



Internal Audit's role in innovation

Internal Audit Megatrends | 5x5: insights and actions



Innovation is the ability to see change as an opportunity; not a threat.

There are numerous benefits to Internal Audit (IA) functions that innovate, including improved efficiency, enhanced assurance, and stronger engagement and collaboration.

Amidst inevitable disruption, a modern IA function collaborates with the business to prioritize and value innovation as part of its broader strategy and evolve its assurance, advisory, anticipate, and accelerate capabilities.

With the increasing imperative to adopt new technologies, evolve delivery methodologies, and enhance stakeholder relationships, the role of IA has become that of strategic player, raising enterprise awareness to both serve in value creation and value protection.

5 insights you should know



Based on our recent conversations, Chief Audit Executives agree that innovation is critical for their department's short-term and long-term success, but few are satisfied with their innovation performance. In addition, the Deloitte Global Chief Audit Executive survey notes that CAE's also desire more time and empowered individuals to implement innovation initiatives.¹



Innovation in IA has typically been focused on aspirational transformation; however, innovation initiatives can be of many different sizes, shapes, and scales – not all innovation needs to be “big-bang” for value to be realized.



IA departments historically have invested in either digital capabilities, agile ways of working, or both, as primary innovation channels; however, there is significant value to be realized when innovation initiatives consider the broad breadth of the scope and services of the department, including talent transformation, engagement with stakeholders and collaboration with other risk & assurance providers.



Effective IA innovation systems require a clear vision, including alignment on desired capabilities, supported through appropriate resourcing, funding & competencies with targets to guide performance, evaluate progress, and incentivize supporting behaviors.



While it is believed that “creativity” is a core skill set required for innovation, discipline—including developing and following structured methods—is key to differentiating those who have been successful with their innovation initiatives and those who have not.

5 actions you can take



Be explicit about innovation ambition and then organize and execute accordingly. Understand the organization's strategy and appetite for innovation, while assessing resourcing requirements.



Innovation is a program, not an initiative, and there are several components that should be incorporated into your programmatic approach to drive a continuous innovation program: approach (strategy, pipeline / portfolio management, & process); organization (leadership, governance, & external connections); resources & competencies (funding, talent, & tools); and metrics & incentives (rewards, metrics, & external attraction).



Challenge your IA orthodoxies and learn from out-of-domain and out-of-industry innovators to conceive and build breakthroughs. Identify opportunities for innovation within the organization and IA function that challenge pervasive, limiting beliefs and tackle blind spots.



Consider an iterative approach as innovation typically winds up being iterative, with any “Eureka!” moments arriving after successive attempts. Organized iterations enable IA to hone new approaches, learn through experience, build trust among stakeholders, and proceed at a comfortable pace. Accepting the need for iterations enables IA to set reasonable expectations for its efforts, within the function and within the organization.



Celebrate incremental progress as, given the role and responsibilities of IA, rapid or radical transformation is rarely desirable. Incremental change goes hand in hand with an iterative approach, in setting reasonable expectations, and in establishing a feedback loop with stakeholders as initiatives proceed. Targeting incremental improvements in audit planning, execution, and reporting also enables the function to alter specific aspects of its work with the goal of understanding cause and effect and isolating ways to continually improve.

¹ Deloitte's 2024 Global Chief Audit Executive survey

Internal Audit 4.0 x Ten Types of Innovation

Thinking about your IA function through the Ten Types of Innovation framework can enable a more innovative culture that is on top of emerging trends and other hot topics



Ten Types of Innovation ¹

Profit Model (PM)

Network (N)

Structure (S)

Process (P)

Product Performance (PP)

Product System (PS)

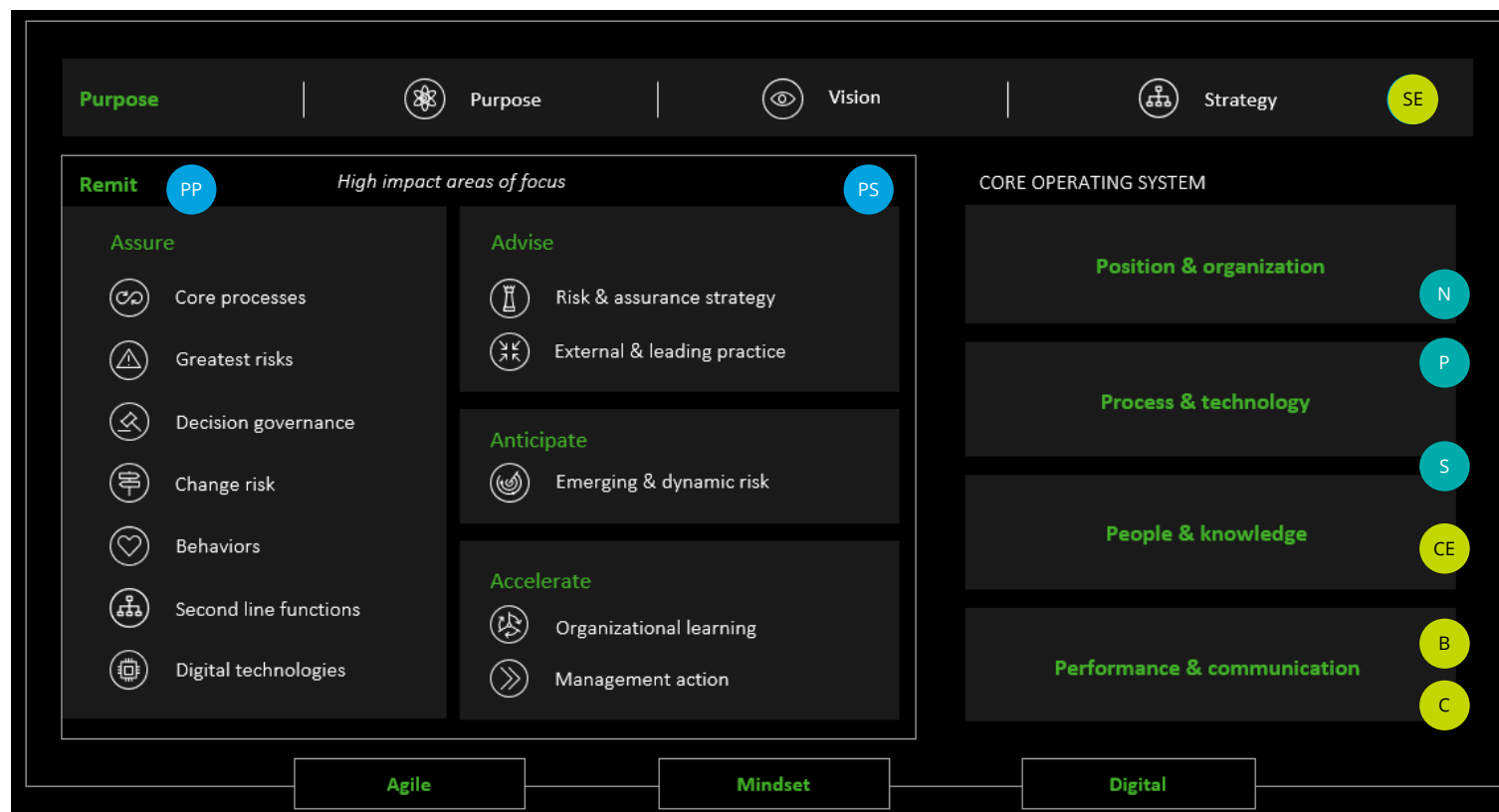
Service (SE)

Channel (C)

Brand (B)

Customer Engagement (CE)

Internal Audit 4.0 ²



For more information, or to explore insights, please visit:

[Ten Types of Innovation](#)

[Innovation – Dublin](#) ¹

[Internal Audit \(IA\) 4.0](#)

[Internal Audit Perspectives](#) ²

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