



DECEMBER 2016

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Messages

A Focus on Gender Diversity

Presenting the Full Picture  
With Assurance Maps

Meet this year's Emerging  
Leaders—shining examples of  
the future of internal auditing.

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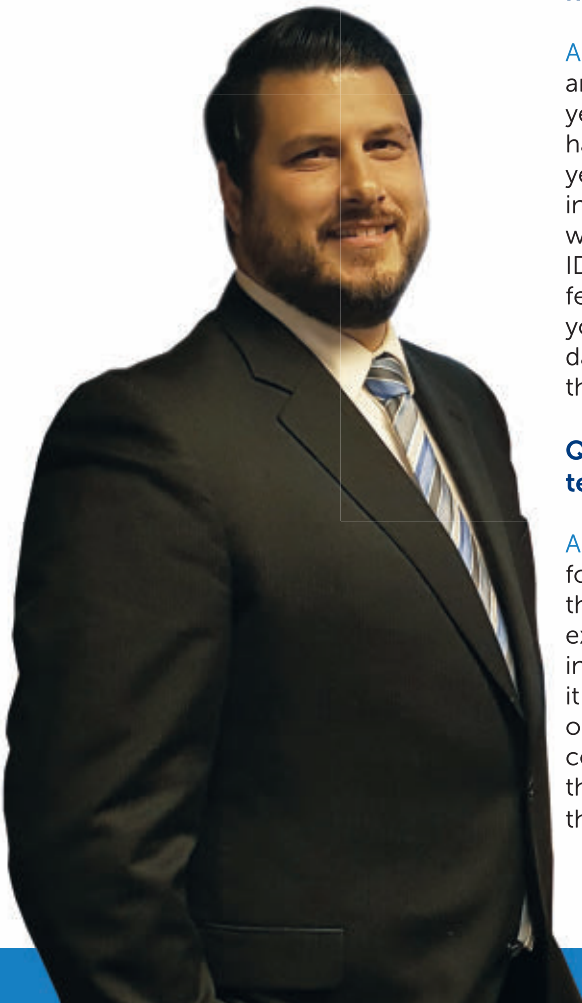
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# AUDITOR SPOTLIGHT

CaseWare Analytics recently sat down with Aaron Boor, IT Audit and Project Automation Manager, Internal Audit at Donegal Insurance Group to find out why he depends on computer-aided audit technology (CAAT) for his data analysis. Here's what he had to say.



**Q: What are some notable accomplishments you've had using audit software?**

**A:** We recently had a project that we estimated would take more than 400 hours to complete (plus review time with external auditors). Because IDEA can connect directly to various databases to obtain read-only copies of data, we were able to quickly and easily pull, join, blend, analyze and combine with multiple datasets. Not only were we able to maintain the integrity of the records, we had the ability to analyze 100% of the data in a third of the time. That's a lot of time, and time is money!

**Q: Where has data analysis software helped you?**

**A:** I enjoy analyzing data in areas that are deemed to have been "working" for years and identifying anomalies that have apparently also been there for years. Even with just the basic features in the software you find things you wouldn't normally expect. Now with IDEA 10's Visualization and Discover features, you just click one button and you have an entire dashboard for that dataset. To be able to visualize data that quickly is extremely beneficial.

**Q: What advice do you give your team during audits?**

**A:** I always encourage our team to ask for more information than they think they need. To add value, we need to exceed expectations. Having additional information—and being able to analyze it all—lets us do just that. I also remind our team to seek out thoughts from colleagues and data owners to help them see possibilities in the data that they may not realize are there.

**Q: How has data analytics positively impacted your department?**

**A:** Organizationally we are seen as more than a typical internal audit department. Now that we've performed data analysis for multiple departments, word has spread about what we can do with our data analysis software and the types of insights we can deliver. Management now seeks us out to answer questions about their data. Our ability to analyze full datasets across multiple platforms and provide statistical insights into real questions has further strengthened our relationship with management.

**Q: Why did you choose IDEA?**

**A:** IDEA was introduced to me as "Excel on steroids", and that is a perfect description. I can analyze records with the click of a button rather than spending days or weeks manually sifting through data. Add in the ability to hone in on anomalies and establish reoccurring analyses and it was clear that this tool was a game-changer. To be able to set a process to run in the morning before you come in to work and have exceptions waiting for you to research when you arrive is extremely valuable.

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### Diversity in Action

Effective audit departments embrace gender diversity, proactively seeking to ensure female employees have the same opportunities as their male counterparts.

**Leading Voices** Watch three of *Internal Auditor's* past Emerging Leaders discuss their unique experiences as practitioners and overall impressions of the profession.

### NFL Players Thrown for a Loss

Fraud expert Art Stewart discusses lessons from the case of an investment adviser who defrauded football clients.

### What's Your Cyber Risk Appetite?

A formal statement about the organization's information security risk appetite can help inform risk management decisions.



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## WOMEN ON THE RISE

It's time once again for our annual "On the Rise" issue in which we feature our latest group of Emerging Leaders—15 young men and women who are making a difference and quickly rising in the internal audit profession (see page 24). Interestingly, most of this year's Leaders are women—this at a time when, globally, women represent only 33 percent of directors or senior managers in internal auditing.

That percentage comes from The Internal Audit Foundation's Common Body of Knowledge report, *Women in Internal Auditing: Perspectives From Around the World*, which also reveals that although the number of women attaining CAE positions is growing, men continue to hold most (69 percent) of the CAE roles in publicly listed companies. Will those opportunities be available in the future for the talented young women in this year's Emerging Leaders?

"As a global profession, we need to continue to enhance support of and training for women so that they can continue to grow their skills and assume leadership roles," IIA Global Chairman Angela Witzany said, commenting on the report. "Organizations that value gender diversity benefit from a range of perspectives that can improve their ability to identify and address strategic risks."

Moreover, more women also apparently mean more profits. A study conducted earlier this year by The Peterson Institute of International Economics and EY reveals that "having more female leaders in business can significantly increase profitability." The report goes on to say that although "there is no statistically observable impact of having a female CEO on organizational profitability, and the impact of women's presence on the board is not statistically robust, the importance of having female management and presumably a pipeline of female future leaders is both robust and positive."

In "Breaking Through" (see page 48), author Nancy Haig dives deeper into the report and presents some of the hurdles women face in getting ahead in internal auditing and in business in general. The idea for the article originated from the Women Rising—Succeeding in Internal Audit and Leadership session that Haig facilitated at The IIA International Conference in July in New York. According to Haig, the conversations among the participants highlighted that, although the skills needed by female and male internal auditors are virtually the same, women in the profession may face particular challenges.

The women featured in this year's Emerging Leaders article appear to be more than ready to tackle those challenges. Congratulations to all of the 2016 Emerging Leaders—women and men—a dynamic, impressive group that is definitely on the rise.

A handwritten signature in black ink that reads "Anne".

@AMillage on Twitter

## Reader Forum

WE WANT TO HEAR FROM YOU! Let us know what you think of this issue. Reach us via email at [editor@theiaa.org](mailto:editor@theiaa.org). Letters may be edited for clarity and length.



### How Good Is Your Word?

This is an excellent article, and I have shared it with my team to drive home its important message. A line that I like to use is, “Goals are for soccer players.” Keep up the great work. Your columns are always a nice reward at the end of each *Internal Auditor* magazine.

**PATRICK G.** comments on Mike Jacka's "Keep Your Promises" ("From the Mind of Jacka," October 2016).

### Risk Universe

Fantastic article, Paul. I don't think CAEs appreciate they are diminishing



the value of internal audit by not having an independent, external assessment.

**SALLY-ANNE PITT** comments on Paul Sobel's "Is Internal Audit in Your Audit Universe?" ("Risk Watch," October 2016).

### Report Writing Basics

I want to thank Anupam Goradia for his straightforward, helpful article regarding this tricky area of report writing. As a fairly new internal auditor, I strive to provide valuable insights to process owners. I appreciate some of the tips on sources of recommendations, as well as the appropriate way to document them within a report.

**NATALIE LADD** comments on Anupam Goradia's "The Art of Recommending" ("Back to Basics," October 2016).

### Greenwashing

I would suspect that “greenwashing” is not checking the box so much as downplaying risks, especially “elephant in the room” type risks that employees are discouraged from talking about, let alone reporting as significant. This may well tie into the practice of only

escalating small high-risk sets, but only “safe” high risks get reported. The result of this approach is that boards see the same risks at their table as are reported everywhere else, often limited to risks that can be largely blamed on external factors. An example might be cybercrime, which seems to be the current buzz risk, and is easy to raise as a red risk without fear of possible repercussions. It is much harder to escalate, or even discuss, risks associated with internal ethical issues or governance concerns, or those that might have a reputational impact. Greenwashing would enable such risks to be pushed down into the larger collection of more trivial risks, especially where the risk framework dictates treatment options for different levels of risk (i.e., green=monitoring, at best).

**JAQUETTA GOY** comments on the Marks on Governance blog post, "Why Does ERM Fail So Often?"

### Culpability and Internal Audit

Audit committees, where they exist, are equally accountable. Instead of asking,

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for the latest blogs.

“Where was internal audit?” we should start asking, “Where was the audit committee?” Audit committees can take numerous steps to ensure that organizations have a healthy control environment. It starts with hiring a CAE who reports to them and reading the internal audit report.

One of the steps The IIA can take is to start educating journalists about the role of internal audit. That way, when a journalist covers fraud, he or she will know which party is supposed to play a role in preventing it.

**MANOJ AGARWAL** comments on the *Chambers on the Profession* blog post, “Where Was Internal Audit? Beware Rushing to Judge.”

### Whistleblower Protection

The same protections should also be afforded to internal auditors and others in a monitoring and/or oversight capacity. They are in the best position to be aware of wrongdoing, and can be instrumental in preventing more of it before it reaches crisis proportions.

**HAROLD LEDERMAN** comments on the *Chambers on the Profession* blog post, “Whistleblowers Need Protection—Not Cash.”

### Who Is Accountable?

Since it appears nearly unanimous that the first line [of defense] is responsible/accountable for sound risk management and control, the focus should shift from

who to blame for risk and control failures to how the first line should be equipped to excel. In many organizations, risk and control expertise are disproportionately concentrated in audit, risk, and compliance. Meanwhile, management is actively taking risks, designing controls, and changing processes at the pace of business. So, who should be accountable for building and sustaining the risk management capabilities and expertise across the first line? Meaningful assurance to the board should include a demonstrably risk and control savvy first line.

**LANE KIMBROUGH** comments on the *Marks on Governance* blog post, “Focusing on the Wrong Line of Defense.”



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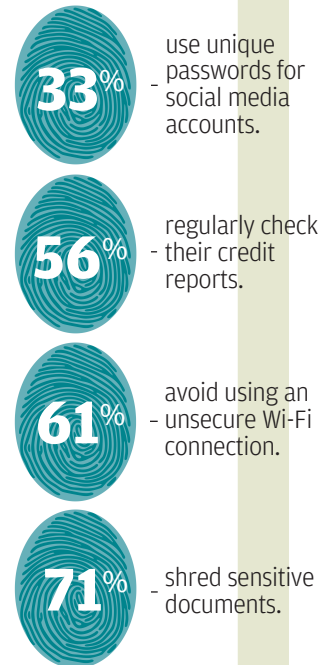
IIA Standards updated... Time to prepare for new EU data privacy rules... Top health-care compliance risks... Organizations buy cyber insurance.

# Update



## U.S. ADULTS ENABLING ID THIEVES

Many credit holders protect their identities, but some still are vulnerable.



Source: Bankrate Money Pulse survey

## SHAREHOLDERS SPEAK OUT

Boards are feeling increased pressure from activist investors.

Investors are now exerting more influence on boards than ever, according to PricewaterhouseCoopers' (PwC's) 2016 Annual Corporate Directors Survey. The survey of 884 public company directors indicates that they are being more responsive to investor pressure on numerous corporate governance issues, including suggesting new directors, changing board composition, and prioritizing board diversity.

"The board-centric model that took hold in the 1990s due to a number of corporate scandals has continued to transition to an investor-centric model," says Paula Loop, leader of PwC's Governance Insights Center.

"As a result, investor voices continue to get louder, and boards can no longer ignore them. Investors want more accountability and more emphasis on transparency behind decision-making and performance."

Although the search for new directors does not stretch far beyond the boardroom, there seems to be a shift in progress. Eighteen percent of directors surveyed look to investor recommendations when searching for new board members—up from 11 percent in 2012—while 87 percent still seek recommendations from fellow board members. Sixty-one percent say they have added a director with specific skills because of

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**FINANCIAL FIRMS HAVE A 50% PROBABILITY OF BEING FINED** when they have more than 2,000 consumer complaints to the U.S. Consumer Financial Protection Board (CFPB).

**COMPANIES HAVE A 41% PROBABILITY OF BEING FINED** when they fail to respond to more than 100 consumer complaints within 15 days.

“This report highlights the synergies between high levels of consumer complaints about a company and the likelihood of CFPB action against that company,” says Alex Baydin, CEO of PerformLine.

Source: PerformLine, Risk Signals From the CFPB’s Consumer Complaint Database

investor pressure, and 46 percent have added more diverse board members. Fifty-four percent say their boards engage directly with their investors.

Investors are exercising their influence in deciding how capital gets allocated, normalizing director-investor communications, sharpening board performance, adopting proxy access, driving enhanced proxy disclosure, promoting long-term strategic time

horizons, and impacting executive compensation practices.

Eighty percent of directors at least somewhat agree that shareholder activism has forced them to evaluate strategy, execution, and capital allocation more effectively. “Shareholders are looking for a seat at the board table, putting directors in the spotlight and driving change across the governance landscape,” Loop says. — **S. STEFFEE**

## FROM PRINCIPLES TO STANDARDS

IIA issues updated professional standards.

**A**lignment is the key word for the recently updated *International Standards for the Professional Practice of Internal Auditing*, which will take effect on Jan. 1, 2017. The *Standards* align with the 10 Core Principles that were part of the 2015 update to the International Professional Practices Framework (IPPF).

“This crucial alignment, along with the two new standards that address the changing role of the CAE, reflect The IIA’s commitment to meeting the changing needs of internal auditors,” says Richard Chambers, IIA president and CEO.

One of the new standards, Standard 1112: Chief Audit Executive Roles Beyond



Internal Auditing, calls for having safeguards in place to preserve the independence and objectivity of CAEs who have non-internal audit responsibilities such as risk management or compliance. Likewise, Standard 1130-A3: Impairment to Independence or Objectivity lays out conditions in which internal audit may provide assurance services where it has previously performed consulting services. — **T. MCCOLLUM**

## MUCH TO DO FOR DATA PROTECTION

**M**ore than 80 percent of IT and business professionals surveyed say they know little or nothing about the European Union’s (EU’s) new General Data Protection Regulation (GDPR), which was adopted by the European Council in April, the Dell



Businesses are not prepared to comply with Europe’s new privacy rules.

General Data Protection Regulation Global Survey reports. Dimensional Research surveyed more than 800 respondents responsible for data privacy in organizations based in the Asia Pacific region, Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Poland,

TOP: TASHATUNWANGO / SHUTTERSTOCK.COM; RIGHT: DAVIZRO PHOTOGRAPHY / SHUTTERSTOCK.COM; LEFT: RAZSTUDIO / SHUTTERSTOCK.COM



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Spain, Sweden, the U.K., and the U.S.

Effective in May 2018, the GDPR is intended to strengthen and unify data protection for individuals within the EU, while simplifying rules for businesses. It applies to businesses of all sizes in all regions and industries. Businesses that fail to comply may face risks of breaches, significant fines, and loss of reputation.

Almost 70 percent of the survey's respondents say their organization is not prepared, or they do not know whether it is prepared, to comply with the GDPR today. Just 3 percent of respondents' organizations have a readiness plan in place. More than three-fourths of non-EU respondents are not prepared for when the GDPR comes into effect. Responding organizations in Germany (44 percent) are most prepared for the GDPR, while organizations in the Benelux nations (Belgium, the Netherlands, and Luxembourg; 26 percent) are least prepared.

Businesses are still unclear of the severity of penalties to come with failure to comply and the expanse of change necessary that will affect their business, the report notes. It recommends organizations begin taking the essential steps now, including "beefing up solutions for access governance and management, secure mobile access, email security, and protecting the perimeter of their networks." — **NICOLE LICOURT**

## HEALTHY COMPLIANCE

Baptist Health South Florida's corporate vice president of audit and chief compliance officer, Karen Brady, talks top risks in 2017.



### What are health care's top compliance risks for 2017?

Cybersecurity is on every industry's top 10 list, but health care is particularly susceptible because its data is worth 10 times the price of credit data on the black market. And, health-care organizations are increasingly becoming the target of ransomware attacks. The second risk is government's recent focus on the quality of care provided to patients. Physicians, hospitals, and other providers that did not comply with Medicare's regulations regarding the medical necessity of services provided have had to pay settlements to the U.S. government. Health-care providers need to ensure compliance with these requirements.

**How can compliance officers best ensure they do not face personal liability in compliance failures?** This is the \$64,000 question! Having asked myself that question on many occasions, I have only one response: Be diligent. We must thoroughly investigate and respond to every compliance complaint and report. Gone are the days where we disregard a report solely because the source is a disgruntled employee. We must take every report very seriously. We must ensure our investigation and remediation are well-documented. In this litigious environment, "dotting the i's and crossing the t's" can truly make all the difference.

## A POLICY FOR CYBER EXPOSURE

More organizations are turning to cyber insurance.



80 percent of companies polled had bought a stand-alone policy, compared to just over half in 2015.

RIMS surveyed 272 risk professionals across a broad range of industries. Nearly 70 percent indicate that they transfer the risk of cyber exposure to a third party, up 10 percent over last year. Moreover, 24 percent say they will spend more than US\$1 million this year on cybersecurity protections, including their insurance policy, active monitoring and analysis of information security, employee education, and scanning tools. Twenty-three percent are paying more than US\$500,000 for the insurance premium alone.

Respondents cited reputational harm (82 percent), costs related to notification (76 percent), and business interruption due to network outages (76 percent) as their top cybersecurity concerns. — **D. SALIERNO**

The number of organizations purchasing cyber insurance increased nearly 30 percent in 2016, according to a recent Risk and Insurance Management Society (RIMS) study. The 2016 RIMS Cyber Survey results show that

# Back to Basics

BY LALIT DUA    EDITED BY JAMES ROTH + LAURA SOILEAU

## CLIENT FEEDBACK

Audit performance can be fine-tuned with the right input from stakeholders.

Feedback from clients can serve as validation of the auditor's analysis of data, compilation of information, approach to the audit and observations, and acceptance of the recommendations.

Auditors should seek feedback in a way that helps improve their audit performance. Feedback is more effective when it reinforces what the auditor did right instead of wrong, and it allows him or her to judge what needs to be changed during the course of the audit. Moreover, feedback is best when it relates to a specific observation, data analysis, or audit query; is timely; and is delivered appropriately. It should be to the point, constructive, and provide relevant details, as any gap will lead the auditor in an unwanted direction.

Though feedback can be given at any time, there are steps internal auditors can take to ensure that the

feedback they receive is useful and constructive.

### Frequency and Stages of Feedback

Client feedback can be given regularly during the audit or as requested by the auditor, and it is a normal part of any audit. Practitioners document client feedback and use it as a foundation for the next level of audit review or incorporate it into the audit report, itself. Useful feedback can help steer auditors in the right direction and increase audit effectiveness. There are several times when it is appropriate to ask for feedback.

### During the Opening Meeting

The first step toward transparency and positive participation with the audit client is establishing clarity around the objective and scope of the audit, tentative duration of review, and initial records and details that are required during

the kickoff meeting. The meeting gives the client an opportunity to raise questions and ask for clarifications, if any, from the auditor. It's important that the client leave the meeting with a clear understanding of the process and realistic expectations so the audit starts off on the right foot.

When the auditor is explaining the objectives in the kickoff meeting, he or she also should reference how the reports or management requests will be used to review certain areas to gauge whether relevant processes or controls need to be strengthened. The client's participation and feedback in this discussion will help finalize the scope of review and determine acceptance, ownership, and accountability.

Clients should recognize that their enhanced performance, through the auditor's recommended corrective measures, will help in achieving their department's

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objectives. So establishing an honest understanding of audit objectives and respective roles of auditor and client should take place before the start of the audit.

**During the Audit** The auditor applies different approaches and techniques during the audit review and communicates verbally and in writing when an issue arises. The client's responses, actions, reactions, and behavior are the kind of feedback an auditor should look for when the audit is being conducted. After explaining the scope and objective of the audit in the kickoff meeting, the auditor should ensure that the review is being conducted within the same scope, without any intention to find mistakes, errors, or fraud.

If the client feels any sense of negativity about the audit, he or she may withdraw and be reluctant to provide information or feedback. The end result may mean extra effort by the auditor, lack of confidence by the client in the audit process, and nonparticipation of the client in the process of improvement.

**Closing Meetings** These meetings occur when the audit is drawing to a close and the observations, root causes, rating of observations, and corrective measures need to be finalized. The type of feedback will differ in content and style based on who the client is (e.g., department heads or executives).

## A collaborative approach to feedback can ensure a positive experience for all.

The details of targets and responsible staff are also discussed and finalized during this meeting. Getting feedback in the closing meetings should go smoothly if the auditor has been transparent in his or her approach to, and conducting of, the audit. To ensure useful feedback is received during this stage, auditors need to clearly present observations, explain the referenced documents and records, and make sure the supporting data analysis is understandable and relevant to the audit.

### Overall Feedback

Though auditors get feedback at different stages of the audit, and from different levels of management, in many organizations clients provide overall feedback on the performance and value added by the internal audit function. After the audit report is finalized, the client may give feedback on the audit techniques used, the auditor's


understanding and knowledge of the area audited, and the auditor's communication and presentation skills. The list of points for feedback can be elaborate enough to enhance auditor/client participation and, ultimately, audit effectiveness. Organizations may even require that the auditor rate different clients on defined criteria, which could include providing relevant records and details timely, and implementation of corrective measures as planned.

A post-audit questionnaire (see [InternalAuditor.org](http://InternalAuditor.org) for a sample client satisfaction survey) can be given to the client to rate internal audit on the pre-audit kickoff interaction, the execution of audit review, and the finalization of review. Questions may include:

- » Was the audit team considerate of issues raised by the client in deciding period of review and availability of staff and other resources?
- » Did the auditor have adequate knowledge of the processes, systems, and relevant controls of areas under audit?
- » Were observations supported with relevant detail and documents?
- » Were final observations well-presented and concluded with the concerned client?

Honest feedback from clients can lead to improvements in the effectiveness of systems, controls, and governance. Internal auditors should consider the feedback and show a willingness to change in areas where improvement is needed, while being strong enough to stand by their assessments and findings.

### Working Together

Client feedback on different aspects of the audit sets a benchmark, or highlights the gaps, in management's acceptance of internal audit performance. Clients expect to have the opportunity to give their perspective, a process that helps to gain their commitment in supporting audit activities and working with internal audit to achieve organizational goals. Adopting and implementing a collaborative approach to feedback and highlighting the aim of supporting clients in improving organizational performance ensures a positive experience for all involved. 

**LALIT DUA, CA**, is vice president of internal audit at Shalina Laboratories Pvt Ltd. in Navi Mumbai, Maharashtra, India.

A version of this article first appeared in the December 2014 issue of Internal Auditor Middle East, the magazine of IIA United Arab Emirates.

## MUST-HAVE CONTROLS FOR SMBS

Five controls can help small and mid-sized businesses protect themselves against cyber breaches.

Although most cyber breaches reported in the news have struck large companies such as Target and Yahoo, small and mid-sized businesses (SMBs) suffer a far greater number of cyber incidents. These breaches often involve organizations such as local health-care providers or regional insurance brokers. Although the number of breached records an SMB may have is in the hundreds or thousands, rather than the millions, the cost of these breaches can be higher for SMBs because they may not be able to address the incidents on their own.

Many SMBs have limited or no resources committed to cybersecurity, and some don't have an internal audit department to provide assurance. For these organizations, the questions are "Where should we focus when it comes to cybersecurity?" and "What are the minimum controls we must

have to protect the sensitive information?" Internal auditors at SMBs can help answer these questions by checking that their organization has five essential cybersecurity controls.

### 1. Scan the Network

Regardless of the organization's industry, SMBs must ensure their network perimeter is protected. The first step is identifying the vulnerabilities by performing an external network scan at least quarterly. SMBs can either hire an outside company to perform these scans, or they can license software to run the scans, themselves.

Moreover, SMBs need a process in place to remedy the critical, high, and medium vulnerabilities within three months of the scan run date, while low vulnerabilities are less of a priority. The fewer vulnerabilities the perimeter network has, the less chance that an external hacker will breach the organization's network.

### 2. Train Employees

Educating employees about their cybersecurity responsibilities is not a simple checkbox matter. SMBs not only need to implement an effective information security policy, they also need to ensure employees are aware of the policy and their responsibilities. The policy and training should cover:

- ➔ Awareness of phishing attacks.
- ➔ Training on ransomware management.
- ➔ Travel tips.
- ➔ Potential threats of social engineering.
- ➔ Password protection.
- ➔ Risks of storing sensitive data in the cloud.
- ➔ Accessing corporate information from home computers.
- ➔ Awareness of tools the organization provides for securely sending emails or sharing large files.
- ➔ Protection of mobile devices.
- ➔ Awareness of CEO spoofing attacks.

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In addition, SMBs should verify employees' level of awareness by conducting simulation exercises. These can be in the form of a phishing exercise in which SMBs send fake emails to employees to see if they will click on a web link, or a social engineering exercise in which a hired individual tries to enter the organization's physical location and steal sensitive information such as passwords written near the computer screen.

### 3. Protect Sensitive Information

Management and internal audit should identify and protect the organization's sensitive data. Even in small organizations, sensitive information tends to proliferate across various platforms and folders. For example, employees' personal information typically resides in human resources software or with a cloud service provider, but through various downloads and reports, the information can proliferate to shared drives and folders, laptops, emails, and even cloud folders like Dropbox.

Internal auditors at SMBs should check that the organization has performed these tasks to make sure it has a good handle on the organization's sensitive information:

- Inventory all sensitive business processes and the related IT systems. Depending on the organization's industry, this information could include customer information, pricing data, customers' credit card information, patients' health information, engineering data, or financial data.

## Auditors should check whether the organization has built a layered defense.

- For each business process, identify an information owner who has complete authority to approve user access to that information.
- Ensure that the information owner periodically reviews access to all the information he or she owns and updates the access list.

### 4. Segment the Network

Organizations should make it hard to get to their sensitive data by building layers or network segments. Although the network perimeter is an organization's first line of defense, the probability of the network being penetrated is at an all-time high. Internal auditors should check whether the organization has built a layered defense to protect its sensitive information.

Once the organization has identified its sensitive information, management should work with the IT department

to segment those servers that run its sensitive applications. This segmentation will result in an additional layer of protection for these servers, typically by adding another firewall for the segment. Faced with having to penetrate another layer of defense, an intruder may decide to go elsewhere in the network where less sensitive information is stored.

### 5. Deploy Extra Protection for Endpoints

An organization's electronic business front door also can be the entrance for criminals or bad actors. Most of today's malware enters through the network but proliferates through the endpoints such as laptops and desktops. At a minimum, internal auditors at SMBs must ensure that all the endpoints are running anti-malware/anti-virus software. Also, they should check that this software's firewall features are enabled. Moreover, all laptop hard drives should be encrypted.

### A Stronger Defense

In addition to making sure their organization has implemented these five core controls, internal auditors should advise SMB executives to consider other protective controls:

- *Monitor the network.* Network monitoring products and services can provide real-time alerts in case there is an intrusion.
- *Manage service providers.* Organizations should inventory all key service providers and review all contracts for appropriate security, privacy, and data breach notification language.
  - *Protect smart devices.* Increasingly, company information is stored on mobile devices. Several solutions can manage and protect the information on these devices. SMBs should make sure they are able to wipe the sensitive information from these devices if they are lost or stolen.
- *Monitor activity related to sensitive information.* SMBs should log activities against their sensitive information and keep an audit log in case an incident occurs and they need to review the logs to evaluate the incident. Combined with the five essential controls, these controls can help SMBs reduce the probability of a data breach. But a security program is only as strong as its weakest link. Through their assurance and advisory work, internal auditors can help identify these weaknesses and suggest ways to strengthen their organization's defenses.

**Sajay Rai, CPA, CISSP, CISM**, is president and CEO of Securely Yours LLC in Bloomfield Hills, Mich.

**Philip Chukwuma, CISSP**, is chief technology officer of Securely Yours.

# Risk Watch

BY NISHANI EDIRISINGHE VINCENT    EDITED BY PAUL SOBEL

## A HOLISTIC APPROACH TO IT RISK

The COBIT framework can help auditors understand and address their organization's technology risks.

With IT ingrained in most business processes, IT risk management has become a critical part of enterprise risk management. The rise of cybersecurity incidents in recent years has heightened the need for directors and executive management to understand, evaluate, and respond to IT risks. Yet, managing these risks can be daunting because of the technical complexity and far-reaching outcomes of an IT risk event.

Although it is tempting for the board and management to focus on cyber-risks, internal audit must consider the full range of IT risks and take a more holistic view of the business. Gaining such a view is one of the advantages of using ISACA's COBIT framework to address risk management challenges.

The latest version, COBIT 5, released in 2012, can help internal

auditors develop an audit plan to address IT risks, set IT audit objectives, and define the scope for IT audits. It can help simplify complex issues by giving auditors best practices and conceptual guidance on how to categorize risks, identify risk events, and understand the relationship between risk events and value creation.

Moreover, COBIT emphasizes the value of assessing a process from end to end, instead of auditing components of that process. In addition, the separation of governance from management highlights the need to audit IT risks related to IT governance and management, which organizations tend to overlook.

### COBIT Explained

COBIT is an enterprise-wide IT governance and management framework designed to enable organizations to maintain a

balance between realizing benefits from IT and optimizing risk levels and resource use. It is based on five principles: meeting stakeholder needs, covering the enterprise end-to-end, applying a single integrated framework, enabling a holistic approach, and separating governance from management.

COBIT 5's basic premise is that goals cascade in an organization—that is, stakeholder needs are translated into enterprise goals, which set the direction for IT goals and enabler goals. Further, the framework provides guidance on IT risk management from a functional perspective (i.e., what is needed to build and sustain core risk governance and management activities), and a risk management perspective (i.e., how the COBIT enablers can assist the core risk management processes of identifying, analyzing, and responding to risk).

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COBIT 5 describes enablers as factors that “individually and collectively influence whether something will work.” They can be used in both IT risk management and IT audit planning.

### Enabling Audit Planning

Whether developing an audit plan or planning for an individual audit, internal auditors need to determine the audit objectives, scope, timing, resource requirements, and process. COBIT suggests auditors take a holistic view of the business when planning an audit.

Auditors can use the seven COBIT enablers as the foundation for identifying IT audit objectives and defining the audit’s scope. These enablers are:

- Principles, policies, and frameworks that translate the desired behavior into practical guidance that can be managed.
- Processes that support achievement of a set objective.
- Organizational structures that are important for decision-making.
- Culture, ethics, and behavior of individuals, which explain the human interactions that influence governance and management.
- Information, including all information produced and used in the business.

**Internal auditors can use COBIT to understand the nature of IT risks that are unique to their organization.**

- Services, infrastructure, and application, including the IT used by the organization.
- People, skills, and competencies, including people who are required for successful completion of all activities.

Because COBIT provides 36 generic risk scenarios, internal auditors should begin by working with management to prioritize risk scenarios for their organization. COBIT uses primary and secondary ranking to show the impact of each risk scenario on the type of risk. COBIT categorizes the risk types based on whether the risk is strategic (IT benefit/value enablement), operations-related (IT operations/service delivery), or project-related (IT program/project delivery).

Second, internal auditors can identify activities pertaining to each of the enablers for the prioritized risk

scenarios. For example, organizations face IT risk when selecting IT programs (risk scenario), which primarily affect the organization’s strategy and secondarily its operations. To manage this risk, management can implement a policy that indicates the types of IT investments that are a priority (policy), have a formal process to select IT projects (process), have an IT steering committee (organizational structure), communicate the importance of technology throughout the organization (culture), define IT investment selection criteria (information), have a program management application (application), and involve appropriate managers in the decision-making process (people).


Third, internal auditors can rank activities based on an approach that best fits the organization. For example, auditors may use a high/medium/low priority, primary/secondary, or a rank order based on weights to identify the areas that need attention. Finally, once the activities are ranked, auditors can plan the audit by first focusing on the primary/high priority activities before turning attention to secondary activities given resource, time, and personnel constraints.

### An Eye on the Big Picture

COBIT’s recommended best practices can establish a foundation for providing assurance on the adequacy, reliability, and integrity of an organization’s information systems, regardless of its industry, technology infrastructure, or geographic location. This foundation can help internal auditors understand how the organization operates and where it wants to go.

Moreover, the COBIT guidance recognizes that IT risk exposure differs among organizations based on

management’s risk appetite, involvement, and risk response. Internal auditors can use the framework to understand the nature of IT risks that are unique to their organization and develop an intuition that helps them recognize red flags, internal control weaknesses, and fraud.

Further, COBIT can help internal auditors identify and organize audit findings that can be instrumental in establishing and monitoring the organization’s IT risk management practices. The framework enables auditors to work at a detailed level while also keeping the big picture in mind. 

**NISHANI EDIRISINGHE VINCENT, PHD**, is an assistant professor of accounting at the University of Tennessee at Chattanooga.

# Make Revised *Standards* Your Practice in 2017

## *Changes Take Effect Jan. 1*

In accordance with The IIA's continued effort to meet the demands of today's business environment, the *International Standards for the Professional Practice of Internal Auditing (Standards)* continue to evolve. Revised *Standards* were released on Oct. 1, 2016. The key changes include:

- The inclusion of two new standards.
- Alignment of the *Standards* to the Core Principles.
- Updates to existing standards.

Implementation Guides are available to help internal auditors conform to the *Standards*.

# Fraud Findings

BY ANONYMOUS    EDITED BY BRYANT RICHARDS

## A TOXIC CULTURE

A department leader creates a hostile work environment by promoting friends and abusing employees and company assets.

The role of the public relations (PR) department is to maintain a positive image of the company and to communicate with those outside the organization. Typically, those individuals skillfully manage perceptions and expectations, but at one company, these skills were used to mask a hostile work environment.

The department was led by a vice president, Ginger Dahl, who promoted Scott Goss and Roseanne Gray, two of her close friends, to director and manager, respectively. Dahl delegated all staff management responsibilities to Goss and Gray, leaving Dahl with no direct supervisory responsibility over employees except for these two individuals. Goss and Gray were inexperienced in managing staff, had no industry knowledge, and made decisions without staff input or consideration. For example, they initiated an overhaul of a new project

methodology that stalled for months because of their lack of direction. Then, when forced to move forward with the project, they rushed to implement it. Clients called daily to voice their concerns over time delays and roadblocks but were dismissed by Goss and Gray without further investigation by Dahl. Staff members who raised questions were reprimanded, and those who approached Dahl were directed back to Goss and Gray.

When the organization received a hotline complaint regarding abuse of company assets, internal audit was called in to review. The auditors found that the complaint was just the tip of the iceberg. In initial interviews with staff, the environment was described as hostile and toxic. Seasoned staff members who were well-respected and valued by clients throughout the organization were leaving. The most creative and longest-tenured employee in the department

was left to work on projects by herself rather than engage with others within the department and given the least important assignments. Several employees were seeing counselors to help them cope with the environment, many were too afraid to do anything, and all were fearful of saying anything that could be perceived as critical.

The auditors were so shocked by what they heard, they immediately pulled in human resources (HR) and general counsel to collaborate on next steps. The first step taken was putting Dahl on administrative leave. The company assigned an interim vice president and directed all employees not to make any changes to systems or destroy any documentation. As the internal auditors dug deeper and interviewed others within the department—including a few who had left—they found there was an inadequate internal control system. Gray was allowed to hire relatives and

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directly supervise them. Company policy regarding gifts to employees was ignored. Purchases to clients throughout the organization were made regularly.

In digging into the time-tracking system, which was used for departmental chargebacks, internal audit noticed that adjustments could be made without an audit trail. Staff noted that their time was regularly changed on projects by the system administrator, an assistant to Gray. Goss and Gray said this was done to better reflect "revenue" from the job.

When the auditors turned to the budget, they found numerous overruns. Their analysis revealed what could only be described as a shopping spree of nonbusiness expenses. Upon further review, auditors identified several instances of misuse of company assets. Dahl, Goss, and Gray each had a laptop for home and work, and a separate tablet for meetings. Dahl used company money for personal donations to organizations of her choice that had no affiliation to the organization. There were lavish celebrations totaling thousands of dollars for Gray's wedding and baby showers. And perhaps the most egregious was the use of company funds for lunches and dinners several times per week, sometimes with their families. The analysis extended

over a two-year time frame and the trend was consistent. This was beyond an extravagant routine.

All of this was possible because no one tracked expenses. The accounting department did not perform budget-to-actual reviews, and the PR department was left to their whim to spend. While a budget was assigned, there was no accountability for adhering to it, as evidenced by several years of overruns.

After weeks of gathering data, the internal auditors met with Dahl, Goss, and Gray to hear their explanations. They truly believed they had done nothing wrong and seemed shocked that these behaviors were unacceptable. In light of the observations, which were supported with data analysis, HR, general counsel, and senior leadership decided to terminate Dahl. Goss and Gray left on their own within the following three months. The company did not press charges because nothing was done illegally; there was no restitution paid. The company hired an industry consultant to work with the interim vice president to establish and implement internal controls and process improvement within the creative work methodology. Internal audit was asked to work



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with the consultant on the process improvement, which it did, and internal audit provided a training session on internal controls to the department. Within a year of Dahl's termination, she had secured a similar position at another organization in the same industry.

### Lessons Learned

- Toxic cultures are often masked by leadership as something else. These environments are very uncomfortable and difficult to navigate. It is worth recognizing that a toxic work environment requires a lot of effort to create and maintain. Consider its purpose and evaluate its impact on the organization's performance. In the end, these cultures are often designed to protect leadership's selfish aims and offer no productive value to an organization.
- Critically review turnover data. If a department's turnover rate is extremely high, that is a red flag. Auditors should ask questions, talk to HR to find out whether there are any employee concerns, and raise the red flag if there are any issues.
- Exit interview results should be reviewed regularly. Even in the most fearful situations, those leaving the company will often leave some indication of their frustrations and concerns. In environments where people are afraid, this could offer a significant piece to the puzzle.
- Chargeback systems are great places to hide resources and could be overlooked—they impact only inter-company allocations, not the financial ledger. Consequently, they should be reviewed like any financial system. Examine reports to source documents, check interfaces, and audit IT general controls.
- Assess controls over travel and expense reports to see how they are being reviewed and approved. Is there documentation available to support the expenses? Look beyond the controls, as well, and use graphs and charts to trend the data. Often, seeing the information visually is more impactful. 

*The author is currently working in public accounting in Connecticut and has more than 15 years of experience in internal audit and accounting roles.*

## Emerging Leaders Forum: Young Professionals on the Rise

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This year's crop of Emerging Leaders is ripe with talent and ready for the challenges of today's organizational demands.

**A** career in internal auditing today is not the same as a career in internal auditing as little as five years ago; responsibilities grow, areas of emphasis shift, and technology advances. And that's just the way this year's Emerging

Leaders like it—they excel when challenged and appreciate new opportunities to add value. These outstanding practitioners have different geographies, educational backgrounds, motivations for entering the field, and professional ambitions. But there's much that connects them, too. They value the development and networking opportunities afforded by active

**ON THE**

involvement in The IIA and other professional organizations; they love to learn, especially about technology; and they value the key role internal audit often plays in strategic planning and business operations. And in addition to their commitments professionally, many are engaged on a civic and community level. Collectively, the achievements of these 15 practitioners bode well for the future of internal audit, and for the organizations they serve.



# INSIDE

2016

Russell A. Jackson

## Chris EIDD

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BUILDERS FIRSTSOURCE  
DALLAS



“I wish we could get more young people involved.” That’s how **CHRIS EIDD** wants to change the internal audit profession, and he puts his money where his mouth is every day. Teresa Conover, a professor and director of executive programs at the University of North Texas (UNT), says Eidd’s genuine love for the profession encourages students to seek internal auditing as a career path when the UNT graduate shows up on campus for one of his many “get the word out” visits. He volunteers as a guest speaker for the UNT Seminar in Internal Auditing course – on the topic of interviewing techniques,

among others – and as a “professional in residence” for the Student Investment Group Live Audit, working with a different student team each semester. Additionally, he serves on the UNT Internal Audit Advisory Board. What gets him so excited about his work? “I love how the profession is evolving to help support business and still cover compliance requirements,” he says, noting that when he started, “internal audit” mostly meant “Sarbanes-Oxley testing.” Now, he gets involved in a variety of projects ranging from due diligence to fraud investigations to litigation support. No matter what the subject is, he always tries to manage up and down – pushing staff to meet their goals and deadlines, and pushing managers to get replies and to request support when they need it. Managing up also means making your boss’s job easier. If he or she has too many messages to manage, don’t leave another one; talk in person. “That’s the best way to move the ball forward,” Eidd says.

**G**RACE SHARPLEY is delighted about the development of her profession and what she sees as its future. “While assuring control effectiveness and looking for ways to deliver insight are key to the work we do,” she says, “projects should allow auditors to be change agents.” Increasingly, Sharpley adds, they do. She says the level of exposure she has to movers and shakers has come as a pleasant surprise, allowing her to develop business relationships with them that produce requests for her team to “provide guidance on risks and controls as strategic decisions are being made.” That work, the University of Notre Dame graduate emphasizes, is energizing – and it’s always changing. There isn’t a “typical” internal

“While assuring control effectiveness and [delivering] insight are key to the work we do, projects should allow auditors to be change agents.”

## Grace SHARPLEY

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auditor anymore, she says, noting that her team now includes colleagues with backgrounds in accounting, finance, international business, data analysis, IT, and law. Also outdated, according to Randy Horton, internal audit director at AutoZone, is the notion of internal auditors hedging their bets in reporting findings and trying to stay under the proverbial radar. He says that Sharpley, who was promoted to audit manager after just over a year, will have none of that. “Reiterating what leadership is already aware of does not reflect well on the department,” Horton says. “She drives her team to be able to constructively answer why the audit results are important and why the recommendations should be implemented.” If it sounds like she gets a lot done, it’s in part because she never slows down. “Most people on my floor at work know this already,” she says, “but I always walk very quickly. I can’t help it. Probably because there are always a lot of things that are not checked off on my to-do list!”

# 15 MAKING A DIFFERENCE

**JENNY WEI** learned early on the value of data analytics – especially how it can be integrated into internal audit workflows to make the function more effective. Now she’s known for her expertise in that increasingly critical area. Farah George Araj, senior manager at Deloitte, notes that Wei leveraged data analytics during internal audit engagements, “using her business understanding and leveraging the skills of specialists to incorporate data analytics and data visualizations into her projects throughout planning, execution, and reporting to deliver better insights to clients.” One example: the vendor audits her firm’s Contract Risk and Compliance service conducts. Using data analytics, Wei and her team can review 100 percent of spending, target review on the highest-risk

areas, and identify with better precision what happened in the entire population. “Data analytics can be used to identify risks at an enterprise level,” the University of Alberta graduate says, “and drive the identification of emerging risks that management may not have seen.” Given her druthers, Wei would “increase the speed of innovation in the profession.” She would call on internal auditors to “become innovative thinkers and propose more creative solutions for management – including being innovative in improving the way internal audit functions.” Wei also focuses on the human side of the profession, serving on the board of IIA-Edmonton, helping raise funds and increase membership for the chapter. Moreover, Wei promotes internal audit certification and awareness through presentations at her alma mater and,

on the job, has encouraged team members to join The IIA and pursue the Certified Internal Auditor designation. And she makes sure to explain to clients the importance of professional certifications and the application of IIA standards.



**Jenny WEI**  
CIA, CPA, CA  
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MANAGER, RISK ADVISORY  
DELOITTE  
EDMONTON, ALBERTA

**W**hen **AMBROSE OPOLOT** discusses stakeholder expectations – noting that they’ve “increased, become varied, and are at times conflicting” – the Makerere University graduate knows what he’s talking about. Opolot was tasked with starting an internal audit function from scratch after convincing company leadership of the advantages of bringing the discipline in house. Josepha Tibenderana, head of internal audit at Umeme Ltd. and Opolot’s mentor and former boss, notes that Opolot’s role as head of the function has expanded to include overseeing risk management and coordinating with other assurance providers. “He has ably managed the expectations of his clients,” Tibenderana says, adding that Opolot has been invited to Toyota’s South Africa regional office to present to the internal audit leadership team there. Says Opolot: “Now I have to prove the value and benefit I have to add to the organization, and also mentor individuals who have just started out in internal audit.” That suits him just fine: He says he appreciates being considered a trusted adviser and enjoys internal audit’s consulting role because it involves telling management how well systems and processes are working. That requires him to make recommendations for improvement – which is exactly the type of communication he advocates for bridging any expectation gaps his stakeholders may have. “Implementation of necessary improvement requires developing trust-based relationships throughout the business,” he says. His role as a business partner will be increasingly important in the future, he says, because technology advances and economic globalization lead to “change that is both predictable and unpredictable.” Internal audit, he adds, must adapt as needed to meet the growing challenges of identifying, assessing, monitoring, and controlling risk.

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One of the tricks you learn after spending as much of your free time on a flying trapeze as hobbyist **JAIMIE YANG** is using your body to maximize the swing. In fact, maximizing is something she excels at on the ground, too. As an example, when Yang sought to maximize her ability to extract and analyze data on her own for audit planning and fieldwork, she took the initiative to enroll in a local community college course on SQL – a programming language designed for managing data. David Price, senior director of internal audit and risk management at CEC Entertainment, notes that Yang excels



**Jaimie YANG**

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SENIOR AUDITOR  
CEC ENTERTAINMENT  
IRVING, TEXAS

at maximizing specific processes, too. She streamlined processes for training, test work, reporting, and metrics for an annual inventory audit that took about 470 hours and reconfigured it as a 250-hour project. And during another engagement, Price says, “she was able to identify five main drivers for US\$18 million in absolute value adjustments.” The University of Texas at Dallas graduate also maximizes available professional education options. She participated in the school’s Internal Auditing Education Partnership program and took full advantage of its connection to The IIA; she was actively involved with the Dallas Chapter and the student

**“I’d change our relationship with clients so they better understand what we’re doing.”**

chapter, working as a volunteer for an annual fraud conference and for the Dallas Chapter’s Annual Super Conference. Yang also served as an internal audit intern during grad school. She wishes more managers recognized what internal audit can accomplish. “I’d change our relationship with clients so they better understood what we’re doing – and why,” she says. “With better client input, we can be more effective at helping the company progress.”

When **ROLAND STAUTZENBERGER** looks to the future, he sees internal auditors with strong data skills and even stronger technological expertise auditing, say, a company’s artificial intelligence division or its digital currency transactions. Moreover, the University of Texas at Austin graduate says that stakeholders will expect internal audit functions to focus more on future risks as they incorporate those new technologies. That should help make his audit wish come true: to see an end to the common stereotypes some people have about the discipline and instead see audit departments viewed as business partners throughout the enterprise. Indeed,

**Roland STAUTZENBERGER**

CIA, CRMA, CCSA  
27  
AUDITOR  
FARMERS INSURANCE  
AUSTIN, TEXAS



he advocates including “collaborating with internal audit to achieve organizational objectives” as part of every job description at every company at all levels. But he adds: “This role would have to be earned by each internal audit department, not just be given outright.” Audit functions must track, measure, and report the value they provide, he emphasizes. That helps them adjust as needed to keep improving and adding

value, and it shows the rest of the organization the many benefits internal audit brings to the table. One example is a project he completed while treasurer of The IIA’s Austin Chapter, where he currently serves as president. Dan Clemens, head of Internal Audit Planning and Operations at Farmers Insurance, explains that Stautzenberger “implemented new financial processes, creating transparency of the

chapter’s finances, for which he received the chapter’s President’s Award in 2014.” The processes, Stautzenberger says, included additional reports to the Board of Governors, such as financial report breakdowns on every chapter event, and new reconciliation processes that help ensure all payments are accounted for at each event – including purchase orders, checks, credit card payments, and receivables.

**A** **NN GRIPENTOG** likes to spread the word about internal audit. Her boss at Station Casinos, Melissa Warstler, senior internal audit director, calls her “our No. 1 cheerleader regarding the profession.” She lauds the way the University of Nevada at Las Vegas (UNLV) graduate “is always encouraging everyone to pursue certification and understand the benefits.” She adds that Gripentog “is not afraid to tell someone her professional opinion” when she works with operations departments – including gaming, accounting, and food and beverage – to educate them on risk and why certain areas need to be audited. In return, Gripentog appreciates being able to “dive deep into the company’s processes.” In so doing, her boss adds, she takes charge of her assignments and takes ownership – and sets an example for others. Gripentog spends a lot of time communicating the benefits of

## Ann GRIPENTOG

CIA, CPA  
28

**INTERNAL AUDIT MANAGER**  
STATION CASINOS LLC  
LAS VEGAS



internal audit to students as well, attending recruitment events on campus and working with the UNLV accounting department to promote internal audit – often taking the opportunity to explain the difference between internal audit, external audit, and accounting. Interns are a special focus, too. She calls herself lucky because she was able to complete hiring for Station Casinos’ internal audit internship program, adding that she likes working with individuals early in their careers. “I get to take these new young professionals and mold them into auditors,” she says. “Within our internship program, I’ve seen a lot of the interns move to full-time positions, and it’s nice to feel that you’ve helped them grow.” As these and other audit professionals move forward, one change she foresees is enhancing the balance between helping management improve operations and remaining independent.

## Matt KOZLOWSKI

CIA, CRMA  
29  
**SENIOR MANAGER**  
PROTIVITI  
HOUSTON



**M** **ATT KOZLOWSKI** has developed a unique view of leadership as he’s attempted to “emulate the traits of the strongest leaders” he’s encountered. A leader’s most important role, he says, is setting the right example – that means never being “too busy,” and it means never hesitating to roll up your sleeves and get into the details. The Louisiana State University graduate emphasizes that “the best measure of a leader is the success of his or her team members.” Kozlowski also says leaders need to stress to their internal audit teams that any interaction between colleagues and clients must be a positive one that promotes the profession. In 2015, he was asked to be a facilitator at Protiviti’s internal Consultant Challenge School, where he helped advise consultants about the internal audit profession using real-world examples. Based on his success, he has been invited to return this year. Kozlowski always takes advantage of opportunities to spread the word about internal auditing, in fact, pointing out that one change he would make to the profession would be getting practitioners more involved throughout the business. “Too often, we default to only working with the finance or accounting departments,”

he says, “when in reality risk exists across the organization.” Accordingly, internal auditors need to build relationships throughout the enterprise to serve as trusted advisers, he says.

**“Too often we default to only working with the finance or accounting departments, when in reality risk exists across the organization.”**

One area where internal audit can help is in providing guidance on the implementation of the Committee of Sponsoring Organizations of the Treadway Commission’s 2013 *Internal Control-Integrated Framework*. His work in that area, says Tyler Chase, a managing director with Protiviti, has helped drive an enhanced control environment for his clients without having to implement a slew of tactical one-off controls.



## Erica BURNHAM

CIA  
28  
INTERNAL AUDIT SUPERVISOR  
RAYTHEON CO.  
WALTHAM, MASS.

**E**RICA BURNHAM'S audit expertise and extensive business education help her see well beyond internal audit's borders and into the far corners of the company. "The course work I completed for my MBA has taught me to think more strategically and understand the interconnectedness of business operations," she explains. Burnham says she gains from that a better understanding of the impact a control weakness or process recommendation can have not only on the audited area, but on business operations across the organization. Indeed, the Bentley University and University of Massachusetts at Amherst graduate says she's been surprised to

see how much value internal audit can add to an organization; she left school thinking internal auditors were focused on controls and compliance – and little else. Now she recognizes the contributions of internal audit in areas such as identifying enterprise synergies to achieve cost savings, developing dashboards for functions to help them better monitor their

operations, and using data analytics and Six Sigma principles to identify root causes of business issues. Moving forward, she expects that big picture approach to increase in value to her clients, because an organization's ability to identify, understand, and adapt to emerging risks will grow in importance. "Auditors, while maintaining independence, must be

respected and creative business partners who can see around the corner, identify emerging risks, and help management address them," she says. Joseph Motz, senior manager at Raytheon, adds that Burnham is "exceptionally supportive" of The IIA, of company programs promoting the profession, and of internal audit-related activities at her alma mater.

**K**RISTINE TKACHENKO focuses on high-tech and on high-touch in her internal audit work. The biggest change coming to the profession is technological, says the University of New Brunswick graduate, such as the ability to work remotely and advancing information-sharing technologies. On the high-touch side, Tkachenko is becoming an expert at using social media applications, such as LinkedIn and Twitter, to reach out to potential new IIA members. Her first mentor, Tony Stanco, director of audit at Ontario Tire Stewardship, says she effected "a significant increase in IIA-Toronto's social media usage for advertising events, which was demonstrated by the success of the chapter's winter 2015 Members' Evening event and an overall increase in event participation." That event, which focused

on "Capital Projects: Improvement Through Internal Audit," reached its registration capacity in just two days, Tkachenko says. She's chair of IIA-Toronto's Membership and Social Media Committee, and she stresses a social emphasis as part of career-building. "My advice to young people new to the profession is to be open and have fun with all the opportunities internal auditing has to offer," she says. One of the greatest opportunities, she stresses, is networking – especially with mentors. And she encourages her colleagues to think outside the mentorship box, noting that the most successful mentorships often come from unexpected places. "The opportunities through The IIA and the networking it offers enrich your life," she says, because each individual you interact with brings a unique set of experiences from different stages of life and career.

**My advice to young people new to the profession is to be open and have fun with all the opportunities internal auditing has to offer."**



## Kristine TKACHENKO

CIA, CISA  
29  
SENIOR AUDITOR, RESEARCH COMPLIANCE  
UNIVERSITY OF TORONTO

# 15 MAKING A DIFFERENCE

Crowe Horwath's **RYAN SINGER**, a graduate of Miami University in Ohio, has a reputation for innovative thinking. As Wayne Gniewkowski, a principal at Crowe Horwath, puts it, "Some people look at a process and do it the same as everyone has in the past—Ryan looks at a process and determines how he can do it to best use his skills." Sometimes that means a simple change of format; sometimes he changes the process entirely. In all cases, it means an emphasis on client service, during an engagement and after. Singer says continuous client service is critical in delivering value, noting that "clients face problems every day." He calls on internal auditors to "provide support for clients and their problems even if it extends outside the parameters of what's generally considered standard procedures." Gniewkowski adds that Singer emphasizes making himself available to his team to ensure that past and current clients are "still receiving quality service." Part of that service is the result of advances in internal audit technology, and Singer notes that those advances will have the biggest effect on the profession moving forward. But the aspect of internal audit he likes best is not the hardware and software—it's the humans who make it work. Singer says he's "worked with terrific people both inside and outside the firm," and he stresses that meeting new people and learning from them are among the best aspects of his job. Indeed, a major change he'd make to internal auditing is doing a better job of presenting the profession as an alternative to external auditing and tax accounting studies on college campuses.

## Ryan SINGER

CIA  
27  
**BUSINESS RISK MANAGER**  
CROWE HORWATH LLP  
COLUMBUS, OHIO



## Meet the Judges

According to this year's judges, the qualities that define *Internal Auditor's* 2016 Emerging Leaders include "forward thinking through greater use of technology," as one judge puts it, and "finding a way to give back to their communities and their profession." The judges, a distinguished group that includes two past Emerging Leaders, also point to the honorees' innovation, creativity, flexibility, and collaboration.

**PAM JENKINS, CIA, CPA, CRMA**, vice president, *Global Audit Services, Fossil Group*; vice chairman, professional development, *IIA North American Board of Directors*. As a group, Jenkins says, this year's Emerging Leaders are impressive in part because of their "determination to make internal audit a trusted business partner and adviser, and not simply a fact-checking function."

**MIKE JOYCE, CIA, CRMA**, vice president, chief auditor & compliance officer, *Blue Cross Blue Shield Association*; vice chairman, finance, *IIA Global Board of Directors*. "Today's Emerging Leaders will be tomorrow's experienced leaders," Joyce says. That experience will be critical moving forward, he adds, because internal audit is "under increasing pressure to identify emerging risks and trends rather than rely on identifying root causes for historical events."

**DERRICK LI, CIA, CRMA, CPA, CA**, director, *Internal Audit & Performance Improvement, TransLink: South Coast British*

*Colombia Transportation Authority*; 2014 Emerging Leader; *InternalAuditor.org* blogger. Internal audit, like the business environment, is constantly changing, Li says. "This year's Emerging Leaders will need to help ensure audits focus on the current and future issues relevant to the business."

**CHARLOTTA LÖFSTRAND HJELM, CIA, QIAL**, chief internal auditor, *Lansforsakringar AB*; vice chairman, professional certifications, *IIA Global Board of Directors*. Hjelm is impressed with this year's honorees—their talent, their knowledge, and their inspiration. "If they have accomplished this much by age 30," she says, "anything is possible in the future."

**LAURA SOILEAU, CIA, CRMA, CPA**, partner, *Postlethwaite & Netterville*; 2014 Emerging Leader; *InternalAuditor.org* blogger; *IIA Publications Advisory Committee* member. Soileau says this year's Emerging Leaders are "very impressive"—as they've all shown creativity and innovation, and often found new ways to approach routine challenges and opportunities.

**BENITO YBARRA, CIA**, chief audit and compliance officer, *Texas Department of Transportation*; vice chairman, content, *IIA North American Board of Directors*; *IIA Publications Advisory Committee* member. In addition to abundant professional certifications, Ybarra notes that this year's Emerging Leaders demonstrate a "high degree of social responsibility through their volunteer and ambassador activities."



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## Dariel DATO-ON

CIA, CISA  
26  
SENIOR, RISK  
EY  
DALLAS

During his relatively short time as a practitioner, **DARIEL DATO-ON** has learned a key lesson about client engagements: "There are not always clear-cut answers to many of the problems we face in the internal audit profession," he says. By contrast, he recalls from his days as

a student that every question in the classroom had an answer and every problem had a solution—a state that doesn't exist in the real world. And that's a good thing. "Solving problems where there is not an obvious answer," the University of Texas at Dallas graduate comments, "is what I've enjoyed doing the most."

That's apparent, notes Joseph Mauriello, director of the Center for Internal Auditing Excellence at UT Dallas, who says Dato-on "has the keen ability to parse through the subterfuge and offer effective and efficient solutions." One example is his streamlining and redesign of the online resume book system for the UT Dallas student IIA organization, Mauriello says—a solution that reduced upload and administration times and simplified the process for future students. And Mark Salamasick, executive director, audit, at the University of Texas System, notes that Dato-on is "one of the most technical IT auditors in the marketplace today," lauding him for

running several websites, building computers, and writing software for online programs. Dato-on, he adds, is solution-oriented and comes up with "creative and automated ways" to solve business problems. When the solution must be discovered, because it's not evident, internal auditors need to be extra careful to ensure their clients understand that ultimately they have their and the company's best interests in mind, Dato-on explains. "We as a profession are definitely moving in the right direction," he says. And his own forward movement has a soundtrack: Dato-on plays classical piano for recreation and for, he says, "whomever is willing to listen."

## Robin BROWN

30  
LEAD CONSULTANT, RISK ADVISORY SERVICES  
DIXON HUGHES GOODMAN LLP  
ATLANTA

**ROBIN BROWN** wants to make sure she's never in a data breach situation where the board of directors asks, "Where were the internal auditors?" That's why she urges all practitioners to gain experience in evaluating and testing the IT systems that support their companies' operations. And as cloud computing and social media continue to expand, she advises becoming more aware of the cybersecurity space, how to test it, and how to prepare the organization for a data breach. "A data breach of any size is inevitable," the Randolph-Macon College graduate says, "but the way a company identifies, contains, and responds to it directly impacts its success." She also sees the need for enhanced use of data analytics for identifying key trends, leading indicators, and areas of risk to the business. These tools, she notes, can be used both to definitively evidence exceptions to internal controls and processes and to automate some of the more routine audit steps. In one recent example, reports Seth Peterson, assistant vice president and internal audit manager at The First National Bank in Sioux Falls, Brown used analytic



**"A data breach of any size is inevitable, but the way a company identifies, contains, and responds to it directly impacts its success."**

tools during an inventory management process assessment to identify and isolate forklift drivers and inventory cycle counters who circumvented established procedures, impacting inventory accuracy. Management used her findings to identify repeat offenders and establish opportunities to retrain or release company employees, says Peterson, a 2013 Emerging Leader who reached out to Brown to collaborate after seeing her in an Audit Channel video. It's one of the ways, he adds, that Brown shows she's passionate about the audit profession. Ask Brown about another passion, and her artistic side emerges: "If I weren't in internal audit, I would be in New York City trying to make it on Broadway," she says. "Musical theater is my passion. Singing, dancing, and acting are in my blood."



Kennesaw State University recognized as the 4th University in North America and 7th in the world to attain top ranking of "Center for Internal Audit Excellence".

Pictured left to right: Bill Mucahy, Richard F. Chambers, Richard Clune, Kathryn Epps, Fred Masci, and W. Ken Harmon.

## THE IIA

### ATLANTA CHAPTER

#### CONGRATULATES

**KAYLA BROWN &**

**ROBIN BROWN**

*as Internal Auditor  
magazine's  
2016 Emerging  
Leaders.*



The KSU student team was awarded first place at the 4th Annual IIA statewide student case competition.

Pictured left to right: Samantha Cowell, Natalia D'Aries, Jeff Kochy, and Bill Mulcahy.



The Young Professionals (YP) group within the Atlanta IIA is very active in both the Chapter and the community.

Pictured left to right: Abithia Cunningham (Committee Chair), **Kayla Brown (Emerging Leader)**, Sarah Simmons, Marissa Sorrentino, and **Robin Brown (Emerging Leader)**.  
Second Row: Ryan Neff, Liz Scanlan Susco, Yousef Ali, Michael Mangrum, Bill Stahl, Preston Firmin and Ben Cartoon.

The IIA Atlanta Chapter's mission is to be the premier professional association dedicated to the promotion, advocacy, and development of the practice of internal auditing in the Greater Atlanta Metropolitan Area. This shall include, but is not limited to, the following: Professional development, promotion of IIA certifications, internal audit research and information sharing, and working with universities to promote internal audit education. The IIA Atlanta Chapter worked with Kennesaw State University to establish the first IIA Center for Internal Audit Excellence in the state of Georgia.



## Jamie WHITE

CPEA, CESCO

30

MANAGING CONSULTANT,  
EHS PERFORMANCE AND  
RISK MANAGEMENT

TRINITY CONSULTANTS INC.  
RALEIGH, N.C.



**JAMIE WHITE** is a highly specialized auditor, the kind who works for various clients to conduct environmental health and safety (EHS) audits. She says the biggest change she faces in her work is the impact of smaller companies becoming part of larger ones through mergers and acquisitions, requiring practitioners to audit to higher conformance standards. White's colleagues say she already does. Bill Qualls, executive director at ResponsibleAg and chair of The IIA's Environmental, Health and Safety Audit Center, explains that White is a member of Trinity's EHS Performance and Risk Management Business Line, which assists each of the company's 50 offices globally in developing and executing EHS audit opportunities. White, a graduate of the University of New Hampshire and the University of Illinois and vice chair of the EHS Center, "offers training classes on EHS auditing," Qualls notes, "mentoring compliance staff new to auditing and serving as an on-call resource to each company employee who has a question or requires advice on EHS auditing and compliance." For White, it's all in a day's work. "I've become very comfortable as an auditor and can easily and comfortably engage professionals at all levels, from an hourly employee up to a CEO of a multi-billion-dollar oil and gas giant," she says. In fact,

**"It's important to put yourself out there, because it's the best way to grow."**

she emphasizes that communication skills, a key aspect of internal audit effectiveness, have become one of her biggest assets. She credits her parents for what she calls her "ambitious nature" – noting that her father advised her not to be a wallflower and to expand her horizons. Now when she sees an opportunity, she takes it, or volunteers for it, or learns from it. "It's important to put yourself out there," she counsels, "because it's the best way to grow."

**KAYLA BROWN** embraces technology, but makes sure her emphasis remains on the human side of internal audit. Technology has dramatically changed the way internal auditors perform, she says, noting that it may be impossible to even imagine the changes coming in the future – changes that should considerably improve audit efficiency. "But it is still so important to establish relationships with individuals in the business," she advises. "Don't just email process owners. Pay a quick visit if

clear view of so many aspects of an enterprise's operations. Brown stresses the importance of career-long networking—even when a new position isn't the goal—and encourages college students to get involved in activities on campus, such as case competitions and conferences, to promote their personal brand. No matter the specific industry, she adds, relationships are always key. That's a message she regularly relates to campus audiences at her alma mater Kennesaw State University, and at Georgia Tech, to encourage students



## Kayla BROWN

CPA

26

SENIOR INTERNAL AUDITOR  
CARTER'S INC.  
ATLANTA

they are in the same office, or make a phone call." She leverages in-person relationships to show that internal auditors can be business partners—not telling clients what they're doing wrong, but providing recommendations for improvement. That's made easier by her emphasis on operational audits, because they provide such a

to consider the internal audit profession, says her mentor William Mulcahy, CEO at Mulcahy Consulting. In addition, she's active in The IIA's Atlanta Chapter, particularly its mentor-mentee program, he says. As her mentor in that program, Mulcahy credits Brown's efforts in increasing overall chapter membership. [ia](#)

*Russell A. Jackson is a freelance writer based in West Hollywood, Calif.*



**TO COMMENT on this article, EMAIL the author at [russell.jackson@theiia.org](mailto:russell.jackson@theiia.org)**



## **Evolution or irrelevance?** Internal Audit at a crossroads

Explore the findings of Deloitte's 2016 Global Chief Audit Executive Survey. With responses from more than 1,200 heads of Internal Audit, this is Deloitte's most comprehensive global examination of Internal Audit to date.

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**N**othing prepared Kayla Brown for her first audit road trip. After a steady diet of compliance work at Atlanta-based children's apparel company Carter's Inc., she was sent across the country to audit the operations of six of its California stores. She was 23 years old, traveling alone, and had never rented a car before. "Being on your first job," she says, "it's the little things that can stress you out."

Once Brown arrived on the West Coast, she encountered some initial skepticism from store managers. Some thought she didn't seem old enough to be auditing the businesses they had worked at for many years. Most of the audits went smoothly, but one store didn't do so well. "Luckily, the store manager was good to work with, so it wasn't a difficult conversation," she says. "But it's not great to be the bad guy. You want the business to get better and you want to serve as a partner."

Despite Brown's nervousness, the California audits were a great experience and a launching pad for her current career. Three years into her job, she has led Carter's retail store audits throughout the U.S. and Canada.

Brown's desire to be a business partner and her eagerness to learn are typical of young auditors entering the profession. Like Brown, challenges encountered during early audit assignments are often the fire that ignites successful careers at a

Tim McCollum

# Growth *through* challenge

Current and past Emerging Leaders discuss the tough assignments that helped propel their careers forward.







**“What was most valuable to me was [my boss] sharing what didn’t work for him, what the mistakes were, and what he learned from that.”** —Seth Peterson

with audit clients. “Looking back, I could have been better prepared and equipped to handle those interviews,” Peterson admits.

Such trials can be a great way to learn, as long as

young age. Some of *Internal Auditor’s* current and previous Emerging Leaders share their experiences.

**INTO THE DEEP END**

Today’s young auditors reflect the profession’s growing emphasis on being multifaceted—no one’s going to confuse them with accountants. Some like Brown have emerged from universities with internal audit curricula, such as those that are part of The IIA’s Internal Audit Educational Partnership. Others have come over from external audit firms. Then there are those like Seth Peterson who fall into the job.

bank, he applied for an internal audit opening that could give him the overall view of the bank that he wanted.

For Peterson, internal audit was a whole new world. He knew nothing about auditing, and he didn’t know what to expect. Yet, what initially was intended to be a short-term position quickly turned into a great career opportunity. “Everything about internal auditing was new to me,” he says. “I went into it with an open slate: I didn’t know what I was doing. I thought, ‘Let’s figure this out and shape what I want to do.’”

Those first audits were a trial by fire. His first bank had a series of frauds

auditors aren’t overwhelmed by them, Peterson says. He credits his boss at the time, Joel Baier, with giving him feedback on his work and sharing his own experiences—and the mistakes he had made along the way. “What was most valuable to me was him sharing what didn’t work for him, what the mistakes were, and what he learned from that,” Peterson says.

**PREPARED TO SUCCEED**

Those tough early conversations have shaped how Peterson leads his current team at The First National Bank in Sioux Falls. There, his focus is on



**“You have to go in with a customer-first mentality. Otherwise, you come in as young and inexperienced, and you’ll quickly be shown the door.”** —Derrick Li

Peterson, assistant vice president and internal audit manager with The First National Bank in Sioux Falls, S.D., wasn’t looking to be an internal auditor—his interest was banking. A professor at Buena Vista University suggested he get a job as a bank examiner to gain a sense of which area of banking he wanted to pursue, but there weren’t any openings. After a stint in an operations job at another Sioux Falls-based

and control breakdowns. “It let me see when things go bad, how bad they could go,” Peterson recalls. Although the frauds were consumer-driven, the audits involved gathering facts from bank employees who were fearful that their mistakes might cost them their job. For a young auditor, they were tough conversations that involved balancing internal audit’s need to be objective with the interest to build trust

having audit clients see internal auditors as people—and vice versa—which “helps people open up and lets us do our job more effectively,” he says.

That’s a lesson Derrick Li has taken to heart over the years. Li is director of internal audit and performance improvement at Translink, the public transportation authority for the Vancouver, British Columbia, region. As a young auditor, “you have to go in with a customer-first

mentality," he explains. "Otherwise, you come in as young and inexperienced, and you'll quickly be shown the door."

Li learned to be client-centric when he worked for outsourced internal audit clients while he was at professional services firm BDO. Because most of their internal audits were one-off engagements, internal auditors needed to develop future business by demonstrating the value that internal audit can provide business units. It's a mentality he took with him to future internal audit jobs.

Another lesson Li learned from his audit consulting days was the value of preparation. One of his first internal audits at BDO was a board governance review for a large public company that

had received poor governance ratings.

For this review, Li interviewed board members who were top corporate executives. These could have been daunting exchanges for a new auditor, but Li came in prepared to ask the right questions. "You may not know as much as the people you're auditing, but doing that prep work and demonstrating that knowledge can go a long way," he stresses.

Upon leaving BDO, Li became a CAE at a succession of public sector organizations in Vancouver, each one more complex and with greater operating revenues. Unlike many young auditors, he didn't have a CAE to teach him the leadership ropes. In his current position at Translink, he's the youngest member of a staff of eight internal

auditors, and he's instilled them with that twin focus on the client and being prepared. His team has moved from primarily conducting financial compliance audits to doing performance, risk, and even Lean Six Sigma engagements. "Audit clients will quickly see if you're all talk," he says. "You've got to demonstrate quickly that you're able to deliver. And if you make promises, you'd better commit to keeping them."

### CHANGING MIND-SETS

Developing those client relationships can be challenging for new auditors at a time when they are just beginning to develop their "people skills," says Maja Milosavljevic, senior auditor with EY in Belgrade, Serbia. Starting her career at

## SOUND ADVICE

**E**merging Leaders past and present offer some tips for new entrants to the profession. Their core message is simple: Master the soft skills.

**Get a Mentor** New auditors can learn much from audit leaders and other experienced co-workers, including how to communicate with clients about sensitive issues and how to protect their independence and remain objective. "Whenever I had some issues or questions regarding internal auditing, Olga was there to help with advice," says Maja Milosavljevic of her mentor Olga Antic. Sometimes the best mentors will come from outside the profession, such as audit clients, company executives, and board members. "In interacting with executives and board members, you're learning from some high-powered and experienced people," Derrick Li says.

**Build Relationships** Interactions with audit clients are opportunities for internal auditors to demonstrate how audit services can provide value, Seth Peterson says. But to get to that point, clients need to see auditors as people. Peterson recommends breaking the ice by getting involved in company volunteering activities. "You'd be surprised by what you can learn about

someone from volunteering with them," he says. "They see you as something other than an auditor."

**Learn From Mistakes** For new auditors, mistakes come with the territory. A bad client meeting can serve as a teachable moment – so can feedback from superiors. Auditors can learn from mentors' and audit leaders' mistakes, as well. As Andrew Loyack of Ahold Delhaize says, auditors shouldn't have to touch the stove to know they'll get burned. Above all, be resilient, he advises. "If you get knocked down, pick yourself up and learn from your mistake," he says.

**Network** When she speaks to college students about the profession, Kayla Brown stresses the same thing: networking. She should know – she landed an internship through a contact of one of her professors. Brown's boss at that internship referred her to a colleague who became her boss at Carters. "Even if you love your current job, you never know when your circumstances might change," she says. Networking helps on the job, as well. Khristi Ferguson of AccuAccounts reached out to fellow internal audit leaders in other Caribbean countries to share challenges and to get advice. "That helped a lot, just getting started," she says.



the National Bank of Serbia, she learned the importance of developing a strong network throughout the organization, as well as having a good internal audit methodology. She observed how her mentor, Olga Antic, organized audit engagements and approached audit clients. “From my first projects, I learned how complex and detailed the work of internal audit can be and how important it is to have a good audit methodology to rely on,” Milosavljevic says.

From Antic, she learned how to gain her clients’ confidence, even when they were sometimes afraid of being audited. And she learned fundamental principles of working—including the *International Standards for the Professional Practice of Internal Auditing*—that she applies today. One big lesson was how to maintain her independence and objectivity. Antic advised her that “there are no strict rules for every situation internal auditors may find themselves in,” Milosavljevic recalls. “It is up to me to find an adequate solution for every



situation I find myself in to preserve my independence and objectivity.”

Antic encouraged Milosavljevic to obtain her Certified Internal Auditor designation, and after a year she moved on to Erste Bank, where she advanced to senior internal auditor before landing her current job this year. Still, Milosavljevic struggles to convince audit clients that she is a trusted adviser, rather than a controller, in a country where internal audit is still a relatively

new profession. “Looking back, I wish I had known that the mind-sets of people could be changed,” she says. “I would advise my younger self to always be persistent and polite with people when trying to influence their mind-set, because it is a process that requires time, but gives long-term results.”

### YOUTH TAKES THE LEAD

Like Milosavljevic, Khristi Ferguson has had to win over audit clients early in her career, but sometimes she’s had to convince her colleagues, as well. After working in external audit at Deloitte and KPMG following graduation from college, Ferguson moved into internal audit when she joined The Bahamas government as an internal audit director.

Government, with its entrenched bureaucracy and potential for corruption, turned out to be a particularly challenging first internal audit job. One of Ferguson’s first larger audits was an operational review of the general post office. There, she found hardly any

Despite her external audit background, there was a learning curve for Ferguson. The Bahamas government has 72 ministries and departments, all with diverse conditions. At times, she had as many as seven audits in progress, covering a range of industries such as aviation, finance, utilities, and transportation. For each engagement, she had to develop specific expertise quickly. “How are you going to become an expert in aviation if you have nothing to do with planes?” she says. “You’ve got to find those rules and regulations, and you have to become an expert overnight.”

Then there was her staff, which comprised a mix of veteran internal auditors and young auditors with little formal training. Ferguson arranged training quickly with help from The IIA. She also upgraded the department’s technology by adding data analytics software, and she drafted one of the auditors who had a technology background to become the department’s IT audit specialist.

“Some were just staunch and didn’t want to hear anything. And then when they saw the audit report, they said, ‘You were right.’” — Khristi Ferguson

controls in place, operations that were ad-hoc, and audit clients who didn’t understand their strategic direction and purpose, much less what the auditors were doing there. “I spent most of my time with management, assuring them that this is not a ‘gotcha moment,’” Ferguson says. Instead, she wanted to get an overall view of operations and advise management of the regulations they needed to follow. “Some didn’t even know those rules existed,” she recalls.

Rather than focus on financial audits, as auditors had done before, Ferguson focused her department on operational reviews that would reveal problems and opportunities for improvement. Clients resisted at first, but she convinced some of them quickly once they saw that her department was uncovering issues that they could fix before they were found by the auditor general or external auditors. Others took more convincing. “Some were just staunch

78% of “very effective” audit leaders have exceptional **business** acumen and clearly articulate insights on strategic risks, according to PwC’s 2016 State of the Internal Audit Profession survey.

## DIGITAL AUDIT NATIVES

Today’s young auditors are digital natives, so one expects them to be naturals with technology.

That was true for Maja Milosavljevic – senior auditor with EY in Belgrade, Serbia – at her first job. “I was more advanced with technology than my more experienced colleagues,” she says. She recalls that the combination of her technology skills and her co-workers’ business knowledge strengthened the audit team. But “there could have been more technology at that time that would have made audit work even more efficient,” she says.

Auditors craving more modern audit technology don’t always find it smooth sailing. For Khristi Ferguson, who led an internal audit department at The Bahamas Ministry of Finance, it was a matter of work styles. Younger auditors preferred communicating by email. “Technology was more their friend than a foe,” Ferguson notes. The more experienced auditors would get in a car and drive to talk to someone. Ferguson had

to bring both camps together so the newer auditors could share how to use technology in their audits and the veteran auditors could teach their new co-workers about the government. “Both sides saw value,” she says. “Did it mesh right away? No, not at all.”

Being adept with technology and helping co-workers get up to speed can help new auditors advance in their careers. In Andrew Loyack’s case, it led to a new job as an IT auditor with Ahold Delhaize, after working in an operations and compliance audit role at his former employer, Financial Outsourcing Solutions. When he started his previous job, originally as an IT auditor, most audits were done manually, but within three years, the audit function was strongly digital and looking to expand its data analytics capabilities. Loyack took a personal interest, developing a mind-set that he’s carrying over to his new position. “I’m a big knowledge-share person,” he says. “Even if I know something, I want to make sure everybody knows it.”

and didn’t want to hear anything,” she says. “And then when they saw the audit report, they said, ‘you were right.’”

### ONWARD AND UPWARD

Ferguson and Milosavljevic are proving that talented auditors are increasingly in demand. For Ferguson, that has meant launching her own business, AccuAccounts, which provides internal audit and consulting services for small companies in The Bahamas.

Another auditor with a new job is Andrew Loyack, who recently joined Zaandam, Netherlands-based Ahold Delhaize, whose U.S. division operates supermarkets along the East Coast. It’s a chance to bring his internal audit skills to the retail industry after eight years in the financial sector with outsourced internal audit provider Financial Outsourcing Solutions (FOS).

Loyack’s first job was a natural progression after studying accounting and management information systems at Shippensburg University of Pennsylvania

and interacting with internal auditors during internships. He was struck at first with how much the auditors interacted with clients. Being an outsourced internal auditor was unique in that Loyack worked with lots of different small community bank clients. “It was hard to keep track of all the contacts that I had,” he says. “It wasn’t just separate audits, it was separate organizations and risk appetites.”

Having so many diverse clients made communication a necessity. “It was daunting at first because I was communicating directly with C-level management,” he explains. “Getting to the point where I was comfortable approaching them with questions and concerns was something I would never have fathomed right out of college.”

Those early experiences taught Loyack the value of learning how his clients and co-workers prefer to communicate and learn. He also observed how his mentor at FOS, Lisa Steen, worked through issues with clients. Her best advice for Loyack was to “always

maintain that professional, valued adviser position,” he says.

Loyack also took advantage of FOS expanding its use of internal audit technology to share his IT knowledge with co-workers. That knowledge-sharing mind-set follows Loyack as he enters the next phase of his career at Ahold, where he is an IT internal auditor. “The things I went through at my first job—the trouble I had where I could have communicated better or more frequently—are things that I already have in the back of my mind so I don’t have to fall into the same potholes,” he says.

It’s those early lessons and experiences that can shape young auditors professionally as they move forward in their careers. And that forward movement is a key point: Like their peers in other professions, today’s young auditors aren’t standing still. They’re eager for new challenges and new opportunities.

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**TIM MCCOLLUM** is Internal Auditor magazine’s associate managing editor.

# It's all in the delivery

Sharing difficult messages is an unavoidable part of the job for internal auditors.

Jane Seago

Illustration by Christophe Vorlet

If there is anything worse than getting bad news, it may be delivering it. No one relishes the awkward, difficult, anxiety-producing exercise of relaying messages that may hurt, humiliate, or upset someone with whom the deliverer has a relationship. And it is often a thankless task. This was recognized at least as far back as Sophocles, who wrote in the tragic play *Antigone* almost 2,500 years ago, “Nobody loves the messenger who brings bad news.”

Physicians—who are sometimes required to deliver worse news than most professionals ever will—often engage in many hours of classwork and practical experience studying and role-playing how to have difficult conversations with patients and their families. They know that the message, itself, may be devastating, but how they deliver it can help the patient and his or her family begin to process it.

Internal auditors are in the fortunate position of not having to deliver news that is quite so shattering. Nevertheless, there is no question that certain audit observations can be difficult to convey and to receive. Learning how to prepare for and deliver such messages can create a better internal auditor.

## LAYING THE GROUNDWORK

Preparation to deliver difficult messages should begin well in advance, even before there is any bad news to deliver. “If the first time you see the client is to tell them about a problem, that in itself is a problem,” Theresa Grafenstine, inspector general of the U.S. House of Representatives in Washington, D.C., says. “At that point, you have no credibility in their eyes and they have no basis to trust you. You’ve created an uphill climb for yourself. However, if you’ve invested time in building a relationship before that difficult meeting, they’re more likely to listen





to you because they'll understand your values, intent, and motivations.”

Robert Berry, executive director of internal audit at the University of South Alabama in Mobile, points out that many audit–client communication missteps are due to internal audit's mismanagement of the evolution of audit exception to issue. “Where most auditors fail is that they don't bring management into the fold until an exception becomes an issue,” he explains. “We can't afford to leave clients out of the process until the end.”

Berry's solution is continuous communication via weekly updates to clients from the moment exceptions are noted. Communication starts at the lowest pertinent level in the organizational chain, with the person who owns the process that is under review, and his or her supervisor. Then, as the audit progresses, that upward reporting continues to the highest level of accountability for the issue. In his experience, this approach tends to engage clients in investigating the exception items and working with the auditor to determine if the exceptions are truly issues.

However, despite best efforts in building relationships and staying in regular contact with clients, some meetings will involve conveying difficult news. In those cases, preparation is critical to accomplishing objectives while dealing with fallout.

Being fact-based is the best approach, according to Alyssa Martin, partner in charge of Risk Advisory Services and executive partner at Dallas-based Weaver LLC. “Be fair and factual,” she says. “I find when those receiving the message typically become upset, it's because they think they aren't being looked at objectively. Focusing on facts helps with that.”

Before presenting to clients, internal auditors should ask others whose judgment they trust to review all the deductions and conclusions they've



Where most auditors fail is that they don't bring management into the fold until an exception becomes an issue.”

Robert Berry



I find when those receiving the message typically become upset, it's because they think they aren't being looked at objectively.”

Alyssa Martin

drawn on the facts to test whether their arguments hold up.

Rod Winters, retired general auditor for Microsoft in Seattle and former chairman of The IIA's Global Board of Directors, suggests focusing on process as well as content. Process is professionally performing the work, self-preparation for delivering the message, explaining the conclusions in meaningful and realistic ways, and anticipating the consequences and possible response of the person receiving the message. Content is having

the right data and valid conclusions so the message is correct and complete.

Self-preparation involves considering the type of person who is receiving the difficult message and determining the best approach. Some people want to hear the bottom line first and the supporting information after that; others want to see a methodical building of the case item by item, with the conclusion at the end. Some are best appealed to via logic; others need a more empathetic delivery. Discussions guided by the appropriate approach are more likely to be productive. Martin's company goes as far as to tailor its message delivery to personality preferences by using personality profiles like the DISC approach, which characterizes individuals as one of four types with a predominant trait: Dominance, Influence, Steadiness, and Compliance. The individual's category tends to drive how he or she wants to receive information, interacts with others, and values things and people. When there is critical information that has to be understood and accepted, Martin considers tailored delivery critical.

### DURING THE DISCUSSION

Once the groundwork has been laid, it's time to have the discussion (see “What Not to Do” on page 46). If this part of the process is mishandled, it can render all the careful preparation moot, so it is important to remember to:

- **Seek opportunities** to balance the discussion by recognizing the processes that are working well and those areas that are not.
- **Offer to help** or ask how you can help address the issues raised in the discussion.
- **Make it clear** that you understand the client's challenges. If feasible, suggest some possible causes for the problem; it may make the client feel better and enable him or her to focus on fixing the problem.

Interpersonal skills like **diplomacy** and **active listening** are important for internal auditors to possess, according to the 2016 North American Pulse of Internal Audit report.

## SETTING THE STANDARD ON COMMUNICATIONS

This excerpt from section 2400 of The IIA's *International Standards for the Professional Practice of Internal Auditing* addresses appropriate practices relating to communication. The newly revised version of the *Standards*, including the wording below, becomes effective Jan. 1, 2017. Refer to the *Standards* for additional detail.

**2400 - Communicating Results** Internal auditors must communicate the results of engagements.

**2410 - Criteria for Communicating *International Standards for the Professional Practice of Internal Auditing*** Communications must include the engagement's objectives, scope, and results.

**2410.A1** - Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

**2410.A2** - Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

**2410.A3** - When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

**2410.C1** - Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

**2420 - Quality of Communications** Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

**2421 - Errors and Omissions** If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

➤ **Maintain open body language,** recommends Manny Rosenfeld, senior vice president of Internal Audit, MoneyGram International Inc., in Dallas. Avoid crossing your arms, don't place your hands over your mouth or on your face, and keep your palms facing each other or slightly upwards instead of downwards. Don't lean forward or it will seem extra aggressive. Breathe deeply and evenly. If possible, mimic the body language of the message recipient, as long as the

recipient is remaining calm. If the recipient begins to show signs of defensiveness or strong aggression, and your efforts to calm the situation are not successful, you might suggest a follow-up meeting for both of you to digest what was said and consider mutually acceptable options.

➤ **Use self-deprecating humor,** if it comes naturally to you. It can help defuse a sensitive situation.

➤ **Present the bottom-line message** three times in different ways so people have time to absorb it.

➤ **Let the client vent.** Berry warns against a tendency to interrupt the client's remarks to "explain why we believe we are right." He says allowing the client time to vent frees him or her to get down to business afterward.

➤ **Focus on problems with the process,** not people problems.

➤ **Demonstrate empathy.** Take time to think about what's going through the person's mind and help him or her think through the issue and how it occurred, what's going to happen next, and how it will be resolved. Empathy can turn an adversary into a partner.

"The goal is to get the problem fixed, not persecute somebody," Rosenfeld says. "Let the client know that your main objective is not to make him or her look bad. You just want to help improve an important area for the company."

### WHEN IT'S NOT A DISCUSSION

By the nature of the job, internal auditors cannot limit delivery of bad news to face-to-face discussions; sooner or later, it must be delivered in written form, primarily via the audit report.

"If the audit report is the first time a client is seeing something in writing, that is the first and biggest mistake," Berry notes. "Verbal updates are great, but periodic written updates go a long way."

Once the report is in the client's hands, many internal auditors offer the client the opportunity to request minor changes to the report, under strict conditions. Winters has done so, and explains, "I have great respect for operating management and the pressures it is under. I like to give them as much input into the report as possible, as long as it does not change the conclusion, blunt the clarity of the message, or deflect ownership of the issue." Grafenstine echoes that approach, noting: "Auditors use certain terms so often that we become insulated against



## WHAT NOT TO DO

There are some practices experts recommend to make bad news more easily accepted.

DO NOT	DO	BECAUSE...
Focus on the individual's personal traits.	Focus on the work process.	It makes the message less a personal attack and more a business-focused statement of things that can be changed or improved.
Say "you."	Say "I" (e.g., "I see you are having trouble with the controls, and I want to discuss with you why and how we can address the problem").	This structure accomplishes three things: It softens blame, disarms defensiveness, and takes responsibility for the message.
Save difficult messages for future scheduled meetings.	Deliver the message as close to the pertinent event as possible.	The sooner the message is delivered, the sooner change can begin. Plus, it focuses the listener's attention on specific details while they are fresh in his or her mind.
Focus on symptoms.	Focus on the problem.	Improvement can occur only when the problem is fully understood and agreed on.
Convey only negatives.	Include some positives.	This will improve morale, give hope, and keep the focus on the future. However, the positives must be based in reality.
Deliver the news publicly.	Deliver it in a private space.	Privacy allows the individual to react and cope in a way that helps him or her. To ensure privacy, turn off the cell phone and arrange not to be interrupted.
Deliver the news via email.	Have a face-to-face meeting.	Tone of voice and body language communicate empathy. If a face-to-face meeting or use of a video chat application is impossible, phone is a secondary choice.
Try to talk the listener out of being upset.	Acknowledge the listener's feelings (e.g., "I understand you're angry").	Using active listening skills and acknowledging the listener's feelings will help defuse the situation.



At the end of the day, you need to deliver the news and ensure they understand it."

Rod Winters



TO COMMENT on this article,  
EMAIL the author at [jane.seago@theiia.org](mailto:jane.seago@theiia.org)

them. We forget it is possible to deliver the same message another way.”

That other way may involve minimizing the use of emphasizeers in the report and verbally. For example, use “inacurate” instead of “very inaccurate” or “critical” instead of “highly critical.” Understatement can help keep emotional responses in check.

Many internal audit departments include a management response section in audit reports, even going so far as to help management craft the response based on internal audit’s understanding of the board’s perspective. This means focusing on what happened, what is going to be done about it and when, and how the board will know the issue is resolved. Working with managers on this part of the report may help them feel that their job is to resolve the issue, not fight it.

### AVOIDING THE PITFALLS

Delivering difficult information is a minefield, and there are ample opportunities to take a wrong step and see explosive results.

“Internal auditors are used to giving bad news and can become very good at it,” Martin says. “But it makes people uncomfortable, so the internal auditor, in turn, becomes uncomfortable.” She says the most common errors internal auditors commit in their communications arise as a result of their desire to avoid conflict and discomfort. The two errors she cites: softening communications (e.g., offering excuses for why the failure occurred and avoiding the tough, straightforward language that is needed to get a message across) and reading the written report to the client. “When you are reading, you are not communicating.”

Another area that can represent a pitfall is failure to keep the verbal report and the written report in sync. In the face-to-face meeting, it is human nature to be empathetic, soften the message,



My approach is not to beat around the bush. Be direct, but not accusatory.”

Theresa Grafenstine



In my experience, auditors rarely get in trouble over their technical skills, because those are easier to master. They get in trouble over insufficient soft skills.”

Manny Rosenfeld

and smooth over some of the rough edges that are in the written report. However, this sort of softening in the meeting can make the written report, with all the direct language intact, an unpleasant surprise, and can cause the recipient to feel betrayed or tricked.

Grafenstine notes the difficult task of finding a balance between empathy and getting the message across. “My approach is not to beat around the bush,” she says. “Be direct, but not accusatory.” She also points to the

importance of understanding the culture of the organization. For example, she notes, words that are perfectly acceptable in one place may not be so elsewhere. “In my case, a good example is the term ‘e-discovery.’ In most places it’s fine, but its potential impact on protections provided under Article 1 of the Constitution gives it a completely different meaning on Capitol Hill.”

Emotional intelligence—understanding how to read people and relate to them—also helps in delivering difficult messages effectively. This is not an innate trait for many people, and it is a difficult one to learn, as are many of the so-called soft skills. Yet they are critical to the practice of internal auditing.

“In my experience, auditors rarely get in trouble over their technical skills because those are easier to master,” Rosenfeld says. “They get in trouble over insufficient soft skills. College degrees and professional certifications are all aimed at the technical skills. Sadly, very little is done to help auditors with the equally critical soft skills.”

Watching a mentor deliver difficult messages or deal with emotional people is also an effective ways to absorb good practices. Role-playing of potentially troublesome presentations to a friendly group (say, the internal audit staff) is another way to exercise one’s skills.

Delivering bad news is largely a matter of practice and experience, and it’s not something internal auditors have the choice to avoid. As Winters explains, “At the end of the day, you need to deliver the news and ensure they understand it. But your underlying objective is to ensure the issue is remediated, the associated risk is understood and effectively mitigated, and you have built an appropriate relationship going forward so you can do your job objectively and effectively.” [la](#)

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# Breaking Through

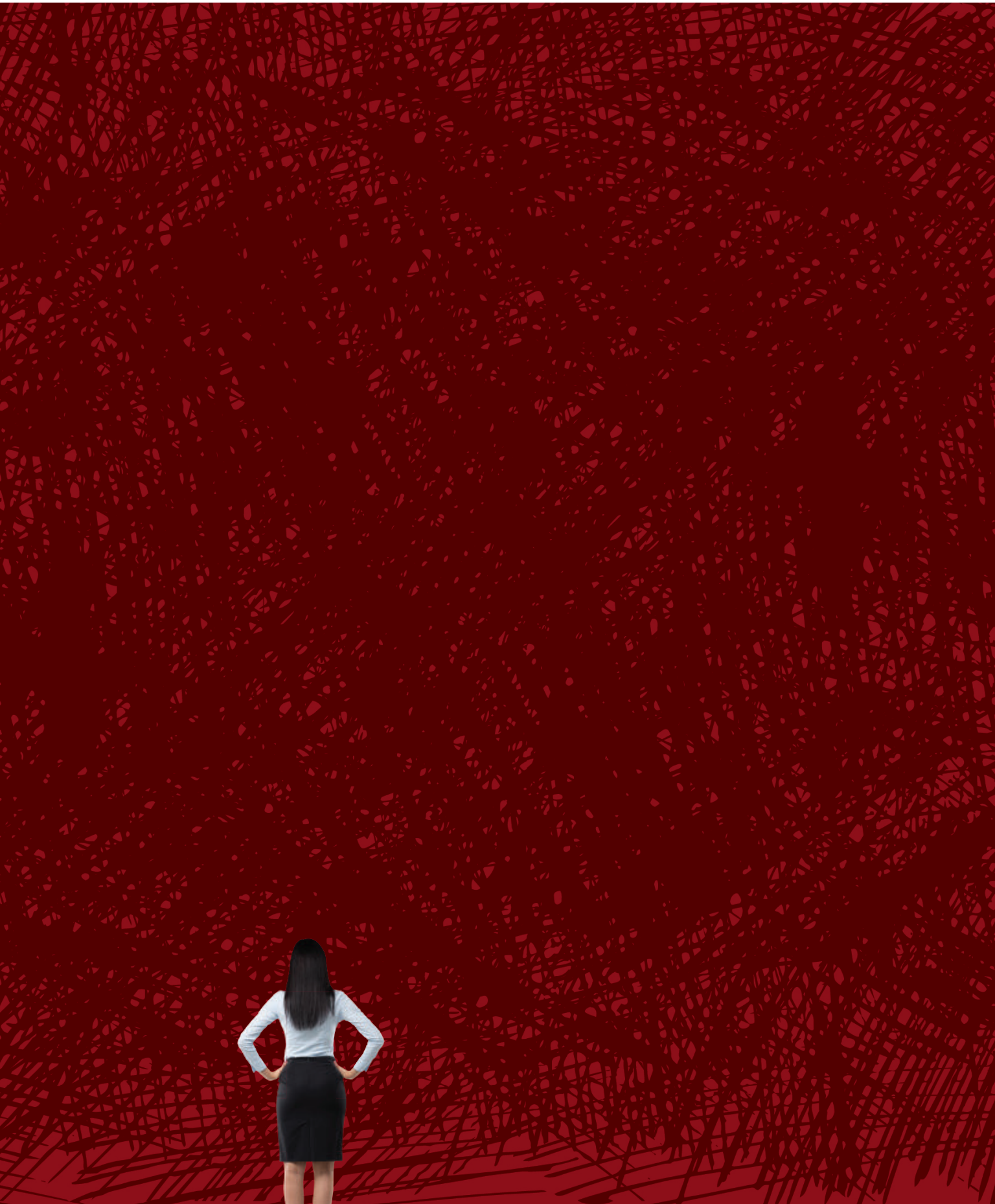
Women in business are taking on the barriers to advancement, and that's good news for everyone.

Nancy H. Haig

**W**hat if you were told that gender diversity increases overall corporate revenue? In fact, a 2016 study by EY and the Peterson Institute for International Economics found that although female CEOs neither underperform or outperform male CEOs, an increase in the share of women in top management positions “from zero to 30 percent would be associated with a 15 percent rise in profitability.” And according to Ilene Lang, former president and CEO of Catalyst Inc., a nonprofit organization that promotes inclusive workplaces for women, “Research continues to show that diversity well managed yields more innovation and is tied to enhanced financial performance—factors good for all employees.” Yet, the number of women in leadership positions continues to significantly lag that of men.

I recently facilitated a session on the topic of women in internal auditing at The IIA's International Conference in New York City. The session, Women Rising—Succeeding in Internal Audit and Leadership, was led by three female internal audit leaders: Jenitha John, CAE for FirstRand

BACKGROUND, UNDREY / SHUTTERSTOCK; WOMAN, IMAGEFLOW / SHUTTERSTOCK





READ "Diversity in Action" on [InternalAuditor.org](http://InternalAuditor.org) to learn more about gender diversity in internal audit functions.

## BREAKING THROUGH

Bank in Sandton, South Africa; Bethmara Kessler, former CAE and now senior vice president, integrated global services, at Campbell Soup Co. in Camden, N.J.; and Dominique Vincenti, vice president, internal audit and financial controls, at Seattle-based Nordstrom. The conversations among the women highlighted that, although the skills needed by female and male internal auditors are virtually the same, women in the profession may face particular challenges.

Follow-up conversations with the three women, as well as other experts in gender equality, point out the challenges women continue to face in working toward the C-suite.

### LACK OF SUPPORT

Not surprisingly, all of the 50 or so attendees at the IIA session were women, even though it's been shown that women's initiatives, to be successful, need the support of senior leaders, most of whom are men. According to Lang, "The preponderance of men in leadership means their efforts are necessary to advance change in the workplace." Yet men are sometimes reluctant to participate in women's initiatives, according to *Engaging Men in Gender Initiatives: What Change Agents Need to Know*, a Catalyst study by Jeanine Prime and Corinne Moss-Racusin.

One of the reasons is the erroneous belief that gains for women result in losses for men, known as a zero-sum mentality. Some organizations may inadvertently foster this mentality by focusing on individual performance and unduly increasing competition, rather than focusing on initiatives that raise corporate performance as a whole, according to the Catalyst study.

"Support from male leaders, in the form of mentorship (career advice and insights) and sponsorship (awareness and access to growth and visibility opportunities), is integral to our ability

to systemically and sustainably impact the career progression of women," Kessler says. "Helping them realize the impact their partnership can have on the success of female talent is an effective method for soliciting their involvement and generating buy-in."

Encouraging sponsorship and deploying strategies to bridge the female confidence gap should be a key imperative for senior leadership, John adds. Leadership must support the unconscious bias dialogue among its workforce to tackle gender-conscious conversations, and have open and

of moving women into leadership positions. Women's initiatives "that aren't backed by action amount to little more than the revving of an engine with the parking break firmly engaged," Jay says. Mike Kaufmann, chief financial officer of Cardinal Health, was quoted in *The Wall Street Journal* saying, "If you want to change the numbers, you have to get men involved." Kaufmann led the women's network at Cardinal Health, and has won awards for his support of women in the workplace.

"Early engagement, regular iteration of results (qualitative and

## Communicating the benefits that flow to everyone from diversity and inclusion is important.

courageous discussions about the ways men and women can support each other going forward.

Adequately communicating the benefits that flow to everyone from diversity and inclusion is an important step toward achieving support for women in the workplace. Rewarding individuals who provide support for diversity and inclusion through acknowledgement and bonuses tied to overall performance can also go a long way.

### EXCLUSION

Another reason men sometimes don't participate in women-focused initiatives in the corporate setting is because they are not included or encouraged to from the beginning. "Men should be enthusiasts for the achievement of gender equality and women's rights," John says. According to Joelle Jay, an executive coach specializing in leadership development, women's sponsorship programs must involve men and start with data to successfully show quantifiable results

(quantitative), and celebrating and communicating successes can be effective in maintaining program support and momentum," Kessler says. "It's also a path to drawing in additional support. As word and visibility of the return on investment spreads, executives will want to be associated with business and talent impacting results."

Ensuring that men play an integral part in the planning, and share in the success of women's initiatives, are critical to achieving desired program goals. Champions of gender initiatives need to get and maintain active male support from the C-suite, and from all levels of leadership in the organization.

### APATHY

Men sometimes don't participate in or support women's initiatives because of apathy, according to the Catalyst study, or a sense that these issues don't apply to them. However, the reason some men are advocates or champions for gender diversity is that they possess



## BREAKING BOUNDARIES

International Conference attendee Johanna Salo, internal audit director at UPM in Helsinki, shares the top 10 lessons learned from “Women Rising—Succeeding in Internal Audit and Leadership.” These lessons are for anyone looking to break down gender barriers and succeed in his or her career.

1. **BE YOU.** Rather than adapt others’ expectations for your current role, be yourself.
2. **SEIZE THE MOMENT.** While going with the flow, stay alert to understand defining moments in your life.
3. **INTEGRATE YOUR LIFE.** Internal audit is not a 9 to 5 job, so learning how to integrate your personal and professional life, by setting boundaries and priorities, is important.
4. **EARN RESPECT.** Politics are present in every company, so internal audit’s success often depends on sales and conflict management capabilities.
5. **STAY BEHIND FACTS.** Validate people, but stay independent and objective when delivering messages.
6. **BE REALISTIC AND PRACTICAL.** Remember to think critically and get to the root cause to make a difference.
7. **FORGET SILOS.** The best way to provide assurance is to have a holistic risk view of the organization.
8. **THINK CONTEXT BEFORE ISSUE.** Consider the magnitude of issues vs. overall context and related dependencies. Optimize efficiencies rather than pinpoint single deficiencies already known by management.
9. **RETHINK REPORTING.** No matter what is intended in written communications, the reader may perceive it differently. Interactive issue remediation can go a long way to make sure you are both on the same page.
10. **AIM AT DESTINATION WITH GRATITUDE.** Climbing the organizational ladder is often harder for women, so embracing each step with gratitude makes the journey more important than the destination.



a strong sense of fairness. “Men who were committed to the ideal of fairness were found to have more personal concerns about issues of equality in general and were more aware of gender bias in the workplace and likely to take action,” according to the same study.

“At Nordstrom, we help men in the workplace connect with gender diversity challenges on a more personal basis,” Vincente says. “They have sisters, wives, or daughters and they care about their success.”

Kessler also says that finding a personal connection can be an effective method in combating apathy by helping men generate empathy and connect to the cause. “Do your research and engage him in conversation—does he have a daughter? A wife? Are there women who have played an influential role in his life?,” she asks.

The Gender Consciousness Program at FirstRand is sponsored by the CEO and deputy CEO. As John explains, “The ultimate goal of the program is learning enough about the differences between men and women to effectively access and connect with FirstRand’s talent across the organization. Part of that goal is embedding Stephen Covey’s quote, ‘Strength lies in differences and not in similarities.’”

Training, education, and communication on the causes of gender bias, and the positive reasons why some people do support diversity, inclusion, and fairness, are key to overcoming this misconception.

### OUR OWN WORST ENEMY

Besides the lack of support from their male colleagues and male senior leaders, women are also holding themselves back. In a recently released Global Internal Audit Common Body of Knowledge (CBOK) Practitioner Study report, Women in Internal Auditing: Perspectives From Around the World, women assessed themselves



lower than men in the 10 internal audit core professional competencies: professional ethics; internal audit management; application of the International Professional Practices Framework; governance, risk, and control; business acumen; communication; persuasion and collaboration; critical thinking; internal audit delivery; and improvement and innovation.

Particularly, women rated themselves much lower than men in internal audit management and business acumen. However, lest anyone jump to the conclusion that women are not as well represented in leadership ranks because they actually lack these competencies, consider that research has proven that women consistently rank themselves lower than men.

In fact, Stanford University sociologist Shelley Correll conducted a study where both male and female participants were required, in 20-item rounds, to determine how much white or black appeared on a screen to assess their “contrast sensitivity ability,” a completely fictional skill. Unbeknownst to participants, there were no right or wrong answers, as the amount of black and white were equal in all 20 rounds. However, men assessed their “contrast sensitivity ability” higher than women, and expressed an interest in pursuing a career requiring this ability more often than women.

“Confidence is a critical, yet often underrated skill with women,” Kessler says. “They tend to believe they either have it or they don’t, which isn’t true. It should be practiced and cultivated along with resilience, which women are usually more apt to focus on.”

Helping women, and their male colleagues, understand that this phenomenon exists, as part of the agenda of a women’s support or initiative program, is a positive step in addressing this issue.

### A DOUBLE STANDARD

In a 2014 Pew Research Center survey on women and leadership, four in 10 survey respondents say that women must do more to prove themselves than their male colleagues.

“The double standard is tough,” Kessler says. “First, because it is a real and not wholly imagined phenomenon, but also because part of it *is* within our own minds. The first step in combating it is in realizing that you do not need to strive for perfection or absolute alignment to aim for or achieve goals—there are many roads to the same destination.”

is less likely to be recommended to be hired, and would be paid approximately US\$11,000 less in salary if she was. Other challenges faced by professional women include a clash of family and work priorities, stereotyping and bias caused by gender norms, lack of social connectivity or inclusion in networks, and lack of sponsorship or mentors.

These issues may be addressed through training, education, and communication; acknowledging that these issues exist; and appealing to all leaders’ sense of fairness to achieve resolution.

## Although women in internal auditing are making advances, there continues to be a gender gap.

One of John’s life mottos is, “Competence builds confidence.” She ventures into uncharted territories, learns as much as she can, and shares her wisdom and opinions. “I also complemented my audit career by becoming a nonexecutive director on boards, which didn’t go unnoticed,” she says. “Learning how to change setbacks into setups will help women overcome any obstacles along their journey.”


Quantifying the number of men vs. women promoted at each level, and setting goals to ensure equality in criteria and rates of promotion, is fundamental to resolving this issue.

### GENDER BIAS

During the session at the International Conference, panelists John, Kessler, and Vincenti discussed another challenge women face: the motherhood penalty. Coined by sociology researchers Correll and Stephen Bernard, it implies that if two equal candidates are presented, the mother

### CLOSING THE GAP

The CBOK study found that although women in internal auditing are making advances, there continues to be a gender gap, particularly in the more senior ranks. According to the study, women comprise 44 percent of internal audit staff, and only 33 percent of directors and senior managers.

Although some progress has been made in achieving gender diversity in the internal audit profession, in general, the pace has been slow. Initiatives to achieve gender diversity are key, as is tracking the quantifiable success of such programs, to addressing the gender gap. Finally, showcasing female role models in the internal audit profession, like Kessler, John, and Vincenti, may provide inspiration to those looking to advance their careers. 

**NANCY H. HAIG** is head of internal audit and compliance for a global consulting firm in New York City.



# Mapping Assurance

Internal auditors can facilitate efforts to document the organization's combined assurance activities.

Y.S. Al Chen, Loïc Decaux, and Scott Showalter

**W**

hen it comes to providing assurance, internal audit isn't the only player in the game. Boards and executives seek assurance information on the effectiveness of an organization's governance, risk management, and control processes from a variety of internal and external sources, including external auditors, the risk management function, health and safety auditors, government agencies, the compliance function, and quality auditors. Likewise, internal audit functions rely on other assurance providers for needed expertise.

Given this array of assurance providers, internal audit needs new tools to better monitor and communicate about the effectiveness of the organization's enterprise risk management (ERM) process. IIA Practice Advisory 2050-2 recommends that CAEs use an assurance map to coordinate assurance activities with other providers to maximize coverage and minimize duplications. An assurance map presents a picture of all assurance activities across the organization that can enable the board and other stakeholders to better exercise their risk management oversight duties.

The many benefits of assurance maps include:

- » Focusing on the strategic areas of concern and identifying key risk events that can affect the achievement of objectives.
- » Improving the value of the organization's assurance activities by evaluating whether a combination of different internal controls have been designed adequately and are operating consistently to mitigate the target risks holistically.
- » Helping create a more efficient assurance process by spotlighting duplications.
- » Facilitating identification of key risk areas that have insufficient coverage or gaps.
- » Providing an integrated and comprehensive report about risk and assurance activities for boards, audit committees, senior executives, and assurance providers that helps them make informed governance decisions.
- » Helping internal audit provide its opinion on the effectiveness of ERM, wherever required.

Taken together, these benefits can enhance the board's risk management oversight efforts by helping improve its governance and monitoring processes and structures.

**The use of an assurance map aligns internal audit efforts with the organization's identified risks.**



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## Plotting a Map

The internal audit function's independent status, close interactions with other assurance providers, and knowledge and methodology for providing assurance services make it well-suited to lead efforts to coordinate assurance services. Moreover, internal audit has a strong vested interest in improving the effectiveness of assurance coordination across all functions, a principle known as combined assurance. Indeed, the internal audit functions of South African companies used assurance maps to achieve combined assurance as required by South Africa's King Report on Corporate Governance.

The use of an assurance map aligns internal audit efforts with the organization's identified risks. In one integrated document, the assurance map identifies and presents the specific assurance efforts that will be applied to manage each identified risk. "Risk Management and Assurance Integrated Framework" on page 56 illustrates the format of an assurance map, which internal audit functions can customize to meet their specific needs.

**Risk** In creating the map, internal auditors should start with the organization's strategic plan based on its key organizational objectives. Examples include launching three new products by the end of 2017, or reducing staff attrition to less than 7 percent annually by March 31, 2018. Key risks drawn from the organization's ERM framework should present events that might prevent critical objectives from being achieved. Auditors should group these identified risks by category—strategic, operational, reporting, and compliance—to facilitate assessment and response considerations.

For each key risk, the assurance map should list the risk owner who is accountable for managing the risk and conducting assurance activities. It should rate the inherent risk of events based on their impact and likelihood on a scale ranging from minor (green) to critical (red). Mitigation strategies are designed to either prevent a risk event from occurring or to mitigate the effects after an event has taken place. Key controls are those responses that help manage and reduce risk within the risk appetite. Finally, the map illustrates the residual risk after management has implemented risk response activities.

**Assurance** The next series of columns provides the coverage of assurance services by the organization's three

“In organizations requiring an overall **opinion** from the CAE, the CAE needs to understand the nature, scope, and extent of the integrated assurance map,” according to IIA Practice Advisory 2050-2.

lines of defense. Tier 1 shows the process owners' direct oversight of day-to-day operations. For example, front-line operational managers oversee control self-assessment and monitoring mechanisms and systems. Tier 2 displays the oversight functions that support management by providing expertise for policy development and monitoring their execution. Tier 3 shows the independent and objective providers of assurance on the overall adequacy and effectiveness of risk management, governance, and internal control, as established by the first and second tiers.

The next column on the map, Reliance on Assurance Providers, classifies the assurance coverage provided. Criteria may include:

- Primary, secondary, and tertiary responsibility.
- Significant, moderate, insignificant, and unknown contributor to assurance.
- Extensive, regular, ad-hoc, and no assurance provided.

Internal audit's overall assessment of both the quality and quantity of assurance received is based on criteria including subject-matter expertise, experience, skills, and methodology. For example, no reliance indicates there is no information available to evaluate the adequacy of the assurance activities provided. Low reliance means there is a lack of information to evaluate the adequacy of assurance activities. Limited reliance means only management reviews of the effectiveness of risk management have been applied. In this case, the organization has had limited or no independent evaluation of control design sufficiency and

operating effectiveness. Moderate reliance indicates that oversight functions that support management have consistently evaluated the adequacy of assurance activities. Extensive reliance indicates that independent and objective assurance services have been provided to evaluate the adequacy of assurance activities.

The next column details the remedial actions to address weaknesses and ensure continuous improvement of the assurance process for reaching the desired and aspirational level of assurance. Objectives include eliminating assurance gaps, reducing assurance overlaps, and improving the strength and coverage of the assurance provided by documenting follow-up actions such as:

- Assigning assurance owners.
- Specifying assurance scope and mission.
- Identifying the nature and frequency of assurance activities being undertaken.
- Coordinating planned assurance activities.
- Determining the timing and frequency of assurance reviews.

In the final column, global independent assurance opinion consists of the CAE's written assessment of the effectiveness of the organization's approach to managing the risk. For example, "Considering the assurance-based activities undertaken during the year, in our opinion the internal control and risk management systems are effective (ineffective) considering the company's specified risk appetite."

## An Integrated Process

Assurance maps offer a consolidated picture of the risk and assurance framework by assessing the quality and level of assurance activities being provided against key risks. However, the internal audit function should consider several factors when building such a tool. Assurance maps are a tool whose production is more art than hard science. No assurance map fits all the needs of every organization. Internal audit should start with the top key risks confronting the organization, then expand as desired.

Internal audit also should view the risk management and assurance framework as an integrated process. Assurance maps are not a silver bullet for ensuring adequate risk management. Without a well-developed risk management framework, internal audit and other assurance providers won't be able to pull the information required to plan their assurance activities appropriately. At the

same time, internal auditors should update the assurance map periodically.

Internal audit should leverage the power of data without getting lost in it. To be effective, internal auditors must be able to explain the value, goal, and drivers of the assurance map. Most importantly, they must demonstrate how to use the map to identify assurance gaps that need attention.

Additionally, internal auditors should make assurance maps an informative tool for reporting to the board by focusing on the significant areas of concern. Using color-coded representation can highlight the important findings.

Finally, internal audit should get all assurance providers involved to develop the assurance map and share the results with all providers. Creating and using an assurance map should be a team effort, rather than one dominated by internal audit.

RISK MANAGEMENT AND ASSURANCE INTEGRATED FRAMEWORK

Organizational Objectives	Key Risks	Risk Category	Risk Owner	Inherent Risk	Migration Strategies	Residual Risk	Tier 1 Assurance Providers + Coverage	Tier 2 Assurance Providers + Coverage	Tier 3 Assurance Providers + Coverage	Reliance on Assurance Providers	Actions + Recommendations	Global Independent Assurance Opinion
Objective No. 1	Cyber-security	Strategy, operations, compliance	CIO	Critical	Control Strategies	Major	IT department in North America Division	Corporate IT Division	Internal audit	Extensive coverage	Monitor weekly security instances.	Audit committee reviewed and approved 10/20/16.
	Compliance	Compliance	Environment, health, and safety	Critical	Control Strategies	Moderate	Occupational Safety and Health Administration office	EMH Division at corporate headquarters	Internal audit	Regular coverage	Implement and monitor recommendations and follow up in six months.	
	Corporate Culture	Strategy	ERM	Major	Control Strategies	Minor	Store manager in Denver	Corporate ERM office	Internal audit	Extensive coverage	Enhance ethical training using corporate intranet and monitor compliance.	
	Vendor management	Strategy, operations, and compliance	Vice president, Purchases	Critical	Control Strategies	Critical	Beverage Division	Corporate ERM office	External certified public accountant	Ad hoc coverage	Perform risk management, develop procedures, and follow up.	

<b>RISK</b>	Not applicable	Minor	Moderate	Major	Critical
<b>RELIANCE</b>	Unknown	High	Moderate	Limited	Low

**A Catalyst for Assurance**

Leading the development of an assurance map and reporting on assurance coverage and gaps offers internal audit functions an opportunity to improve their effectiveness in governance. In addition to enabling internal audit to provide assurance on the organization's risk management effectiveness, an assurance map can assist internal audit in assigning its resources efficiently with better knowledge about the entire assurance process. The insights gained from visual reporting and analysis of an assurance map also can enable internal audit to strengthen its relationship with management and the board to enhance risk management, internal control, and governance.

The success that South Africa's internal audit functions have had in using assurance maps demonstrates that a combined assurance approach can help internal audit raise its profile in facilitating the corporate governance process. Assurance maps also can transform internal audit into a catalyst for improving an organization's assurance services. [1a](#)

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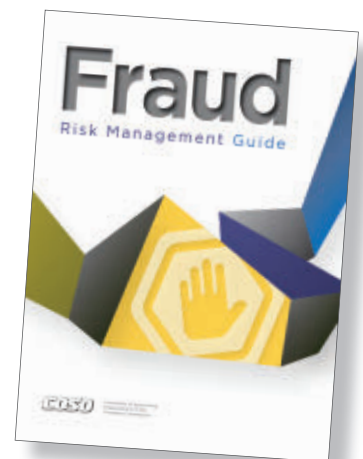
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# Governance Perspectives

BY DEBBIE SHELTON

EDITED BY MARK BRINKLEY

## A WINNING PAIR

Governance and automated controls must work in tandem to achieve maximum results.

We've all seen the advertisements for the latest and greatest home security systems. Yet despite all of their bells and whistles and the good they may do, security systems are useless if we forget to set the alarm. The technology and the person using it must work simultaneously to achieve the best results. In much the same way, governance and automation can be complementary, but they are not substitutes for each other. In some cases, automation may be used to force process steps and monitor actions, but a company cannot automate its way to compliance. Even the most sophisticated automated processes often contain at least an interface with what is usually the factor of greatest risk—the human being. Governance is a tool to help bridge the gap.

Take cybersecurity, for example. The Center for Internet Security's Critical Security Controls calls for

a defense-in-depth model to help prevent and detect malware. The intent is to use multiple tools, each specializing in different protections such as access control, intrusion protection/detection, malware identification, and vulnerability scanning. These products are "layered," with each tool testing some aspect of the communication, usually with the ability to block or send alerts on questionable traffic. Only if the message passes through all appropriate gates can it be delivered to its intended destination. This is no inexpensive proposition. A company's spending on cybersecurity may reach tens of millions of dollars.

And despite automated defenses, proactive technology tools, and the money, time, and resources invested, organizations remain at risk. Phishing, where a party with harmful intentions uses methods such as enticing emails to get recipients to click a link, is a prime example. The code behind the

associated link may load malware onto the user's machine, capturing login credentials, and spreading malware throughout the network. The intruder now has the same access as that of the victim and will seek elevated access privileges. All it takes is one person clicking one link containing malware in one email to infect the system.

Governance can be effective in bolstering the line of defense. A sound policy, employee education, and monitoring for enforcement are all critical facets of such a program. Internal auditors should be looking for governance in all the right places.

The auditor should determine whether the organization has defined the level of risk it is willing to assume and whether there is a current risk profile. By identifying risks, mitigation activities in place, and residual risks, the organization can determine its current position. The auditor can then compare the risk appetite to the risk

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profile. Where the residual risk is too high, the organization can brainstorm alternatives and assess the cost/benefit of each. Results are likely to identify high-risk areas where automation alone cannot bridge the gap or is too costly to implement.

For those actionable items, ensuring good governance may be the best option. Access control is one example. When an employee or contractor is terminated, particularly for cause, access to systems and facilities must be removed immediately. While it is possible to automate access deactivation, the process must be initiated by a human interface. Having a policy that assigns responsibility for this function is best practice.

There must be widespread awareness and understanding of the policy and a sense of urgency and ownership in carrying it out. As the termination procedure may not be a frequent occurrence, reminders to all managers and inclusion in manager on-board training are necessary. Also, it's imperative that human resources have this process top of mind.

A robust awareness program also contributes to driving behaviors. Executive behavior is key, and employees must know what is expected of them. Repeated education can be effective, as many need reminders. Auditors may recommend

computer-based training, lunch-and-learn sessions, posters, gamification, and other methods to improve retention and reinforce desired behavior.

Finally, there is a need to monitor for desired behavior. While many factors can be monitored electronically, governance still plays a role. The auditor can determine whether there are policies for monitoring employee behavior. Has there been a discussion with the legal department regarding an employee's expectation of privacy? If employees should not have an expectation of privacy regarding company property, computerized activity on company networks, etc., have they been notified? The auditor may want to recommend a banner on the login page of the company's systems.

Just like installing a home security system and remembering to use it, governance and automated controls should be complementary. Auditors can help companies see how a balance is needed. Desired behavior must be governed from the top, embraced by management, and exercised by all. [la](#)

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BY J. MICHAEL JACKA

## STEP BACK AND READ THE HEADLINES

Envisioning outcomes on the front page of a newspaper can be an effective litmus test for decision-making.

Discussions about ethics and reputation often include the “front page of the newspaper” test: Would you take a certain action if you knew it would be on the front page of tomorrow’s newspaper? And while the concept may be a little dated (Newspaper? What’s a newspaper?), the underlying premise still holds true. In fact, in a world where anything can be posted, tweeted, and spread instantly, it is even more relevant.

Reputational risk continues to be considered one of the biggest issues facing board members, executives, and anyone charged with the welfare of an organization. Accordingly, it represents an important consideration for all internal auditors. But despite this focus, organizations do not understand the real impact and power of reputational risk in the decision-making process.

Recently, some non-profit organizations have faced increased scrutiny for their spending practices. Donors have raised serious questions about the percentage of donations

going to those in need versus the percentage going to questionable operational expenses. The nonprofits defend these as justifiable expenses. But the arguments fall on deaf ears, resulting in substantial and often debilitating decreases in donations, as well as an increasing list of castoff C-suite executives.

But imagine yourself sitting in the original meetings. A board member asks about the cost of entertainment at a function, or the investment in a glossy new building, or high-class travel expenses, or the CEO’s salary. Someone provides a clear, cogent explanation, citing standards that must be maintained, the ability to attract more affluent donors with larger investments, or the need to reward executives for their success. Based on these sound and logical explanations, you might find that you agree with the decisions.

The problem is that such internal decisions are seldom viewed through the prism of public opinion. In the boardroom it makes perfect sense; on the front page, not so much so.

You may well argue that you are nothing more than a lowly internal auditor who has never seen the inside of a boardroom, let alone been allowed to help with high-level decisions. However, the same principles hold true for every question you raise. Listen closely to the explanations — how a decision was made, how an event occurred, and how it will be ignored or corrected. Then consider how it would look on the front page of tomorrow’s paper.

Given the importance of reputation to organizational success, internal auditors need to keep it in mind at all times. Reputation should not just be considered during the first risk assessment; it must continue to receive focus until the auditors and clients come to a conclusion that satisfies everyone — even the people who might see it in tomorrow’s headlines. [la](#)

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## THE HIGH-PERFORMANCE AUDIT TEAM

Today's complex, evolving business environment demands more of internal auditors.



**LARRY HARRINGTON,**  
CIA, QIAL, CRMA  
Vice President,  
Internal Audit  
Raytheon Co.



**MARK CARAWAN,**  
CIA, QIAL  
Chief Auditor  
Citigroup

### What are the primary characteristics of a high-performing audit function?

**CARAWAN** Our profession has gone through a major transformation over the last decade. The nature of risk is increasingly global and interconnected, which means more is at stake than ever before. Audits of those gray areas such as culture and conduct are no longer a “nice to have” but a “must have” in any comprehensive risk-based audit plan. Stakeholder expectations are constantly changing, and regulators around the world continue to raise the bar for internal audit departments. The only constant in today's audit profession is change, and a high-performing audit team is one that can constantly evolve to meet new challenges and seize opportunity.

**HARRINGTON** High performance teams understand the organization's mission, strategy, objectives, and risks and provide insight and foresight to enhance

the organization's success. Further, they understand the importance of evolving risk management; it won't matter if you are world-class if you audit the wrong things. They understand stakeholder expectations, think about implications across the enterprise, and are responsive to a business context broader than the boundaries set by the audit plan.

At Raytheon, in addition to hiring experienced internal auditors, we hire high-potential talent from every function within the company to enhance our collective knowledge of the organization.

### How can you ensure you're recruiting high-performing auditors?

**HARRINGTON** When business management believes we are a high-performing team, they see us as a talent pool for the organization and a key source to fill financial, operational, and IT positions in all functions. We measure,

benchmark, and report our turnover into the business. Additionally, management willingly offers up its top talent to rotate through us because they see the unique value of that rotation.

We put our candidates through a comprehensive interview process focusing on competencies and results using behavioral interviewing techniques. Candidates are interviewed by multiple members of internal audit staff as well as leadership. We look for the best candidates regardless of background and education, and screen to ensure they are an appropriate fit for our high-performing team culture.

**CARAWAN** When looking to recruit top talent, I think it's important to enable flexibility in one's organizational design. Just because there isn't a role that is a perfect fit for an individual, any leader should be strategic and think about the future needs of the audit department and the organization, and where that

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person might fit in the future. From a more practical perspective, we follow a very thorough recruitment process when recruiting staff at Citi. This includes having diverse slates for open roles and multiple and diverse interviewers for each role, including audit-delivery and non-audit-delivery staff such as human resources professionals. We also test candidates against Citi's leadership standards, looking at not only what candidates have achieved in their careers, but how. This helps ensure only the very best, high-performing candidates join the team.

### How can an integrated internal audit function boost performance?

**CARAWAN** The global and interconnected nature of risk means an integrated team is necessary to ensure top performance. A team that is made up of individual silos that do not proactively share information and check and challenge one another is ultimately a team doomed for failure. Communication and partnership are key in ensuring a team is looking at risk in a comprehensive, joined-up, and holistic manner.

**HARRINGTON** Interestingly, when internal audit boosts its own performance, it will also be in a position to boost the organization's performance. The central ingredient is people. We start by understanding the challenges, risks, and concerns facing the organization and convert those issues into a formal hiring strategy to attract diverse candidates with skills to assist internal audit in those areas. We also have a formal learning strategy to enhance team member competencies.

CAEs must substantially increase the dollars invested in team learning. We also must require team members to meet the company investment with their own investment. Finally, leadership must create the right environment, reinforcing the speed at which the world is changing and the need for continuous improvement, all while challenging, recognizing, and rewarding team members.

### What soft skills are most important to audit performance and why?

**HARRINGTON** These soft skills, not in order of importance, include: leadership; verbal, written, and presentation communication; diversity and inclusion; emotional intelligence; critical thinking; networking; listening and asking better questions; teamwork; negotiation; and adaptability.

**CARAWAN** Soft skills are just as important as hard skills when I think of a successful auditor. Being able to communicate effectively with other team members and ultimately stakeholders is key to carrying out a successful audit. This becomes critical when an auditor needs to deliver a tough message to a stakeholder in a productive and constructive manner. Effective communication skills help stakeholders move away from

thinking of audit as the "police" and instead consider audit a partner who is there to help them manage risk.

### What is innovation's role in high-performance auditing?

**CARAWAN** A high-performing audit team is one that continuously evolves to meet the new challenges and seize the opportunities that arise from change. Within this context, innovation is of the utmost importance. Citi Internal Audit's approach to auditing culture is a great example, as it demonstrates a direct response to a relatively new challenge facing the industry. Culture has long been on the corporate radar, but the financial crisis placed it front and center. With this spotlight on culture also came a need to assess its place within the control environment of financial institutions. Citi Internal Audit designed and rolled out a comprehensive approach to auditing culture in 2015.

**HARRINGTON** Innovation is key to high-performance auditing. The world is changing at light speed and that will accelerate going forward. Every business and industry is under pressure to reinvent itself annually. CEOs and boards look to internal audit to assist in streamlining complexity, process, controls, etc. They look to us to be experts in Six Sigma, lean, and data analytics to help them drive the competitive changes necessary to survive. Insight and foresight are critical to innovation as are the hiring strategy and the learning plans to ensure we have the competency to deliver innovative solutions that help the organization achieve its objectives. Finally, look for innovation and leading practices from other industries and businesses, not just your own.

### What is the biggest obstacle to high performance and how do you overcome it?

**HARRINGTON** Complacency. We regularly benchmark against other global internal audit functions to learn leading practices and share those across our teams. We search The IIA's website for thought leadership materials. We meet quarterly with all second lines of defense to share risks, trends, and leading practices. We have a continual risk assessment process and meet regularly with leaders inside and outside the company to keep abreast of risks.

**CARAWAN** The biggest obstacle to high performance is homogeneity. The day you have your leadership team sitting around the table with everyone nodding in agreement—you've got a problem. Every team needs constructive conflict to thrive. And this is not just limited to audit teams. Different opinions and views make us think, re-consider, and look at things from a different point of view. This is true at all levels of an organization. Leaders must foster an environment that welcomes constructive conflict, where staff feel like it is safe to speak up. [la](#)

BY RICHARD F. CHAMBERS

## ON THE SHOULDERS OF GIANTS



As The IIA’s 75th year comes to a close, a gathering of its former leaders reflects the strong foundation on which the association was built.

Nearly two dozen former IIA chairmen had traveled to the 75th anniversary International Conference in New York. Now they all were gathered in one room ahead of the night’s gala to celebrate the milestone moment. The interaction among so many former IIA leaders, decked out in tuxedos and evening dresses, gave the room an energy that was palpable.

As I mingled among the crowd renewing old acquaintances, it dawned on me not just that the room held close

to 1,000 years of collective internal audit experience, but also that The IIA was built by these very people and their predecessors. The IIA, like many professional associations, came from humble beginnings and thrived on the countless hours of volunteer work from its members. But it was the vision of The IIA’s founding fathers and the fortitude and commitment of those who followed that positioned the organization for greatness.

The profession has changed immensely in the seven-plus decades since the founding fathers—Victor Brink, John Thurston, and Robert Milne—gathered at the Williams Club in New York City at the first organizational meeting on Sept. 23, 1941. Truth be told, internal auditing

today bears little resemblance to the accounting-driven profession in which The IIA’s founders worked. Yet, fed by a desire to safeguard organizations and an unwavering commitment to accountability and integrity, these dreamers recognized the potential for internal auditing to do so much more.

Great leadership and vision didn’t end there. Throughout The IIA’s history others emerged who played pivotal roles in nurturing its growth and expanding vital services to its members. Bradford Cadmus, The IIA’s first managing director, was indispensable in the organization’s formative years. Larry Sawyer’s writing helped codify the fundamentals of the profession

that are as true today as when *Sawyer’s Internal Auditing*—now titled *Sawyer’s Guide for Internal Auditors*—was first published in 1973.

Others, such as Mortimer Dittenhofer, helped create the profession’s bible, *The International Standards for the Professional Practice of Internal Auditing*, and greatly influenced internal auditing in the public sector. More recently, lifetime commitments to the organization by the likes of former IIA chairmen Bill Taylor and Patty Miller continued The Institute’s march toward greatness.

Indeed, those of us lucky enough to be part of today’s IIA stand on the shoulders of giants, and we are forever indebted to their dedication, passion, and vision. [la](#)

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 **TO COMMENT** on this article, email the author at [richard@theiia.org](mailto:richard@theiia.org).

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