



Adding Value in a Changing World

A THOUGHT LEADERS' FEEDBACK

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“To believe your own thought, to believe that what is true for you in your private heart is true for all, — that is **genius**.”

-Ralph Waldo Emerson

Internal Audit Mission

To Enhance and
Protect
Organizational Value

**KNOW
WHERE YOU
ARE TODAY**

WHAT VALUE ARE
YOU DELIVERING?

Sawyer's INTERNAL AUDITING

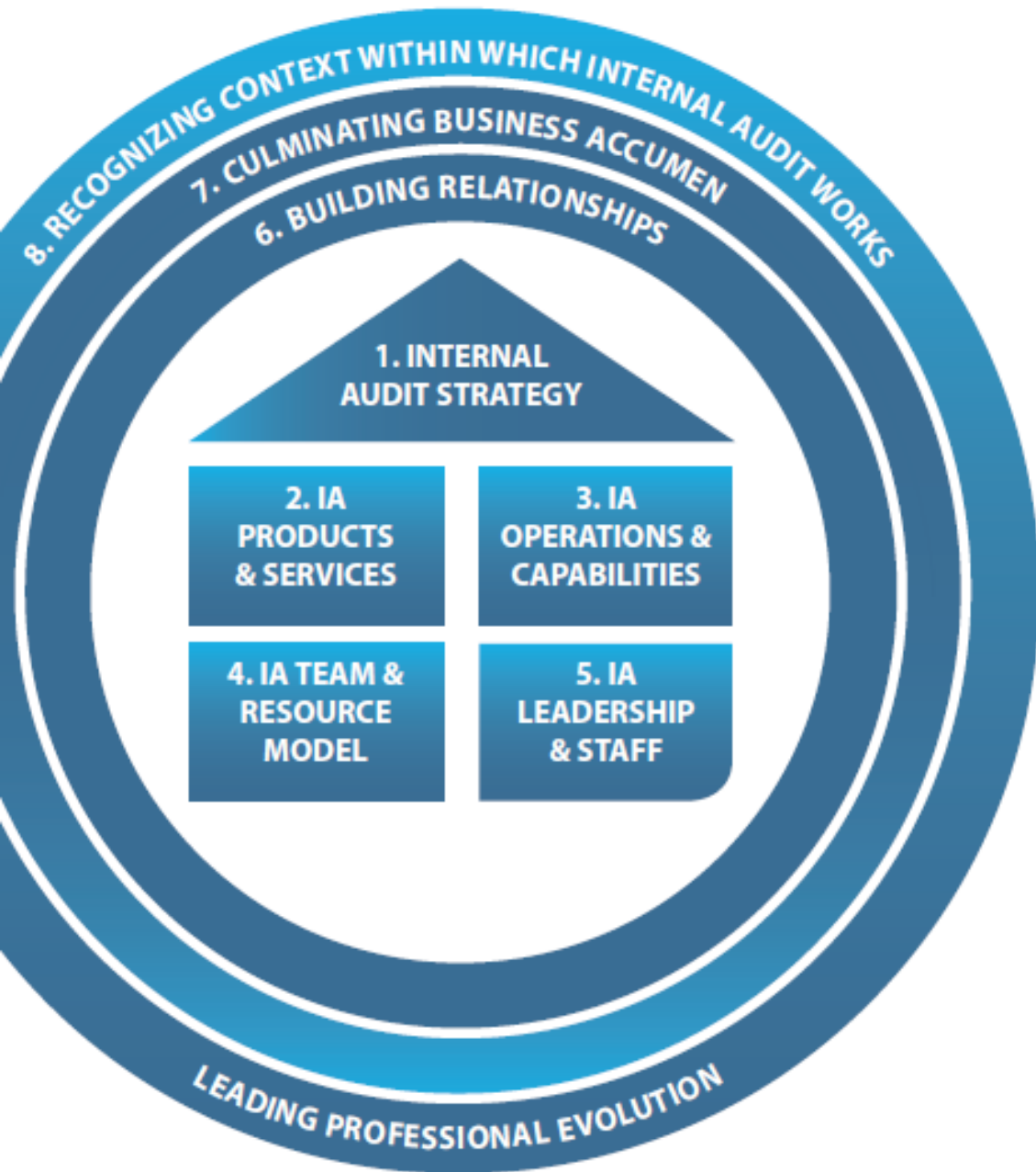
Enhancing and Protecting Organizational Value

7TH
EDITION

It Starts with Knowing the Value

The business of Internal Audit

- Value of Services and Products
- 44 Value Drivers discusses
- 5 Generations of Services/Products
- Building IA Operations
- Context of ERM, GRC, and 2nd Line Evolution
- Implications for Risk Assessment, Audit Planning, Internal Control Assessment



Chapter 1: Internal Audit Strategy

Chapter 2: Audit Products/Services

Chapter 3: Audit Operations/Capabilities

Chapter 4: Audit Team/Resourcing Model

Chapter 5: Audit Leaders/Staff

Chapter 6: Building Relationships

Chapter 7: Business Acumen

Chapter 8: Context within which Audit Works

Chapter 1

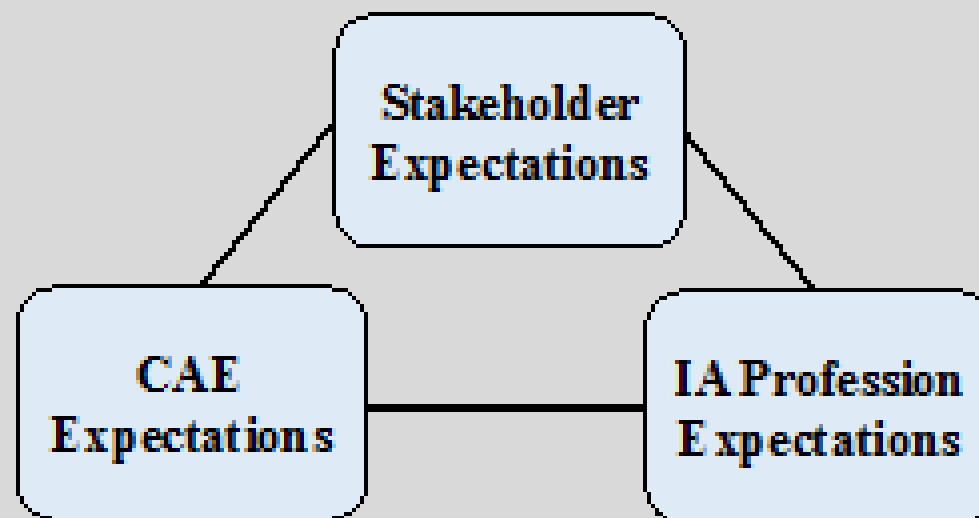
Internal Audit Strategy

Three Areas of Value Expectations

What is the Value Proposition?

Defines 44 Value Drivers

**Exhibit 1-1:
Three Cornerstones of Internal Audit Strategy**



Chapter 2 IA Products and Services

Type of Services & Products

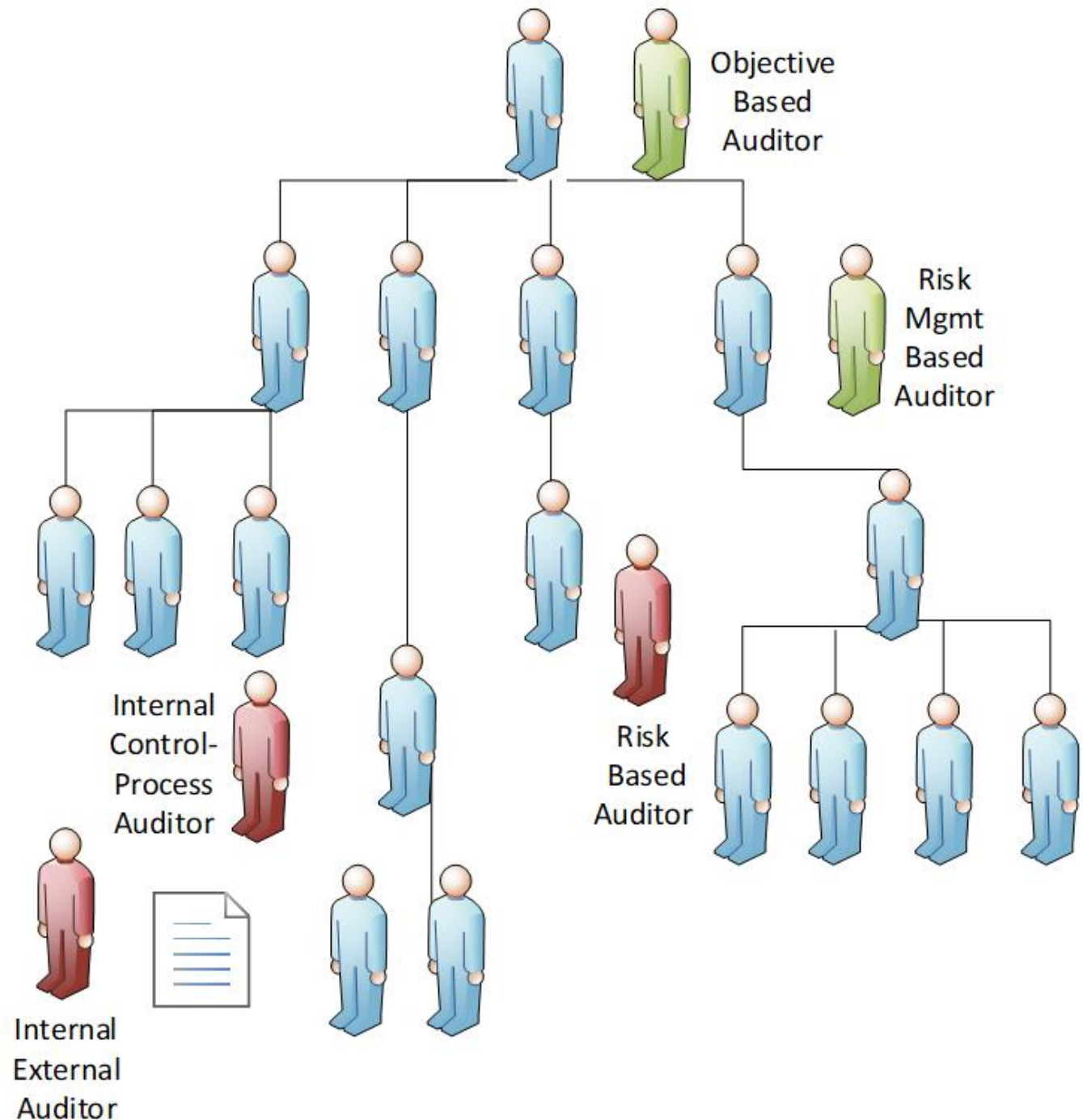
Generation 5 – Objectives-Based Auditor

Generation 4 – Risk Management-Based Auditor

Generation 3 – Risk-Based Auditor

Generation 2 – Internal Control Process Auditor

Generation 1 – Internal/External Auditor



Chapter 2 IA Products and Services

Type of Services & Products

Generation 5 – Objectives-Based Auditor

Generation 4 – Risk Management-Based Auditor

Generation 3 – Risk-Based Auditor

Generation 2 – Internal Control Process Auditor

Generation 1 – Internal/External Auditor

Exhibit 2-2 Evolution in Internal Audit Products and Services				
	Type of Services	Resources Required	Typical Products	Value for Management and Board
Objective-Based Auditor	<ul style="list-style-type: none"> Places risk management-based efforts in the context of the specific business objectives at risk by building on the prior levels below 	<p>Skills: Deeper knowledge of business objective development, dissemination, and measurement in addition to skills below</p> <p>Resources: Business models, education on aligning risk management with natural business oversight, and operations development activities in addition to resources below</p>	Risk assessments integrated with risk management efforts, audit and advisory services focused on helping business objective success through improving risk management in both the first and second lines of defense	<p>Internal audit takes ownership communicating risk in terms management understands as it works achievement of business objectives</p> <p>Business objective achievement considered in all risk assessment assurance, and advisory services</p> <p>Governance, risk management control (GRC) improved by internal audit efforts and integration applications.</p>
Risk Management-Based Auditor	<ul style="list-style-type: none"> Evaluation of risk management expectations first in risk assessment and audit program development, focused on strengthening controls from the top down 	<p>Skills: Business understanding of how controls are developed in natural course of business, ERM</p> <p>Resources: Business acumen education, ERM frameworks, GRC frameworks</p>	Risk assessments focused on top strategic and operational risks, assurance, and advisory services focused on expected risk management and control activities from the top down	<p>Internal audit places risks and findings in context of risk management structures and tools management should be developing and using part of daily decisions/operations</p> <p>Internal audit efforts are more aligned with management efforts focused on objective achievement.</p>
Risk-Based Auditor	<ul style="list-style-type: none"> Risk assessments occur at least annually. Engagements planned and findings identified 	<p>Skills: Risk assessment, risk ranking</p> <p>Resources: Risk frameworks, risk analysis</p>	Risk assessments include important operational areas. Risk-based audit	Internal audit uses risks to determine priorities for management and board; risk assessments, assurance, and project reports focused on

KNOW
WHERE YOU
COULD BE
TOMORROW

WHAT VALUE IS
WORTH BUILDING
FOR TOMORROW?

DESIGNING SYSTEMS for the Insight and Foresight of Tomorrow

Enterprise Risk Management (2018)

Integrated Assurance – across all Lines of
Defense

GRC Technology – enabling daily flow of risk
and control capability data

EXAMPLE: Shared Internal Control Descriptions

DIRECT TECHNICAL CONTROLS (Mitigating Risk)

Policies, Processes, Programs and Activities to limit specific risks to organization or meet external expectation

Examples

- Compliance Program
- Financial Reporting
- Public Reporting
- Quality Assurance
- Legal and Contracting
- Business Continuity
- Information and IP Security
- Facility Security – Safety
- Reputation and Marketing

OPERATIONAL CONTROLS (Building Capabilities)

Management and Staff efforts to increase the chance of objective success, involving formal planning, design and monitoring

Examples

Objective Setting

- Objective and Mission Alignment

Management Controls

- Strength of Oversight
- Operational Alignment
- Evolving Capabilities

Process Controls

- Efficiency and Effectiveness
- Accuracy and Outcomes

STRATEGIC CONTROLS (Taking Risk)

Defining and taking the right risks to achieve the mission

Examples

Strategic Planning

- Formal Planning and Description of Mission Success

Decision Controls

- Formal Decision Process with clear options and bias elimination

Monitoring Control

- Measures that indicate strategic direction and success

Sawyer's

INTERNAL AUDITING

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Unlock the Individual Genius Around You

