



Impact unleashed

The rise of internal audit in a digital world

Deloitte's 2024 Global Chief Audit Executive survey



01

Foreword and executive summary

PAGE 3

Foreword >

Executive summary >

02

Internal audit's impact

PAGE 6

Achieving internal audit's potential >

The 'right' performance indicators >

Defining internal audit's purpose and strategy >

03

The digital revolution

PAGE 10

Use of audit management systems >

Technology across the lifecycle >

Future technology investments >

04

Transforming talent

PAGE 14

The race for talent >

Managing skills and capabilities >

The learning curve >

05

On the edge of innovation

PAGE 18

Time to innovate >

The impact of GenAI and automation >

06

2030 predictions and possibilities

PAGE 21

Beyond the horizon: imagining the future of internal audit >

01

Foreword and executive summary

Headlines and key takeaways from the 2024 Global Chief Audit Executive survey

Deloitte's 2024 Global Chief Audit Executive survey



Peter Astley
Global Internal Audit Leader

Our 2024 Global survey of internal audit leaders reveals that whilst the influence of internal audit has continued to grow, it is at risk of hitting a 'glass ceiling'. To unleash the function's impact, Chief Audit Executives (CAEs) must become better at communicating internal audit's value, properly engage with and adopt a new era of digital tools and invest in their people and innovation strategies.

This report, which presents the results of our 2024 Global CAE survey, reveals key facets of the current state of internal audit worldwide.

82% of internal audit functions have increased their impact in the last three years, but only 14% feel they have reached their full potential. To unleash internal audit's impact, CAEs must become better at communicating internal audit's value, translating it into the function's purpose.

As internal audit faces the dawn of a new age of technological capability through the emergence of Generative Artificial Intelligence (GenAI), CAEs have a unique opportunity to go beyond digitalizing what they do today, to disrupt and re-imagine the function, its purpose, remit and operating model.

CAEs should be mindful of the saying 'do what you've always done, get what you've always got'. To achieve its potential, internal audit needs to reach beyond expectations and be more ambitious. Yet it is often those who are entrenched in the existing paradigms that find change most difficult. This is why CAEs must also inject greater levels of diversity. By attracting different experiences and mindsets into their teams, a new generation of audit professionals will help pioneer and discover new ways of making a positive impact.

The greatest rewards are often on the paths least travelled. Sometimes, the only way to move forward is to venture into the unknown, but as Abraham Lincoln once said, "the best way to predict your future is to create it."

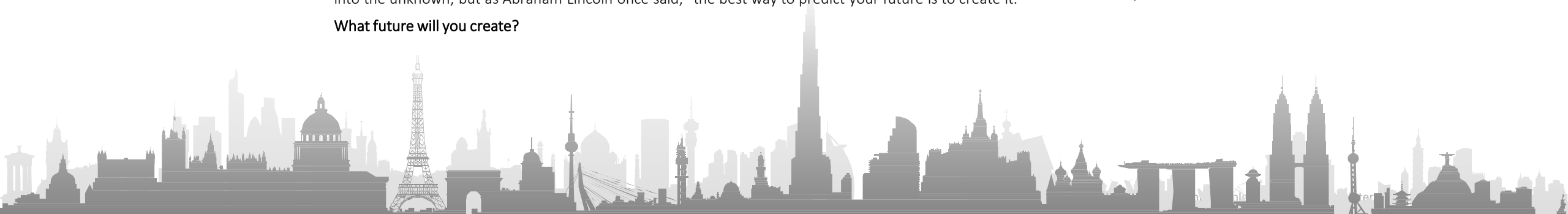
What future will you create?

Survey overview

The 2024 Global CAE survey reflects the views of over 200 CAEs spanning 35 countries and represents the voice of 6,000+ internal audit professionals worldwide.

Our survey was responded to by CAEs working in all major industries, including but not limited to Consumer, Energy, Resources and Industrials, Financial Services, Technology, Media and Telecom, Life Sciences and Healthcare, and the Government and Public sector.

The findings reflect the aggregated views from all sizes of internal audit functions and organizations.



Key findings

The following are the key findings of our 2024 Global CAE survey.

CAEs must do more to unleash Internal audit's impact

82% of internal audit functions have elevated their impact in the last three years but only 14% feel they achieve their potential. To unleash internal audit's impact, CAEs must become better at determining and identifying value. They must translate this into the function's purpose and become more ambitious and willing to explore, disrupt and re-imagine the function.

Take a leaf out of the CEO's playbook

CAEs have a critical role to play in helping shape the brand identity of internal audit as a value generator rather than a cost center. CAEs must think and communicate like CEOs; selling their value proposition and unique selling points across the organization.

Measure what matters

Periodic feedback is the primary tool used to measure internal audit's impact, but there remains significant focus on key performance indicators that measure process and output rather than outcomes. As CAEs set their strategies and performance objectives, they should think carefully about their connection to purpose and the impact stories they want to communicate when it comes to evaluating their performance.

You need a plan for the digital revolution

Only 38% of internal audit functions have a digital strategy. The absence of a clear vision and plan can hinder a function's ability to navigate the digital landscape and embrace technology effectively. 67% of CAEs also express concerns about the digital capabilities of their teams. Functions need access to technology, the skillset and a mindset to take advantage of its benefits. Internal audit is on the verge of a digital revolution that has the

potential to level the playing field, and potentially the game itself. However, unless CAEs are ready to lean in and challenge the *modus operandi*, they shouldn't be surprised to wake up to find the future has passed them by.

The race for digital talent

Internal audit is now in a race for digital talent, and its significance cannot be overstated. As organizations undergo digital transformation, internal audit functions must attract and retain employees with the right digital skills. Their contributions will not only enable internal audit to effectively navigate the digital landscape, but their experience will be essential if internal audit is to scratch deeper than the surface as GenAI penetrates the organization. 41% of CAEs see AI as a critical capability, reflecting the significance these technologies will have on the DNA of the future generation of auditors.

The learning curve – invest in your people

Internal audit needs a 360-degree view of the risks facing their organization, yet the current levels of investment in training are less than impressive and may not be sufficient for the evolving demands of the profession. Internal audit leaders need to rethink traditional approaches and find innovative ways to integrate capability development into day-to-day activities, stimulate team-based learning, and equip auditors with real-time knowledge assets.

Check your team isn't running on fumes

Internal auditing is a career path filled with lifelong learning, as well as access to top talent and exposure to the inner workings of an organization. However, it is not for the fainthearted and appears to be leaving its mark on some. Our survey found that 60% of CAEs have seen an increase in staff burnout, with nearly a

fifth of all functions seeing it as a significant issue for their teams. For some this may be the aftershocks of the pandemic playing through, but CAEs should re-check the fuel gauge and make sure their teams are not running on fumes.

Innovation must be raw and authentic

The link between innovation and impact was a key message in our 2018 CAE survey. Since then, many functions have fostered a culture of continuous improvement and psychological safety to test new ideas. However, our research shows that most teams are not truly free to push the boundaries. Too often, innovation requires permission or is constrained. 'Thinking outside the box' is a phrase often used to encourage people to bring different views into vision. The problem is no one is questioning why a box needs to exist in the first place. As CAEs gain access to technologies that open a multiverse of possibilities, we encourage them to avoid falling into the trap of group-think. Different by design – now that's innovation.

GenAI will change everything; don't get left behind

GenAI's addition to the AI toolbox will revolutionize the internal audit profession over the next decade. Sitting alongside AI and automation tools, internal auditors will be able to leverage the power of machine learning, natural language processing, predictive analytics and generative models to provide levels of new capability, value and impact which most functions are yet to comprehend. No matter where you are on your GenAI exploration, its importance as a tool to drive innovation cannot be understated, and neither should the need for CAEs to engage with it at pace.

02

Internal audit's impact:

Can Chief Audit Executives make a bigger impact?

Achieving internal audit's potential

Throughout our previous surveys, we ask CAEs what level of impact they feel they have in their organizations. It is clear that internal audit's impact is on the rise (figure. 1). But are teams achieving their full potential?

Internal audit functions with 'little to no' impact are at an all-time low, down from 5% in 2018 to 1%. The most significant change is the volume of functions with 'some' impact; down from 54% to 28%, with most CAEs now feeling they have a 'strong' level of impact; up from 40% to 57%. This is a clear sign of evolution and evidence that internal audit is becoming more impactful.

Only 14% of functions feel they have 'very strong' impact

However, despite 82% saying they have become more impactful over the past three years, only 14% of functions feel they have a 'very strong' impact on their organization.

This begs the question - why are more internal audit functions not able to achieve such high impact?

As we dig deeper into the data surrounding functions who achieve 'very strong' levels of impact, there are some noticeable differences.

Markers of 'very strong' impact functions

- **Impact by design** - 93% of very strong impact functions have a documented strategy. This number drops to 55% in functions with only

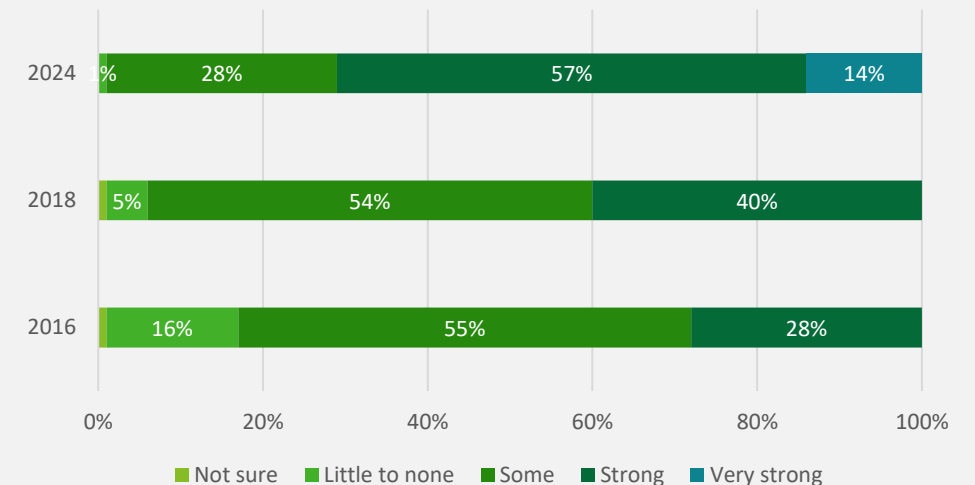
'some' impact. Having clarity on the function's desired outcomes and an intentional plan to achieve these is key.

- **A clear plan for technology** - 64% of very strong impact functions also have a documented digital strategy. This compares to an average of 38% across our survey population and lower percentages in less impactful functions.
- **A culture of improvement** - Most functions (66%) make use of a periodic review of their strategy to drive improvement. 46% of very strong impact functions also have a dedicated innovation programme (vs a 23% population average). In addition, 54% of very strong impact functions empower staff to experiment without any restrictions or permission.

What connects these markers together is a clarity of purpose and vision, and a willingness to experiment with different ways of working to move towards an intentional outcome. The reality is that today most internal audit functions still look and feel the same as they have in past years.

Yes, internal audit's impact has generally improved, but so have expectations on industry practice. With 86% of functions still not as impactful as they could be (achieving very strong impact), CAEs should be mindful of the saying 'do what you've always done, get what you've always got'. To achieve its potential, internal audit needs to reach beyond expectations and be more ambitious.

Figure 1. Internal audit's impact



82%

...of functions have improved their impact in the last three years...

...but only...

86%

...of functions said they are not achieving their potential; very strong impact

The 'right' performance indicators

Periodic stakeholder feedback (92%) remains the most utilized tool to measure internal audit's value and impact (figure. 2). Perhaps surprisingly, operational management information (MI), commonly an inward-looking focus of operation efficiency and effectiveness is rated second, above internal and external quality assessments and the results of post audit surveys.

The Institute of Internal Auditors (IIA) revised Global Standards (Standard 12.2 Performance Measurement) requires greater focus from CAEs on their function's performance objectives and setting measurement criteria to assess progress towards these.

Current practice (figure 3.) shows that most functions measure performance using timely completion of the audit plan (79%); the volume of agreed actions closed by management within agreed due dates (69%); the results of quality assurance activities (63%); the percentage of risks covered by the audit plan each year (53%), and the speed of internal audit's communication (52%)."

Whilst these may be performance indicators of how well an internal audit function performs different activities, the nature of these indicators largely focuses on processes rather than the function's value and impact. Conversely, less than half of all functions measure the improvement in their organization's risk culture resulting from their work for example. Fewer than one third measure the reduction in common root causes associated with internal audit's observations, and less than a

quarter of all functions surveyed consider recurring findings; perhaps the most telling metric on the lasting impact of internal audit on a business.

In our experience, those functions with a high degree of alignment between their purpose, strategic objectives, continuous improvement efforts and operational KPIs are most effective in driving high-performance and high-impact. This clarity starts with a strategy, a key artefact which 29% of functions have yet to create.

As CAEs devise or update their strategies, consideration should be given to utilizing a combination of Objectives & Key Results (OKR) and Key Performance Indicators (KPI).

OKRs can provide an effective framework to connect a function's purpose and strategic objectives with continuous improvement activities by ensuring functions focus on the desired outcomes and activities which help move a function towards their goals. In turn, this can help functions better define what 'key' performance indicators are and what it should report to Boards, Senior Leadership Teams and Audit Committees (as opposed to day-to-day operational metrics that help the CAE manage the function which may not be important to others).

As functions consider more innovative working practices in the pursuit of greater value and impact, OKRs can also provide a more flexible approach to measuring what matters most and keeping purpose and intention in clear focus as functions evolve.

Figure 2. Mechanisms used to measure value and impact

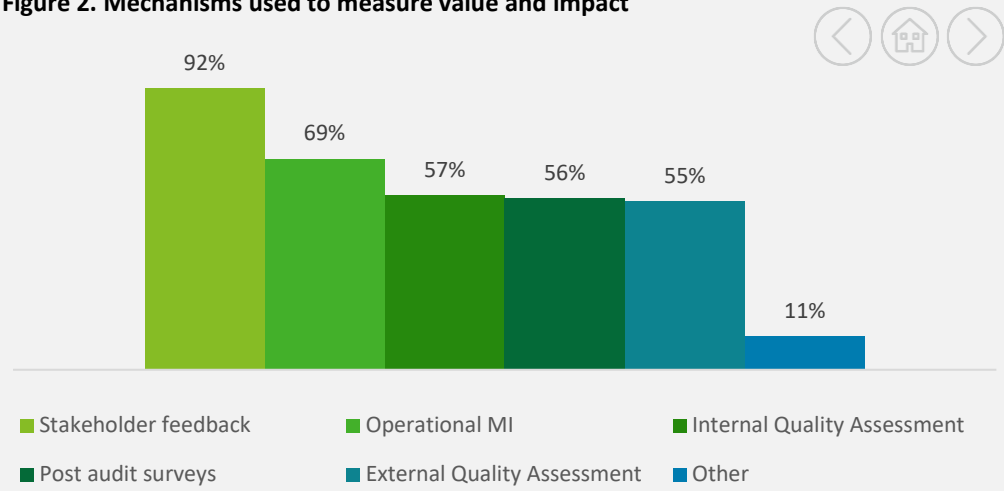
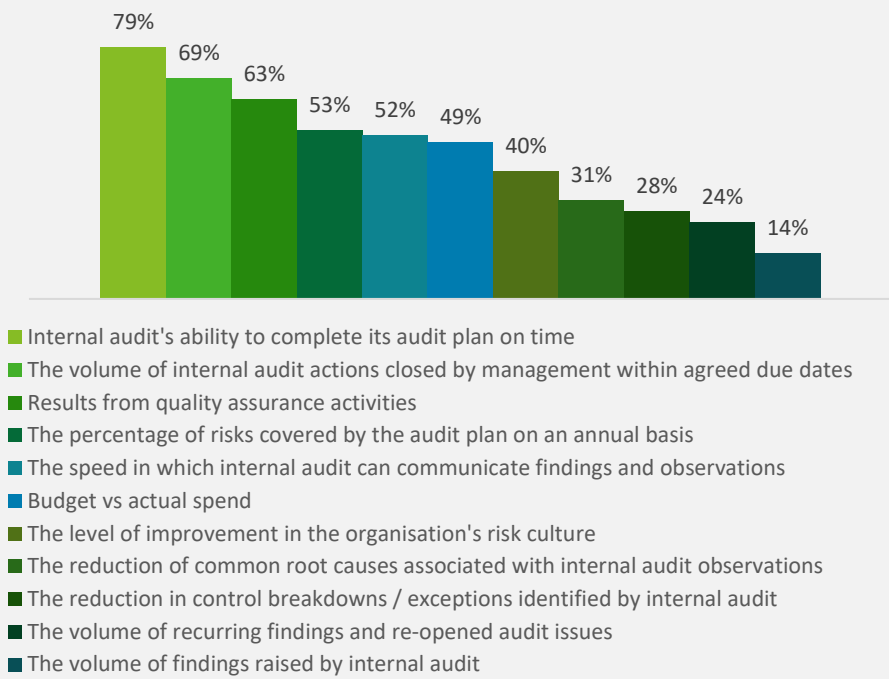


Figure 3. Common performance measurement metrics



Defining Internal audit's purpose and strategy

Internal audit's impact reflects its purpose and strategy. We asked CAEs to rank a series of statements which, in their view, best describe internal audit's purpose (figure. 4) to better understand how they see and communicate the role of internal audit.

Providing 'independent and objective assurance to the Audit Committee' was ranked first by most functions and reflected the highest concentration of responses across all rankings.

Providing assurance to the Audit Committee is clearly at the heart of internal audit's activity, however when we asked CAEs to describe their function's purpose in their own words (figure. 5), CAEs used terms to describe internal audit's value and impact.

CAEs describe internal audit's primary purpose as 'helping' their organization. They articulated this in different ways but with a high degree of alignment, particularly in functions with stronger levels of impact, on the words outlined in figure 5.

These words provide a glimpse into the mindset of leading functions and provide a sense of 'how' they fulfil their purpose and create impact.

They paint a picture for how internal audit operates, the way that CAEs would like stakeholders to describe internal audit's contribution and an ambition against which

internal audit functions can then define performance objectives and measure progress.

As internal audit functions revisit or develop their strategies, mandates and charters to meet the expectations of the new IIA Global Standards, CAEs would do well to keep these words in mind.

Internal audit functions will invariably create some level of impact for their organizations by their very existence by fulfilling the basic expectation of a function – to provide 'independent and objective assurance'. But for those CAEs who take the time to think about their purpose and design strategic objectives that reflect their desired outcomes, greater value lies within.

Internal audit strategy documents should describe the function's role and remit over a defined timeframe, the value it seeks to provide, the objectives and key results it will target in the pursuit of this, how it will evolve its ways of working to achieve these, and the performance measurement criteria and indicators it will use to assess progress.

This requires careful planning and consideration of how each aspect of the function's work contributes to the overall impact they are trying to achieve. **By being purpose driven, functions can achieve greater impact.**

Figure 4. Internal audit's purpose



Figure 5. How CAEs describe internal audit's value



03

The digital revolution:

How are internal audit functions using and planning to embrace technologies to create greater impact?

Use of audit management systems

Internal audit functions have been steadily increasing the use of enabling tools and technology over recent years to drive efficiency, quality and better insight for the organizations they serve.

60% of CAEs surveyed said their function uses an Audit Management System (AMS). Analyzing the data further, there appears to be a correlation between the level of impact achieved and the use of an AMS. 49% of functions with only ‘some’ impact use an AMS compared to 71% with ‘very strong’ impact.

AMS solutions can provide a strong digital backbone for functions across the audit lifecycle to help embed quality and efficiencies.

60% of internal audit functions use an AMS

Of the 40% that don’t, 59% said they were looking to implement one in the next 1-3 years. We see this as a positive trend.

The AMS landscape continues to evolve. There appears to be a market shift towards new and innovative players. Specifically, we see that CAEs are prioritizing platform selection for solutions that:

- provide custom configurations and easy

maintenance to tailor and adapt to the function’s evolving ways of working;

- provide higher levels of native integration with other technology such as analytics, visualization tools, and wider organizational systems;
- cover the end-to-end audit lifecycle and allow functions to design custom workflows;
- embed the use of other technologies within the AMS workflow e.g. initiating analytics within the platform;
- allow manual and time intensive steps to be reduced through custom and user designed automations;
- promote information management and ensure data quality to help drive insights; and
- continually evolve and release new functionalities and emerging capabilities, such as GenAI.

Looking across the whole of the survey population, 60% of functions do not make significant or full use of their AMS tool’s functionality (figure 6.). 14% of functions with an AMS said they perform most of their work outside of the platform, and 9% use the AMS purely as a document management system or

repository. Before functions pursue more advanced tools and technology, CAEs should be asking themselves why they are not making more use of the platforms which they already have access to and are investing in.

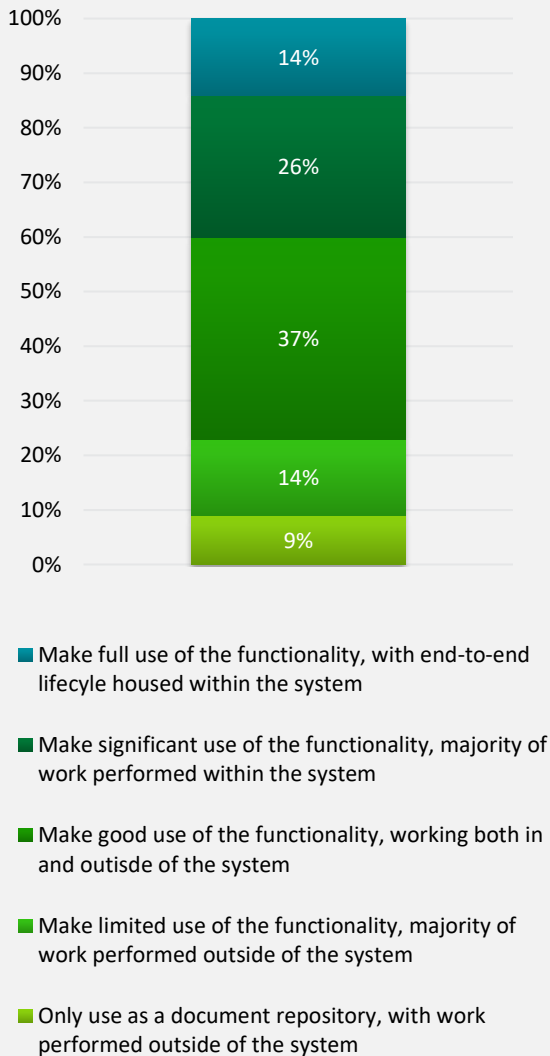
Most internal audit functions do not fully utilize AMS functionality

37% of internal audit functions work with AMS platforms in using a hybrid approach; working within and outside of the application.

Anecdotal evidence suggests this behavior is more prevalent where AMS solutions have failed to keep pace with the way teams use cloud-based solutions, such as Microsoft Office 365 applications that enable real-time collaboration, and where user interface and experience is seen as lacking. However, it also reflects a growing trend of open AMS platforms that can be more readily integrated with a wider ecosystem of technologies beyond the mainstream functionality of the platform.



Figure 6. AMS usage



Technology across the lifecycle

Outside of AMS platforms, the most used technology continues to be analytics, leveraged by 83% of functions we surveyed. 89% of very strong impact functions use analytics on a regular basis, with 43% of this cohort reporting that they use analytics in over 50% of their audits.

Access to data and data quality continue to be a challenge for internal audit functions but the results show that the age of analytics has truly arrived.

CAEs report the use of analytics across the internal audit lifecycle, demonstrating the value of analytics in not only the provision of assurance and insight, but also in helping internal audit manage functional activities such as audit/risk universe development, risk assessment and Audit Committee reporting.

A key enabler to this has been the establishment of dedicated digital and analytics teams within internal audit functions. For example, 36% of functions who use analytics in 10-20% of audits had a dedicated digital and analytics team. The presence of a dedicated team rises to 57% for functions who use analytics in up to 50% of audits. The correlation between increased investment and the use of analytics may not come as a surprise, but it does show that the use of analytics can help drive results.

Beyond analytics, the prevalence of different technologies continues to evolve (figure. 7). The use of wider enterprise applications such as Microsoft Teams, Power BI and enterprise data

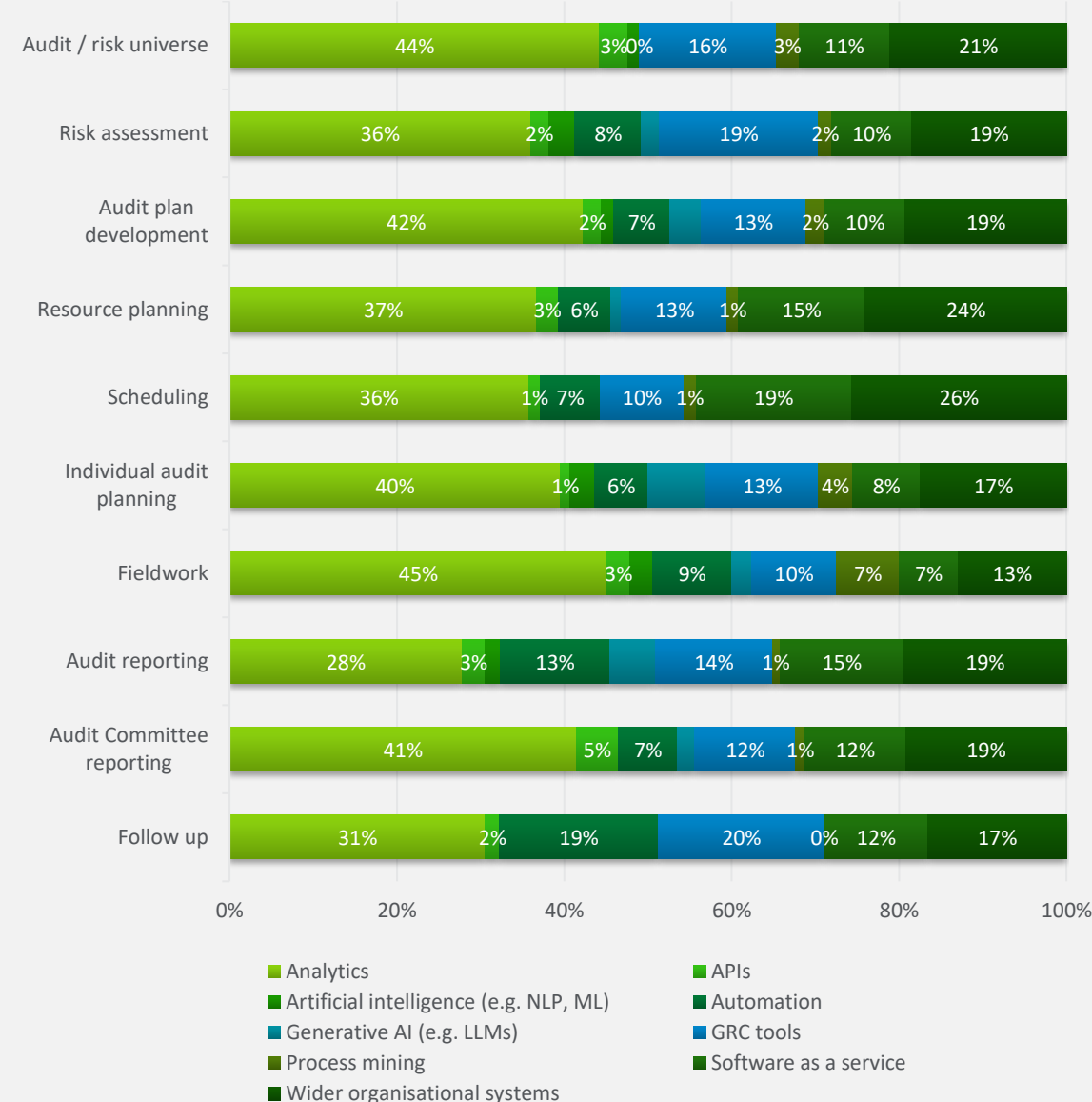
platforms (45%) reflects the new age of tools available to organizations following the rapid innovations to hybrid working. Resource planning (24%) and scheduling (26%) are the most supported lifecycle activities. Anecdotally, CAEs advise us that resource and scheduling are activities which are less developed in many AMS platforms.

We see a trend in CAEs using Governance Risk and Compliance platforms (used by 36% of functions) reflecting the shift to greater transparency and improved reporting across the three lines model, often driven by corporate governance reforms and regulatory expectations. These tools are most utilized to support risk assessment (19%) and the follow up of agreed management actions (20%).

Automation technologies (used by 31% of functions surveyed) have also become more available and accessible through no code/low code providers and are areas which 44% of functions with a very strong impact are actively using. Most functions have deployed automation to help reduce the resources needed to manage follow up activities (19%).

And whilst still relatively low in usage, process mining (15%) and AI (10%) appear to be on the increase as technologies become more accessible and commoditized. Internal audit functions with a very strong impact recognise the potential benefits of these tools are actively perusing their use, with 19% of this cohort using AI and 11% developing GenAI use cases.

Figure 7. Use of technology (exc. AMS) across the internal audit lifecycle



Future technology investments

In addition to internal audit functions planning to adopt an AMS for the first time, or make targeted improvements to expand their use of AMS functionality, CAEs reported continued investment across a wide range of technologies (figure 8).

Over half of all CAEs plan to invest in automation

Analytics remains the top focus (62%), however, over half of all CAEs plan to invest in automation, closely followed by a third of functions planning to invest in AI (34%) and GenAI (38%). With the potential efficiency savings at play, we expect CAE investment in GenAI to continue to rise at pace.

29% of CAEs are still to gain a solid understanding of GenAI’s potential, whilst 56% of CAEs said their internal audit functions have commenced research into potential applications.

CAEs see greatest opportunity of GenAI in helping to drive efficiencies, improve quality and provide greater insights in audit reporting (55%); fieldwork (50%); risk assessment (44%); audit planning (40%); audit plan development (34%); audit/risk universe (29%); Audit Committee reporting (25%) and Knowledge Management (20%). For the 11% of internal audit functions

that are developing proofs of concept, and the 3% who are actively using GenAI, it has opened their eyes to the potential benefits available.

As demand picks up for technology, particularly GenAI, we expect a race for talent. CAEs tell us the main barrier to adoption is a lack of skills and capabilities (70%), whilst insufficient budgets (54%); access to tools and technology (45%) and data privacy and security concerns (35%) are lesser challenges.

91% of CAEs are investing in digital training and development

To help overcome the digital skills gap, 91% of functions are planning to focus on training and development, 59% plan to leverage their co-source providers or other third parties, 59% will also be looking to work with their own IT organizations and 27% of functions will be actively recruiting more skills in these areas.

With vast possibilities through the combination of technologies such as GenAI, automation, analytics and AMS platforms, and a multitude of potential focus areas, it can be challenging to know where to start and which ‘horses to back’. CAEs need a clear vision and plan.

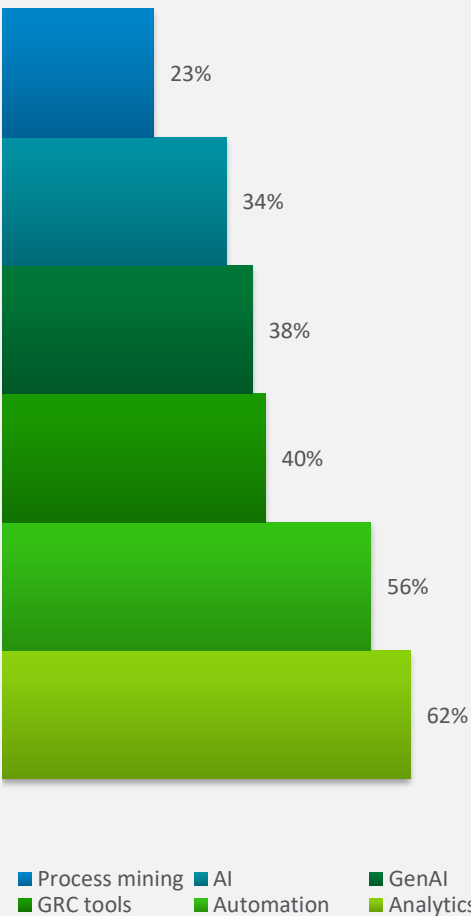
Only 38% of internal audit functions have a digital strategy

It may come as a surprise that only 38% of internal audit functions have a documented digital strategy. We are firm believers in the saying ‘**digital is not the goal, it’s what it can help you achieve**’. We therefore encourage CAEs to define their desired outcomes to help them narrow the field and identify the right tools needed to reach their ambitions.

Understanding and keeping pace with new technologies remains a critical activity to help teams and innovators to explore new possibilities, because alongside the digital revolution there is the need to transform the function’s talent to enable digitalization.

As we see the rise of internal audit in a digital world, there will be a new race for talent. CAEs will need to refocus their efforts on skills and capabilities management, and review their approach to learning and development to maintain relevant skillsets (and mindsets) to unleash internal audit’s impact.

Figure 8. CAE technology investment focus areas in the next 1-3 years



04

Transforming talent:

How are internal audit functions preparing the skills and capabilities needed to support a digital world?

The race for talent

As internal audit functions gear up for the digital revolution, it comes as no surprise that 67% of CAEs are most concerned about the breadth and depth of technology capabilities within their teams (figure. 10).

In line with planned technology investments, CAEs continue to focus on upskilling data analytics to encourage greater levels of proficiency and comfort around a digitally powered audit approach.

41% of CAEs also see machine learning and AI in their top five critically important technical skills. Whilst not all team members will need to master the data science, coding and architecture capabilities required to deploy these tools, it reflects the significance of these technologies, and the impact they will have on the DNA of future generation of internal auditors.

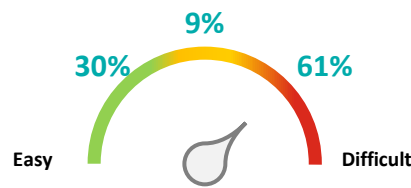
CAEs also note the need to improve risk assessment (44%), risk-based planning (44%) and root cause analysis (51%). In our experience this reflects not only the increasing demands on internal audit to assure an expanding risk landscape, but also the need for teams to improve their ability to understand what really matters. Moving beyond reporting symptoms internal audit should help management understand why issues occur, and what must go right to create sustainable and lasting change.

Enabling this, human skills such as critical thinking,

communication, and relationship management are in strong demand, along with creativity, innovation and agility to help internal audit functions usher in new and re-imagined ways of working.

However, finding the right skills can be hard. 61% of CAEs feel it has become more difficult to attract and retain top talent.

Fig 9. Internal audit’s ability to attract and retain top talent.



52% of functions surveyed also cited less than 10% turnover (with 31% have less than 5%). This is potentially a worrying set of conditions facing CAEs who need to inject new skills and talent into their teams to deliver the greatest impact; leaders will need to keep an eye on stagnating talent.

CAEs should also increase their efforts on marketing the function, both internally and externally, to help attract the new and diverse talent needed. To do this, CAEs need a clear articulation of internal audit’s purpose and value proposition beyond advertising the function as a temporary training ground for more compelling roles in their organizations.



Figure 10. The most important *technical* skills in teams in the next three years

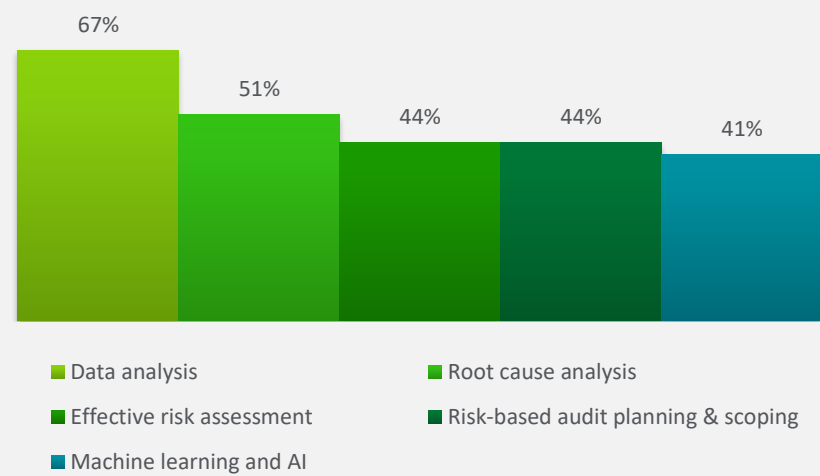
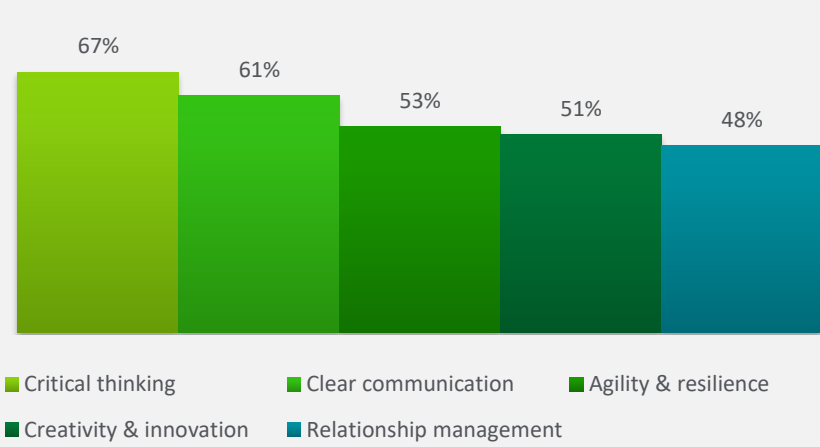


Figure 11. The most important *human* skills in teams in the next three years



Managing skills and capabilities

Internal audit's skills and capabilities

The presence of dedicated teams to support functional activities has become a feature of not only large functions, but as an attribute associated with more impactful functions. Not all CAEs will have the ability or need for specialized teams within the internal audit function, but the specialized skills which are most prominent (figure. 12) include digital and analytics teams (43%) and methodology (38%) teams, which are often coupled with quality assurance. Some CAEs have also established learning and development, continuous improvement and strategy and change teams to help internal audit staff develop their talent and evolve the function.

Continuous learning and development

Irrespective of whether a function has a dedicated learning and development team, it's clear that maintaining the skills needed to deal with the changing risk landscape needs to be more agile in nature, through feedback loops across the internal audit lifecycle. This starts with defining the function's competency framework (the desired skills, proficiency levels, personas and pathways) and mechanisms to dynamically assess skills. Teams need to better match skills with demand and enable capability development in day-to-day delivery. In high performing teams, we often see a mindset of 'learn, do, teach' where

individuals are actively learning a new skill, strengthening an existing skill through delivery, and teaching a skill to help others. For those who can connect this approach to team design and scheduling, CAEs can expect to see more resilient skills and capabilities grow more quickly.

As for specific skillsets, technology risk and analytics have become a mainstream expectation of an internal audit function's skills profile. Whilst fraud, programme and project assurance, and cyber continue to increase in demand as desired competencies (figure. 13).

The most common domains where CAEs feel the need to strengthen capabilities are listed below.

Figure 14. The risk domains where CAEs need to strengthen their function's capabilities

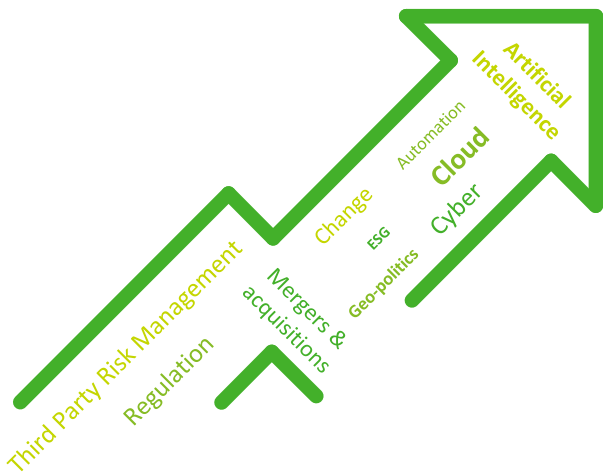


Figure 12. Percentage of functions with dedicated functional teams

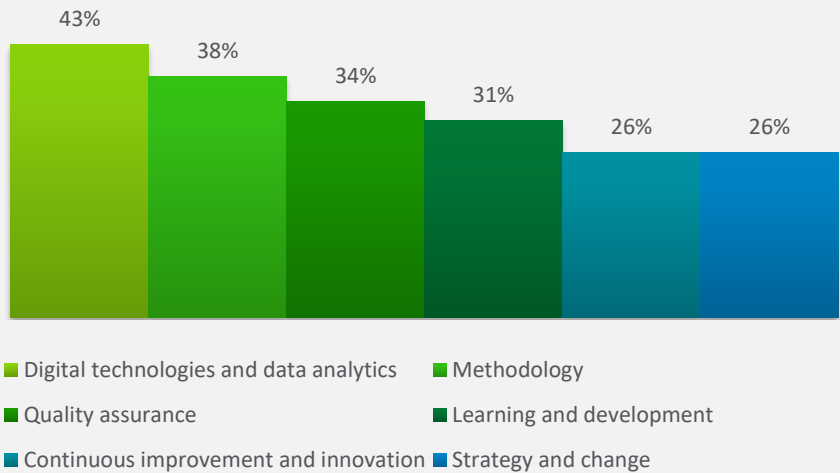
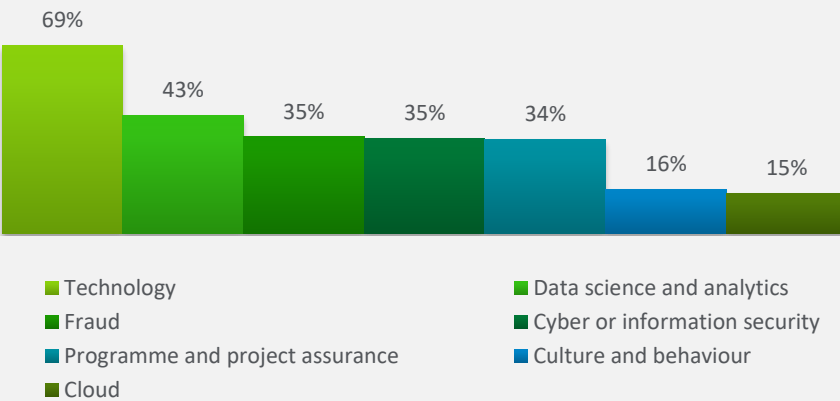


Figure 13. Average proportion of auditors with specialisms by type (%)



The learning curve

Presently, 31% of CAEs provide their teams with less than 30 hours of training per year (figure. 15). Against the breadth of professional, technical and human skills required for the future, this may not be enough to achieve the learning curve required by functions to keep pace with their organization’s changing needs.

An analysis of where functions spend their time highlights the challenge faced by CAEs to find adequate space for learning and development, with people management activities accounting for only 5% of internal audit’s resource allocation (figure. 16). Similarly, training is one of the smallest areas of budget allocations with an average of just 4% of CAE budgets (figure .17).

35% of CAEs plan to increase their spending on training in the next two years with 81% of this cohort hoping to join the 14% of very strong impact functions (who typically invest 50-75 hours of training per auditor).

But learning cannot be a side of desk activity. During the survey, we asked CAEs for their view on the health and wellbeing of auditors. Worryingly, 60% of CAEs noted that staff burnout has increased, with nearly a fifth of all functions seeing it as a significant issue for their teams.

CAEs must find creative ways to combine capability development with delivery of activities. For example, through practical learning, learning through team and scheduling design, and equipping auditors with better knowledge assets to allow real-time learning and deployment of skills.

Figure 15. Average training hours per auditor

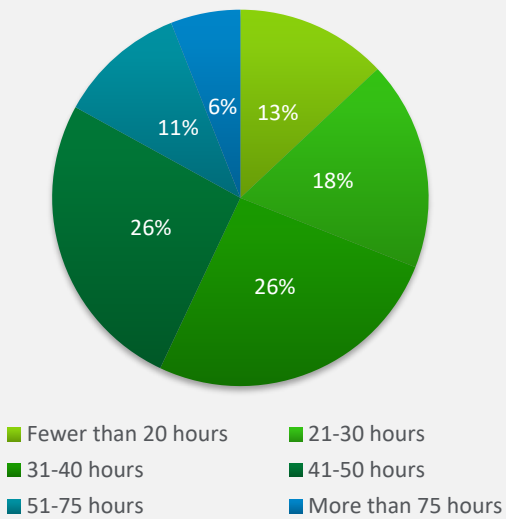


Figure 16. Where teams are spending their time



Figure 17. How CAEs are allocating their budgets

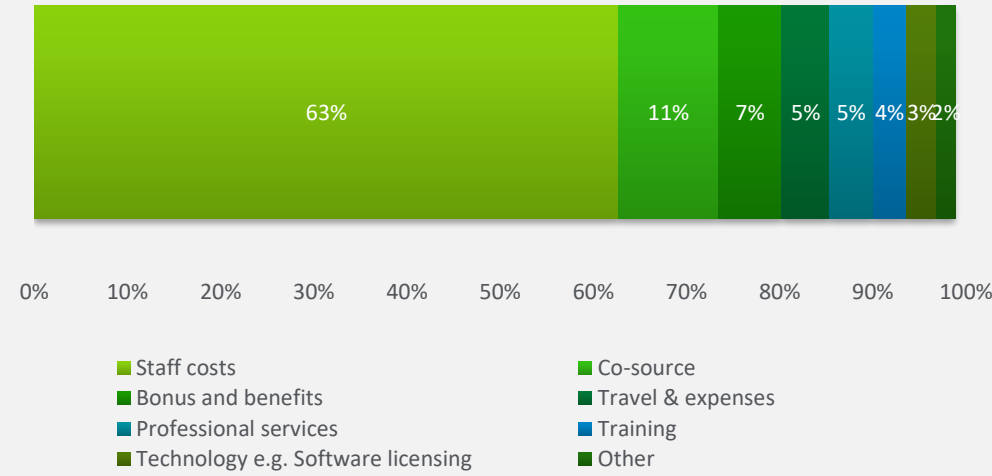
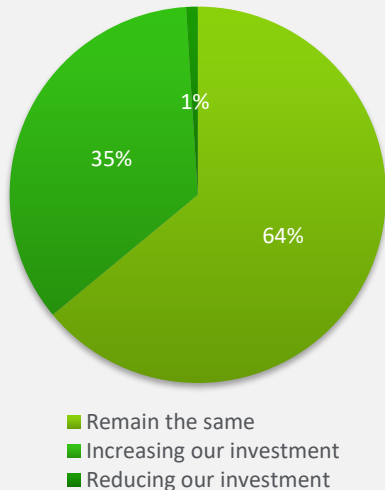


Figure 18. CAE spending on training in the next two years



05

On the edge of innovation:

The pressing need for Chief Audit Executives to re-engage with innovation



Time to innovate

47% of CAEs expect their budgets to increase in the next 1-2 years

After a period of growing expectations to deliver more value with often the same or fewer resources, 47% of CAEs are expecting their budgets to increase in the next 1-2 years (figure. 19). These functions will be able to take advantage of investments in digital and future skills and the value they can unlock.

For the 53% who are not so fortunate, they will need to create their own efficiencies to avoid being left behind. In a year when the IIA has also raised expectations to more formally codify and evidence many areas of existing practice, finding savings to fund future investment will require ingenuity.

CAEs should start by using the tools available to them. For example, 84% are not making full use of their AMS functionality.

83% of functions don't have an offshore or nearshore capability to support the delivery of their plan or to carry out elements of functional activity; an untapped potential for significant cost savings perhaps?

For a low-tech solution, CAEs could employ both a business process management and lean mindset to internal audit's own ways of working to help optimize and challenge current practices.

CAEs cited audit reporting (29%) as the top area attracting innovation efforts (figure .21), closely followed by risk assessment (27%) and fieldwork

(27%). Functional improvement requires top-down support, prioritization and focus. Today's internal audit functions spend less than 3% of their resource's time engaged in continuous improvement, which suggests innovation has been a blind spot for many.

Functions only spend 3% of their time on improvement activities

In addition to functional level continuous improvement and innovation efforts, CAEs must encourage a culture of micro-innovation where individuals are empowered to experiment. Unless naturally creative, CAEs should harness internal auditors' curiosity to help explore innovations from both within and outside of their organization. Seeing the art of the possible will help ignite imagination.

55% of auditors are not truly empowered to innovate

To turn ideas into reality, CAEs must allow teams to experiment without fear of failure. Conversely, our survey found that 55% of auditors are not truly empowered to innovate, needing to ask permission, or being confined to innovation in non-core areas that don't challenge the status quo. Whilst innovation must support and promote audit quality, it must also be able to challenge everything.

Figure 19. CAE outlook on internal audit budgets in the next 1-2 years

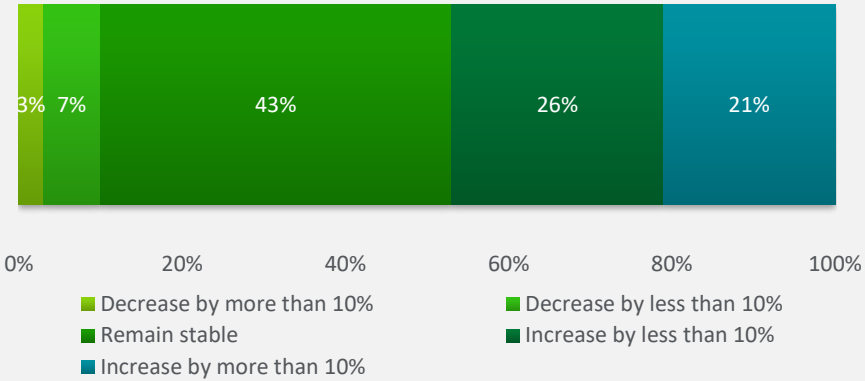


Figure 20. Are individuals empowered to experiment with new working practices?

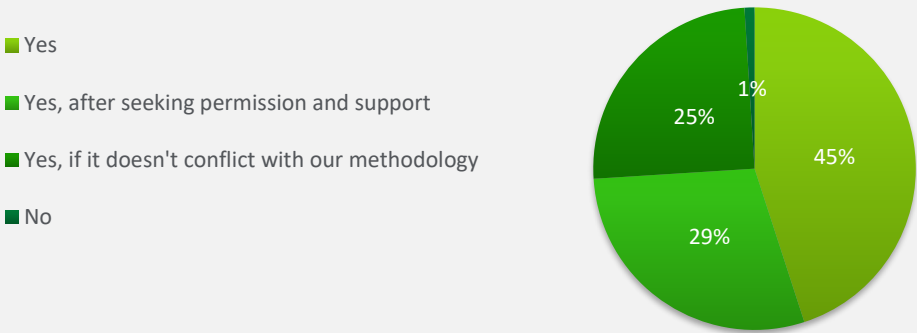
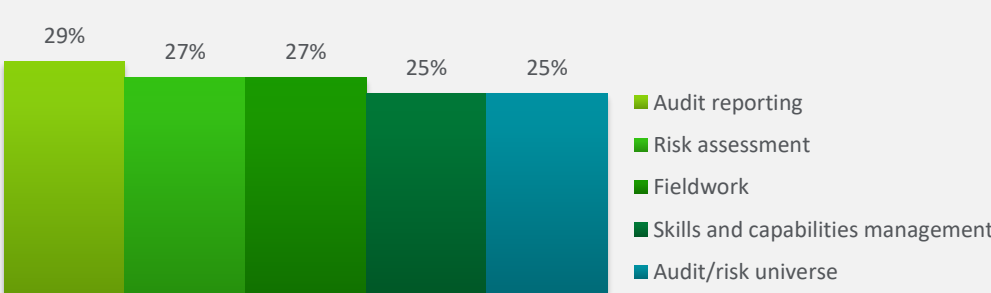


Figure 21. Top areas attracting innovation efforts



The impact of GenAI

Over the past 12 months we have seen increased awareness of GenAI across internal audit functions. By now most functions have used open-source models to test their capabilities in areas such as researching risk, or helping to draft or refine written content such as audit scopes or recommendations.

However, most internal audit functions are still navigating access issues and the use of sensitive information within GenAI tools, working with the wider IT and information security teams to determine their risk appetite on private model's vs shared endpoint access.

A very small number of internal audit functions who have overcome this have started to develop more valuable proof of concepts and pilots.

For now, CAEs should be looking for quick wins, exploring how they can accelerate current activities. To get the best from these tools team members need to help them too. This can be done without needing to start from scratch each time.

For example, prompting libraries can be a helpful entry point as functions explore the potential of GenAI tools.

Sooner or later, internal audit functions

will need to embed end-user prompts into workflows and remove the dependency on individuals in order to use GenAI in a consistent and responsible way.

We are seeing early signs of, and predict rapid growth in, the emergence of internal audit specific GenAI tools. These tools provide a customised user interface and controlled workflows, helping to perform specific tasks such as risk and control generation, report preparation, and intelligent recommendations.

At the time of publication, we have seen one AMS provider start to build in similar GenAI functionality into their platform, and over the coming years we predict the use of GenAI inside of AMS platforms will become common place.

We expect a surge in customized GenAI internal audit tools

In addition to this, we expect a surge in customized GenAI tools leveraging internal audit's wider digital ecosystem to create a new digital toolkit where more creative freedom is needed or wanted to innovate beyond industry

practice.

Innovations in model design will make it easier to use internal audit's data

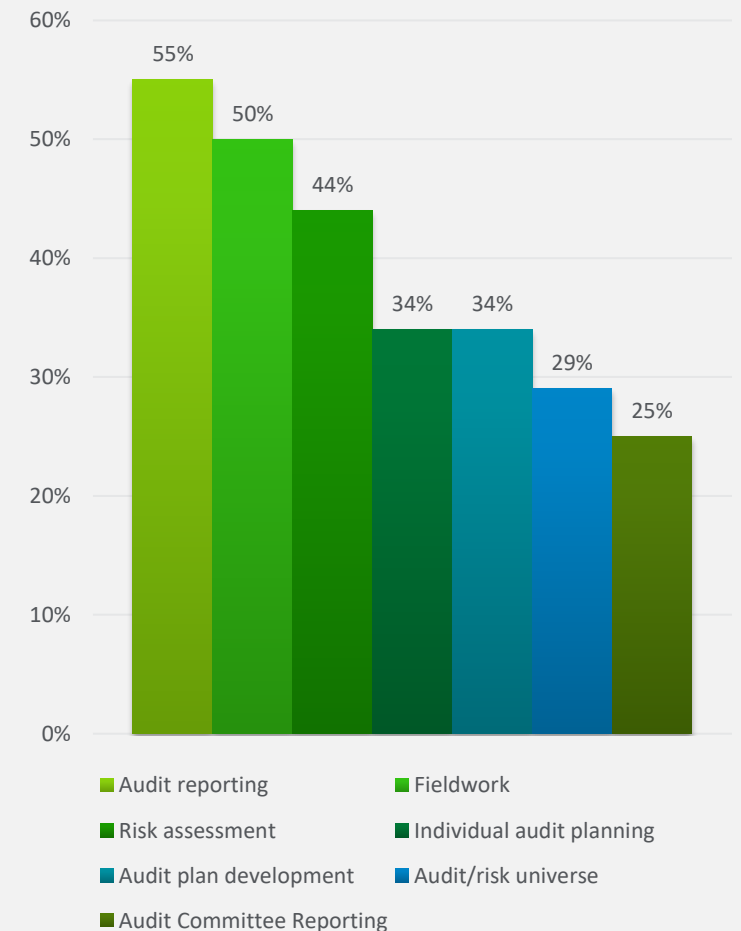
There are different routes to achieve this. Training and fine-tuning models is not for the fainthearted (or those on a budget). Luckily, innovations from model design, such as retrieval augmented generation, are already making it easier to leverage internal audit's evolving knowledge base, in conjunction with GenAI tools to build customized use cases.

When paired with automation, analytics and visualization, internal audit's digitally powered engine receives a boost that will open new and exciting capabilities.

No matter where you are on your GenAI exploration, its impact and importance as a tool to help internal audit functions become more productive, impactful and to bring about disruptive innovation, cannot be understated.

We recommend that internal audit functions embrace GenAI tools now to stay ahead of the curve.

Figure 22. Top GenAI application areas across internal audit's lifecycle



06

2030: predictions and possibilities

Exploration into the multiverse of potential internal audit futures

Beyond the horizon: imagining the future of internal audit

As we look towards the future, the horizon is steeped in possibilities and exciting new opportunities. With rapid advancements in technology and an ever-evolving business landscape, the function in 2030 may look markedly different from today. We don't have a crystal ball but, in this section, we explore some of our predictions and potential paths from the multiverse of potential futures.



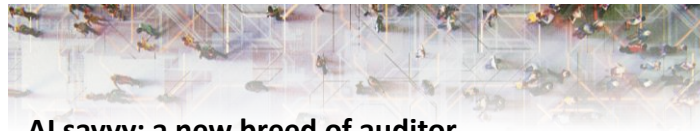
Internal audit's digital twin

The use of digital twins (where synthetic data is generated from real world organizational data) could provide internal audit with a powerful tool to help demonstrate the value of effective governance, risk and control management.

By simulating changes within the risk and control landscape, internal audit could help management model the impact of introducing, changing or removing controls in the real world.

This approach could enable internal audit functions to help management better understand and predict the impact of risk and control decisions, design more effective assurance strategies, and test for unintended consequences of recommendations before they are made and deployed. It could also help elevate reporting from individual audit outcomes to a 'systems thinking' mindset and a holistic view of risk and assurance, reducing the cost of control, risk exposure and improving the overall organization's resilience.

For more progressive CAEs, there may also be value in simulating changes in internal audit's ways of working, to test the impact on efficiency and effectiveness of the function as it continues to innovate.



AI savvy: a new breed of auditor

GenAI has increased awareness of the value locked within lesser explored organizational data and how this can be used to help train more valuable models to create competitive advantage. When considering GenAI models, the adage 'garbage in, garbage out' is not just relevant, but more akin to 'garbage in, garbage squared'. The impact of poor quality data on models that will influence strategic and operational decisions could have significant repercussions both within and outside of organizations.

To ensure that AI models are trustworthy, it is essential that internal audit functions can assess how these models function and operate. The traditional approach to auditing, which focuses primarily on control design and operating effectiveness, may need to evolve towards challenging the architecture and design in more substantive ways. This evolution could necessitate the emergence of specialized internal audit skills, including machine learning, systems architecture, coding languages, and model design. Without these, CAEs may be limited to AI governance reviews, or scratching the surface of new risks materializing throughout the organization.

CAE's may also need to help educate Audit Committees and management to better understand the risks associated with these more complex technologies.



Developers turned innovators

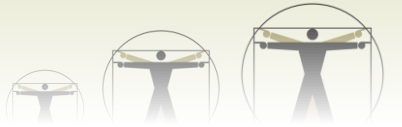
Whilst we expect all AMS providers to ultimately develop and continue embedding new age technologies into their platforms (such as GenAI, automation and integrated analytics), these will be designed around a mainstream market and conventional internal audit modus operandi.

A significant number of functions will benefit from these developments. However, access to more advanced tools should also inspire and create new possibilities; to not only digitize current practice, but to re-imagine it from the ground up. To turn vision into reality, technology talent will become more important than ever for internal audit.

We predict a future where internal audit functions recruit or procure access to software developers, user experience experts and talent from creative backgrounds to help bring fresh ideas and to challenge the status quo that exists across much of the industry. In turn, these internal audit functions will avoid the pitfalls and constraints of group-think to unlock the potential for creativity and innovation. We also envisage these groups to create intuitive tooling that enables a new generation of citizen developers across the wider function to drive value and impact.

Beyond the horizon: imagining the future of internal audit

Organic intelligence



The increase in GenAI and autonomous technologies highlights the importance of internal auditors challenging the organization's moral compass and ethical behaviors; its culture. Internal auditors will need to actively seek out the human element in governance, risk and assurance to ensure that leaders and decision-makers consider the ethical and social implications of their actions, and that the organization is acting in accordance with its purpose, values and principles.

This is where the concept of "organic intelligence" comes into play as an approach in internal audit's toolkit. CAEs and their teams will need to become hyper aware of human behaviors to identify and assess the subtle dynamics and influences within their organizations. Internal audit will not only be responsible for highlighting risk and areas for improvement, but will need to provide constructive feedback in a way that maintains and promotes a positive and effective culture. While concepts such as psychological safety have emerged in internal audit's vocabulary, we predict CAEs will engage with these aspects in more tangible ways, by incorporating them into methodologies, auditor skills and capabilities, as well as the function's insights and reporting.

By combining their technical expertise with a focus on the human element, we see internal audit's mandate expanding to help organizations shape a more responsible, ethical and sustainable future.

Will the real CAE please stand up...



The IIA has advocated for elevating the position of the CAE over recent years. However, many organizations still struggle to recognize the value of internal audit. While the largest publicly traded companies often select the CAE from the organization's top talent pool, there remains a notable gap in the positioning of the CAE.

Although the title would suggest they are a member of the C-Suite, the reality is often different. Many CAEs do not attend board or executive management meetings, are distanced from strategic and commercial discussions, and are viewed as a cost center rather than a critical part of the organization's value chain or executive team. This is reflected in internal audit's budgets, investment, administrative reporting lines into other C-Suite members and role title. In fact, only 22% of CAEs we surveyed had that title. Most are referred to as Chief Auditor (39%) or Head of Audit (37%). Further, only 18% of CAEs consider themselves as C-Suite equivalent with 55% at least two levels below in stature.

To become a true peer of the executive, internal audit must do more to prove its worth, value and elevate its brand. For those who achieve this, we expect to see another step change in the gravitas of the CAE, with a permanent seat at the table and equality amongst the C-Suite. To start, the mindset needs to change; stop measuring cost per auditor and start measuring impact.



The future is calling...

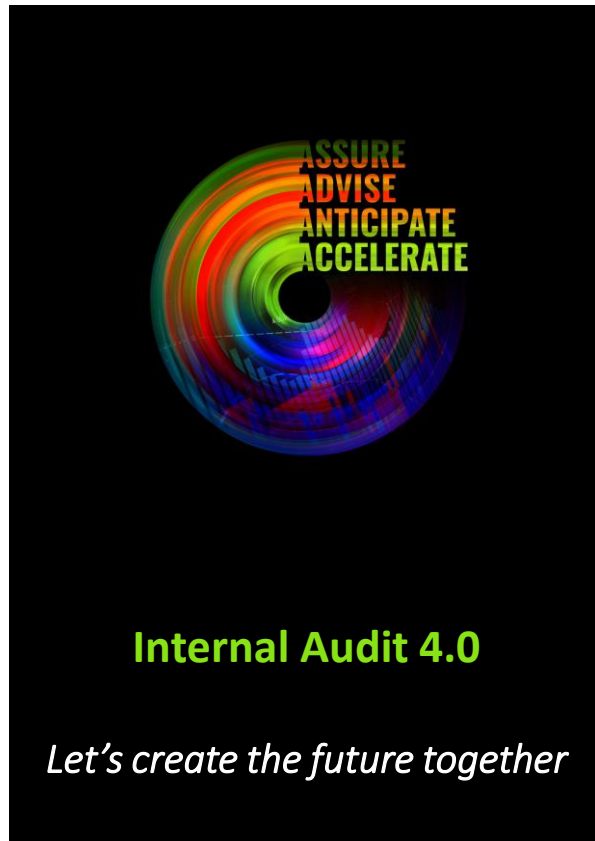
Historical analysis has shown us that predictions about the future can often be uncertain and inaccurate. While trends and patterns from the past can offer insight and guidance for the future, unforeseen circumstances and variables can lead to unexpected outcomes.

Although there has been a great deal of talk about the importance of increasing internal audit's focus on risk, improving the use of technology, becoming more strategic, and developing new skills, the pace of change has been slower than hoped. This can be due to various factors such as budget constraints, resistance to change, and other priorities taking precedence. However, these focus areas are still relevant.

Often those who are entrenched in the existing paradigms lack the ability to think outside current frameworks, which is why we encourage CAEs to explore the breadth of issues facing economies, technologies, organizations, and human capital trends from beyond the realms of peers and industry bodies.

CAEs must inject different experiences and mindsets into their teams to experiment and pioneer new models. Will there be risk? Possibly. But the greatest rewards are often on the paths least travelled. Sometimes, the only way to move forward is to venture into the unknown, but as Abraham Lincoln once said, "the best way to predict your future is to create it".

What future will you create?



Peter Astley
Global Internal Audit Leader
+44 7887 633880
pastley@deloitte.co.uk



Sarah Fedele
US Internal Audit Leader
+1 713 982 3210
sarahfedele@deloitte.com



Mike Schor
Global Internal Audit Innovation Lead
+1 212 436 6208
mschor@deloitte.com



Neil White
Global Internal Audit Digital Lead
+1 212 436 5822
nwhite@deloitte.com



Chris Dicks
Asia Pacific Internal Audit Leader
+86 10851 25825
chdicks@deloitte.com.cn



David Tiernan
Global Internal Audit Advisory Lead
+44 113292 1520
datiernan@deloitte.co.uk



Diego Henriquez
Global Internal Audit Chief of Staff
+1 225 937 0204
dhenriquez@deloitte.com



Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional advisor.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.