



# Evolving Core Tasks for Improved Internal Audit Performance

# Introductions

Built by experienced auditors, AuditBoard allows enterprises to collaborate, manage, analyze and report on critical internal controls data in real time.



## Tom O'Reilly

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- 15+ years of internal audit experience
- Former CAE of two publicly held companies
- Founder of CAE Leadership Forum
- Ernst & Young

# AuditBoard Platform

## The Next Generation of GRC

Our tools are powerful alone, but you'll be even happier when you use them together.

### SOXHUB

SOX Compliance for Internal Audit, Process Owners and External Auditors.

### OpsAudit

Collaborate with your team and manage audit planning, fieldwork and reporting.

### ERM Oversight

Identify, prioritize and plan for risk with our flexible, user-friendly ERM platform.

### Compliance

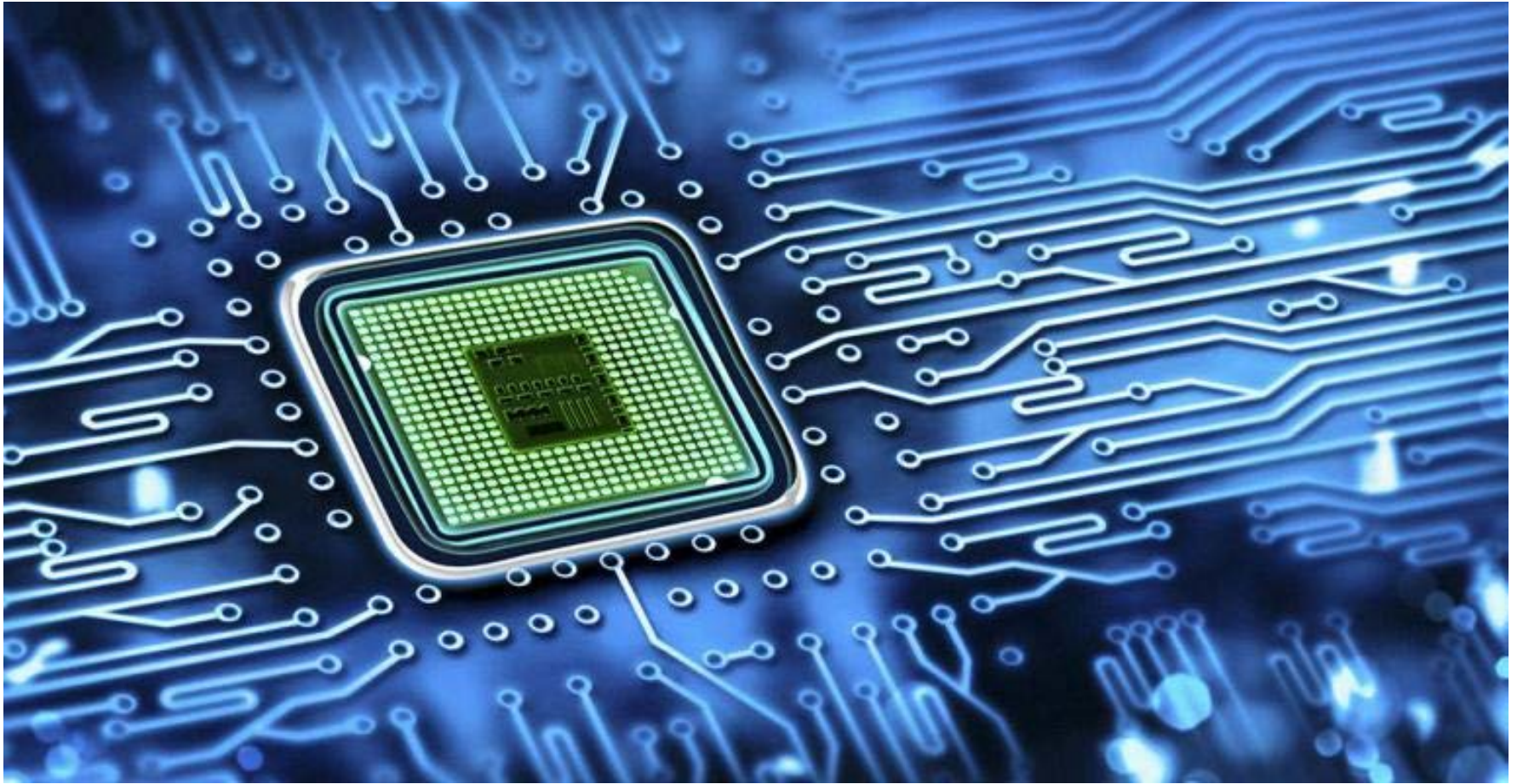
Manage all compliance activities in one central tool - HIPAA, NIST, ISO, HITRUST, PCI, FINRA, SOC.

### WorkStream

Save time and resources with our powerful, automated workflow and task management tools.

Learn more at [www.auditboard.com](http://www.auditboard.com)

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# Business is Changing...



“...85% of CAEs expect their organization to change moderately to significantly in the next three to five years.”

- Deloitte 2016 Internal Audit Stakeholder Survey

## ... But Can Internal Audit Keep Up?

Only 44% of stakeholders report that internal audit contributes significant value.

- [PwC's 2017 State of the Internal Audit Profession Study](#)

Only 28 percent of CAEs believe their Internal Audit functions have strong impact and influence in their organizations.

- [Deloitte's 2016 Global Chief Audit Executive Survey](#)

## Learning Objectives

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How to be a better Internal Audit Leader through implementing best practices to improve:

- Internal Audit performance
- Audit Committee oversight
- Your organization's success

*How can you use internal audit to  
**ENABLE POSITIVE CHANGE**  
in your organization?*



# #1 Improve Your Risk Assessment

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## Internal Auditing Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

**It helps an organization accomplish its objectives** by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## CAE Considerations:

Do you have a risk assessment?

If so, does it reflect the current objectives of your organization?

# Organizational Objectives

Four main objectives for every organization:



Increase  
Revenue



Continually  
Innovate



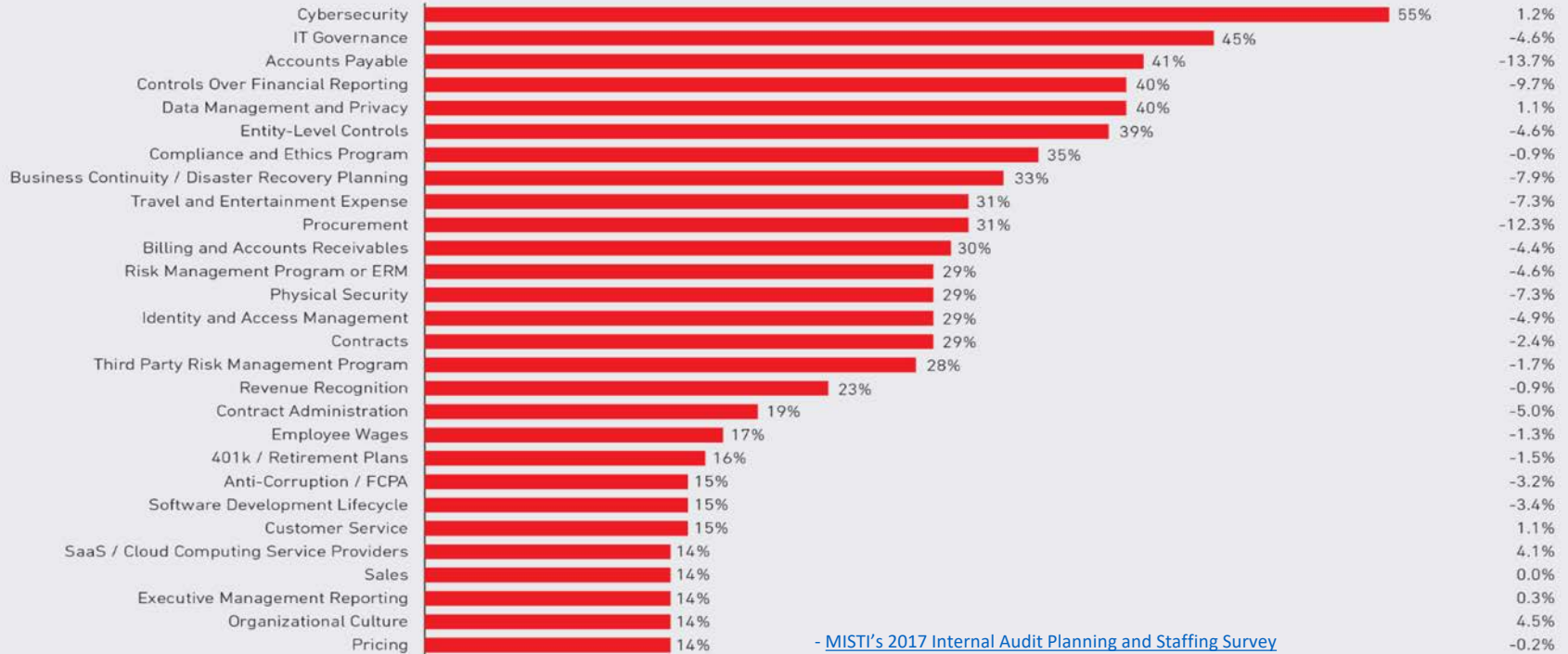
Manage Human  
Resources



Decrease Costs

# What We're Auditing

## TOPICS ON THE AUDIT PLAN FOR 2017



- [MISTI's 2017 Internal Audit Planning and Staffing Survey](#)

# Step 1: Here's How

## Risk Assessment Questions

1. Department risks and objectives
2. Changes in people, process, and technology
3. Major process / department initiatives

## Risk Assessment Resources

1. Risk/audit universe
2. External benchmarks

# Risk Universe Coverage: 20XX and 20XX

## Strategic

### Governance

- Board Performance
- Tone at the Top
- Corporate Environment
- Corporate Social Responsibility

### Planning and Resource Allocation

- Organizational Structure
- Strategic Planning
- Budgeting & Forecasting
- JV's/Alliances Partnerships
- Special Purpose Entities
- IT Strategy

### Major Initiatives

- Vision and Direction
- Planning and Execution
- Measurement and Monitoring
- Technology Implementation
- Business Acceptance

### Mergers, Acquisition & Divestiture

- Valuation and Pricing
- Due Diligence
- Execution and Integration

### Market Dynamics

- Competition
- Economic Factors
- Customer Profile Trends
- Socio-Political
- Pricing Pressures

### Communication & Investor Relations

- Media Relations
- Investor Relations
- Employee Communications
- Technology-Enabled Communications (e.g. social media)

## Operations

### Sales and Marketing

- Marketing and Advertising
- Sales and Pricing
- Customer Insight and Analysis
- New Product Development
- Technology-Enabled Sales Channels
- Sales Order Processing
- Customer Support and Management
- Warranty

### Supply Chain

- Engineering
- Material Planning
- Sourcing and Procurement
- Production and Inventory Control
- Distribution
- Third party / subcontractors

### People

- Recruitment and Retention
- Development and Performance
- Succession Planning
- Compensation and Benefits
- Labor Relations
- Payroll/Timekeeping

### Information Technology

- Information Management / Infrastructure
- Security/Access
- Availability/Continuity
- Integrity

### Hazards

- Natural Events and Terrorism

### Physical Assets

- Real Estate
- Property, Plant, and Facilities

## Compliance

### Code of Conduct

- Ethics
- Fraud

### Legal

- Contract
- Liability
- Intellectual Property
- Anti-Corruption / FCPA
- Technology Compliance Support

### Regulatory

- Trade
- Export Compliance
- Labor
- Securities
- Environmental
- Data Protection and Piracy
- International Purchases and Sales
- Product Quality/Safety
- Health & Safety
- Competitive Practices/Anti-Trade
- Sales and Marketing
- Technology Compliance Support
- Customs

## Financial

### Market

- Interest Rate
- Foreign Currency
- Commodity
- Derivatives

### Liquidity and Credit

- Cash Management
- Debt Management
- Credit and Collections
- Funding
- Hedging
- Insurance

### Accounting and Reporting

- General Ledger Close
- Consolidation Process
- Accounting, Reporting and Disclosure
- Internal Control/SOX 404/302
- Information and Reporting Integrity

### Tax

- Tax Strategy and Planning
- Tax Optimization
- Transfer Pricing
- Property Taxes

### Capital Structure

- Debt
- Equity
- Pension Funds

### Legend

Addressed by company Internal Audit in 2015 and in 2016

Addressed by company Internal Audit in 2017

# Voice of Management: Risk Identification Interview Results

## Top Risk Identified by Management

**Succession Planning** – Inappropriate planning for attrition of key executives could result in business disruption, loss of key customer relationships, or loss of IP.

**New Product Research and Development** – Ineffective use of R&D investments will hinder ability to develop new products or meet customer needs.

**Talent Management** – Inefficient employee development and recruiting operations may hinder our ability to promote and hire qualified internal and external candidates.

**Procurement** – Ineffective supplier and sourcing strategies, negotiating, engaging and vendor monitoring could cause business interruptions and result in high material costs.

**Corporate Vision and Strategy** – If corporate strategy is not vetted, communicated, and accepted within company, current and long-term initiatives may fail.

**Product Pricing** – Gross margins could erode if pricing processes, procedures, and systems are not working optimally and average selling prices continue to decrease.

**Intellectual Property** – Inability to enforce patents or protect intellectual property (from theft) could result in a loss of product market share and future sales.

**Anti-Corruption** – Potential bribes paid to government and commercial third parties may result in regulatory fines and damage company's reputation.

**Asset Risk** – company inventory stored internally or at third party locations may not be secure, counted, recorded, transferred, or disposed of according to procedures.

## Sample Audit Plan

Procurement (Location #1, Location #2)

Distributor Pricing

Intellectual Property

Anti-Corruption Program

Subcontractor & Consignment Inventory Program

# Voice of Management: Risk Identification Interview Results

## Top Risks Identified by Management

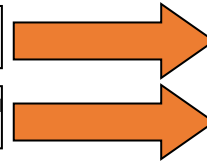
**Data Privacy** – The inability to identify, classify, and protect data can result in a loss of intellectual property and inefficiencies.

**Disaster Recovery** – Inadequate planning for natural disasters or a fire at sites could cause long-term business disruptions and excessive expenditures.

**Market Competition and Growth** – Company could lose market share and future sales opportunities because more competitors are operating between 3x and 30x our scale.

**Resource Allocation** – Inability to fully execute department strategies because of funding and resource restraints could hinder long-term growth or increase operating expenses.

**Mergers and Acquisitions** – Purchasing companies or joint ventures that are not in-line with company Corporate Strategy will limit growth and future investments.



## Sample Audit Plan

Cyber Security

Business Contingency Planning

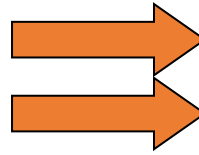
## Interviews were held with the following management team members:

Corporate Controller	Chief Financial Officer	VP of World Wide Sales	Chief Information Officer	VP of Human Resources
Director of Finance, WW Manufacturing	General Counsel	VP of Asia Sales and Marketing	VP of New Product Productivity	Director of Enterprise Architecture
Business Unit Controller	Assistant Treasurer	VP of Supply Chain	VP of Advanced Technology	VP, Strategy and Corporate Development
Business Unit Controller	VP of Manufacturing – Assembly and Test	VP of Quality	Assistant Corporate Controller	Director of Sales Operations

# Risk Research Benchmarking: Part I

## 20xx Top Business Risks

<b>Regulation and Compliance Risks</b>
<b>Cost Cutting</b>
<b>Managing Talent</b>
<b>Pricing Pressure</b>
<b>Emerging Technologies</b>
<b>Market Risks</b>
<b>Expansion of Government's Role</b>
<b>Slow-recovery and Double-Dip Recession</b>
<b>Social Acceptance Risks / Corporate Social Responsibility</b>



## 20xx Audit Plan

<b>Ethics, Anti-Corruption Program</b>
<b>Critical Control Reviews, Country Travel and Expense</b>
<b>Distributor Pricing</b>
<b>Procurement (Country, Country), Distributor Reviews</b>

## Polling Question #1

What are the four main types of objective every organization has:

1. Continuously innovate, manage human resources, manage expenses, invest cash and short term receivables
2. Increase revenues, manage cyber security risk, decrease expenses, manage T&E
3. Increases revenues, continuously innovate, manage human resources, manage expenses



## #2 Increase the Use of Subject Matter Expertise

## #2 Use Subject Matter Experts

- Consulting Firms
- Join a Trade Association
- “How-to” Audit Training
- Read HBR, CEB, Trade Periodicals
- Employees

*Expertise improves insight, thus improves internal audit value*



Internal Auditing's Value to Stakeholders - <http://www.theiia.org/theiia/about-the-profession/value-proposition/?search=value%20proposition>

## Step 2: Here's How

Share the idea with your Audit Committee Chairperson and CEO / CFO

- Free benchmarking for your customers
- Actionable insights

Have CFO meet with consultant

- Opportunity to find new business
- Will be considered for future business projects



## Polling Question #2

Which of the following is NOT a great choice to find subject matter expertise for a non-routine audit project:

1. The consulting arm of a Big4 audit firm
2. An industry trade association
3. Your grandmother
4. Employees or “rotational auditors”



# #3 Improve Your Audit Reporting

## #3 Improve your Audit Reporting

### Quality

- Short and concise
- Only report on high-risk items
- Over-communicate risks assessed

*More Time*

### Timeliness

- Set expectations at the beginning
- Develop audit report during fieldwork
- Take work off of your customer's plate

*More Time*

## Internal Audit Executive Summary

### Social Media | Month Year

#### Overview

Social media are computer-mediated technologies that allow people to create, share or exchange information on virtual networks and communities. Social media include blogs, on-line forums, and other social content sharing platforms. COMPANY uses social media to increase brand influence with customers, prospects, and influencers.

The company Social Media team both monitors public social media for content negatively branding COMPANY, and adds content to COMPANY social media to positively influence COMPANY's brand. COMPANY Social Media has 13 channels, including LinkedIn, Facebook, and Twitter. The China Marketing and Programs Manager oversees three Chinese social media sites, and the Social Media Manager oversees all other global social media. EngineerZone, an internal social media platform for customers to ask COMPANY technical questions, is managed by the Enterprise Community Manager.

Brand Managers help Product Lines develop go-to-market marketing plans, and include Product Line social media requests. In addition, the Social Media Manager solicits contents from Product Lines and other departments to highlight COMPANY news and accomplishments by social media.

Quarterly, the Social Media Manager will report key social media metrics to the Marketing and Communications Director and Director of Marketing and Customer Experience. Also, the China Marketing and Programs Manager reports social media metrics to the China Sales Director.

#### Scope and Objectives

The audit reviewed social media strategy and compliance with company policies and procedures and included:

- Strategy
- Training and Awareness
- Monitoring and Reporting

#### Potential Risks to the Process

Risk	Assessment
COMPANY does not always monitor social media for negative COMPANY content.	Satisfactory
Social Media may not always be used to positively influence COMPANY's brand.	Needs Improvement

#### Report Rating: Satisfactory



Rating definitions are described in Appendix 1.

#### Issue and Recommendation Summary

Issue Risk Summary	H	M	L	Info
	X	X	X	X

Social Media and Marketing management will take action to improve the following:

- Create, implement, and document a social media strategy that outlines goals, objectives, and requirements.
- Recommendation #2

If you have any questions, please contact me at [number](#), or [email address.com](#).

*CAE NAME*

CAE Name  
CAE Title  
Date

*This report is intended solely for the information and use of the Audit Committee and company management.*

## Social Media

### Summary of Issues and Recommendations

The following section contains issues that Social Media and Marketing management must address.

#	Risk Ranking	Issue and Business Risk	Recommendation and Management Action Plan
1	H	<p><b>Social Media Governance</b></p> <p><b>Issue:</b> COMPANY's current social media plan and process does not encompass all enterprise-wide social media activities, channels, and requirements.</p> <p>While social media objectives and documented social media initiatives exist, roles and responsibilities for Marketing, Sales, Product Line, Human Resource, and Social Media do not. Also, China social media activities are not included in current social media initiatives or part of the Social Media Manager's responsibilities.</p> <p>In November 2014, Marketing was re-organized, and the Director of Marketing and Customer Experience, the Marketing and Communications Manager, and the Social Media Manager started their new roles. A social media strategy is planned to be completed by August 2015.</p> <p><b>Business Risk:</b> Social Media activities may not support, or be in line with company goals and objectives.</p>	<p><b>Recommendation:</b> Worldwide Sales and Marketing should create, implement, and communicate an enterprise-wide social media strategy. Strategy attributes should include:</p> <ul style="list-style-type: none"> <li>• Social media goals, objectives, and performance indicators</li> <li>• Social media roles and responsibilities for all employees</li> <li>• Social media monitoring and reporting requirements</li> </ul> <p>Once developed and documented, the Social Media Manager should promote and train all responsible employees on their required actions.</p> <p><b>Management Action Plan:</b> The Social Media Manager will create an enterprise-wide social media strategy that states goals and objectives, identifies employee roles and responsibilities, and includes social media monitoring and reporting requirements. The strategy will be available to the organization and will align with key stakeholders in major business units, including Sales and Human Resources.</p> <p>Social Media training will also be provided to Sales, Product Lines, Talent Acquisitions, Business Executives, and new hires. Social Media goals and objectives will be clearly stated and reviewed during the training. Also, the Social Media team will be available to answer questions of everyone who completes Legal's Social Media compliance training.</p> <p><b>Due Date:</b> September 2015</p> <p><b>Person Responsible:</b> Audit Customer Name, Title</p>



# #4 Improve Your Audit Committee Reporting

## #4 Improve your Audit Committee Reporting

Are your metrics about you or the company?

- Themes from previously identified audit issues?
- Forward-looking assessments of individual “risks”.



## Step 4: Here's How

Audit issues by internal control components

“Book reports” on emerging risks



## Polling Question #3

Audit Committee reports are more useful to Audit Committee members and executive management when they focus more on:

1. Emerging risks and past issues of your organization
2. The success of the internal audit department



# #5 Work with a Spirit of Customer Service

## #5: Work with a Spirit of Customer Service



- Make your customer's job easy
- Work to minimize disruption of your audit customer
- Extol the virtues of Internal Audit
- Smile and enjoy your work

## Step 5: Here's How

1. Internal Audit clearly explained the purpose of the audit.
2. Internal Audit provided timely updates on audit progress.
3. Internal Audit understands the key risks of my department and how our department manages those risks.
4. The audit report was accurate, relevant, clear, concise, and timely.
5. I would recommend Internal Audit as a value-added service.



# Can you do it?



# THANK YOU

Built by experienced auditors, AuditBoard allows enterprises to collaborate, manage, analyze and report on critical internal controls data in real time.



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