Today's Enterprise

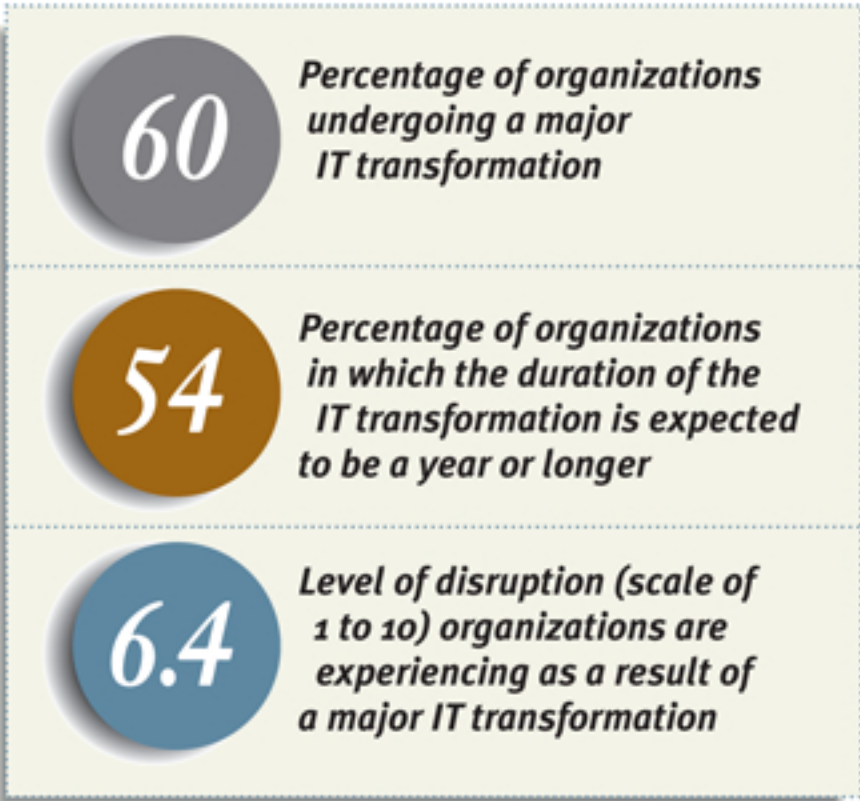# Cyberthreats Lurk Amid Major Transformation

Assessing the Results of Protiviti's 2015 IT Priorities Survey

Amid major changes, danger lurks everywhere for today's enterprises. Crafty, cunning and dangerous cyber predators worldwide are threatening to blow the lid off organizational cybersecurity defenses. Outwitting the wolves at your "cyber door" and managing these changes with confidence requires an array of information security approaches, processes and tools – all of which we find at the top of IT's packed priority list.

> More than 1,000 survey respondents were asked to rate, on a scale of 1 to 10, the level of priority for them and their organizations to improve in different IT issues and capabilities. A "10" rating indicates the issue is a high priority while a "1" indicates the issue is a low priority.

Top 10 IT Priorities for 2015

Rank	IT Area	2015 Priority Index	2014 Priority Index	YOY Trend
1	Virtualization	7.3	6.5	↑
2	Virus/malware advanced threat detection/eradication	7.1	NA	NA
3 (tie)	Incident response success (containment, recovery)	7.0	6.3	↑
3 (tie)	Data breach and privacy laws (various U.S. states)	7.0	6.2	↑
3 (tie)	Enterprise architecture	7.0	NA	NA
3 (tie)	Monitoring security events	7.0	6.4	↑
7 (tie)	Data architecture	6.9	6.4	↑
7 (tie)	Data governance	6.9	6.3	↑
7 (tie)	Incident response policy and preparedness	6.9	6.3	NA
7 (tie)	Incident response reaction time	6.9	6.3	↑
7 (tie)	IT project management	6.9	6.5	↑
7 (tie)	Patch management	6.9	NA	NA
7 (tie)	Vulnerability scanning	6.9	NA	NA

60 Percentage of organizations undergoing a major IT transformation

54 Percentage of organizations in which the duration of the IT transformation is expected to be a year or longer

6.4 Level of disruption (scale of 1 to 10) organizations are experiencing as a result of a major IT transformation

What are the objectives of your organization's IT transformation?*

Cost/simplification	64%
New functionality (mobile, new products, etc.)	55%
Service assurance	47%
Regulatory/compliance	46%
Adoption of emerging technology	43%
Time to market/agility	34%

*Multiple responses permitted

The full report on the results of Protiviti's 2015 IT Priorities Survey can be accessed at **protiviti.com/ITpriorities**.

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Building Value in Your SOX Compliance Program
Highlights from Protiviti's 2013 Sarbanes-Oxley Compliance Survey

The SOX Act is entering its second decade, but despite its relative maturity, the law continues to pose new challenges for public companies.

The Cost of Compliance is Going Up...

SOX compliance costs not only are on the rise, but also appear to be outpacing the rate of inflation in many companies.

SOX Costs

Inflation

38 percent of companies reported a year-over-year increase in SOX costs *(2012 vs. 2011)*. And the numbers are higher *(42 percent)* for large accelerated filers.

...But Compliance Costs Remain at Manageable Levels

Large companies on average plan to spend significantly more than midsize and small companies. That said, on average the costs for SOX compliance are not extraordinarily high.

Number of Companies

SOX Costs

65 percent of organizations plan to spend $500,000 or less on SOX compliance, and 75 percent will spend less than $1 million.

SOX compliance costs for large companies are higher, but more than half are budgeting $1 million or less.

Just 13 percent of midsize companies spend more than $1 million on SOX compliance.

Focusing on high-risk processes and walkthroughs

By intensifying scrutiny of high-risk processes, organizations can increase compliance effectiveness and efficiency (by investing less time and money on low-risk processes).

Changes Among Companies in SOX Compliance Processes Over Past Year

35% Changes/increases in process and control documentation for high-risk processes

30% Increase in time devoted to "walk-throughs" to gain and document an understanding of key business processes

22% Fresh assessment of the extent of coverage of, and/or an increase in scope related to, international/remote/non-HQ locations

21% Expansion of scope related to IT general controls

20% Changes/increases in process and control documentation for medium- to low-risk processes

Who in your company has primary responsibility for overseeing/organizing Sarbanes-Oxley compliance efforts?

45% Internal Audit

31% Other

14% Executive Management

10% PMO

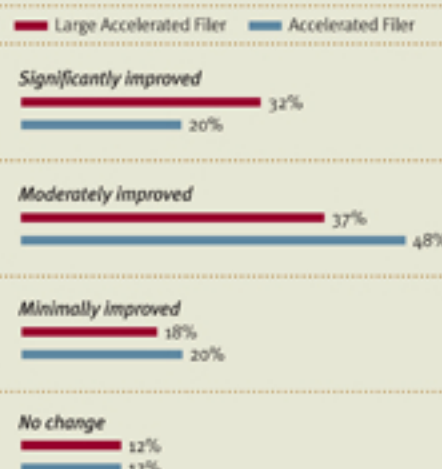## Automating Controls: The Final Frontier

There are significant opportunities for organizations to automate more of their key controls, and a greater number of companies are planning to do so.

To what extent does your organization plan to further automate manual processes and controls?	2013	2012
Significant plans to automate a broad range of IT processes and controls	16%	12%
Moderate plans to automate selected IT processes and controls	31%	34%
Minimal plans to automate selected IT processes and controls	43%	37%
No plans to automate any further	10%	17%

SOX Effect: Improved Internal Control Structures

How has your internal control over financial reporting structure changed since SOX Section 404(b) was required for your organization?

■ Large Accelerated Filer ■ Accelerated Filer

Significantly improved
32%
20%

Moderately improved
37%
48%

Minimally improved
18%
20%

No change
12%
12%

To review detailed results from the 2013 Sarbanes-Oxley Compliance Survey, visit protiviti.com/SOXSurvey.

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The Journey to ORSA Begins

ASSESSING THE RESULTS OF A ST. JOHN'S UNIVERSITY AND PROTIVITI STUDY

Public companies have SOX. Financial services organizations face Dodd-Frank. Healthcare organizations have HIPAA. And now, insurance companies confront ORSA.

U.S.-based insurance companies have embarked on a new journey as they prepare to file their first ORSA Summary Report. For some, the ORSA journey has yet to begin, while others already have a clear roadmap and a strategy. What is the key differentiator? *The answer lies in the strength and maturity of an organization's current risk management structure and practices.*

St. John's University teamed with Protiviti to conduct a survey of more than 100 industry executives to assess the state of readiness of insurance organizations as they continue with their preparation for their initial ORSA Summary Report, as well as to determine ORSA's impact on different risk management processes.

4 KEY TAKEAWAYS:*

1. Insurance offerings could change

Heightened regulatory scrutiny will impact the nature and types of insurance products sold and the types of customers obtained:

Agree: **51%**
Disagree: **21%**
Neutral: **28%**

2. ORSA will change risk oversight, improve ERM, and help with the integration of risk and strategy

Preparing for ORSA will lead to improved risk oversight from our board of directors and senior management:

Agree: **69%**
Disagree: **11%**
Neutral: **20%**

Preparing for ORSA reporting will lead to an improved ERM process in our organization:

Agree: **71%**
Disagree: **7%**
Neutral: **22%**

ORSA will enhance our ability to address and manage risk effectively:

Agree: **50%**
Disagree: **16%**
Neutral: **34%**
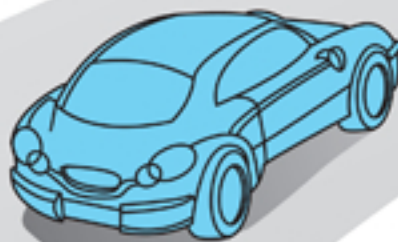
ORSA will help our organization improve the identification and management of emerging risks:

Agree: **61%**
Disagree: **13%**
Neutral: **26%**

3. Many organizations need new controls and policies

ORSA will create the need for new risk management policies and internal controls:

Agree: **60%** Disagree: **16%** Neutral: **24%**

Responding to ORSA guidelines will require changes in corporate governance and may lead to new roles and resource requirements:

Agree: **60%** Disagree: **22%** Neutral: **18%**

We've identified new resources needed for preparing our ORSA report:

Agree: **58%** Disagree: **12%** Neutral: **30%**

4. More education and training is needed at the board and executive levels

Our organization envisions more education and training at all levels, including the board, related to ERM and ORSA:

Agree: **60%**
Disagree: **16%**
Neutral: **24%**

*Agreement scale of 1-5:
5 = Completely agree
1 = Completely disagree

ST. JOHN'S UNIVERSITY
THE PETER J. TOBIN COLLEGE OF BUSINESS

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For more information, visit Protiviti.com/ORSA.

Restoring Confidence

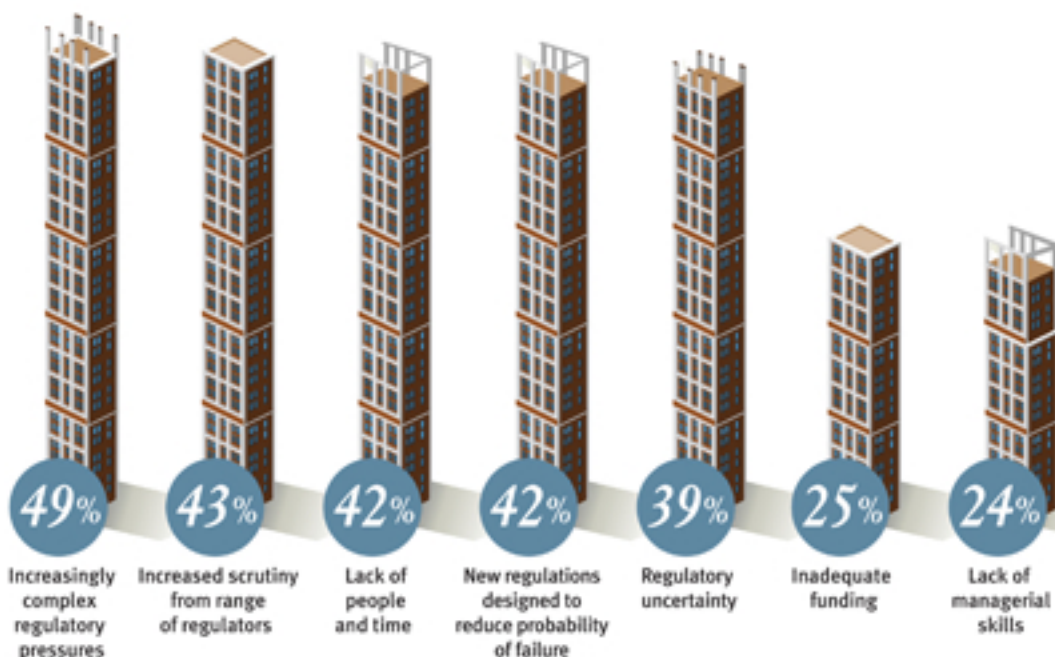*Risk management capabilities in the wake of the financial crisis*

The global financial crisis exposed major weaknesses in many financial institutions – with capital reserves, liquidity risk management, business operations and risk management controls. According to a survey conducted by the Economist Intelligence Unit and sponsored by Protiviti, financial services firms have performed extensive work to address these areas, but much work remains.

Critical Challenges

As the industry rebuilds its risk management practices, it is encountering new obstacles.

Beneficial outcomes for customers

- **59 PERCENT** agree that because the costs of increased regulation are inevitable, leveraging tighter controls to provide stronger assurances to customers makes sense.

- **58 PERCENT** perceive a positive program of customer assurance to be a distinct competitive advantage—and most have implemented one already.

- **46 PERCENT** are moving ahead of regulations to offer new consumer protections as a promotional tool.

49% Increasingly complex regulatory pressures

43% Increased scrutiny from range of regulators

42% Lack of people and time

42% New regulations designed to reduce probability of failure

39% Regulatory uncertainty

25% Inadequate funding

24% Lack of managerial skills

Substantial Room for Improvement

Only 31% rate their risk management systems as fundamentally sound

Just 14% believe their compensation systems reward strong risk management performance

Just 20% have risk awareness integrated into their corporate culture

Key Changes Being Made to Reduce Risks

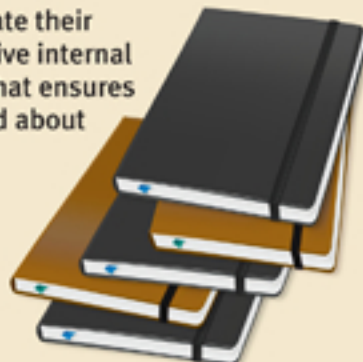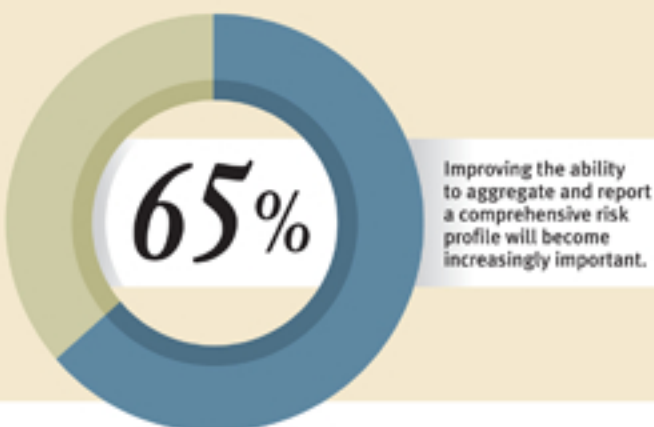**22%** have changed their business models, focusing on consolidation

49% have dropped non-core and high-risk product lines

42% have downsized to reduce their most difficult exposures.

Need for Better Risk Profiles

65%

Improving the ability to aggregate and report a comprehensive risk profile will become increasingly important.

Need for Better Board Reporting

Only **32 PERCENT** indicate their companies have an effective internal audit reporting function that ensures the board is fully informed about the organization's risk management strategy.

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To review detailed results from this study, visit protiviti.com/EIUriskresearch.

KnowledgeLeader ℠

KnowlegeLeader (KL) is a one-of-a-kind online resource for internal audit, IT audit and business risk management professionals. The KnowledgeLeader website is updated weekly with new articles on hot topics and new tools to help save time and stay on top of business and technology risks.

CBE TRAINING KL provides links to authotitative audit, accounting standards, principles and industry guidelines.

TOPICS KnowlegeLeader content is grouped into more than 90 key areas ranging from Internal Audit to Business Continuity Management.

UNIVERSITY CENTER A hub of entry-level internal audit and risk management content, day-in-the-life profiles, career resources and sample syllabi for professors.

TOOLS This resource will pay for itself quickly in the time savings your department will see throughout the phases of an audit. from research and plannning to execution and follow-up, KL has high-quality tools that you can download and edit.

PUBLICATIONS Each week KL presents new publications that address an emerging issue or a best practice in internal audit, technology risk, business risk or Compliance.

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