

# 2023 North American Pulse of Internal Audit

Benchmarks for Internal Audit Leaders



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# About the Pulse of Internal Audit

## NUMBER OF RESPONSES

CAEs	467	83%
Directors	95	17%
Total	562	100%

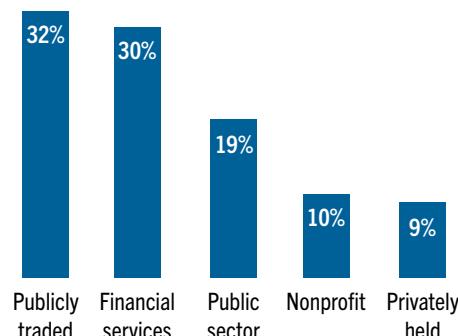
The IIA has conducted the annual Pulse of Internal Audit survey (Pulse) every year since 2008. Each survey collects valuable benchmarking information from internal audit leadership about risk, audit plans, budgets, staff, and more.

The online survey for the 2023 North American Pulse of Internal Audit report was conducted from Oct. 20 to Dec. 2, 2022. Respondents primarily came from organizations headquartered in the United States (83%) and Canada (11%), with the remaining 6% coming from outside North America.

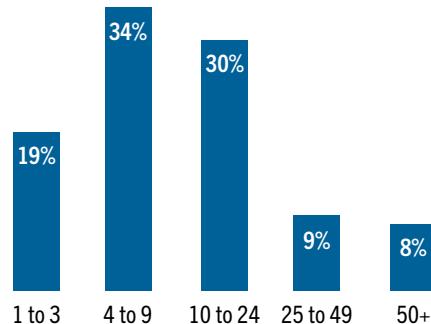
This report generally analyzes financial services respondents separately because their responses can differ significantly from others. The financial services category was created by extracting financial services respondents from the broader organization types (as shown in the graph below). In addition, the term CAE is used in Pulse reports generically to reference all survey respondents.

Learn more about The IIA's Pulse of Internal Audit research and download additional reports at [www.theiia.org/Pulse](http://www.theiia.org/Pulse).

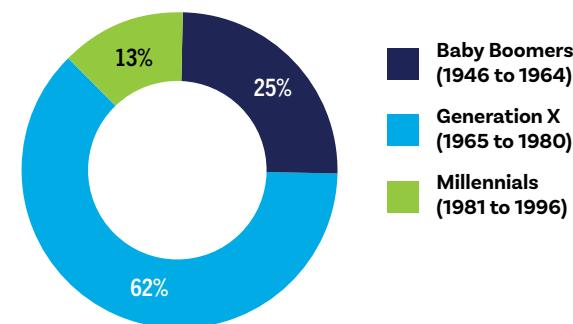
Organization Type With Financial Services Breakout



Internal Audit Function Size (FTEs)



Respondent Generation



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# Introduction From The IIA's President and CEO

**For more than 15 years,** The IIA's annual Pulse of Internal Audit report has provided internal audit leaders with a benchmarking tool that they can use throughout the year as they plan and manage their internal audit functions. Internal auditors know the value of good data, as it's at the heart of our profession, and the Pulse report is among the premier sources of data for internal audit teams. The report provides insights into budgets, staff, audit plans, risks, and more.

This year's report has some very encouraging trends. Based on survey responses from chief audit executives (CAEs) and directors in North America, the past 12 months brought good news for internal audit budgets and staff levels:

- For internal audit budgets, the rate of increases vs. decreases has returned to pre-COVID levels.
- For internal audit staffs, the rate of increases vs. decreases is improving steadily and is trending toward pre-COVID levels.

This year's survey also incorporated new questions about audit planning to better understand how internal audit teams review organizational risks. For the first time since the survey was started, CAEs were asked how frequently they conduct audits. Their responses show that:

- High risk areas such as cybersecurity and IT are reviewed annually or continuously by almost 70% of functions.
- Some areas are audited regularly, but not every year, particularly third-party relationships, enterprise risk management, and governance and culture.

In addition, fraud continues to be a key area of focus, with almost 90% of respondents saying they integrate fraud considerations into their general audits.

These new ways of looking at audit planning show how audit functions can effectively review risk areas even when they cannot dedicate a large percentage of their audit plans to them. The Pulse survey is more relevant and insightful than ever by keeping the best of our prior surveys and adding these new questions.

I'm pleased to share our 2023 Pulse of Internal Audit report and hope that it serves you, your audit team, and your organization well throughout the year.



**Anthony J. Pugliese,  
CIA, CPA, CGMA, CITP**

President and CEO  
The Institute of Internal Auditors

# Executive Summary

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## Section 1: Budget

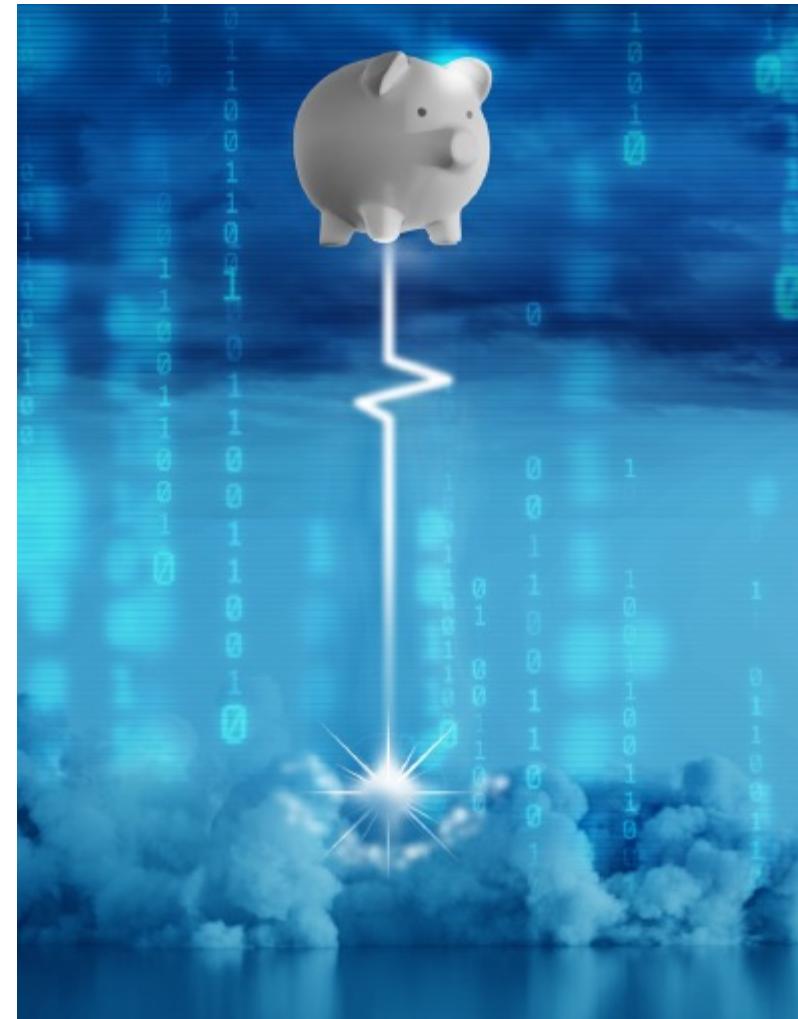
- Internal audit budgets have returned to pre-COVID levels for percentages of those with increases vs. decreases.
- About 40% said they had budget increases in the past year.
- About 60% said they have budget sufficiency.
- Long-term trend shows about 50% of budgets stay about the same year-over-year-during normal economic conditions.

## Section 2: Staff

- Internal audit staff growth is increasing but has not returned to pre-COVID levels yet.
- The biggest challenge when hiring talent is compensation expectations.
- Remote work is decreasing but still common.

## Section 3: Audit Plans

- Cybersecurity and IT efforts made up 19% of respondents' audit plans.
- Almost 70% of functions review high risk areas, such as cybersecurity and IT, at least annually.
- More than 80% of auditors integrate fraud and IT considerations into their audits routinely.
- Almost half of CAEs say they are responsible for fraud investigations.
- At publicly traded organizations, 67% of CAEs have responsibility for the Sarbanes-Oxley program.



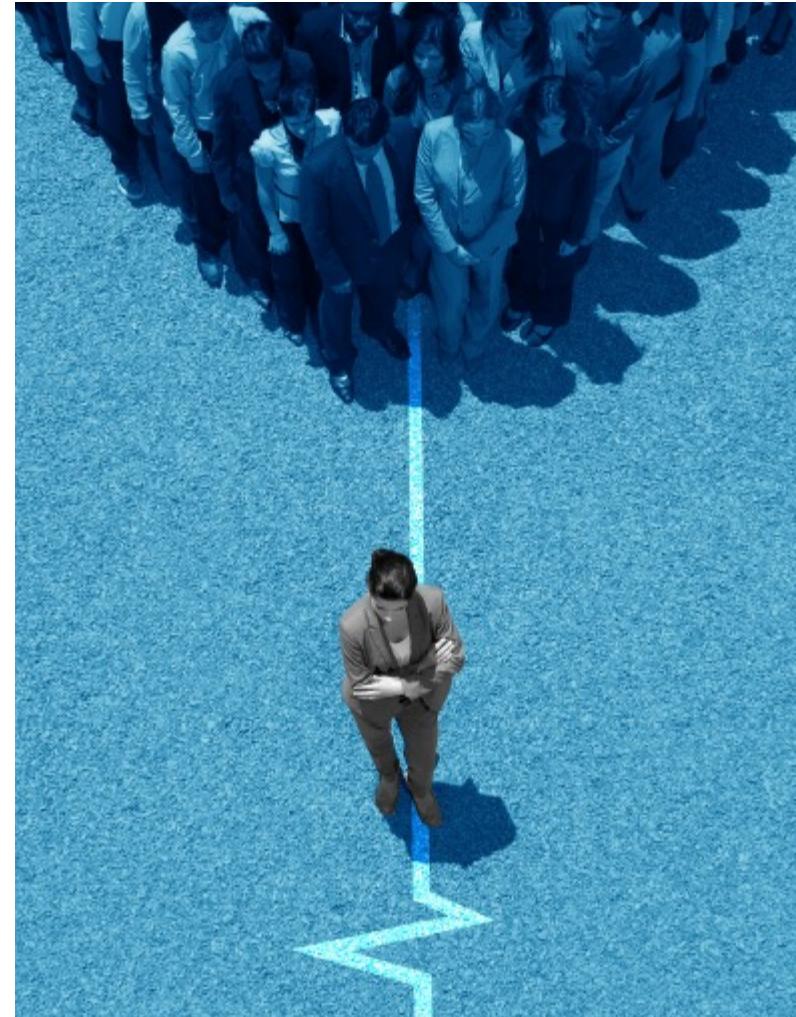
# Executive Summary (continued)

## Section 4: Risk Levels

- Third-party relationships is the third highest risk area (after cybersecurity and IT).
- Audit frequency for third-party relationships is relatively low compared to risk level.
- More than 60% of respondents at publicly traded organizations considered sustainability/non-financial reporting risk levels to be moderate, high, or very high.
- Cost/expense reduction has a much higher risk level for nonprofit organizations than other sectors.

## Section 5: Leadership Metrics

- Administrative and functional reporting lines differ significantly by sector.
- 94% say their organizations have an audit committee, board, or equivalent.
- However, only about 70% at public sector and privately held organizations say they report functionally to an audit committee, board, or equivalent.
- For administrative reporting in the public sector and financial services, the most common line is to the CEO, president, or agency head.
- However, at 72% of publicly traded organizations and 60% of privately held organizations, the administrative reporting line goes to the chief financial officer (CFO) or similar role..



# How to Use This Report for Benchmarking

## Organization Types and Industries

This report is designed to be used as a benchmarking tool for understanding and managing internal audit functions. To help leaders find the best point of comparison, metrics are often compared against five organization types – publicly traded, privately held, public sector, nonprofit, and financial services. The financial services category was created by extracting financial services respondents from the other four organization types. This page shows the industries most commonly represented in these organization types.

### Publicly Traded

Manufacturing	28%
Mining, quarrying, and oil/gas extraction	11%
Health care and social assistance	7%
Transportation and warehousing	7%
Utilities	7%
Information	7%
Retail trade	6%
Construction	3%
Other	24%
<b>Total</b>	<b>100%</b>
<b>Number of responses</b>	<b>177</b>

### Privately Held

Manufacturing	22%
Information	8%
Transportation and warehousing	8%
Healthcare and social assistance	6%
Professional, scientific, and technical services	6%
Real estate and rental and leasing	6%
Wholesale trade	6%
Educational services	4%
Other	34%
<b>Total</b>	<b>100%</b>
<b>Number of responses</b>	<b>50</b>

### Public Sector

Public administration	43%
Educational services	29%
Health care and social assistance	8%
Agriculture, forestry, fishing, hunting	5%
Other	15%
<b>Total</b>	<b>100%</b>
<b>Number of responses</b>	<b>107</b>

### Nonprofit

Health care and social assistance	54%
Educational services	21%
Other	25%
<b>Total</b>	<b>100%</b>
<b>Number of responses</b>	<b>57</b>

### Financial Services

Financial institutions	58%
Insurance	27%
Asset management	4%
Broker-dealer	3%
Other	8%
<b>Total</b>	<b>100%</b>
<b>Number of responses</b>	<b>164</b>

Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q7: What is the primary industry classification of the organization for which you work (or your primary client if you are a service provider)? n = 555.



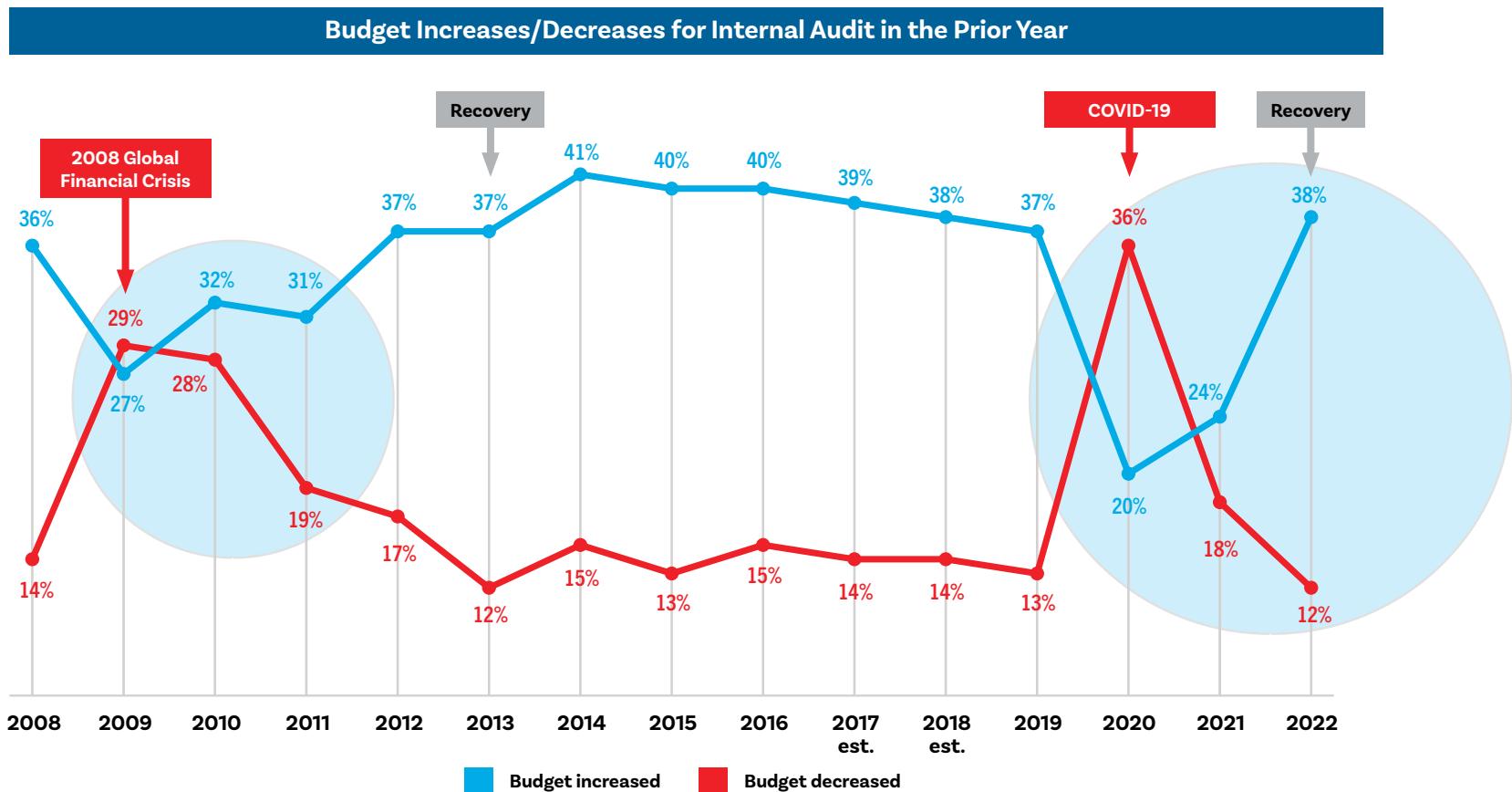
SECTION 1

# *Budget*

# Budget Trend – 2008 to 2022 – Recovery

The percentages of respondents with budget increases and decreases have returned quickly to pre-COVID levels

After the 2008 Global Financial Crisis, the percentages for budget increases and budget decreases took four years to return to pre-crisis levels. After the COVID-19 crisis, they only took two years to return to prior levels.

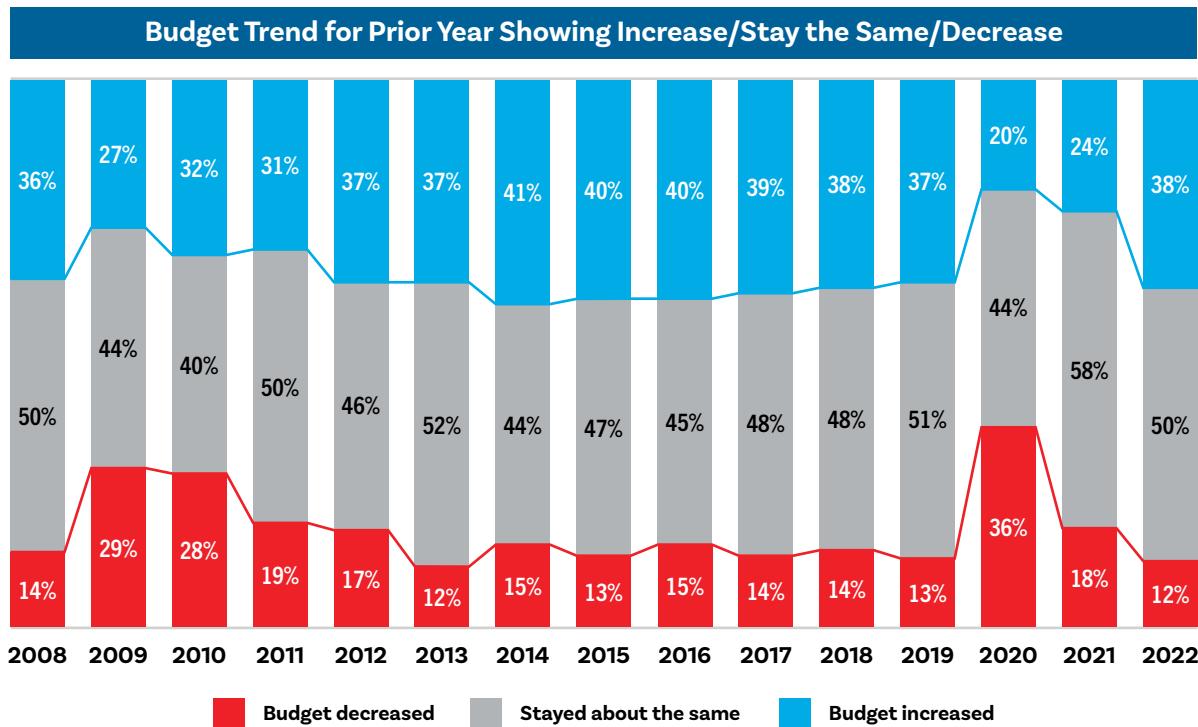


Note: The IIA's North American Pulse of Internal Audit Survey, multiple years. Question: Looking back over the past 12 months, how has your overall internal audit budget changed? Data for 2017 and 2018 were estimated because the question about budget was not included in the survey during those years.

# Budget Trend – 2008 to 2022 – A Picture of “Normal”

Long-term trend shows about 50% of budgets stay about the same during normal economic conditions

In 2020, the ratio who said their budgets “stayed about the same” dropped to 44% – the same percentage as in 2009 when the first impact of the Global Financial Crisis was felt for internal audit budgets. However, unlike the 2008 Global Financial Crisis, budget cutting was quickly reversed after COVID-19, although budget increases did not rebound as quickly. This resulted in a high percentage (58%) saying that their budgets “stayed the same” from the prior year.

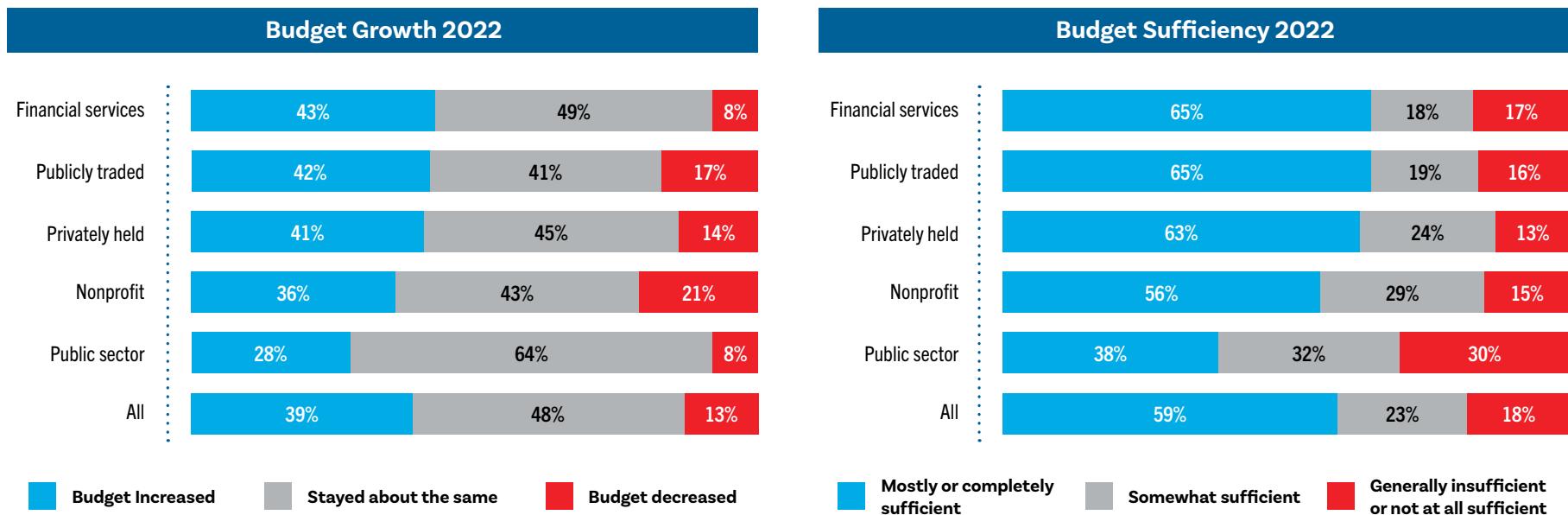


Note: The IIA's North American Pulse of Internal Audit Survey, multiple years. Question: Looking back over the past 12 months, how has your overall internal audit budget changed? Totals may not equal 100% due to rounding. Data for 2017 and 2018 were estimated because the question about budget was not included in the survey during those years.

# Budget Growth and Sufficiency – United States

About 40% in the U.S. overall reported budget increases, and about 60% indicate sufficient budget

The public sector in the United States had the lowest percentage of internal audit functions with budget growth (28%) and the lowest percentage of CAEs saying that they had sufficient budget (38%), compared to other sectors. Outside of the public sector in the United States, about two-thirds say they have sufficient budget.



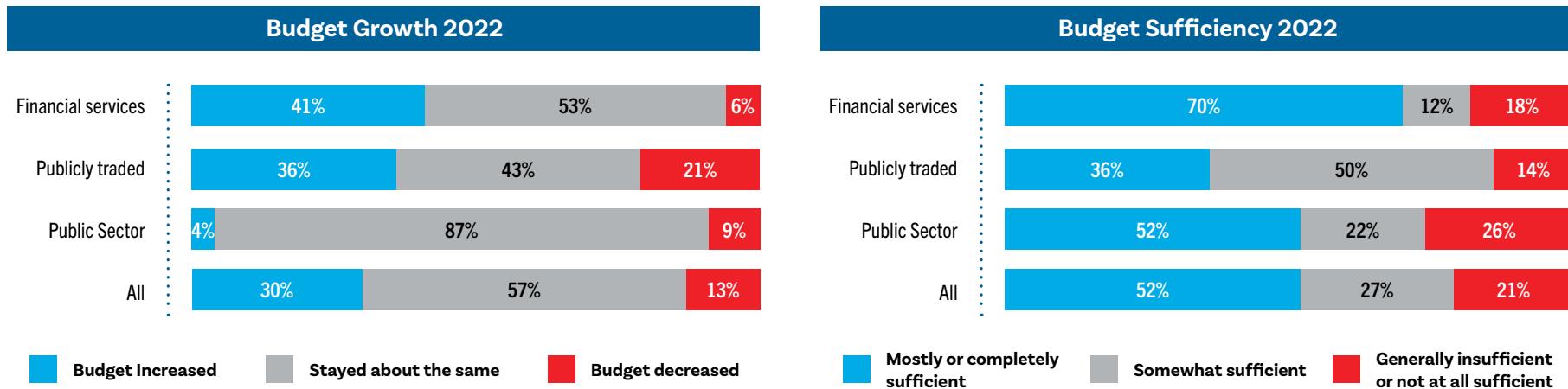
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q18: Looking back over the past 12 months, how has your overall internal audit budget changed? Q20: In your opinion, how sufficient is the funding for your internal audit function relative to the extent of its responsibilities? United States only. n = 457.

# Budget Growth and Sufficiency – Canada

About 30% in Canada overall reported budget increases, and about 50% indicated sufficient budget



The public sector in Canada had a much higher percentage with sufficient budget (52%) than the United States (38%). For publicly traded companies, the opposite was true: the percentage who said they had sufficient budget was much lower in Canada (36%) than in the U.S. (65%).

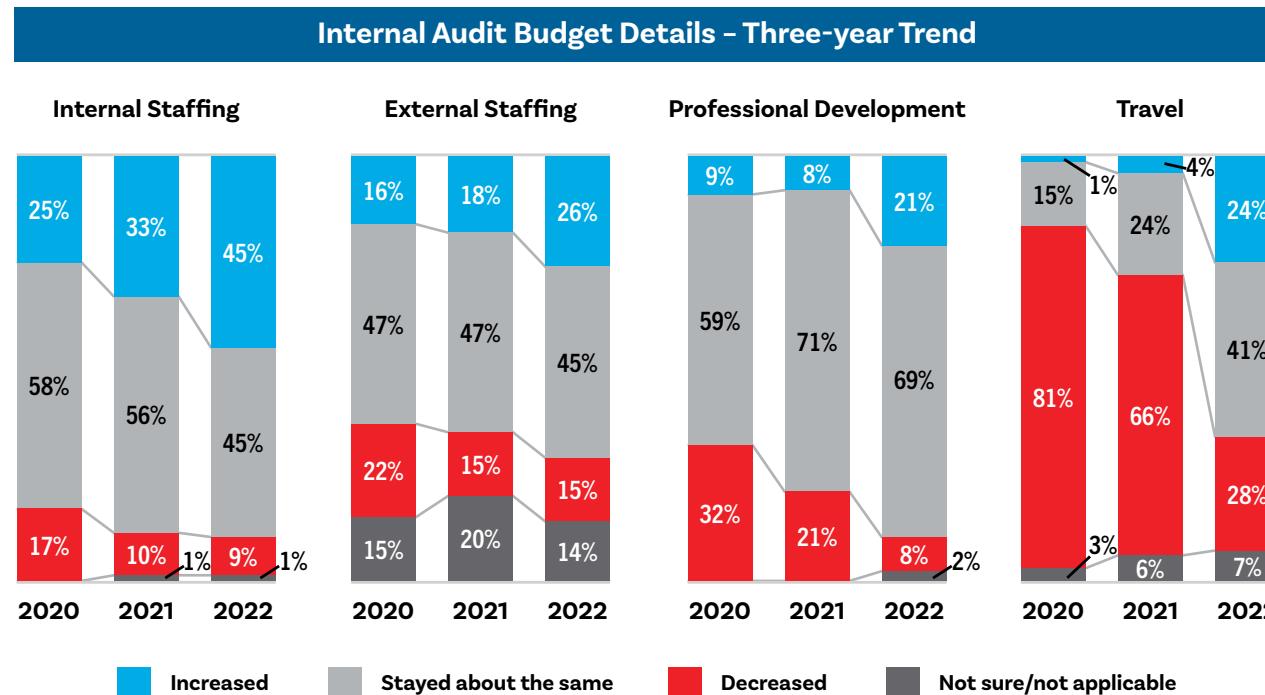


Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q18: Looking back over the past 12 months, how has your overall internal audit budget changed? Q20: In your opinion, how sufficient is the funding for your internal audit function relative to the extent of its responsibilities? Results for privately traded and nonprofit organizations are not shown for Canada because the number of respondents in these sectors was not high enough for separate analysis. Canada only. n = 63.

# Budget Details – Staffing, Professional Development, Travel

Budgets for internal staffing are increasing, and cuts to travel budgets have been reduced significantly

The percentage with budget increases for internal staffing has shown strong and steady growth since 2020, increasing from 25% to 45%. Professional development budgets showed more modest increases. Travel budgets, which were cut broadly in 2020, showed increases for 24% of respondents in 2022.

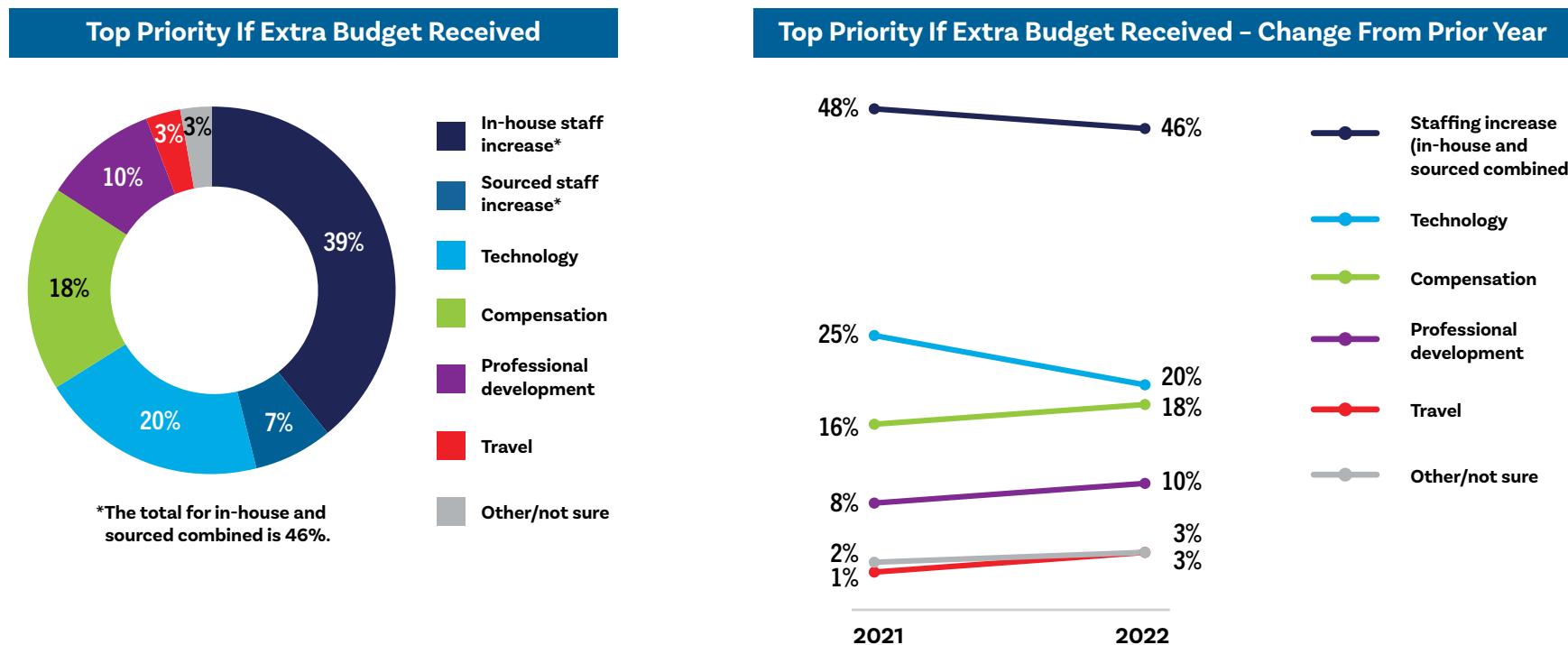


Note: The IIA's North American Pulse of Internal Audit Survey, multiple years. Question: Looking back over the past 12 months, how has your budget changed in the following areas? n = 588 for 2020. n = 505 for 2021. n = 562 for 2022.

# **Top Priority If Extra Budget Were Received**

Interest in spending extra budget on technology has dropped slightly

If CAEs had access to additional funds beyond their current budgets, 39% said their top priority would be to increase in-house staff. Very few said the priority would be for sourced staff. The second most common priority was technology, chosen by 20% (down from 25% in 2021).



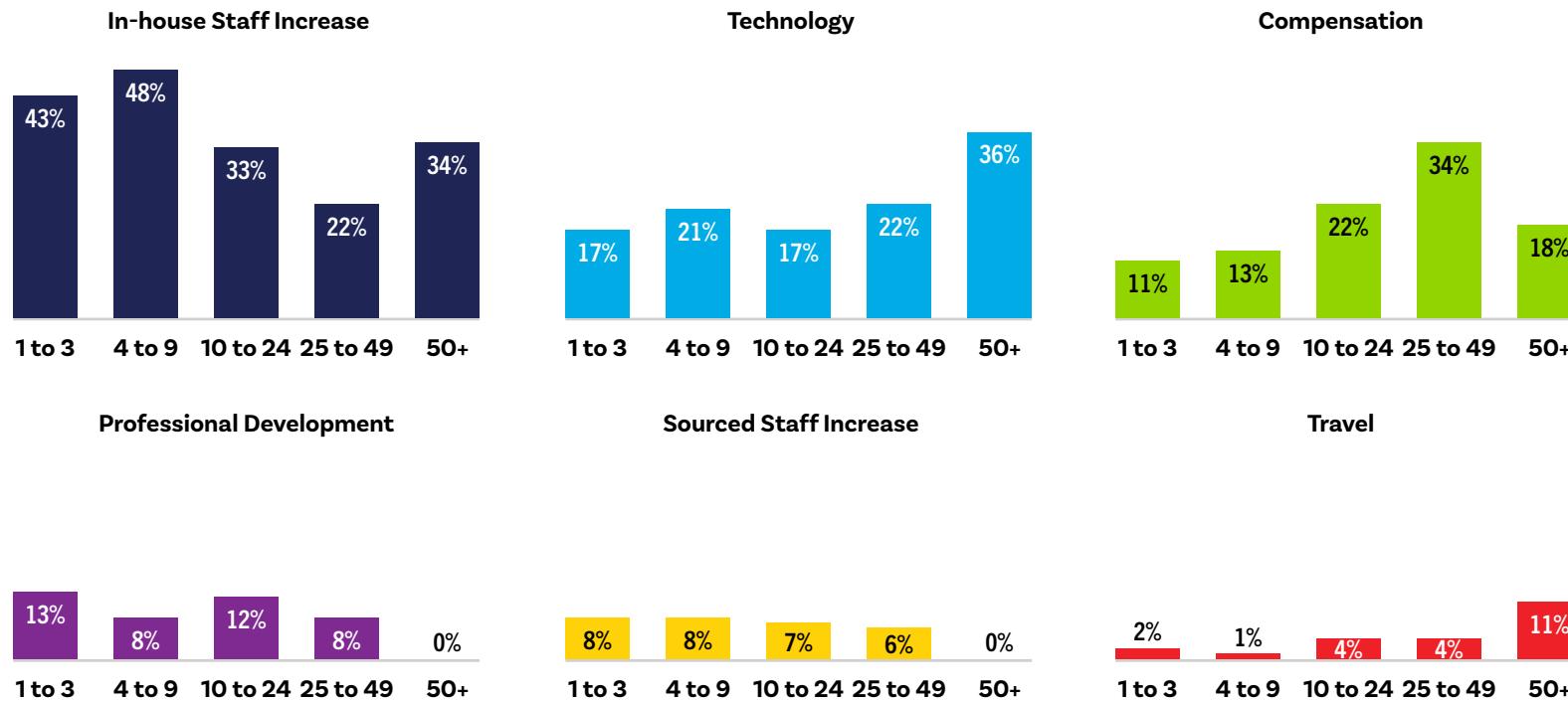
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q21: If your internal audit function were to receive an unexpected budget increase, in which area would you primarily spend it? n = 505 for 2021. n = 562 for 2022.

# Top Priority If Extra Budget Were Received (Compared to Function Size)

Smaller functions were more interested in increasing staff, while larger functions had more interest in technology and compensation.

**Internal audit function size makes a difference** in how CAEs would prioritize any extra funding received. Smaller functions would prefer to increase staff size, while larger functions are more likely to prioritize technology or compensation. Across all function sizes, few chose professional development, sourced staffing, or travel as their top priority for increased funding.

## Top Priority If Extra Budget Were Received (Compared to Internal Audit Function Size)



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q21: If your internal audit function were to receive an unexpected budget increase, in which area would you primarily spend it? FTE = full-time equivalent employee. n = 562 for 2022.

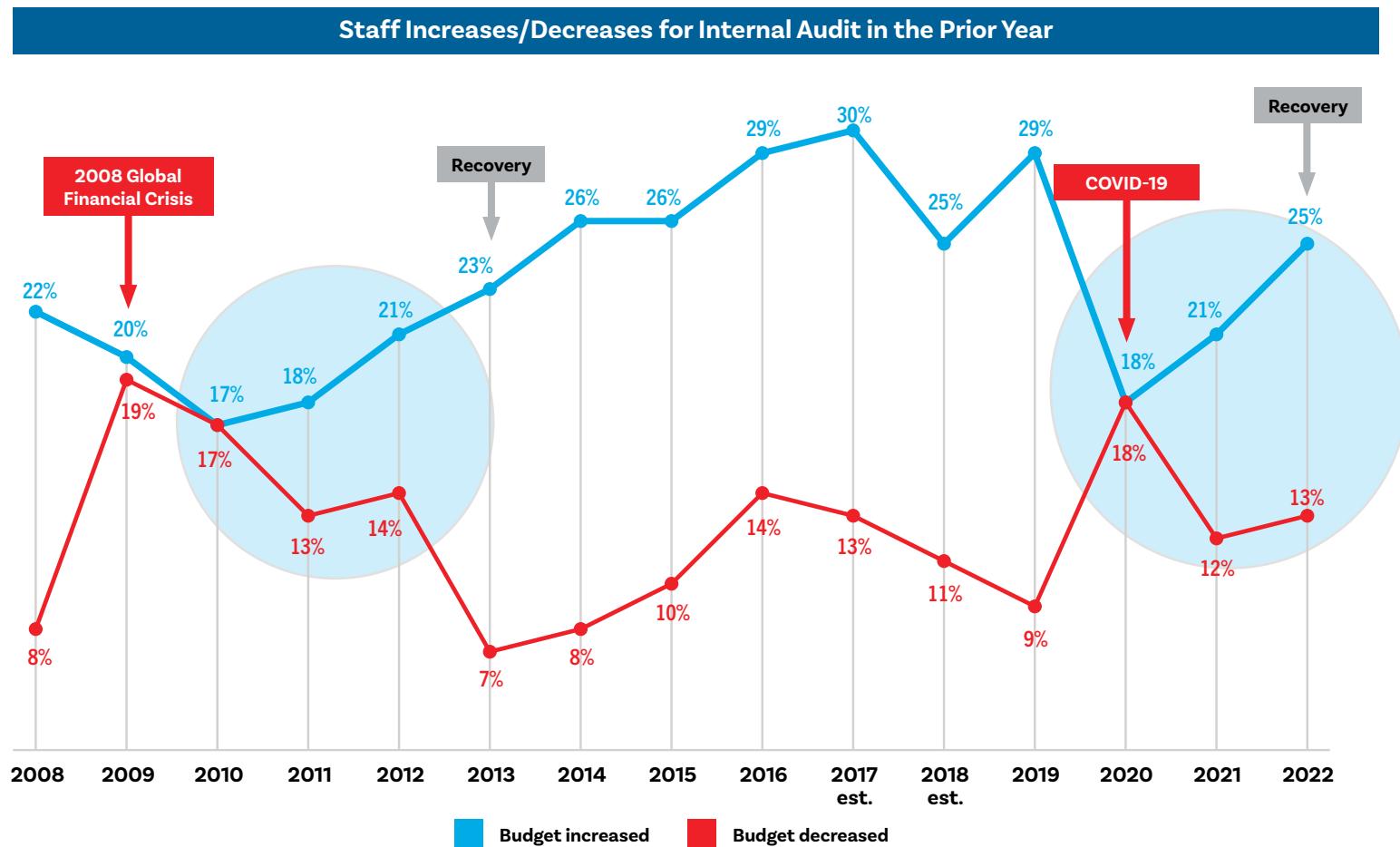
SECTION 2

# **Staff**

# Staff Trend – 2008 to 2022 – Rebuilding

Staffing increases/decreases have not yet returned to pre-COVID levels

After the low point following the 2008 Global Financial Crisis, staff increase/decrease levels took three years to return to pre-crisis levels. Similarly, two years after the COVID-19 low point, staff increase/decrease levels are on track to return to pre-COVID-levels in the next year or two, and the pattern of the trend lines is remarkably similar.

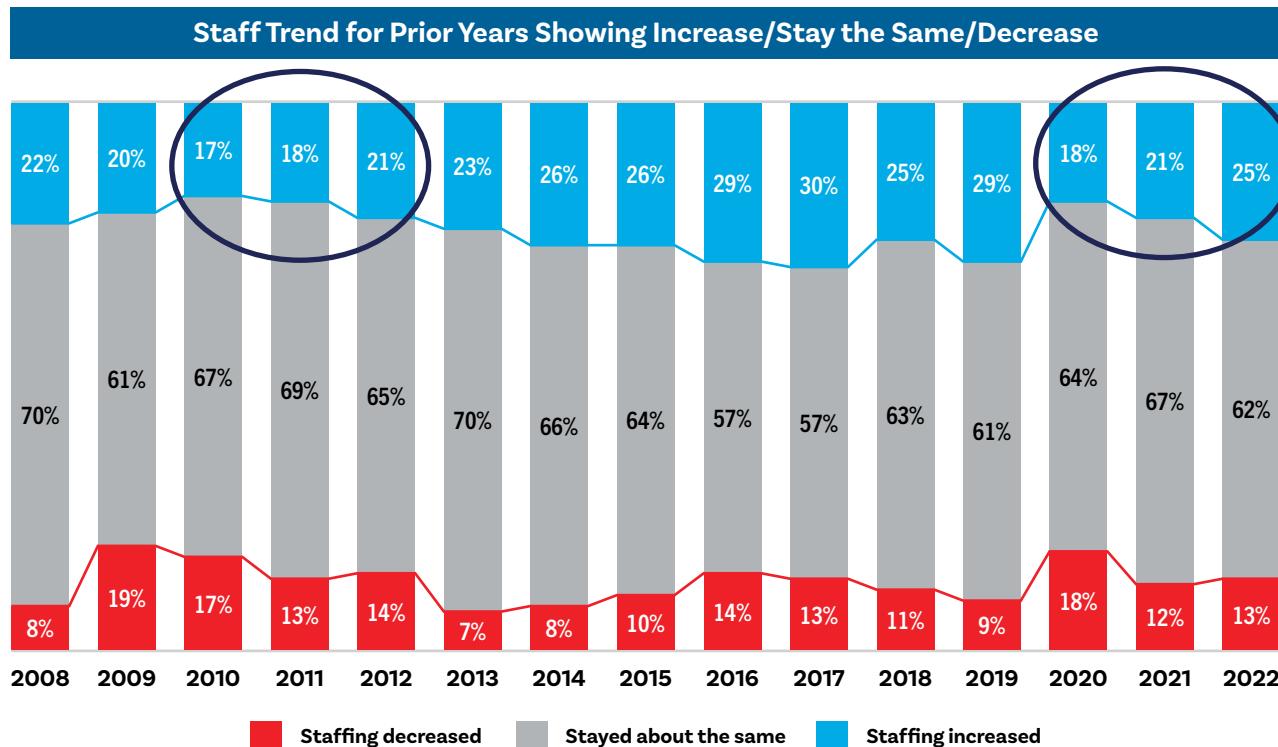


Note: The IIA's North American Pulse of Internal Audit Survey, multiple years. Question: Looking back over the past 12 months, how has the number of in-house and/or sourced staff within your internal audit function changed?

# Staff Trend – 2008 to 2022 – Incremental Progress

Survey results show long-term continuity for internal audit function sizes

The majority of survey respondents say their staff sizes stayed the same – even during the years following the 2008 Global Financial Crisis and the COVID-19 impacts (ranging from 62% to 67%). There is less elasticity in staff size than in budget, suggesting that budget cuts are applied to areas other than staffing as much as possible.



Note: The IIA's North American Pulse of Internal Audit Survey, multiple years. Question: Looking back over the past 12 months, how has the number of in-house and/or sourced staff within your internal audit function changed? Totals may not equal 100% due to rounding.

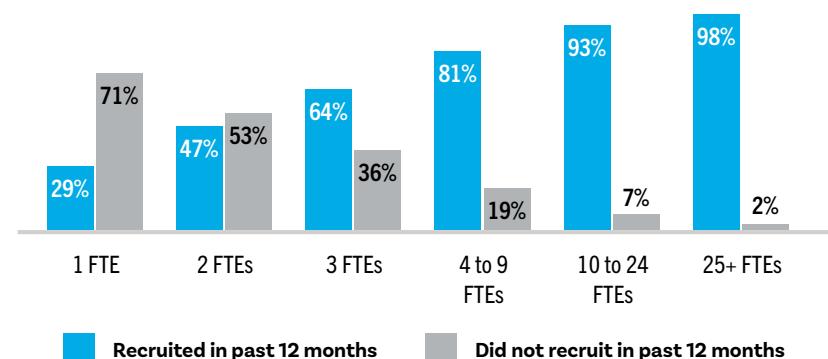
# Recruiting Staff – Activity at All Function Sizes

Recruiting activity increased steadily with size, but even the smallest functions had some activity

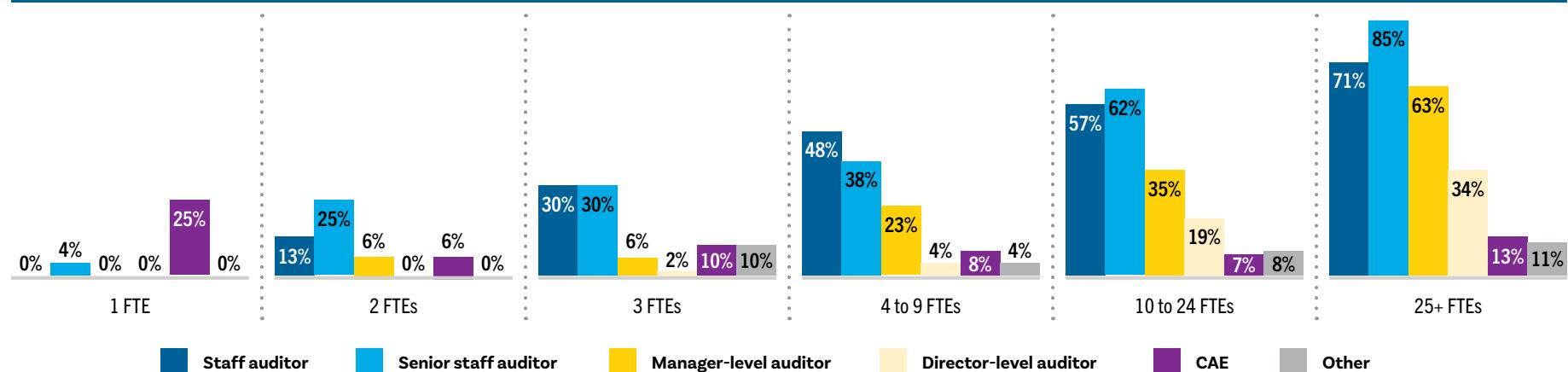
**CAEs frequently need to recruit** employees for new or unfilled positions. Nearly all functions with more than 10 FTEs have recruited for new employees in the past 12 months. Smaller functions are less active in hiring, but even among functions with only 1 FTE, almost 30% recruited in the past year.

Staff auditor positions are the most common areas for recruiting. Openings for manager and above are rarer.

Recruited in Past 12 Months for New Positions or to Fill Empty Positions (Compared to Function Size)



Positions Recruited for in Past 12 Months (Compared to Function Size)



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q14: What positions did your internal audit function recruit for in the past 12 months? (Choose all that apply.) FTE = full-time equivalent employee. n = 562.

# Recruiting Challenges – Compensation Is Top Issue

About two-thirds of all respondents said compensation expectations were their biggest challenge



The recruiting environment differed substantially between the U.S. and Canada in several areas, including competition, number of applicants, and competencies. When recruiting was analyzed by industry, financial services respondents showed more recruiting challenges from lack of internal audit experience (49%) and lack of industry knowledge (44%) than other sectors.

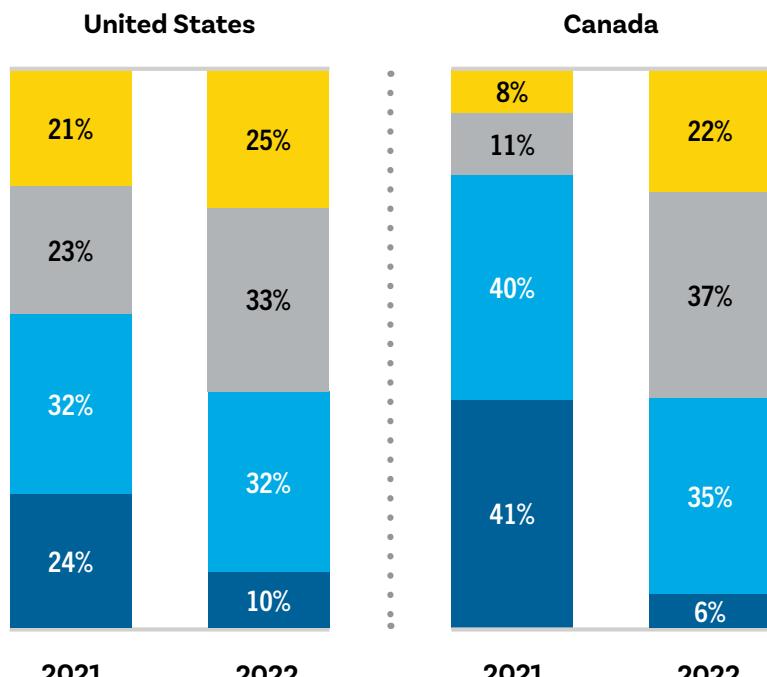


Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q15: What are the primary challenges you face in finding qualified candidates to hire for the internal audit function? (Choose all that apply.) Those who chose "not applicable" were excluded from analysis. n = 511.

# Remote Work – Decreasing

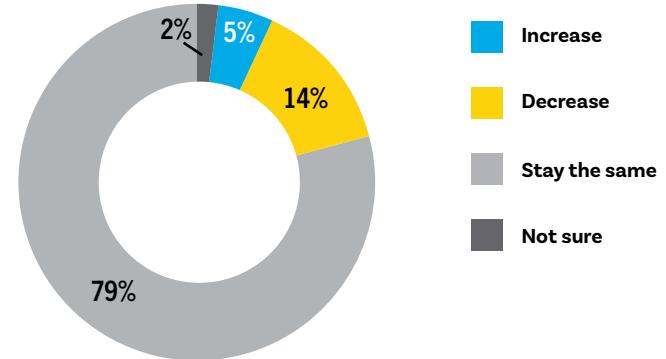
Remote work levels dropped slightly for the U.S. and dramatically for Canada in the past year

Although Canada had much higher levels of remote work in 2021, Canada and the U.S. ended up at about the same levels in 2022. In terms of remote work in the future, most say they expect remote work arrangements to stay the same, but Canadian respondents were slightly more likely to expect remote work to decrease (24%) than U.S. respondents (14%).

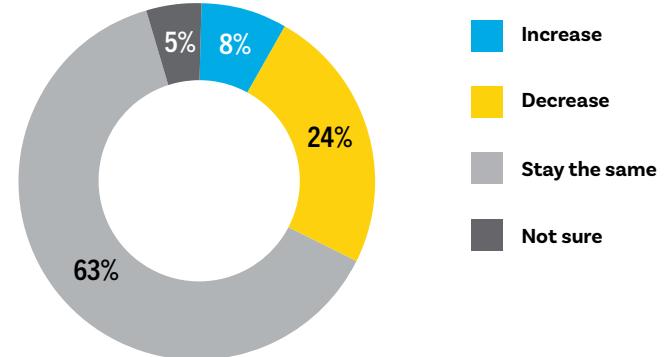


## Remote Work Expectations for the Future at Your Internal Audit Function

United States



Canada

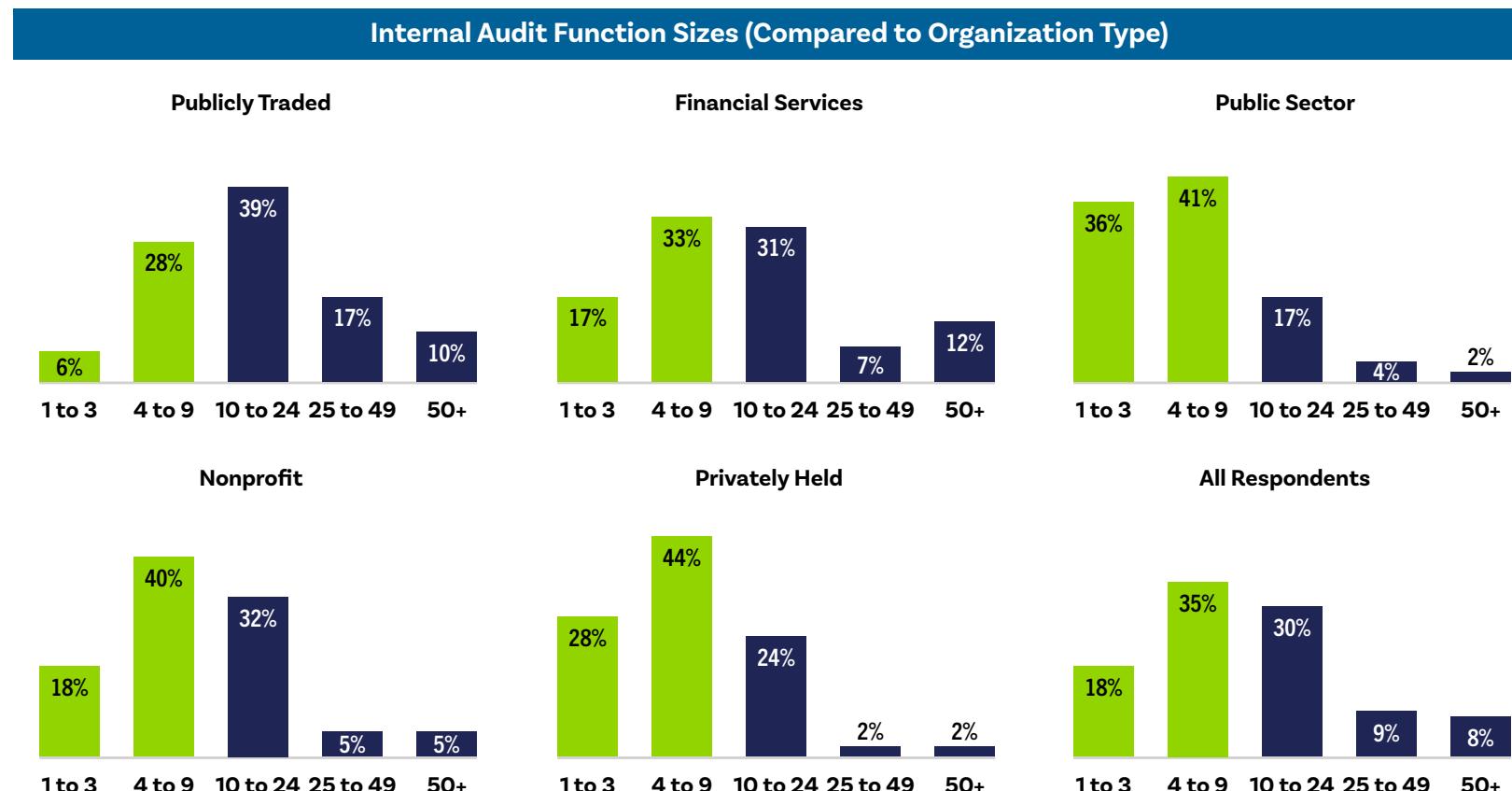


Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q16: In terms of working remotely vs. in-person, how is your internal audit function currently operating? n = 459 for the United States. n = 63 for Canada.

# Internal Audit Function Sizes – Most Are Under 10 FTEs

Publicly traded and financial services functions tend to be larger

Among survey respondents overall, slightly more than half say they have less than 10 FTEs for the internal audit function. However, size varies significantly among sectors, with publicly traded being largest and public sector the smallest.



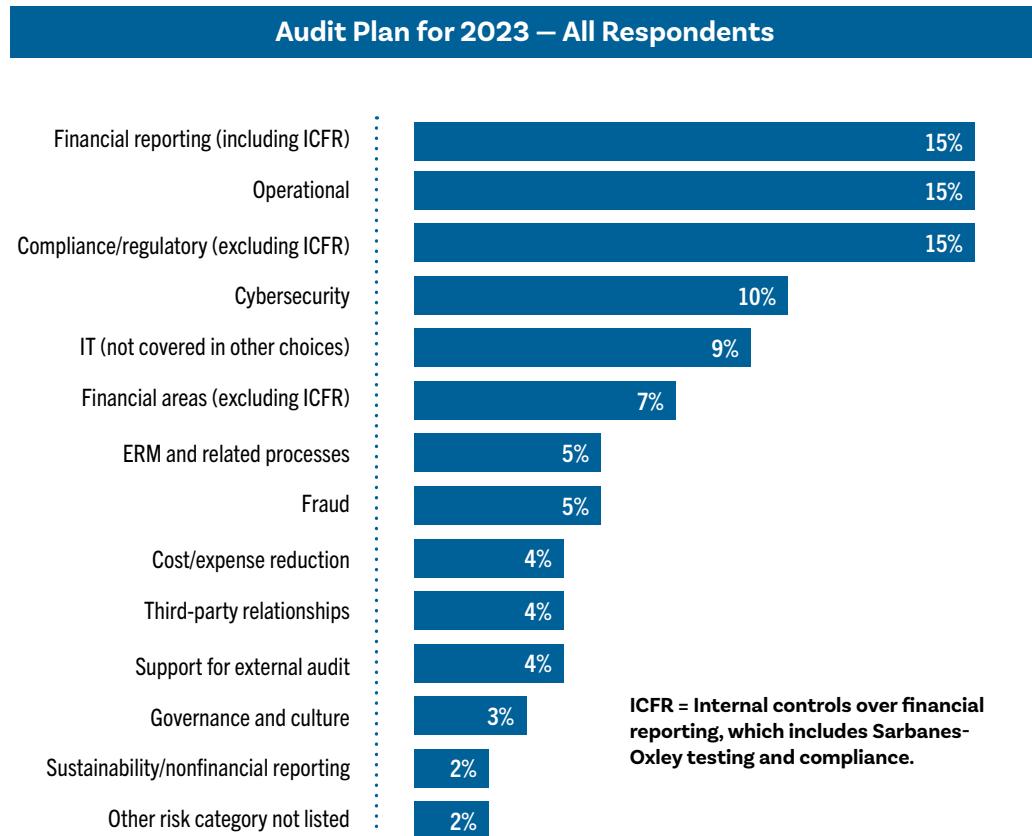
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q9: How many full-time equivalent employees (FTEs) are in your internal audit function (in-house and sourced)? FTE = full-time equivalent employee. n = 562.

SECTION 3

# *Audit Plans*

# Audit Plans 2023

Cybersecurity and IT efforts combined made up 19% of respondents' audit plans



While auditors consistently perform reviews for compliance (including SOX) and operations, they are also allocating substantial effort toward IT (information technology) (9%), and cybersecurity in particular (10%). When IT and cybersecurity allocations are combined, they equal 19%, which is higher than the averages for financial reporting (including ICFR), operations, and compliance/regulatory (excluding ICFR) (15% each).

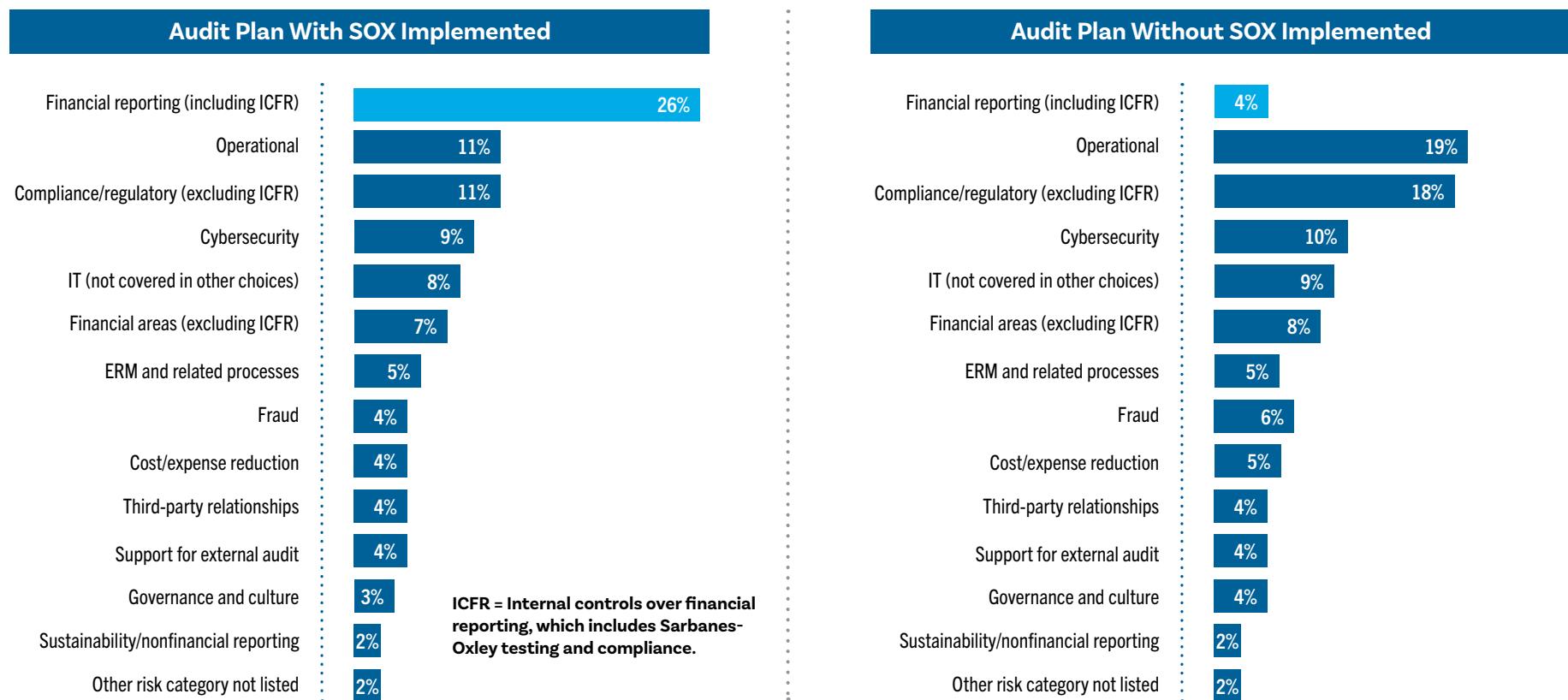
*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q27: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed.  $n = 562$ .

# Audit Plans 2023 – SOX Impact

Sarbanes-Oxley implementation changes the balance of audit plans



**SOX implementation changes the balance** of audit plans dramatically. Those with SOX implemented allocated 26% to financial reporting (including ICFR) compared to 4% for those without SOX implemented. In addition, where SOX is implemented, the audit plan had lower allocations for operational auditing (11% compared to 19%). Further analysis showed that even among respondents from Canada, 79% from publicly traded organizations said they had implemented SOX. The impact of SOX implementation on the audit plans in the U.S. and Canada were similar.



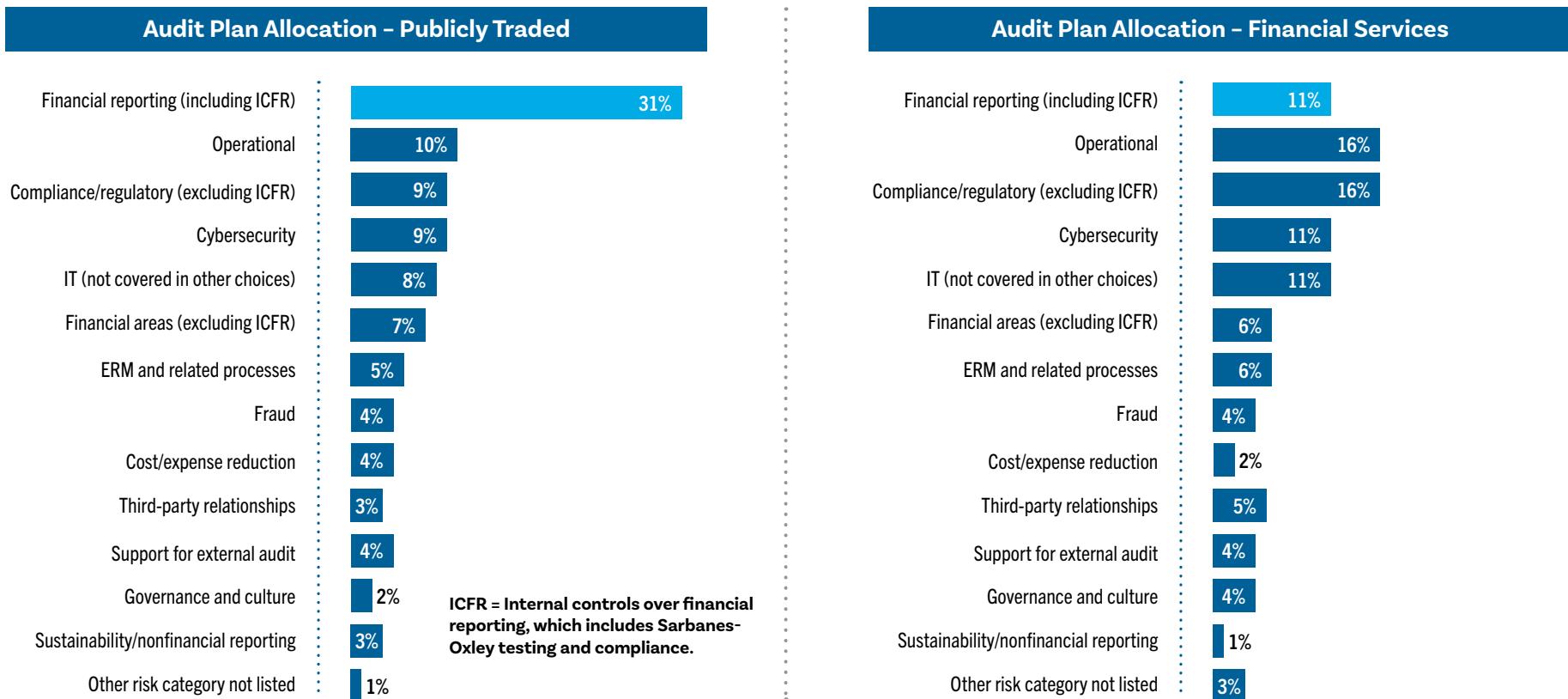
*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q27: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. n = 292 for SOX implemented. n = 270 for SOX not implemented.

# Audit Plans 2023 – Publicly Traded and Financial Services

Operational auditing allocation is lower for publicly traded organizations than other sectors



**Sarbanes-Oxley requirements** comprise a substantial portion of audit plans for publicly traded organizations (31% on average).



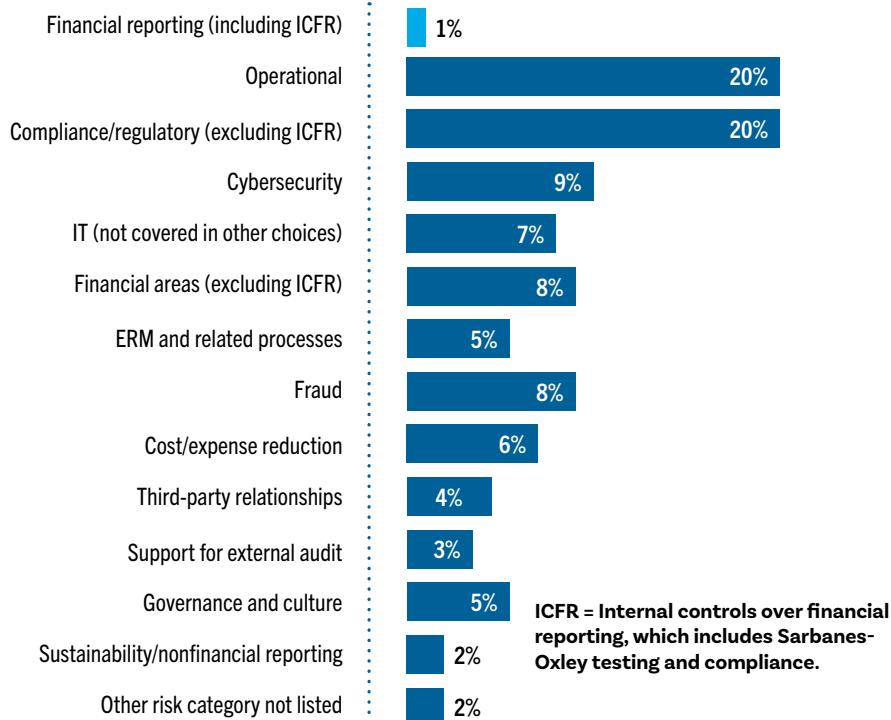
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q27: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. n = 177 for publicly traded. n = 163 for financial services.

# Audit Plans 2023 – Public Sector and Nonprofit

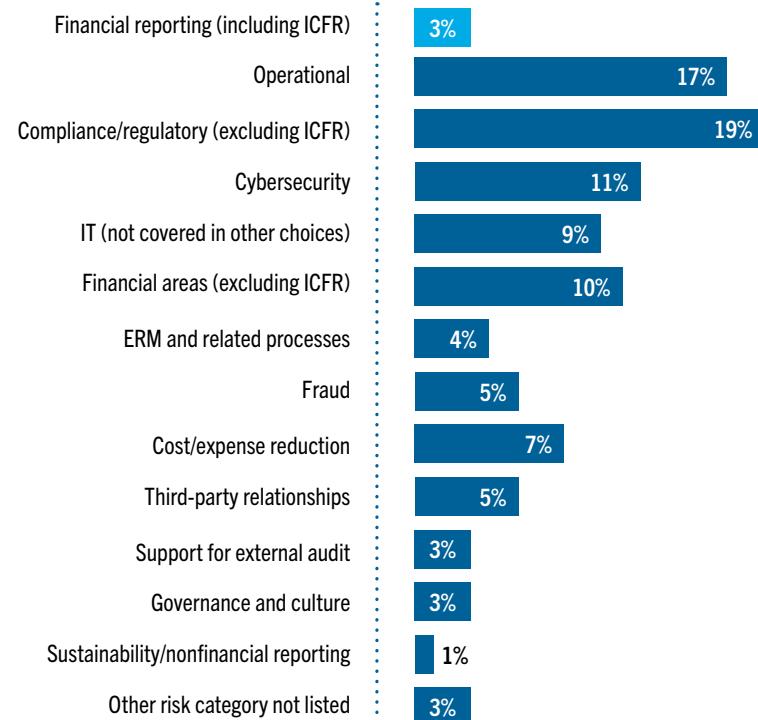
Operational and compliance risks receive the most audit effort for public sector and nonprofit organizations

Because Sarbanes-Oxley reporting is not generally required for public sector or nonprofit organizations, their audit plans require little allocation for financial reporting (including ICFR). As a result, allocation percentages can be higher for other risk areas, particularly operational and compliance auditing (excluding ICFR).

## Audit Plan Allocation – Public Sector



## Audit Plan Allocation – Nonprofit

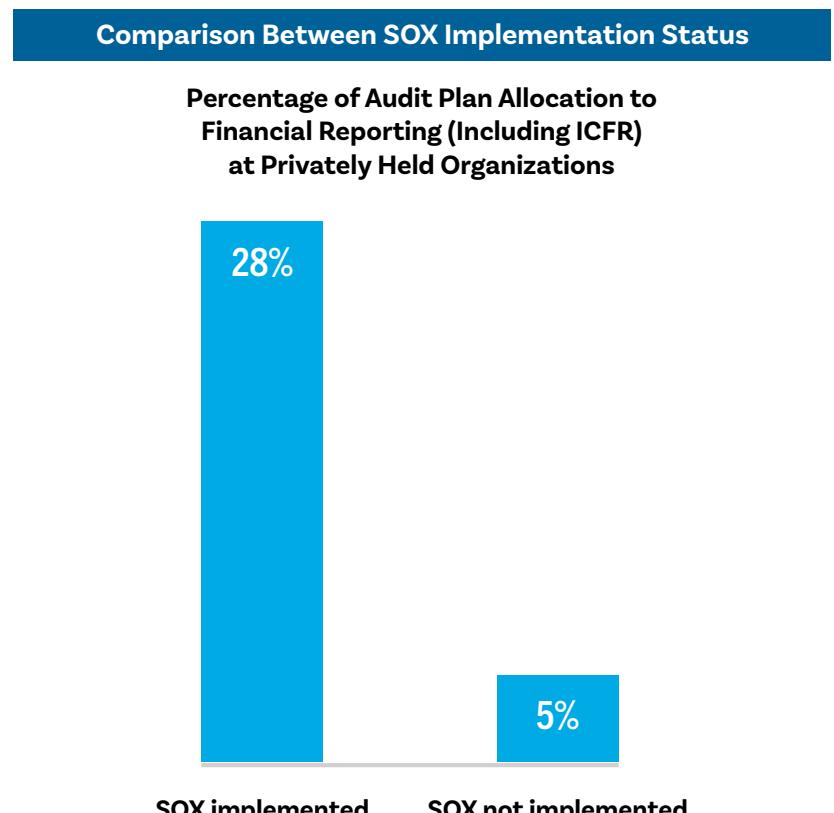


Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q27: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. n = 107 for public sector. n = 57 for nonprofit.

# Audit Plans 2023 – Privately Held

Some privately held organizations also have high allocations for financial reporting (including ICFR)

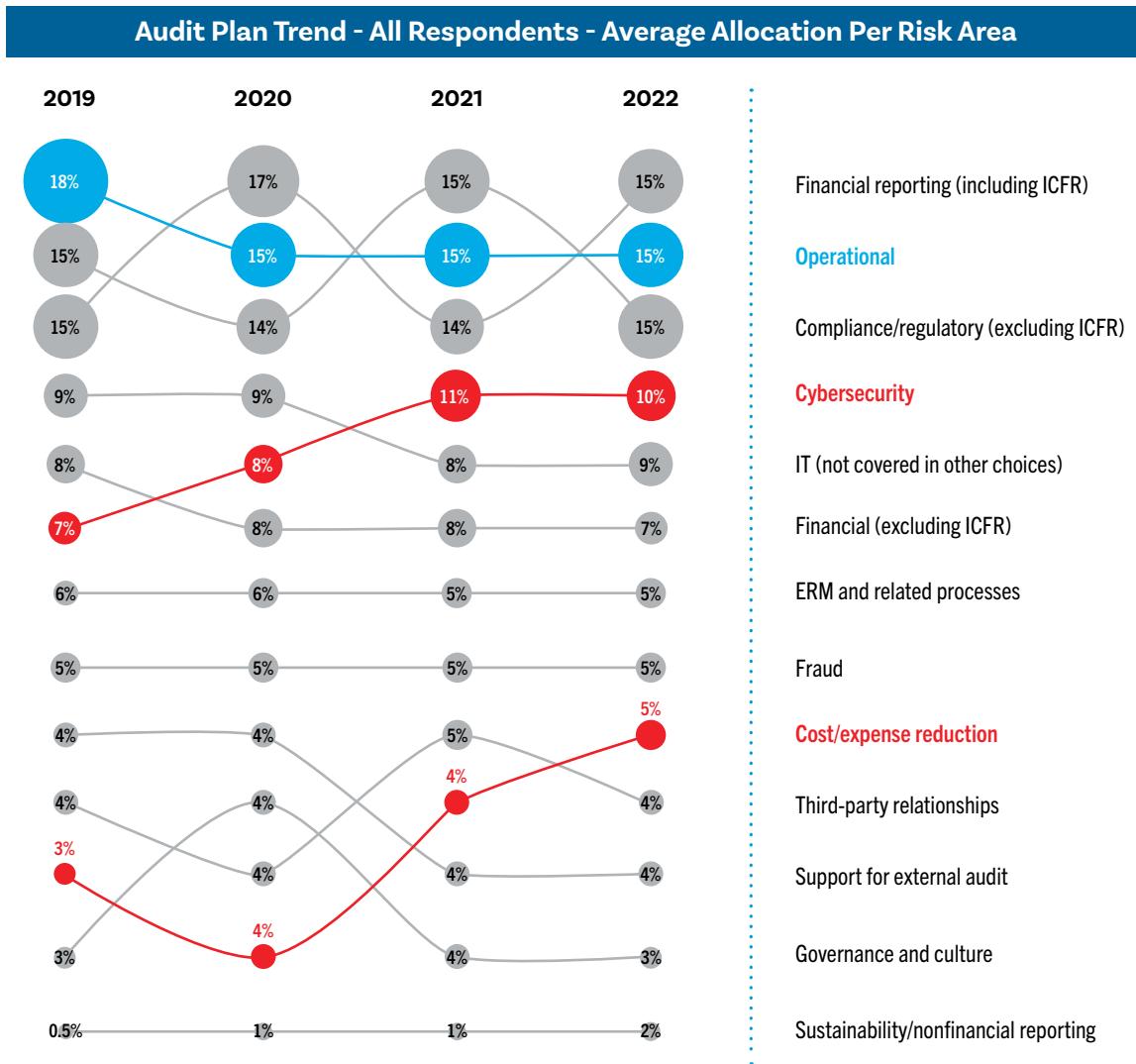
Although privately held organizations may not be legally required to follow Sarbanes-Oxley requirements, many implement SOX reporting on a voluntary basis. Where SOX is implemented at a privately held organization, the allocation to financial reporting (including ICFR) is 28% compared to 5% where SOX is not implemented.



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q27: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. Q23: What is the applicability of Sarbanes-Oxley (SOX) 404 at your organization? n = 50 for privately held.

# Audit Plan Trend - All Respondents

Cost/expense reduction allocation is trending up, along with cybersecurity



**Cost/expense reduction** has received more attention since 2020 and is trending up. Cybersecurity has remained elevated compared to 2019 levels, while allocation to operational auditing has been reduced since 2019.

**ICFR = Internal controls over financial reporting, which includes Sarbanes-Oxley testing and compliance.**

**■ Increased 2+ percentage points since 2019**

**■ Decreased 2+ percentage points since 2019**

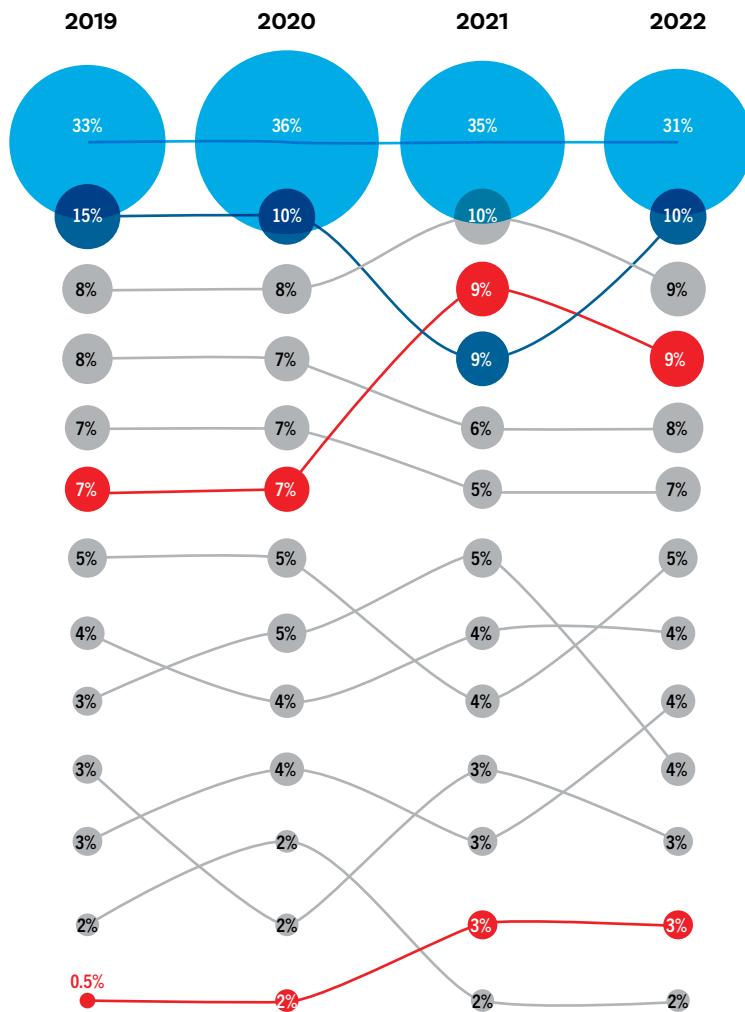
*Note:* Multiple Pulse surveys. Question: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. ICFR = internal controls for financial reporting. Allocation to “other” is not included in this graph; therefore, the total will not equal 100%. n = 505 for 2018. n = 618 for 2019. n = 68 for 2020. n = 123 for 2021. n = 562 for 2022.

# Audit Plan Trend - Publicly Traded Organizations

Allocation to financial reporting (SOX) has decreased for the first time in three years



Audit Plan Trend - Publicly Traded - Average Allocation Per Risk Area



Although audit plans for publicly traded organizations are dominated by financial reporting activities (averaging 31%), the allocation decreased since last year. This change was offset by small increases in several areas since last year, including IT, financial (excluding ICFR), and operational. Two areas with notable increases since 2019 are cybersecurity and sustainability/non-financial reporting.

**ICFR = Internal controls over financial reporting, which includes Sarbanes-Oxley testing and compliance.**

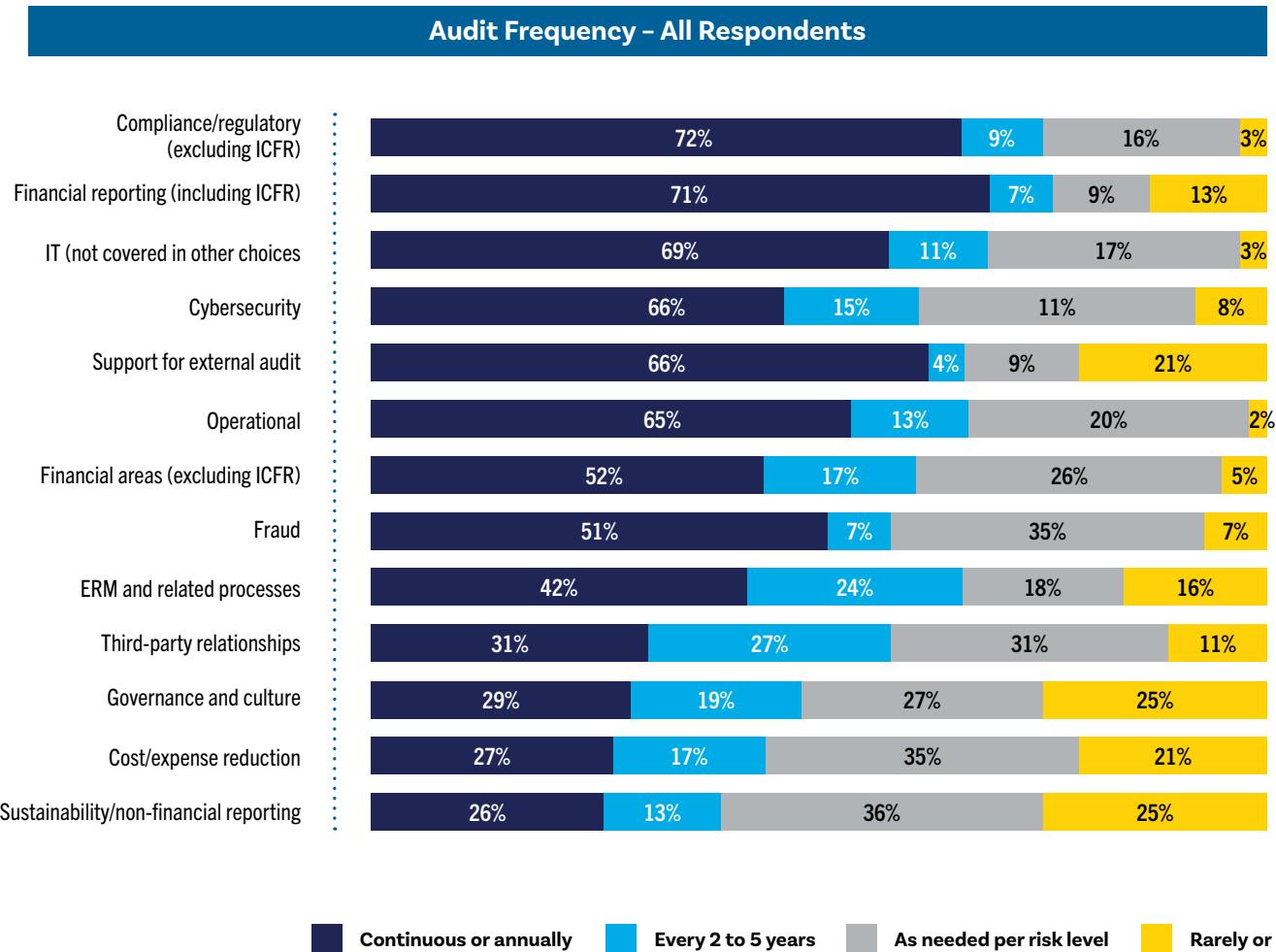
■ Increased 2+ percentage points since 2019

■ Decreased 2+ percentage points since 2019

Note: Multiple Pulse surveys. Question: Looking ahead over the next 12 months, please indicate what percentage of your audit plan you anticipate will be allocated to each of the risk areas listed. Allocation to "other" is not included in this graph; therefore, the total will not equal 100%. Only publicly traded (excluding financial services). n = 166 for 2017. n = 197 for 2018. n = 157 for 2019. n = 185 for 2020. n = 68 for 2021. n = 177 for 2022.

# Audit Frequency – All Respondents

Almost 70% of functions review cybersecurity and IT at least annually



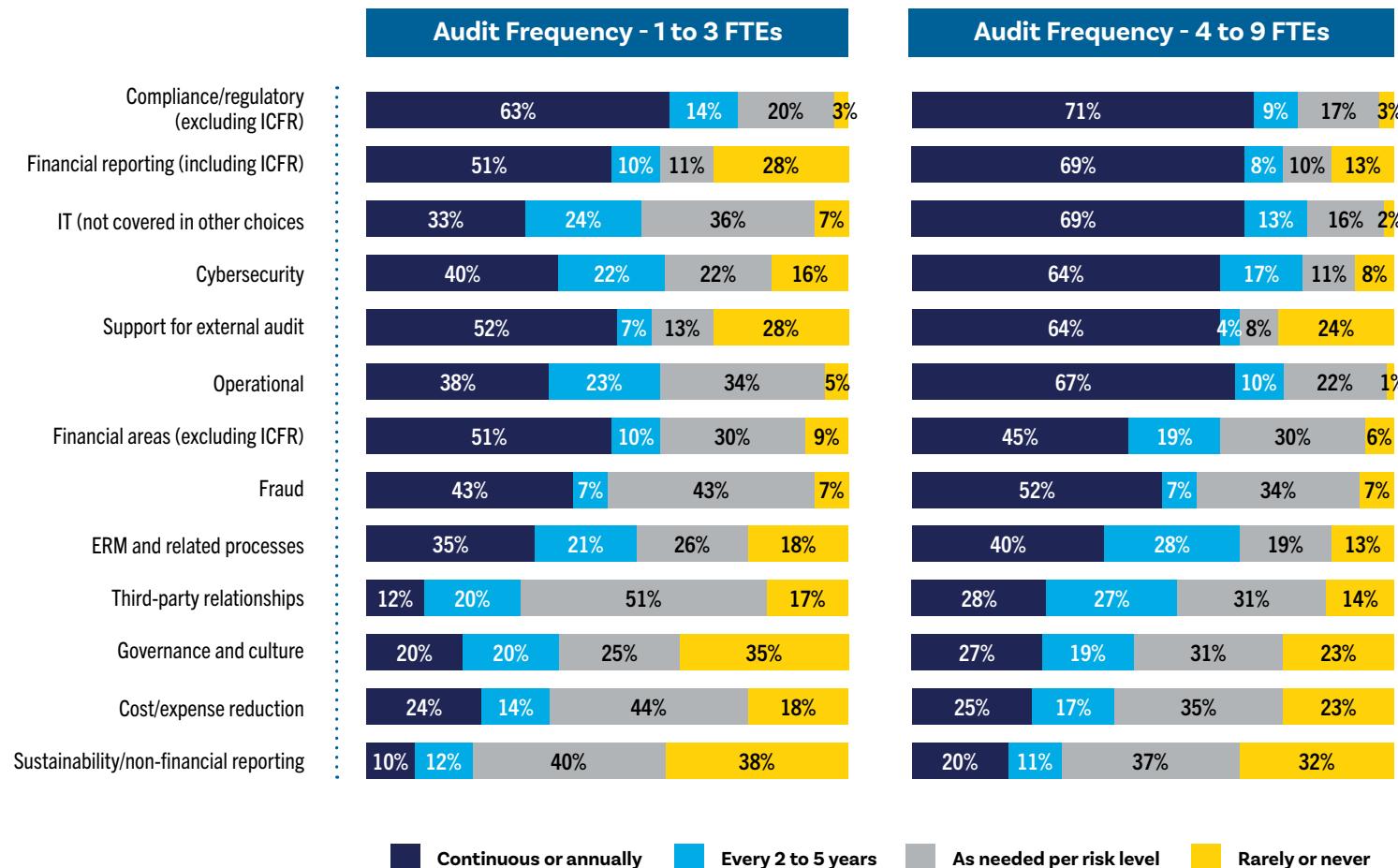
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q22: Approximately how frequently do you conduct audits in the following broad risk areas? Those who chose "not applicable" for a specific area were excluded from analysis for that area. n = 459 to 559.

# Audit Frequency - Smaller Functions

Very small internal audit functions are not able to do as many annual/continuous audits as larger functions



The smallest functions (with 1 to 3 FTEs) have reduced audit frequency for technology in particular, with annual/continuous coverage at only 33% for IT and 40% for cybersecurity.



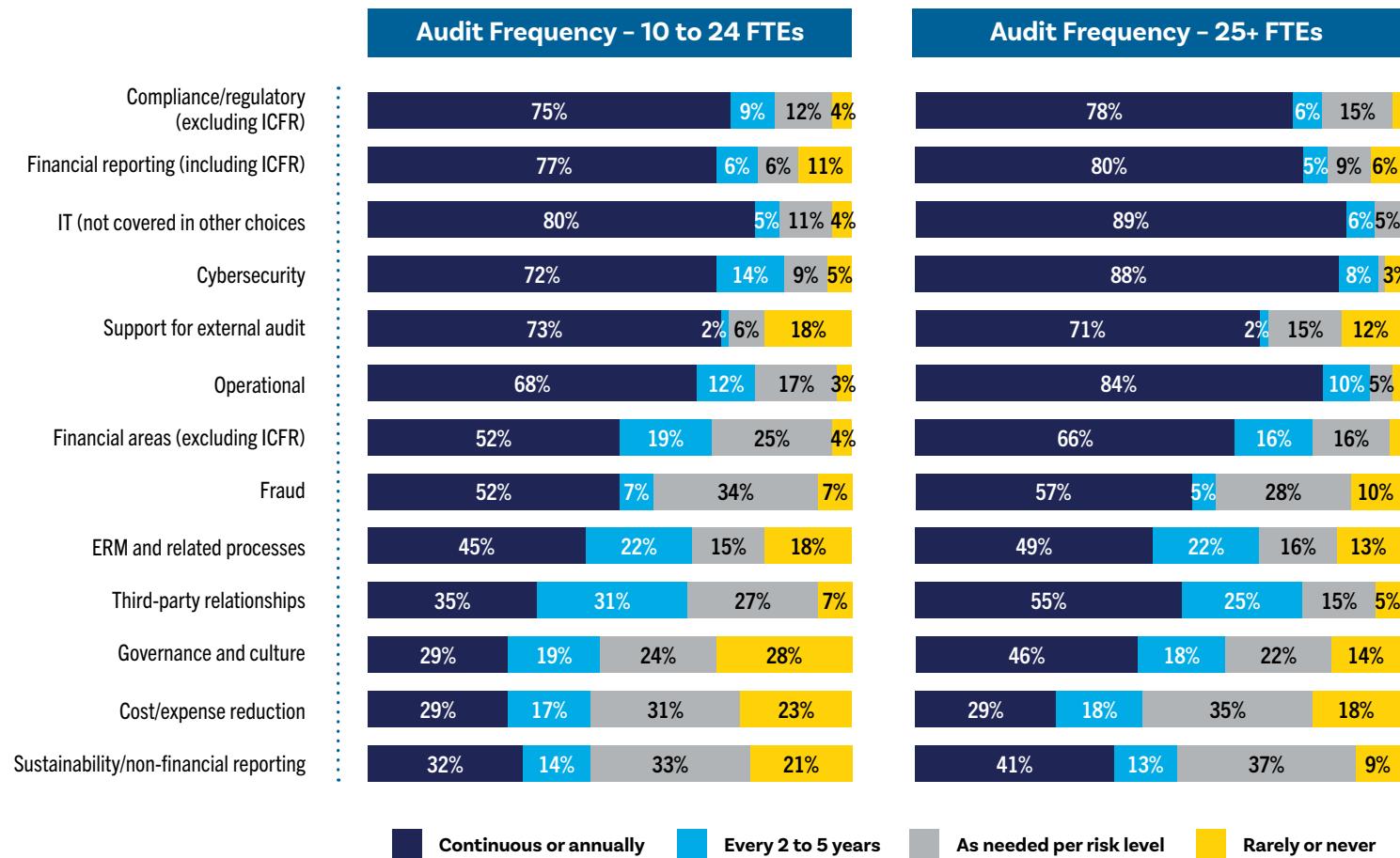
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q22: Approximately how frequently do you conduct audits in the following broad risk areas? Those who chose "not applicable" for a specific area were excluded from analysis for that area. FTE = full-time equivalent employee. n = 76 to 106 for 1 to 3 FTEs. n = 147 to 192 for 4 to 9 FTEs.

# Audit Frequency – Larger Functions

Almost 90% of functions with 25+ FTEs conduct audits of IT and cybersecurity at least annually



**Most functions with 10 or more FTEs** are able to provide annual or continuous reviews for many areas. For functions with 25+ FTEs, few areas are audited rarely or never.



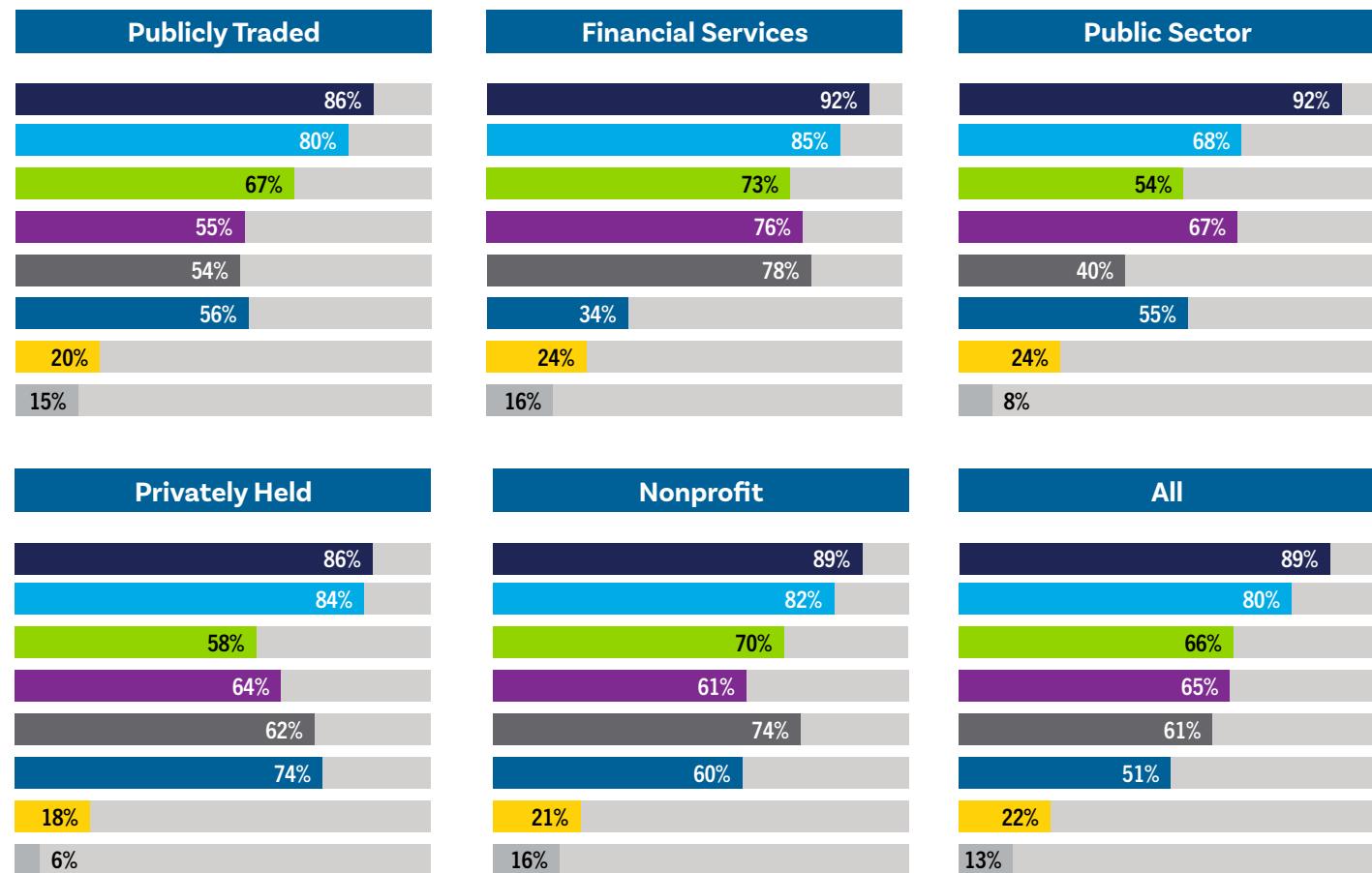
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q22: Approximately how frequently do you conduct audits in the following broad risk areas? Those who chose "not applicable" for a specific area were excluded from analysis for that area. FTE = full-time equivalent employee. Percentages of 2% or less are not labeled on the graphs. n = 150 to 169 for 10 to 24 FTEs. n = 86 to 94 for 25+ FTEs.

# Considerations Integrated Into Audits

Auditors across all sectors consider a broad range of issues as part of their audits, especially fraud and IT



For the first time in Pulse survey history, CAEs were asked to indicate which areas they include as part of their audits in general. Answers indicate that auditors often take a holistic approach and consider a broad range of issues, including cybersecurity, third parties, and governance. Because these areas are integrated into other audits, they might not be included in the audit plan as separate audits. Responses from the United States and Canada were generally the same with two notable exceptions: Canada was higher for governance and culture (78% vs. 63%) and sustainability (37% vs. 20%).



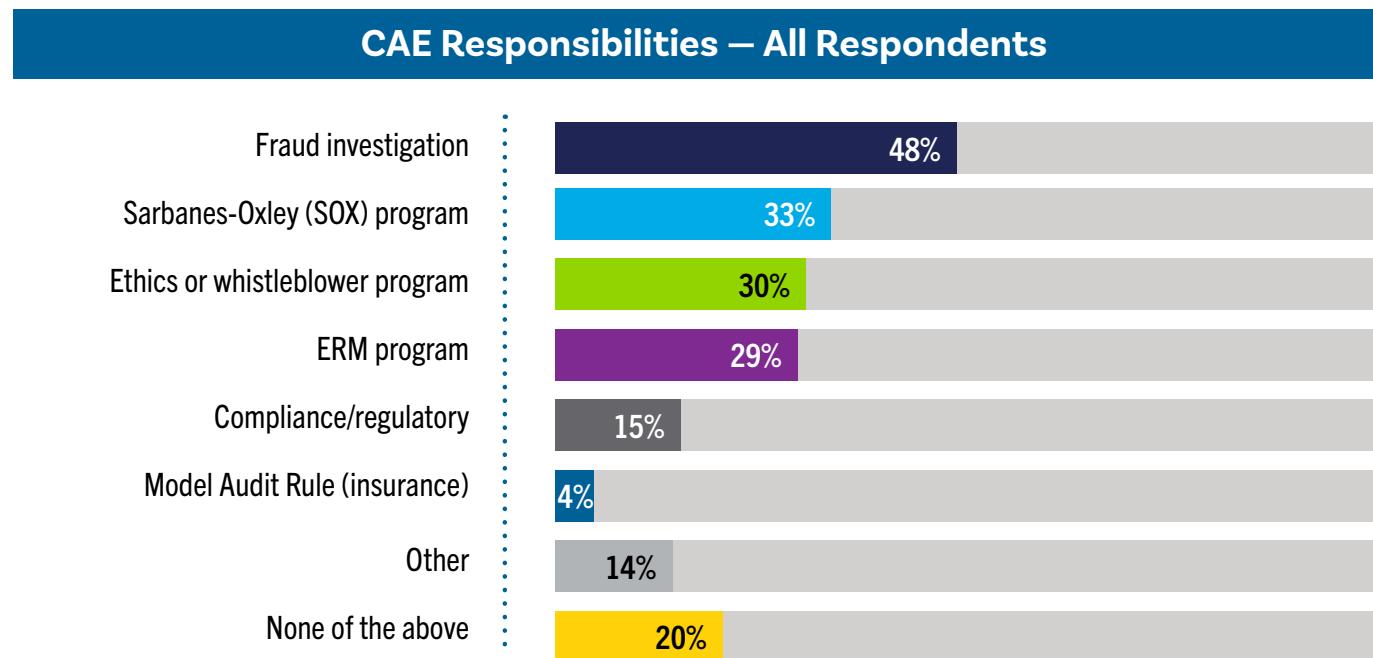
Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q25: When you are conducting audit engagements in general, which of the following areas do you usually include in your considerations? (Choose all that apply.) n = 555.

# CAE Responsibilities

Areas of responsibility outside of internal audit are primarily fraud, SOX, ethics, and ERM

**CAEs and other internal audit leaders** often manage more than just the internal audit function. For example, almost half of survey respondents said they were responsible for fraud investigation, and 30% said they managed the ethics or whistleblower program and/or the enterprise risk management (ERM) program or Sarbanes-Oxley (SOX) for their organizations.

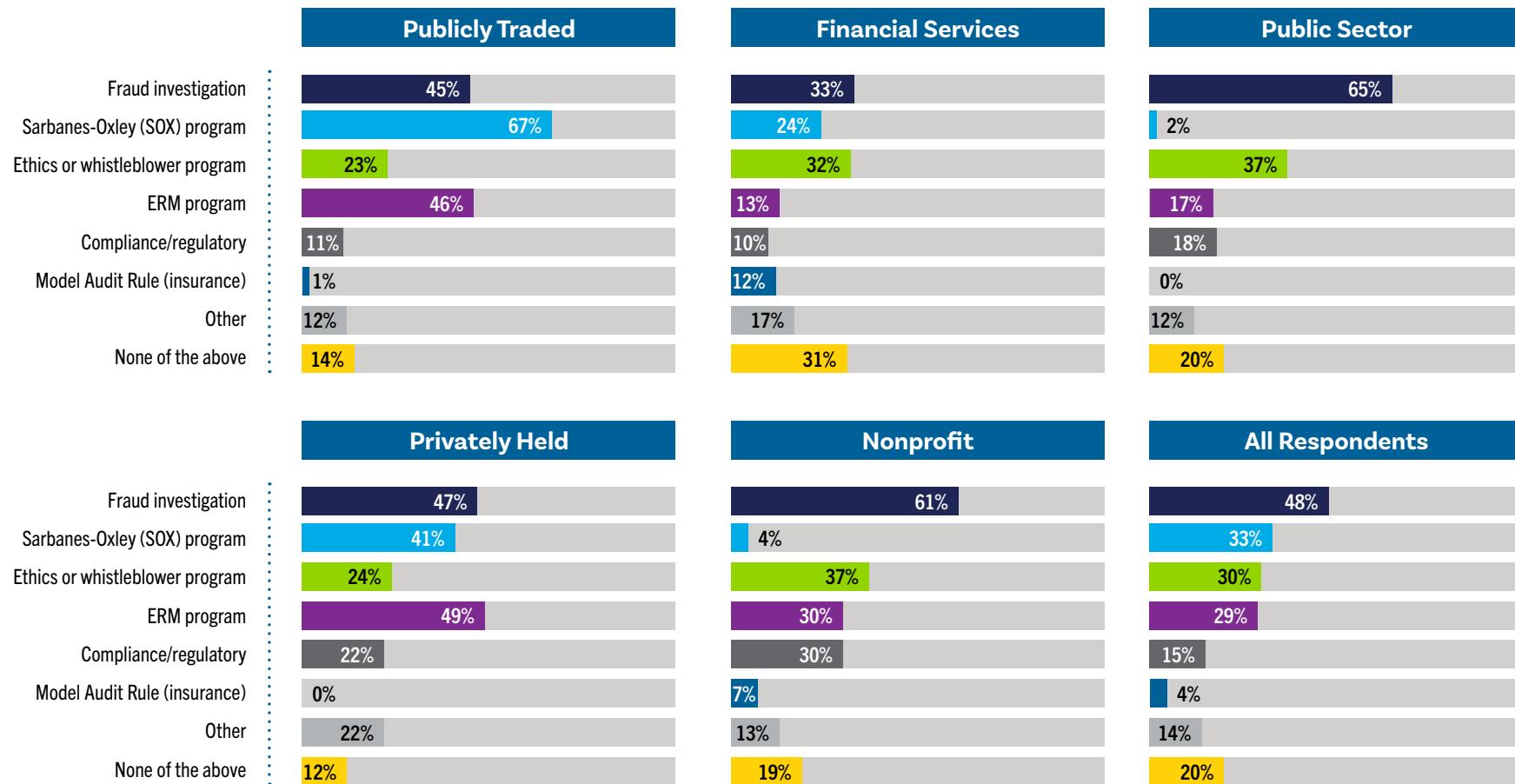
For SOX programs, among all respondents, about one-third said they were responsible, but that rises to 67% for respondents from publicly traded organizations (see graphs on the next page).



*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q28: In addition to your role as head of internal audit, for which areas are you responsible? (Choose all that apply.) n = 555.

# CAE Responsibilities (Compared to Organization Type)

Financial services had the fewest areas of additional responsibility outside of internal audit



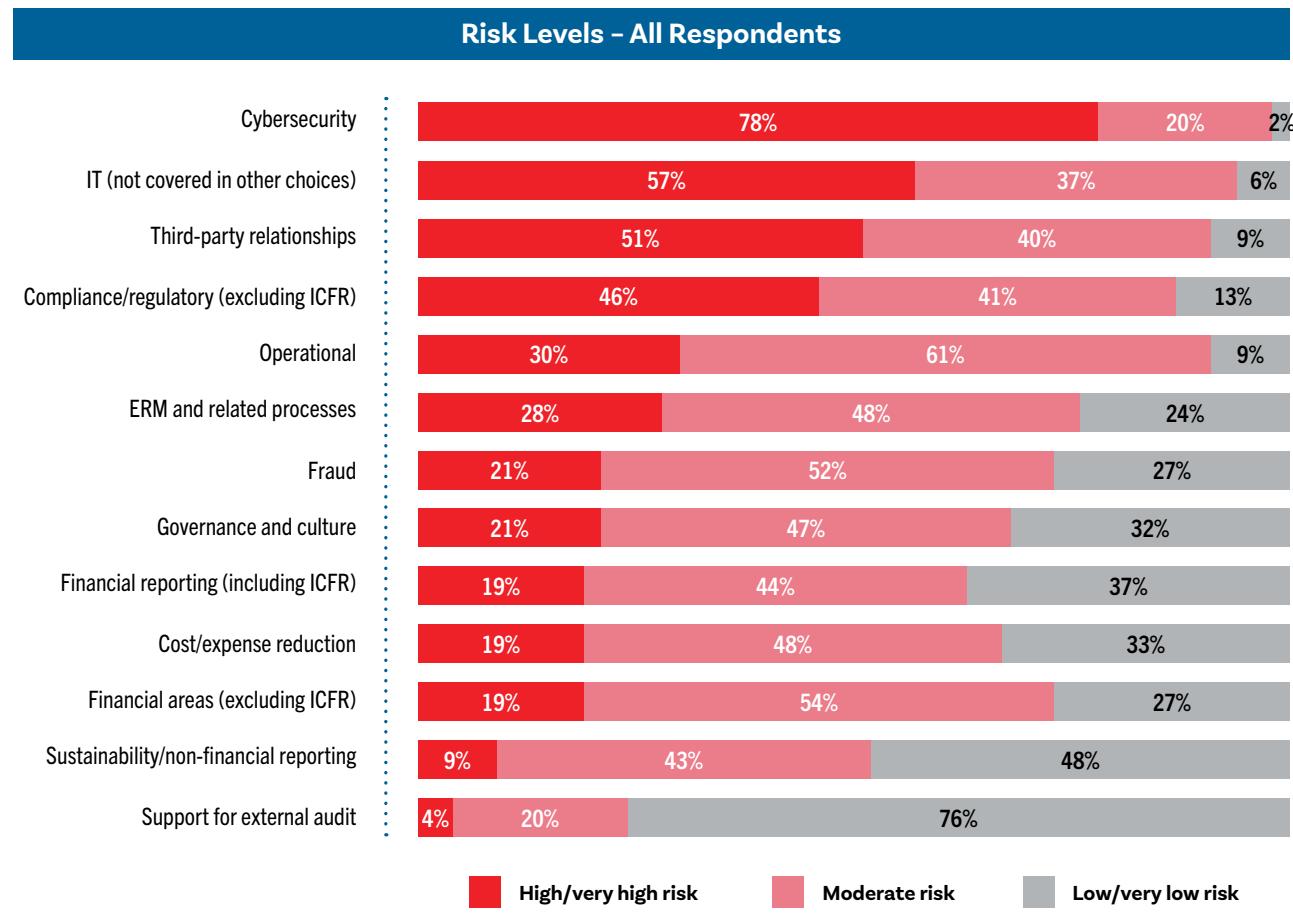
*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q28: In addition to your role as head of internal audit, for which areas are you responsible? (Choose all that apply.) *n* = 175 for publicly traded. *n* = 155 for financial services. *n* = 103 for public sector. *n* = 49 for privately held. *n* = 54 for nonprofit. *n* = 555 for all respondents (including those with organization types categorized as "other.")

SECTION 4

# *Risk Levels*

# Risk Levels – All Respondents

Technology drives the three highest risks



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q26: How would you describe the level of risk in your organization in the following risk areas? n = 562.

**Technology is the common driver** of the top 3 highest risk areas – cybersecurity, IT, and third-party relationships. (Third parties are often used for IT services.)

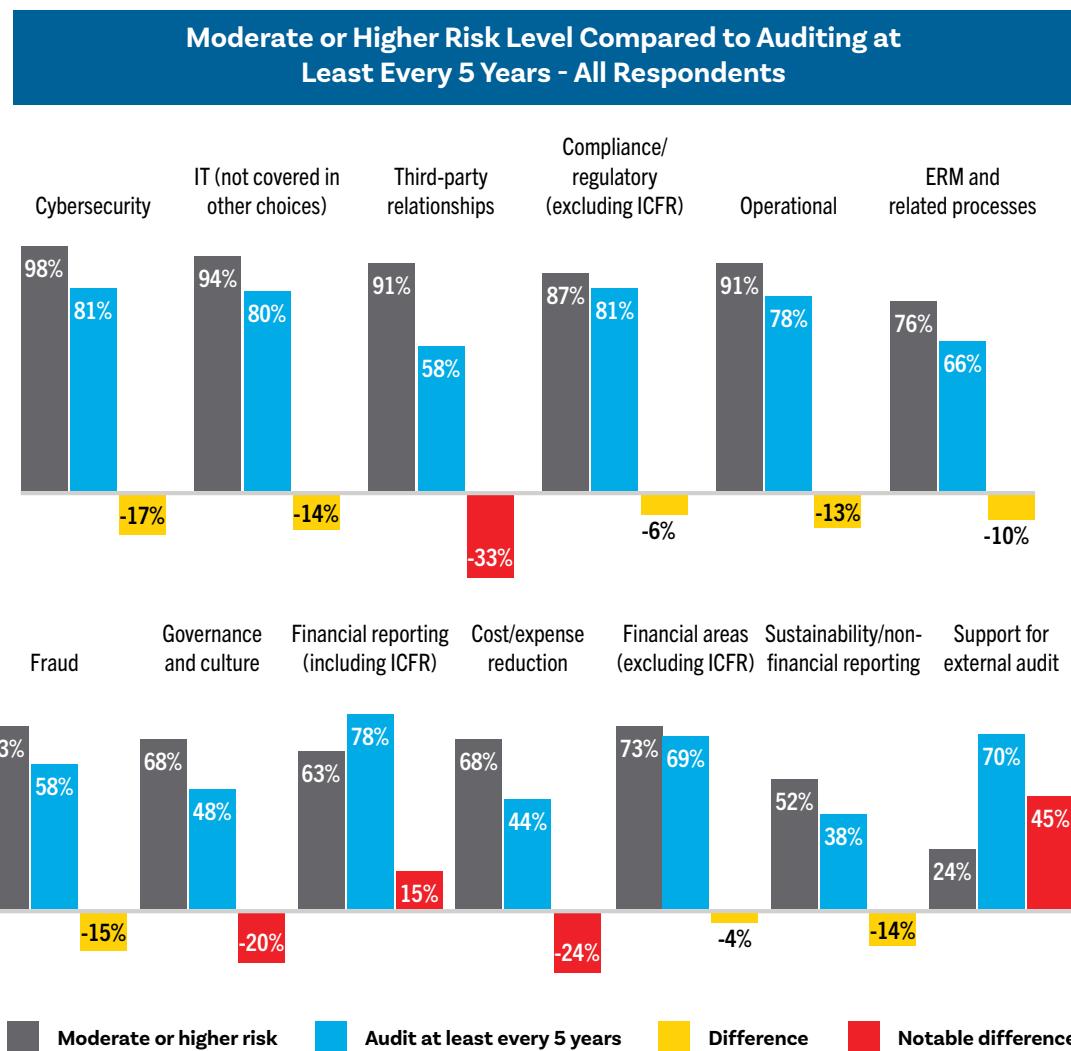
Cybersecurity in particular is a ubiquitous concern, with 78% of respondents saying it is a high or very high risk in their organizations.

Other risks are more relevant depending on organization type, such as financial reporting (including ICFR)\* and fraud.

**\*ICFR refers to internal controls over financial reporting. This category includes SOX testing and compliance.**

# Risk and Audit Frequency Gaps

Third-party relationships is the third highest risk area (after cybersecurity and IT), but only 58% say they audit it at least once every 5 years



**Audit frequency generally aligns with risk levels**, but there were areas with gaps. In other words, some areas with high risk had relatively low frequency and vice versa.

To get a clearer picture of these differences, the percentage of those who chose moderate, high, or very high risk was compared to the percentage who said they audited the area regularly (at least every 5 years).

The largest gap overall was for third-party relationships – 33 percentage points lower frequency than risk. Others included cost/ expense reduction (24 points lower) and governance and culture (20 points lower).

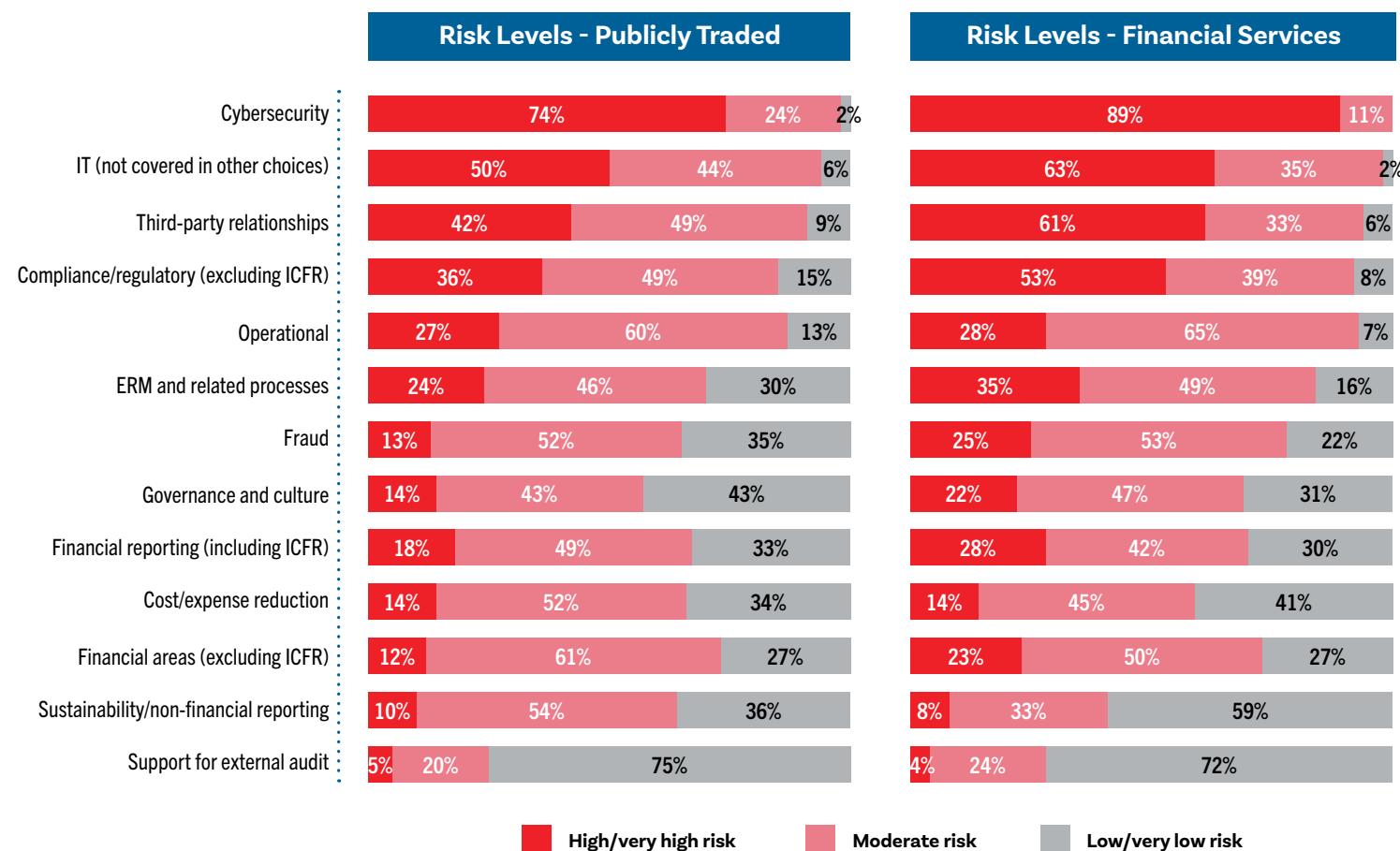
Two areas stood out for having higher frequency compared to risk. The largest gap was support for external audit (45 percentage points higher). The other area was financial reporting (including ICFR) at 15 percentage points higher.

*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q26: How would you describe the level of risk in your organization in the following risk areas? n = 562. Q22: Approximately how frequently do you conduct audits in the following broad risk areas? Those who chose "not applicable" for a specific area were excluded from analysis for that area. n = 459 to 559.

# Risk Levels – Publicly Traded and Financial Services

Publicly traded organizations rate their risk levels slightly lower than other sectors

Compared to financial services, CAEs at publicly traded organizations rated risks lower for IT, third-party relationships, and compliance.

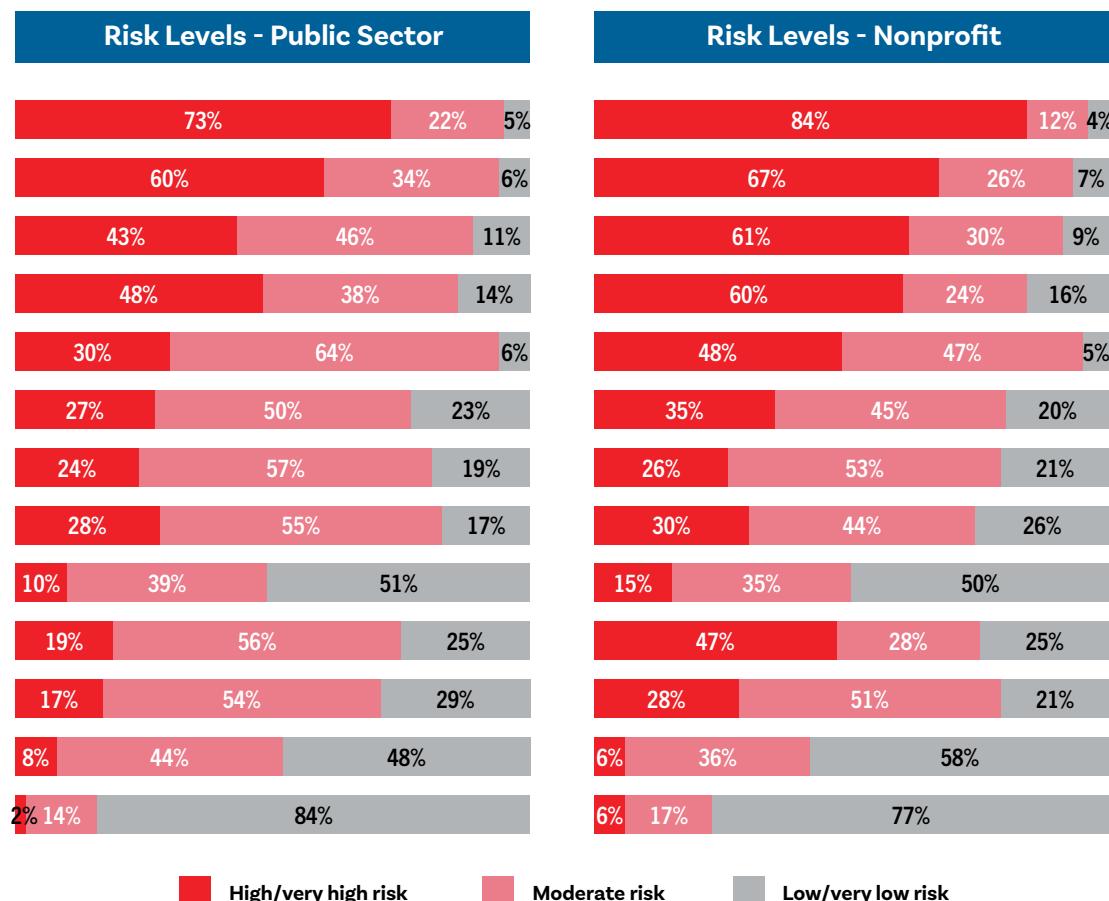


Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q26: How would you describe the level of risk in your organization in the following risk areas? n = 177 for publicly traded. n = 163 for financial services.

# Risk Levels – Public Sector and Nonprofit

For nonprofit organizations, cost/expense reduction is a much higher risk than for other sectors

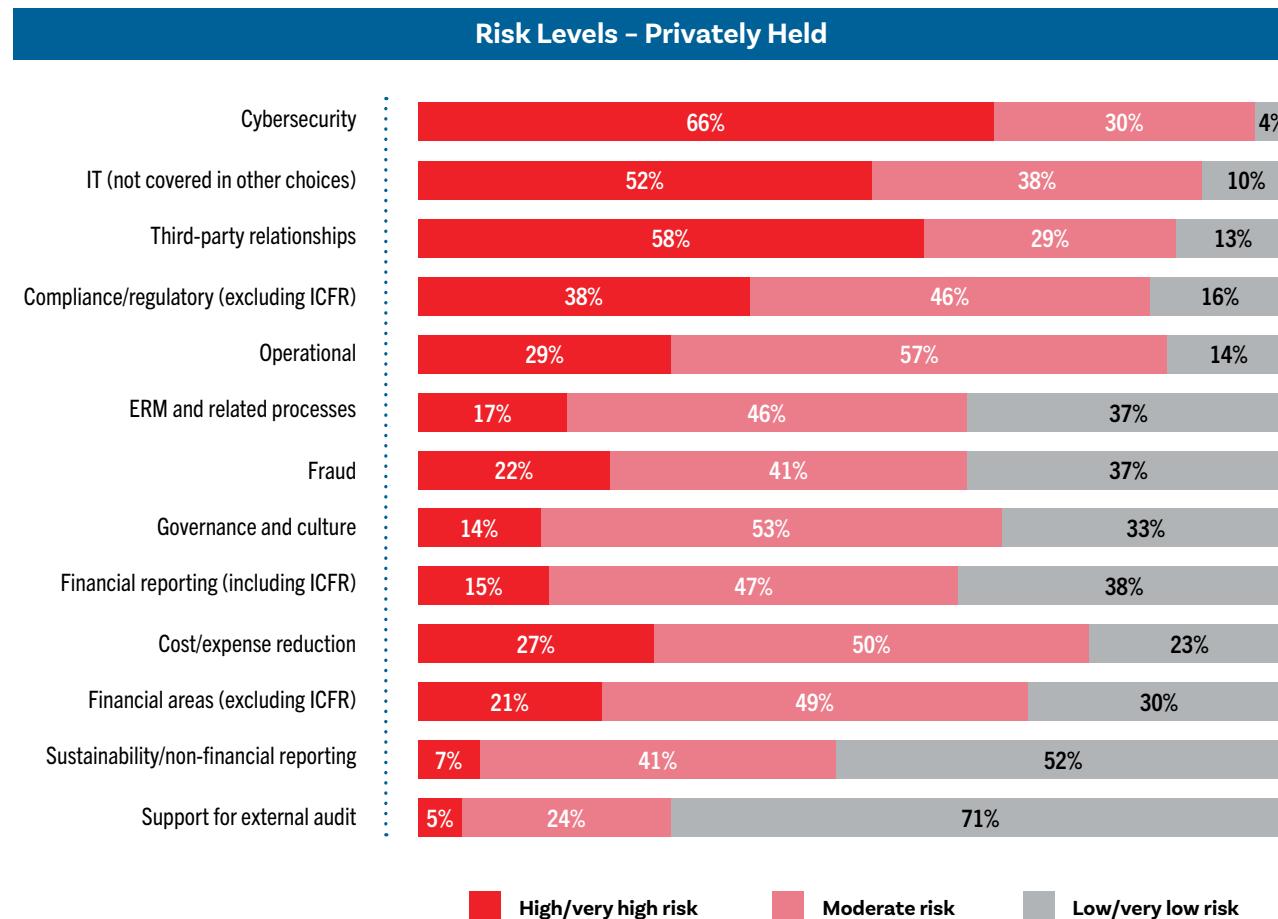
Among public sector respondents, 52% consider sustainability/non-financial reporting risk to be moderate, high, or very high.



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q26: How would you describe the level of risk in your organization in the following risk areas? n = 107 for public sector. n = 57 for nonprofit.

# Risk Levels - Privately Held

Third-party relationships was rated as the second highest risk area among privately held organizations



For privately held organizations, risk related to cost/expense reduction is high compared to most other sectors.

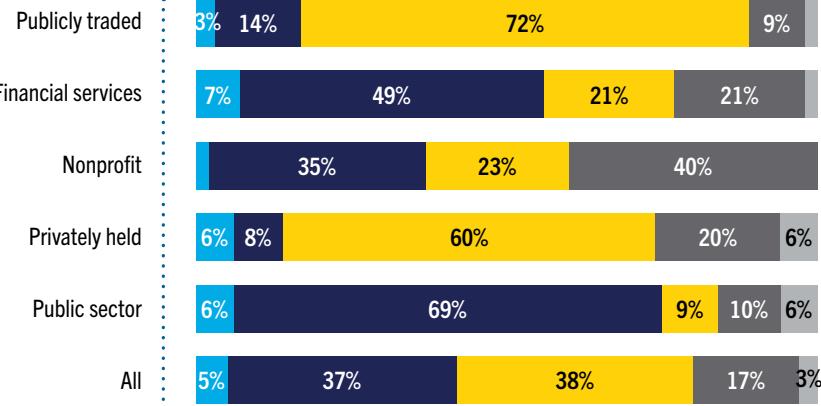
SECTION 5

# *Leadership Metrics*

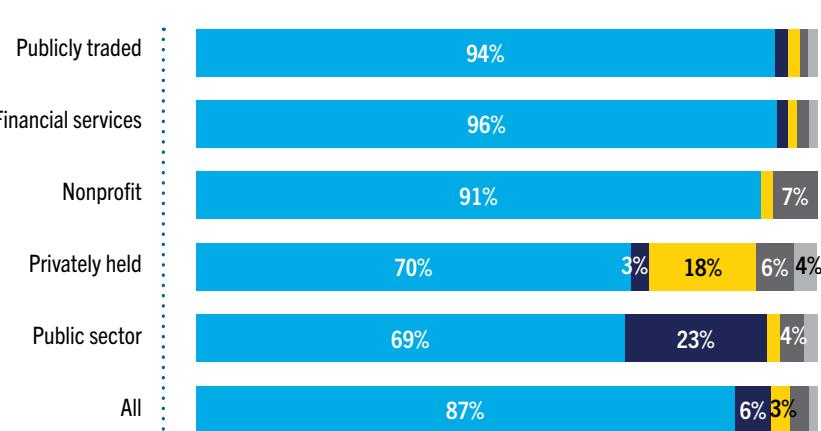
# Reporting Lines

More than 70% of CAEs at publicly traded organizations report administratively to the CFO

## Administrative Reporting Lines



## Functional Reporting Lines



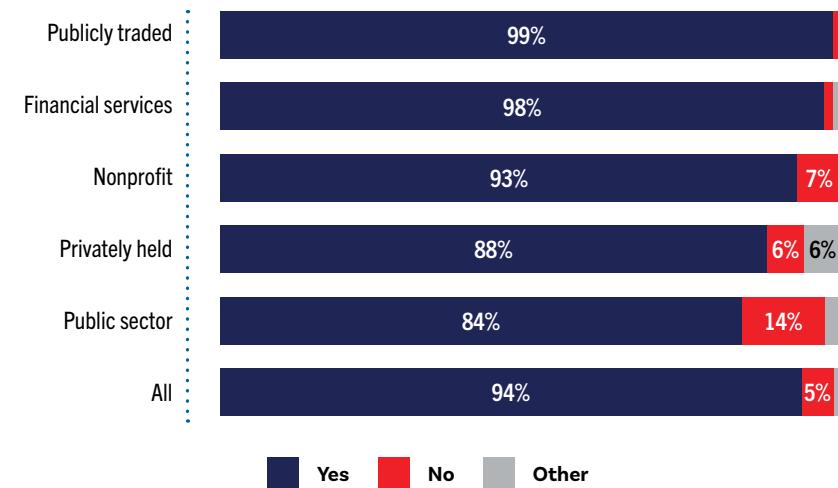
█ Audit committee, board, equivalent  
█ Chief financial officer or equivalent

█ CEO, president, agency head  
█ Other executive leadership

**Many survey respondents said** they report administratively to the CFO – 72% for publicly traded organizations and 60% for privately held. (Administrative reporting line refers to oversight of day-to-day matters, expense approval, human resource administration, communication, internal policies, and procedures.)

Although at least 84% of respondents from privately held or public sector organizations said they have an audit committee or equivalent, 70% or fewer reported to it. (Functional reporting line refers to oversight of the responsibilities of the internal audit function, including approval of the internal audit charter, the audit plan, evaluation of the CAE, and compensation for the CAE.)

## Existence of Audit Committee, Board, Equivalent



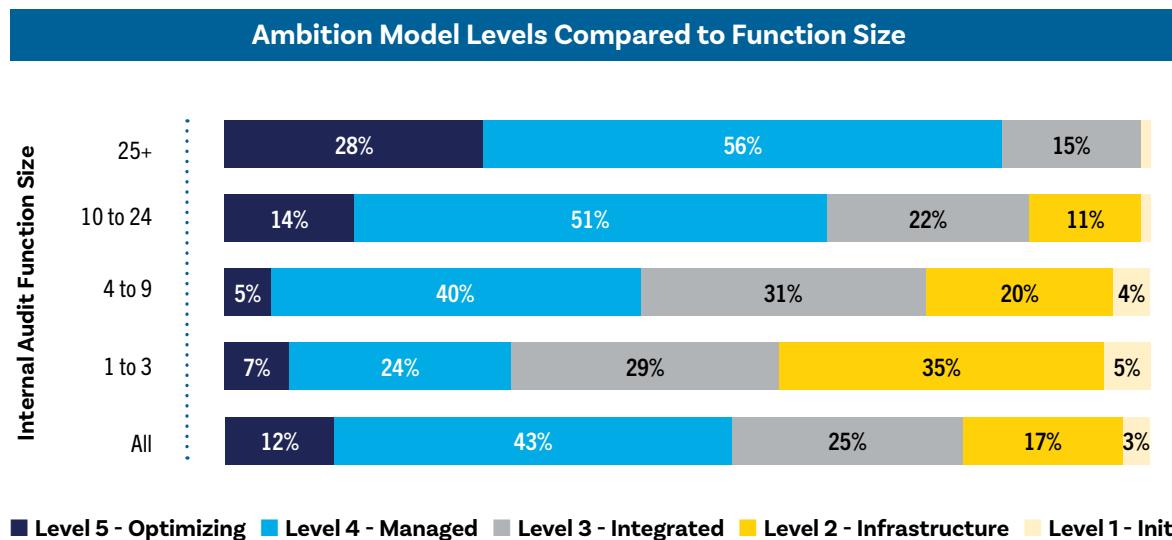
*Note:* The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q30: Does your organization have an audit committee, board, or similar oversight body? Q31/Q32: What is the primary functional/administrative reporting line for the chief audit executive (CAE) or head of internal audit in your organization? Percentages of 2% or less are not labeled on the graphs. n = 555.

# Maturity

Larger functions assess themselves at higher maturity levels than smaller functions

The survey asked internal audit leaders to rate their functions' maturity using the levels from the Internal Audit Ambition Model, developed by IIA–Netherlands and LKO/NBA.

As function size increased, the percentage at the top 2 levels increased as well. At the largest size, 28% rated themselves at the top level, compared with 7% at the smallest size. Overall, 55% of respondents reported maturity at the top 2 levels.



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q29: Which of the following best describes the maturity\* of your organization's internal audit function? \*These maturity levels are based on the Internal Audit Ambition Model produced by IIA–Netherlands. Percentages of 2% or less are not labeled on the graphs. n = 103 for 1 to 3. n = 191 for 4 to 9. n = 145 for 10 to 24. n = 94 for 25+. n = 533 for all respondents.

## Internal Audit Ambition Model Levels

### Level 1 – Initial

Functioning at an initial stage of development, with ad hoc or unstructured activity.

### Level 2 – Infrastructure

Developing administrative infrastructure, along with policies, processes, and procedures.

### Level 3 – Integrated

Integrated into the organization and conforming to IIA Standards.

### Level 4 – Managed

Well-managed, with a visible role in the organization and a long-term vision and plan.

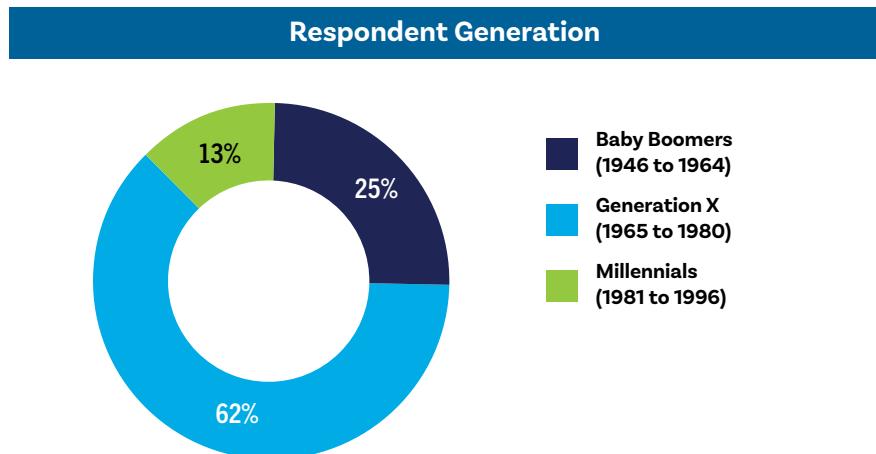
### Level 5 – Optimizing

Optimizing value with continuous improvement for both internal audit and the organization.

Learn more about the Internal Audit Ambition Model, developed by IIA–Netherlands and LKO/NBA at <https://www.iaa.nl/kwaliteit/ambition-model>.

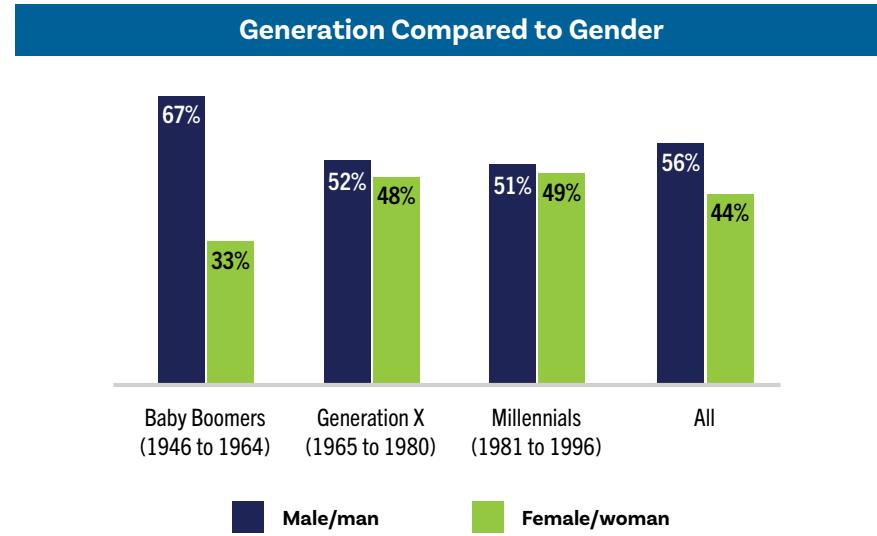
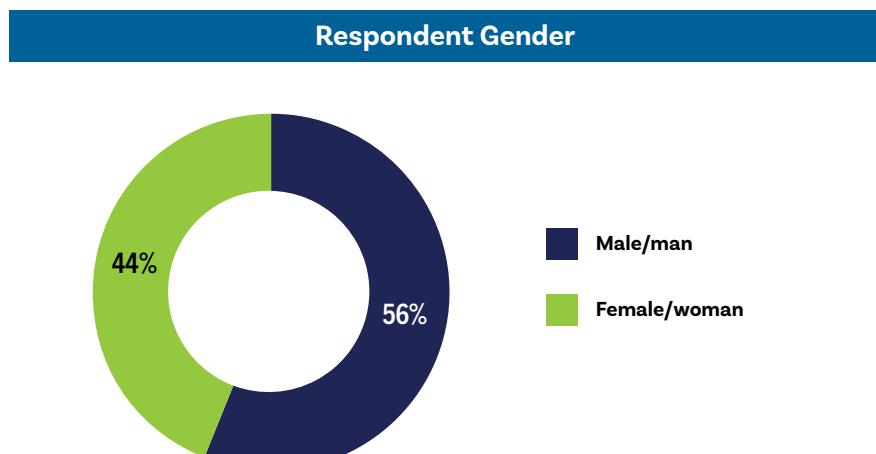
# CAE Characteristics – Age and Gender

Slightly more men were represented in survey responses than women



**Among the internal audit leaders** who took the Pulse survey, 62% of positions were filled by Generation X; 25% were filled by Baby Boomers, and 13% by Millennials.

Overall, more men than women were represented in the survey, with the difference primarily driven by Baby Boomers.



Note: The IIA's North American Pulse of Internal Audit Survey, Oct. 20 to Dec. 2, 2022. Q41: Please select your year of birth. Those who did not answer were excluded from analysis. Q42: Please select the gender identity option that best matches you. n = 433.

## **About The IIA**

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 230,000 global members and has awarded more than 185,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit [theiia.org](http://theiia.org).

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