



**18 HOT TOPICS FOR 2018 AND BEYOND**

Danny M. Goldberg, Founder

THE STANDARD IN STAFFING, RECRUITING AND PROFESSIONAL DEVELOPMENT

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**CYBER SECURITY**

Source: 2017 Internal Audit Planning & Staffing Priorities Report, May 2017  
 WSTI Training Institute & Experts Finance (WangpowerGroup)

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**Cyber Security**

- Understand the Risks
- Understand what the company is doing to manage the risks
- Weigh against leading practices

The need to focus on cybersecurity:

- 93% say their internal audit department understands risks associated with cybersecurity, however,
  - Only 61% say their internal audit department understands how to audit cybersecurity, and
  - Disappointingly, 25% say they have not audited cybersecurity

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**GOLD SRD**

### New Tools

- ISACA developed a new platform to benchmark enterprise cybersecurity resilience and maturity—Take the learnings and best practices offered by ISACA, put them into action, and then measure your enterprise's unique cyber maturity capability using the CMMI Cybermaturity Platform, an ISACA Cyber Solution: [https://cmminstitute.com/products/cybermaturity?cid=edmi\\_1230353](https://cmminstitute.com/products/cybermaturity?cid=edmi_1230353)
- ISACA created a new approach to continuing improvement of cyber functions—Building lasting cybermaturity requires adopting a new enterprise mindset using a risk-based approach to measuring and managing security risks in the context of your business mission and strategy. And this new approach ties into usage of the new cyber platform. Learn more with ISACA's white paper, A Risk-Aware Path to Cybersecurity Resilience and Maturity




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**GOLD SRD**

### Big Data

The need to focus on big data:

- 92% say their internal audit department **understands** risks associated with big data, however,
- Only 71% say their internal audit department understands **how** to audit big data, and
- 26% say they **have not** audited big data\*

\*In organizations that have made or plan to make an investment in big data




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**GOLD SRD**

### Big Data

- Exponential growth and availability of data created by people, applications, and smart machines
- Risks include:
  - Poor data quality
  - Inadequate technology
  - Insufficient security
  - Immature data governance practices
- GTAG – Understanding and Auditing Big Data

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## ASSESSING EMERGING RISKS



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### Assessing Emerging/Evolving Risks

- Industry Trends (what is in the news)
- ERM – predicting changes over 5+ years
- Change to ERM -> Change ARM & Audit Plan

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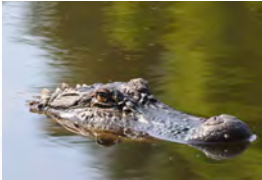
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### Continuously Assessing Emerging and Evolving Risk – Key Imperatives

- Assess existing risk assessment maturity
- Develop/refine processes to identify and report on emerging risks
- Assess existing processes for updating the annual audit plan
- Obtain stakeholders' input on the need for frequent updates
- Develop/refine audit reporting to demonstrate a stronger link between changes to:
  - The organization's risk profile
  - Associated changes to the audit plan



SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 [SECTION]

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**AUDIT TRANSPARENCY**

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**Audit Transparency**

- Do You Share Your Risk Assessment with Your Auditees?
- Do You Post Your Audit Plan for the Year?
- Do You Give Your Auditees Your Workprogram During Planning?

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**MARKETING INTERNAL AUDIT**

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### 3 Pillars of Marketing internal audit

<p><b>Consistent Messaging</b></p> <ul style="list-style-type: none"> <li>• Define Internal Auditing</li> <li>• Focus on Objectives</li> <li>• Marketing Plan</li> <li>• Marketing Sheet</li> <li>• Outreach w/ new managers</li> <li>• Periodic outreach w/manager (take the pulse)</li> <li>• Intranet Site</li> </ul>	<p><b>Continuous Education</b></p> <ul style="list-style-type: none"> <li>• Alleviate the Fear</li> <li>• Focus on "Value"</li> <li>• Brown Bag Lunches</li> <li>• Newsletters</li> <li>• Email with Issues/Findings</li> <li>• Don't Use Independence as an Excuse</li> </ul>	<p><b>Transparency</b></p> <ul style="list-style-type: none"> <li>• Try to Help</li> <li>• Try Not to Hide Anything</li> <li>• Walk Auditees through ARA</li> <li>• Post the Audit Plan</li> <li>• Give Auditees Audit Work program (Path to Success)</li> </ul>
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**DON'T THESE MATTER?**

Only **14%** of auditors plan to audit sales this year, and just **10%** or fewer will audit R&D, new product rollout, talent and leadership development, or workforce planning and talent acquisition.

## AUDITING STRATEGIC RISKS

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### Auditing Strategic Risks

While the vast majority of respondents say they use risk assessments to formulate audit plans, few seem to be focused on the biggest threats facing most businesses, such as sales declines, aging product lines, or the loss of key employees. Fewer than **15%** are looking at anything related to these categories.

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**Achieving trusted advisor status:**

- Stakeholders want us to raise the bar, however,
- 28% of CAEs say they rarely or never participate in major organizational change initiatives,
- 31% are never invited to join a full board meeting, and
- Only 26% of CAEs view themselves as members of executive management

**TRUSTED ADVISOR STATUS**



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Figure 2: Winning cultures combine two key elements

**High performance and innovation**  
Significant results are achieved across high-performing companies

**Unique personality and spirit**  
Every high-performing company is unique



**AUDITING CORPORATE CULTURE**

SOURCE: Building a Winning Culture, Bain & Company



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**Audit Assess Corporate Culture**

- Tone at the Top is Key to Strong Corporate Culture
- Assess, don't audit Corporate Culture (until you understand what Good Corporate Culture is)
- Do you have management's support to assess culture?
- Win the War, not the Battle



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### Winning Culture

- Unique Personality & Soul (Character)
- Employees are empowered
- Company Objectives aligned with Personal Objectives (everyone acts like an owner)
- Open & Transparent Communication
- Customer Focus (Reputation is highly valued)

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### ADDRESSING THE TALENT SHORTAGE




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### Navigating an Escalating Talent Shortage: PwC's View

The talent gap is "fueling a poor perception of internal audit's relevance and value: **65 percent** of stakeholders who do not find value in the internal audit functions cite talent as a top barrier."

- PwC

Internal audit functions providing significant value have more diversified skill sets:

Business Continuity	84%
Data Privacy	80%
Specialized IT	77%
Data Analytics	72%
Supply Chain	69%

Source: 2015 State of the Internal Audit Profession Study, © 2015 PwC

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit!" to the FTW IIA, September 4, 2015 (SECTION)

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### Navigating an Escalating Talent Shortage

**Top Skills Being Recruited or Built in Internal Audit Departments**

1	Analytical/Critical Thinking	74%	96%
2	Communication Skills	57%	96%
3	Data Mining and Analytics	48%	44%
4	Industry-specific Knowledge	43%	69%
5	IT (general)	42%	43%
6	Business Acumen	40%	80%
7	Accounting	31%	48%
8	Risk Management Assurance	27%	40%

Source: The CBOK 2015 Global Internal Audit Practitioner survey; © 2015 The IA Research Foundation

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### SAMPLING

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### Control Rating Guidance

- Nature of the control (e.g., preventive or detective; manual, automated, or hybrid; etc.)
- Importance of the control (e.g., is the control critical to mitigate the risk?; are there compensating controls? etc.)
- Risk of failure of the control (consider changes in volume or nature of transactions; changes in design; changes in key personnel; level of reliance on other controls; control complexity)
- Knowledge of past control deficiencies in design or operation

**Control Attributes & Effect on Ratings**

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### Sample Size

Based on the frequency of the control along with the control rating, the following **minimum** sample sizes have been developed (Auditor judgment may be used to increase sample sizes)

Frequency of Control Activity	Control Rating based Sample Size		
	Low	Medium	High
Annual	1	1	1
Quarterly	2	2	3
Monthly	2	3	4
Weekly	5	8	10
Daily or Manually Recurring (population > 250)	25	40	60
Manually Recurring (population > 250)	10%	15%	25%

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### Key Notes

- When utilizing **minimum** sample sizes, one control failure is too many!
- **Isolated incidents** should be minimized – finding will be dependent upon the nature of the risk that the control is mitigating
- Do not expand sample sizes – in most cases, the results will not change and this is not a good use of budgeted hours

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### DATA ANALYTICS OPTIMIZATION




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### Utilizing Data Analytics

- Skills are wanted (previous section)
- Diversify department (get everyone in IA comfortable with CA)
- Continuous Risk Assessment – Constant Monitoring or Company KPI's (linked to ERM)

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## IT AUDIT INTEGRATION



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### IT Audit Integration

- Must understand the IT risks associated with any audit
- Can we (business auditors) do more IT auditing so our IT auditors can focus on more technical IT risks?
  - Test general controls
  - Identify/Test application controls
  - Test access/SoD

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**CHANGE OF PLANS**

The biggest declines from 2016 to 2017 were in plans to audit accounts payable (-13.7%), procurement (-12.3%), and controls over financial reporting (-10%).

The areas that went up include: organizational culture (+5%), cloud (+4.1%), and "other" (+3.7%).

## CLOUD COMPUTING

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## Cloud Computing

- Practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.
- Identify where it is used (understand the company's strategy)
  - Policies
  - Vendor risk assessment
  - Contract compliance
  - Business unit use of cloud

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## MOBILE TECHNOLOGY

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### Mobile Technology

- Mobile devices are becoming smarter and presenting greater risks (BYOD?)
  - Increased risk of information loss
  - Monitoring
  - Awareness and communication
  - Treatment of devices as any other end-point (routes into the corporate network are created by mobile device architecture, which could result in the leakage of highly sensitive information)
  - Education of IT staff

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### Mobile Technology – IA Focus Points

- Smart Device strategy
- Policy, procedure and awareness
- Technology review

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### VENDOR MANAGEMENT




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### Vendor Management

- Forty-two percent of companies now describe themselves as highly vulnerable to vendor, supplier, or procurement fraud
- Internal Audit:
  - Involved in vendor selection/evaluation of options
  - Create a contract checklist?
  - Is anyone monitoring contract performance?
  - Contract management centralized?

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**SOCIAL MEDIA**



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### Social Media

- How does your company interact with customers?
- How is your organization monitoring social media?

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**MILLENNIALS**

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**How Do Millennials Differ from Other Workers?**

- Tech-savvy
- Social media
- Multitasking
- Work-life balance
- Detailed feedback

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**Let Them Be Themselves!**

- Unique traits and perspectives
- Helps to alleviate anxiety
- One-on-one time

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**ARTIFICIAL INTELLIGENCE**



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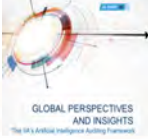
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**AI**

- Great deal of hype around AI, it seems certain that it will have a dramatic impact for many areas of business and the wider world over the coming years
- In fact, figures from a [recent study](#) found that 88 percent of over 230 business and technology executives surveyed are now using technologies that rely on artificial intelligence
- Those who have not yet deployed AI, 56 percent plan to do so in the next two years




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**Gold Nuggets**

- Understand the risks
- Understand A/C expectations
- Lean on internal SME's




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