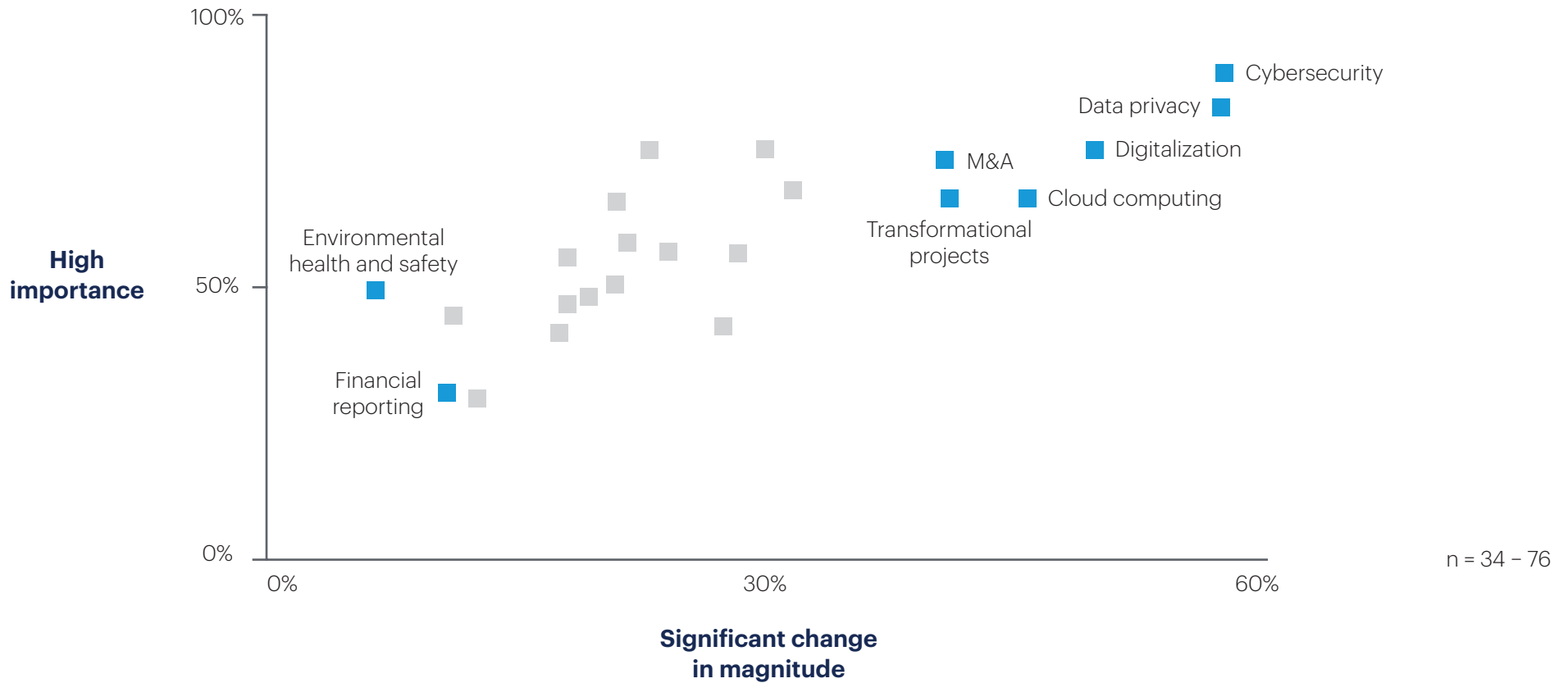
A close-up photograph of a desk setup. In the foreground, a pair of black-rimmed glasses with gold-colored temples rests on a white sheet of paper. The paper is part of a notebook and contains faint, illegible text, including the words "signature 1". To the right, the corner of a silver laptop is visible, showing the keyboard. The background is a light-colored surface, possibly a desk or wall, with a soft, out-of-focus light source. Two vertical blue bars are positioned on either side of the main text, framing it.

# Sense and Respond: Moving Toward Real-Time Assurance

# Key risks are already changing rapidly

## Importance and change in risks over the last year

Percentage of audit departments



n = 34 - 76

Source: Gartner 2018 Risk Sensing and Audit Agility Survey

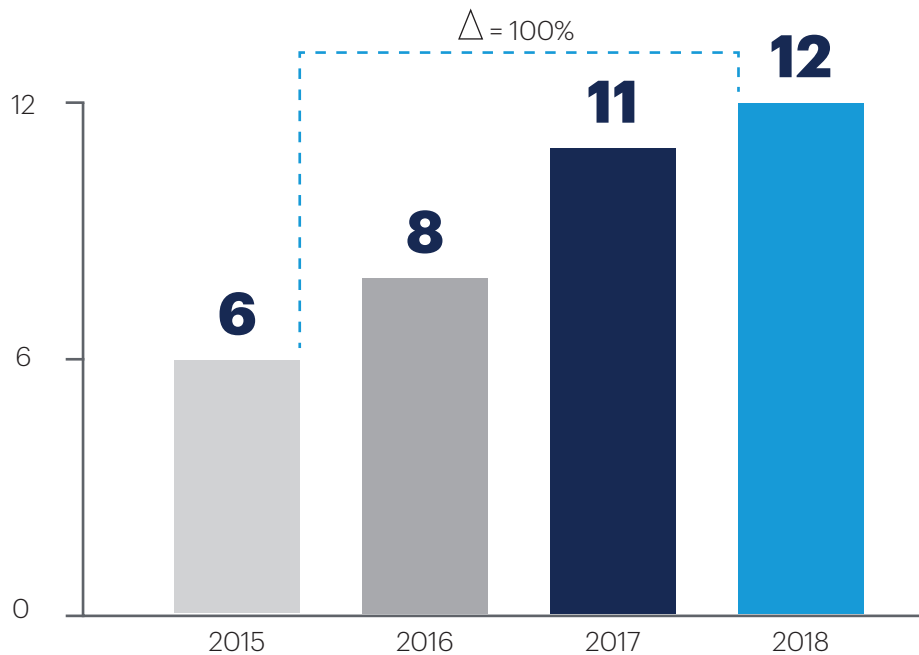
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# Buffer depleted

Meanwhile, an increased quantity of risks to cover, without additional resources, absorbs any buffer the audit function once had to provide flexibility.

## Key enterprise risks audit needs to provide assurance over

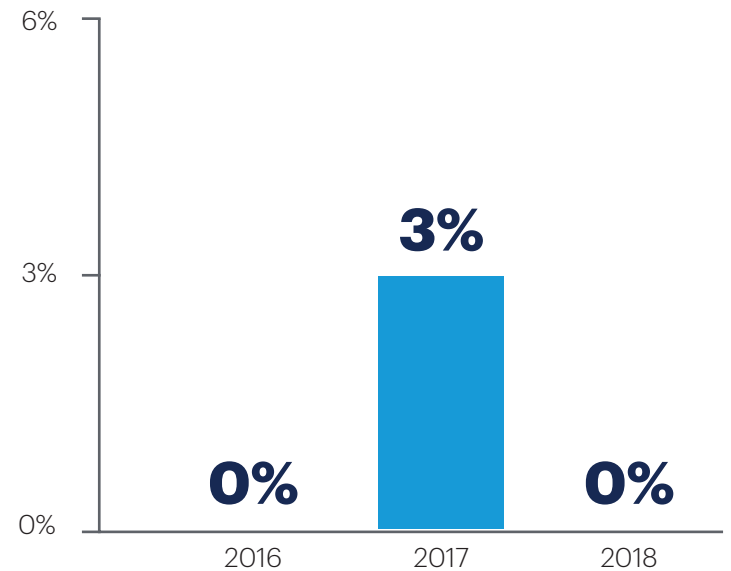
Number of risks



n = 87 - 133

## Audit budget changes

Percentage change, adjusted for inflation



n = 105

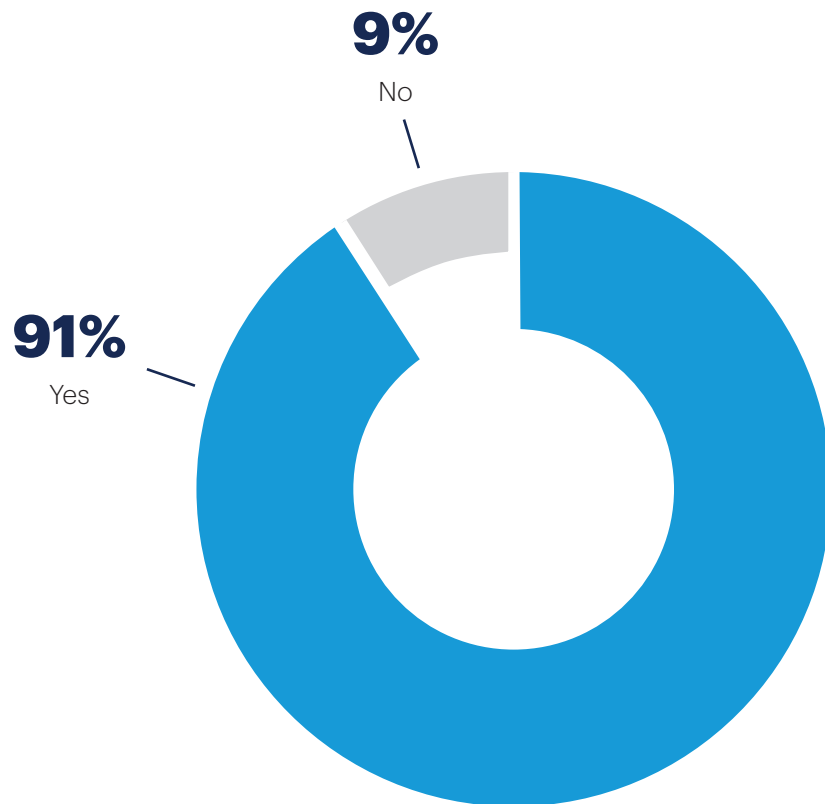
Source: Gartner 2016-2018 Audit Plan Hot Spots Survey; 2018 Risk Sensing and Audit Agility Survey

Source: Gartner 2015-2017 Budget and Head Count Survey

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# Audit feels the pain

CAEs stating that their audit resources should have been better allocated to provide assurance over the organization's critical risks:



n = 88

## Symptoms of concern

- Audit resources could have been better allocated across risk areas.
- Audit did not spend the appropriate amount of time in each risk area to provide reasonable assurance.
- Audit did not devote enough resources to all critical risks.
- Audit activities in the most recently completed audit cycle did not cover the critical risks facing the organization.

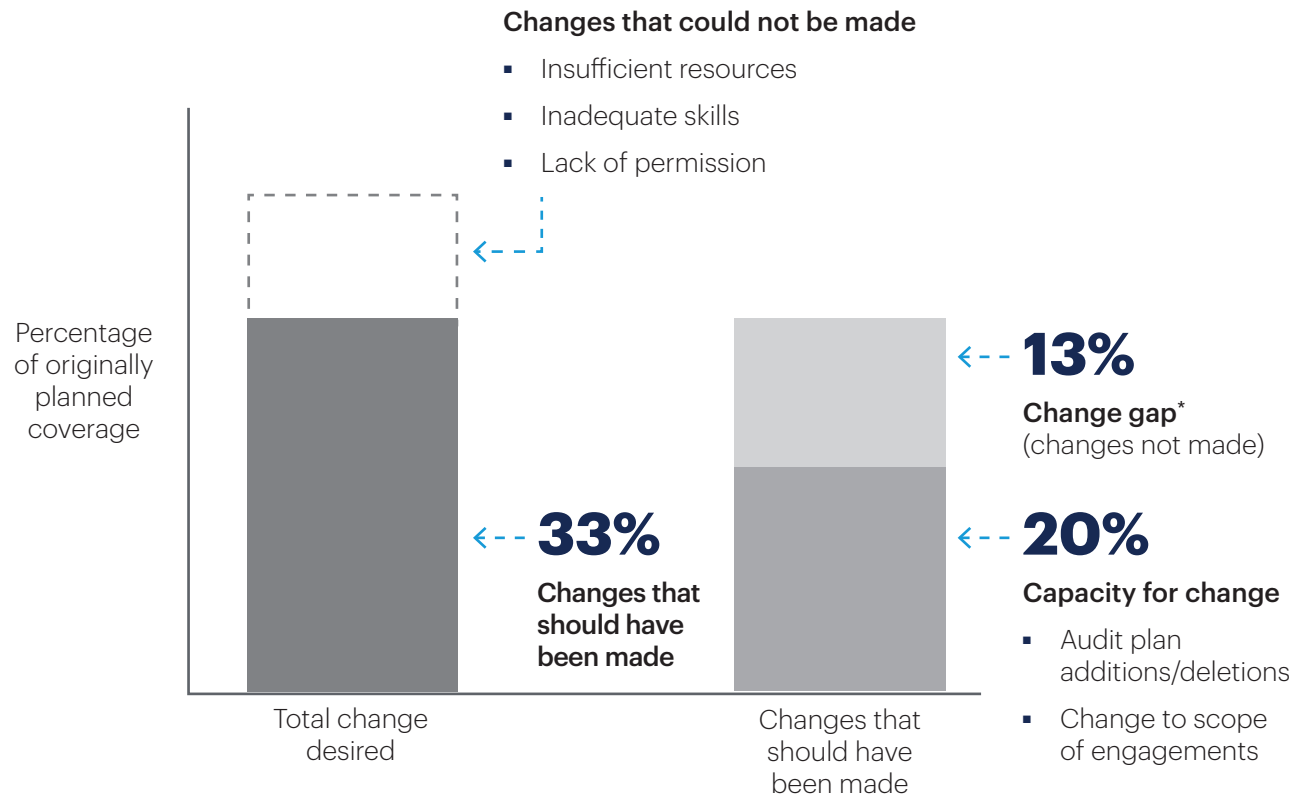
Source: Gartner 2018 Risk Sensing and Audit Agility Survey

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# A sizable change gap

## CAE assessment of the most recent completed plan year

### Average percentage of originally planned audit coverage



### Drivers of need for change

- Growth in number of critical key risks
- Growth in volume of risk information to process
- Pace of corporate change

n = 88

Source: Gartner 2018 Risk Sensing and Audit Agility Survey

\*What percentage of your audit hours should you have reallocated to better cover critical risks knowing what you know now about the risks your organization faced at the end of your last plan year?

# The hoped-for solution

## Stated need

### Sense (processing new risk information)

“There’s a lot of information out there that we don’t have access to or have the resources to adequately analyze.”

CAE, Telecommunications

### Respond (acting on new risk information)

“Our business changes so fast, we have to be more nimble ... We want to turn on a dime ... and be quick and responsive to the business’s ebbs and flows.”

CAE, Retail

## Common solutions

### Talk to more people in the business

Conduct more and better interviews with senior stakeholders in the business, and hold more informal meetings with them.

### Make quarterly updates to the audit plan

Hold quarterly meetings with audit leadership to discuss revisions to the annual plan, and make changes to the plan when very large corporate events occur.

## Uncommon solutions

### Apply data-driven continuous risk assessment (CRA)

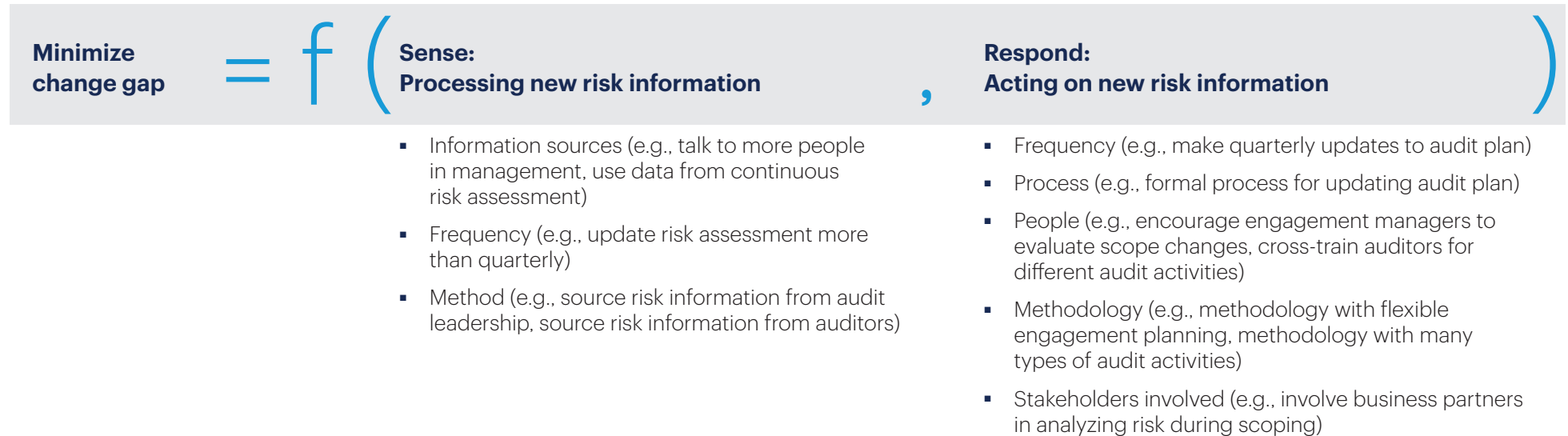
Use dashboards with data and KRIs as indicators for increasing or decreasing risk across the organization.

### Implement agile in the audit function

Apply principles from agile methodology in audit to facilitate better execution of audit engagements.

# What really minimizes the gap?

## Research question: What factors help reduce the change gap?



## Steps taken to collect and analyze the data

### Structured research interviews

- 102 CAEs
- 24 countries in North America, Europe, Africa and Asia

### Gartner's Risk Sensing and Audit Agility Survey

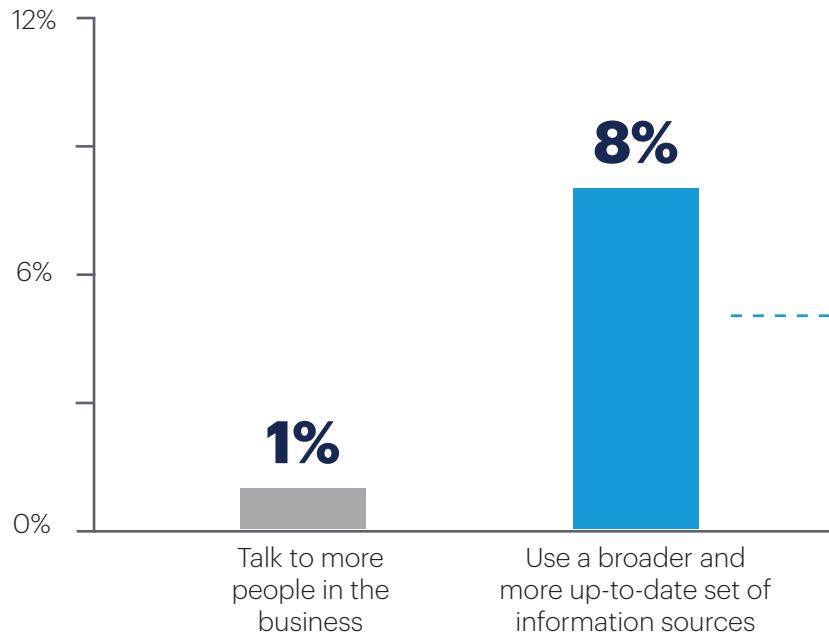
- 88 participating CAEs
- Representing 28 industries in 18 countries and organizations of all sizes
- Additional survey of 303 staff auditors
- Quantitative analysis of 116 methodology, resourcing, talent, structure and activity metrics
- Statistical analysis (including correlation, regression and means test)

# Minimizing the gap: Sense

## Impact of drivers on the change gap

Percentage point reduction in gap

### Sense: Processing new risk information



- Frequently solicited feedback on changes to the risk environment from all department auditors to determine coverage adjustments
- Extensive collection of risk information through data analytics, continuous monitoring, continuous risk assessment, risk workshops and control self-assessments
- Formal updates to the risk assessment more frequently than quarterly

n = 85

Source: Gartner 2018 Risk Sensing and Audit Agility Survey; model: Gartner analysis

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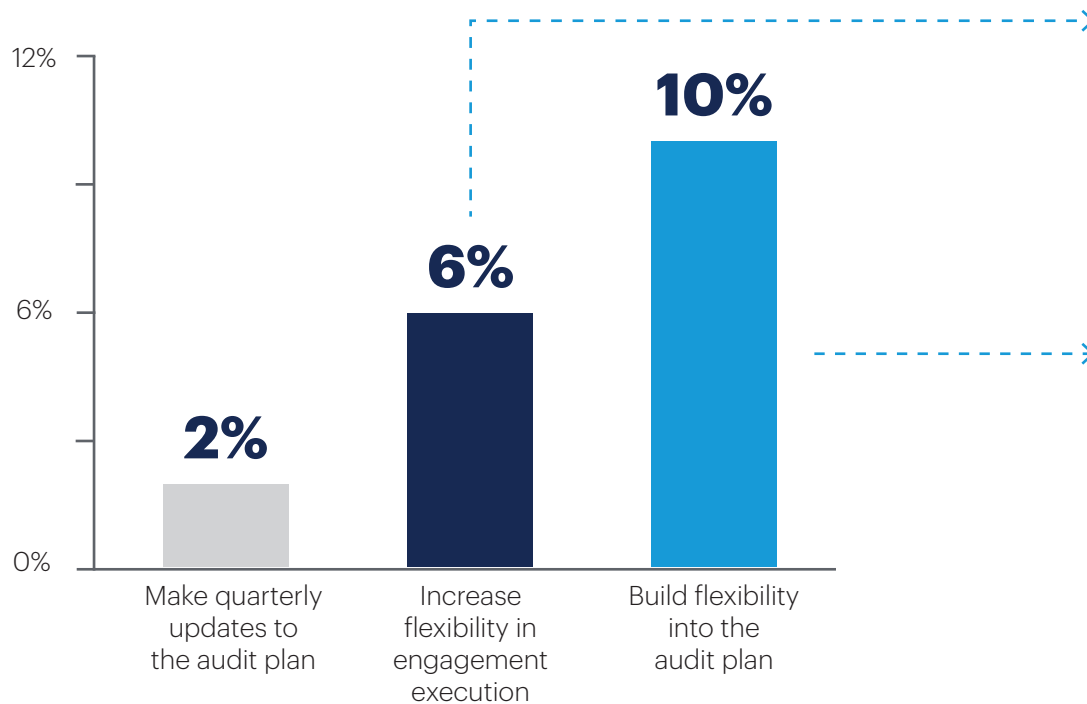


# Minimizing the gap: Respond

## Impact of drivers on the change gap

Percentage point reduction in gap

### Respond: Acting on new risk information



- Audit team works together with the business to deeply analyze the risk area during audit engagement scoping
- Audit engagement managers are encouraged to evaluate possible audit scope changes during the audit
- An audit methodology that allows for flexible engagement planning throughout the audit cycle

- Formal process to update the risk assessment and audit plan through the year, separate from the annual process
- A large number of audit activity types available in the methodology to provide different levels of assurance
- Cross-training of auditors for the skills and knowledge (IT, financial, operational, data analytics) needed across different types of engagements

n = 85

Source: Gartner 2018 Risk Sensing and Audit Agility Survey; model: Gartner analysis

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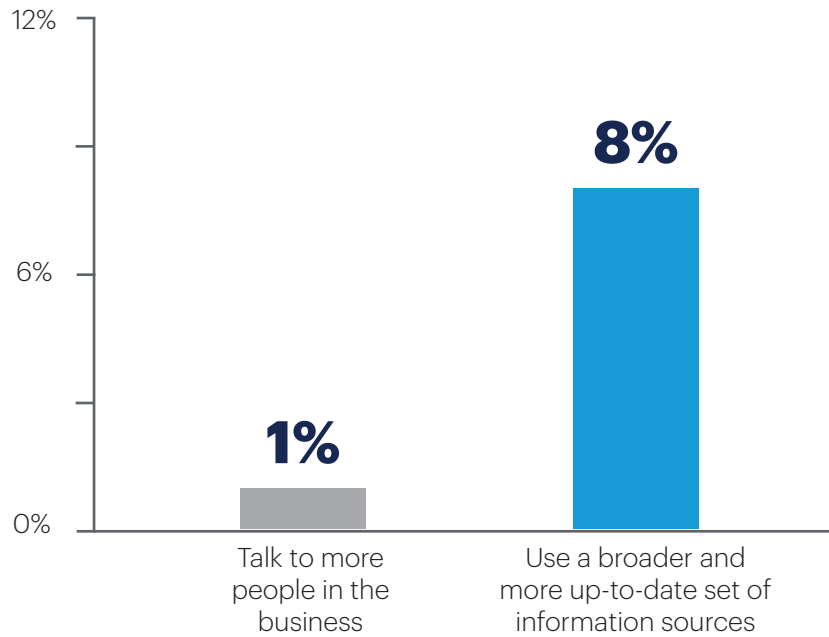
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# Minimizing the gap

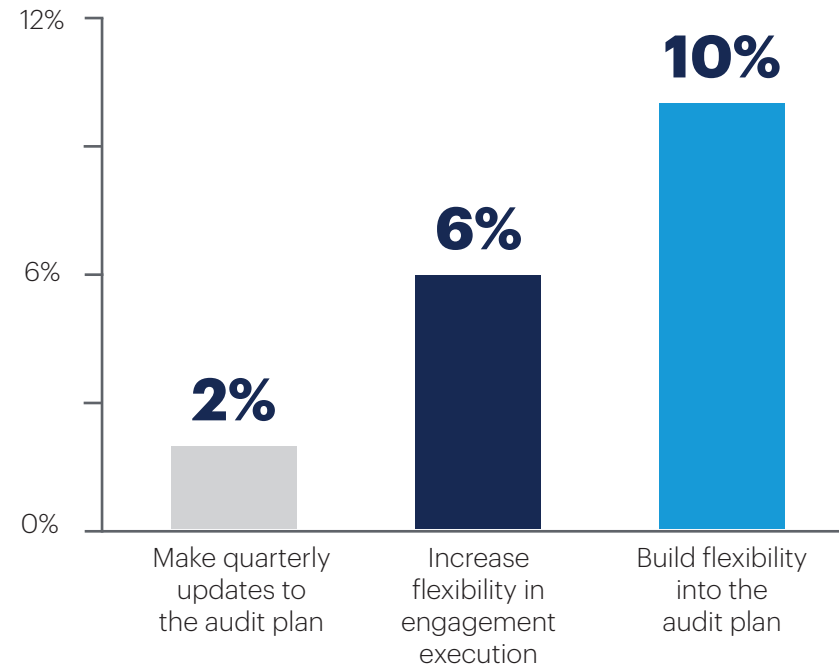
## Impact of drivers on the change gap

Percentage point reduction in gap

### Sense: Processing new risk information



### Respond: Acting on new risk information



n = 85

Real-time assurance

Source: Gartner 2018 Risk Sensing and Audit Agility Survey; model: Gartner analysis

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# Real-time assurance

## Components of real-time assurance

### Real-time risk assessment

Audit collects risk information from a broad set of sources on an ongoing basis and distills it in real time.



### Real-time engagement course corrections

Auditors adapt scope, even during fieldwork, based on the latest risk information from a broad set of sources.

### Real-time audit planning

Audit allocates resources just in time, with a flexible set of coverage options.

Source: Gartner analysis

# Key takeaways

## 1.

A unique set of economic conditions prompts CEOs to take on unprecedented levels of change and risk.

The greater volume of risk without greater audit resources absorbs whatever buffer audit functions once used to cope with change.

## 2.

The volume of needed change to audit's planned coverage now outstrips the function's capacity to make changes, leaving a gap.

## 3.

Traditional methods of addressing needed change, such as making quarterly changes to the annual audit plan, are no longer sufficient.

Audit needs a new approach to allocating coverage: real-time assurance.

Audit must:

- Enable real-time changes to the audit plan
- Process a broader set of information inputs in real time
- Enable auditors to make real-time scope changes in audit engagements