

Internal Audit Advisory

The PwC Internal Audit

*Confident and informed
decision making for your
third line of defence*





Every successful business is underpinned by robust governance and controls and this includes an effective and valued Internal Audit function – one that is aligned to the strategic objectives of the organisation and able to deliver genuine insight. In today's rapidly changing risk landscape and ever increasing stakeholder expectations, what good looks like for Internal Audit is changing too. In order to make sure you are regularly measuring yourself against what good looks like today, you need an impartial perspective from someone with a broad spectrum of experience.

What's on your mind?

I need to set up an Internal Audit function but I'm not sure where to start? You want to move forward with a model that is right for you but need guidance on the 'pros' and 'cons' of different resource models to help you identify what will best suit your needs.

How does my Internal Audit function compare? You're not necessarily concerned about how your function is performing and the value it is delivering. However, you feel you could benefit from an external perspective on how your function compares to leading practices and learn from others.

My Internal Audit function needs to evolve. How do I inject fresh thinking? You sense complacency may have set in, stakeholder interaction and reporting are stale and the function is struggling to add value, bring insight and innovate.

How do I get my stakeholders to understand and agree on the role and remit of Internal Audit? There isn't a common view across the organisation as to how Internal Audit provides assurance over key risks and there is a plethora of assurance providers that aren't joined up. You need help to achieve consistency and consensus.

I would like to transform our governance arrangements. How do I get a view on what Internal Audit should do? You see an opportunity to align and possibly redefine the monitoring and control environments of each line of defence. You can see the benefits such a transformation programme could make to the control environment and operational efficiency but don't know where to begin to quantify these.

Our point of view

Expect more – Internal Audit is a significant investment and needs clear objectives, targets and measures like any department. Staff should be proud to work there; it's natural to want to work for and with a high performing team. Internal Audit should be credible in the organisation so it is important to understand stakeholders' expectations and work with them to meet these.

One size does not fit all – be clear on what you want to achieve with your Internal Audit function. The size, shape and skills of your team must reflect the needs of the business; from assuring the basics to driving value and efficiency; You need to agree the style of the Internal Audit function you want before you embark upon change or improvement. Where on the spectrum between a minimum contributor and trusted advisor will your Internal Audit function be expected to operate?

Be open minded – the function or format that worked for you in the past may not be working now. Get an expert's advice, understand what's hot and think differently. Consider all your options and by learning from others' mistakes you can determine what will work best for you.

It's not always bad news – embarking on an Internal Audit effectiveness review can also be about someone else saying how good you are.

Balance quick wins with a longer term strategy – if you are setting up a new function, try some pilot reviews whilst plotting your strategy and building the team. The Audit Committee will want to see evidence of progress. If you are looking to improve your existing function, make quick changes around areas like reporting and execution whilst tackling the more tricky areas of staffing or technology over a longer timeline.

Align your stakeholders – think about how to get your key stakeholders on board if you are seeking to invest in Internal Audit. It can be hard to articulate a case for change. Focus on how the investment will improve performance and protect value – meeting Corporate Governance requirements and protecting the organisation from harm.

Give Internal Audit a seat at the top table – the Internal Audit team is the eyes and ears of the organisation so why wouldn't you invest in the best and then listen properly to what they say? Issues are more likely to be resolved and remediated or, where appropriate, escalated where there is trust and respect for Internal Audit and it feels like it has a seat at the table. Invest appropriately and get advice on how to structure and position your team.

What does good look like

✓ The Internal Audit function is constantly innovating and evolving, looking beyond the organisation, drawing on external benchmarks and independent challenge for fresh ideas and opportunities for further development.

✓ Independent evaluation and assessment is perceived by a confident Internal Audit function as an opportunity for further enhancement opposed to a threat to their credibility.

✓ Thinking outside of the box, pushing boundaries and piloting new technology and audit techniques are attributes that are encouraged, recognised and rewarded.

✓ Internal Audit has a clear vision, remit and action plan, aligning its objectives to the strategic objectives of the organisation as well as the development of its capabilities now and in the future.

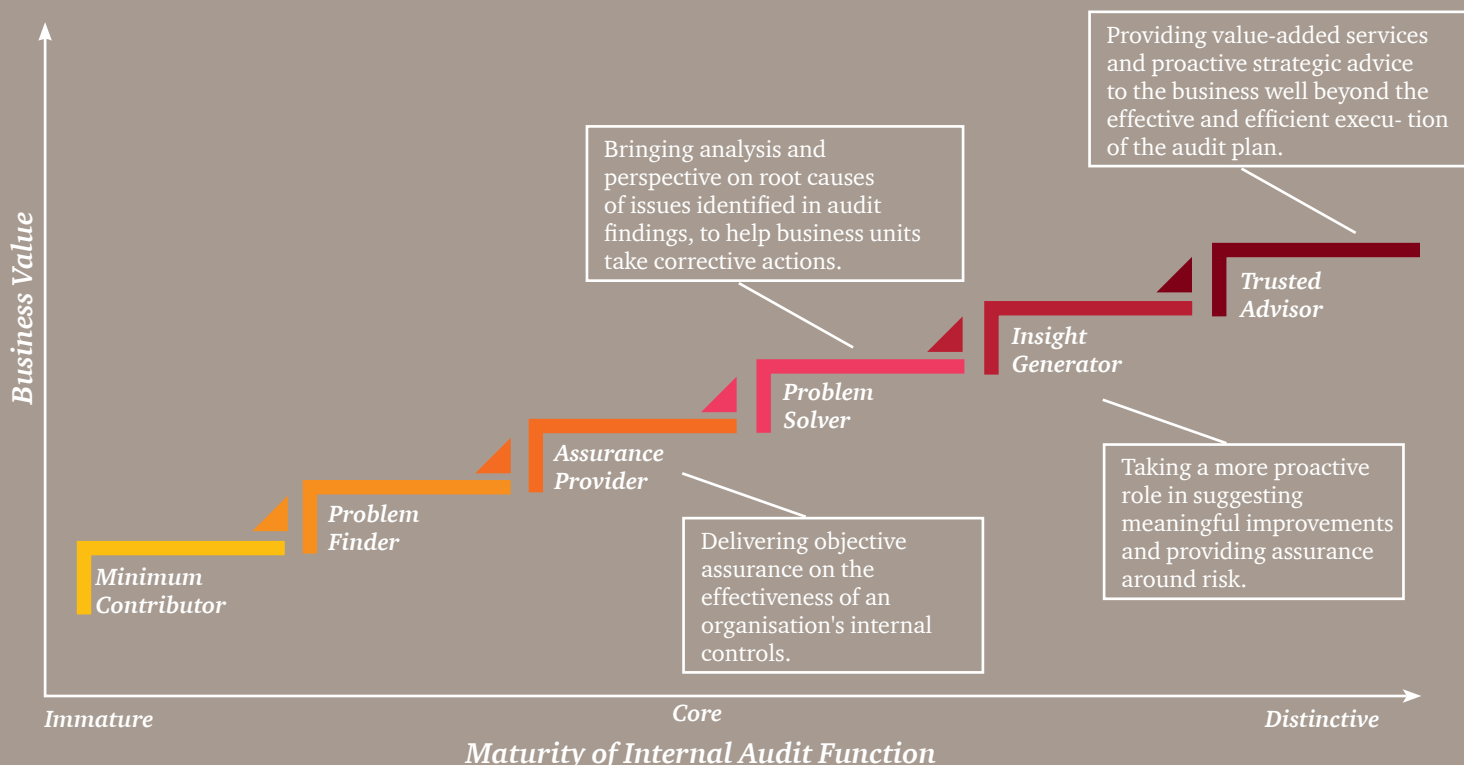
✓ The value of the Internal Audit function is never in question. It's contribution to the organisation is universally recognised and this is reflected in the investment made in Internal Audit, enabling it to fulfill its mandate and strategic ambition.

✓ Internal Audit is clearly positioned against your other lines of defence.

How can we help?

We are proud of the fact that we have a broad base of Internal Audit practitioners with access to deep subject matter and industry experts. These skills together with the investment we are making in leading edge tools and techniques mean we can provide unparalleled innovative Internal Audit solutions.

- We can help you decide what type of Internal Audit function your organisation wants and needs and help you set out your vision accordingly.
- We can give you a dispassionate assessment of the pros and cons of the different models for Internal Audit functions and help you evaluate what is right for you.
- We can take you through the steps to set up a new and effective Internal Audit function.
- We can help you evaluate your in-house Internal Audit function.
- We can benchmark you against leading Internal Audit functions and can give you access to the latest thinking and market insights.
- We know how hard it can be to innovate and transform an Internal Audit function and will work with you, coaching and mentoring your team, to achieve your vision.
- We can draw on our experience of engaging with investors, audit committees, management and employees to help you communicate effectively with your key stakeholders and create the case for change.
- We can help raise the profile and awareness of the value your Internal Audit function brings to the organisation, by working with you to develop an effective stakeholder management programme.
- We can help you understand your regulatory commitments and support you in developing a framework to demonstrate compliance.
- We are independent and will bring our distinctive approach and perspective. We promise to tell you how it is.



When to act

- ✓ When you have a rapidly growing or changing business ready to move up the governance and controls maturity curve and you would like to explore your options for either establishing or evolving your Internal Audit function.
- ✓ When there is confusion on the assurance provided by the different lines of defence and the value they are adding.
- ✓ When you have increasing instances of fraud or control failures that make you question the effectiveness of your current internal control environment.
- ✓ When you are receiving pressure from external stakeholders to improve governance.
- ✓ When you've never sought an independent perspective before and you're curious to know what could be better.
- ✓ When you suspect that the team isn't achieving its full potential. A poor reputation, complaints from key stakeholders and long outstanding actions are all warning signs that ultimately culminate in a loss of confidence by the Audit Committee.
- ✓ When your Internal Audit function has reached a performance plateau and needs inspiration on where to go next.
- ✓ When your business is highly regulated and requires up to date industry, compliance-related or other expert knowledge to keep pace in a rapidly changing environment.



What you gain



Relevance

There will be greater clarity on where Internal Audit is able to make the most valued contribution – being relevant and aligned to the strategic priorities of the organisation.



Innovation

You will gain comfort that you're set for success with a plan for your Internal Audit function that reflects the latest thinking and innovation.



Alignment

There will be alignment between stakeholder needs and expectations and an agreed remit for the Internal Audit function.



Confidence

You will have an independent view confirming your Internal Audit function is right for your organisation and/or a clear plan to achieve your vision. You will be able to demonstrate compliance with regulatory requirements.

Assurance providers will have clarity as to how they operate and interact across the organisation.

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