

**Deloitte.**



**Internal Audit 4.0**

Purpose driven, digitally powered

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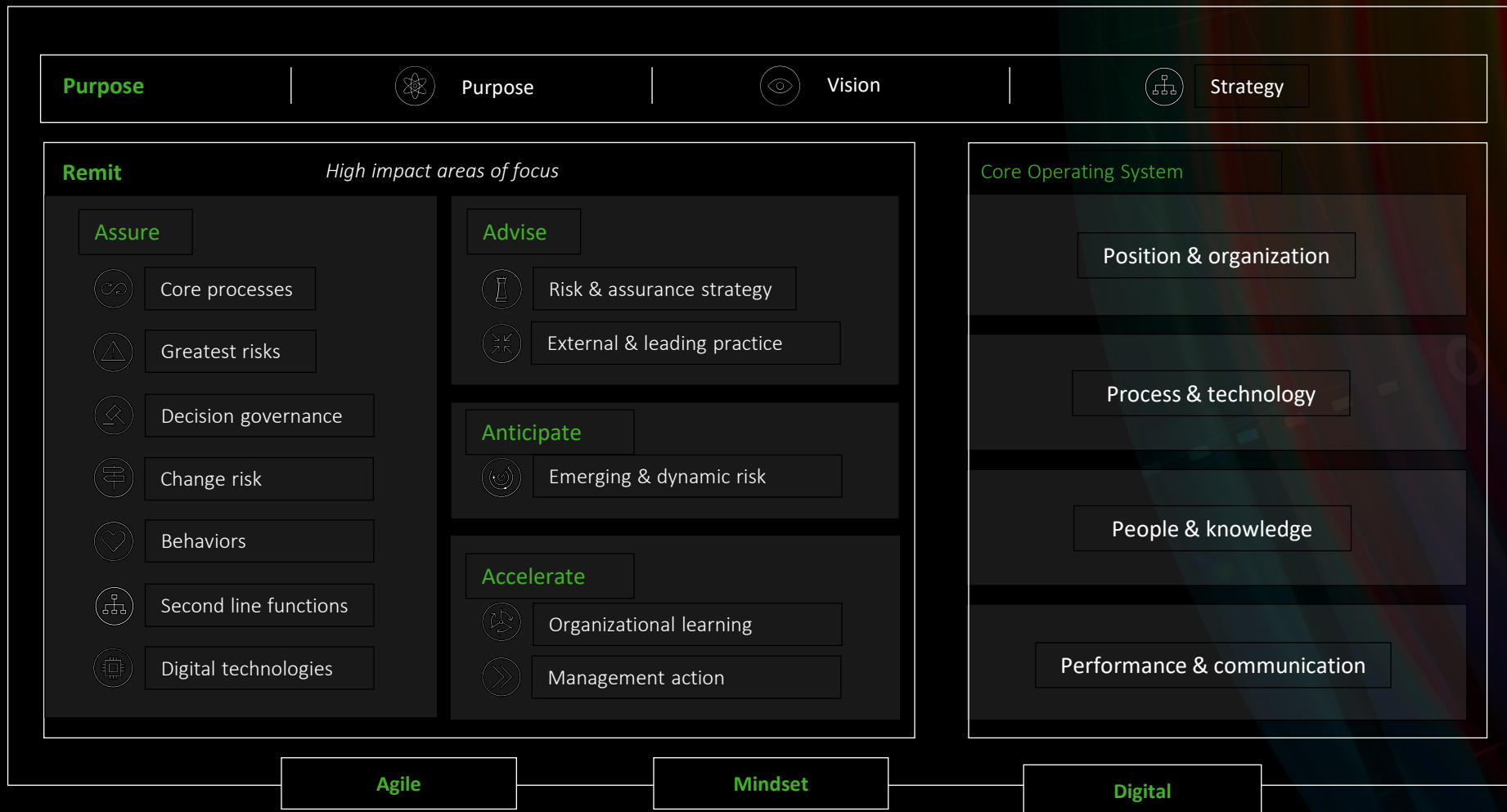
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Days to Form  
a Habit

1084

Pandemic  
Days

# Purpose driven, digitally powered



## What's new?

Starts with purpose

Challenges Internal Audit functions to Accelerate

Fully embraces the use of digital technologies across the lifecycle

Recognizes the need for agility in everything

Promotes a continuous improvement mindset

Outlines the key principles and building blocks

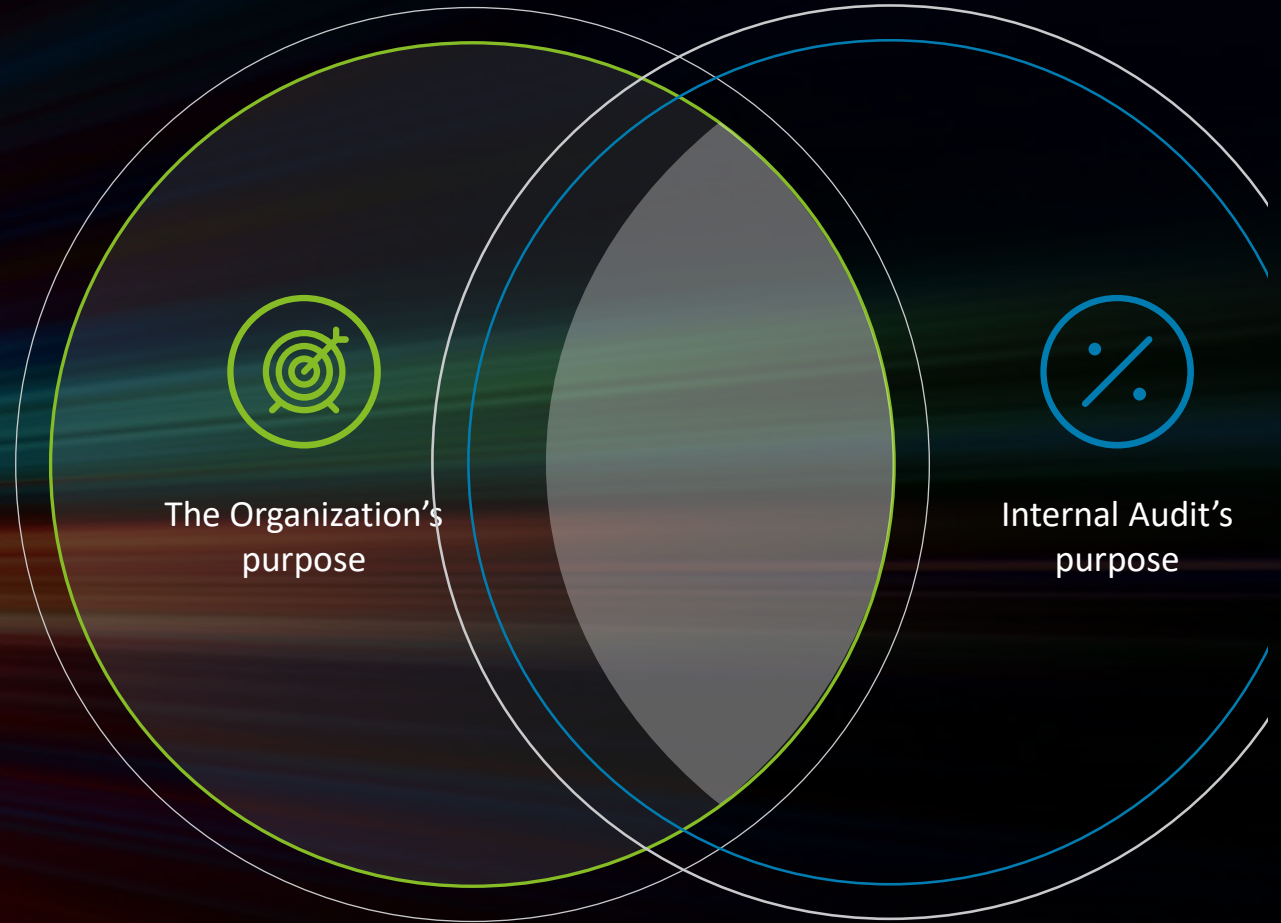
# Purpose

# Purpose

Purpose has become increasingly important for organizations and their stakeholders, with evidence showing purpose driven organizations can...

- Strengthen brand recognition and protection;
- Generate new revenue streams and achieve premium pricing;
- Generate faster growth and return on equity;
- Reduce safety incidents and increase employee engagement; and
- Attract top talent;

...yet aligning Internal Audit's role and remit with the organization's purpose is a new orientation for many functions.



# Purpose

*Why align on purpose?*

**Maximize value** through more intentional and specific outcomes

**Attract top talent;** who want to work for purpose driven organisations

Create **stronger engagement** and advocacy for Internal Audit's role

Make smarter, **purpose driven, investments** in IA's functional development

*Considerations for internal audit*

How does Internal Audit play its part helping the organization **achieve its purpose?**

How does the organization's purpose **shape and influence** Internal Audit's role and remit?

Does Internal Audit **comment on** whether the **organization** is achieving its **purpose?**



# Purpose

*What's your why?*





# Accelerate

# Accelerate

The speed at which organizations can learn and act is critical. Yet in order to learn, organizations need to have trust, transparency and psychological safety.



# 70%

of CXOs do not have complete confidence in their organizations' ability to pivot and adapt to disruptive events

# 1/3

CXOs are not confident that their organizations have maintained trust between leaders and employees

*Building the resilient organization: 2021 Deloitte Global resilience report*, Deloitte Insights, January 25, 2021



# Accelerate

What more can Internal Audit do to help accelerate management learning and action?

## BUILD FOR SPEED

- Start slow to go fast
- Stable teams
- Visualise work
- Incremental reporting
- Continuous improvement

## HIGH PERFORMING EMPOWERED TEAMS

- Lead with vision
- Teams define the how
- Accelerated learning
- Collaboration
- Happier teams = better results
- Organic accountability systems

## GO BEYOND THE AUDIT

- Post audit workshops
- External & leading practice perspectives
- Assurance by design
- Education and awareness
- Insight reporting
- Knowledge sharing

## CHANGE THE CULTURE

- Psychological safety
- Words and actions matter
- Influence stakeholders response to IA
- Lean into culture bubbles



# Accelerate

## HIGH PERFORMING EMPOWERED TEAMS

### Lead with vision

Teams define the how

Accelerated learning

Collaboration

Happier teams = better results

Organic accountability systems

## FROM

## TO

**MINDSET** 1 Managing People

**CULTURE** 2 Peers As Competitors

**APPROACH** 3 Extrinsic Pressure

**BEHAVIOR** 4 Productivity Through Fear

Enabling Success

Peers As Collaborators

Intrinsic Motivation

Effectiveness Through Inspiration

# Accelerate

## CHANGE THE CULTURE

### Psychological safety

- Words and actions matter
- Influence stakeholders response to IA
- Lean into culture bubbles

### Psychological Safety **is not**



The same as trust



Lowering standards



Being nice

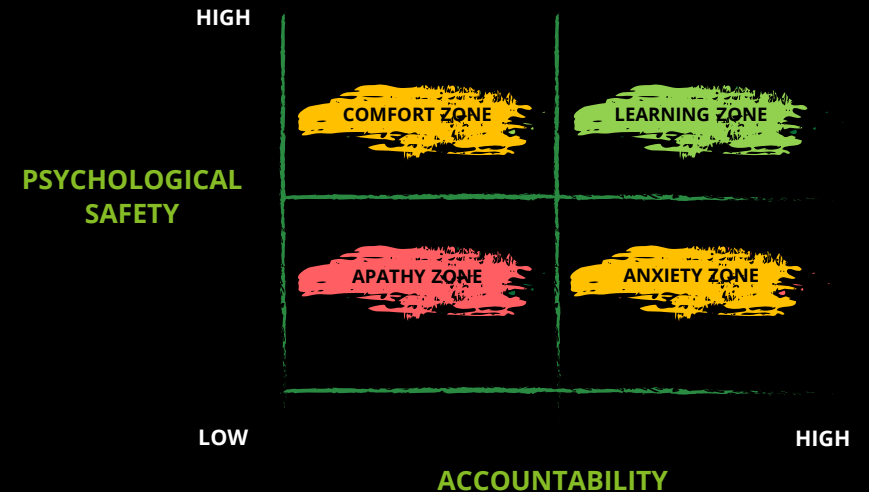
### Psychological Safety **is**

A belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns, or mistakes, and that the team is safe for interpersonal risk-taking.

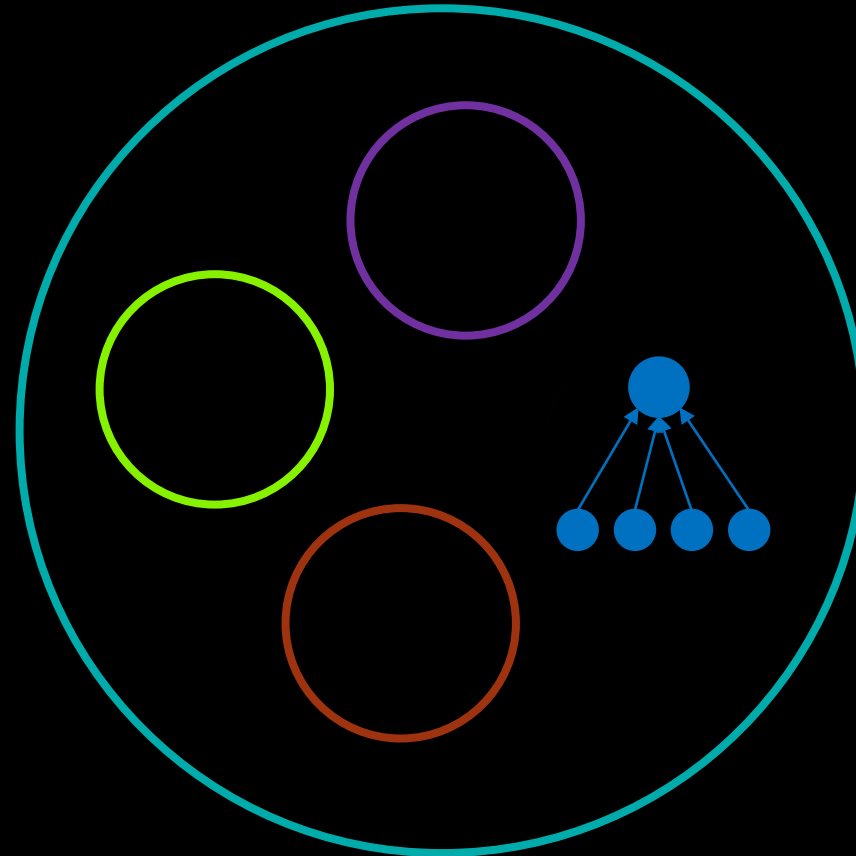
*Edmondson, 1999*

High Performing Teams thrive in the **Learning Zone**

*in a world that requires adaptability and agility*



# Accelerate



Culture is a local phenomenon

Organizations have many different cultures

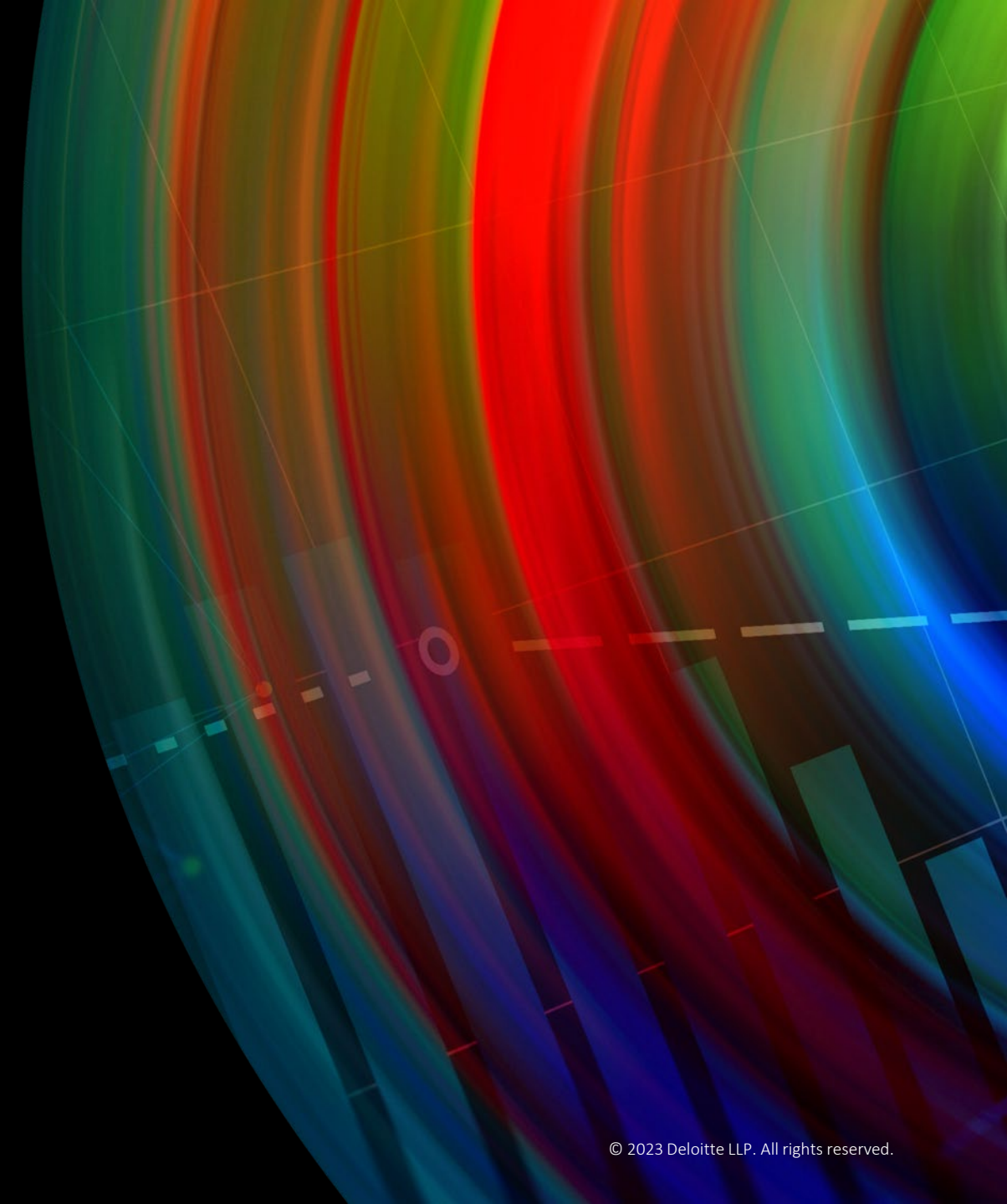
Different ways of working that arise from different norms and beliefs

These are called ***culture bubbles***

Leaders can influence change in these bubbles based on their position in the hierarchy



# Mindset



Mindset is the way of thinking about the goals you pursue in your professional and personal lives. They determine how you experience **change** and **challenge**.



Determines what kinds of info you pay attention to in each situation



How your brain handles errors and mistakes; activates either learning/planning centers or negative emotional responses



Influences how you interpret successes and failures, and how you store them in your long-term memory

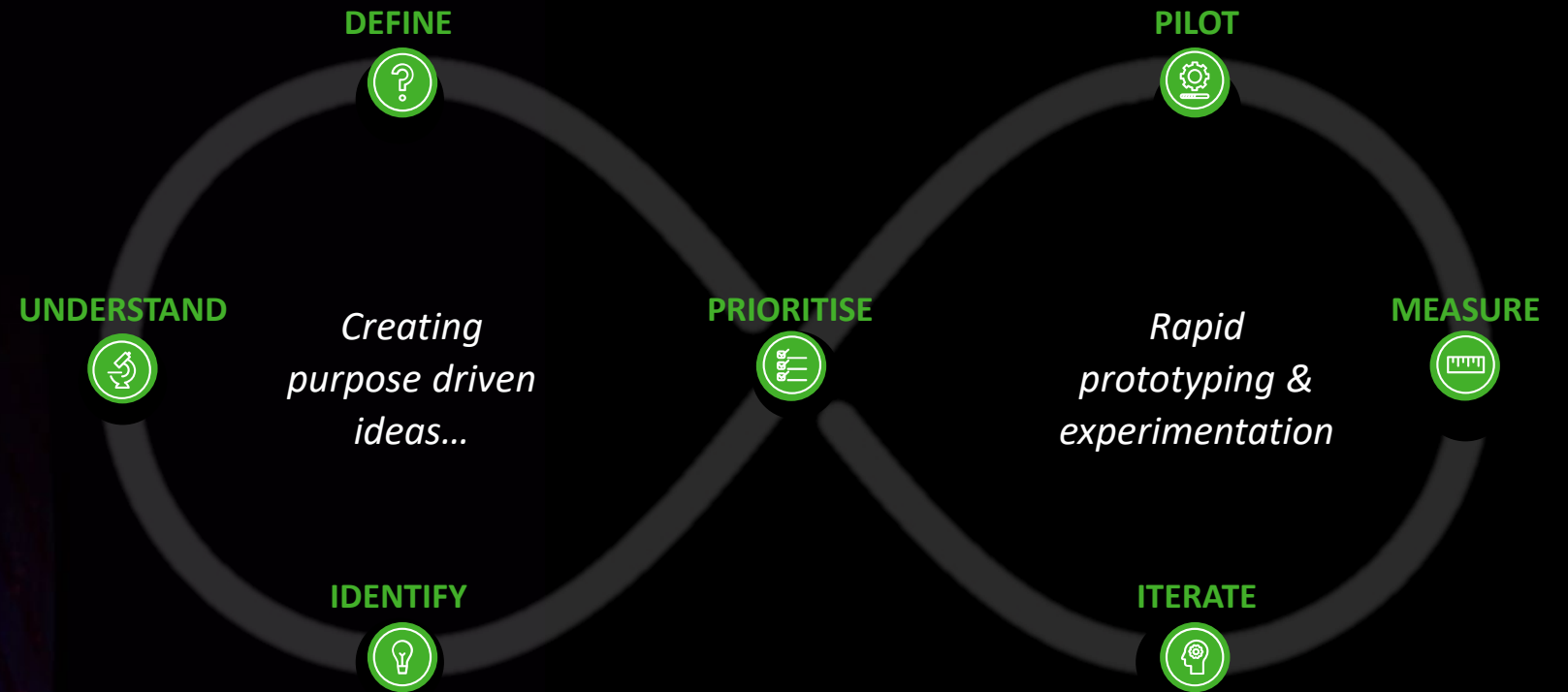


# Mindset

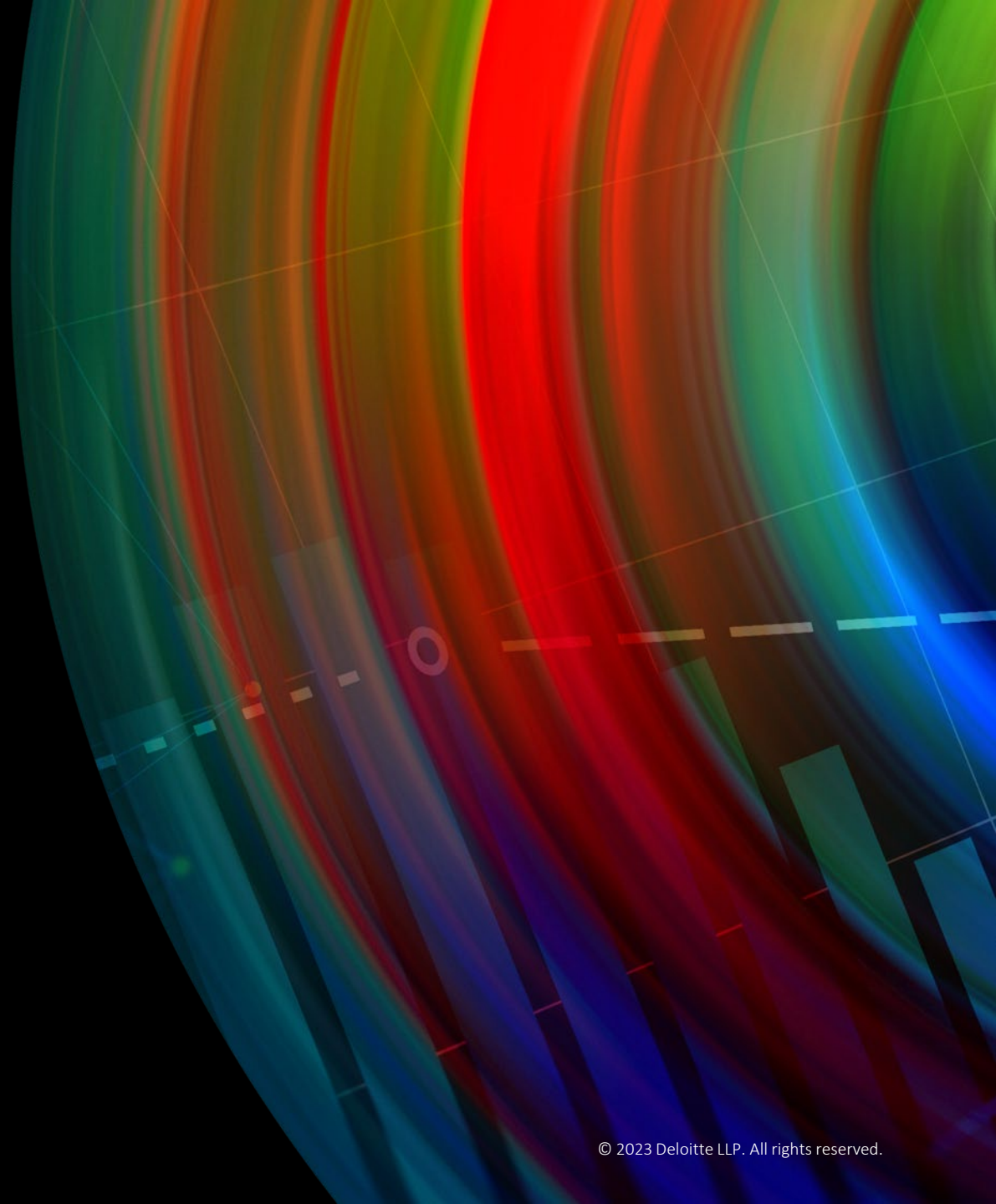
For Internal Audit to assure, advise and anticipate risks and opportunities effectively, it requires agile and digital capabilities – *and the right mindset*.

- Continuous learning
- Experimenting and iterating at a faster pace
- Ongoing communication
- Embedded agile methods.

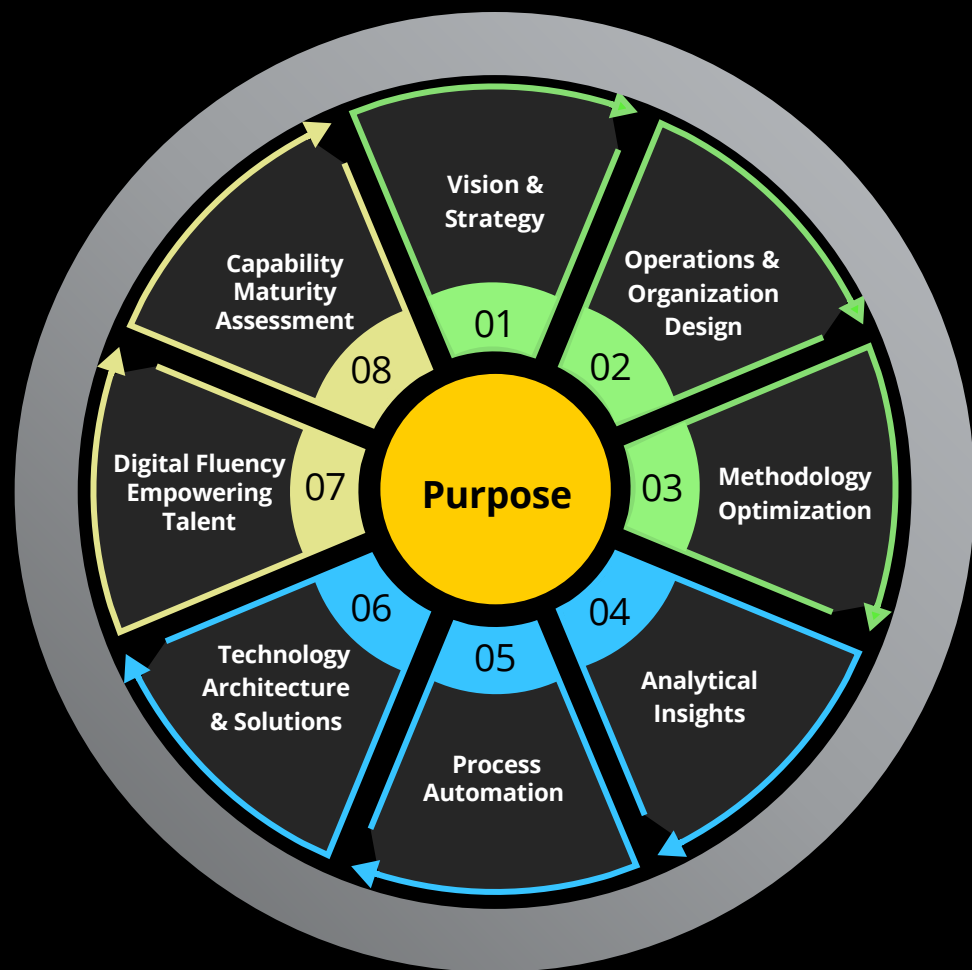
This mindset enables the function to pursue incremental improvements in their ways of working that generate lasting and relevant change.



# Digital



# Purpose: What is your Digital North Star?



Design   Execute   Assess  
■   ■   ■

Digital is not the goal...

...it's what it can help you achieve

What does success look like?

BETTER  
INSIGHT

BETTER  
QUALITY

BETTER  
EFFICIENCY

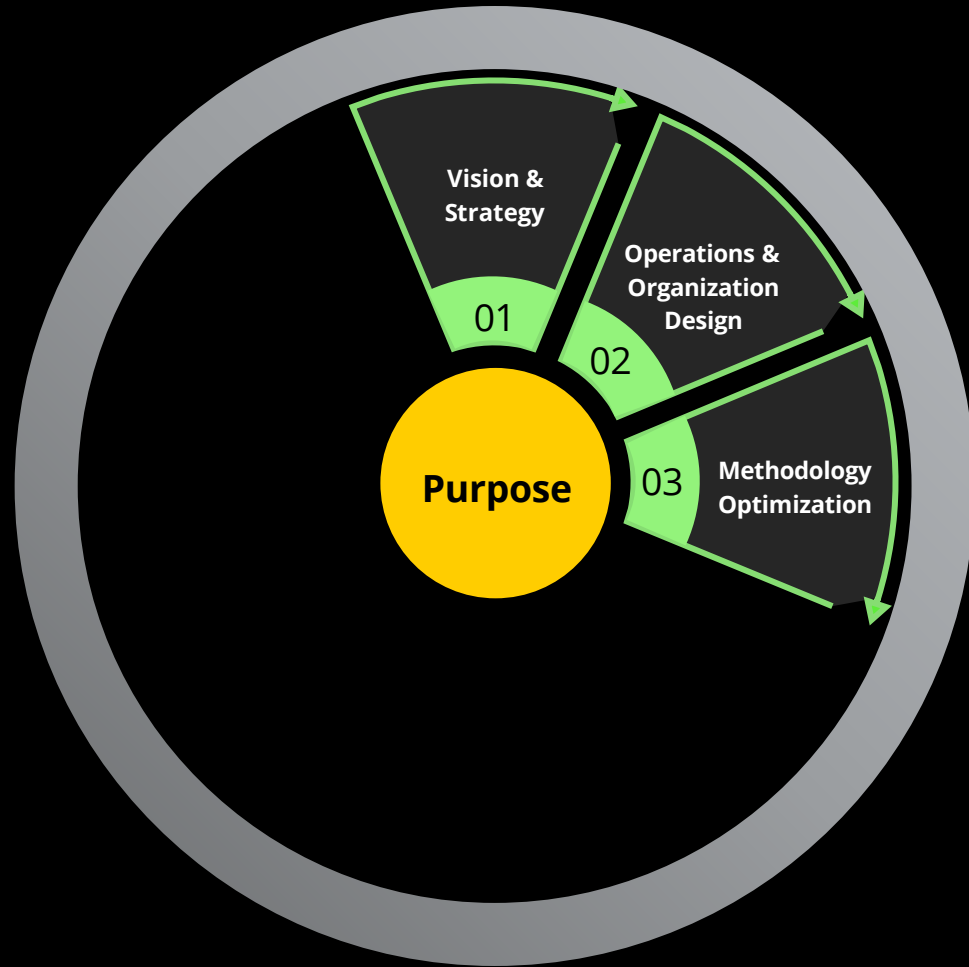
BETTER  
COLLABORATION

BETTER  
IMPACT

Your  
**PURPOSE**

Why are we in business?

# Purpose: What is your Digital North Star?



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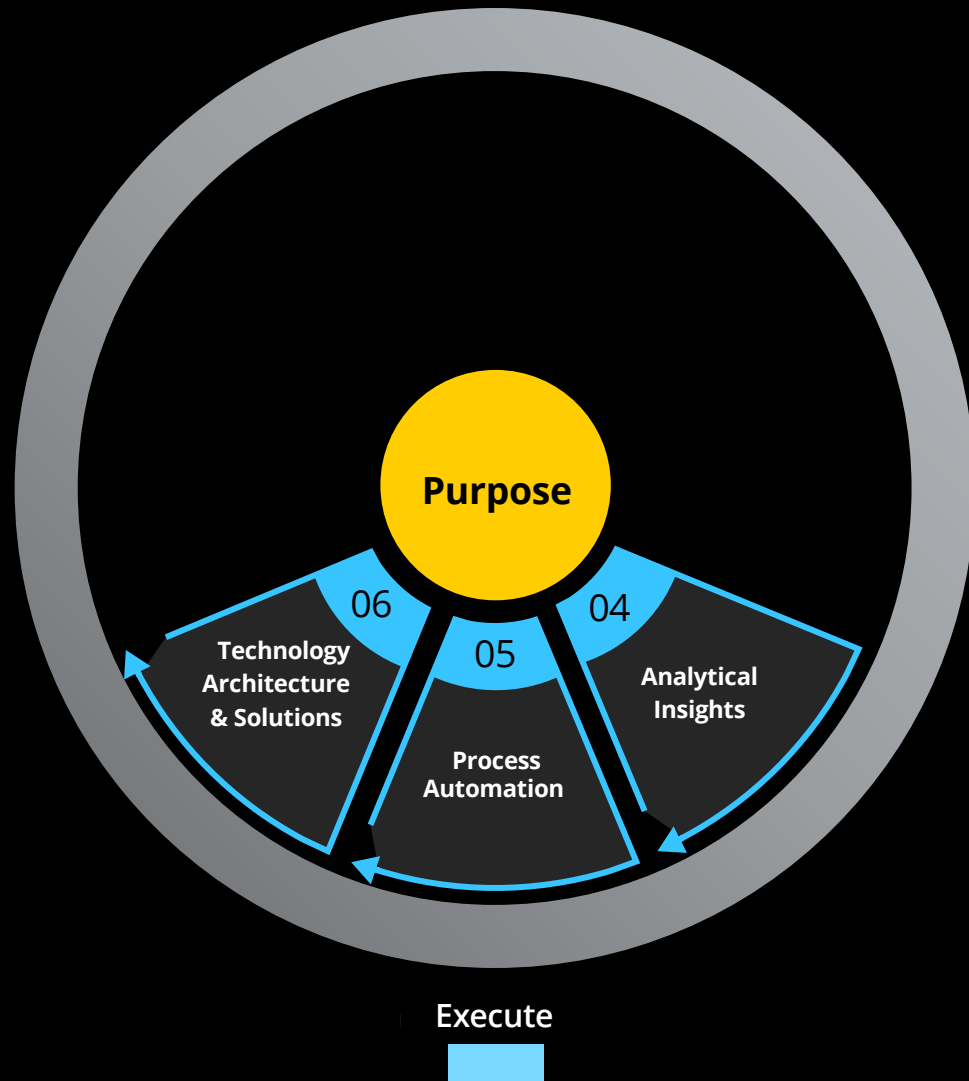
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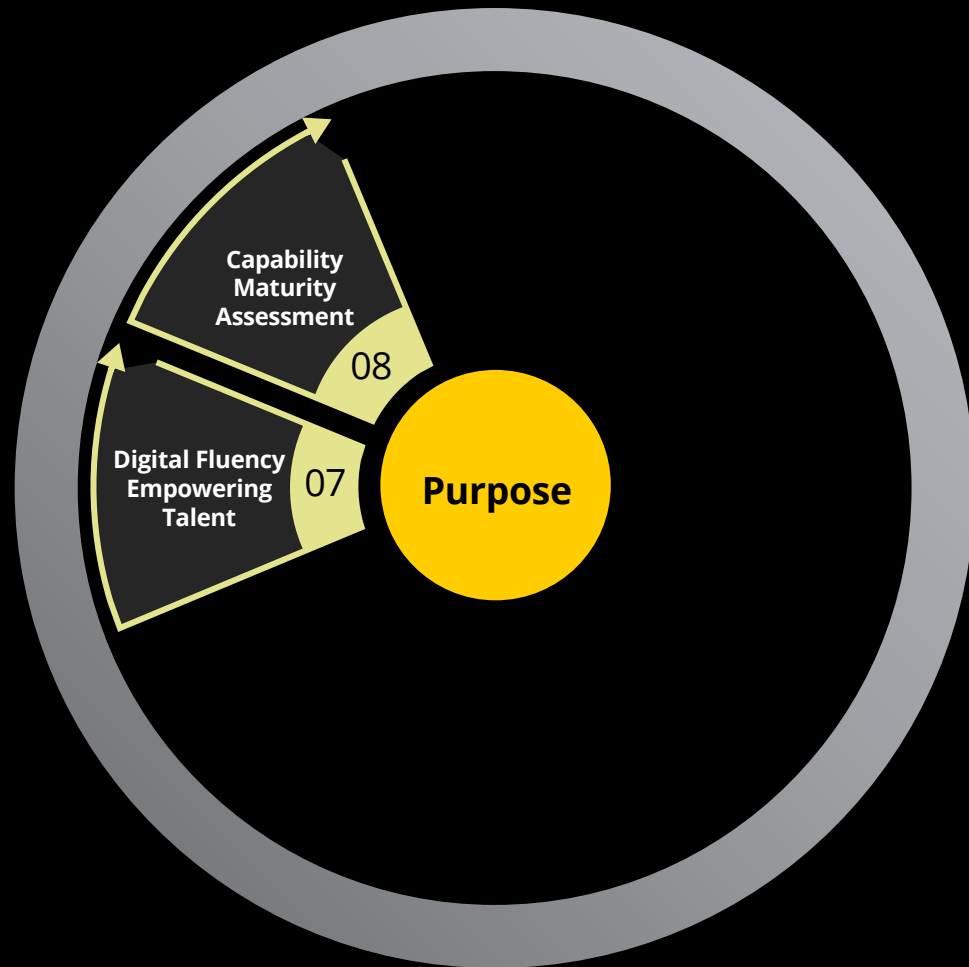
**BETTER  
COLLABORATION**

**BETTER  
IMPACT**

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# Purpose: What is your Digital North Star?



Assess



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INSIGHT**

**BETTER  
QUALITY**

**BETTER  
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**BETTER  
COLLABORATION**

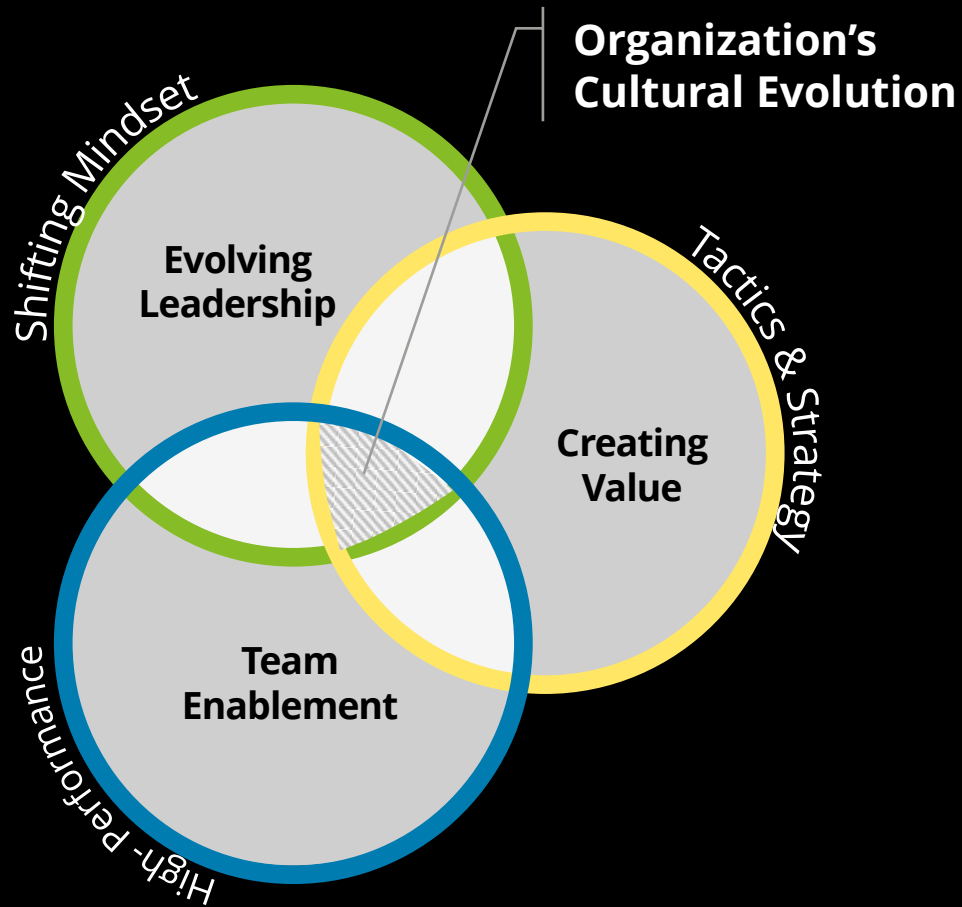
**BETTER  
IMPACT**

Your  
**PURPOSE**

*Why are we in business?*

# Agile

# Purpose: What is your Agile North Star?



Agile is not the goal...

...it's what it can help you achieve

What does success look like?

BETTER

FASTER

HAPPIER

Your  
**PURPOSE**

Why are we in business?



# Agile is about People

The Agile mindset and associated ways of working are all about creating an environment that makes organizations, teams, and the people within them successful. Agility recognizes the need for organizational and personal evolution.



# Agile is not the goal, it's what it can help you achieve

**Iterative development** – working in short cycles to deliver value sooner and learn through feedback

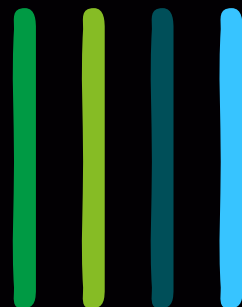
**Collaboration** – placing value on two-way engagement with stakeholders

**Self-organizing teams** – Moving from command and control to empowered teams. Help people understand 'why' and they'll figure out the 'how' themselves, often faster and leading to better outcomes

**Cross-functional teams** – Creating more stable, resilient and self-sufficient teams

**Business value** – Prioritising work based on value

**Continually improving** – creating a transparent and trusted environment to foster continuous improvement and innovation



# Embracing Digital and Agile: mindset is half the battle



**Promote a culture of innovation**  
Make it safe to experiment



**Learn learn learn**  
Dial up your education and awareness of leading practices



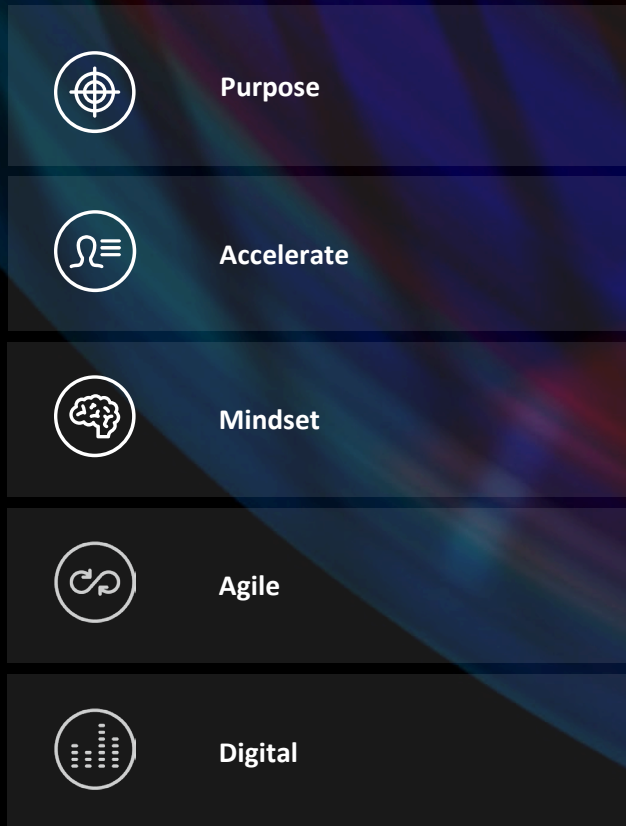
**Keep everything on the table**  
Don't limit your digital or agile vision



**Celebrate desired behaviours**  
Encourage your teams to bring ideas

# Core operating system

# Are you optimised to deliver value and impact?



Are your ways of working designed and optimised to support the outcomes you want?

## CORE OPERATING SYSTEM

Position & organization

Process & technology

People & knowledge

Performance & communication

# Core operating system

*Are you optimised to deliver impact?*

<b>Purpose &amp; remit</b>	What purpose, outcome, impact and value?	Through which types of work and services?
<b>Position &amp; organization</b>	Organized in which way to deliver?	In which locations?
<b>Process &amp; technology</b>	Supported by which processes?	Using which enabling technologies?
<b>People &amp; knowledge</b>	Requiring which resources and skills?	Requiring what data and information?
<b>Performance &amp; communication</b>	For which stakeholders?	Via which communication channels?

*To maximize value and impact, Internal Audit must design its operating model and ways of working to support specific outcomes*



# Key considerations

**How clearly defined is your function's purpose?**

*...and can your team and stakeholders articulate this?*

**What should Internal Audit's remit be in helping to accelerate organizational learning and action?**

**What more can and should Internal Audit functions do to embrace agile and digitalize?**



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