



Risk leaders continue to pave way for disruptive change

2022 Global Internal Audit and
Internal Control Survey results



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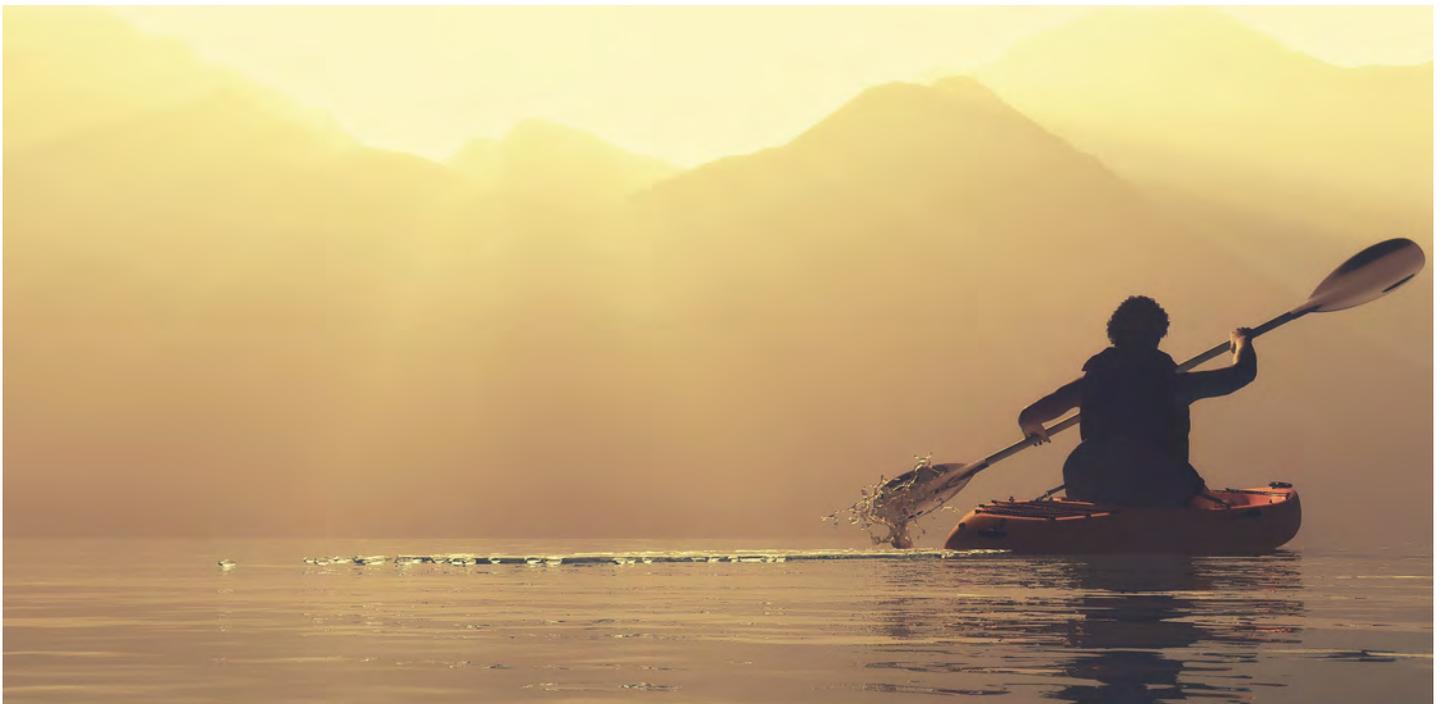
Executive summary

Organizations are managing evolving consumer expectations, new partnerships, dynamic ecosystems, changing industry boundaries, disruptive business models and competitive domains.

To keep pace with the market disruption and stay relevant, internal audit (IA), internal controls (IC) and risk management functions need a more dynamic capability that is geared to giving timely insights on strategic risks, a flexible people model with new skills and an ability to help organizations de-risk transformation programs.

In our 2022 Global Internal Audit and Internal Control Survey Results, we gauge the pulse of the profession to explore the priorities of IA and Risk Management leaders. Four key observations from our analysis are:

- 1** Organizations need to embrace technology-enabled solutions to reimagine their risk posture and unlock value for business stakeholders.
- 2** The regulatory compliance landscape continues to shift, giving risk executives the opportunity to continue to be a strategic advisor.
- 3** Static risk assessment processes need to evolve to further incorporate emerging and strategic risks, streamline coverage, and reduce audit and compliance fatigue.
- 4** Talent and IA operating models should shift to a diversified resource mix to align with the dynamic workforce environment while keeping pace with the organization's strategic imperatives.



About this survey

Approximately 450 companies across all sectors and geographies participated in the 2022 Global Internal Audit and Internal Control Survey Results. The survey compiles and structures key risk factors by industry, organizational size and business function. The survey's risk metrics have been aligned to a comprehensive mapping of all crucial business functions, including financial, information technology, operations, regulatory, compliance and strategy.

Relevant industries

Aerospace and defense, asset and wealth management, automotive, banking and capital markets, chemicals, consumer products, diversified industrial products, government and public sector, insurance, life sciences, media and entertainment, mining and metals, oil and gas, power and utilities, professional firms and services, provider care, real estate, retail and wholesale, technology, telecommunications and transportation.

What is the nature of your organization's information technology system environment?

62% Centralized **38%** Decentralized

Revenue

63%

More than US\$1b

7%

US\$500m-\$1b

30%

Less than US\$500m

Embracing technology solutions to unlock strategic value

Internal audit and internal controls functions are uniquely positioned to understand the business and its capabilities given their access to the organization's data and influence at the board level.

Technology offers numerous opportunities to enhance the entire internal audit lifecycle from risk assessment and audit planning to execution and reporting. Leading companies are leveraging new ways of compliance management and reporting that are powered by data analytics and automation as it provides more efficient and effective internal control oversight. Only 30% of our respondents currently perform data analytics in the audit cycle; however, our survey results show that it is the top opportunity to enhance their compliance or risk management function.

Working across frequently siloed departments or business units, risk executives can provide greater context and connection within the organization to early detect or prevent common downfalls found in many implementations or transformation efforts.

Additionally, embedding evolving/emerging risks into risk monitoring enables companies to pivot from confirming the expected to solving the unexpected. This keeps the risk function agile and mobile, enabling more accurate and rapid decision-making. Nearly 40% of survey respondents are actively performing a separate emerging risk assessment, and an additional 15% plan to do so within the next three years.

Reimagining workflows to unlock strategic growth

Reimagining workflows such as changing platforms or systems of work environments can enhance performance and reduce costs. A success story of IA execution and automation platforms, EY Virtual Internal Auditor (EY VIA) and other off-the-shelf solutions have shown how Smart Data Integration (SDI) across coordinated risk functions can help organizations leverage insights beyond detection of historical control issues and embrace more proactive use cases for areas such as enterprise resiliency, environmental, social and governance (ESG) benchmarks, and cyber threat reduction.



40%

of survey respondents are actively performing a separate emerging risk assessment

30%

of our respondents perform data analytics in the audit cycle

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We have risk analytics in real time; these analytics can pull the latest 12 months' data at any point in time. The internal audit team can review and monitor these key risk indicators as part of our risk assessment and audit planning process, which makes the audit more efficient and value-adding.

Fernando Garcia Bueno,
Head of Internal Audit at Kraft Heinz

Technology can unlock enhanced risk coverage with same investment

Taking stock of what and how to effectively execute automation in an integrated way is subject to the dynamic risk assessment (DRA) process. Armed with more robust data analytics, DRA shifts risk analysis from a reactive to proactive approach, detecting imperceptible process failures, flagging lapses and marking their occurrences to avert future errors. Digital tools such as scoping accelerators enable companies to zero in on material entities and financial statement line items, business functions and corresponding IT systems.

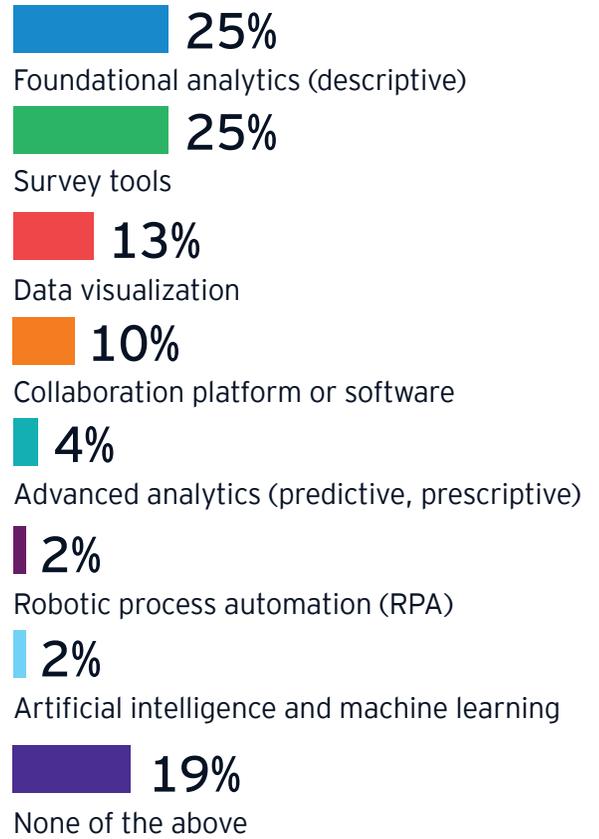
Data analytics can also replace or reduce other traditional testing efforts from an internal controls over financial reporting (ICFR) perspective. An in-depth understanding of the data and its flow or architecture is paramount to achieving a viable solution; for example, a rideshare company used data analytics to gain comfort over key data sets such as driver rate cards, sales tax and other fees – a vast improvement over traditional information technology general controls (ITGCs) and resulting in lower costs but more risk coverage.

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The risk landscape of today is ever-evolving. Change/disruption has become the norm rather than the exception. Internal audit functions that can stay agile by being proactive and truly understand their capabilities will keep a finger on the pulse, enabling faster and better responses.

Sanjay Khunti,
Business Consulting, Global Client Service Partner,
Ernst & Young LLP

Which of the following technologies are leveraged in the internal audit risk assessment process?



37%

of companies use RPA for their in-scope key controls

The regulatory compliance landscape continues to shift, and organizations must prepare for changes such as ESG mandates, cybersecurity and third-party reporting obligations.

Shifting regulatory landscape provides strategic opportunities for risk executives

The dynamic regulatory landscape around the globe is putting performance pressure on many organizations. These organizations in turn look to their IA and risk management executives to stay abreast and comply with the ever-changing requirements.

For example, on March 9, 2022, the U.S. Securities and Exchange Commission (SEC) proposed new rules for public companies that would enhance and standardize disclosures that registrants make about cybersecurity incidents and their cybersecurity risk management, strategy and governance. The SEC is expected to finalize its requirements and rules by the end of 2022.

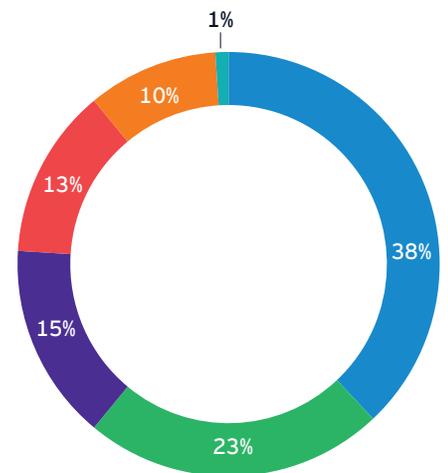
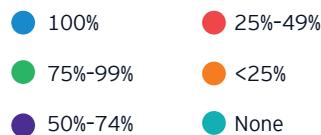
As more of these types of regulations are rolled out around the world, internal audit can provide value by performing capabilities or gap assessments to evaluate their organization's current posture relative to the proposed regulatory requirements. The partnership with the business will further broaden the influence of the internal audit or risk management function within the organization.

What innovation strategy should you adopt and when?

How do you harness these technologies cost-effectively – especially in an organization with limited capacity to invest? How do you accelerate the change management process that is required for new strategies?

How can technology better enable the current function, increase the “adaptability of the process,” replace repetitive tasks, enhance coverage or drive insights? Find out more at ey.com/en_us/cro-risk.

What portion of your internal audit plan is derived from the results of your internal audit risk assessment?



Evolving to a dynamic risk assessment process to minimize audit and compliance fatigue

Traditional or static risk assessment processes can struggle to keep up with the pace of change in today's business. In fact, according to the latest EY Global Board Risk Survey, only 39% of boards today believe their organization's risk management capabilities are more than moderately effective at managing both atypical and emerging risks. Four out of five boards believe improved risk management will be critical for their business to protect and build value in the next five years.

Internal audit and risk management executives at leading functions have:

1. Challenged the traditional risk assessment processes and approach, and synthesized feedback from key stakeholders
2. Leveraged technology to evaluate risk more efficiently and comprehensively
3. Incorporated data as a gateway to proactively respond to opportunities and threats
4. Established or maintained trust with key stakeholders impacted by their risk transformation efforts

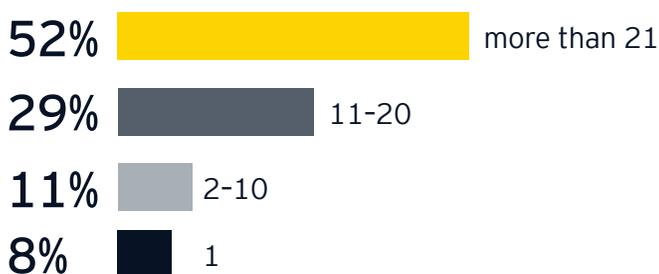
The smarter approach to compliance and risk assessment enables organizations to proactively manage their external compliance requirements while delivering data-driven insights to improve the business and reduce the overall cost of

compliance. An integrated risk management platform allows companies to capitalize on upside risk while minimizing the threat of downside and outside risks. With data at the center of the risk management strategy, risk executives can help their organizations align their risk taxonomy and implement dynamic risk assessment methods that adapt to the changing business environment, while coordinating risk response and reporting across all three lines of defense.

Additionally, organizations that have implemented leading technologies such as digital twins – virtual representations that serve as the real-time digital counterpart of a physical object or control – are able to strategically plan for disruptions in the supply chain process or with third-party providers. As these new technologies are implemented by companies, they often look to their third or second line of defense to keep them safe and advise them of potential upside, downside and outside risks.

Leading risk practices embrace the pace of change and leverage their enterprise-wide understanding of the organization, its risks, opportunities and related strategies to maximize their impact. The risk functions of the future are data-driven, make use of emerging technologies, have more dynamic processes, and draw on a flexible people model that could include external subject-matter resources, co-source relationships, and/or rotations from the business as needed.

How many auditable components* does the company have?



*e.g., entities, divisions, locations or risk components analyzed for scoping purposes

How do you balance risks and opportunities related to disruptive technologies?

Harnessing disruptive technologies brings great opportunity, but how do you also manage the new risk that comes with those opportunities?

How do you manage reporting to internal and external stakeholders?

How do you utilize technology within the borders of existing regulations? How can policies and standards adjust to these new opportunities? Find out more at ey.com/en_us/cro-risk.



Reimagining your talent and IA operating models

Since the Great Resignation, attracting and retaining top talent has been at the top of organizations' agendas. Failing to do so is a risk that could cause delays in critical functions, increase costs (The Predictive Index's 2022 State of Talent Optimization Report revealed the average cost of resignation per employee is \$11,372) and distract leadership from their responsibilities. Given the disruption in the workforce, people models must become more flexible, drawing on a diverse and mobile workforce with a broader range of skills.

An internal audit function has a unique opportunity to foster a culture of diversity, equity and inclusion, beginning within its own organization. That means expanding hiring practices and evolving from a traditional internal audit and controls model, implementing rotational staffing, partnering with third-party providers for complementary skills and subject-matter resourcing, and developing tailored learning and experience curricula for soft and technical skills.

An example of this being applied is EY Neurodiversity-Powered Transformation services, which utilizes neurodivergent professionals to accelerate emerging technologies and tackle complex problems while driving increased diversity, equity and inclusiveness, resulting in increased brand value.

Risk and risk management functions need to develop risk athletes who are empowered by technology and leverage it to gain strategic insights while automating repeatable and mundane tasks within the organization.

Leading companies are asking: Do we have the digital talent that can leverage any technology investment, enablement and change in capabilities, or do we need to outsource in the interim? It is important for internal audit functions to have the capabilities to view and leverage data and analytics while providing insight and assurance across the risk spectrum to increase strategic value.

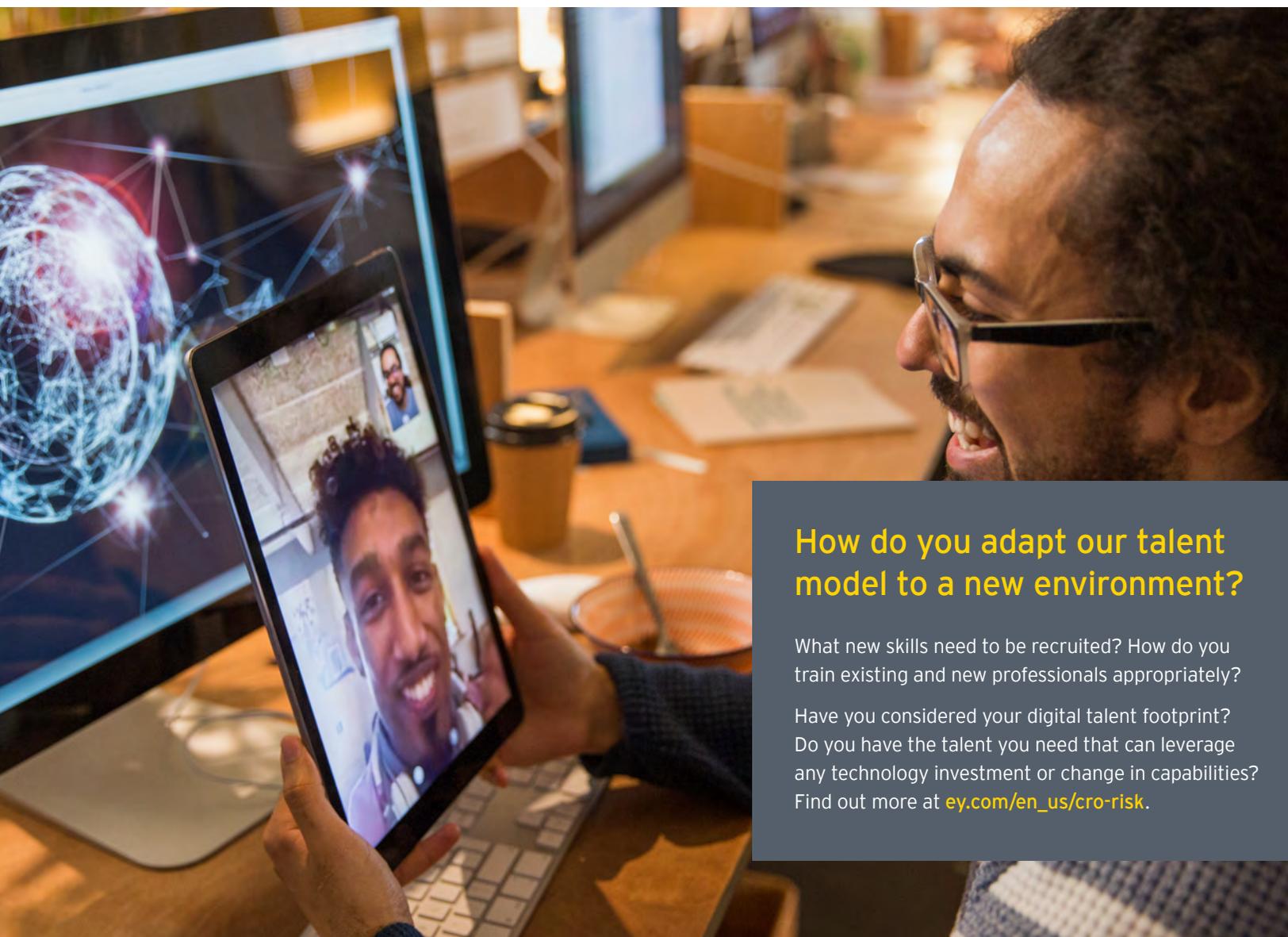
Attracting and retaining top talent will be imperative to the future of internal audit and compliance organizations

65% 

of respondents' internal audit functions are 10 employees or fewer

45% 

of respondents' internal audit and internal controls functions hold a traditional audit and controls background



How do you adapt our talent model to a new environment?

What new skills need to be recruited? How do you train existing and new professionals appropriately?

Have you considered your digital talent footprint? Do you have the talent you need that can leverage any technology investment or change in capabilities? Find out more at ey.com/en_us/cro-risk.

Summary

As we move into 2023, risk and compliance functions are in a unique position to purposefully embrace the ever-changing and challenging risk environment of today. With the adoption of emerging technologies and having more access to data and analytics, these functions can find themselves leading their organizations by assisting the C-suite and board of directors decipher which risks are the most imperative.

More specifically, leading companies have found a way to empower their internal audit function to turn the corner from being viewed as solely a compliance shop to differentiating it as a strategic business advisor. The 2022 Global Internal Audit and Internal Control Survey Results, found that these organizations are requiring their internal audit functions to:

1. Reimagine their organization's risk posture and unlock value for business stakeholders through technology-enabled solutions.
2. Give all risk executives the opportunity to continue to be a strategic advisor especially as the regulatory compliance landscape continues to shift.
3. Evolve their static risk assessment process to be more dynamic and incorporate emerging risks.
4. Diversify their talent models and operating models for a diversified workforce.

As companies continue to embrace technology, they can expand upon traditional compliance requirements and integrate a more holistic discipline of risk optimization. Now more than ever, there is a call to action for big picture thinking and in-depth understanding of the organization's data, strategy and business capabilities to stay agile in the evolving risk landscape.

To learn how the EY team is helping internal audit functions become strategic advisors, please visit ey.com/en_us/cro-risk.



Top opportunities to improve the risk function

42% 
Leverage emerging technology

42% 
Further collaborate with business as a strategic advisor

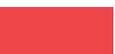
16% 
Focus on improving skills and talent

Top five emerging risks

33% 
Cybersecurity

19% 
Climate change and sustainability

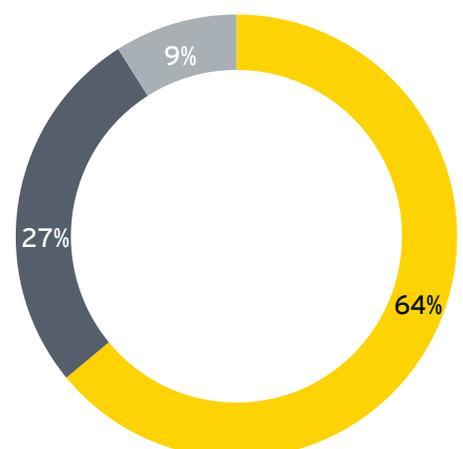
18% 
Major shifts in technology

17% 
Regulations around data privacy

13% 
Strategic transactions in global locations (e.g., M&A and divestitures)

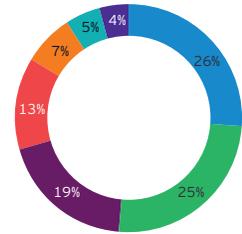
What is the complexity of your organization's enterprise resource planning (ERP) system?

-  Combination of in-house developed and purchased off-the-shelf system
-  Off-the-shelf system
-  Fully customized or developed in-house



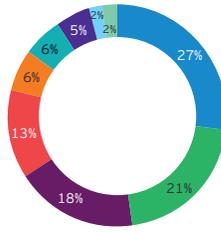
Supplemental survey questions

What technologies do the internal audit and internal controls functions leverage in the audit lifecycle?



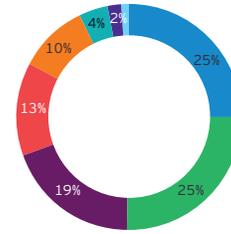
- Data analytics
- Audit management (workflow)
- Governance risk and controls (GRC)
- Visualization tools
- Scheduling and operations
- Robotics
- N/A – no technology utilized

What percentage of time did internal audit allocate to the following during FY21?



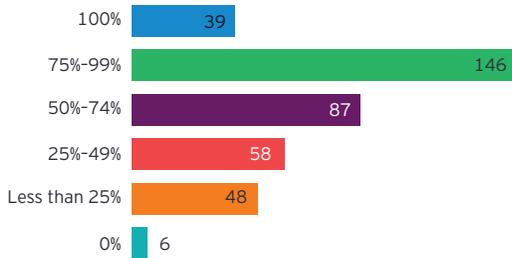
- Financial risk
- Operational risk
- IT risk
- Compliance risk
- Regulatory risk
- Strategic risk
- Fraud risk
- Other
- Reputational risk

Which of the following technologies are leveraged in the internal audit risk assessment process?

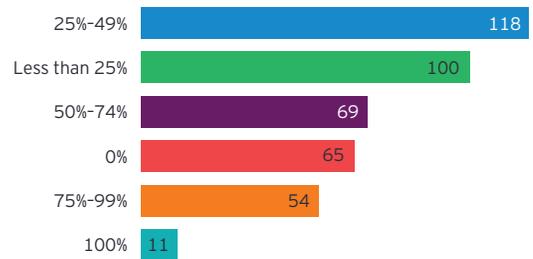


- Foundational analytics (descriptive)
- Survey tools
- None of the above
- Data visualization
- Collaboration platform or software
- Advanced analytics (predictive, prescriptive)
- Robotic process automation (RPA)
- Artificial intelligence and machine learning

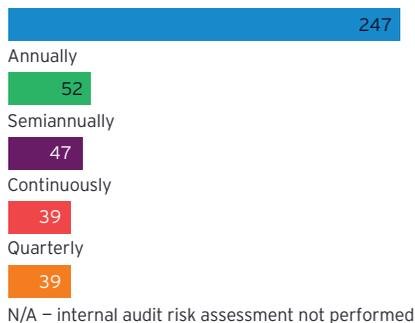
What portion of your internal audit plan is derived from the results of your internal audit risk assessment?



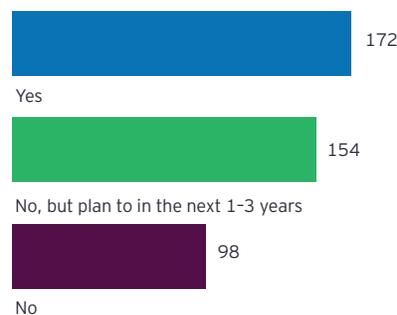
What is the percentage of reliance your external auditor places on management's internal controls testing?



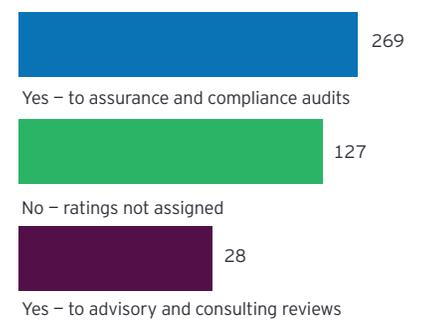
How often does your internal audit function perform an internal audit risk assessment?



Do you use dashboards to report to management on key risk or performance indicators?



Do you assign ratings to internal audit reports?



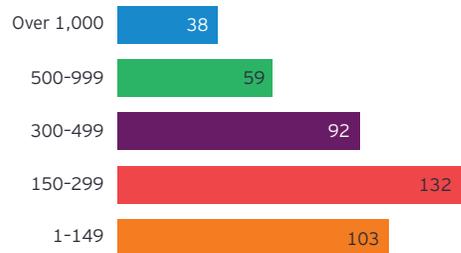
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Supplemental survey questions

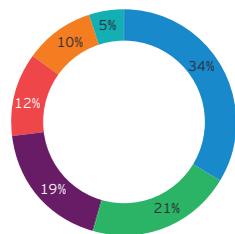
Does your internal audit risk assessment and other mechanisms trigger changes to the internal audit plan throughout the year?



How many key controls on average does the company have in scope?

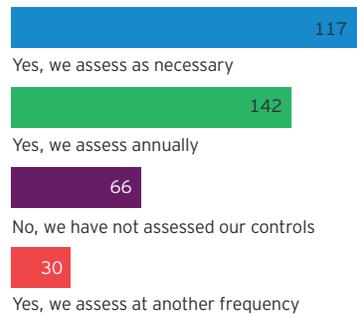


Of those in-scope key controls, approximately what percentage are classified as the following?

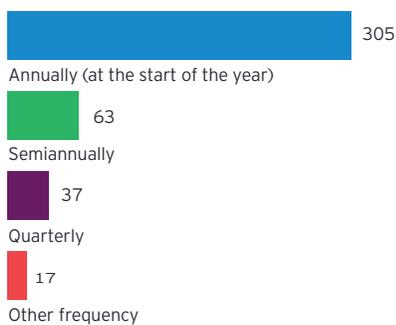


- Manual
- IT-dependent manual (ITDM)
- IT general control (ITGC)
- Application (fully automated) control
- Entity-level control (ELC)
- Other

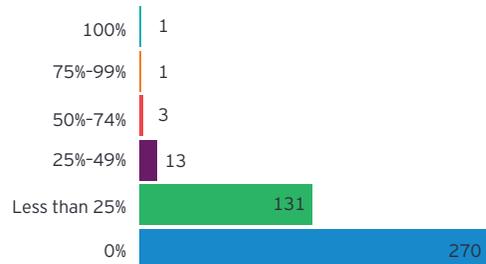
Since SOX implementation, has your company taken on efforts to rationalize or optimize the internal controls structure?



What is the frequency of internal controls scoping?



What portion of your in-scope key controls are performed by robotic process automation (RPA)?



Notes

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