



Florida Inspectors General

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Chief Inspector General

The Evolving Role of the Auditor:

From Traditional to Futuristic

Sponsored by:

*The Chief Inspector General and the Florida Chapter of the Association of
Inspectors General*

Enhancing Public Trust in Government

Presentation Outline

- **Constants of our Profession**
- **Definition of Internal Auditing (IA)**
- **Evolution of Internal Auditing**
- **IA Maturity Model**
- **Change Influences**
- **Creating Value Through:**
 - **Positioning**
 - **Process**
 - **People**
- **The Next Generation**

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Constants of Our Profession

Code of Ethics

- Integrity
- Objectivity
- Confidentiality
- Competency

Definition

- Assurance
- Consulting

Standards

- Attribute Standards
- Performance Standards

Regulatory Guidance

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Presentation Outline

- Constants of our Profession
- **Definition of IA**

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Definition

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

Presentation Outline

- Constants of our Profession
- Definition of IA
- **Evolution of Auditing**

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Evolution of Auditing

1st

Generation

(Pre 1980's)

Controls

Start with existing processes, procedures and control activities

Audit for Compliance

Evolution of Auditing

1 st Generation	2 nd Generation
(Pre 1980's)	(1980's)
Controls	Control Framework
Start with existing processes, procedures and control activities	Start with financial compliance risks
Audit for Compliance	Determine controls that should be in place. Audit for design, operational effectiveness and compliance

Evolution of Auditing

1 st Generation	2 nd Generation	3 rd Generation
(Pre 1980's)	(1980's)	(1990's)
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Evolution of Auditing

1 st Generation	2 nd Generation	3 rd Generation	4 th Generation
(Pre 1980's)	(1980's)	(1990's)	(2000's)
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Evolution of Auditing

1 st Generation	2 nd Generation	3 rd Generation	4 th Generation	The Next Generation
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- **IA Maturity Model**

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Internal Audit - Maturity Scale

Services and Role of Internal Audit



Initial	Infrastructure	Integrated	Managed	Optimized
<ul style="list-style-type: none">• Ad hoc	<ul style="list-style-type: none">• Post Audits• Compliance Auditing• Silos	<ul style="list-style-type: none">• Performance Auditing• Assurance Services	<ul style="list-style-type: none">• Assurance on governance, risk management and control• Continuous Auditing• Technology	<ul style="list-style-type: none">• Internal Audit is recognized as a change agent• Assurance and Consulting Services• Analyze for Early Warnings

Internal Audit - Maturity Scale

People Management



Initial	Infrastructure	Integrated	Managed	Optimized
<ul style="list-style-type: none">• Ad hoc	<ul style="list-style-type: none">• Individual Professional Development• Skilled People Identified and Recruited	<ul style="list-style-type: none">• Teambuilding and Competency• Professionally Qualified Staff• Diverse Skill Sets	<ul style="list-style-type: none">• Ongoing Staff Development• IA as a Management Development Tool• IA Activity Supports the Profession	<ul style="list-style-type: none">• Leadership Involvement with Professional Associations

Internal Audit - Maturity Scale

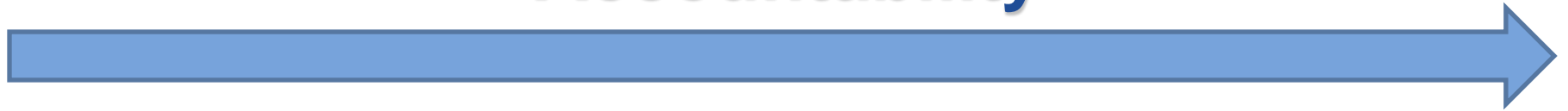
Professional Practice



Initial	Infrastructure	Integrated	Managed	Optimized
<ul style="list-style-type: none">• Ad hoc	<ul style="list-style-type: none">• Professional Practice and Processes Framework• Audit Plan based on Management/ Stakeholder Priorities	<ul style="list-style-type: none">• Quality Management Framework• Risk-based Audit Plans	<ul style="list-style-type: none">• Strategic Alignment of Audit with Organization's Management of Risks	<ul style="list-style-type: none">• Continuous Improvement in Professional Practices• Anticipatory IA Planning

Internal Audit - Maturity Scale

Performance Management and Accountability



Initial	Infrastructure	Integrated	Managed	Optimized
<ul style="list-style-type: none">• Ad hoc	<ul style="list-style-type: none">• IA Business Plan• IA Dedicated Resources	<ul style="list-style-type: none">• Cost Information• IA Performance Measures• IA Management Reports	<ul style="list-style-type: none">• Integration of Qualitative and Quantitative Performance Measures	<ul style="list-style-type: none">• Reporting of IA Effectiveness

Internal Audit - Maturity Scale

Organizational Relationships and Culture



Initial	Infrastructure	Integrated	Managed	Optimized
<ul style="list-style-type: none">• Ad hoc	<ul style="list-style-type: none">• Managing within the IA Activity	<ul style="list-style-type: none">• Integral Component of Management Team	<ul style="list-style-type: none">• CAE Advises and Influences Top-level Management	<ul style="list-style-type: none">• Effective and Ongoing Relationships

CAE – Chief Audit Executive

Internal Audit - Maturity Scale

Governance Structures



Initial

- Ad hoc

Infrastructure

- Reporting Relationship Established
- Full Access to the Organization's Information, Assets and People

Integrated

- Management Oversight of the IA Activity
- Funding Mechanisms

Managed

- Independent Oversight of the IA Activity
- CAE Reports to Top-level Authority

Optimized

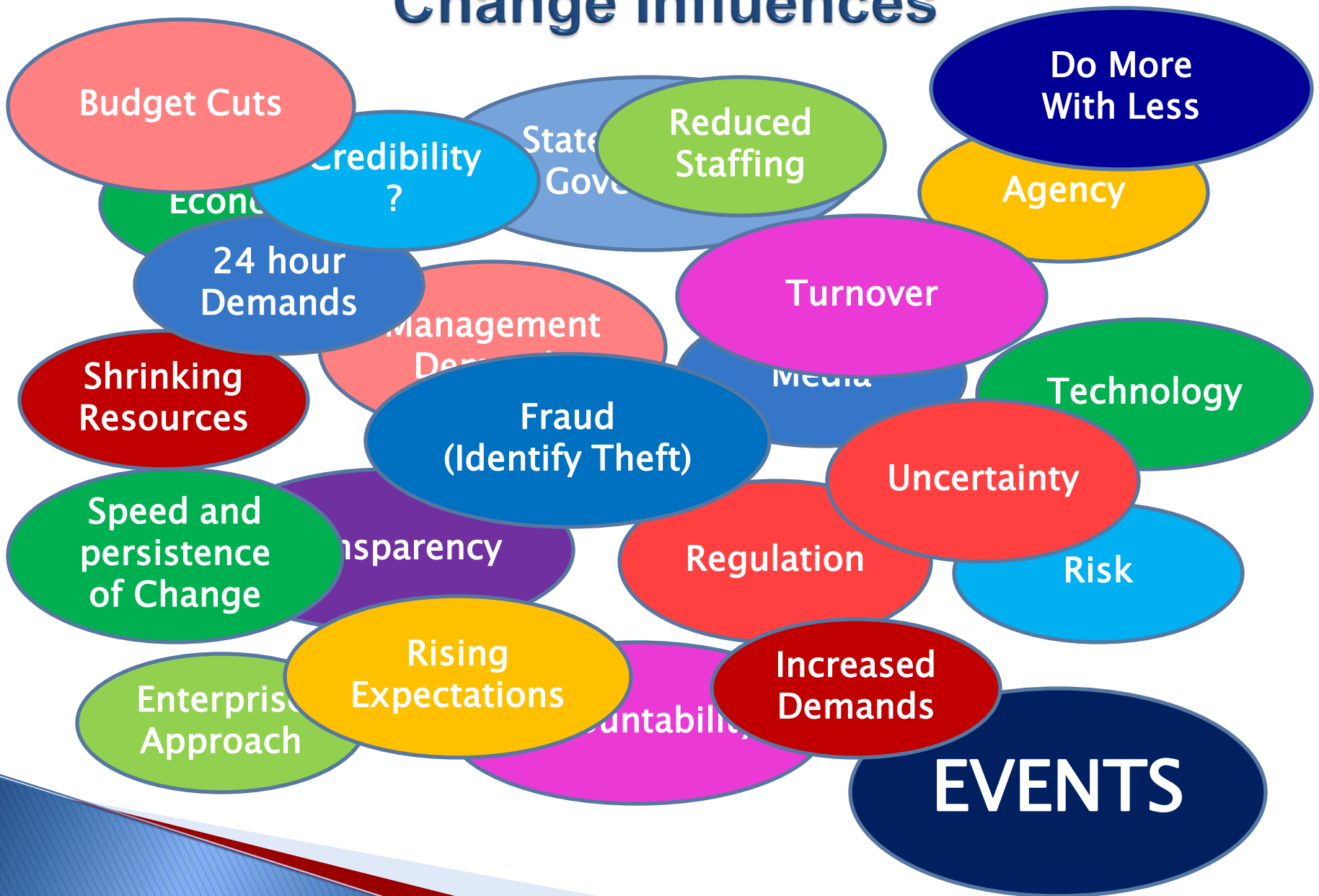
- Independence, Power and Authority of the IA Activity

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- **Change Influences**

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Change Influences

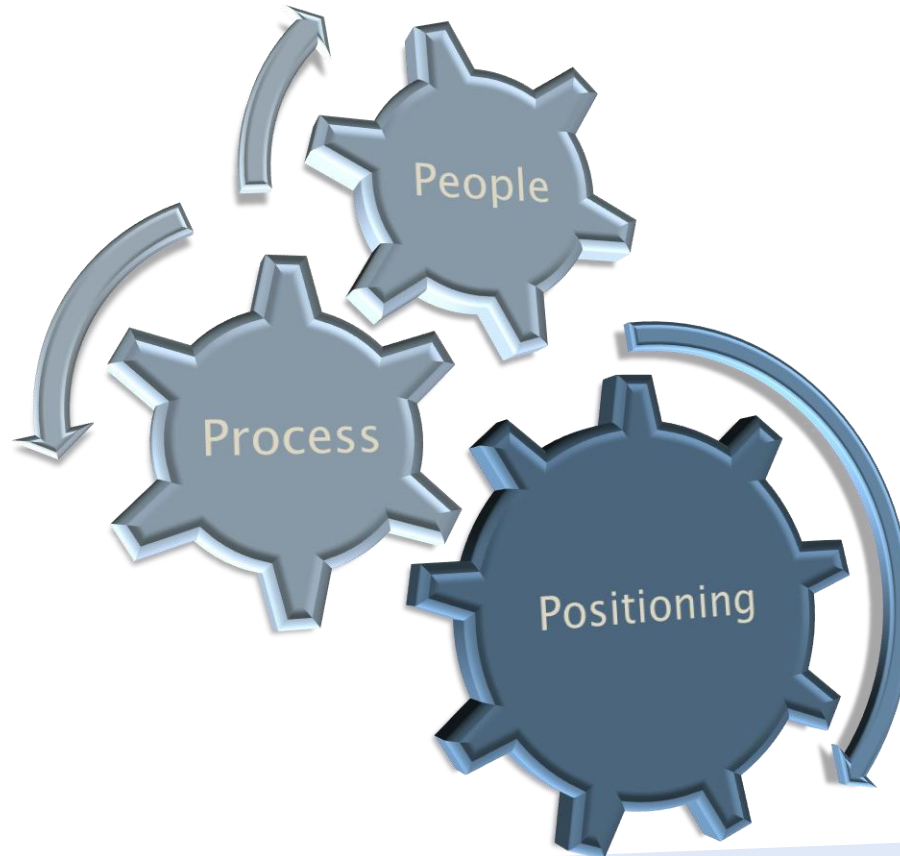


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Value Creation Through Internal Audit Positioning, Process and People



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IA Value Proposition

- **Assurance** – the organization is operating as management intends.
- **Insight** – for improving controls, processes, procedures, performance, and risk management; and for reducing expenses, enhancing revenues, and improving profits.
- **Objective** – assessments of operations.



Positioning

Organizational Placement

- Report to the Agency Head as specified in Section 20.055, Florida Statutes

Physical Location

- Remote locations can inhibit the development of strong relationships unless carefully managed



Positioning - Cont.

Reporting Relationships

- Independent Oversight of IA Activity
- Effective Ongoing Relationships with Management and Stakeholders
- Power and Authority to Carry out Duties

Management Access

- Maximize Effectiveness and Credibility



Positioning – Cont.

Communications

- Open Two-way Communication between Leadership to Audit Team
- Be Accessible to People- Open Door Policy
- Be in the Loop - Be Seen and Be Heard

Know the Organization

- Mission and Goals
- Strategic Plans and Initiatives
- Issues
- Risks and Challenges



Process

Risk Assessment

- Strategic Alignment of IA with Organization's Management of Risks
- Implement Real Time Continuous Risk Assessments
- Add Risk-based Analytics – Including Fraud
- Integrate Risk Identification and Mitigation Processes
- Assess the Governance Environment – Stay Aware of Your Surroundings



Process – Cont.

Look for Opportunities to Add Value

- Refocus Efforts Beyond Compliance
- Take IA Beyond its Current Role to Become a Strategic Advisor
- Anticipatory IA Planning – Requires Deep Subject Matter Knowledge
- Become a Recognized Agent for Change



Process - Cont.

Performance Measures

- Track Cost and Production Information
- Integrate Qualitative and Quantitative Performance Measures
- Report on the Effectiveness of Internal Audit



Process - Cont.

Professional Practices

- Benchmarking
- Continuous Auditing
- Conduct both Assurance and Consulting Services
- Employ Technology in all Aspects of IA Operations
- Analyze for Early Warning Signs (Analytics)
- Provide “Bonus” Information



People

Relationships

- Relationship Management
- Conflict Resolution Skills
- Strong Interpersonal Skills
- Strong Communication – Both Oral and Written
- Facilitate Communications
- Socially Adept
- Become and Seek a Mentor



People - Cont.

Business

- Strong Business Insight and Acumen
- Understanding the Business Context
- Knowledge of the Issues Facing the Organization
- Provide Management Information in terms of Dashboards nor Rearview Mirrors



People – Cont.

Judgment

- Professionalism
- Due Professional Care
- Materiality
- Resource Utilization – Watch out for Scope Creep!



People - Cont.

Competency

- Diverse Skill Sets
- Experience
- Fresh Outlook – Deep Sense of Curiosity
- Results Oriented
- Certified
- Committed
- Focused



People - Cont.

Professional Development

- Become Engaged in your Work and Profession
- Enhance your Skills through Education and Certification
- Become More IT Savvy
- Do Your Research
- Broaden Your Experience Base



People - Cont.

Attributes

- Develop a Sense of Urgency Focused on Management Priorities
- Be a Team Player – Help Others Be Successful
- Recognize and Share Innovative Ideas and Practices
- Collaborate with Others
- Develop a Network – Before You Need It!
- Step Outside of Your Comfort Zone
- Volunteer – Identify a Need and Step Up!



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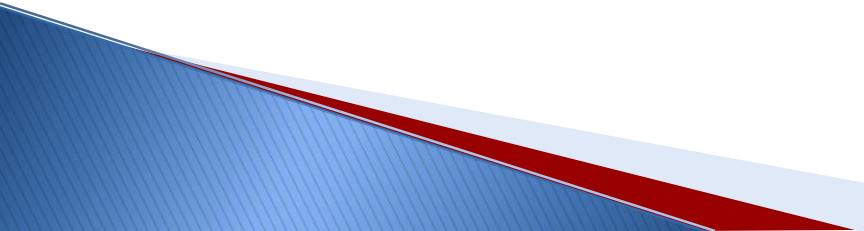
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The Next Generation



The Next Generation

- **Risk-centric**
 - **Technology**
 - **Continuous Auditing**
 - **Timely, Concise Reporting**
 - **Assessing Operations**
 - **Fraud Risk Assessments**
 - **Accountability and Transparency**

 - **Others?**
- 



Summary

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Questions?

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