

Leading practices of an internal audit function

Where insights lead

Key topical areas and high impact areas of focus.

Leading internal audit functions proactively engage in the following:

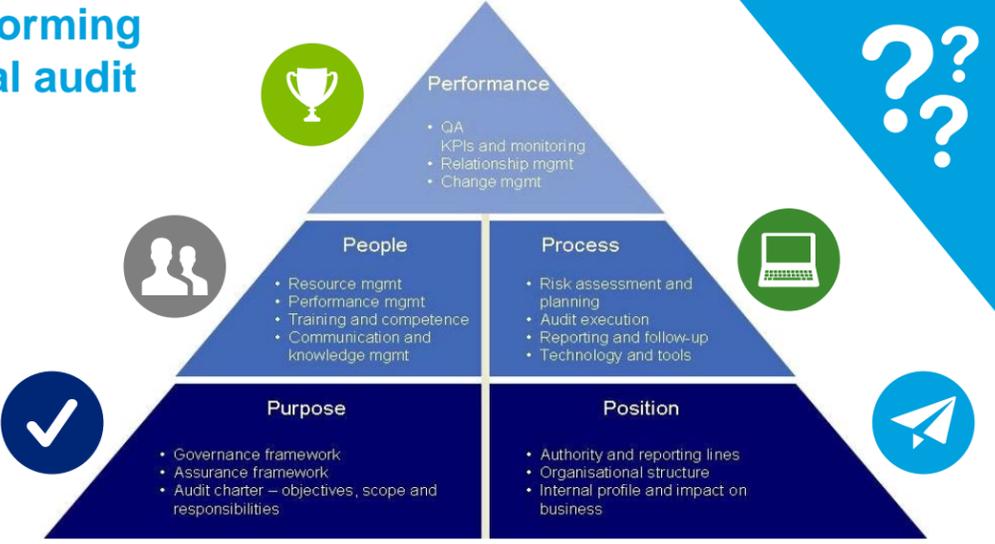
Governance  <ul style="list-style-type: none"> • Changing the relationship between audit committees and chief audit executives (CAEs) • Improving audit committee performance • Internal audit reporting structure with executive-level accountability and presence • Internal audit metrics, accountability, and performance improvement • Auditing the management compliance process 	Finance & Compliance  <ul style="list-style-type: none"> • Assessing risks associated with business combinations • Performing post-acquisition audits • Auditing the due diligence process • Value-add audits beyond Sarbanes-Oxley; balance of financial, process, IT, and operational auditing • Collaborating between internal and external auditors • Navigating the regulatory landscape
Risk  <ul style="list-style-type: none"> • Converging risk management, compliance, and internal audit • Assessing risk associated with complex financial instruments, complex accounting and regulatory, and compliance matters relevant to industry • Reporting and communicating risk assessment results • Assessing reputational and brand risk • Assessing cyber risk and threats • Monitoring extended enterprise risks 	Talent  <ul style="list-style-type: none"> • Considering varied and emerging talent models • Attracting and retaining the right talent in IA (e.g., management development, rotations, guest auditors, operational experience liaisons) • Committing to a highly competent team and supporting professional and leadership development • Managing flexibility • Mentoring and performance
Fraud & Ethics  <ul style="list-style-type: none"> • Reporting status of fraud investigations and monitoring hotlines • Auditing for broad areas of ethical concern and ethics program • Working relationships between in-house legal counsel, security, compliance, HR, and internal audit departments • Taking an enterprise compliance approach • Managing the cost of compliance 	Technology  <ul style="list-style-type: none"> • Applying data analytics throughout all aspects of the internal audit process • Evaluating the basics and evolving IT areas including identity management, social media risks, emerging technology, cyber risk (cyber intelligence and warfare), ShadowIT, mobile security, etc. • Protecting customer data • Planning for business continuity and crisis management

Leading practice considerations.

While there is no “one size fits all” model for internal audit, leading internal audit functions consider leading practices in positioning the department for success within the company culture.

Purpose 	Position 	People 	Process 	Performance 
<ul style="list-style-type: none"> • Clearly defined charter with aligned accountability and responsibility • IA plans are linked to strategic Company priorities • Facilitates knowledge sharing and transfer of successful practices across the business • IA audit universe considers a value-added, risk-based scope • Scope aligned with attest audit and other related stakeholders for optimum reliance and coverage • Plan considers a blend of varied audit types • Plan considers a broad and balanced scope of risk and control matters (e.g., finance, operations, compliance, regulatory, IT, fraud, management requests) 	<ul style="list-style-type: none"> • Supports the “third line of defense” model with objective reporting to the Board • Earns a “seat at the table” with executive leadership and has strong internal brand • CAE, VP, or IA Director position considered as a successor for other executive roles • Serves a trusted business advisor for management and the Audit Committee • Management actively consults with IA on risk and control matters • IA exudes a standard of professionalism and trust • Partners well with other Company risk and control areas and leverages learning 	<ul style="list-style-type: none"> • Recruitment model that considers varied talent sources, models, and career paths • Balance of competencies and responsive/flexible resource model (technical, business, IT, subject matter resources, etc.) • Supports a leadership development talent model (e.g., rotational, guest auditor program, business liaison model) • Knowledge of the professional standards for the profession, IIA, certifications • Compensation strategy and recognition program to attract and retain top talent • Team that effectively applies judgment and soft skills • Talent programs that supports leadership development, mentoring and training 	<ul style="list-style-type: none"> • Deploys a consistent and efficient execution • Embeds use of technology throughout the audit process (e.g., data analytics, audit finding workflow, dynamic reporting) • Uses judgment and considers materiality and business impacts when planning and evaluating and prioritizing exceptions • Delivers reports that are viewed as fair, consistent, timely, and with valued business insight • Collaborates with the business in developing practical, sustainable solutions to audit findings • Employs diligent follow-up and tracking of audit results and finding remediation • Reports next-generation executive and Board reporting 	<ul style="list-style-type: none"> • Measures IA contribution based on KPIs linked to value • Links IA results and findings to impact on Company priorities • Engages stakeholders in IA feedback • Self-employs quality processes with a focus on continuous improvement • Supports ongoing continuous improvement of IA activity through self-assessment and periodic external reviews • Facilitates ongoing collaboration and communication with management, C-suite, and the Board

Transforming internal audit

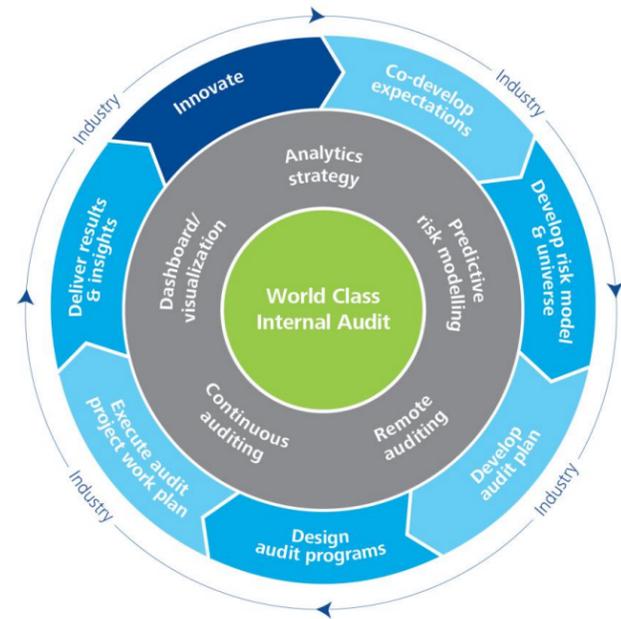


- Consider:**
- What are other leading IA departments focused on?
 - What are they responsible for? How are they positioned? Structured? Resourced?
 - How are they resourced? Where and how they attract, retain, and develop Talent?
 - How do they execute their responsibilities? Tools? Capabilities?
 - How are they evaluated?



Global Internal Audit Methodology

Our innovative, risk-based methodology is utilized by all Deloitte member firms around the world. It is field-tested and easily leveraged for repeated application, and flexible/scalable to each client.



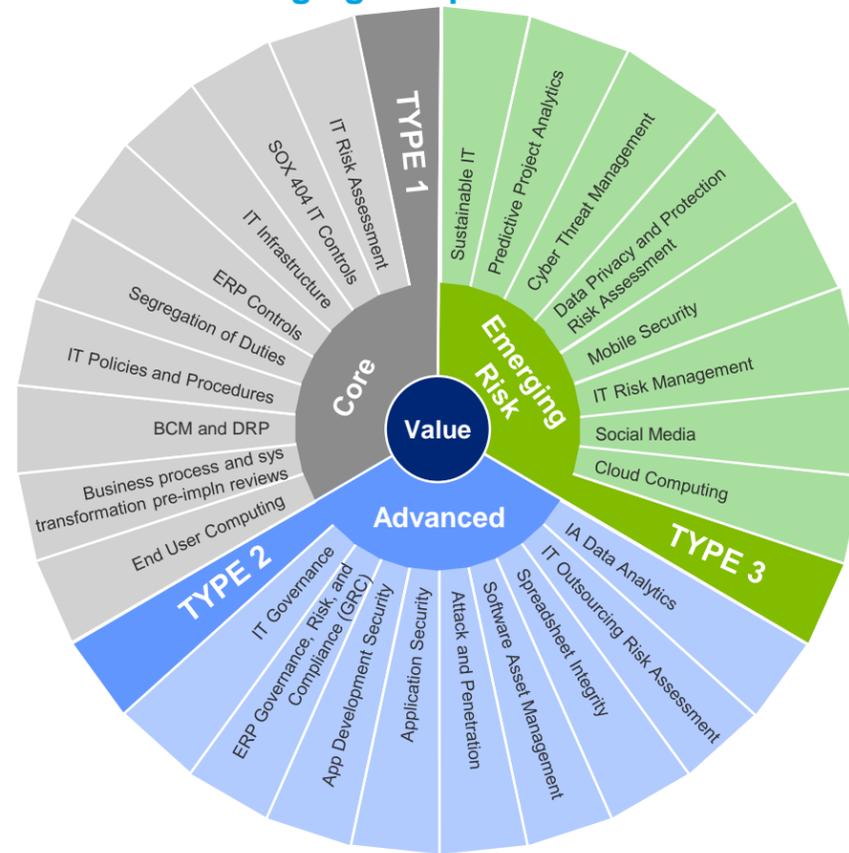
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- ★ Deloitte ranked #1 globally in Consulting based on revenue by Gartner (May 2014)
- ★ Deloitte named a leader in Business Intelligence Services based on strategy & current offering by Forrester (October 2014)
- ★ Deloitte named a global leader in Business Analytics Services based on capabilities by Gartner (July 2014)
- ★ Deloitte named *the* global leader in Analytics IT Consulting based on capabilities by Kennedy (2014)
- ★ Deloitte named a leader in Global Risk Management Consulting Services, based on completeness of vision and ability to execute by Gartner (October 2014)

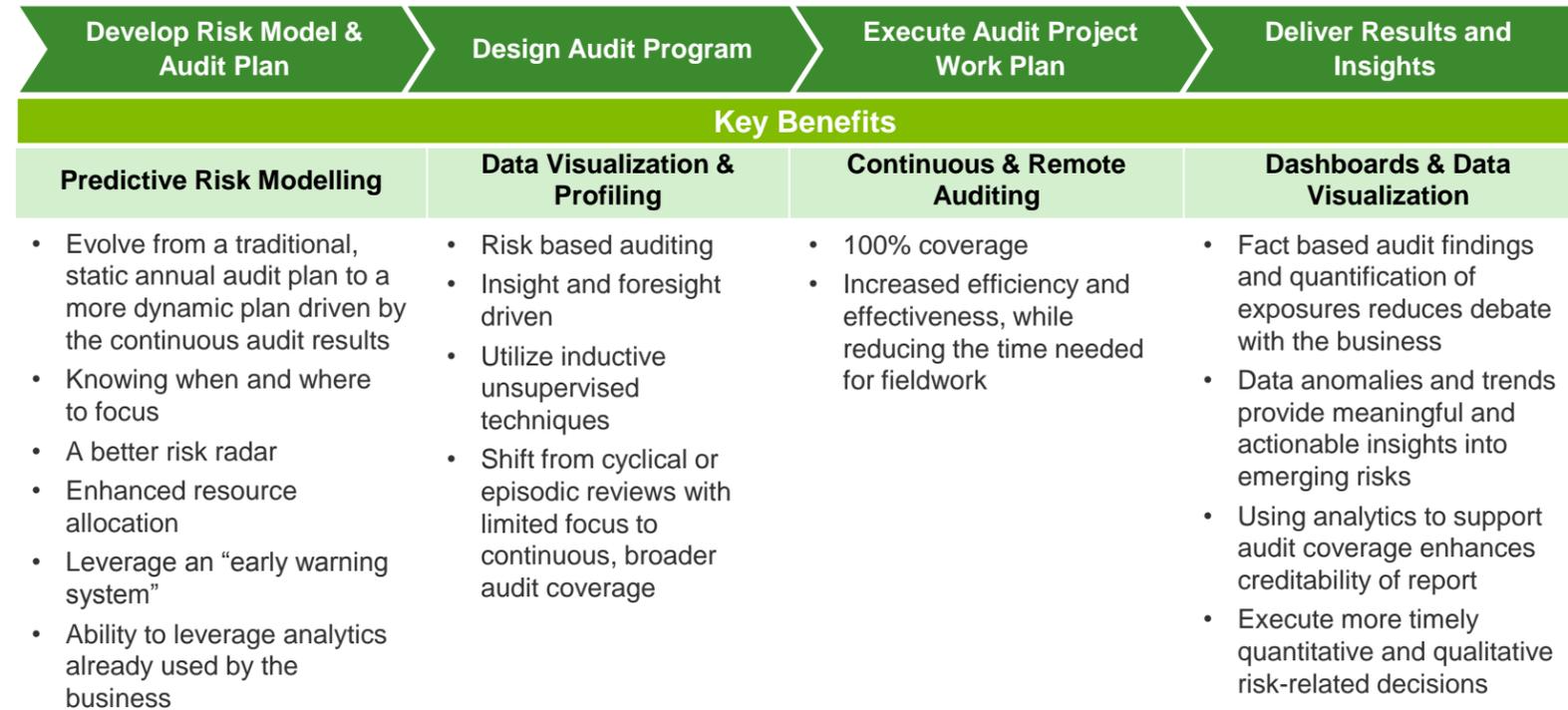
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IT IA services to address emerging/complex areas of IT



Deloitte analytics capabilities embedded in the audit lifecycle



Deloitte has an array of offerings listed below to help clients adapt their IT audit plan to be more relevant, forward thinking, and emerging risk focused.

	Characteristics of services		
	Core	Advanced	Emerging
Audit client value	○	◐	●
Complexity of technology	○	◐	●
Subject matter expert requirement	○	◐	●
Resource cost	○	◐	●
Staffing opportunity	●	●	●
Compliance risk oriented	●	◐	◐
Strategic risk oriented	○	●	●
Current portion of IT IA plan	●	◐	○

● = High ◐ = Medium ○ = Low

Investing in IA Tools

- ACL
- Risk and Control Knowledgebase (RACK)
- SekChek
- IA Diagnostics Tool
- Risk Intelligence Map
- Risk intelligence Diagnostic and Maturity Model
- Automated Controls Testing Tool (ACTT)



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