

2017 IIA INDONESIA NATIONAL CONFERENCE

M.O.V.E. FORWARD

Mastery, Open-Minded, Value, and Ethics

Invest in Yourself

Larry Harrington



IIA INDONESIA
2017 NATIONAL CONFERENCE

INTERCONTINENTAL DAGO PAKAR BANDUNG ● 10-11 OCTOBER 2017



Why Do We Need to Invest in Ourselves?

- The world is changing at light speed and so are risks that effect our organization.
- Stakeholder's expect more from IA.
- Each of us own our own careers.
- IA organizations are not investing enough in our learning needs; neither are most internal auditors investing enough in themselves.





Risk is Our Biggest Challenge

Q

From your perspective as an audit committee member, which of the following issues pose the greatest challenges to your company? (select up to three)



(1) Extracted from KPMG "2017 Global Audit Committee Pulse Survey" (top 6 answers shown)





Seeing Around the Corner

Drones and The Opportunities They Offer⁽¹⁾

Agriculture



Drone technology can assist with the tracking and management of crop health and production, including pest control, irrigation and seeding, along with the monitoring of livestock.

Retail and E-Commerce



As an exciting alternative to traditional shipping and delivery mechanisms, drones have the ability to transform the way retailers and consumers send and receive a variety of goods, including groceries, apparel, household items, and even medicine.

Infrastructure Monitoring



Drones are an effective means by which utility companies and local governments can perform aerial inspections and support maintenance of high-voltage powerlines, roads and bridges.

Insurance



Drones can help property adjusters assess commercial and residential property damage in a disaster zone quickly, from the convenience and safety of an off-site location.

(1) Extracted from "PreView" Protiviti's View on Emerging Risks (Volume 3, Issue 2)

We Need to Think in Terms of Ripple Effects for Our Organizations





The Internal Audit Challenge

According to numerous studies, senior management and board members continue to challenge whether IA adds value to their organization.

62%

of stakeholders expect more value from internal audit, including nearly half of those already receiving significant value

(1)

**Are you meeting
your stakeholder's
expectations?**

(1) PwC's 2016 State of the Internal Audit Profession Study - Leadership matters: Advancing true north as stakeholders expect more

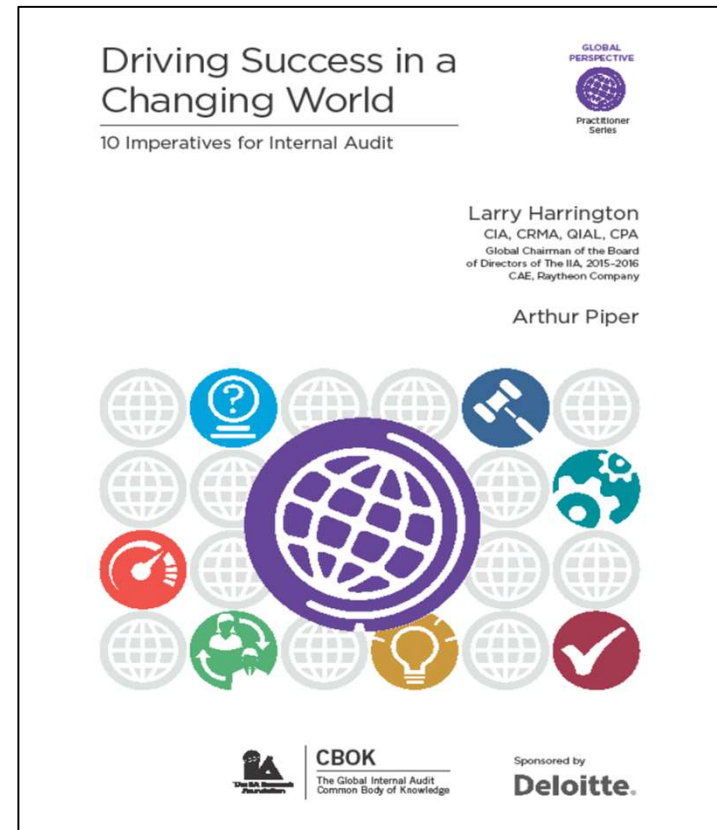




10 Imperatives for Internal Audit

Larry Harrington
Arthur Piper

“The 10 Imperatives will help practitioners discover areas where they can grow professionally and increase their value to their organizations.”



Available Free of Charge on the IIA Website



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10 Imperatives (cont'd)

Play a Leading Role

1. Anticipate the needs of stakeholders
 - a. Constantly changing, internal audit must improve communication
2. Develop forward-looking risk management practices
 - a. Auditors must assess the likely impact of possible future events, and their second and third order consequences
 - b. It's crucial to harness the audit plan to the corporate strategy
3. Continually inform the board and audit committee
 - a. Communicate risks in the context of the business' goals and objectives
 - b. Is the control environment improving or getting worse
4. Be courageous
 - a. Internal audit must have the courage to present stakeholders with the unvarnished truth, whether they want to hear it or not

Exhibit 8 Pressure Felt to Change an Audit Finding or Report



“The business has to know the audit function has teeth.”

Robert Kella
SVP Internal Audit, Emirates Group



10 Imperatives (cont'd)

Beat the Expectations Gap

5. Support the business' objectives
 - a. 55% of audit departments are aligned with their business' strategic objectives
 - b. Educate internal auditors about the business
6. Identify, monitor and deal with emerging technology risks
 - a. Be proactive and advise management and our boards
 - b. Looking at IT risk from a higher level
7. Enhance audit findings by greater use of data analytics
 - a. Improve data analysis; enhance findings and develop forward-looking thinking
 - b. Team up with business to help IA move into a continuous monitoring role
8. Go beyond the IIA's standards
 - a. Agree with, measure and periodically report to the audit committee and executive management what they consider a high value internal audit activity





10 Imperatives (cont'd)

Invest in Excellence

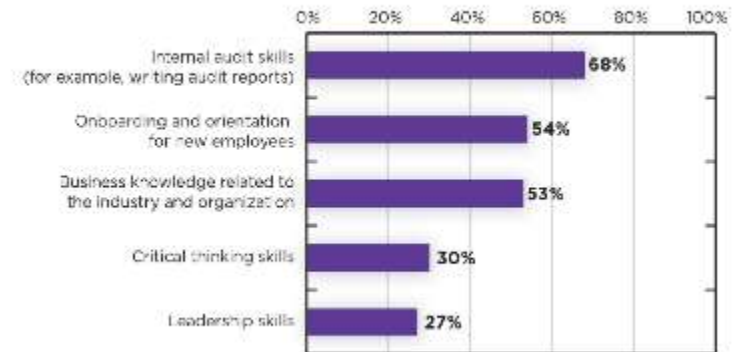
9. Invest in yourself

- a. Most individual auditors average 21 to 40 hours of training per year
- b. Auditors must have a continuous learning mindset
- c. Training on: audit techniques, business acumen, soft skills

10. Recruit, motivate and retain great team members

- a. Training and development must be aligned to the future needs of the business
- b. Recruit from a wider pool of candidates
- c. Build formal audit rotation programs

Exhibit 16 Elements Included in Training Programs for Internal Audit



We Must Help Our Stakeholders Navigate an Environment of Increasing Change and Volatility





Six Audit Committee Imperatives From CBOK

- 1. Elevating the CAE Stature Provides Better Perspective**
 - a. Internal Audit needs “big picture” perspective.
 - b. 66% of board members want CAE’s at board/committee meetings.
 - c. 55% suggest the CAE report directly to the Audit Committee.

- 2. CAE’s Must Better Understand Stakeholder Expectations**
 - a. Do recommendations get to root cause; are they useful?
 - b. Do we provide views on emerging issues?
 - c. What is our perception/brand in the organization?
 - d. Do we provide quantitative value-added metrics?



Six Audit Committee Imperatives From CBOK (cont.)

3. Encourage Thinking Beyond Audit Scope

- a. CAE's must challenge teams to connect the dots; think about implications across the enterprise; ensure communications are responsive to a business context.
- b. Ask broader questions:
 - What is the real meaning of the findings? Broader message?
 - How are we driving value out of compliance/assurance activities?
 - How do findings relate to other areas of the business?
 - Are there potential crisis events that we have not thought?

4. Direct Internal Audits to Perform More Than Assurance

- a. 75% recommend we consult and advise on business process.
- b. 70% suggest we facilitate effective risk management practices.





Six Audit Committee Imperatives From CBOK (cont.)

5. Put Strategic Risks on the Table

- a. 66% believe we should have a more active role in assessing and evaluating the organization's strategic risks.
- b. Work with executive management to identify items that could keep the organization from achieving objectives.
- c. Align audit plan with the strategic risks.

6. Prioritize High-Quality, Effective Communications

- a. Impacts culture, improves process/efficiency, elevates risks.
- b. Helps board understand our process and the value we create.





Voice of the Customer per CBOOK

- 1. Know the organization's mission, strategy, and risks.**
- 2. Assurance work is highly-valued and must be aligned with the strategic risks.**
 - Consider how best to focus advisory activities on risk identification and management.
 - Increase the understanding of risk and risk management to the entire organization.
- 3. Conformance with the Standards is expected.**





Voice of the Customer per CBOK

- 4. Coordinate with second line of defense; rely on their work when proven to you to be objective and reliable.**
 - Clearly understand the work done by these functions.
 - Coordinate with them and work toward common views of risk and compliance.
 - Rely on their assurance work when objectivity and rigor of their work has been verified.
- 5. IA must be structured properly in the organization.**
- 6. Critical to build relationships with management and board.**
- 7. Communicate your opinions frequently, not just in writing but frequently in face-to-face meetings.**





Voice of the Customer per CBOK

8. Know the Business of Your Organization

- IA must know the mission, strategy, objectives and risks.
 - Get inside strategy and understand how it drives activities, what can disrupt strategy, and what is needed for success.
- We must help stakeholders recognize we understand the business and frame all communications within the context of strategy and objectives.
- 43% of audit plans don't align with the organizations strategic plan/risks and nearly 2/3 of stakeholders want us more active in strategic risks.





Voice of the Customer per CBOK

9. Assurance is Assumed

- But they also want us to branch out into advisory and consulting; 20-50% of our effort.
 - Success in consulting requires competency, capacity and support from stakeholders. That drives change in staff mix and diversity of experience.
 - 94% believe the IIA Standards drive quality, although 54% comply with the Standards.





Please Share Your Success With Me

larry_harrington@raytheon.com

Thank You!



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