

## Innovation and evolving practices in internal audit

As large, global companies become increasingly complex, internal audit functions are also changing. Audit chairs, charged with oversight of internal audit, must ensure that the function creates value, not only delivering formal assurance but also materially helping the audit committee carry out its work. In fall 2023, members of the European Audit Committee Leadership Network (EACLN) met with internal audit leaders to discuss good practices for internal audit teams as they adapt and innovate.

Three audit executives joined the discussion to share their perspectives: Antoine Duclaux, head of internal audit at Volvo; Virpi Vuorinen, chief audit executive at Nordea; and Damien O'Neill, head of risk management, internal controls, and audits at Bouygues. Other internal audit leaders from members' companies provided perspectives during premeeting calls.

This *ViewPoints* covers key themes and good practices that emerged in the discussion at the meeting as well as in premeeting conversations:<sup>1</sup>

- **Internal audit priorities evolve to meet the needs of modern companies and their complex risk environments**
- **Internal audit teams are increasingly involved in environmental, social, and governance (ESG) matters**
- **Advanced technologies drive changes in internal audit**
- **Widespread talent challenges in internal audit call for innovative strategies**

*For a list of meeting participants, see Appendix 1 (page 9); for a list of reflection questions for audit committees, see Appendix 2 (page 10); for guest biographies, see Appendix 3 (page 11).*

### How is internal audit evolving at leading US companies?

Members of the North American Audit Committee Leadership Network (ACLN) met in March 2023 to discuss this topic. Many similar themes emerged. Internal audit executives from Citigroup and General Electric shared insights about how their internal audit teams innovate, respond to rapidly evolving risk environments, utilize technology, and address talent challenges. To read more, see **[ViewPoints: Innovation in internal audit](#)**.

## Internal audit priorities evolve to meet the needs of modern companies and their complex risk environments

The remits and portfolios of internal audit teams have expanded far beyond financial controls and now include a much wider set of risks. Internal audit teams must respond to rapidly changing business environments and ensure they continue to deliver value to their companies. As internal audit teams adapt, they must strike a balance between traditional assurance and services that more broadly support business performance and strategy. Members had varying opinions about the right role for internal audit:

- **Some internal audit teams are pushing the boundaries beyond traditional audit activities.** At Nordea, Ms. Vuorinen said, the aim is to balance *“traditional assurance with a good share of audits covering strategically important themes and emerging risks, which really add value to the organization.”* This enables internal audit to be proactive, anticipate and address risks before they happen, deliver assurance on issues as they emerge, and drive a risk-focused culture. *“There is more demand for advisory-type work in various areas, and we believe it’s more value-adding to get in early and, through timely assurance, help the management to build the right structures rather than come in two or three years later to explain how things failed because they were not set up properly and with sufficient scope,”* she said.
- **Others are more guarded.** Some members believed that internal audit should maintain a more limited, restricted role and are more cautious about expanding beyond the traditional assurance mandate. An audit chair explained, *“It’s not advisory as such. This company is not very comfortable with the word ‘advisory.’ Internal audit will provide recommendations and they’ll discuss it with managers, and at the end you find an agreement, but it’s not really advisory.”* Another emphasized that internal audit’s purpose is assurance and that any consulting or advisory-type services are a *“side effect.”*
- **Some activities fall between assurance and advisory-type work.** EY’s Marie-Laure Delarue suggested the term *“expanded assurance”* to characterize these additional activities in a way that avoids compromising the independence of the internal auditors. Members agreed that this description could be helpful.

Consider  
internal  
audit's role in  
emerging risks

A volatile environment increases the need for companies to look out for emerging risks that can quickly escalate in priority. Horizon scanning and rapid risk response could fall into the grey area between assurance and advisory-type activities for internal audit teams. An internal audit leader said, *"We're very good at developing action plans for risks that are identified, but there is a lack of attention to emerging risks. It is challenging because there are so many important risks to handle already. We need to improve our approach to emerging risks."* Ms. Vuorinen advocated for time and resources dedicated to emerging risks: *"It's important that internal audit does not stick to looking only at well-established risk areas with specific criteria in place. Companies might be missing out on some really important emerging risks."* Some geopolitical risks, for example, may at first appear easily manageable but rapidly escalate into material threats to an enterprise.

Members and internal audit executives described practices that have enhanced the value of internal audit:

- **Taking a more holistic approach.** Internal audit teams are now conducting "end-to-end" audits of entire value chains. One audit chair explained, *"Traditionally, most audit functions in the past may have been structured to assess risk in each entity. We've learned that there is more value to looking at aspects of the end-to-end process."* This approach pushes management to consider matters in different ways, the audit chair said, so that the executives focus not just on *"what they own, but also on parts where the process is owned by another senior leader in the company."* Those who conduct end-to-end audits acknowledged that the process can be complicated and difficult but said that the insights gained can highlight different issues and new control weaknesses.
- **Leveraging internal audit to address culture risk.** Culture directly impacts a company's control and risk environment, and members discussed the importance of a heightened awareness of culture. At Nordea, internal audit includes a culture assessment in each audit. The audit chair explained, *"We have audit ratings that don't just focus on audit processes and controls but also culture and management. Management's view of a particular topic that we're focused on, and the culture surrounding it, are important for us to understand as an audit committee. It helps us understand if management is alive to the issues and focused on addressing them."* Ms. Vuorinen added, *"It is crucial to ensure clear criteria are in place and that the scope of the assignment is understood by the management. Management wants to be comfortable that you have a clear and transparent set of criteria when you assess culture. If both sides know, understand, and agree on the relevant points, it's easier to implement."* Internal audit's review of culture has proven highly valuable for the Nordea audit committee. Typical audit metrics point to a historic record of an issue and its resolution; in contrast, culture metrics help the audit committee understand whether the issue will resurface. *"This metric from internal audit gives our audit committee a really rich source of information for discussion,"* said the audit chair.

## Internal audit teams are increasingly involved in ESG matters

Members and guests reported varying levels of internal audit activity around controls of ESG information and ESG disclosures. Most said that involvement has primarily focused on environmental (E) aspects; they expect a focus on social (S) aspects to follow. As ESG metrics become increasingly linked to core business goals, and as ESG reporting becomes mandatory, internal audit is playing an increasingly important role. ESG assurance requirements are already in place, for example, under the European Union's Corporate Sustainability Reporting Directive, which initially requires limited assurance, with a planned transition to reasonable assurance after the European Commission conducts additional feasibility analyses.<sup>2</sup>

The group highlighted good practices for internal audit involvement in ESG:

- **Engaging internal audit early in the process.** *"Very early on, when the ESG program was established in the company, internal audit went in and reviewed the program management office set up before they started doing much work,"* Ms. Vuorinen said. Providing internal audit with a *"seat at the table"* when creating processes for ESG can help enable earlier identification of risks and control needs and ensure that the proper processes are in place from the beginning. At Nordea, internal audit now assesses ESG risk in *"all relevant aspects of every single entity in our audit universe,"* Ms. Vuorinen noted.
- **Securing critical competencies.** Internal audit leaders will need to consider whether their teams have the ESG-related expertise that their organizations require. *"First, we must focus on getting the competencies right,"* Ms. Vuorinen said. *"We do training activities for our own staff. It is also mandatory for all leaders and for people working on ESG topics to do an ESG certificate."*
- **Coordinating with external auditors.** Given the continual development of ESG reporting, guests described a close collaboration between internal audit teams and external auditors. *"We're working with the external auditors on this. We want to be mindful the operation is not duplicated and that we complement each other's work,"* Mr. Duclaux said. Ms. Vuorinen agreed that close coordination is important: *"It is a rapidly evolving environment. It makes sense to coordinate closely on the work with the external auditor, and our role as internal audit has been to focus on covering the control environment related to processes that contribute to the ESG disclosures."*
- **Being flexible.** Ms. Vuorinen emphasized the need to remain flexible and have good communication around ESG issues: *"Auditing this evolving area where expectations are constantly increasing can be challenging. We need to stay close to the area and engage in good dialogue with management. Having a flexible audit approach and performing, for example, preparedness audits and raising relevant issues in targeted, unrated audit reports maybe be helpful."* Mr. Duclaux agreed: *"This is a learning process. We want to have some assurance on ESG reporting and then see how it develops."*

**Coordinating  
aspects of ESG  
may require  
extra audit  
committee  
effort**

*“ESG reporting is a brand-new thing, and the consequences of getting it wrong are so significant,”* a member said. His audit committee made the difficult decision to go “outside of scope” of its normal remit when it realized the company was not coordinated on ESG strategy, reporting, and risk appetite. The audit committee saw an urgent need to ensure that publicly shared ESG information was fairly presented. *“We effectively took responsibility to get all the committees together and say, ‘Show me where our strategy fits with the marketing statements.’ It was challenging to go through that process and to get people aligned, but it was quite helpful.”* The audit committee has since stepped back to maintain independence, but the member said a similar process may occur around additional aspects of the company’s ESG strategy and reporting.

## Advanced technologies drive changes in internal audit

Technologies such as artificial intelligence (AI), data analytics, robotic process automation, and machine learning can provide significant benefits for internal audit and are driving rapid changes to the function. EACLN members reported different levels of maturity in their internal audit teams’ use of advanced technologies. All agreed that technology presents many opportunities for internal audit, but also risks. Members and internal audit leaders noted that internal audit functions must adapt as companies adopt these technologies more and more in their processes and ensure that they have the sophistication and skill sets required to audit them.

Several priorities in this area were identified:

- **Better understanding the full scope of risks.** *“We’re in the early phases of using AI, but it is a control risk,”* one member said. *“It is a very big question. So is it something we’ve discussed? Yes. Are we 100% clear on where we stand with it and how we will deal with the risks? I don’t think so yet.”*
- **Ensuring technology is additive to the goals of internal audit.** Advanced technologies can enable internal audit teams to improve efficiency, increase accuracy, increase fraud detection, and enhance other risk assessments. For example, testing whole populations rather than sampling can not only improve audit quality but also free auditors’ time up to be redeployed to higher-level work. *“We’ve come a long way in being able to do really broad audits,”* a member said, *“It’s not like the old days with sample-based internal audits, so that has been an enormous step forward.”* But these benefits should enhance the scope of internal audit, not reduce it.
- **Maintaining human perspectives.** One member cautioned that while *“AI helps make internal audit more efficient, you still need the human brain and intelligence to really understand where the company goes with it.”*

## Widespread talent challenges in internal audit call for innovative strategies

Audit chairs and internal audit executives alike underscored the challenge of recruiting and retaining strong talent for internal audit teams. Complex new technologies, regulations, and risks demand new skills for internal auditors. *“The staffing of internal audit is a huge challenge and completely different from the one we had in the past,”* one member said. Ms. Vuorinen explained, *“We’re clearly expected to be subject matter experts. We need to have a deep understanding of areas such as cybersecurity, AI, ESG, and complex risks.”*

On top of this, internal audit leaders struggle with the role’s overall attractiveness as a career pathway. *“It is no longer viewed as one of the best ways to get into the business world,”* Mr. O’Neill said. Mr. Duclaux agreed: *“It’s not easy to get people in. We’ve also been facing more issues with finding people willing to stay.”* Tight labor markets can add to the challenge, especially for companies with large internal audit teams.

Internal audit executives described their talent strategies, noting the importance of being proactive and intentional about people management and reviewing good practices:

- **Rethinking the structure of internal audit.** The audit executives described differing structures for their teams, most of them recently changed to address the risk environment. Some companies have restructured and expanded their internal audit teams, while others have reduced their numbers. At Volvo, Mr. Duclaux led a transition to simplify and centralize internal audit, with an aim at driving effectiveness and value. *“We previously had a lot of different locations in audit. It was very hard to manage.”* The internal audit function went from a larger number of small, locally based teams to a smaller number of teams based where management sits. *“We now have a sharper team that is very diverse, with new blood and people coming in from the business. The intention was to make internal audit as close as possible to the business and remain independent. We decided to have auditors with a more extensive scope with company background.”*
- **Prioritizing soft skills and diversity of backgrounds beyond traditional auditing.** Several audit chairs and internal audit leaders said they look beyond traditional auditing backgrounds to secure strong talent. One internal audit leader said, *“We do not have professional auditors, only people coming from the company.”* He said that internal audit looks for a variety of backgrounds, ages, geographies, and other diversity metrics, explaining, *“There is no standard; we just try to have the highest level of diversity. But we are also selective. We look for soft skills—people who are open minded, perceptive, analytical, etcetera, with other experiences before and other experiences to come.”* At Volvo, Mr. Duclaux aims to secure a mix of skill sets and capabilities: *“We need the right mix in the assignments. If you pair up people from different backgrounds with strong internal auditors, that can work.”*
- **Boosting attractiveness and building awareness of the opportunities that internal audit presents.** Mr. O’Neill noted that communicating how internal audit enhances career development helps to increase interest: *“We say, ‘If you come to internal audit, you will*

*discover other ways of thinking and see other parts of the business and the world. Your ability to catch complexity and to manage will be enhanced. You will learn how to report to senior management and write more precisely and efficiently—much more so than if you stay in your business area.”* Ms. Vuorinen agreed and described the importance of efforts to *“brand internal audit as an innovative and impactful function.”*

- **Implementing rotation programs and succession planning.** Several members and internal audit leaders identified rotation programs as an essential talent strategy. *“The ideal situation is to have a circulation of people who go into internal audit, back into the business, and then back into internal audit. I don’t mean six months in internal audit as a career-enhancement move, but someone who comes to work for three or four years in internal audit,”* Mr. Duclaux said. *“We have a three-year rotation program. People stay in internal audit for three years—no more or less. It also means that we only need to renew one-third of our team each year,”* another internal audit leader said. Being intentional and strategic about rotational programs and succession planning can help mitigate talent challenges. *“If you don’t have a good program for it, it is easy for leaders on the team to get stale or stuck where they are,”* an audit chair cautioned.
- **Using external experts and co-sourcing.** Some companies bring in external experts or co-source talent from the accountancy firms or elsewhere to address talent shortages, especially for specialized expertise in areas such as cyber and AI. Mr. Duclaux noted that Volvo takes this approach for cyber audits: *“There is a need for technical audits on cybersecurity. We go deep, but we don’t always have the competency, so we hire or subcontract it from one of the Big Four accountancy firms usually.”*

### How can audit chairs be most helpful to internal audit leaders?

Audit chairs were curious to learn how they could best support their internal audit teams. The relationship between the audit committee chair and internal audit is an important one. Internal audit is a valuable source of information for audit committees, often being viewed as the audit committee’s “eyes and ears.” Guests and members discussed good practices for audit chairs to consider:

- **Establish a clear vision and actively check in on the audit plan.** It is crucial for audit committees and internal audit teams to align on priorities and strategy. The audit chair and internal audit leader drive this. Ms. Vuorinen advised members, *“Have a discussion on the strategy of the audit department. Find out what the ambition level is, and ask, Will we be able to meet that ambition or should more resources be dedicated, for example, to drive automation initiatives? We’re having those discussions all the time.”* Ongoing discussions and check-ins on the audit plan are vital, she said. *“It ensures internal audit covers those things that are a concern to you.”*
- **Ensure proper resource allocation.** The audit chair is responsible for ensuring that the internal audit team is appropriately tasked and resourced and has the authority

needed to conduct its assigned tasks. Mr. Duclaux emphasized that the audit chair is a powerful force in this arena: *“We need your support on talent management. If we are all convinced that internal audit will be a crucial platform, then you can help us to convince management to make it happen.”*

- **Be a trusted thought partner and champion of the internal audit team.** Mr. Duclaux noted that success is highly reliant on a strong working relationship and trust between the internal audit team and audit committee. He said, *“What should audit committee chairs come away from this conversation knowing? You can do a lot with internal audit; you can leverage us as much as you want. Providing you have the right relationship and trust between the audit committee and internal audit team, which is a must in my opinion, then you can go quite far.”* A member agreed: *“As audit chair, I spend quite a bit of time with the internal audit team. I show and demonstrate the impact that internal audit has had on the organization. I go back to the team and say, ‘This is the impact. We wouldn’t have made this progress. This comes from the work you’ve done.’ I see my role as the champion of internal audit.”*

## About this document

The European Audit Committee Leadership Network is a group of audit committee chairs drawn from leading European companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

*ViewPoints* is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisors as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, management, and advisors who become systematically engaged in this dialogue, the more value will be created for all.

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## Appendix 1: Meeting participants

The following members participated in the meeting:



**Eric Elzvik**  
Audit Committee Chair, Ericsson  
and Volvo



**Renato Fassbind**  
Audit Committee Chair, Nestlé



**Margarete Haase**  
Audit Committee Chair, ING



**Marion Helmes**  
Audit Committee Chair, Heineken  
and Siemens Healthineers



**Benoît Maes**  
Audit Committee Chair, Bouygues



**John Maltby**  
Audit Committee Chair, Nordea  
Bank



**Maria van der Hoeven**  
Audit Committee Chair,  
TotalEnergies

EY was represented in all or part of the meeting by the following:



**Marie-Laure Delarue**  
Global Vice Chair, Assurance, EY



**Hermann Sidhu**  
EMEIA Assurance Deputy Leader, EY

## Appendix 2: Reflection questions for audit committees

- ? How has the internal audit function evolved at your company in recent years? How have the scope and priorities of internal audit changed?
- ? How does your internal audit function balance its time between traditional assurance and advisory tasks? In what areas has internal audit expanded beyond its traditional scope to add value for the company?
- ? What role is your internal audit team playing in ESG and nonfinancial reporting? How are you expecting this to evolve in the next few years?
- ? How do internal audit, enterprise risk management, and the compliance/legal functions overlap and work to ensure no gaps in coverage? What challenges or issues have you experienced?
- ? What are the biggest challenges for internal audit in the next three to five years?
- ? What concerns have you encountered with internal audit's growing use of technology (e.g., ensuring that machine learning models are appropriate, unbiased, and effective)?
- ? To whom does your internal audit leader (e.g., chief audit executive) report, functionally and administratively? How effective is the current approach?
- ? How has your audit committee evolved its oversight of internal audit in recent years?
- ? How often do you, as audit chair, interact with your internal audit leader? What format works best for those interactions?
- ? How involved are you in assessing your internal audit talent pipeline? What good practices has your company employed to overcome talent challenges within internal audit?
- ? How do you see the talent needs of the internal audit function changing?
- ? What is your company doing to upskill, reskill, recruit, and retain talent to meet those needs?

### Appendix 3: Guest biographies

**Antoine Duclaux** is head of audit at Volvo Group. Mr. Duclaux has extensive international experience in the building material and automotive sectors. He is a McKinsey alumni and graduated from Ecole des Mines de Paris. He also attended an Advanced Executive Program at Kellogg and is certified in cybersecurity from the Harvard VPAL program.

At Lafarge (now Holcim) for 18 years, he was chief executive officer of different countries in Latin America, the Middle East, and Central Europe. He also had the opportunity to be senior vice president of strategy and mergers and acquisitions during the merger between Lafarge and Holcim. Before moving to Volvo in 2020, he was head of risk management and internal audit based in Zürich and reporting to the chairman of the audit committee of Holcim.

Now with the Volvo Group, his mandate has been to move the audit team to a new level with a stronger contribution to the business strategy while providing the right level of assurance. He has a team of 29 people in three different locations.

**Damien O'Neill** is head of risks management, internal controls, and audit for Bouygues, a diversified services group operating in over 80 countries with 196,000 employees in construction, energies and services, media and telecoms. He supervises around 60 people in charge of risks assessments and processes and controls evaluation over the whole group.

Damien held various roles in the finance industry or functions for more than 30 years: 11 years as manager and then partner at EY for finance industries, and 15 years as TF1 (TV French leader) head of accounting and treasury and finance IT. He developed a deep understanding of financing and capital markets and related risks management and acquired a large experience in implementing processes and controls in finance activities, especially IT and data-based ones.

He holds a French engineer's degree, specialized in IT, and is a French Certified Accountant.

**Virpi Vuorinen** is chief audit executive at Nordea Group, which is the largest financial services group in Northern Europe. Nordea's internal audit function has 220 employees working in eight countries.

Ms. Vuorinen has worked in various roles in the financial industry for 25 years, with 20 of these in internal audit. She is a member of the Banking Committee in the European Confederation of Institutes of Internal Auditing (ECIIA).

She holds a master's degree in international politics and economy and a bachelor's degree in international business. She is a Certified Internal Auditor (CIA).

## Endnotes

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<sup>1</sup> *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.

<sup>2</sup> EY, [\*Technical Line: How the EU's Corporate Sustainability Reporting Directive Affects Non-EU-Based Multinationals\*](#) (New York: Ernst & Young LLP, September 2023), 7–10.