Interacting with Audit Committees

MANAGEMENT

Fast Fact

The Way Forward for Internal Audit

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Executive Summary

How well are internal audit departments meeting the needs of the audit committee, and is the internal audit department receiving the proper support and oversight from the audit committee? The overall answer to these two questions is that both groups are doing better, but there are many opportunities for improvement. Key insights in this report include:

- Although the numbers are increasing, there are still too many organizations without effective audit committees (or their equivalent).
- The frequency of audit committee meetings varies dramatically between regions—sometimes related to the nature of governance in a country, other times related to the maturity of the governance function.
- The opportunity for internal audit to meet with the board or audit committee in executive sessions without management present is quite low in some regions and needs to be improved.
- Governmental (and some private) organizations are lagging in developing effective audit committees (or their equivalent).

Author Larry Rittenberg, professor emeritus at the University of Wisconsin-Madison, served as chairman of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) from 2004 to 2009. Current information about the interaction between audit committees and internal auditors was obtained from the CBOK 2015 Global Internal Audit Practitioner Survey, the largest ongoing survey of internal auditors in the world.

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Section 1: Audit Committees—A Crucial Oversight Function of Internal Audit

Internal audit's interaction with an audit committee (or equivalent board committee) is considered one of the hallmarks of good governance, as well as an important relationship that supports internal audit independence and objectivity. Standard 1111: Direct Interaction with the Board from The IIA's *International Standards for the Professional Practice of Internal Auditing* (*Standards*) states:

> "The chief audit executive must communicate and interact directly with the board."

The board is defined as directors or supervisors that represent "the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organization."[1] In situations where an audit committee exists, the board usually delegates audit and control oversight responsibility to the audit committee.[2]

The IIA has formally recommended that the U.S. Securities and Exchange Commission (SEC) require all U.S. publicly traded companies to have an internal audit function.[3] As IIA President and CEO Richard Chambers stated:

> "There have been a number of high-profile financial and corporate governance scandals of late that should hammer home the absolute *necessity of good corporate governance*, and it should go without saying that internal audit adds value to that process by providing effective oversight of the control environment."[4] [emphasis added]

Chambers also raised a very pertinent question:

> "When a publicly traded company has no internal audit function, one must ask: Who is providing the independent and objective assurance and insight the board needs to determine how well risk and the mitigating controls are being managed?"[5]

Such observations are not limited to the United States. Many South American and Asian countries are enacting new legislation that requires more effective governance and support of the internal audit function. Many Asian countries are evolving from a management-dominated governance approach to one that recognizes increased accountability. Internal audit can play an important role in helping those organizations fulfill their accountability obligations.

The audit committee's role has evolved from a narrow focus on financial reporting and external auditing to a broader mandate that covers risk management oversight, internal controls, compliance, whistleblower processes, cybersecurity, and internal auditing. The audit committee has become an integral part of good governance endorsed by major stock exchanges and regulators. Following this evolving role of the audit committee, the Center on Audit Quality (CAQ) and the National Association of Corporate Directors (NACD) have requested more transparency in the activities performed by the audit committee.[6,7] In response, there has been an increase in the disclosures contained in audit committee reports to shareholders.

The internal audit function can and should be a value-added service to audit committees. Audit committees

[1] *International Standards for the Professional Practice of Internal Auditing,* Glossary (Altamonte Springs, FL: The Institute of Internal Auditors, 2013), p. 42.

[2] The board still has a responsibility for appropriate oversight. Audit committees, therefore, regularly report on their oversight to the board as a whole. Some boards also delegate other responsibilities to the audit committee, including risk analysis, compliance, and ethics oversight.

[3] Richard Chambers, "It's Time Every Publicly Traded Company Has Internal Audit," *Internal Auditor Online*, Sept. 14, 2015.

[4] Ibid.

[5] Ibid.

[6] *Audit Committee Transparency Barometer* (Center for Audit Quality, 2014).

[7] *Enhancing The Audit Committee Report: A Call to Action* (National Association of Corporate Directors, as part of the Audit Committee Collaboration, 2015).

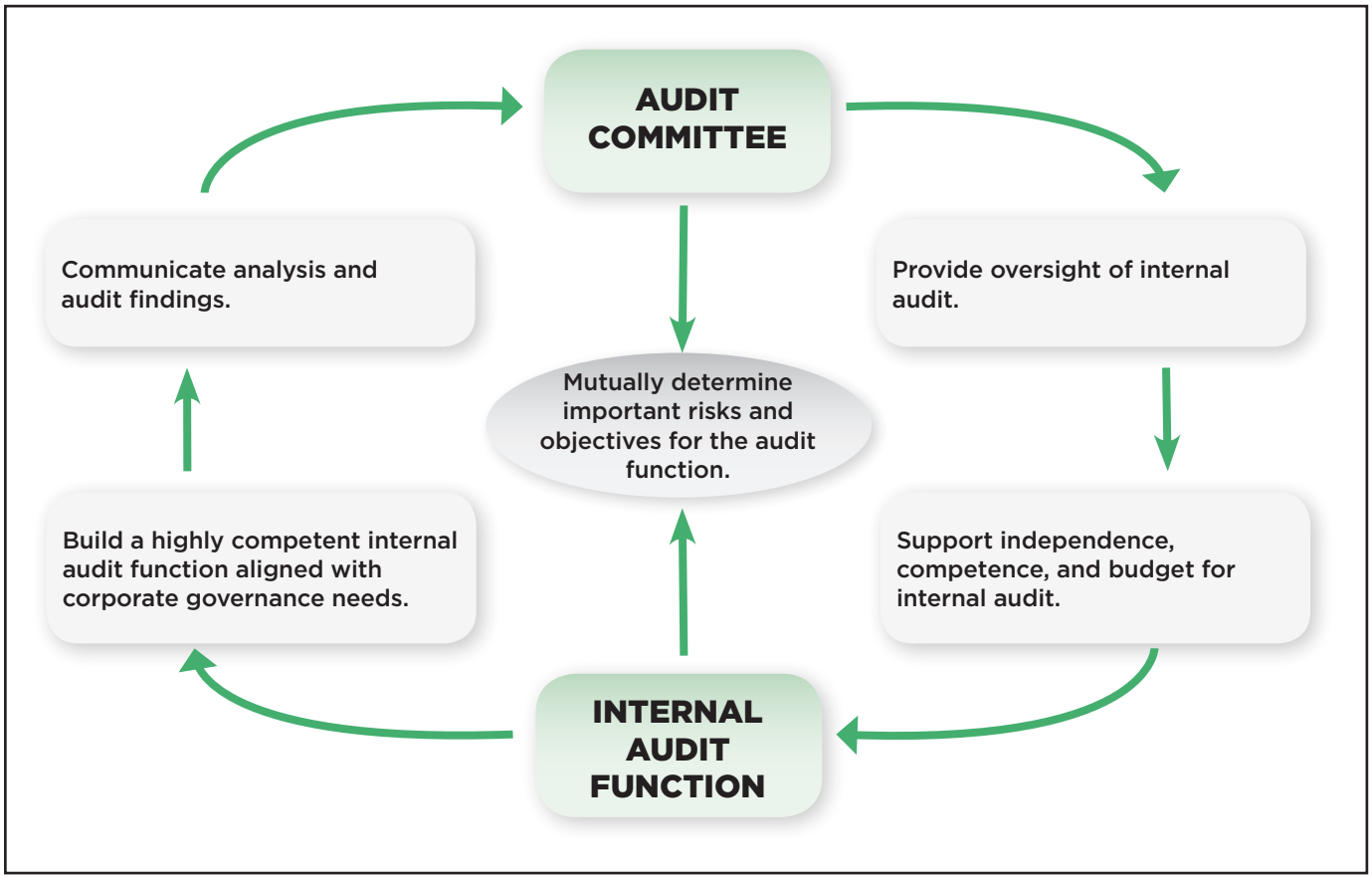
should be involved in choosing the chief audit executive (CAE), discussing and approving the internal audit program, and ensuring that audit findings are properly reported and acted on by the organization. As shown in **exhibit 1**, there is a need for mutual support between internal audit and the audit committee. The audit committee is essential for building and supporting a truly independent, competent internal audit function. On the other end, internal audit must deliver high-value services to the audit committee and the organization to sustain the needed level of support. Open and frequent communications are essential to this process. As one organization put it:

> "At a time when audit committees are dealing with heavy agendas—and issues like cybersecurity and global compliance are putting risk management to the test—internal audit should be an indispensable resource to the audit committee and a crucial voice on risk and control matters."[8]

Please note that this discussion is not intended to downplay the critical role that internal audit provides to management through its audits, analysis, and insight. Indeed, it supports two major functions: one focused on governance (the audit committee) and one focused on strategic and operational excellence (management).

[8] *Audit Committee Institute* (KPMG's Audit Committee Institute, 2015).

Exhibit 1 The Mutual Relationship Between the Audit Committee and the Internal Audit Function



Source: The IIA Research Foundation, 2016.

Section 2: Survey Results

The CBOK 2015 Global Internal Audit Practitioner Survey asked three fundamental questions:

1. Does your organization have an audit committee (or equivalent)?
2. How often do you meet with the audit committee (per year)?
3. Do you have formal meetings without members of management present (executive sessions with audit committee members only)?

Some of the same questions were included in the CBOK 2010 Global Internal Audit Practitioner Survey, which creates a valuable opportunity to look at changes over time.

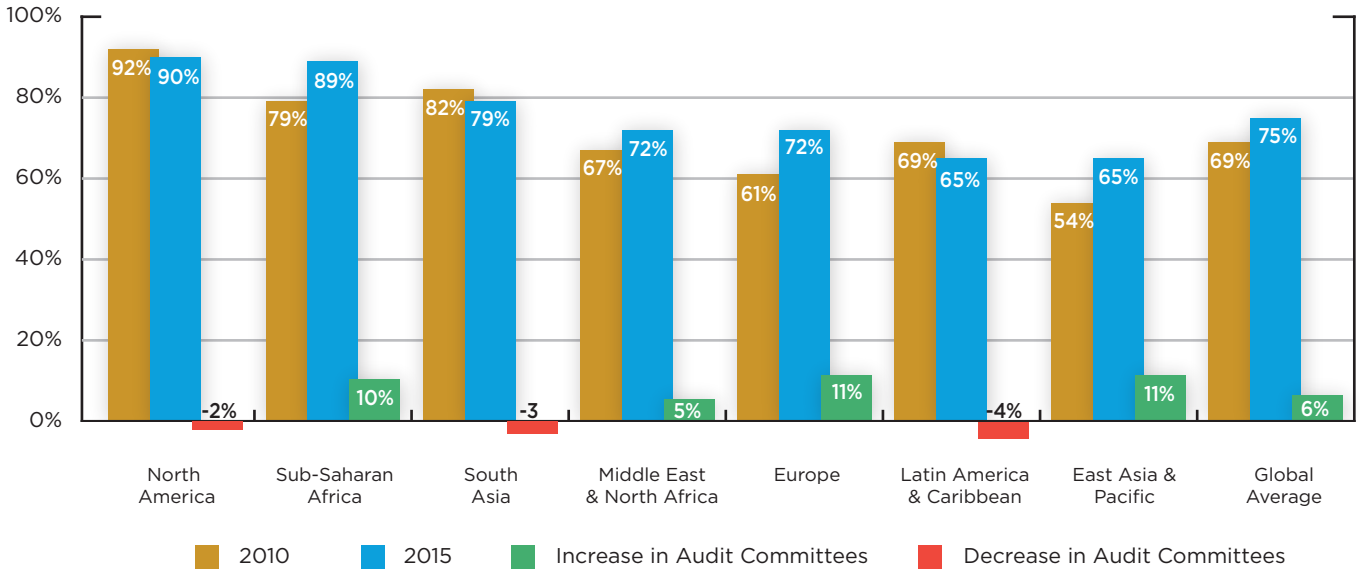
Do You Have an Audit Committee?

Due to highly publicized cases of fraud and corruption in well-known organizations worldwide, there has been a global call for increased audit committee participation in corporate governance. The effective operation of audit committees is therefore fundamental to world-class governance, and the ability of internal audit to contribute to that governance is critically important.

Worldwide, 75% of CAEs who took the survey in 2015 say their organizations have an audit committee (see **exhibit 2**). Audit committees around the world have evolved from a narrow focus on external audits to a risk and governance approach. The regions with the highest percentage of audit committees include North America, Sub-Saharan Africa (around 90%), and South Asia (around 80%). In comparison, the other regions report rates between 65% and 72%.

Comparing audit committee existence between 2010 and 2015, we find that there has been an average increase of about 6% for organizations with audit committees (among survey respondents). The largest growth areas are Europe (11%), East Asia & Pacific (11%), and Sub-Saharan Africa (10%). On the other hand, some regions

Exhibit 2 Trends in the Existence of Audit Committees (2010 to 2015, Compared to Global Regions)



Note: Q78 (for CBOK 2015) and Q19 (for CBOK 2010): Is there an audit committee or equivalent in your organization? CAEs only. *n* = 2,920 for CBOK 2010 and *n* = 2,628 for CBOK 2015.

report a decrease in audit committees in 2015 compared to 2010, specifically Latin America & Caribbean (4% lower), South Asia (3% lower), and North America (2% lower). Such differences, however, could be due to differing characteristics of survey respondents. Overall, we see strength in the growth of audit committees globally.

Trends for Different Organization Types

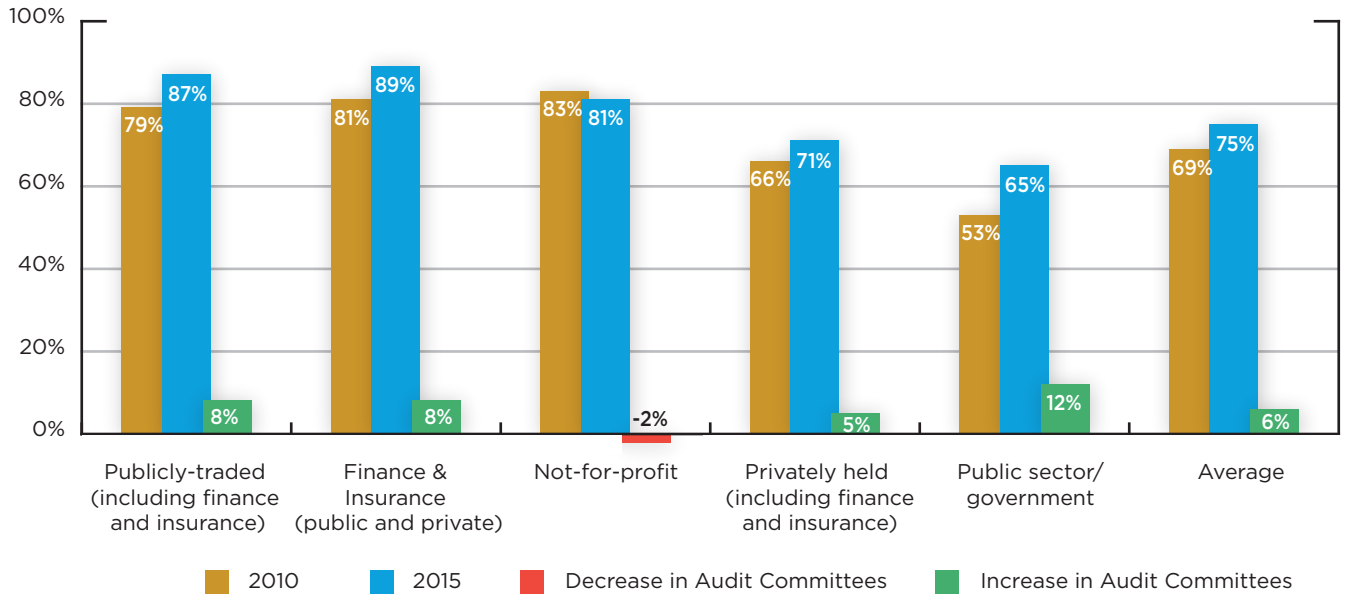
Exhibit 3 shows existence of audit committees by organization type (e.g., public companies versus private entities, etc.). Audit committee rates are about 9 out of 10 for publicly traded companies and companies in the financial sector. In contrast, only 65% of the public sector respondents have audit committees. However, the public sector shows the most growth in audit committees between 2010 and 2015, increasing 12%. It is also interesting to note that there is an increase in audit committees for privately held organizations, thereby demonstrating the importance of audit committees even where regulations do not require such a function.

The impact of regulatory requirements are seen in North America, where the rates are close to 100% for publicly-traded companies (because audit committees are required by regulation) (Q78, *n* = 557).

Impact of Two-Tiered Corporate Governance

In understanding some of the global differences in the use of audit committees, it is important to understand that various regions use a two-tier form of corporate governance with both a board and a supervisory board (or committee in some regions). The board is often composed of management members with a focus on operations and strategy. In this two-tier form of governance, the board looks more like the executive portion of the board found in the United States. The supervisory board, on the other hand, is composed of outside, independent members who

Exhibit 3 Trends in the Existence of Audit Committees (2010 to 2015, Compared to Organization Type)



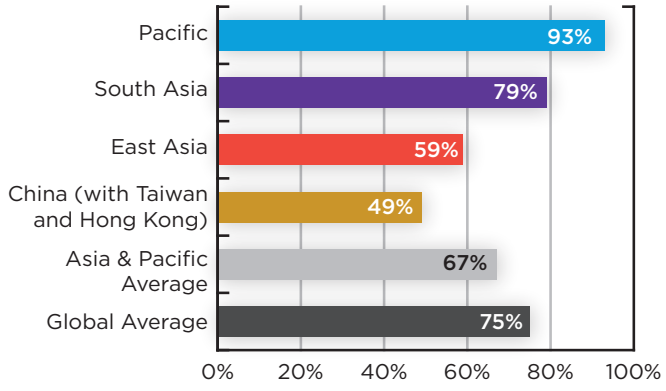
Note: Q78 (for CBOK 2015) and Q19 (for CBOK 2010): Is there an audit committee or equivalent in your organization? CAEs only. *n* = 2,910 for CBOK 2010 and *n* = 2,663 for CBOK 2015.

can hire and fire members of the executive board, determine compensation, and review major business decisions. In some countries, the supervisory board is composed mostly of investors. However, in other countries, such as Germany, such boards often have employee representatives on the supervisory board as well. For example, Systems, Applications & Products (SAP), the global software company headquartered in Germany, has nine representatives from the investor community and nine members of employees on its supervisory board. Although the independence factor favors audit committees as part of the supervisory board, there are many situations where the audit committee reports directly to the board.

Unique Considerations for Asia

Some areas in Asia have a substantially lower percentage of organizations with audit committees. As shown in **exhibit 4**, CAE respondents from China, Taiwan, and Hong Kong report that audit committees exist in only 49% of their organizations, while East Asia (Japan and South Korea) report that only 59% of their organizations have audit committees. This is well below the global average of 75%.

Exhibit 4 Existence of Audit Committees (Asia & Pacific Sub-Regions)



Note: Q78: Is there an audit committee or equivalent in your organization? CAEs only. The Pacific subregion is primarily Australia and New Zealand. South Asia is primarily India plus Bangladesh and Pakistan. East Asia is Japan and South Korea. *n* = 566.

Investigating further, we found two major reasons for the lower percentage of audit committees: 1) organizations either have a two-tiered system with a supervisory board that takes on many responsibilities similar to an audit committee, or 2) they are in the process of transitioning their governance to a unified board that would have an audit committee. For example, internal audit in Taiwan is transitioning from reporting to the full board to reporting directly to an audit committee, according to Jiin-Feng Chen, professor of accounting at Shih-Chien University. The CAE still attends the board meetings, but in the future, it is expected that CAEs will report to the audit committee. As board agendas get larger, many organizations have found that developing subcommittees of the board (e.g., the audit committee) better ensures a full vetting of important issues.

Professor Chen explains that under the new Securities and Exchange Act in Taiwan, the audit committee has substantial responsibilities ranging from approving a framework for internal control, assessing the quality of internal control, and appointing both the internal and external auditor. As seen from the survey data, the changes described by Professor Chen are a major step toward developing audit committees in many Asian countries. (For a list of the countries used for the East Asia & Pacific sub-regions, please see the CBOK report titled *Regional Reflections: East Asia & Pacific*, available at www.theiia.org/goto/CBOK.)

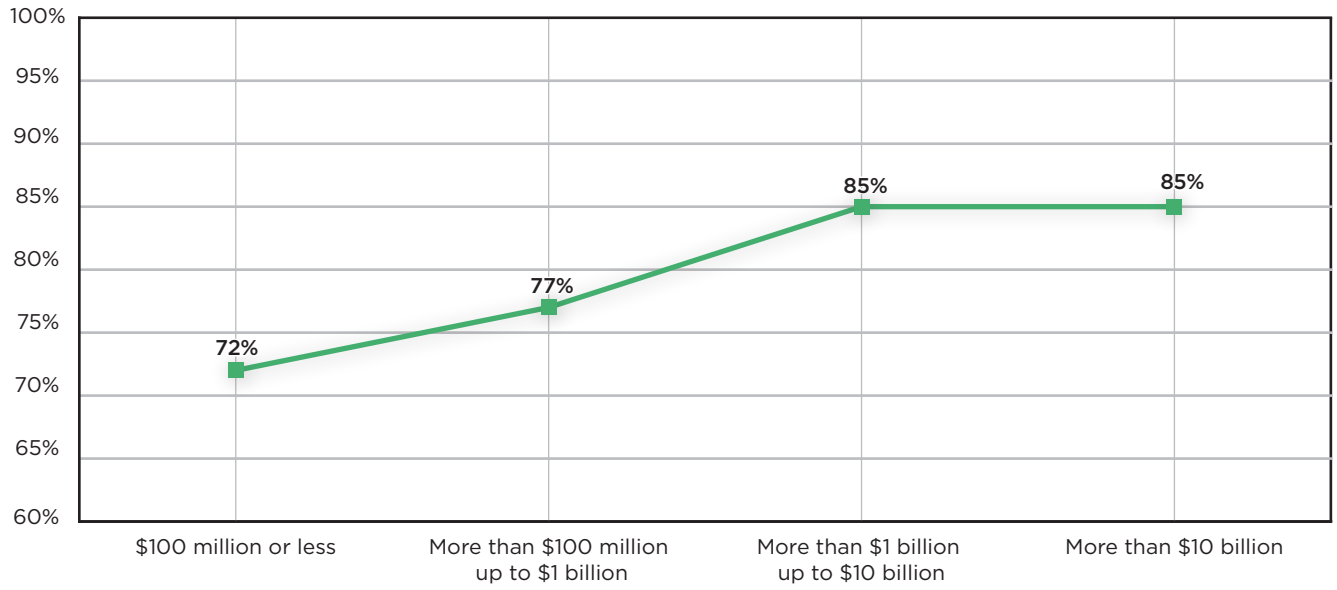
Fewer Audit Committees for Smaller Organizations

Across all regions, we found that smaller companies are less likely to have audit committees than their larger counterparts. For example, 72% of the organizations with revenue less than $100 million have audit committees, compared to 85% of the largest organizations (see **exhibit 5**).

How Often Do You Meet with the Audit Committee?

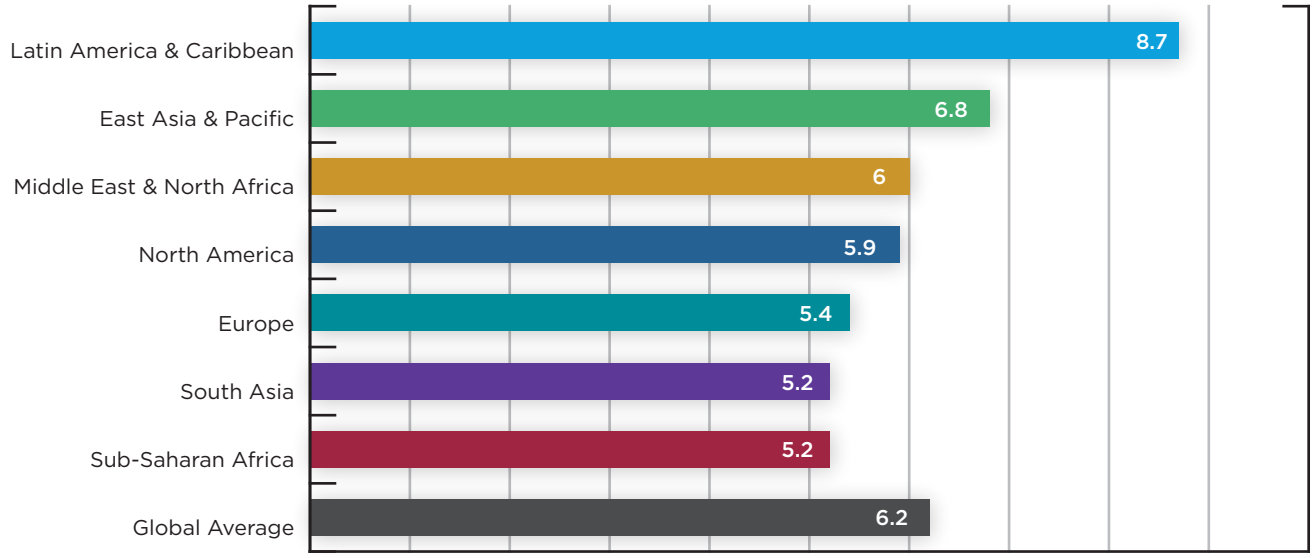
Exhibit 6 shows a significant variance between regions in the number of formal meetings with an audit committee each year. While audit committees from most regions meet an average of 5 to 6 times per year, there are significant outliers. Latin America is on the high end with an average

Exhibit 5 **Existence of Audit Committees (Compared to Organizational Revenue)**



Note: Q78: Is there an audit committee or equivalent in your organization? CAEs only. Compared to Q21: What was the approximate total revenue of your organization in U.S. dollars for the previous fiscal year? *n* = 1,953.

Exhibit 6 **Audit Committee Meetings Per Year**



Note: Q78a: Approximately how many formal audit committee meetings were held in the last fiscal year (including in-person meetings, telephone meetings, online meetings, and so on)? *n* = 1,868.

of 8.7 meetings per year, indicating meetings with the audit committee almost on a monthly basis.

Marco Loayza, managing director of Protiviti in Lima, Peru, observes that new regulations throughout Latin America, particularly financial regulations, have led to more frequent meetings. Loayza indicates that committee members feel that more frequent meetings are needed to properly discharge their regulatory and fiduciary duties, even though the meetings may be fairly short. Julio Jolly, managing director of Panama Global Solutions (PGS), practicing in Panama and other parts of South America, says that the frequency of meetings for Latin America is often explained by the existence of shorter, single-topic meetings, as well as the increased regulation of financial institutions. **Exhibit 7** shows that financial organizations and utilities—both heavily regulated—have more frequent meetings.

Higher meeting frequency is also reported for East Asia & Pacific. H. S. Widhanto, research committee chair, IIA–Indonesia, indicates that in developing areas, such as Indonesia, there are internal requirements for more frequent meetings, including many non-financial public companies. As governance grows and matures, many emerging companies find that meeting more frequently can be helpful to ensure that the organization is operating in compliance with organizational directives and with proper controls.[9]

Do You Have Executive Sessions without Management?

Typical audit committee meetings often include individuals from many areas of an organization, including, but not limited to, the chief financial officer (CFO), chief legal officer (CLO), external auditor, internal auditor, tax managers, and others on occasion that could include the director of IT, chief compliance officer (COO), outsourcing providers, and occasionally the chief executive officer (CEO). While there is time for the CAE to report on internal audit activities, the discussion may be limited either because of time or because the presence of the executive officers (C-Suite) may have the unintended effect of suppressing discussion of issues that reflect directly on the executives' performance. Most audit committees now have sessions without management present (called executive sessions).

Typically, only the audit committee members and the reporting party attend the executive sessions (e.g., the CAE). These sessions are designed to assure the audit committee that all important issues are discussed in confidence. Many audit committees find it useful to schedule executive sessions with internal audit, external audit, and financial management after regularly scheduled audit committee meetings. Most audit committees find that regular scheduling enhances the effectiveness of communication. For CAEs, waiting for an invitation or asking for a private meeting are not good options. Regularly scheduled executive sessions keep the communications line open.

As shown in **exhibit 8**, there is quite a variance across regions as to whether CAEs meet with the audit committee without management present. In areas such as East Asia, Europe, Latin America, and Sub-Saharan Africa, about 70% (or less) of the CAEs have executive sessions with the audit committee. Why is this a concern? The response is that internal audit cannot meet its full potential if it cannot have candid discussions without management present.

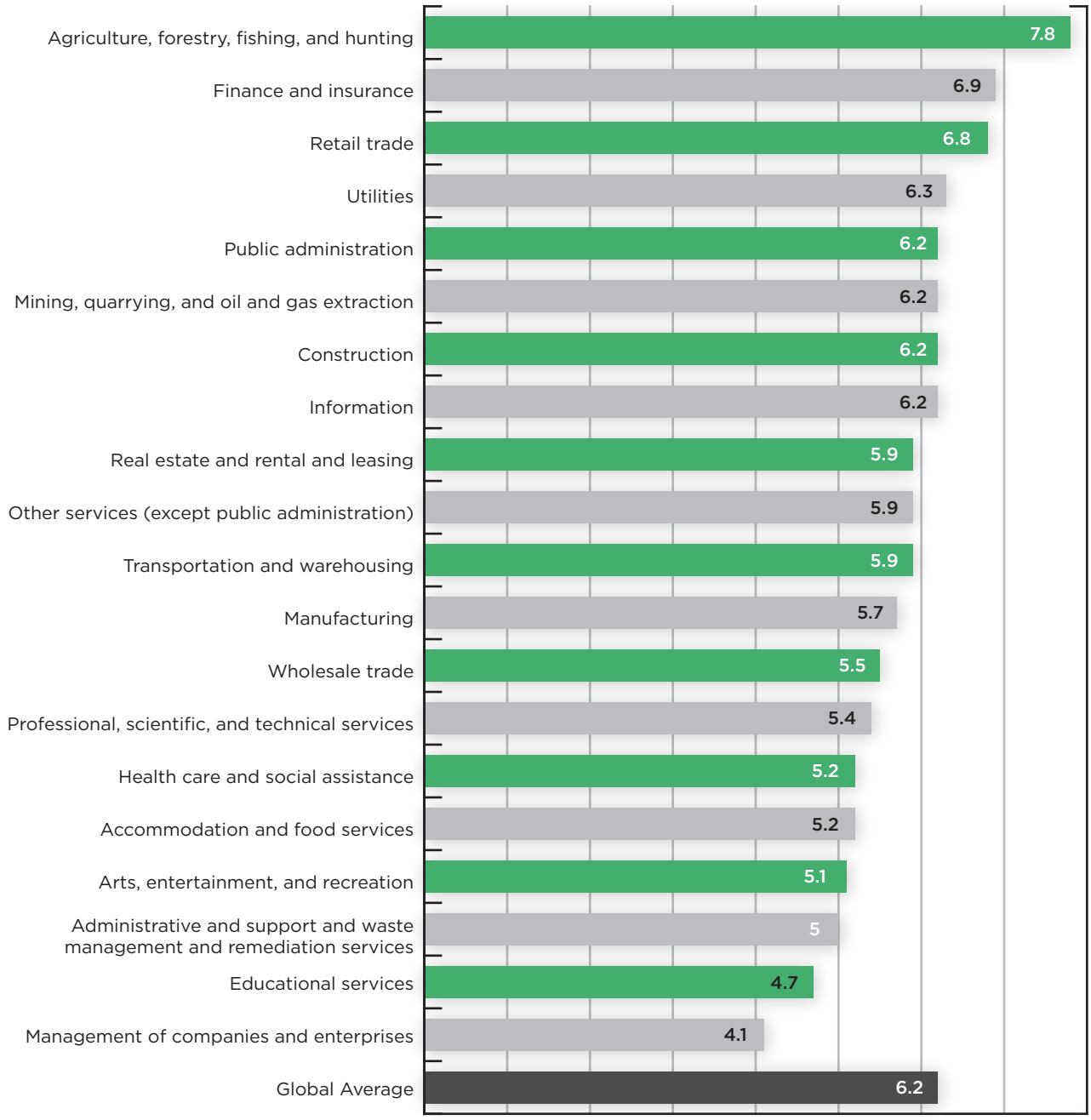
Reasons Behind Regional Differences

Follow-up interviews reveal various reasons for the regional differences. In Europe, Jean-Pierre Garitte, independent consultant and former chair of The IIA, says that members of management, particularly the CFO and CEO, are guests of the audit committee. He goes on to state:

> "In many occasions it would be considered inappropriate to ask these top executives to leave the room. It is rather a cultural issue. That doesn't mean that the CAEs do not have the opportunity to contact the audit committee chair directly in case independence is threatened. But many of the audit committee chairs will not explicitly ask senior management to leave the room."

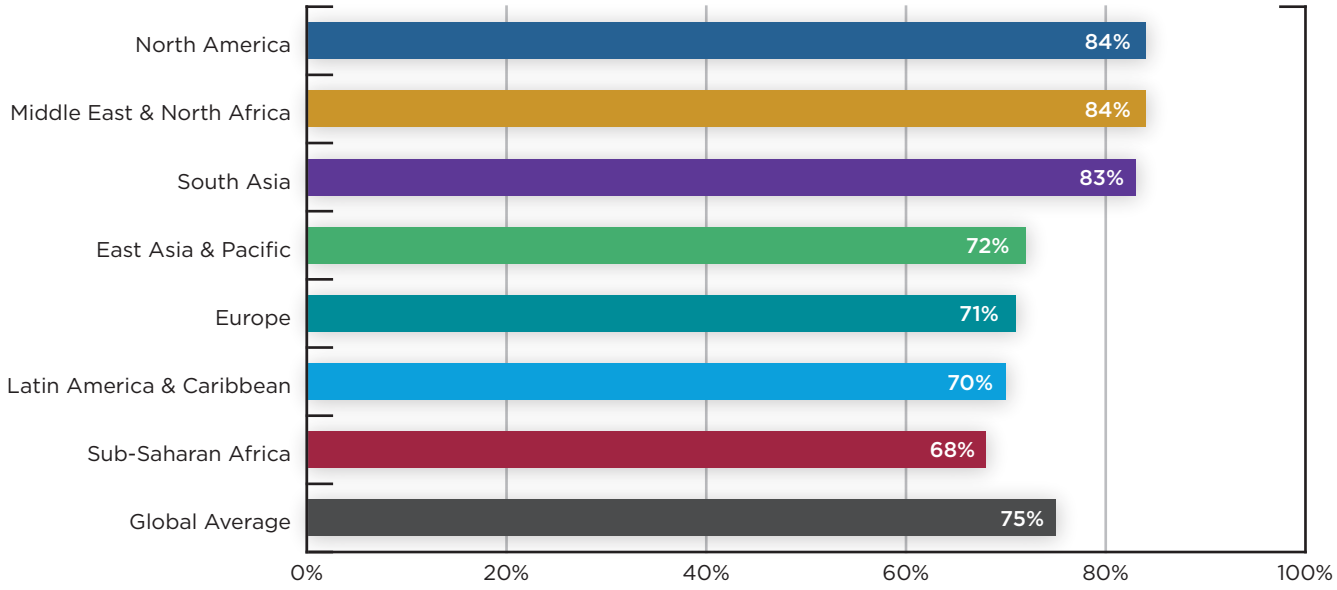
[9] Similarly, we also find that as organizations become more global and the sourcing of board members becomes more complex and geographically disperse, there is a tendency to meet less often (in person) but for longer times.

Exhibit 7 Formal Meetings with the Audit Committee per Year (Industry Comparison)



Note: Q78a: Approximately how many formal audit committee meetings were held in the last fiscal year (including in-person meetings, telephone meetings, online meetings, and so on)? *n* = 1,894.

Exhibit 8 Executive Sessions Between the Audit Committee and Internal Audit



Note: Q78c: Does the chief audit executive (CAE), or director, meet at least once per year with the audit committee in executive sessions with no member of management present? CAEs only. Respondents to this question indicated in a previous question that their organizations had an audit committee. *n* = 1,860.

Executive sessions between the CAE and the audit committee is also low for most Asian countries. Interviewees explained that many parts of Asia have a culture where executive management tends to have more power and provide fewer opportunities for questioning and oversight. That culture is changing as organizations in those areas need to access global financial markets, but change is coming very slowly and there are too many abuses of such power. H. S. Widhanto commented:

> "The problem is actually the fact that quite a few audit committee members/audit committees do not collectively push to have such meetings. . . Exploring further, the root cause of this situation might be due to the lack of sufficient practical knowledge in best/common oversight models possessed by the audit committee members."

As governance evolves, the expectation is that executive sessions will become more common.

Professor Chen also observes that in Taiwan, many of the large organizations are still family owned with large shareholders that tend to control the board and thus management of companies. However, the Taiwan Stock Exchange is taking strong actions to improve governance. Change is often gradual, and similar observations can be made for Latin America.

Unique Considerations for Europe

Although Europe has a long history of corporate governance, it has only been recently that boards with standing committees (e.g., an audit committee) have been in place.[10] Only 49% of CAEs in West Europe say they have a functional reporting role to an audit committee. In East

[10] As noted in exhibit 2, audit committee existence in Europe increased by 11% among survey respondents between 2010 and 2015.

Europe, that statistic drops to 39%.[11] Instead of reporting functionally to the audit committee, approximately 25% from both regions of Europe say they report to a board. The rest report to CEOs (20%), CFOs (4%), or other executives (5%) (Q74, *n* = 772).

We asked a few European leaders for their feedback about these responses. Sten Bjelke, former CAE of the Swedish Railway System, stated that historically, European boards were served by task forces instead of standing committees. The European approach has historically relied on direct reporting to the board. In addition, Günther Meggeneder, senior vice-president of internal audit and compliance of a large German company and former chair of The IIA, stated that there is a gradual movement to an audit committee approach, but it is evolving fairly slowly.

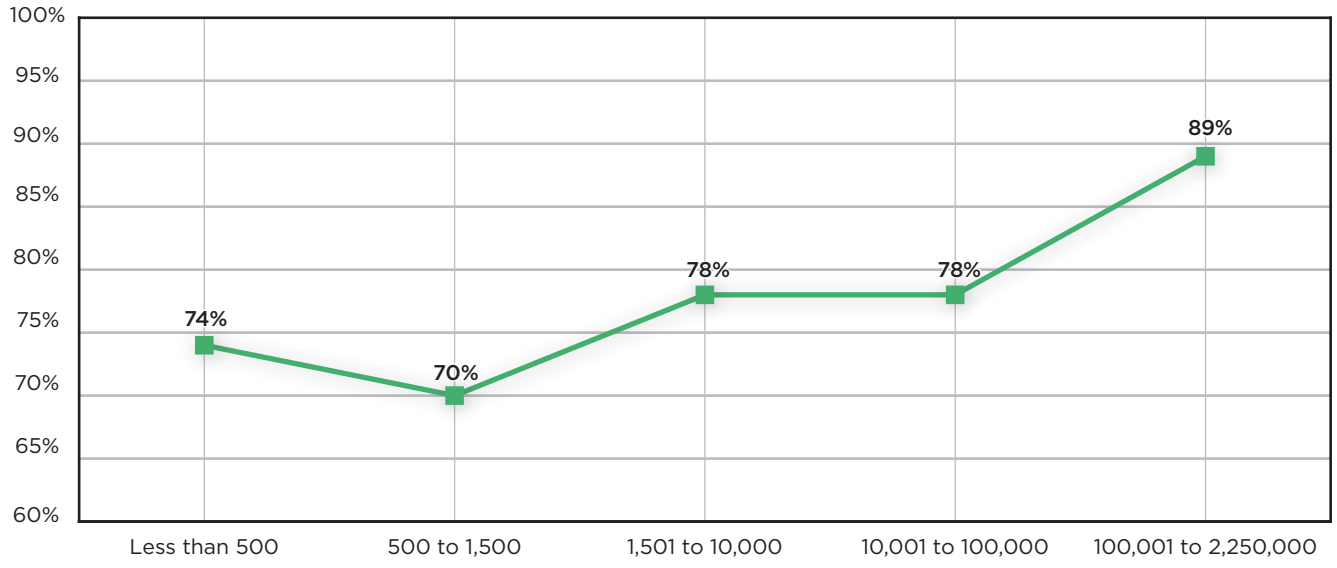
Of those in Europe who have audit committees, a substantial proportion do not have executive sessions without management present: 31% in Western Europe and 26% in Eastern Europe (Q78c, *n* = 534). (It is not known whether some meet in executive session with the board because this question was not in the survey.) For more information, please see *Audit Committee Guidance for European Companies*, Appendix 1: EU 8th Company Law Directive, Article 41, Audit Committees, KPMG (www.ecoda.org).

Smaller Organizations Have Fewer Executive Sessions

We further examined potential relationships that might explain the interaction with the audit committee. First, we examined the relationship between size and the existence of executive sessions without management present. Clearly, there is a strong relationship with size, as shown in **exhibit 9**.

[11] For more information about which countries are included in West Europe and East Europe, see Arthur Piper, *Regional Reflections: Europe*, CBOK 2015 Practitioner Study report (The Institute of Internal Auditors, 2015), p. 2.

Exhibit 9 Executive Sessions Between the Audit Committee and Internal Audit (Compared to Organizational Size)



Note: Q78c: Does the chief audit executive (CAE), or director, meet at least once per year with the audit committee in executive sessions with no member of management present? CAEs only. *n* = 1,887.

Conclusion

It is fundamental that the internal audit function have clear communication lines with those responsible for overall governance to assure investors and other stakeholders that the organization is operating within the parameters—especially those regarding corporate conduct, financial reporting, internal controls, risk management, and compliance. Communication needs to take place without fearing potential retribution by management or other parties within the organization. While there is progress, it is clear that there is much more to do.

Section 3: The Way Forward for Internal Audit

The CBOK survey findings and our inquiry leads to four key themes regarding internal audit interaction with audit committees.

Key Theme 1

While audit committee relationships have improved, there are too many organizations without effective audit committees.

> CAEs need a direct reporting line to the board (or audit committee of the board), and the board needs to 1) truly be objective (and not automatically defer to executive management, 2) understand the challenging role of internal audit, 3) have sufficient experience and judgment to exercise their fiduciary role, and 4) be knowledgeable about the risks of the organization.[12]

Smaller organizations and governmental units are lagging behind other organizations in developing audit committees and internal audit as part of good governance. The recent IIARF report, *The Politics of Internal Auditing*, found that these two organizational types often are sources of political problems for internal audit. The argument often heard is that governmental units/agencies are accountable to citizens and do not need audit committees. However, many governmental organizations (e.g., cities, counties, schools, or hospitals, or smaller governmental agencies) often have councils where the equivalent of audit committees can (and should) exist. For example, a city council can identify *independent* individuals with financial and operational experience—credentialed as a certified internal auditor (CIA), certified public accountant (CPA), or equivalent type of certification—to serve on such a committee. Larger governmental units can develop similar committees. There is no doubt that many governmental agencies need internal audit to help them better understand risks and controls. Effective governance and independent oversight of our governmental entities is just as important to our societies as governance of private institutions. Effective audit committees and empowered internal audit functions would be helpful.

Key Theme 2

The frequency of meetings varies substantially by geographic region and by industry.

The use of audit committees varies with governance maturity and regulation. The frequency of meetings often correlates with countries that have added significant new regulations, particularly those related to financial institutions. Although not directly asked in the survey, it appears that the existence and nature of audit committees across the globe is maturing. Many organizations start with very active, hands-on committees with direct oversight over their mandated responsibilities. Over time, the audit committees mature as a) the mandate becomes clarified, b) needed oversight skills are identified, c) internal audit is identified as a key asset, and d) the geographic area from which audit committee members are selected is expanded. These items, coupled with a strong audit committee chair who stays in contact with the CAE, may lead to fewer but more effective meetings during the year.[13]

[12] Patricia K. Miller and Larry E. Rittenberg, *The Politics of Internal Auditing* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2015), p. 103.

[13] This is not meant to argue that fewer audit committee meetings per year is better. Rather, the argument is that as the audit committee charter becomes broader, the organization becomes more global, broader expertise is needed, and so forth, that audit committees may meet fewer times per year, but each meeting may be longer.

Key Theme 3

Executive sessions have increased, but there are differences between industries and regions.

It is surprising that 25% of the respondents that report to audit committees do not have executive sessions with the audit committee. This low percentage is partially explained by culture, particularly in Asia where the culture values management views, and management power often cannot be questioned.

This is an area where internal auditors must build their relationships with audit committee chairs and ensure that executive sessions become part of the audit committee charter as well as the internal audit charter. That relationship is crucial to ensure that the internal audit activity is structured to add value to the organization.

Key Theme 4

Boundaries for management and internal audit are changing.

Change has to be addressed by every organization. The same is true for internal audit. Too often, we find that internal audit functions are "aiming" to improve their value-added services in the context of the current environment. As an analogy, consider an objective to send astronauts to the moon. Would they aim for where the moon is currently located, or would they aim for where the moon is going to be in the future? Clearly, it is the latter. It is similar with internal audit. In working with the audit committee, internal auditors need to understand the bigger picture and not just what is true today.

Organizations are moving rapidly, and internal auditors may need to do more to assure stakeholders that they are keeping up. In a recent survey for the State of Internal Auditing, PricewaterhouseCoopers (PwC) reports that 55% of senior management do not believe internal audit adds significant value.[14] Board members responding to that survey were even more critical of the value-add of internal auditors. What does this mean for internal audit? In many instances, the disparity can be explained by internal audit not keeping pace with the changes in management and the organization. Management and boards want operations to be lean, cost-efficient, and effective. They expect no less from internal audit. If internal audit has an objective to serve management and audit committees well, and there is independent data that they are not achieving that objective, then internal audit should perform an internal risk assessment of its own function to identify ways to improve.

The changing boundaries of audit committees can also be seen by examining the agendas of audit committees, many of which have been expanded to include topics such as:

- Risk management
- Cybersecurity
- Internal control over financial reporting
- Compliance
- Ethics/tone at the top
- Regulation and compliance
- Oversight of legal processes

As their agenda increases, the audit committee needs to either a) expand the number of functions that report to the audit committee (for example, a compliance group), or b) look to internal audit to provide the audit committee with "combined assurance."[15,16] The combined assurance model presents an opportunity for the internal audit profession to leverage its presence to the audit committee and to streamline and enhance communications with the audit committee.

Section 4: Conclusion

There is plenty of good news in this report about interacting with audit committees. There is increased emphasis on improved corporate governance and effective audit committees. It appears that areas such as East Asia are moving, albeit slowly, to an enhanced governance structure that will include audit committee oversight. This represents

[14] *2014 State of the Internal Audit Profession Study* (PricewaterhouseCoopers), p. 2w.

[15] Sam C. J. Huibers, *Combined Assurance: One Language, One Voice, One View* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2015).

[16] Rob Newsome, *Governance of Risk* (PricewaterhouseCoopers, 2011).

significant opportunity for the service of the internal audit profession.

The less heartening news is the lack of independent oversight related to governmental functions. Many internal auditors in those entities are performing outstanding work but lack the independent oversight that ensures their work is properly communicated, assessed, and addressed by responsible officials. This is an area that deserves more attention across the profession and citizen groups.

To succeed in the future, internal auditors need to increase the focus on where their organizations are going and invest in talent and tools to meet the needs of management and the board. Otherwise, there is a risk that the profession may miss opportunities to increase its value proposition.[17,18]

About the Author

Larry E. Rittenberg, PhD, CIA, CPA, is professor emeritus at the University of Wisconsin-Madison, where he teaches and conducts research in the areas of internal auditing, governance, internal controls, risk management, and external auditing. He served as chairman of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) from 2004 to 2009 and is the author of numerous IIARF studies, including *The Politics of Internal Auditing* (2015), co-written with Patricia K. Miller.

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[17] For more about the importance of looking forward, see the earlier CBOK report by Larry Harrington and Arthur Piper, *Driving Success in a Changing World: 10 Imperatives for Internal Audit* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2015).

[18] For more about the current direction of the profession, see *The Framework for Internal Audit Effectiveness: The New IPPF* (Altamonte Springs, FL: The Institute of Internal Auditors, 2015).

About CBOK

SURVEY FACTS

Respondents	14,518*
Countries	166
Languages	23

EMPLOYEE LEVELS

Chief audit executive (CAE)	26%
Director	13%
Manager	17%
Staff	44%

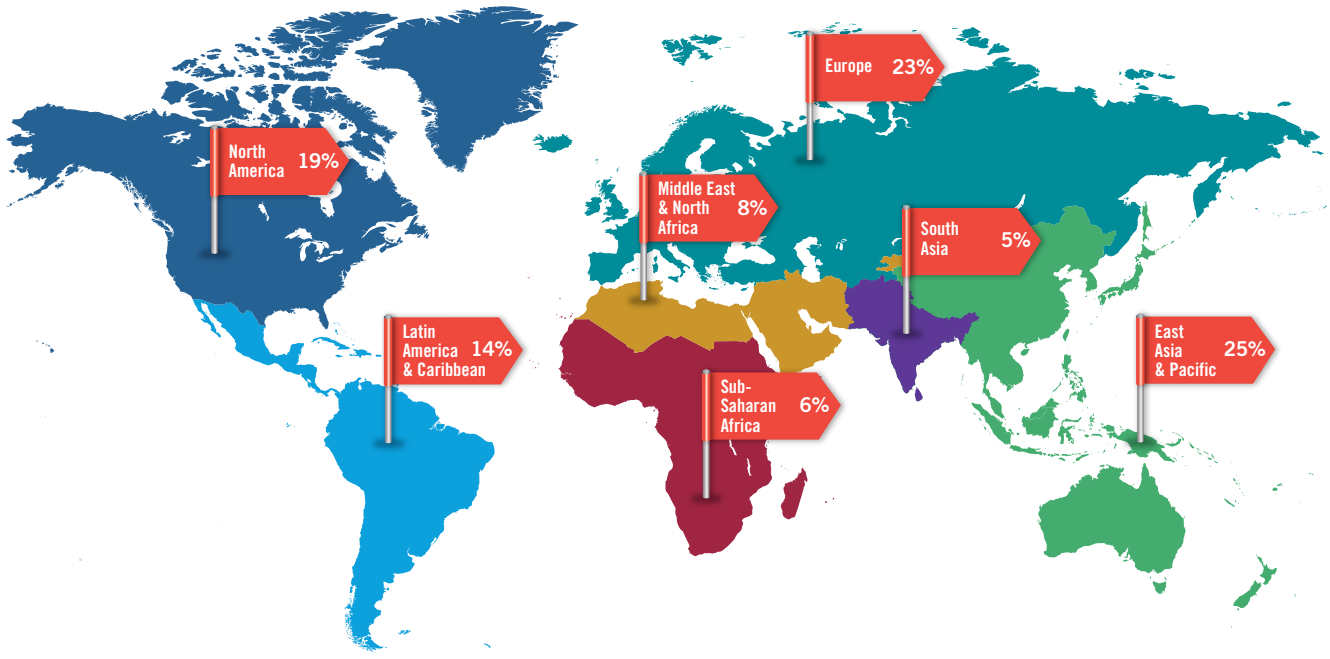
*Response rates vary per question.

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession, including studies of internal audit practitioners and their stakeholders. One of the key components of CBOK 2015 is the global practitioner survey, which provides a comprehensive look at the activities and characteristics of internal auditors worldwide. This project builds on two previous global surveys of internal audit practitioners conducted by The IIA Research Foundation in 2006 (9,366 responses) and 2010 (13,582 responses).

Reports will be released on a monthly basis through 2016 and can be downloaded free of charge thanks to the generous contributions and support from individuals, professional organizations, IIA chapters, and IIA institutes. More than 25 reports are planned in three formats: 1) core reports, which discuss broad topics, 2) closer looks, which dive deeper into key issues, and 3) fast facts, which focus on a specific region or idea. These reports will explore different aspects of eight knowledge tracks, including technology, risk, talent, and others.

Visit the CBOK Resource Exchange at www.theiia.org/goto/CBOK to download the latest reports as they become available.

CBOK 2015 Practitioner Survey: Participation from Global Regions



Note: Global regions are based on World Bank categories. For Europe, fewer than 1% of respondents were from Central Asia. Survey responses were collected from February 2, 2015, to April 1, 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were included in analysis as long as the demographic questions were fully completed. In CBOK 2015 reports, specific questions are referenced as Q1, Q2, and so on. A complete list of survey questions can be downloaded from the CBOK Resource Exchange.

About The IIA Research Foundation

CBOK is administered through The IIA Research Foundation (IIARF), which has provided groundbreaking research for the internal audit profession for the past four decades. Through initiatives that explore current issues, emerging trends, and future needs, The IIARF has been a driving force behind the evolution and advancement of the profession.

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