Marketing Internal Audit Function

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Marketing Internal Audit

How does your Stakeholder perceive you?
There are misconceptions on Internal Audit in many organizations even at high levels of the organization.

What are the objectives of marketing Internal Audit?

"To change the IA Image"

The importance of IA has been increasing, however the perceptions may not reflect this. Internal Audit is no longer an underdog but a cornerstone of the success of every organization.

All internal auditors have their own role for the right perception on Internal Audit.

How others perceive Internal Audit ?

How others perceive Internal Audit ?

How others perceive Internal Audit ?

How do YOU want to be perceived?

You may not want to be perceived as a lion, but you certainly do not want to be perceived as a harmless cat

Your vision will be the main determinant factor

Where you want to be
helps you to determine
How to get there &
The way to market your function

IA Vision & Mission

VISION

To provide **leadership** in the efforts to evaluate and contribute to the improvement of **governance, risk management and control** processes regarding the:

- Reliability and integrity of financial & operational information
- Effectiveness & efficiency of operations
- Safeguarding of assets
- Compliance with laws and regulations

IA Vision & Mission

MISSION

To become the **trusted, respected & value-adding business partner** in assisting the organization **to accomplish the objectives** by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

How do you market Internal Audit?

Internal Audit Charter

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Direct Interaction with the Board

The CAE must communicate and interact directly with the board.

Audit Plan

The CAE will submit annually to senior management and the board for review and approval a summary of the internal audit plan, work schedule, staffing plan, and financial budget.

Reporting to Senior Management and the Board

The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board. **Communications must be accurate, objective, clear, concise, constructive, complete, and timely.**

Stature of Internal Audit

- **Position of the Internal Audit Directorate**

  1 among 12 Directorates

- **Position of Chief Audit Executive**

  Board of Management (member of Bank Management Committee)

 **Members in all Executive Committee meetings**

  Participate actively in ExCo meetings

Internal Audit Membership in all Executive Committees

- **Bank Management Committee (BMC)**
- **Integrated Corporate Governance Committee (ICGC)**
- **Asset Liability Committee (ALCO)**
- **Business Development Committee (BDC)**
- **IT Steering Committee (ITSC)**
- **Risk Management Committee (RMC)**
- **Credit Policy Committee (CPC)**
- **Operational Risk Management Committee (ORC)**
- **Disciplinary Committee (DC)**
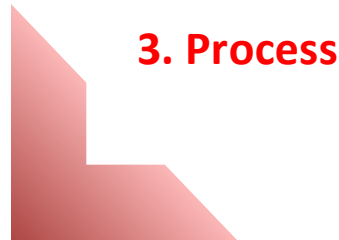
4 Pillars of Internal Audit

1. Structure

- Lean Organization Structure
- Area Audit Sumatra & Area Audit Jatim Intim
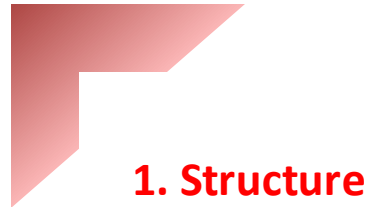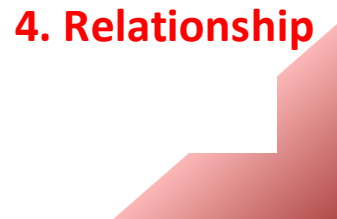
2. People

- Qualified People
- Area of Expertise
- Training & Certifications
- Capacity Planning

3. Process

- Align with Business Plan & Strategy
- Integrated Audit
- Risk Based Auditing
- Standard Audit Program

4. Relationship

- Business Partner
- Board of Management Committee
- Combined Assurance
- Consulting Assignments
- Continuous Feedback and Stakeholders Survey

Internal Audit Challenges vs. Internal Audit Drivers

High expectations from stakeholders

Changes in business processes/organization resulting to different key risk areas with many new systems & projects

Scarce experienced internal audit professionals coupled with poaching

Improve audit quality in the increasing coverage and entities

- Provide focused risk coverage
- Provide value added audit services with improved quality of audit works & audit reports
- Improve understanding of the business with partnership approach
- Improve auditors skills and competencies
- Provide both assurance and consultancy services

Sharing of Audit Common Issues & Lesson Learned

Enhancing the value of Internal Audit

Each stakeholder plays a role in enhancing the value internal audit can deliver

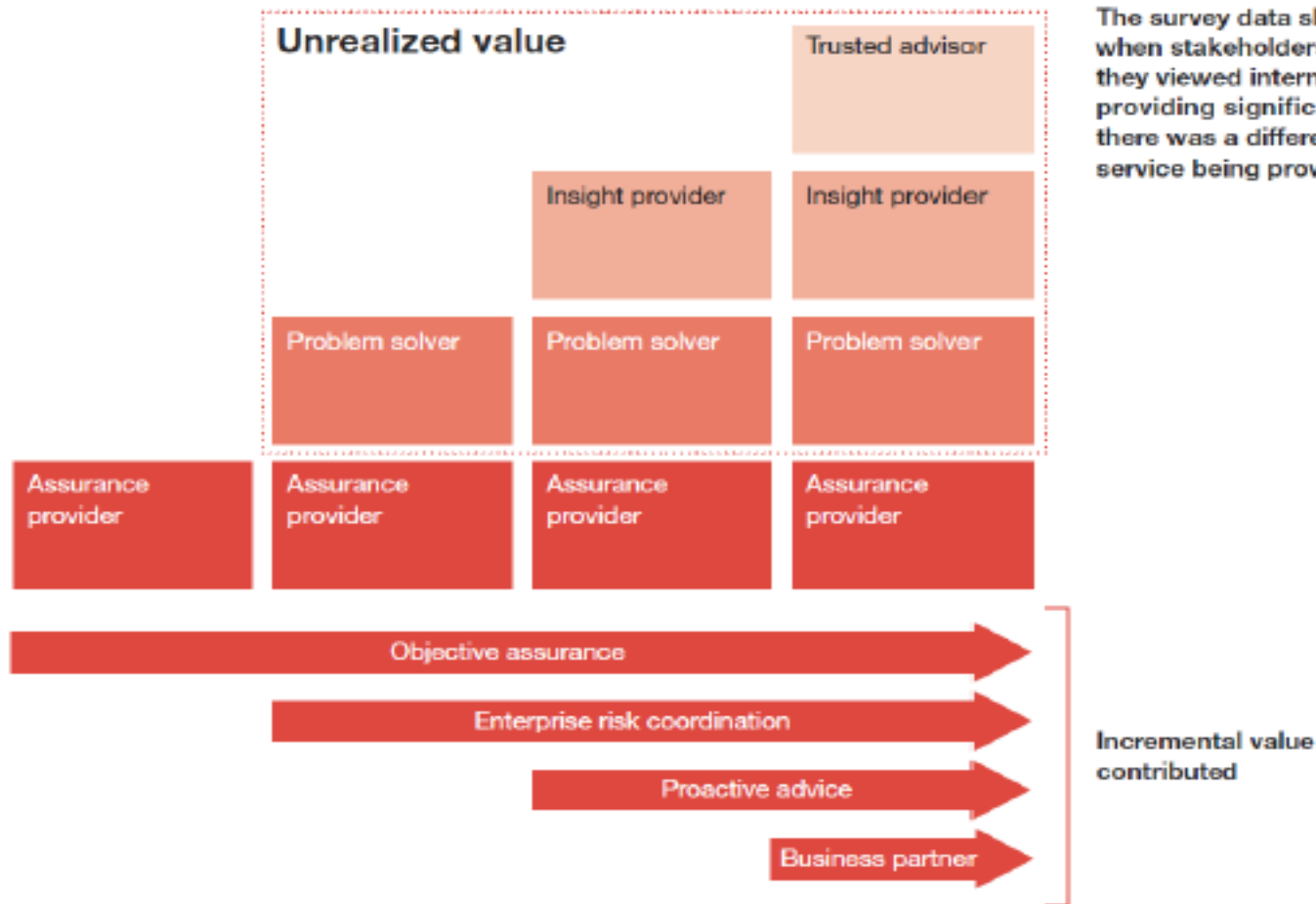| Audit Committee	Management	Chief Audit Executive
Ask more	**Expect more**	**Deliver more**
Ask if you are enabling internal audit to be what it should be	Expect internal audit to perform at a higher level and bring more value	Deliver a strategic vision that aligns with stakeholder expectations

Enhancing the value of Internal Audit

To enhance its contribution – internal audit must first understand stakeholder expectations of internal audit's role and assess what it must do to deliver

What role do your stakeholders expect you to play?

What must you do to deliver? Consider value / contribution and performance capabilities.

Unrealized value			Trusted advisor
		Insight provider	Insight provider
Problem solver	Problem solver	Problem solver	
Assurance provider	Assurance provider	Assurance provider	Assurance provider

Objective assurance
Enterprise risk coordination
Proactive advice
Business partner

Incremental value contributed

The survey data showed that when stakeholders indicated they viewed internal audit as providing significant value, there was a different level of service being provided.

Source: 2013 PwC Banking & Capital Market Survey

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Partnership Approach

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Management Self Identified Issues (MSII)

BACKGROUND

- The existing Internal Audit grading structure does not easily allow **adequate recognition** to be given to Management for identifying weaknesses within their business or function.
- As the "Risk Rating" is **a point in time assessment** of the risk of a failure in internal control which **represented** by the result of audit sample testing and process walkthrough during audit fieldwork period.

OBJECTIVE

- To give **reasonable recognition to the Management**
- To encourage **a strong first line of defense**.
- **To improve transparency and partnership** between auditee and auditor.

Internal Audit will take into account the level of Management Awareness on Risks and Controls during the assessment of Audit Rating.

Management Self Identified Issues (MSII)

- **Management's tools** in performing continuous assessment on the risk to their areas of responsibility and in managing those risks by ensuring action are taken to mitigate them.
- This is **a register** and **record** for all significant risk issues that have been identified by Management and actioned.

MSII Template

Management Self Identified Issue

Unit/Cabang :

Group / Area :

Directorate/Sub Directorate:

Updated

	MANAGEMENT SELF-INDENTIFIED ISSUES REGISTER								
No.	Description of the issue and cause analysis	Date Identified	Details of where the issue is documented & escalated?	Assessment of the risk related to the issue (reference to RCSA, etc)	Brief description of Impact to Business (reference to RCSA, etc)	Action Taken to Address / Mitigate the Risk	Projected Timescale to Mitigate Risk to Acceptable Level	Means of monitoring Management action plan	PIC
1		**1**	**2**	**3**			**4 & 5**		
2									
3									
4									

MSII must be informed to Internal Audit prior to Audit Fieldwork.

Audit Attachment Program (AAP)

Objectives:
- To assist in the improvement of **risk and control awareness**
- To promote the **partnership** between auditor and auditee

In 2013, Internal Audit established a dedicated program called "Risk & Control Awareness Program" and "Audit Attachment Program" with Business Units.

With Branch Manager Entrepreneurship (BME) was implemented in 2013, Internal Audit has participated as "Trainers for BME and BOSM " (6 Batch BME and 3 Batch BOSM).

Thank you