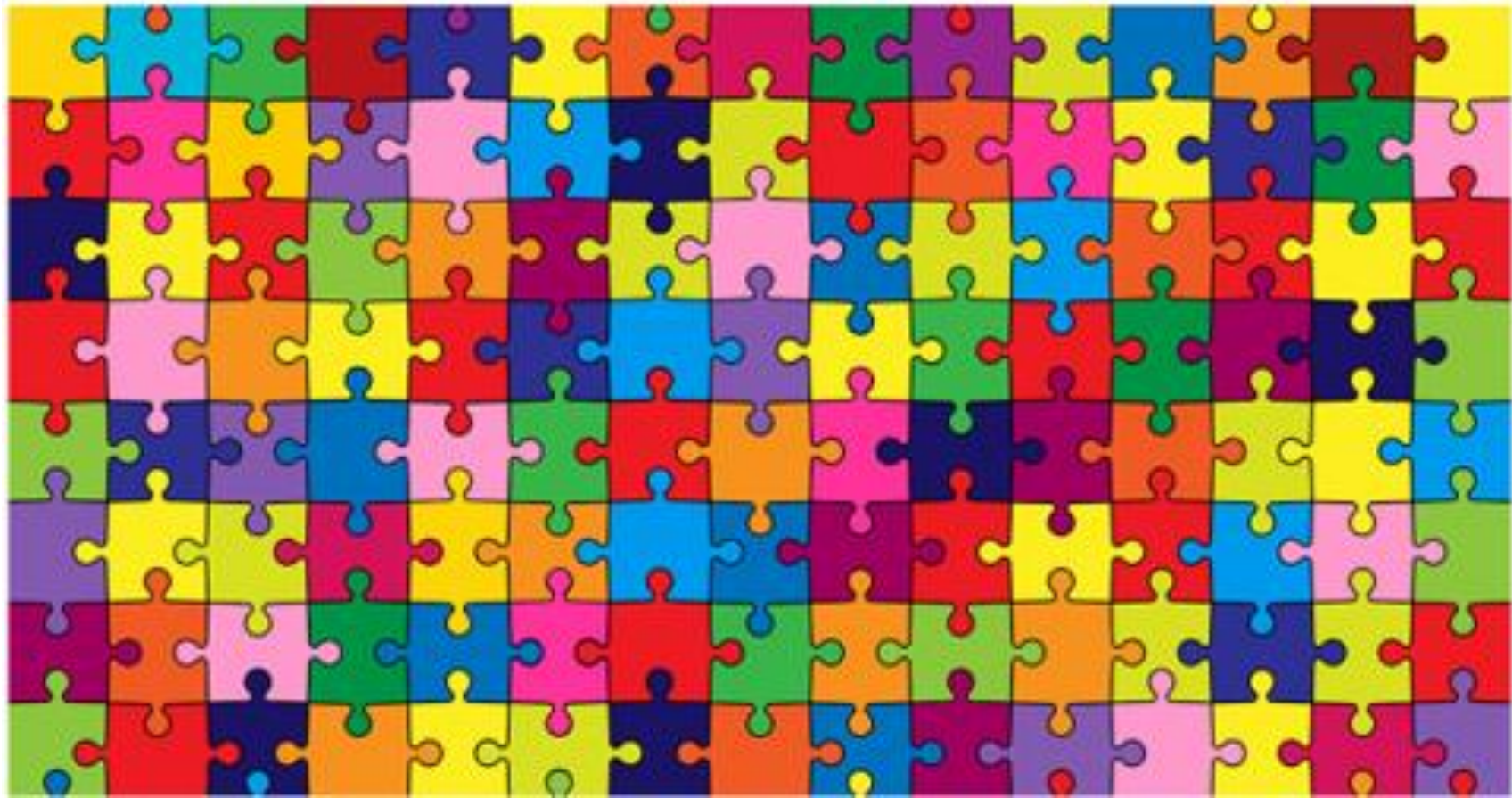
Risk Categories	Management 1st Line										Functional Oversight 2nd Line					Independent 3rd Line					
	Finance	Human Resources	Treasury	Operations	IT	Procurement	Marketing	Legal	Budgeting & Planning	Communications	...	Risk Management Processes	Performance Review Committee	Safety Review Board	Environmental Management Group	Network Development Committee	IT Steering Group	...	Internal Audit	Outside Quality Auditors	Environmental, Health & Safety Consultants



# Example assurance map

	1 <sup>e</sup> lijn							2 <sup>e</sup> lijn					3 <sup>e</sup>	4 <sup>e</sup> lijn		
	Operations	Marketing	Sales	..	Finance	Pers.zaken	ICT	Risk management	Businbess control	Compliance	CISO/security	H&S	Internal audit	Externe accountant	ISO-auditor	...
<b>Risicogebied</b>																
<b>Operationeel</b>																
Marketing / verkoop																
Productkwaliteit																
Serviceverlening																
Cybersecurity																
HR																
Personeelsbeheer																
<b>Compliance</b>																
Zorgplicht																
Wwft																
Privacy																
<b>Financ. verslag</b>																
<b>Niet-financ. verslag</b>																

# One risk register → Audituniversum





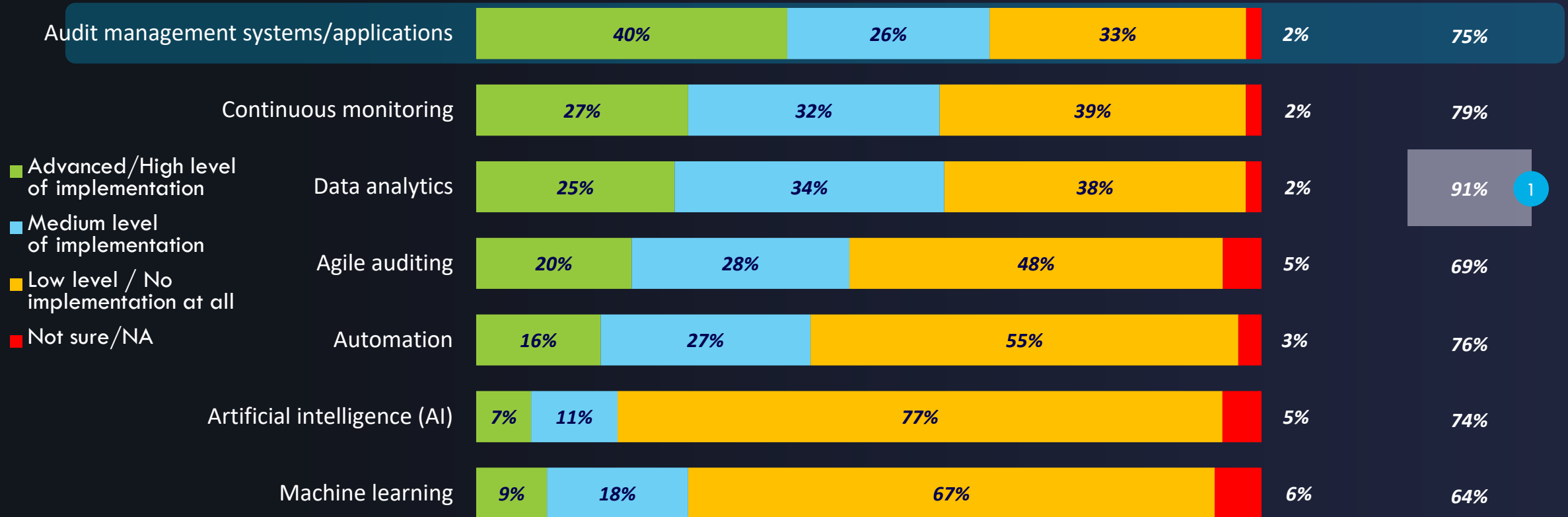


# Attitudes About Impact of Tech on Future



Degree to Which IA Within the Organization Has Implemented Technology Tools and Approaches

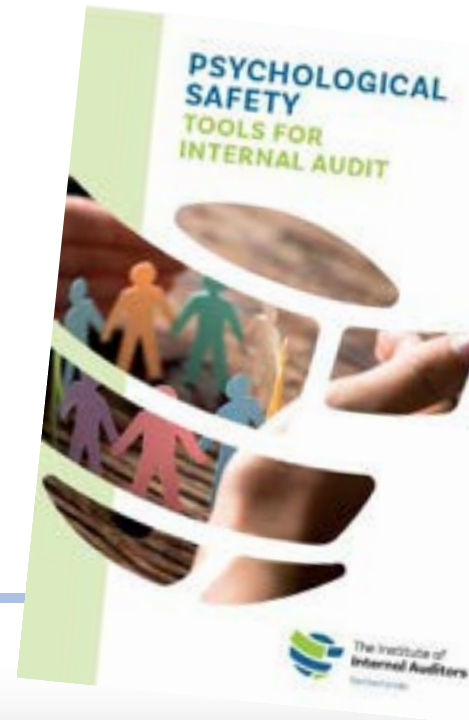
Most Important for the Future  
(Extremely/Very Important)



The adoption of AI needs to be significantly higher

# New research methods

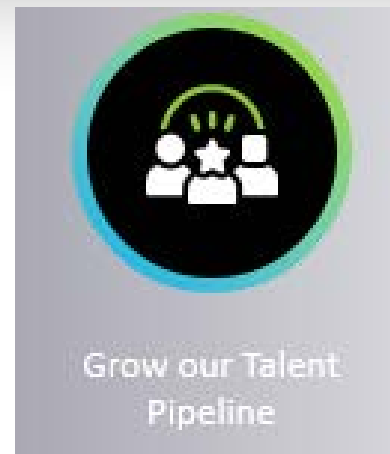
- Learning from social sciences
  - Antropology
  - Sociology
  - Psychology
  - ...
- Behavioral auditing
- Participatory research
- ....



Kenmerk voor dit onderzoektype	
Onbevangen onderzoeken	Vertrekken vanuit verbazing en verwondering
Waarderend onderzoeken	Aanmoedigen wat al goed gaat en succesvol is
Perspectivisch onderzoeken	Erkenning van ambiguïteit en ambivalentie
Systemisch onderzoeken	Patronen zoeken achter reeksen gebeurtenissen
Activistisch onderzoeken	Werken vanuit idealisme en bevlogenheid
Reflexief onderzoeken	Benutten van 'belichaamde' kennis en inzicht

# The right competencies

- Internal or external specialists?
  - Data analyst
  - Ethical hacker, pentester
  - Behavioral expert
- Collaboration 1<sup>st</sup> line
  - Rotationals (breeding ground function)
  - 'Subject matter experts': use of subject matter expertise + learning from each other
- Collaboration 2<sup>nd</sup> line:
  - Continuous monitoring
  - Partnership and data exchange with 2<sup>nd</sup> line
- Network, chains
  - Chain audits
  - Jointly perform audits, e.g. 3<sup>rd</sup> parties





Thanks  
for your attention!



Instituut van  
**Internal Auditors**  
*Nederland*