



**HOT TOPICS FOR 2016 AND BEYOND:**  
*ASSESSING RISK AND EMERGING TRENDS*

**Danny M. Goldberg, Founder**

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**INTRODUCTION**



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**The Standard in Staffing, Recruiting and Development**

**Danny M. Goldberg**

- Founder, GOLDSRD ([www.goldsrd.com](http://www.goldsrd.com))
- Former Director of Corporate Audit/SOX at Dr Pepper Snapple Group
- Former CAE - Tyler Technologies
- Published Author (Book/Articles)
- Texas A&M University – 97/98
- Chairman of the Leadership Council of the American Lung Association – North Texas – Calendar Year 2012
- Served on the Audit Committee of the Dallas Independent School District (CY 2008)
- Current Dallas and Fort Worth IIA Programs Co-Chair
- Fort Worth IIA Board Member
- IIA North America Learning Committee Member

**Certifications:**

- CPA – Since 2000
- CIA – Since 2008
- CISA – Since 2008
- CGEIT - Since 2009
- CRISC - Since 2011
- CRMA – Since 2011
- CCSA – Since 2007
- CGMA – Since 2012



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 **The Standard in Staffing, Recruiting and Development**

### Danny M. Goldberg

- Highly-Rated, Internationally Recognized Speaker
  - Asked to Speak @ 2015 IIA All-Star Conference (October, 2015)
  - One of the Top Rated Sessions, 2015 GAM Conference
  - 8<sup>th</sup> Rated Speaker, 2015 MISTI AuditWorld
  - 10<sup>th</sup> Rated Speaker, 2015 ISACA CACS
  - One of the Top Rated Speakers, 2014 IIA All-Star Conference
  - 7<sup>th</sup> Rated Speaker, 2014 ISACA ISRM Conference
  - One of the Top Rated Speakers, 2014 IIA Mid-Atlantic Conference
  - 3<sup>rd</sup> Rated Speaker, 2014 ISACA CACS
  - One of the Top Rated Speakers, 2014 IIA Gaming Conference
  - 6<sup>th</sup> Highest Rated Speaker (out of 116), 2013 IIA International Conference
  - 3<sup>rd</sup> and 5<sup>th</sup> Rated Sessions, 2013 IIA Central Regional Conference
  - 8<sup>th</sup> Rated Speaker (out of 120), 2012 IIA International Conference

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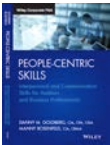
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 **The Standard in Staffing, Recruiting and Development**

### People-Centric Skills

- Added to IIA and ISACA Bookstores, Summer 2015
- Published August 2014 (Wiley Publications)
- Coauthored with Manny Rosenfeld
  - Chief Audit Executive with four global F500 Cos. and a global Financial Services organization.
- **First** book specific to internal audit communications and personal interactions
- This is not a reference book!
  - Story book format
  - Character development
  - Fictional Internal Audit Department
  - Fictional Professional Coach/Trainer
  - Situational



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 **The Standard in Staffing, Recruiting and Development**

**Professional Development:**

- **Nationally-Recognized Leader** in Audit and People-Centric Skill Training
- Over **100 Full-Day Courses** on Audit, Accounting, Finance and People-Centric Skills
- Registered with **NASBA** to offer CPE's for all courses in course catalog
- Competitive Pricing
- Interactive and Educational Courses for all levels

**Executive Recruiting:**

- Unique approach to filling positions, **including personality assessment for candidate and organization**
- Expansive network of qualified candidates actively looking

**Staff Augmentation:**

- Market leader in locating cost-effective, recognized resources in accounting, finance, audit and IT
- All requests filled within **72 hours**

### GoldSRD Snapshot

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**GOLD SRD** The Standard in Staffing, Recruiting and Development

### Emerging Trends in Internal Audit

- IIA Profession Update
- Emerging Risks
- Dynamic Risk Assessment Process
- Positivity in Audit Reports
- Transparency in Auditing
- Marketing Internal Audit
- Focus on Communication and Critical Thinking
- Data Analytics Optimization

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## IIA – PROFESSION UPDATE

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 (SECTION)

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## Surveys & Demographics

<b>Pulse of Internal Audit</b> <b>370 Completed Surveys</b> <ul style="list-style-type: none"><li>• October 2014</li><li>• 7th consecutive year</li><li>• 63% Public/Private companies</li><li>• 84% CAEs and Directors (311 responses)</li><li>• 92% internal audit managers or above</li></ul> <b>311 Responses From CAEs and Directors</b> <ul style="list-style-type: none"><li>• 28% Finance and Insurance</li><li>• 14% Manufacturing</li><li>• 10% Educational services</li><li>• 7% Healthcare and social assistance</li></ul>	<b>CBOK</b> <b>12,570 completed the survey</b> <ul style="list-style-type: none"><li>• Q1 2015</li><li>• Conducted every five years</li><li>• 32% CAEs and Directors/Sr. Managers (4,043 responses)</li><li>• 28% North American participants</li><li>• 878 CAEs and Directors/Sr. Managers from North America</li></ul> <b>878 Responses From CAEs and Directors/Sr. Managers in North America</b> <ul style="list-style-type: none"><li>• 30% Finance and Insurance</li><li>• 10% Healthcare and social assistance</li><li>• 10% Manufacturing</li><li>• 8% Public Administration</li></ul>
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Sources: The Pulse of Internal Audit survey © 2015 The IIA Audit Executive Center conducted in collaboration with the 2015 Common Body of Knowledge Study, © 2015 The IIA and the IIA Research Foundation. All rights reserved. No part of this data may be copied, reproduced or otherwise disseminated without explicit permission from The IIA.

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 (SECTION)

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### Four Priorities for 2015!

- Assessing emerging and evolving risks
- Linking risks and audit coverage
- Navigating an emerging talent shortage
- Address gaps in quality assurance and improvement



SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 (SECTION)

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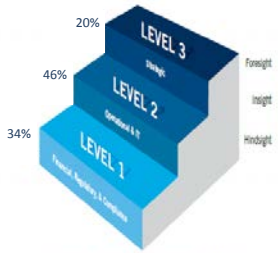
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### Linking Risks and Audit Coverage: The Paradox of "Structural Expectations"

- Stakeholders often expect base level of coverage:
  - Financial risks
  - Regulatory risks
  - Compliance risks
- Once base is addressed:
  - Operating risks
  - IT risks
- Only then, is there interest in strategic and business risks
- The paradox:
  - Base level coverage often provides the lowest perceived value



SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 (SECTION)

Source: The CBOW 2015 Global Internal Audit Practitioner survey; © 2015 The IIA Research Foundation

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### Delivering Internal Audit Value: According to Grant Thornton, CAE's Believe

They Add Value by:	Barriers Include:
<ol style="list-style-type: none"> <li>1. Identifying improvement opportunities</li> <li>2. Mitigating risk</li> <li>3. Increased efficiency</li> <li>4. Stronger corporate governance</li> <li>5. Stronger financial controls compliance</li> </ol>	<ol style="list-style-type: none"> <li>1. Budget constraints (60%)</li> <li>2. Talent quality or capacity (47%)</li> <li>3. Focus on financial controls and compliance (43%)</li> <li>4. Perception of internal audit (40%)</li> <li>5. Organizational politics (40%)</li> </ol>

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FTW IIA, September 4, 2015 (SECTION)

Source: "Competing Priorities: Are CAE and audit committee priorities in sync?" © 2015 Grant Thornton LLP

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**GOLD SRD** The Standard in Staffing, Recruiting and Development

### What is the goal of internal audit (Rooted in the definition)?



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**GOLD SRD** The Standard in Staffing, Recruiting and Development

### Defining internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

It helps an **organization accomplish its objectives** by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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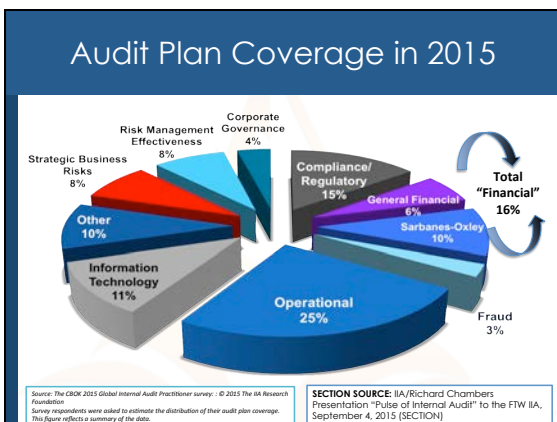
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### Linking Risks & Audit Coverage: Key Imperatives

- Undertake a comprehensive assessment
- Develop an audit plan based on the "real risks"
- Identify resources and expertise gaps
- Formulate strategies for addressing gaps
- Have candid conversations with management and the audit committee regarding:
  - Resource shortfalls
  - Expertise gaps
  - Risks that may fall victim to resources
  - A plan of action
- Develop a long-term strategy for addressing gaps
- Don't let the "tail wag the dog"

"Disclosing the gaps in risk coverage and discussing the resources needed to address the gaps is essential."

- Joe Steakley, CAE of Hospital Corporation of America

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FIW IIA, September 4, 2015 (SECTION)

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### Navigating an Escalating Talent Shortage: PwC's View

The talent gap is "fueling a poor perception of internal audit's relevance and value: 65 percent of stakeholders who do not find value in the internal audit functions cite talent as a top barrier."

- PwC

Internal audit functions providing significant value have more diversified skill sets:

Skill Sets	
Business Continuity	84%
Data Privacy	80%
Specialized IT	77%
Data Analytics	72%
Supply Chain	69%

Source: 2015 State of the Internal Audit Profession Study, © 2015 PwC

SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FIW IIA, September 4, 2015 (SECTION)

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## AUDITING EMERGING RISKS

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### Assessing Emerging and Evolving Risks

- 93 percent use risk-based methodologies when planning
- But, emerging risks present a challenge
- Risks often materialize with little or no warning
- Decades of accumulated value can evaporate
- We must be able to "audit at the speed of risk"



SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FIW IIA, September 4, 2015 (SECTION)

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**The Standard in Staffing, Recruiting and Development**

### Assessing Emerging/Evolving Risks

- Industry Trends (what is in the news)
- ERM – predicting changes over 5+ years
- Change to ERM -> Change ARM & Audit Plan

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### Continuously Assessing Emerging and Evolving Risk – Key Imperatives

- Assess existing risk assessment maturity
- Develop/refine processes to identify and report on emerging risks
- Assess existing processes for updating the annual audit plan
- Obtain stakeholders' input on the need for frequent updates
- Develop/refine audit reporting to demonstrate a stronger link between changes to:
  - The organization's risk profile
  - Associated changes to the audit plan



SECTION SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FIW IIA, September 4, 2015 (SECTION)

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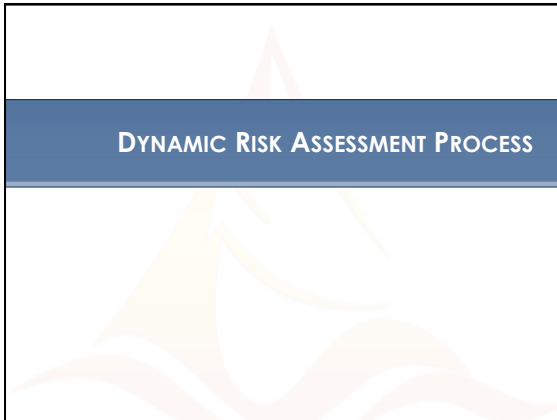
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Continuous Risk Assessment is Still Aspirational for Many

How frequently does internal audit conduct a risk assessment?	Frequency
Annual assessment without formal updates	38%
Annual assessment with periodic formal updates	41%
Continuous assessment	13%
Never (Internal audit does not conduct a risk assessment.)	4%
Other	4%

Source: The Pulse of Internal Audit Survey Conducted in collaboration with the 2015 Common Body of Knowledge Study. © 2015 The IIA and The IA Research Foundation. All rights reserved. No part of this data may be copied, reproduced or otherwise disseminated without explicit permission from The IIA.

SOURCE: IIA/Richard Chambers Presentation "Pulse of Internal Audit" to the FIW IIA, September 4, 2015

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**How are We Assessing Risk?**

- How many are performing a formal annual risk assessment?
- How many are performing a formal engagement-level risk assessment?
- What is the process?
  - Numerical/Ratings?
  - Interviews?
  - Questionnaires?
  - Surveys?

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### Continuous Risk Assessment Methodologies

The degree to which internal audit utilizes these methodologies to continuously assess risk	Very/Extensively Utilized
Periodic manual monitoring of KRIs	27%
Using technology to continuously monitor KRIs	10%
Periodically interview management to identify changes in the organization's risk profile	71%
Initiate formal updates of the internal audit risk assessment & audit plan	60%
Initiate informal or ad hoc updates of the internal audit risk assessment & audit plan	61%
Periodically update risk assessment based on changes to risk ratings identified during ongoing audit operations	54%

Source: The Pulse of Internal Audit survey, © 2015, The IIA Audit Executive Center. No part of this data may be copied, reproduced or otherwise disseminated without explicit permission from The IIA.

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## AUDIT REPORT TONE

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-  **The Standard in Staffing, Recruiting and Development**
- ### Observations
- Who Owns the Recommendation? Action Plan?
  - Who Drafts the Observation? Is it Vetted Timely?
  - Can the Auditee Actively Participate in Drafting an Observation?

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 **The Standard in Staffing, Recruiting and Development**

**Emotional Words**

- We/I/You
- Ambiguous Terms (Reasonable, Generally)
- Condescending Descriptive (Apparent, Obviously)
- Should
- Finding
- Adequate/ Inadequate
- Fail
- Ensure
- Magical Terms (Appears, Found, Discovered)
- Fraud
- Opinion

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**AUDIT TRANSPARENCY**

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 **The Standard in Staffing, Recruiting and Development**

**Audit Transparency**

- Do You Share Your Risk Assessment with Your Auditees?
- Do You Post Your Audit Plan for the Year?
- Do You Give Your Auditees Your Workprogram During Planning?

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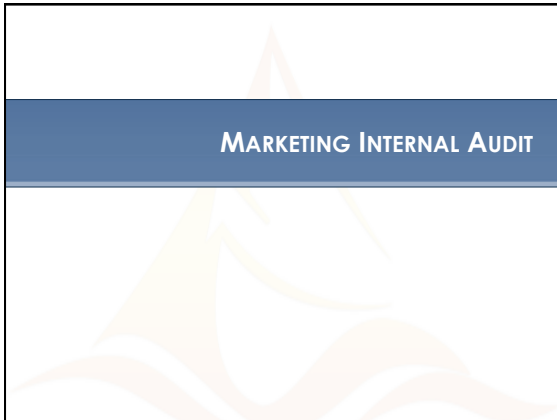
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A slide with a blue header containing the text "MARKETING INTERNAL AUDIT". The background features a faint, stylized graphic of a person's head and shoulders in shades of yellow and orange.

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The slide features the GoldSrd logo (a stylized 'G' with a sun) and the tagline "The Standard in Staffing, Recruiting and Development". The main title is "3 Pillars of Marketing internal audit".

<u>Consistent Messaging</u>	<u>Continuous Education</u>	<u>Transparency</u>
<ul style="list-style-type: none"><li>• Define Internal Auditing</li><li>• Focus on Objectives</li><li>• Marketing Plan</li><li>• Marketing Sheet</li><li>• Outreach w/ new managers</li><li>• Periodic outreach w/manager (take the pulse)</li><li>• Intranet Site</li></ul>	<ul style="list-style-type: none"><li>• Alleviate the Fear</li><li>• Focus on "Value"</li><li>• Brown Bag Lunches</li><li>• Newsletters</li><li>• Email with Issues/ Findings</li><li>• Don't Use Independence as an Excuse</li></ul>	<ul style="list-style-type: none"><li>• Try to Help</li><li>• Try Not to Hide Anything</li><li>• Walk Auditees through ARA</li><li>• Post the Audit Plan</li><li>• Give Auditees Audit Work program (Path to Success)</li></ul>

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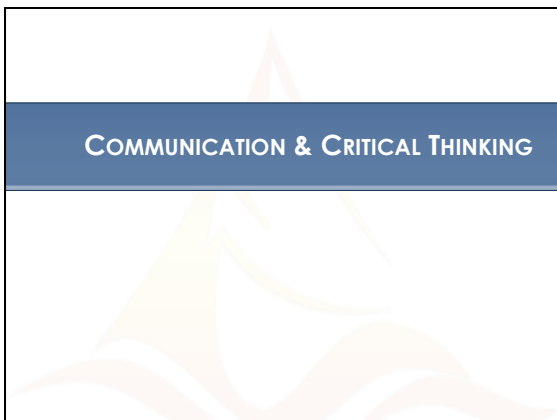
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### Navigating an Escalating Talent Shortage

**Top Skills Being Recruited or Built in Internal Audit Departments**

	Skills Recruited or Built	Recruited	Essential
1	Analytical/Critical Thinking	74%	96%
2	Communication Skills	57%	96%
3	Data Mining and Analytics	48%	44%
4	Industry-specific Knowledge	43%	69%
5	IT (general)	42%	43%
6	Business Acumen	40%	80%
7	Accounting	31%	48%
8	Risk Management Assurance	27%	40%

Source: The CBOK 2015 Global Internal Audit Practitioner survey - © 2015 The IA Research Foundation

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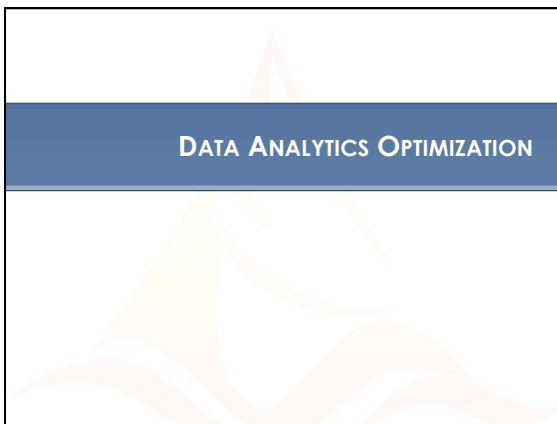
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 **The Standard in Staffing, Recruiting and Development**

### Utilizing Data Analytics

- Skills are wanted (previous section)
- Diversify department (get everyone in IA comfortable with CA)
- Continuous Risk Assessment – Constant Monitoring or Company KPI's (linked to ERM)

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*The Standard in Staffing, Recruiting and Development*

**Summary**

- Don't become stagnant
- Diversify Skill Sets
- Continue to Look for New Opportunities to Add Value

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