



Safeguarding  
**your interests**

## **The Modern Internal Auditor**

Has Internal Audit achieved the status and value that it seeks?

CIPFA in the Midlands

31 October 2011



**Where is Internal Audit now?  
Have we achieved the status and value that we seek?**

Have we got more to address?





## My hypothesis

- Internal Audit has come a long way
- Things change:
  - Economy
  - Technology
  - Competition
- Danger that Internal Audit cannot keep up with the change
- Must engage with
  - The business
  - Senior Management
  - The Board/Cabinet
- We probably think we have come further than the Board does

**Knowledge** of the Business is Key

**ENGAGE**  
With  
The  
Business

Internal Audit must **demonstrate** understanding



## Imperatives for Change (IIA Global Audit Survey)

Sharpen your focus on Risk Management and Governance	View Compliance with the IIA Standards as Mandatory, Not Optional
Conduct a more responsive and flexible risk based internal audit plan	Acquire and Develop Top Talent
Develop a Strategic Vision for Internal Auditing	Enhance Training for Internal Audit Activities
Focus, Monitor and Report on Internal Auditing's Value	Take Advantage of Expanding Service Provider Membership
Strengthen Audit Committee Communications and Relationships	Step Up Your Use of Audit Technology and Tools



## Lifecycle for meeting shareholder expectations

Source: IIA Global



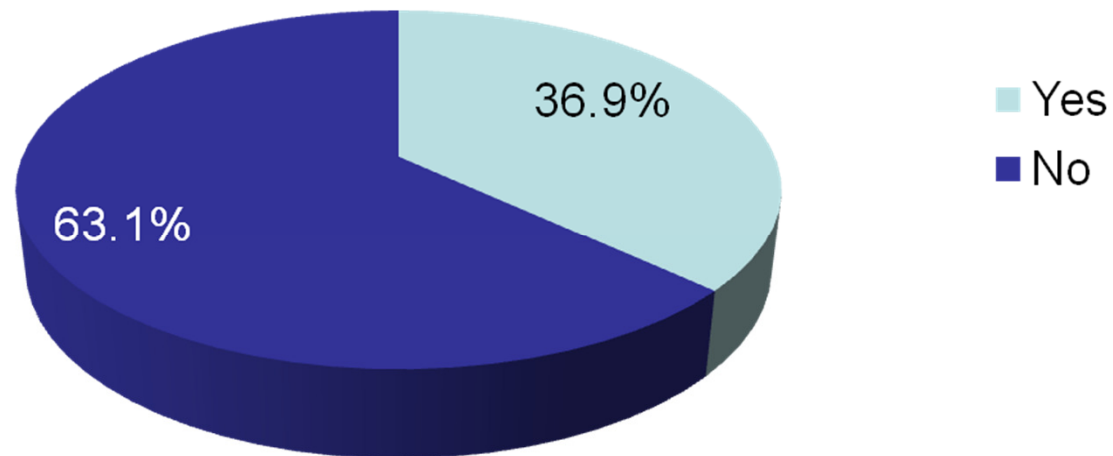


## **Non Executive Directors and the Management of Risk**

A Survey of Heads of Internal Audit  
IIA UK & Ireland, September 2011

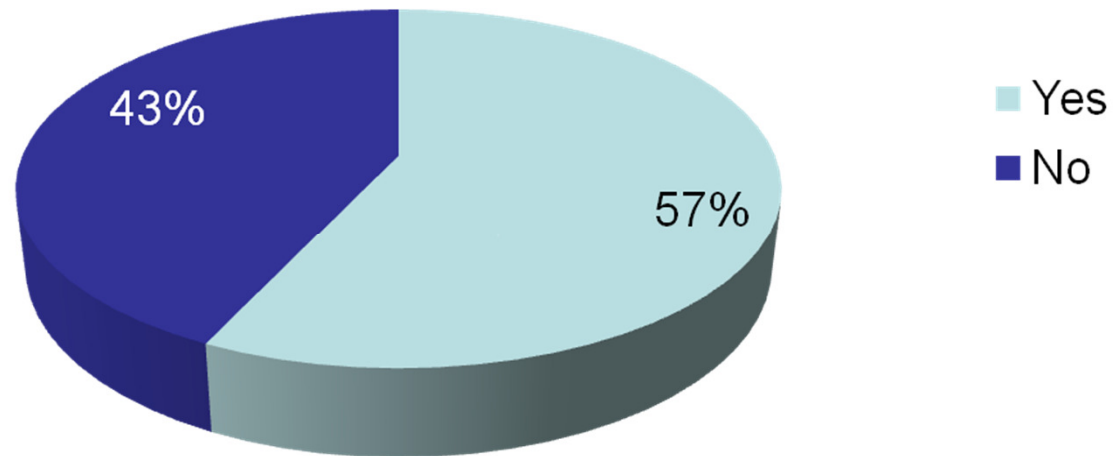


**Do you have meetings with NEDs other than those who are members of the Audit Committee?**





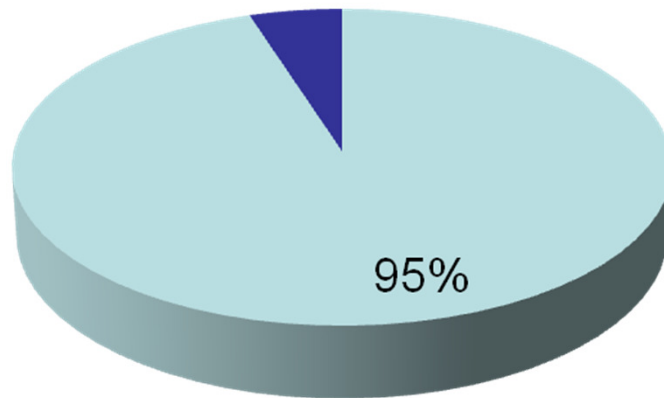
**Do your NEDs commission specific reports from your department in addition to your regular reports to the Audit Committee?**



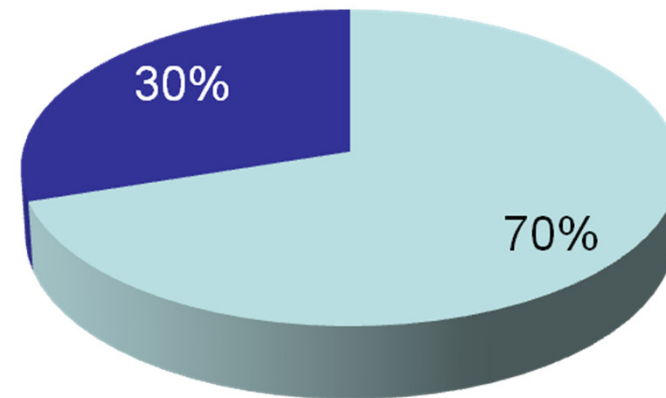


## Do you believe NEDs in your organisation have a good understanding of the role of internal auditors?

Audit Committee



Other NEDs



■ Yes   ■ No



## More Imperatives for Change (based on internal audit functions I have reviewed)

Treat Internal Audit as a breeding ground for the **talent** of the future for other parts of the business

Recommendations and actions that are **pragmatic and business focused**

**Talk and Listen** to the business (including operationally) – understand what is happening and why

Second **people from the business** for projects and/or get internal auditors out to the business

Be prepared for more **advisory** work

Understand and **manage expectations**



## Adding Value while Shopping, an example

- Auditor observed an issue in a store
- Flagging it to management
- Did not take no for an answer
- Escalated the issue
- Get CEO buy in and made a difference !
- Significant savings for future discount events



**BIG SALE**



## Demonstrate value

- Increasing demand for specialists.
- Smaller number of reviews but with a greater beneficial impact or value to the organisation (efficiency).
- Increased level of “advisory” reviews and in some cases “fixes” (but take care).



## Areas in demand:

- Audit Committee Effectiveness
- Risk Management – Risk Maturity & Assurance Mapping
- Corporate Governance – integrity & accountability
- Environmental / Carbon Management
- Contract Management
- MTFP robustness
- Service review – cheaper, faster, better
- Fraud
- Localism & public sector reform: spin-offs & ASDA

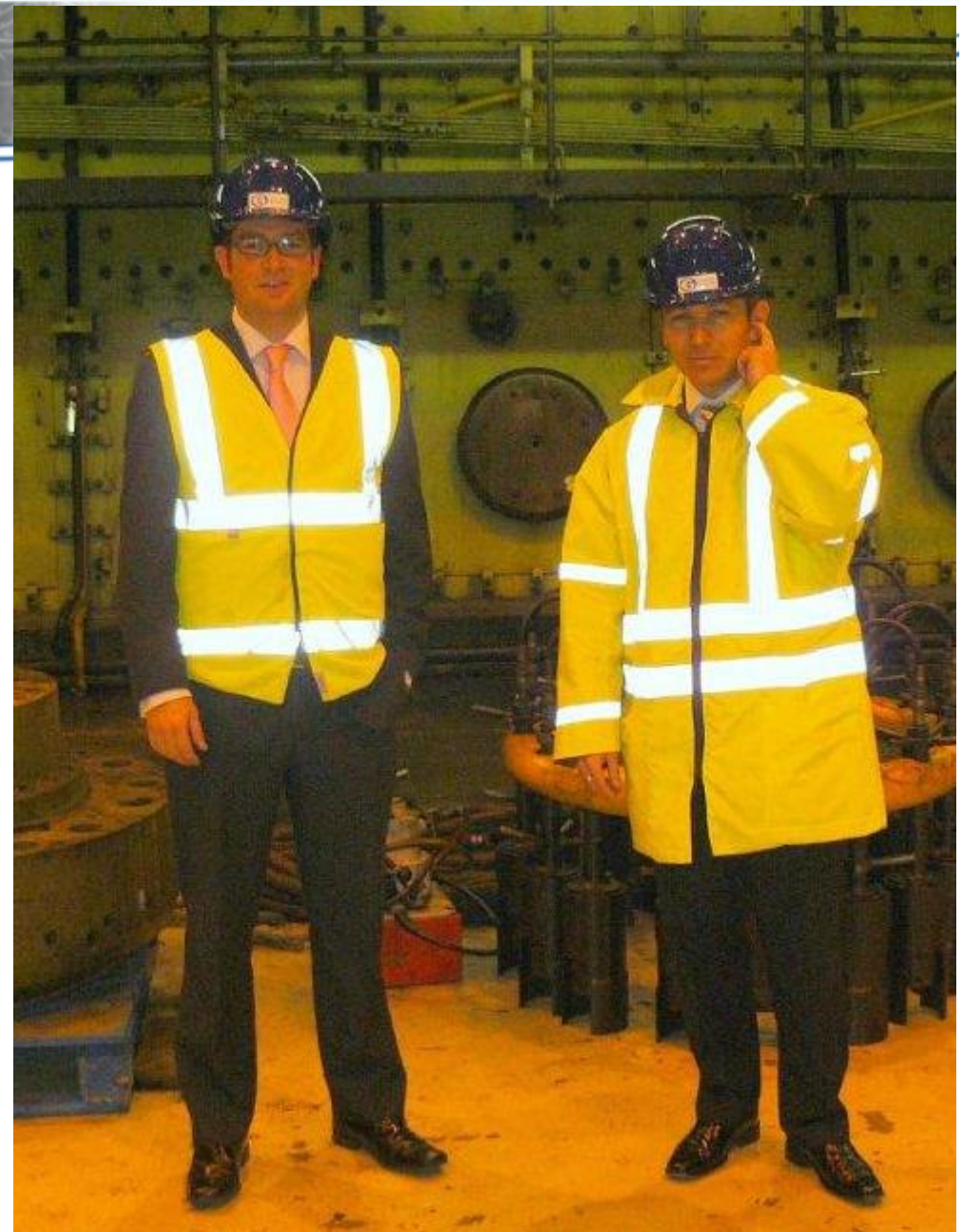


**Is this what a modern  
internal auditor looks  
like?**





**Is this what a modern  
internal auditor looks  
like?**





Thank You

We welcome your questions and comments



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