

INTERVIEW OF THE PRESIDENT OF ECIIA Mr. HENRIK STEIN

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1. Please tell us a few words about the ECIIA. Which is its main role and purpose?

ECIIA is the consolidated voice for the profession of internal auditing in Europe and promotes the role of internal audit and good corporate governance by dealing with the European Union, its Parliament and Commission and any other European regulators and supervisors as well as associations representing key stakeholders.

2. Which are the perspectives and objectives of ECIIA for the near future being under your presidency and in what ways do you expect them to affect the Internal Auditor's profession?

The main objectives under my presidency were:

- Provide a 'ground' for Chief Audit Executives and their teams to share knowledge and experience across other companies of the same industry in Europe. We have created new committees (banking, insurance) where we discuss and agree on positions for the profession on a European level and where we meet with the European regulators and supervisors to discuss and to explain the role and added value of our profession.
- Strengthen the role of internal audit in the public sector. We have recently signed a MOU with EUROSAI and develop best practices about the collaboration between internal and external audit and the role of the audit committee in the public sector.
- Increase our action towards the European Regulators. We have, for example, participated to the Stakeholders Group for the Non-Financial Reporting and we are currently working actively with the European Commission and the Maltese presidency on cybersecurity and data protection regulations that will come in force in 2018.
- Collaborate with the second line of defence profession. We work with Ferma (European Risk Management Association) on common subjects developed at a European level such as country by country reporting, digital risks.
- And last but not least internally, we improved the governance model of ECIIA and agreed new articles of associations which have been implemented at the last General Assembly, to better reflect the objectives and mission of ECIIA.
- Intensify the communication with our members (the national institutes of IIA) by extended communication and information, e.g. via regular newsletter, social media presence etc.

3. Please state which you think, are the most common trends and challenges facing Internal Auditors of nowadays, taking into consideration the ever changing, demanding and complex regulatory and corporate environment.

Due to the changing environment, i.e. new emerging risks such as cyber risks, the continuously emerging/changing regulatory requirements (especially in the financial sector) and the growing complexity of the daily business, Internal Auditors, as well as, their auditing approaches are under

pressure to become more flexible/dynamic in order to properly address these changes (i.e. dynamic audit planning).

Recently, Internal Audit's effectiveness and capability to identify and address risks early and report them to the company's shareholders as well as its independence towards its management board has been questioned (i.e. in how far it should also be independent from the management board).

In order to create value to the entire organization the Internal Audit function must improve its approach on identifying and addressing risks early. The observed trend towards a more dynamic auditing approach will in turn enhance sound corporate governance practices.

- The world is changing, Europe is changing, more demands are being put on good corporate governance, and internal audit has a vital role to play in future developments.
- In general, internal auditors must be professionals, good communicators, flexible and reactive.
- The Collaboration with the second line of defence, a clear message to the Board and Audit Committee and a flexible audit plan are more important than ever.
- The use of digital tools is also key for running an efficient and effective internal audit department.
- And finally, finding the right skills and motivate the team remain an important part of the success of the internal audit departments.
- All these new challenges must be managed by the Chief Audit Executives.

4. How would an Internal Auditor enhance sound corporate governance practices in his organization?

- In order to enhance sound corporate governance practices, the organizational structure needs to be robust, i.e. the roles of the 1st, 2nd and 3rd line of defense must be clearly defined (clear responsibilities).
- Through its independent positioning within the organization (complete process independence), Internal Audit is in the best position to enhance a sound corporate governance and to provide most 'objective' information to senior management and the Board.
- Further, the Internal Audit's knowledge on the organization, its processes and especially its internal audit results can be used to design / shape / improve the organization's corporate governance structure (further).
- The cooperation between the different lines in order to avoid duplication and increase the assurance scope will also help for better governance.
- The recommendation for an integrated approach, thinking and reporting will help the Board/Audit Committees getting a single view of the organization.
- Internal audit can also make recommendations in new areas such as culture, ethics etc.

5. Is there, in your opinion, an implicit need for Internal Auditors to further broaden their technical knowledge with even more IT knowledge and skills, in order to gain a clearer understanding of the insight of their organizations? How far would that knowledge go?

- Definitely. We can observe high demand for technology skills due to an organization's ever faster IT developments. Just to name a word "digitalization". Technology is used everywhere within an organization and takes an active part in several processes / controls.

- Through these technological developments, new risks emerge. In order to identify these, additional skills (i.e. technical knowledge/ IT skills) will be needed.
- However, there will still remain a difference between an IT expert and the non-IT expert auditor, but for everyone it will be crucial to understand these new arising risks.

6. What can Internal Auditors do to equip themselves and remain competitive and effective as value adding members of their organizations?

- To remain competitive and in order to effectively add value to the organization, Internal Auditors must establish a dynamic and efficient approach to identify, address and report risks early e.g. through dynamic audit planning and a stronger interconnectedness between 2nd and 3rd line of defense. Communication throughout the entire organization will thereby be crucial.
- Furthermore, Internal Auditors must:
 - o Keep their skillset up to date (continuous training/ broaden knowledge), be flexible / open to changes in order to properly identify new emerging risks.
 - o Add value by taking an active role within organizations' projects (thereby take a part in shaping/designing the organizations' corporate governance).
 - o Promote the Internal Audit function within the organization by using modern form of communication.
 - o Network within the organization as well as with external colleagues to get a sense on challenges each is facing.

7. How vital for their sustainability you think is that Internal Auditors of nowadays, turn towards a more advisory perspective in their traditional way of auditing, without their objectivity being impaired?

- Through a more dynamic auditing approach, the role of Internal Auditors will become sustainable. Turning towards a more advisory perspective in the traditional auditing approach is vital and an indispensable add-on for the sustainability of Internal Audit.
- Besides doing the 'compulsory' work based on a risk based audit plan which covers all relevant areas and processes of an organization and by not limiting their independence, the Internal Auditor as an internal 'consultant and trusted advisor' can actively engage in knowledge sharing and thereby add value to the entire organization (e.g. in projects).

8. Where do you see the internal audit profession is heading in about 10 years from now?

In 10 years from now, the 2nd and 3rd line of defense will grow stronger together and operate on an integrated risk approach to identify, address and report risks as early as possible. Especially in the non-financial services sector we will observe a stronger interconnectedness between risk management, compliance and internal audit. In order to identify, address and report risks early, the auditing approach will become more and more flexible (dynamic adjustment).