

GLOBAL PERSPECTIVES & INSIGHTS

Social/Human Capital/Culture

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The Institute of
Internal Auditors

PART 1

Internal Audit's Role in Human Capital Management

About the Experts

Kevin Ekendahl, AMIIA, B. Bus. (Enterprise Development)

Kevin Ekendahl, CEO of Audit Express in Melbourne, Australia, has a special focus on the quality internal audits of tertiary education institutions throughout the Asia/Pacific region. His recent endeavors include embedding diversity, equity, and inclusion audits as a regular feature of internal reviews, aiming to enhance organizational value and foster a more just workplace environment.

Uday Gulvadi, CIA, CPA, CAMS, CISA

Uday Gulvadi is a managing director in the Disputes, Compliance, and Investigations group at Stout in New York, and he co-leads its regulatory compliance and financial crimes practice nationally. He is a financial crimes, internal audit, information systems audit, and risk advisory practice leader with more than 20 years of experience.

Introduction

A paradigm shift

The past few years have seen a significant change in attitudes on how and where work should be performed. At the same time, organizations are managing evolving expectations and goals on diversity, equity, and inclusion (DEI). Emerging technologies also are having an impact, as companies and workers consider how they will be integrated into the current environment. Altogether, these factors and others are contributing to a potential paradigm shift in human capital management. This brief examines how the world of work is evolving and how internal audit can support management's approach to navigating this increasingly complex issue.



Human Capital Management Risk

A Risk for a New Age

Critical but under-addressed

Because people are a critical asset in any organization, human capital management carries significant risk. The IIA's global [Risk in Focus](#) report monitors the current risk environment for internal auditors and their stakeholders. In the 2024 report, internal audit executives around the globe identify human capital as one of the three highest-risk areas for organizations (along with cybersecurity and business continuity). Human capital is defined as encompassing areas such as diversity, talent management, and retention. Looking ahead three years, human capital is expected to remain one of the top three threats.

Despite their perceived risk, human capital concerns do not rank as high on the report's list of risks that consume internal audit's time and effort, although they do edge up from eight today to six in three years. To ensure human capital management receives appropriate attention, internal auditors can consider how best to align the time spent on this area with the organization's related strategic objectives.

The remote work environment

The lasting impact of the COVID-19 pandemic is one significant element in the risk outlook for human capital and the workplace. The pandemic demonstrated that many organizations could carry on with business as usual without requiring employees to be present in a central workplace every day.

Kevin Ekendahl, CEO of Audit Express in Melbourne, warns, however, of the long-term impact that remote work could have on organizations and the workplace overall. While it does provide flexibility to all workers and allows easier access for those with disabilities and for people in rural communities, it can also produce less beneficial complexities in the workplace.

"People like to interact, collaborate, and form friendships at work," benefits that technology can make more difficult to achieve, he says. With employees untethered from a physical workplace or regular social interaction with colleagues, work could become more transactional as people feel less and less connection to the overall organization. If corporate culture is damaged, it can also make it more difficult to inspire dedication to the organization and a commitment to ethical behavior.

"This is a challenge that is not to be ignored," says Ekendahl, who recommends top management take intentional steps to create a cohesive

2024 Top Areas of Internal Audit Time and Effort

1. Cybersecurity
2. Governance/corporate reporting
3. Business continuity
4. Regulatory change
5. Financial liquidity
6. Fraud
7. Supply chain and outsourcing
8. Human capital

Top Risks Internal Auditors Expect to Spend More Time on in 2027

1. Cybersecurity
2. Digital disruption
3. Business continuity
4. Regulatory change
5. Governance/corporate reporting
6. Human capital
7. Climate change
8. Fraud

Source: [2024 Risk in Focus Survey Results, Global Summary](#), Internal Audit Foundation.



work environment. Internal audit can take on an important role in promoting greater understanding of this issue, he says.

As the third line, internal audit can examine the efficacy of management's related controls, oversight, and implementation of processes to determine any negative impacts of the remote work environment. Internal audit also can offer "an objective and independent vantage point from which to evaluate culture," according to [DEI 101: Internal Audit's Invaluable Role in Creating a Sense of Belonging at Work](#), a joint project by the Internal Audit Foundation, The IIA, and Deloitte.

Implementing Inclusion

Addressing Human Capital Risks

The internal auditor's role

Issues related to DEI also should be front and center in human capital considerations. "Some could contend that internal audit, perhaps more than any other function, is in the better position to help advance DEI within the organization, because internal auditors already serve as assurance providers and trusted advisors to the audit committee and the executive team," the DEI joint report states.

According to the report, internal audit's role can encompass:

- Providing assurance. Incorporating DEI issues into the audit plan, internal auditors can perform human resource audits, third-party management audits, policy and procedure reviews, and regulatory compliance reviews to assess the organization's handling of DEI. Internal auditors also can audit the organization's DEI metrics for accuracy and work with human resources to understand DEI measurement.
- Developing valuable insights. In its trusted advisor role, internal audit can report on progress in DEI as well as on the potential impacts of DEI risks, identify risks in talent processes, and consult on the consistency of DEI practices across the organization.
- Acting as agent in charge. Internal audit can identify practices that will promote DEI and become role models for them and can help management understand the causes of inequitable processes or programs.

The risks for internal audit to consider in performing a DEI review include:

- Using an incomplete methodology. Human capital and DEI approaches may not be applied consistently across the organization.
- Focusing too narrowly. Concentrating on one segment of DEI considerations may not provide a complete picture of the organization's efforts or meet its goals.
- Relying on a top-down approach. As the report notes, "while culture can be set from the top, transformation occurs from the bottom up."
- Looking for a quick fix. While consistency is important, approaches may have to be customized in certain cases. The organization also may be too hasty to tackle issues found in audit plans and fail to take a measured approach to transformation.

According to a recent poll by [The Washington Post and Ipsos](#), six in 10 Americans say DEI programs are a "good thing" for companies to adopt. This is despite rising tensions in a political year, when companies are being forced to reassess their policies with an eye toward limiting legal risk. Looking ahead, organizations that fail to support effective DEI efforts may face consequences that include failure to attract talent who are seeking an inclusive workplace or loss of vendors or customers who demand commitment to DEI principles.



Performing DEI audits

Auditing DEI involves considering top management goals across the organization to determine how well the company is meeting regulatory requirements and stakeholder expectations, and if it is actually succeeding in promoting a sense of inclusion, Ekendahl says. That means understanding organizational strategies as well as cultural distinctions in various regions.

“DEI means different things in different countries or regions,” he notes. In Vietnam, for example, the focus may be on adding more women to the workforce and to leadership, in particular, while in Australia, the emphasis may be on creating equitable outcomes for Aboriginal and Torres Strait islanders and for migrants. Internal auditors and their organizations need to understand the nuances as well as the differing regulatory climate across the globe, he adds.

DEI audits examine the development and implementation of related policies and processes. That may include determining whether the company minimizes potential hiring biases and avoids references to gender or other attributes in job descriptions so that decisions are made based on qualifications and experience, Ekendahl says. Internal audits also could consider the adequacy of training provided to HR professionals and hiring managers so that those professionals are aware of the biases they may bring to their recruitment practices and decisions.

The effort is well worthwhile, Ekendahl says. In addition to promoting a harmonious and productive workplace, numerous studies show that organizations that embrace DEI are more productive and profitable because they promote retention and enhance collaboration.

In addition, “by including DEI audits in their internal audit universe, companies show they are working toward an equitable and inclusive workforce,” he says. Internal audit can further the effort by espousing more equitable practices within its own function, including setting policies and procedures that promote inclusion and providing training to root out unrecognized bias and embrace inclusion, he adds.

A workforce for new technologies

While there is a great deal of excitement over the changes that emerging technologies may have on business and on work, their long-term impact and adoption remains unclear. According to [Gartner](#), the top barriers to implementing artificial intelligence (AI) include:

- Difficulty in estimating and demonstrating AI value (49%).
- Lack of talent/skills (42%).
- Lack of confidence in the technological aspects of AI (40%).
- Lack of data, business alignment/defining use cases, and trust in AI (each 39%).

As these barriers demonstrate, organizations should be aware of the important role their workforce will play in ensuring the success of new technology adoption. Benefiting from new technologies will depend on workers who can understand, communicate, and make the best use of new capabilities. “AI-mature organizations invest in foundational capabilities that will remain relevant regardless of what happens tomorrow in the world of AI, and that allows them to scale their AI deployments efficiently and safely,” according to Gartner.

In today’s fast-paced work environment, training and adapting to new tools and approaches are increasingly important. When many workers resigned from their jobs after the pandemic ended, they were replaced by team members who were new to the organization and were working remotely, notes Uday Gulvadi, a managing director in the Disputes, Compliance, and Investigations group at Stout in New York. Getting them up to speed was critical. That included a focus on soft skills to ensure that they understood corporate approaches and culture, as well as how to work effectively with clients.



With emerging technologies and other disruptions to how business is structured and managed coming at a dizzying pace, organizations must be ready to bring their people up to speed quickly and regularly. They also will need to address potential differences in the adaptability of people at different levels and in different functions or regions.

Measuring HR risk

One important first step in tackling human capital risk is establishing that it exists. There are several ways internal auditors can demonstrate the impact and importance of human capital risk. “If the CAE wants to elevate awareness of talent risk, metrics or KPIs can help,” because they can provide graphic evidence of a potential problem, Gulvadi says. These metrics can include:

- Attrition rate. Numbers that are higher than the company average can pinpoint issues within a department, level, or region. “It can be used to find a root cause and identify a host of human performance management issues,” Gulvadi explains.
- Time to replace. How long it takes to fill a job can indicate whether a company is considered a desirable place to work and help it understand what is driving negative perceptions.
- Measurements of internal promotions vs. external hires, especially for key positions. This can indicate the effectiveness of the organization’s talent development and succession planning efforts to help avoid losing talented people who don’t see chances for upward mobility.
- Citizenship surveys. In Gulvadi’s organization, these anonymous, 360-degree surveys allow a leader’s direct reports to weigh in on how well their supervisor demonstrates company values and their perceived areas for improvement.

Conclusion

Working toward understanding

By performing specialized audits and offering strategic advice, internal audit can foster greater understanding of human capital management risk and how best to address it. Internal audit also can point to emerging issues for organizations. Companies should be prepared, for example, to address the human capital management risks related to an uncertain political environment.

Gulvadi notes the increasing calls from employees and other stakeholders to speak out on political or social justice issues, pointing to them as an underappreciated risk for organizations. Failure to take a stand can have a demoralizing effect on those who are passionate about a cause, but expressing an opinion can risk alienating or offending those on the other side of the discussion. In this area and every aspect of human capital management, internal audit can alert organizations to the value of monitoring new risks and disruptions and offer insights on the most effective way to respond to them.



PART 2

A Culture Audit Roadmap

About the Experts

Mary Ann Khalil, CIA, CRMA

Mary Ann Khalil has more than 20 years' experience in internal audit and risk assurance. Khalil is the founder of Knowbility Consultancy, a boutique consulting firm specializing in tailored governance solutions in Kuwait.

Robert Lamp

Robert Lamp is a senior client partner at Korn Ferry in Atlanta, serving as a core member of the Financial Officer Practice, where he leads many of the firm's marquee chief audit executive search assignments. Lamp has been with the firm for 11 years.

Bryant Richards, CIA, CRMA, CMA

Bryant Richards is an associate professor of accounting and the director of the Center for Intelligent Process Automation at Nichols College in Dudley, Mass. Before joining the college, Richards spent more than 20 years in industry, mostly internal audit and compliance.

Introduction

Enhancing culture audits

Not so long ago, many people questioned the viability and value of auditing culture, but those attitudes have changed. Today, there is wide acceptance that internal audit can and should contribute to understanding the impact culture can have on everything from diversity to resilience and efficiency.

Internal auditors certainly recognize the risks related to culture concerns. In The IIA's [2024 North American Pulse of Internal Audit](#), 71% of audit leaders describe the risk level associated with governance and culture as moderate to high or very high. However, the survey also finds that only 3% of audit plans are allocated to governance and culture issues, the third lowest level of allocation, despite the importance of culture and its critical role in governance.

While progress has been made on culture audits, it appears many are not yet being done proactively. Robert Lamp, who leads many of Korn Ferry's CAE search assignments in Atlanta, says audit leaders he works with say culture audits are "more of a reactive process to put out a fire."



At the same time, essential buy-in from the CEO, board, or audit committee may still be hard to come by, and stakeholders may see culture audits as nice to have rather than a necessity. This brief will examine what internal auditors and their organizations have learned about culture and how internal audit can help enhance the effectiveness of culture audits going forward.

Understanding Culture

Culture-Related Risks

Accepted practices and assumptions

Culture can impact an organization greatly. “Culture is one of the best indicators of future risk,” says Bryant Richards, associate professor of accounting and finance at Nichols College in Dudley, Mass. “Managing and monitoring culture can help organizations significantly minimize risk while appreciably improving future operations.”

Culture is embedded in the accepted practices and assumptions that affect decision making, especially when an organization faces uncertain circumstances. “These underlying beliefs are not in the organization’s procedures or policies or in its mission,” Richards says. “But they are the things that can trigger or prevent risks.”

Cultural norms shape employees’ attitudes toward risk, governance, communications, and accountability, says Mary Ann Khalil, managing partner of Knowbility Consultancy in Kuwait. For example, there can be culture-related risks in companies or functions that overvalue unwavering loyalty and trust, she notes, because this mindset may normalize turning a blind eye to problems. However, failure of oversight, at leadership levels or within a specific department, may make it easier for employees to commit fraud or engage in other unethical behavior. Other culture-related risks, Khalil notes, include:

- **Misalignment between values and practices.** Examples include overworking employees while emphasizing work-life balance, permitting ethical misconduct lapses, not linking rewards to results but still anticipating high performance, and offering employees rewards for aggressive targets, which can pressure them to cut corners and lead to compliance failures or fraud.
- **Accountability and trust issues.** Examples include blame-shifting, information hoarding, lack of cooperation/collaboration, consistent missed deadlines without consequences, deferring decisions to superiors or committees to dilute responsibility, and punishing employees for speaking up.
- **Inconsistencies in communication and decision-making.** Examples include important information not cascading down, across, or up the organization; different standards applied across the organization; and concentrated power.
- **Resistance to change and lack of innovation.** Examples include new initiatives consistently failing to gain acceptance, new ideas being shot down, and persistent risk aversion.
- **High turnover, stress, and compliance issues.** Examples include excessive sick leave, burnout, turnover, compliance breaches, customer complaints, and a toxic or abusive work environment.

Audit Focus

The IIA Global Practice Guide on [Auditing Culture](#) defines organizational culture and the conduct that occurs within that culture this way:

“Culture represents the invisible belief systems, values, norms, and preferences of the individuals that form an organization. Conduct represents the tangible manifestation of culture through the actions, behaviors, and decisions of these individuals.”



Organizations may fail to attract top executive talent because of these types of culture issues, Lamp says. Just as companies evaluate prospective hires, he has found that CAE candidates do their own due diligence about a company, including assessing not only its financial health, but also its culture.

In addition to considering what their instincts tell them about the company, prospective leaders may assess information from their own professional network, details on the organization's reputation in the market, and insights from the audit committee and external audit partner. In addition, "increasingly, CAE candidates ask to meet with operations leaders to assess how receptive they are to audit and whether internal audit is seen as a partner," he explains. If the candidate takes the job, initial impressions should shape how the CAE designs and approaches future culture audits.

Digging deeper

Even when organizations have embraced culture audits, Richards says many remain focused on cultural behavioral flags, with internal auditors attaching them to operational and compliance reviews. That can leave organizations without a thorough understanding of root causes and trends.

"We have all the tools already, we just haven't necessarily had the framework to tie it all together," he says. The recently released second edition of the IIA Global Practice Guide on [Auditing Culture](#) provides valuable guidance on how to go deeper, he adds. Among other items, it describes the role of internal auditing, lays out a step-by-step overview of planning and performing a culture audit engagement, and offers sample culture monitoring and reporting formats.

A framework provides internal audit with a roadmap to follow in determining where culture is having a positive or negative impact. With the practice guide as a starting point, internal audit can then work to understand a company's unique framework. "Any organization that is serious about culture tends to have a culture leader," Richards says, such as a chief culture officer or human resources vice president. Those leaders should be able to inform internal audits about the culture elements that are important to the organization. Internal auditors can use those elements to identify risks, as they would in any risk assessment.

Internal auditors will face challenges when organizations have not already examined or defined their cultures or developed a cultural framework like those used in process or operational reviews. That puts internal audit at an extreme disadvantage because, instead of reporting on culture based on the organization's established standards or expectations, auditors may feel pressed to recommend those standards themselves, Richards explains.

In the absence of an existing internal framework, to understand an organization's cultural mechanisms, internal audit typically will begin with the human resources process, including how people are hired or trained and how their performance is managed. "Every organization tends to have a significant amount of formality around those areas, and they have a huge impact," according to Richards.

The next step is to examine what is shaping the cultural mechanisms but may not be immediately obvious. For example, he recommends exploring the steps that led up to a problem, including the fears or misunderstandings that might have driven it, and why those steps occurred. For additional insight, Richards points to *Organizational Culture and Leadership*, by Massachusetts Institute of Technology professor Edgar Schein, whose Iceberg Model divides culture into three layers: artifacts, espoused values, and underlying beliefs. Richards references the model in his article, "[Under the Surface](#)" in *Internal Auditor* magazine.



Establishing Internal Audit's Value

Educating Clients

Speak-up vs. closed cultures

Internal auditors are well-equipped to audit culture. “We actually know culture really well,” Richards says. “We sample events all the time.” Because of their extensive knowledge of the organization, internal auditors are aware of groups that have an overbearing leader or areas where people follow longstanding practices that no longer make sense. They know which ones have an inherently strong positive culture or excessive turnover.

Based on feedback from employees, internal auditors also can quantify facts such as how many workers report being apprehensive about bringing a boss bad news and gather similar information that can be compared to past data or company expectations (see “Documenting the Culture Audit”).

However, internal auditors also should be aware of how culture will affect the reaction to, or acceptance of, their own work. An open or speak-up culture values insights about potential problems or risks and welcomes the assurance and advice that internal audit can offer.

In a more closed culture, the internal audit team may be seen as a police force that exists to punish teams or individuals for their mistakes. At the same time, clients may not understand internal audit's ability to perform culture audits because they associate internal auditors with financial measures. Employees may fear retribution for reporting issues and clients also may not appreciate culture as a key driver of business outcomes.

As a result, “educating clients is fundamental in overcoming cultural barriers and resistance to culture audits,” Khalil says. At the beginning of her audits, she asks company leadership to attend open meetings with the group being audited to endorse internal audit and confirm there will be no retaliation. At these meetings, she also discusses the importance of a healthy culture and the consequences if there are cultural risks.



Documenting the Culture Audit

The IIA Global Practice Guide, [Auditing Culture](#), identifies documents that internal audit functions may review in a culture audit:

- Any value statements (may be labeled mission or vision statements or contained within these documents) published by the organization. Many times, these are public and appear on the organization’s website.
- Top-level, business-line level, and process-level strategies, objectives, and business plans.
- Risk appetite statements.
- Organization charts (high-level and business units) and related reporting lines.
- Roles, responsibilities, and accountabilities of control functions (for example, compliance, risk management) and senior management.
- Governance framework.
- Tone at the top and leadership communications with employees.
- Products/services approvals and selling processes.
- Risk-escalation protocols. Exceptions and management overrides.
- Codes of conduct/ethics, including policies and procedures on speaking up, nonretaliation, and treating customers fairly.
- Ethics hotline information and training materials.
- Results of culture-related training and testing programs (for example, sexual harassment, ethics, code of conduct).
- Employee survey results.
- Exit interview data.
- Board and relevant committee meeting minutes (for example, governance, risk, nomination and remuneration, and ethics committees).
- Management’s risk and control self-assessments, including management’s action plans and their statuses.
- Relevant culture-related and risk management policies, including incentives and compensation policy, requirements, reports, and expectations.
- Recruitment, onboarding, performance management, retention, and exiting processes.
- Status of issues raised by internal auditors or other control functions, external service providers, and regulators considering repeated and long outstanding issues and root causes that may be related to culture.
- External auditor’s report on the audited financial statements and letter of representation.



Conclusion

A cultural barometer

During the last decade, internal auditors have continued to advance their understanding of culture risk and the value of culture audits, but there is still work to be done. Twenty percent of organizations do not assess culture, according to AuditBoard's 2023 [Organizational Culture and Ethics Report](#). At organizations that do, internal audit teams use root cause analysis in individual audits (41%) and behavioral observation (40%), but few use more complex methods such as standalone audits of culture (10%) and audits against ethics and compliance federal sentencing guidelines (8%).

Internal audit functions in some industries or jurisdictions are required to assess and regularly report on their organization's culture and the effectiveness of conduct risk management activities, according to The IIA's practice guide. "However, even without regulatory guidance, internal auditors can add value by objectively assessing and reporting organizational culture and conduct risk management," it says.

Those organizations that are not regulated can make their own decisions about culture audit frequency. Based on the rapid pace of change, in an ideal future, more organizations will perform annual risk assessments on culture, Richards says. Companies also could create quarterly heat maps on how culture is faring in various areas. Because of internal audit's deep interaction with departments throughout the organization, "we are literally cultural barometers already," he says. "We can do this, and we can do it well."



PART 3

Tomorrow's Internal Auditors

Change is the only constant in today's world. Everything around us is evolving rapidly on so many fronts — from AI, to sustainability, to cultural norms — that internal auditors who choose not to evolve will find themselves unable to fulfill the basic tenets of their role. To keep pace, internal audit leaders must have a long-term strategy not just for providing organizational assurance, but also for equipping their functions with the right skills, knowledge, and training to succeed.

Roadmap for Embracing Change

Promoting the Future of the Profession

The skills needed for today's internal auditor

Earlier this year, The IIA released [Internal Audit: Vision 2035](#), a research report designed to guide the long-term development of internal audit functions in a way that meets the challenges of today and tomorrow. As IIA President and CEO Anthony Pugliese states, internal auditors “at all levels, across all industries and geographies, must possess the skills necessary to address new and emerging risks and demonstrate credibility to stakeholders to effectively confront these challenges.” Those skills come in a variety of forms.

Vision 2035 survey respondents place technology-based skills at the top of the list:

- **96%** say experienced internal auditors will need to **increase their technology skills** to remain relevant.
- **81%** agree that entry-level internal auditors will **require an elevated skillset** to be successful.
- **92%** say **technology-driven changes to internal audit** could add value to their organization.
- **93%** say **technology could help internal audit** develop better insights and recommendations.

Advisory work. According to Vision 2035, internal audit professionals and stakeholders expect the time spent on assurance services to decline over the next 10 years to 59% of the auditor's time versus 76% today, with time spent on advisory work growing from 24% to 41%. Areas where such advisory work can be valuable include operations, compliance, and risk management — all of which require an understanding of business processes that go beyond both technology and traditional assurance skills.

“The auditors who are only used to doing compliance and internal controls over financial reporting testing also need to have business savvy,” says Sandy Pundmann, executive vice president, chief audit and risk officer at Warner Bros. Discovery, in the report. “They really need to understand how to peel back the onion and be curious and understand what they're looking at. Technical skillsets are going to be important, but they must be combined with business acumen.”



Such changes speak favorably for the future of the profession, but they also create questions on the steps internal audit leaders should take to adjust to these realities. Fortunately, there are several strategies that will not only better equip internal audit functions to tackle new roles, but also improve their productivity and efficiency.

Establishing buy-in from leadership and stakeholders. Sometimes it is not enough to do the job well. The most detailed and accurate findings possible do little if they are presented to leadership and stakeholders who do not understand or respect the value of such findings. In addition to the technical aspects of their role, internal auditors should improve their soft skills so they can be their own best advocates and work to establish buy-in organizationwide into what the profession offers.

Findings from Vision 2035 support the importance of establishing buy-in, including:

- **50%** of respondents say **internal audit is misunderstood or undervalued**. Notably, 23% of respondents highlight this as the most important challenge facing internal audit.
- **45%** say **there is a lack of sufficient support from leadership and stakeholders**. 22% say this is the most important challenge facing internal audit.

Strategies to Evolve

Each internal audit function's journey will be different based on its unique context. What one function can implement and accomplish may be outside the realistic budgetary or resource constraints of another. That said, all internal audit leaders should still keep in mind the long-term goals needed to evolve their functions.

1. Change the workforce perception of the profession. Today's audit leaders can step forward to spearhead improved relationships with organizational recruiters, college educators, and third-party hiring services to use language that better educates all players in the hiring space on what internal audit is. For example, internal audit:

- Offers opportunities to collaborate and network with all organizational departments — an invaluable asset for those with leadership aspirations. According to LinkedIn's [The Future of Recruiting 2024](#) study, Gen Z is 47% more likely than Gen X to prioritize opportunities to advance within the company.
- Is a trusted advisor and change agent. Audit leaders should consider using terms like "strategic," "holistic thinker," and "dynamic" when describing the profession.
- Offers significant opportunities to expand professional knowledge and skills. According to the LinkedIn study, Gen Z is 45% more likely to prioritize opportunities to develop new skills than Gen X. With their view and work across the organization, internal auditors are well-positioned to expand their understanding of the organization, from its risk environment to its first- and second-line processes and procedures.

2. Promote internal audit within the organization. Prospective hires are not the only ones who suffer from a misunderstanding of the full scope of internal audit's value. Even within the organization, negative or incomplete perceptions of internal audit can lead to a lack of interest in transferring to internal audit compared to other departments. To counter this, internal audit leaders can:

- Promote rotational programs to move internal auditors into functional roles, and those in functional roles into internal audit. This not only broadens internal auditors' understanding of operational processes for their engagements, but also



offers other employees firsthand experience with all internal audit has to offer. Just experiencing the role of internal auditor can be the profession's best marketing strategy.

- Improve communication with the audit committee, board, and senior management. Such communication lines are required for conformance with the Global Internal Audit Standards™. If views of internal audit are skewed at the top, it will trickle down to other areas of the organization. Internal audit and its findings and recommendations should always be viewed positively and not from a point of antagonization. Such communication also should include ongoing dialogue on the full scope of what internal audit can offer beyond providing assurance, such as valuable consulting and advisory services.

3. Embrace technologies. Internal audit should be viewed as an advocate for innovation and positive change. This needs to come through not just in its communication, but also in its actions. Few actions show this better than incorporating new tools and technologies, including:

- **AI.** The uses of AI in internal audit processes to generate content, as well as to analyze patterns and identify trends, are nearly endless, and not all of them require significant budget investment. AI use cases include:

- Audit planning.
- Report writing.
- Data analysis.
- Ongoing monitoring.
- Incorporation into risk assessments.

[View an AI use case video on risk assessment.](#)

- **Automation.** Internal audit should be a driver of data analytics. Analytics provide a variety of benefits, including larger sampling sizes that maximize the vast data generated by today's organizations. Drastically improved resource management leaves more time for internal audit to pursue consulting and advisory services, and it provides an improved organizational perception of internal audit being on the cutting edge.

- **Digitization.** The world is becoming increasingly digital by the day, and the format of all internal audit deliverables and initiatives should reflect this.

Embracing technology also means embracing an environment of continual learning and development. To accomplish this, initiatives could include:

- Increased cross-learning and interactions with IT-focused departments during assessments.
- Establishing ongoing learning expectations within the audit function through resources such as LinkedIn Learning, technology-focused IIA learning resources, and offsite training via classes and seminars.

4. Rethink internal audit. Independence and objectivity will always be central tenets of the internal audit profession. However, the complex demands of today's organizations (as well as the complex risk environments they operate in) often demand that internal audit leaders take on responsibilities beyond their traditional duties. Instead of shrinking away from these duties due to potential concerns related to independence and objectivity, audit leaders should consider embracing them.



Stephen Bell, executive group chief risk and compliance officer for the Bank of London, offers this perspective in Vision 2035: “Internal audit needs to be scrupulously independent, but it can’t live in a bubble. It could do a better job of tuning into the wider environmental organizational context in setting objectives for the next period, without worrying that doing so would harm its independence by having too strong an opinion on what needs to happen.”

Fortunately, the profession appears to be making great strides in this regard. According to Vision 2035, 71% of internal audit leaders surveyed report taking on additional roles, the top three of which are fraud investigation (43%), compliance/regulatory matters (32%), and enterprise risk management (32%).

Seeing such a profound shift supports the belief that just because the duties of internal audit are expanding does not mean it cannot maintain its independence and objectivity — if the Standards are adhered to, which calls for the implementation of safeguards. Within an organization’s unique context and needs, internal audit leaders should consider where internal audit can best fit. The function could provide great value in places not initially considered.

Conclusion

It’s a movement

The common thread that binds all the initiatives listed herein is the need for action. Internal audit leaders should not expect the perception of their profession to change on its own. Indeed, audit leaders need to embrace the idea that they are their own best advocates. This means championing the profession through all interactions within the organization, from the board to frontline employees. This means reaching out to educators and providing resources to colleges to keep the profession top of mind — perhaps even offering to provide presentations on the profession to students. No outreach effort is too small or insignificant. The evolution of internal audit needs to be a movement, and a movement can only go as far as its members take it.

Audit focus

The IIA’s [All Things Internal Audit](#) podcast



series is dedicated to providing our members with critical insight on all of today’s most relevant industry topics from some of the most respected minds in the profession. In a recent episode, [Risk and Cyber Audit Opportunities With AI](#), experts discuss strategies to mitigate the risk of sensitive data disclosure in public AI tools, as well as the importance of governance and monitoring in AI implementation.



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