Internal Audit

Emerging Trends and Opportunities

Anup Thomas,

Associate Director, Grant Thornton Bharat
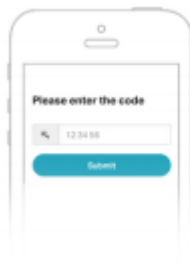
November 2022

Get ready for a poll…

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3 Enter the code
1859 772

POLL

What we will discuss today….

01

Global context, risks and mitigation efforts…

02

Global emerging trends…

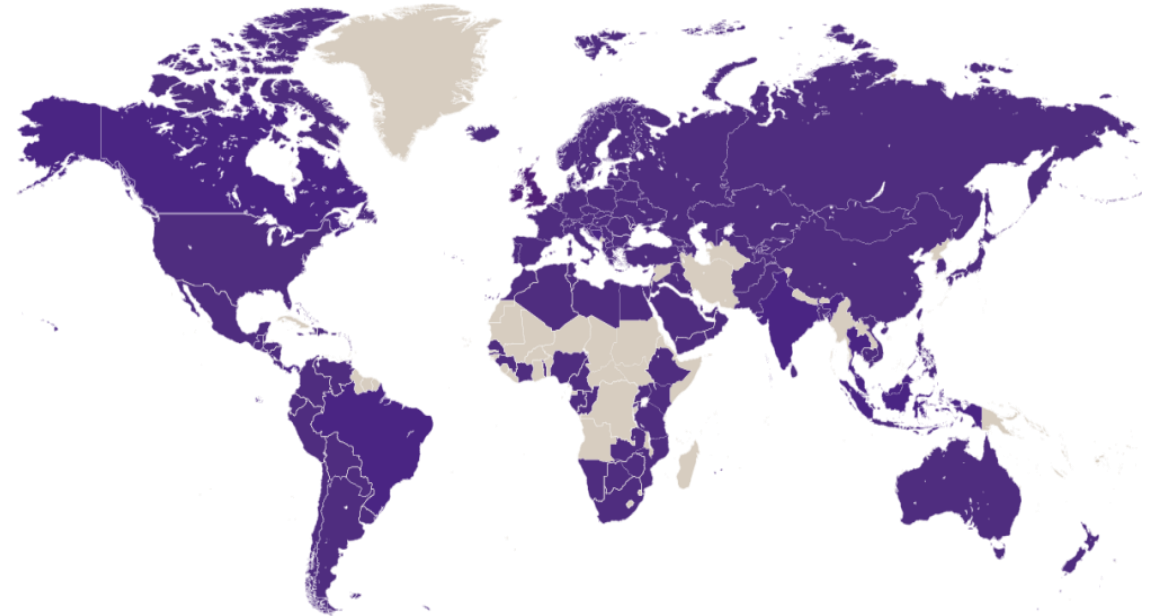**03**

Internal audit adoption to emerging trends…

01

Global context, risks and mitigation efforts…

Global outlook….

"What is your outlook for the world over the next three years?"

Negative scenarios   Positive scenario

41.8%
Consistently volatile with
multiple surprises

37.4%
Fractured trajectories
separating relative
winners and losers

10.7%
Accelerating global
recovery

10.1%
Progressive tipping
points with increasing
catastrophic outcomes

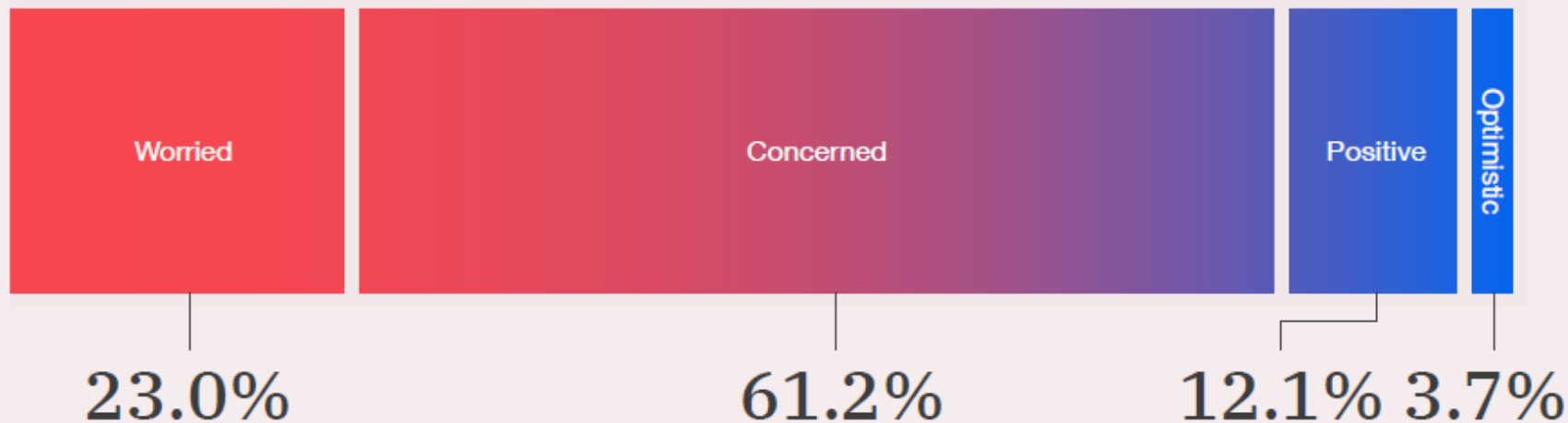**Source:** World Economic Forum Global Risks Perception Survey 2021-2022

Global perception….

"How do you feel about the outlook for the world?"

Worried	Concerned	Positive	Optimistic
23.0%	61.2%	12.1%	3.7%

Emerging risks…

"Identify the most severe risks on a global scale over the next 10 years"

Legend: Economic (blue), Environmental (green), Geopolitical (orange), Societal (red), Technological (purple)

Rank	Risk	Rank	Risk
1st	Climate action failure	6th	Infectious diseases
2nd	Extreme weather	7th	Human environmental damage
3rd	Biodiversity loss	8th	Natural resource crises
4th	Social cohesion erosion	9th	Debt crises
5th	Livelihood crises	10th	Geoeconomic confrontation

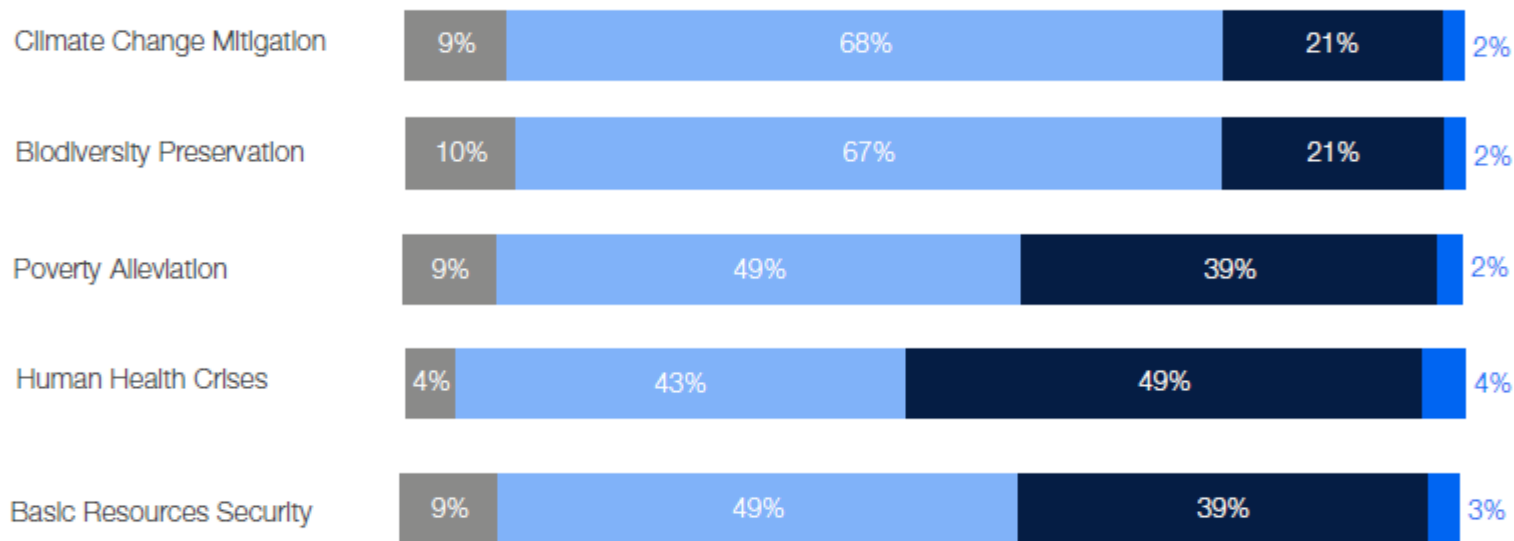**Source:** World Economic Forum Global Risks Perception Survey 2021-2022

Current risk mitigation efforts…

International Risk Mitigation Efforts

Current state of international risk mitigation efforts in each area

■ Not started   ■ Early development   ■ Established   ■ Effective

Area	Not started	Early development	Established	Effective
Climate Change Mitigation	9%	68%	21%	2%
Biodiversity Preservation	10%	67%	21%	2%
Poverty Alleviation	9%	49%	39%	2%
Human Health Crises	4%	43%	49%	4%
Basic Resources Security	9%	49%	39%	3%

02

Global emerging trends…

Global emerging trends…

- Momentum in Life Science Technologies

- Expansion in networking and interconnectivity

- High-Performance computing becomes mainstream

- Continued growth in Artificial Intelligence, Big Data Analytics, and Cloud Computing

- Dominance of Internet Security and Privacy

- Rise of Metaverse including augmented and virtual reality

- Increased Urgency to move towards Renewable Energy

- Robotics, Blockchain technology becomes more prevalent

Evolving business trends…

Global pandemic has accelerated the phase of change across organizations..

01

Increased adoption of technology, increased security and privacy…

02

Enhance collobration with suppliers, partners for evolved ecosystem...

03

Inorganic growth through merger and acquisitions…

04

Focus on environment, social and governance…

05

Hybrid ways of working, gig workforce, skills of the future...
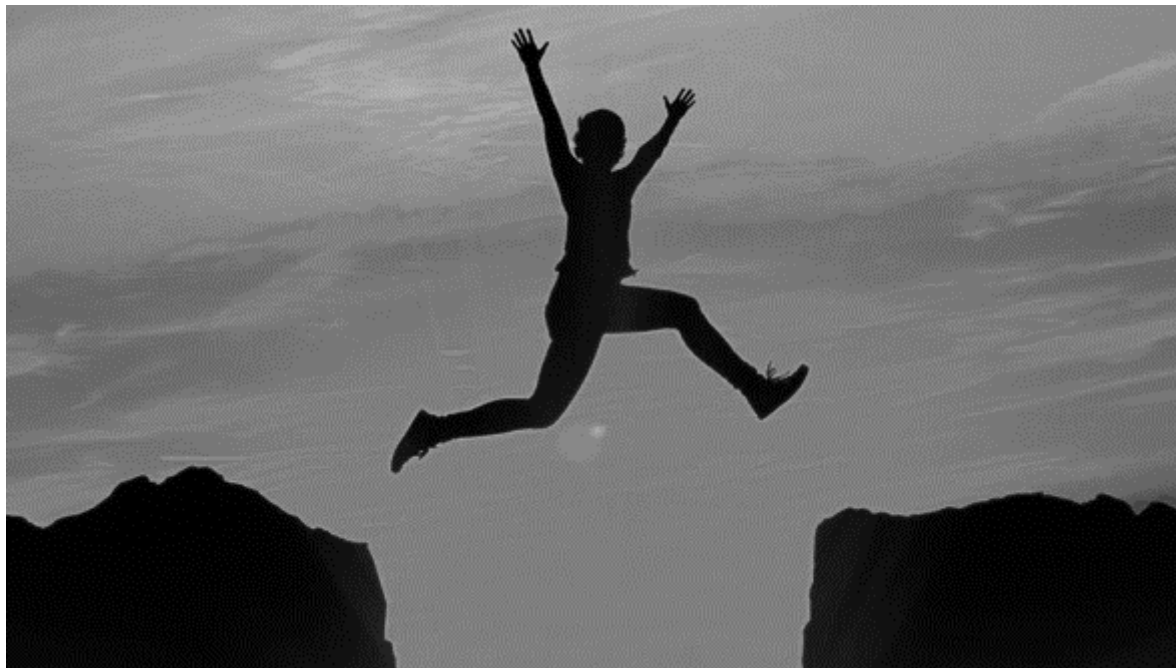
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Evolving regulatory and geopolitical environment...

03

Internal audit adoption to emerging trends…

Enhanced expectations….

Control Assurance

Assurance over key controls by:

1 Focusing on key business, process and risks

2 Reviewing the design of system and manual controls

3 Testing operating effectiveness of controls by carrying out
- System stress testing
- Data analytics
- Substantive testing

4 Constant follow-up and engagement with process owners for implementation

Value addition

Enable organization unlock value through value addition levers:

Process digitization:
Digitation of process through enhanced utilization of existing systems, enhanced configurations, enablement of digital work-flows

Automation:
Automate manual and repetitive activities, integrate systems to eliminate manual intervention

Process standardization and emerging compliance / good practices:
Standardize common processes across locations / units, industry good practices, eliminate non-value added activities

Cost Optimization:
Enhance process efficiency and effectiveness to optimize costs, opportunities for savings

Adapting to evolving needs..

Planning	Execution	Closure

1 Agile and Flexible Audit Universe / Plan ; Extended Scope

2 Weightage to emerging trends, and changes

3 Management Audits, addressing the organizational risk concerns

4 Skills of the future, skills beyond finance

5 Agile teams and agile execution

6 Infusion of technology – Robotics, Blockchain, IoT

7 Real time and continuous monitoring / auditing

8 Move from sample auditing to population auditing ; data analysis

9 Interactive and intuitive reporting

10 Strategic partner in decision making / insights to management / board

11 Collaborating in organizational change / evolution of control environment

12 Value addition to the organization / stakeholders

Emerging audit areas..

Control by design ; collaboration during organizational / technological changes / transformations

Data privacy and security ; Privacy by design

Eco-system audit / Third party risk management

Technological risk exposure ; external [cyber security] / internal [technology infusion in operations]

Environmental, Social and Governance

Enhanced review of financial controls [precision, transformation]

Integration / Alignment audits ; Merger and Acquisitions

Real-time / continuous auditing / management auditing

Employee wellbeing reviews ; Diversity, Inclusion, Safety

Feedback based areas [customer, supplier, whistleblower, social media]

Skills of the future..

Cognitive

Critical thinking
- Structured problem solving
- Logical reasoning
- Understanding biases
- Seeking relevant information

Planning and ways of working
- Work-plan development
- Time management and prioritization
- Agile thinking

Communication
- Storytelling and public speaking
- Asking the right questions
- Synthesizing messages
- Active listening

Mental flexibility
- Creativity and imagination
- Translating knowledge to different contexts
- Adopting a different perspective
- Adaptability
- Ability to learn

Interpersonal

Mobilizing systems
- Role modeling
- Win–win negotiations
- Crafting an inspiring vision
- Organizational awareness

Developing relationships
- Empathy
- Inspiring trust
- Humility
- Sociability

Teamwork effectiveness
- Fostering inclusiveness
- Motivating different personalities
- Resolving conflicts
- Collaboration
- Coaching
- Empowering

Skills of the future..

Self-leadership

Self-awareness and self-management
- Understanding own emotions and triggers
- Self-control and regulation
- Understanding own strengths
- Integrity
- Self-motivation and wellness
- Self-confidence

Entrepreneurship
- Courage and risk-taking
- Driving change and innovation
- Energy, passion, and optimism
- Breaking orthodoxies

Goals achievement
- Ownership and decisiveness
- Achievement orientation
- Grit and persistence
- Coping with uncertainty
- Self-development

Digital

Digital fluency and citizenship
- Digital literacy
- Digital learning
- Digital collaboration
- Digital ethics

Software use and development
- Programming literacy
- Data analysis and statistics
- Computational and algorithmic thinking

Understanding digital systems
- Data literacy
- Smart systems
- Cybersecurity literacy
- Tech translation and enablement

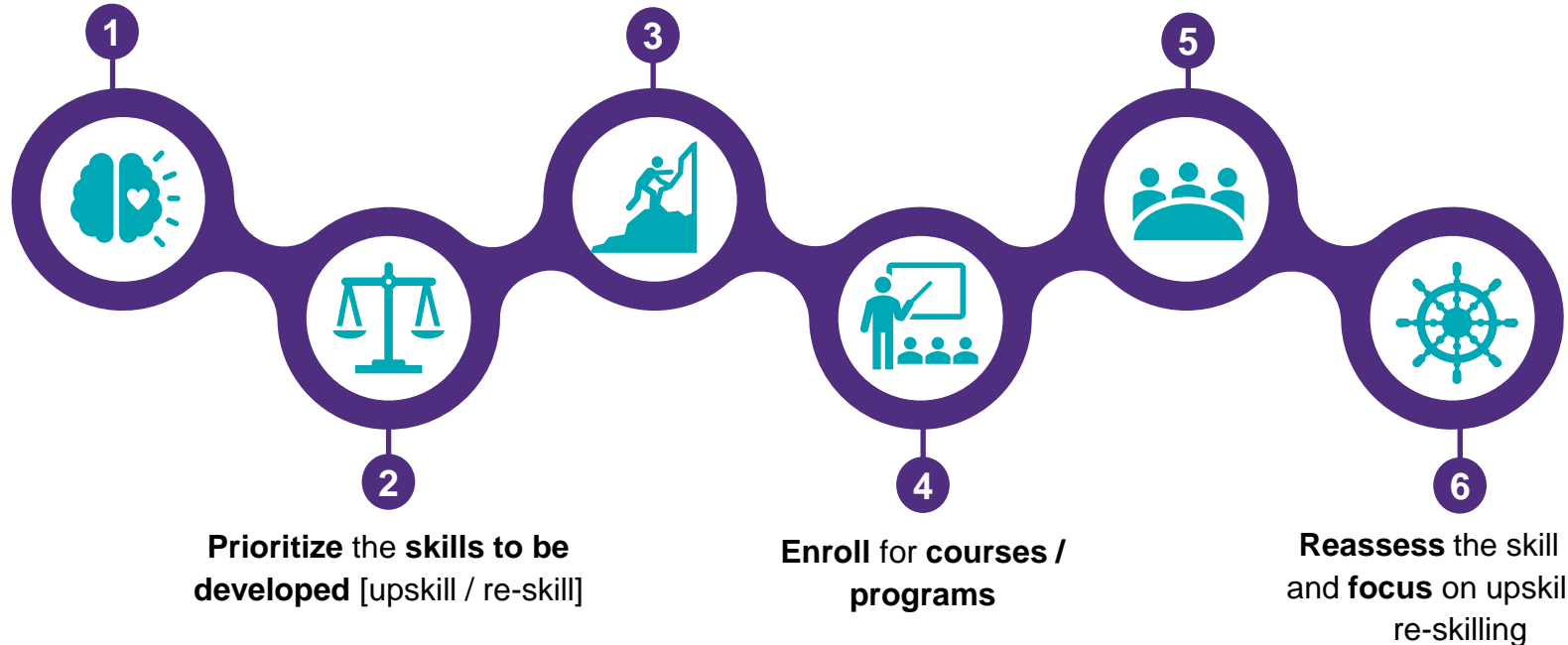# A road map to bridge the skill gaps..

…What we focus on expands…

Become **aware of the skills** of the future and **the gap**

1

Develop a **skill enhancement plan**

3

Participate in projects / audits **to utilize skills acquired**

5

Prioritize the **skills to be developed** [upskill / re-skill]

2

Enroll for **courses / programs**

4

Reassess the skill gap and **focus** on upskilling / re-skilling

6

What are the emerging opportunities…

Reading / reference material…

…Re-skilling and Upskilling never stops…

- **Publications :**

  – Journals and Newsletters from professional bodies [ICAI, ICAMI, ICSI, IIA]

  – Reports published by professional services firms on emerging trends [McKinsey, Bain, BCG, large professional services firms]

  – Global Risks Report from World Economic Forum

- **Trainings:**

  – CPE / Study circle meeting by professional bodies [ICAI, ICAMI, ICSI]

  – Webinar organized by professional bodies / services firms

Questions….