

How Do You Stay Relevant To Your Business?

Shagen Ganason, CIA



2017 Annual Conference
5 – 6 May 2017
Marriott Resort
Momi Bay, Fiji



**The Institute of
Internal Auditors
Fiji**

To stay relevant, you need to....

1. Build and maintain positive relationship
2. Think like Senior Management
3. Break down silos
4. Participate in committees and projects
5. Challenge the status quo
6. Report real impacts
7. Communicate
8. Become a trusted advisor

Role of internal audit

- The fundamental role of Internal Audit is providing reliable assurance in a highly efficient manner with a view to providing input into improvement of business processes.
- A highly effective audit function has a notable impact on the business as a result of delivering on the needs of the business.

A common disconnect?

Internal Audit Delivers

- No business understanding
- “Purist” view of independence and objectivity
- Why you cannot

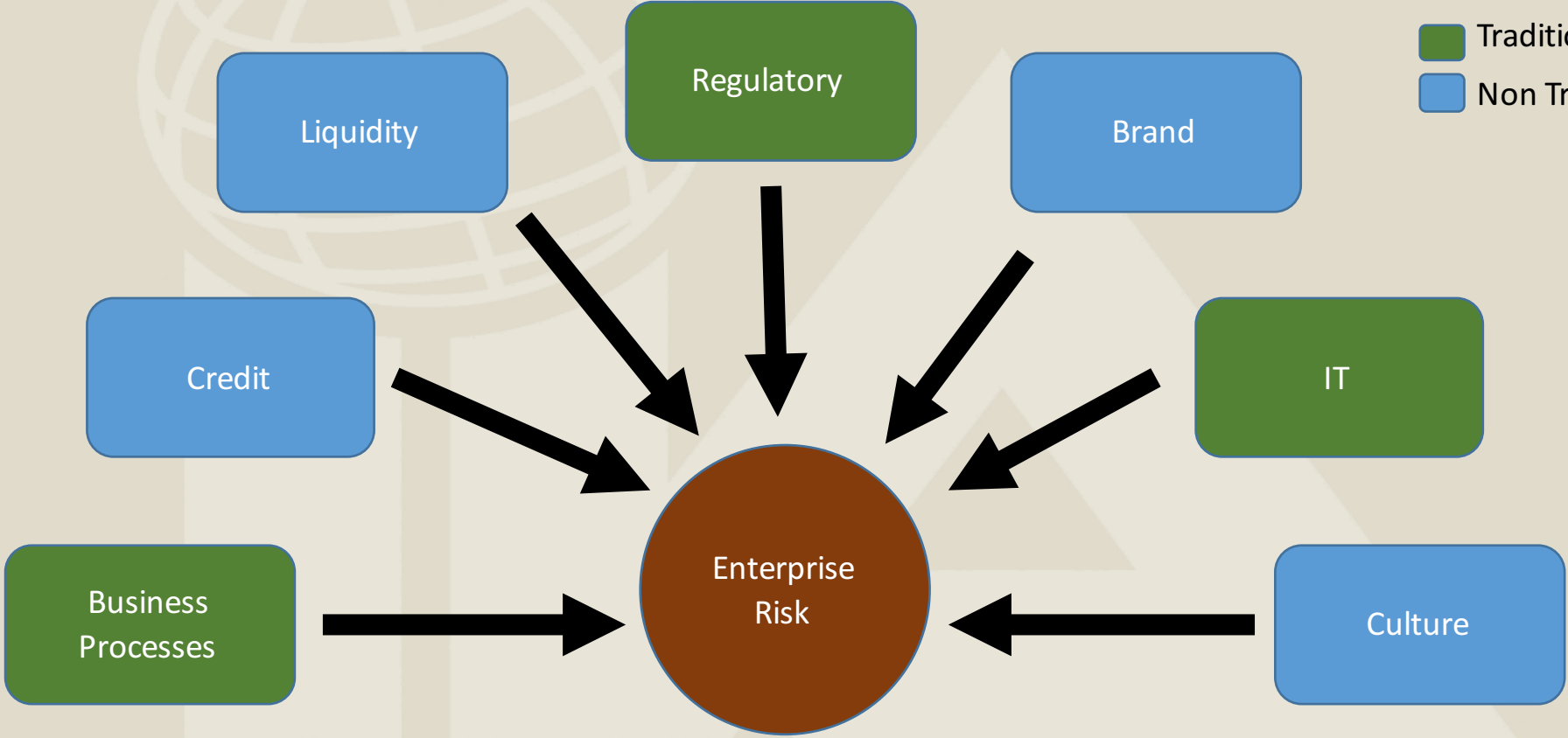
Management Expectations

- Internal control
- Take an interest in our business
- Risk oversight
- Leadership
- Be on our side
- Tell us how we can



Think like senior management

- Traditional
- Non Traditional



Strategic failures matters most

Non Traditional
Assurance
*(Strategic / Culture /
Value for Money)*

81%

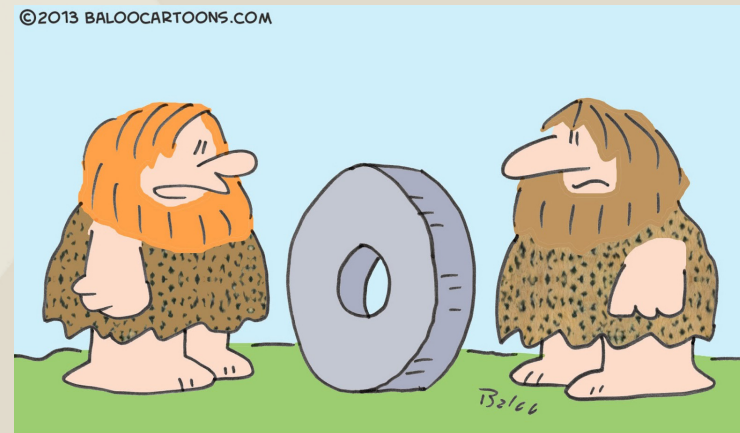
Traditional
Assurance Focus
*Legal / Operations /
IT / Compliance*

19%

Based on 2016 Fortune 1000 companies -
Frequency of major declines in market
capitalisation

Regulatory assistance

- Review management responses to regulators
- Provide advise on
 - Completeness of documentation
 - Clarity of responses
 - Soundness of logic
 - Accuracy of calculations
- Share documentation related to
 - Process workflows
 - Controls
 - Audit Coverage



"Sure, it's a great invention, but does it comply with all government guidelines?"

Root causes of organisation decline

- Decline in core product demand
- Poor merger integration
- Competitive infringement
- Destructive price war
- Margin pressure
- Investor lost of confidence
- Senior management turnover
- Corporate restructuring
- Poor demand forecasting
- Commodity price decline
- Poor IT integration

Source: Forbes Magazine 2016, "Root causes of Major Market Capitalisation Decline"

Strategic projects

Participation



Management
Internal Audit
IT

Project participation advantages

- Ensure internal controls embedded in new or changed processes
 - Management can “get it right” before go live
 - Audit can “recommend” in collaborative environment
- Relationship building
 - Build relationships with business and IT management
 - Positive visibility in strategic projects



Project participation universe

- Develop and maintain a project participation universe
- Use risk based models to score and select projects for engaging
- Include in audit plan to align audit committee and obtain resources



Project execution

Business Requirements

- Completeness
- Management
- Approvals
- Regulatory Compliance

Testing

- Regression
- System Integration
- User Acceptance
- Management Approvals

System Configuration

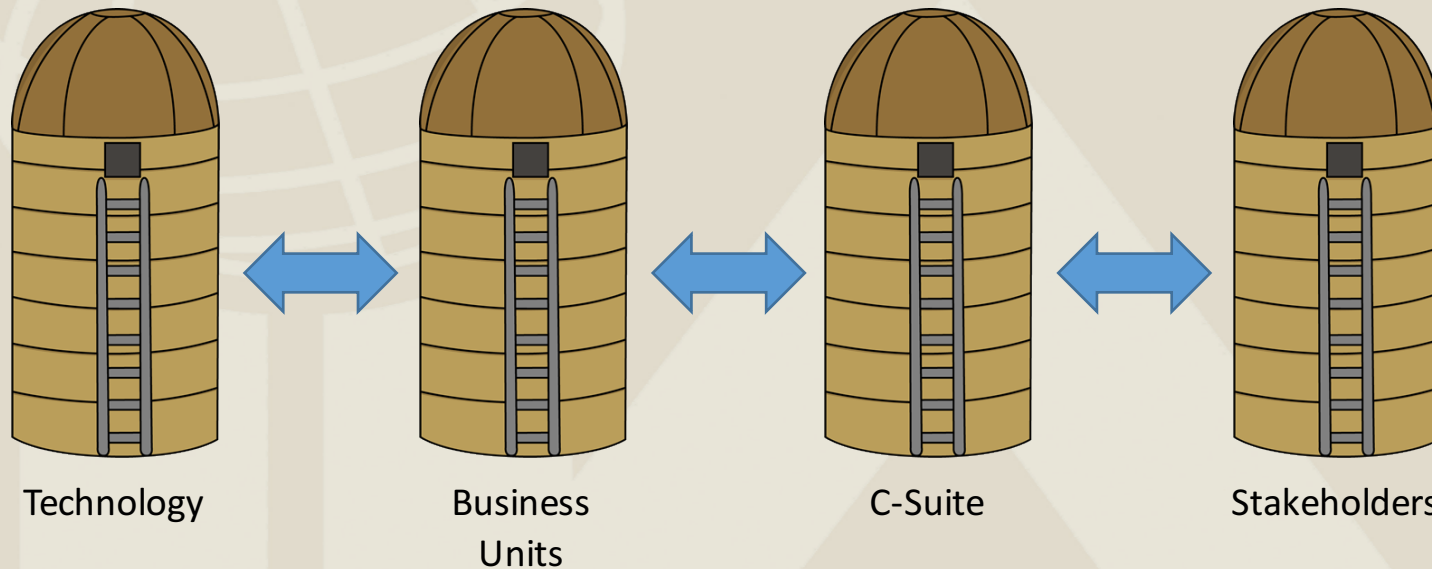
- Security Settings
- Business Rules

Operation Readiness

- User Training
- User Provisioning
- Policy Updates
- Go/No Go Decisions

EPMO and Steering Committees

Break down the silos



Senior management address risk silos and other organisational disconnects.
Internal Auditors have broad organisational view and need to use it.

Participate in committees

- New Product
- New Business Venture
- Steering and Governance Committees
- IT Steering Groups
- Enterprise Risk Management
- Operational Risk Management



Challenge the status quo

- Challenge existing control designs (especially manual controls)
- Could result in paradigm changing findings
- Don't be afraid to ask questions
 - What percentage of your journal entries are manual vs. automated?
 - Why do you need to print these reports?
 - How do you obtain signatures for approval?
 - When do we need to get the material in by?



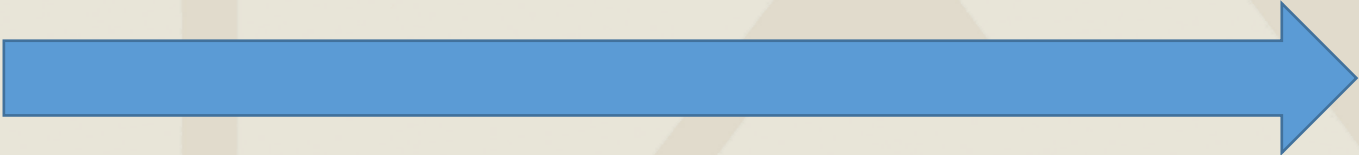
Report real impacts



Purchase Order
Entry Error

Inventory Data
Corrupted

Real
Management
Impact

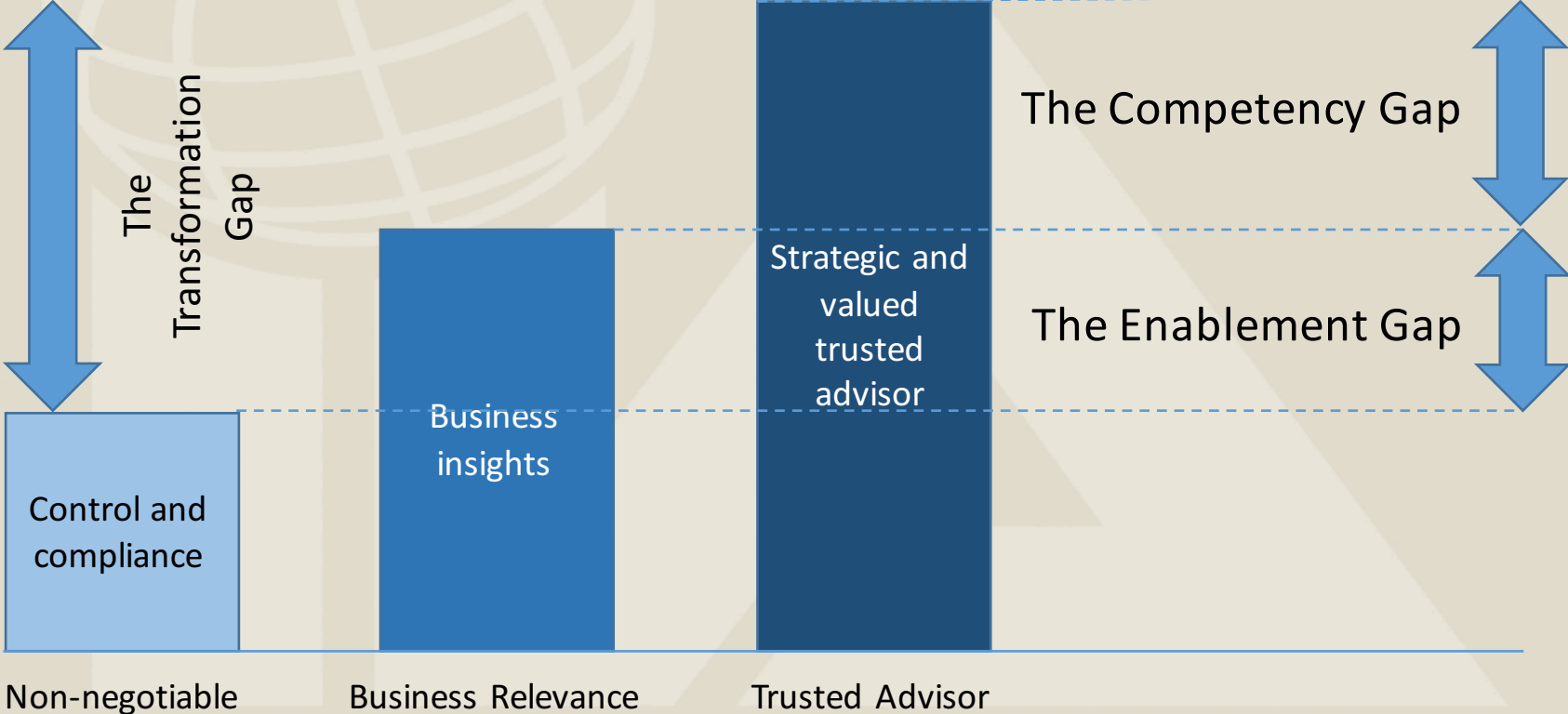


Communicate

- Communicate frequently
- Ensure agreement on facts
- Be transparent
- Be consistent
- Build trust

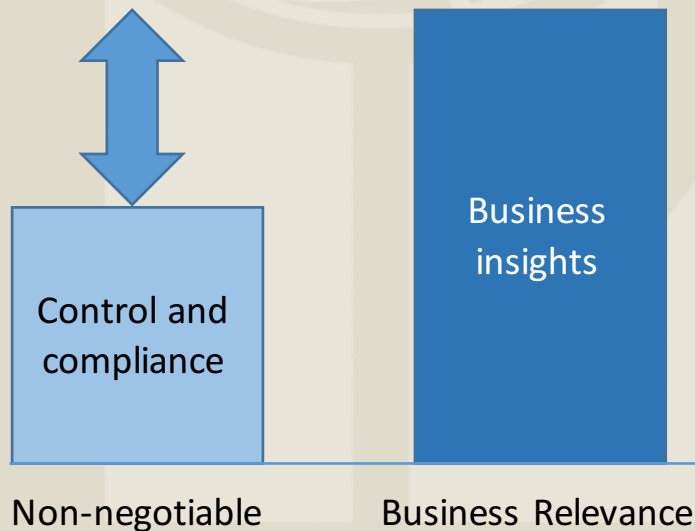


Route to becoming a trusted advisor



Route to becoming a trusted advisor

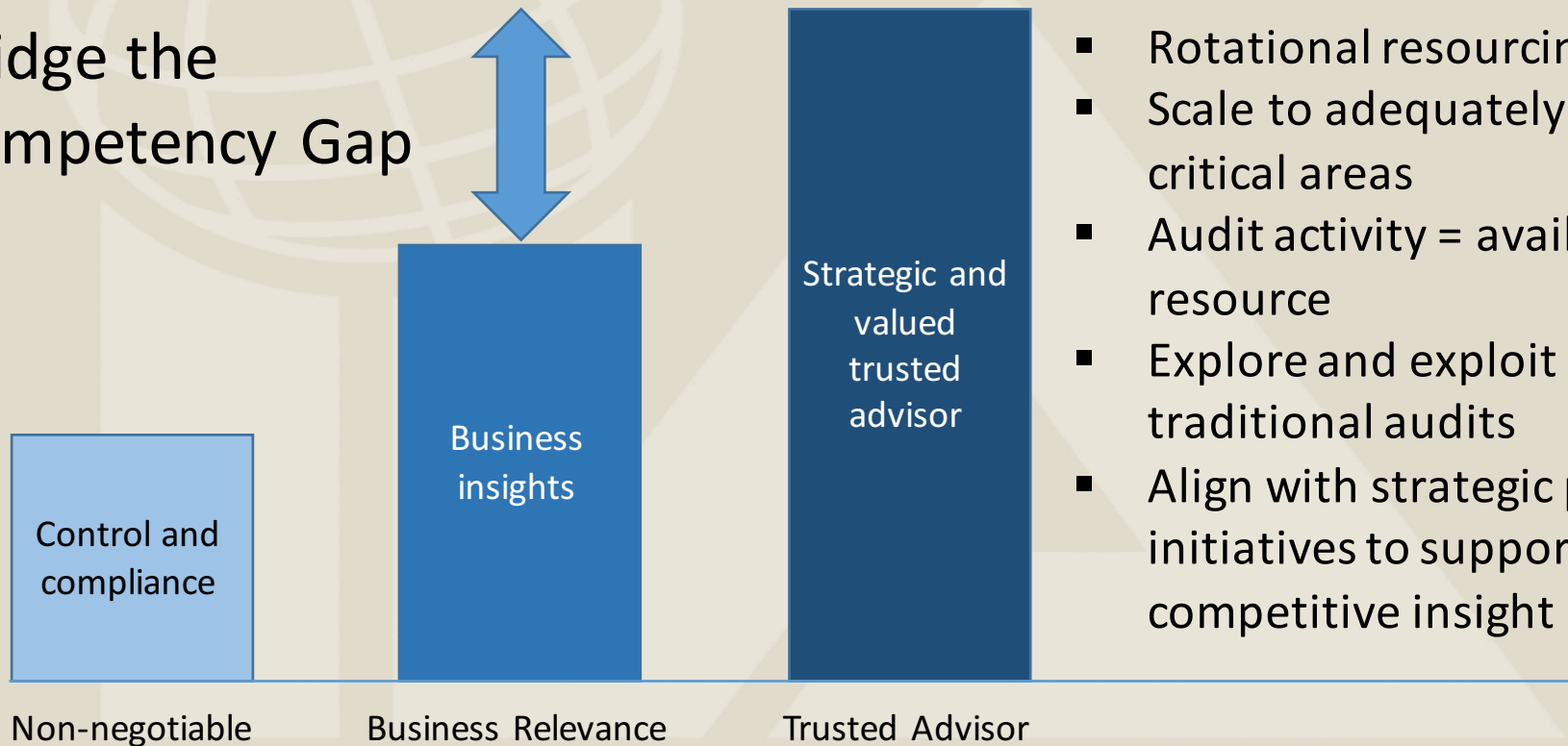
Bridge the Enablement Gap



- Traditional risk assessment and planning (not driven by business risk)
- Heavy focus on auditable units and locations
- Limited use of analytics and modelling
- Limited training and development
- Lack of effective prioritisation
- Unwilling to change
- Primary focus not on business process improvements

Route to becoming a trusted advisor

Bridge the
Competency Gap



- Rotational resourcing model
- Scale to adequately staff critical areas
- Audit activity = available resource
- Explore and exploit non traditional audits
- Align with strategic plan and initiatives to support competitive insight

Coming together

- No “us” versus “them” – it is only “us” from now on
- Internal Audit has responsibility to help management
- “Big” issues might have been avoided with better audits



Big internal audit issues

- Share audit information with management
- Understand implications (regulatory, financial, etc.) on business
- Explain in unbiased terms to senior management
- Help management “connect the dots” as required
- Assist in additional impact analysis
- Participate in remediation projects

BIG 
ISSUES

Summary

The background of the slide features a light beige color with a subtle graphic. On the left side, there is a faint, wireframe-style globe. On the right side, there is a large, light-colored arrow pointing upwards and to the right, suggesting growth or progress.

- Internal audit can foster positive relationships by thinking like senior management
- Project participation provides opportunities to engage with senior management in strategic setting
- Dealing with “big” issues provides unique opportunities to contribute

