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RELEVANCE: ONE GOAL, MULTIPLE PATHS

INTERNAL AUDITING AROUND THE WORLD®
VOLUME XIX

protiviti®
Global Business Consulting



Foreword

Relevance Is a Destination and an Ongoing Journey —
With Multiple Viable Paths — for Internal Audit



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The 19th volume of Protiviti’s *Internal Auditing Around the World*[®] builds on a theme we explored in-depth earlier this year in our 2023 Next-Generation Internal Audit Survey — internal audit relevance.

For that global survey, we presented a broad definition of relevance: “being connected and aligned on what’s important and being insightful and providing value through communications and other forms of information sharing.”¹ However, we also underscored that context was a critical consideration when defining relevance for internal audit, and that internal audit organizations could take “multiple, entirely valid paths” to reach the same overall goal — while also delivering on their core mandate.

¹ 2023 Next-Generation Internal Audit Survey, Protiviti: www.protiviti.com/us-en/survey/next-gen-ia-2023.



Hence the inspiration for the title of this year's *Internal Auditing Around the World* — “Relevance: One Goal, Multiple Paths.” We knew going into our interviews with the internal audit leaders featured in this publication that they would all indicate they are focused on helping their function achieve higher levels of relevance and value. One is hard-pressed to find a chief audit executive (CAE) today who does not aspire to have an internal audit department that is viewed as relevant by key stakeholders and to be able to point to the team's high performance and the overall value they add to the business as evidence of that relevance.

While there are certainly commonly recognized practices that can help in the delivery of value and relevance, there is no one-size-fits-all playbook, so we were eager to hear about the different ways that internal audit leaders are navigating their teams to that destination. Interestingly, most leaders cited similar initiatives, many of which align with their ongoing efforts to build a next-generation internal audit organization — work that many have had underway for years and that most also acknowledge is a journey of continuous evolution.

Several internal audit functions featured herein have already embraced and aim to accelerate their use of technology solutions, like advanced analytics, automation, machine learning and even artificial intelligence. They are also investing in deepening their skills bench, including recruiting talent with no previous internal audit experience, but with depth of knowledge in specialized areas and specific industries. Some are also partnering with expert resources inside and outside of their organization.

We also learned that improving the quality and impact of internal audit's communication is a high priority for most of these leaders. As one CAE noted, their team's relevance hinges greatly on keeping “open lines of honest communication and dialogue with stakeholders.” Another leader described ongoing communication and relationship-building as “vital” to their internal audit team's ability to continue demonstrating their relevance and building the department's reputation.

In light of these findings, internal audit executives pondering how to navigate their teams toward greater relevance and delivery of increasing value may want to consider the following questions:

- Are your communications timely enough — that is, is your communication to stakeholders occurring at the speed of risk as well as the speed of information-gathering?
- Are you communicating information to audiences confidently, clearly and concisely — and in a way that's tailored to what *they* need to know and what *they* care about most?
- Are you using customized methods of communication with stakeholders to share information so that they can use it effectively to make high-quality decisions that help reduce risk and create value?
- Are you exploring and making use of established and emerging technologies and analytics solutions to enable and enhance your internal audit activities?
- Do you have structured initiatives focused on upskilling and otherwise ensuring that the internal audit function has access to the skills needed in the near term and for the future?



An even bigger question: What more can internal audit do, and do better, when it comes to making use of data in reporting and communications? Many of the internal audit teams featured in this publication indicate that they are thinking a great deal about this, recognizing the opportunity to enhance the audit process by making use of, and incorporating, data to better engage executive leadership and other stakeholders, including, importantly, through “real time” sharing. Most functions are still at the early stages of creating dashboards and reporting tools for this purpose. But they recognize that in the long run, these efforts are necessary to help ensure that their work can provide timely and valuable insight to support the organization’s overall success.

When we asked how they track or measure their team’s relevance, several CAEs we interviewed told us that proactive outreach to them by the business to ask questions or raise concerns is a strong indicator that internal audit is doing something right. It signals that they have earned a reputation for being a trusted adviser, sought out for counsel as events and initiatives unfold rather than after the fact. As one leader noted, “You can call yourself relevant all you want. But if you don’t get requests for help or no one wants to talk to you, there is no relevance, right?”

So, while there is no formal playbook for achieving relevance, and no single path to follow along the journey, there are guideposts that internal audit leaders and their teams can look out for to help them know they are taking a path that’s leading in the right direction. Every invitation from the business to share input or be in “the room where [and when] it happens” is a clear sign.

Just remember that once you reach a state of “relevance,” however you define it, your journey will not be over. Your challenge is to *remain* relevant and *enhance* your relevance, and that will require continuous evolution of the internal audit function and its capabilities — ranging from strategy to technology to talent.



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Introduction



*“Your most important work is always ahead of you,
never behind you.”*

STEPHEN R. COVEY

*Author of *The Seven Habits of Highly Effective People**



What does it mean for an internal audit function to be relevant? What can internal audit leaders do to increase the relevance of their teams?

These were questions we sought to answer through our interviews with the chief audit executives (CAEs) featured in Volume XIX of Protiviti's *Internal Auditing Around the World*®. Going into the process, we understood that we would hear many different takes on the definition of relevance in an internal audit context. We also recognized that no function takes the same exact path on the road to relevance, and beyond. Yet, some common themes emerged from these discussions. We learned that:

A strong embrace of new and emerging technologies and related skill sets is vital to advancing the relevance journey for many internal audit functions.

Leading internal audit organizations are expanding their digital capabilities and bringing advanced tools like GRC, automation, core and advanced analytics, process mining, and artificial intelligence into their everyday work to help streamline audits, increase team productivity, and equip business owners and management with more relevant, timely and data-driven insights. And functions that have yet to explore and enable continuous auditing and risk monitoring typically plan to do so sooner than later.

We also found that some CAEs are highly focused on growing their teams' skill sets to prepare them for the future of work. One department we feature strongly encourages its team members, regardless of their level or responsibilities, to become proficient in data analytics (something we would also strongly endorse) — and they are rewarded for their efforts. Another function continually upskills its staff through a series of training and employee development programs, including sessions devoted specifically to emerging technology.

To deliver relevant, actionable recommendations to the business, internal audit functions need teams of people with diverse backgrounds, perspectives and expertise.

Any organization benefits from having access to diversity of thought, as it helps fuel creativity, drive innovation and enhance team productivity. Many internal audit executives featured in this publication told us that they're striving to create more diverse and inclusive functions overall to help their teams become more effective and relevant.

One internal audit organization we feature seeks to hire professionals with deep expertise in highly specific domain areas relevant to their business — such as a biochemical engineer, who doesn't have an auditing background, tapped to lead the function's food safety and hygiene capability. Another internal audit team we spotlight has been expanding its talent bench to include experts with operational experience in areas such as financial crime and risk management. The aim is to create a more well-rounded internal audit function with auditors who possess deep business and technical acumen, as well as the ability to communicate in a highly impactful manner and demonstrate empathy to stakeholders.

One of the best indicators of whether an internal audit function is considered relevant is the business proactively reaching out to the organization for guidance.

Since we launched our inaugural *Internal Auditing Around the World* publication in 2005, Protiviti has been documenting a trend that was slow to gain momentum and has seen some ebbs and flows — but has been accelerating in recent years. That trend is the shift in many companies toward seeing internal audit as a strategic and trusted adviser that adds value to the business



not only because of its expertise and unique vantage point in the organization, but also its independence and objectivity.

And now, it seems many internal audit leaders and their teams are finally getting the calls they've been waiting for — direct and regular contact from business leaders, proactively seeking their input on everything from potential compliance issues to technology project risks. One function we profile maintains a flexible and highly collaborative partnership with its stakeholders, and fully embraces the opportunity to be a catalyst for change when needed. Another organization, because of its proactive outreach, knowledge-sharing and commitment to relevance, quickly evolved from a startup function in 2016 to a valued and trusted resource for the business today. These are excellent examples of how the commitment to and demonstration of value and relevance gets internal audit invited to be in “the room where [and when] it happens.”

These are only a few examples from our 19th volume of *Internal Auditing Around the World* that help to showcase how many leading internal audit organizations are working toward or demonstrating relevance — and being recognized for it. What we also learned from the CAEs who contributed to this year's publication is that becoming relevant is often a long and challenging journey for internal audit teams, and that the work to remain relevant is not likely to become any easier as technology, business, regulations, evolving risks, stakeholders' expectations and other forces continue to change. Consistency, persistence and a strong belief in the value that a highly relevant internal audit function can deliver for the organization are key characteristics we observed in the CAEs profiled herein and serve as a good lesson for others making the journey.

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We would like to express our gratitude to the companies and internal audit leaders who shared their insights for Volume XIX of *Internal Auditing Around the World*. Their enthusiasm for the process, and their generosity in providing their time and feedback, helped us create one of our best volumes of this publication to date, and one we are extremely proud of. The leaders profiled in this publication are some of the best in our great profession and serve as tremendous examples to their teams and the global internal audit community. We are confident that our readers will be inspired by the goals and achievements of their peers and will gain valuable insights on how to become more future-forward internal audit professionals — and help advance their own teams and functions on the journey toward achieving relevance, and beyond.

Protiviti also acknowledges The Institute of Internal Auditors (The IIA) for its ongoing commitment to advancing the internal audit profession. We value our long-standing partnership with The IIA, and we sincerely appreciate the organization's continued interest in seeing this annual publication succeed.



Bayer AG

Maintaining Relevance Through a “Big Picture” Lens

To some extent, audits always consume the resources and time of those being audited. The clearer the relevance for the business becomes, the higher the acceptance. That is why I urge my team to focus on major issues and the big picture, rather than minor or moderate findings and deficiencies. When we talk about relevance, it's about focusing on those things that matter.

AXEL HAMANN

Head of Internal Audit and Risk Management



AT A GLANCE

The mission of Bayer’s internal audit and risk management function is:

- “To safeguard the company against significant risks”
- “Strengthen its path to growth, building on trusted professionals and leading technologies”

Beyond business acumen and experience, Hamann values auditors with a deep understanding of technology and analytics and a certain sense of “pragmatism.”

“Our stakeholders have a genuine interest in focusing our scarce auditing resources on the most relevant topics.”

“I really believe it’s about going beyond assurance. It’s about combining internal audit and risk management. And it’s an impeccable opportunity to impact the entire risk cycle from identification to remediation.”

Bayer AG is a global firm in the life sciences sector. It is currently the only global company with extensive research efforts in agriculture and healthcare¹ leading to products with tangible impacts on people’s daily lives.

This is also reflected in Bayer’s corporate vision “Health for all, hunger for none,” which encapsulates its focus on improving people’s quality of life by preventing, alleviating, or curing diseases.² Bayer also strives to provide an adequate supply of high-quality food, feed and renewable plant-based raw materials to support the world’s agriculture industry. To accomplish these goals, investment in research and development is a major strategic focus for Bayer.

Bayer was founded 160 years ago in Barmen, Germany, as a manufacturer of synthetic dyestuffs for use in the textile industry.³

¹ “Research and Development,” Bayer website, accessed March 20, 2023: www.bayer.com/en/innovation/research-and-development.

² “Science for a Better Life,” Bayer website, accessed March 20, 2023: www.bayer.com/en/us/mission-and-values.

³ “Becoming an International Company (1881–1914),” Bayer website, accessed March 20, 2023: www.bayer.com/en/history/1881-1914.



By the late 19th century, Bayer was a growing international company focused on innovative research broadening its portfolio of industrial chemicals and pharmaceuticals. The globally known brand Aspirin[®], the so-called “drug of the century,” was launched in 1899.⁴

Today, Bayer AG is a global life sciences enterprise with three operating divisions — Crop Science, Pharmaceuticals and Consumer Health.⁵ Headquartered in Leverkusen, Germany, the company operates in 83 countries, reflecting significant coverage across all major regions worldwide. At the end of 2022, Bayer had 101,369 employees and posted annual revenues of €50.7 billion, with a profit margin of 26%.

Hamann defines internal audit and risk management's role at Bayer as threefold, consisting of the following components — to assess, enable and advise.

Bayer’s board of management consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Transformation and Talent Officer and the presidents of the company’s three operational divisions. Bayer’s head of Internal Audit and Risk Management is Axel Hamann, who has worked for Bayer for 17 years. Before taking on his current role at the company in January 2023, Hamann was CFO for Bayer Pharmaceuticals.

Both the internal audit and risk management teams report up through Hamann, a structure he considers a “fundamental cornerstone to how we increase relevance” in the organization.

Hamann reports to the CEO, and he is also part of the CFO’s senior leadership team.

The mission of Bayer’s internal audit and risk management function, according to Hamann, is “to safeguard the company against significant risks and strengthen its path to growth, building on trusted professionals and leading technologies.” The function includes 135 full-time employees dispersed worldwide and split among three groups: the core audit team; analytics and advisory, which provides technology and data support for the audit team; and enterprise risk management (ERM) and business continuity management (BCM).

Maintaining the “License to Operate”

Hamann defines internal audit and risk management’s role at Bayer as threefold, consisting of the following components — to assess, enable and advise. He explains that the function stays relevant by engaging with the larger organization in two key ways. First is by supporting Bayer’s ability to “maintain the license to operate,” or stay in business. The second is by helping Bayer to succeed through ongoing risk assessment and continuous improvement.

“This is why we at Bayer embed the risk management perspective in activities such as our company’s annual strategy and operational budget planning cycles,” Hamann says. “Our fundamental task is to maintain the organization’s license to operate. But we’re also committed to enabling the business and governance bodies of the company to navigate and understand emerging risks.”

Bayer’s internal audit and risk management function conducts several activities throughout the year to foster a focus on relevance, according to Hamann. These activities include a twice-yearly review of

⁴ Ibid.

⁵ “Names, Facts, Figures About Bayer,” Bayer website, accessed March 20, 2023: www.bayer.com/en/strategy/profile-and-organization.



the enterprise risk universe, which then forms — among other sources — the basis for the audit plan, which is holistically derived, taking further input from various stakeholders into account.

“It’s fundamentally integrated,” says Hamann. “When we begin crafting the audit plan for next year, we start with the current risk universe and then drill down further.”

The function also conducts various business continuity and ERM exercises around the organization, including scenario-testing and risk-bearing capacity simulations.

Hamann says these exercises help establish a proactive mindset toward identifying and monitoring emerging threats early in the risk management cycle. He notes that there is currently a focus on several macro risks, including geopolitical disruption, ongoing supply chain issues and cybersecurity threats.

“To some extent, audits always consume the resources and time of those being audited,” he says. “The clearer the relevance for the business becomes, the higher the acceptance. That is why I urge my team to focus on major issues and the big picture, rather than minor or moderate findings and deficiencies. When we talk about relevance, it’s about focusing on those things that matter.”

Business continuity and ERM exercises help establish a proactive mindset toward identifying and monitoring emerging threats early in the risk management cycle.

Enabling Relevance Through Technology, Business Acumen and Pragmatism

Hamann places a big focus on using technology such as data analytics to increase

internal audit’s impact at Bayer. The function maintains a dedicated analytics and advisory practice, which helps to improve efficiency within the department and provides the business with self-monitoring capabilities.

An example of this is internal audit’s use of process mining software to screen massive volumes of data from Bayer’s business operations. Business and regional leaders also have access to an array of dashboards transparently showing audit observations broken down into various dimensions, e.g., criticality, affected processes and function.

“With roughly 80 internal auditors, we cannot audit every country and commercial area once each year,” Hamann says. “So, we equip those leaders with dashboards and technologies that allow them to detect patterns on a broader scale that may also raise a red flag for their area of responsibility. For us, this is extremely important. Not only do we apply those technologies in our own department, but we also provide them to the broader organization.”

The internal audit and risk management function partners with the broader organization in other ways as well, Hamann says, such as through quarterly meetings with senior management to discuss emerging risks.

It also helps that both Hamann and his predecessor came from senior finance roles within the business — a heritage that Hamann says reinforces his belief in the importance of having business acumen on the audit and risk management team. “One of my main goals is to rotate more people with business backgrounds into the department and back out to their functions,” Hamann says.

“Doing this is close to my heart,” he continues. “We need to increase business experience and business exposure in internal audit because when you know the business you can make calls much easier between what is relevant and what is not. Without,



you'd probably conduct a rather broad audit, checking all the boxes but not necessarily focusing on high-impact areas."

Beyond business acumen and experience, Hamann says he values auditors with a deep understanding of technology and analytics and a certain sense of "pragmatism." He places a premium on team members who can "distinguish between those observations that matter from those that ultimately don't make a difference."

"I'm a huge fan of pragmatism and that's something I search for in recruits to the function because otherwise there's a tendency to get lost in the weeds," Hamann says. "An internal auditor needs the ability to zoom out and look at the big picture. For me, that's an essential condition for achieving relevance because we should only focus our scarce resources on the most relevant and critical aspects of the audit."

Hamann places a premium on team members who can "distinguish between those observations that matter from those that ultimately don't make a difference."

Serving the Needs of Key Stakeholders

To maintain relevance in an evolving risk landscape, Hamann maintains proactive discourse with internal audit's key stakeholders at Bayer, which includes the audit committee (a subset of the supervisory board), the firm's executive leadership, the executive committees of each of the company's three operating divisions, and the compliance function.

Internal audit conducted stakeholder surveys for the first time in 2022, asking more than 30 senior leaders throughout the company for their feedback on internal audit's effectiveness in providing assurance, maintaining professional objectivity and ensuring a culture of transparency. The results were really positive, according to Hamann.

Additionally, Hamann presents quarterly to the audit committee to report on critical audit findings, which typically comprise 10% to 15% of all audits. He also has scheduled check-ins with the audit committee chair every six to eight weeks. These ongoing checkpoints have helped Hamann and his team to establish trust and credibility with their stakeholders at Bayer, reinforcing the function's relevance to the organization.

"Our stakeholders have a genuine interest in focusing our scarce auditing resources on the most relevant topics," Hamann says. "They have particularly appreciated the application of the risk universe evaluation into audit planning. That gives them a level of comfort that we have a very sound understanding of the top risks, which is then incorporated into the audit plan."

This growing trust has led to the internal audit and risk management teams being invited to conduct "friendly" audits in certain areas and advise on new projects, such as the implementation of the latest version of SAP's S/4HANA ERM software.

"For the S/4HANA implementation project, we're leveraging our knowledge gained from prior SAP rollouts," Hamann says. "We're now sharing that expertise with the team implementing the new solution to provide the project with the already known pitfalls that can be avoided. At a later stage, we will also start auditing activities for this specific project."



Maintaining a Long View of Emerging Risk

Looking to the future, Hamann says he's focused on making sure that the internal audit and risk management function at Bayer focuses only on the most relevant matters. He adds that to accomplish this his department must remain diligent about tracking emerging risks. They must also ensure they have the right people and skill sets in place to properly monitor an evolving risk universe.

Hamann is also intent on increasing the interdependency between internal audit and risk management through "a people-focused

approach." He explains, "Prior to each audit, and to enable the most effective audits, we want to have our auditors consulting with certain colleagues in risk management who have experience and good insight into the respective area."

Hamann continues, "I really believe it's about going beyond assurance. It's about combining internal audit and risk management. And it's an impeccable opportunity to impact the entire risk cycle from identification to remediation."



Carlyle

Building Relevance From the Start —
and Taking It on the Road

Executing well and demonstrating our deep knowledge of the business and global operations of the firm have given us a seat at the table. And having that seat at the table puts internal audit right there when discussions are being had on emerging issues or relevant topics where we can immediately be helpful.

DANIEL MUTZIG

Global Chief Audit Executive, Partner and Managing Director



AT A GLANCE

“We achieve [internal audit’s objective] by providing a mix of services beyond audits. That includes advising on process and operational areas and providing initial risk and design assessments for new or emerging areas.”

Offering an array of services allows his team to be more relevant and agile. “It helps us respond to emerging risks and stay current on management’s growth strategy and initiatives.”

Mutzig and his team spend time in all of Carlyle’s offices, which helps to inform and confirm the overall audit plan and establish its relevance.

- **His team aims to increase their relevance** and be seen as a “high-quality function within the firm.”
- **“Executing well and demonstrating our deep knowledge of the business and global operations of the firm have given us a seat at the table.”**

Carlyle is a large, global investment firm with US\$381 billion of assets under management. The firm, which was founded in Washington, D.C., in 1987, operates 29 offices across five continents and employs more than 2,200 professionals. Carlyle’s mission is to create long-term value for its investors, companies, shareholders, people and communities.¹

The investment firm focuses on three business segments:

- **Global Private Equity** — This segment is a large, global and diversified private equity platform spanning industries, geographies and strategies to deliver transformational results for Carlyle’s investors. The platform helps businesses in corporate private equity, infrastructure and real estate access investment team resources to support operational improvements, revenue growth, geographic expansion and other objectives.

¹ “Our Firm,” Carlyle website, accessed June 13, 2023: www.carlyle.com/our-firm.



- **Global Credit** — This segment, which has access to about 1,000 lending relationships worldwide, offers “creative, holistic capital structure solutions” to borrowers and works with investors to “create value across a wide range of credit strategies.”²
- **Global Investment Solutions** — This business segment helps investors meet their objectives through tailored portfolio construction. It also provides investors with a range of private equity opportunities, including primary investments, secondary and co-investments, commingled funds, and separately managed accounts. Carlyle’s subsidiary private equity asset manager, AlpInvest, “seeks to provide investors with access to the global private markets” through investment opportunities across various strategies.³

Mutzig says offering an array of services allows his team to be more relevant and agile.

A large, diversified investment firm with global focus requires the support of an internal audit function with global presence and depth. And according to Daniel Mutzig, Carlyle’s global chief audit executive (CAE), that’s exactly what the firm has — and more.

“We’re a global function,” says Mutzig, who is also a partner and managing director at Carlyle. “We cover the depth of the firm and its fund operations — that’s our mandate overall. And we are also referred to as ‘global internal audit and advisory’ within Carlyle because we are both an auditor and adviser to the firm.”

Mutzig, who is based in the firm’s D.C. office, is also Carlyle’s Deputy Risk Officer. In addition, he sits on the firm’s Risk Committee and is a member of Carlyle’s Operating Committee. In his role as global CAE, Mutzig leads a team of 20 auditors.

Offering Services Beyond Traditional Audits — and Investing in Face Time

At Carlyle, the internal audit function’s primary objective is to be an independent and objective assurance and advisory function, and to work with management to increase the effectiveness of the firm’s risk management, governance and controls.

“We achieve that goal by providing a mix of services beyond audits,” Mutzig says. “That includes advising on process and operational areas and providing initial risk and design assessments for new or emerging areas.”

Mutzig says offering an array of services allows his team to be more relevant and agile. “It also helps us respond to emerging risks and stay current on management’s growth strategy and initiatives overall,” he explains. “It allows us to pivot where and when we need to in order to be highly responsive.”

To gain a better understanding of the firm, Mutzig and his team members spend time in all of Carlyle’s offices. “In addition to auditing the activities of the local offices, we meet with all the key individuals at various levels,” he says. “That helps us to assess the culture — the softer things — including the morale, themes and concerns. We appreciate the trust and constructive dialogue we can have with all global offices.”

Mutzig says that this allows his team not only to identify opportunities for improvement but also identify best practices across the firm,

² “Global Credit,” Carlyle website, accessed March 31, 2023: www.carlyle.com/our-firm/global-credit.

³ “Global Investment Solutions,” Carlyle website, accessed March 31, 2023: www.carlyle.com/our-firm/global-investment-solutions.



which can be shared with other locations and functions. He says these office reviews help to inform and confirm his overall audit plan and establish its relevance on a continuous basis.

One example of an emerging area where Carlyle's internal audit function is providing front-end advisory work is on ESG issues.

Becoming a “High-Quality Function Within the Firm”

While many internal audit functions around the world are hoping to become a strategic partner to the business, the team at Carlyle was set up from day one to be that type of function. When Mutzig joined the firm in 2011, Carlyle didn't have an internal audit department. “It was square one from the beginning,” he says. “But that's not unusual for our industry. The firm was getting ready to go public, and all of our peers went through the same maturity process.”

Mutzig immediately recognized the opportunity to create an internal audit department with an advisory component that could help the firm manage risk more effectively. “So much of what Carlyle does is new, emerging or ever-changing,” he says. “Internal audit can add value at the start of or during projects or initiatives by providing an advisory review or a design review, or ongoing monitoring and oversight. We can offer an opinion at the front end to help the firm avoid potential issues down the road. Obviously, this only works when you already have a strong assurance baseline function in place.”

He continues, “Our goal has always been to be practical — to be a collaborator, to really help.

We're an extension of management, making sure that management has the right risk governance and control processes in place. We've always strived to demonstrate relevance by helping the business drive operational improvement, efficiency and risk mitigation.”

Mutzig says that it's important to understand that internal audit has a unique perspective based on its view across all global segments, operations and functions from the front to the back office. “We see up and down the organization and side to side,” says Mutzig. “Not many professionals have that perspective across such a global and diversified firm. I push our team to harness that perspective and provide value to the firm in terms of operational improvements and risk mitigation.”

This shifts the value of internal audit at Carlyle to a value-add function that looks around the corners for risk and is a strong facilitator of risk management. “This makes us very relevant, in my opinion,” says Mutzig.

One example of an emerging area where Carlyle's internal audit function is providing front-end advisory work is on environmental, social and governance (ESG) issues. Mutzig notes that the audit function has always focused on the “governance” part of ESG — such as governance, accountability, transparency and controls — prior to the emergence of the concept of “ESG.”

“Obviously, ESG is an evolving area for our industry and our firm,” Mutzig says. “I am incredibly proud of our firm's commitment to ESG and our Carlyle ESG team and their leadership and efforts across the firm and industry. We have worked closely with the firm's ESG team from the very early stages to understand their thoughtful approach and framework. And we have adapted the nature of our work from initial advisory and design work to assurance work as their processes have evolved and progressed.”



Mutzig says that by providing these types of value-added services and promoting the function internally as “global internal audit and advisory,” his team aims to increase their relevance and be seen as a “high-quality function within the firm.”

He says, “We want people in the firm to understand what we do and how we can help, and that we offer much more than auditing. There’s so much more to internal audit. And my day-to-day goal is to execute and carry a high-quality function to make sure that we stay relevant to the firm.”

One way Mutzig and his team are raising awareness at Carlyle about all that the internal audit function can deliver beyond traditional audit work is through “roadshows.”

Presenting Internal Auditors as “Problem-Solvers”

At Carlyle, the internal audit team’s focus on delivering top-quality work and value-added observations has had a “significant, positive impact on the effectiveness of the firm’s operations, efficiencies and risk mitigation,” according to Mutzig.

“Executing well and demonstrating our deep knowledge of the business and global operations of the firm have given us a seat at the table,” he says. “And having that seat at the table puts internal audit right there when discussions are being had on emerging issues or relevant topics where we can immediately be helpful.”

Mutzig emphasizes that internal audit organizations looking to earn a seat at the

table should take care “to focus on performing high-quality work and providing relevant and practical value. Our team is maniacally focused on making sure we do high-quality work. The rest takes care of itself.”

He continues, “We also present ourselves as problem-solvers. We get calls all the time from professionals in the business asking for our advice. We hear, ‘I’m going to change the process this way. What’s your thought on that?’ or ‘How can I improve this operational process or control?’ or ‘How can I mitigate this risk?’ The fact that we’re getting these calls all the time on a real-time basis is proof to me that people value our opinion and want it. If we weren’t getting these calls, I would be worried.”

Mutzig says he also believes many professionals in the business reach out to his team proactively because they also understand that it’s only a matter of time before the auditors will come to them. “They know that through our audit work, we’re going to come upon whatever the issue is at some point. And it’s easier to deal with it in the beginning than after the fact,” he says. “They know it’s better to get our input on the front end and on a real-time basis. That’s more efficient and effective anyway.”

Demystifying Internal Audit Through “Roadshows”

One way Mutzig and his team are raising awareness at Carlyle about all that the internal audit function can deliver beyond traditional audit work is through “roadshows.” These presentations, inspired by pre-initial public offering (IPO) roadshows, occur periodically to help ensure that “new hires, new groups or new significant roles” know what “global internal audit and advisory” is all about, Mutzig says.



“We explain our structure and what we do, and we provide examples of how we’ve helped other groups at Carlyle, whether it’s through audits, advisory, or design or targeted reviews,” Mutzig explains, noting that the roadshow process also helps to demystify internal audit.

“The roadshows are also intended to help break down the perception that we’re out to get you,” he explains. “Yes, we do conduct independent audits. Yes, you may not always like what we have to say. Yes, we likely will note observations that management should address. Our job is to be objective. But we’re also working with management to try to come up with the most appropriate and practical remediation for certain areas so that the firm can operate at its best effectiveness and efficiency.”

He adds, “Ultimately, we all want the same goal. We want processes and operations at Carlyle to be the best that they can be. We want the firm to live its best life, as they say. When people realize that, then they value us more.”

Mutzig says internal audit’s partnering with other groups at Carlyle, including the compliance, cybersecurity, risk, legal, finance and operations teams, has also helped to raise the function’s visibility while increasing better cross-functional collaboration, communication and transparency.

“Sometimes, these groups just need someone like us to come in and listen and advise them on what we think by using our independent mindset,” says Mutzig. “We’re like Switzerland, right? We’re neutral. We can come in and say how things should be. That unique, unbiased position that internal audit has is very important to my firm and our relevance.”



ETN Turistar

Fast-Tracking Relevance Through Technology
and Transformational Leadership

I tell them all [team members and prospective recruits] that this is a big opportunity. We are undergoing transformation, and they will learn a lot about process auditing, continuous auditing and data analytics. They will be part of what will be a state-of-the-art function in Mexico.

RUBÉN DÍAZ CRUZ

Director, Internal Audit and Control



AT A GLANCE

In Díaz's view, an internal audit function that is relevant is one that:

- “Understands the strategic objectives of the company”
- Develops and follows an audit plan that considers those objectives

In addition to hiring auditors with COSO audit framework skills, Díaz says he is ensuring that his entire team receives training that will make them more effective.

- **The endgame** is to create an internal audit organization that “audits by process, not just activities.”
- “Our first five continuous audit tests saved one particular business in four months about \$3 million. That is small, but we have just started.”

Díaz thinks now is the right moment for companies across Mexico to embark on internal audit transformation.

Enlaces Terrestres Nacionales (ETN) Turistar, based in Mexico City, operates a line of luxury buses for transporting passengers — primarily tourists — to more than 70 destinations, including Sonora, Chihuahua, Sinaloa, Durango, Jalisco, Veracruz, Colima, Puebla, Guerrero and Oaxaca, across 24 states in Mexico. The company also provides bus rentals for schools, and bus and hotel packages for corporate clients and other customers.

When ETN Turistar was founded in 1991, it was the first company in Mexico dedicated to providing a luxury bus service. Today, it remains a market leader, and is one of the five largest passenger transportation companies in the country. ETN Turistar's state-of-the-art buses feature a range of amenities from audio, video and internet systems to self-service cafeterias. And the company's claim that it offers “comprehensive quality of service”¹ is no boast, as ETN Turistar is ISO 9001:2015 certified.²

¹ “About Us,” ETN Turistar website (English language version), accessed April 5, 2023: <https://etn.com.mx/english/quienes-somos.html>.

² “ISO 9001:2015: Quality management systems — Requirements,” ISO.org, accessed April 5, 2023: www.iso.org/standard/62085.html.



ETN Turistar, which employs about 4,000 people, is a company of Inversionistas en Autotransportes Mexicanos, s.a.c.v. The holding company, also known as Grupo IAMSA, is the sole owner of VivaAerobús as well, a low-cost airline that offers more than 130 routes in more than 40 destinations serving Colombia, Cuba, the United States and Mexico.

In 2022, Grupo IAMSA brought in Rubén Díaz Cruz to serve as director, internal audit and control. He had a challenging mandate from the start — transforming the function.

Instituting Continuous Auditing and Data Analysis to Cover More Ground

Díaz has held several internal audit leadership positions throughout his career. As director, internal audit and control, at ETN Turistar, Díaz oversees the internal audit and control organization.

One of the first things Díaz did when he joined ETN Turistar was to start recruiting auditors familiar with the audit framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for developing a robust and effective internal control system. “My existing team didn’t have those skills — and they still don’t, really,” he says. “But that is changing over time.”

Díaz also got to work establishing a continuous audit practice, which he says few internal audit departments in Mexico have. “It was a challenge for us at first. But now, we’ve started doing automatic internal audit tests — about 10 or 12,” he says. “And we are auditing based on data. I hired one database analyst, and now I think I will be hiring another one. So, I’m changing the team, although it is not happening as quickly as I want.”

Demonstrating Relevance by Reviewing What’s Important to the Business

In Díaz’s view, an internal audit function that is relevant is one that “understands the strategic objectives of the company” and develops and follows an audit plan that considers those objectives. Like many businesses, ETN Turistar has faced a host of financial challenges due to the disruption the recent pandemic caused. So, one of those objectives is to help the business reduce costs by improving overall efficiency, according to Díaz.

Creating a more skilled and agile team will help to increase the internal audit function’s relevance at ETN Turistar.

The continuous auditing process will contribute greatly to that goal, says Díaz. He offers this example: “Our first steps with continuous audit include focusing on the income cycle and on diesel, which represents about 20% of the company’s expenses. Our first five continuous audit tests saved one particular business in four months about \$3 million. That is small, but we have just started.”

Creating a more skilled and agile team will also help to increase the internal audit function’s relevance at ETN Turistar, says Díaz. In addition to hiring auditors with COSO audit framework skills, he says he is ensuring that his entire team receives training that will make them more effective. This training includes basics, like mastering Microsoft Excel and building up knowledge about risks and controls.



The endgame, again, is to create an internal audit organization that “audits by process, not just activities,” Díaz says. He acknowledges that this is a big change for his team and accepts that he can’t easily grow all the skills the function needs. In some cases, it’s more cost-efficient to outsource anyway.

He points to IT auditing as an example. “Hiring and retaining skilled IT auditors in Mexico is challenging,” he says. “In my experience, it is very expensive to have IT auditors on staff, and they typically only stay for a year or two. So, at the moment, it is much better for us to outsource IT audit.” That doesn’t mean, however, that Díaz doesn’t want his core team absorbing all the knowledge they can from these specialized resources. “They have to learn,” he says.

Seizing the Moment to Create a “State-of-the-Art” Internal Audit Function

How does Díaz know that he is making progress with internal audit transformation? He says positive feedback from other directors is a reliable measuring stick.

“I have been here for about a year. The other directors in sales, operations, finance, purchasing, human resources and so on have been here for more than five or six years. They look at what we’ve done so far, and they like it. They see we have been doing good audits,” he says. “They may not like results that show internal controls are weak, but they still say of internal audit, ‘They are doing the right thing.’”

Díaz describes his vision for the internal audit function at ETN Turistar, looking out five years into the future: “We will have key controls in all the main processes, and we will be reviewing them in a continuous audit with

a continuous audit team. I will have an audit plan that is tied to the strategic objectives of the company. And my team will have all the technology and methodology skills they need to succeed.”

Díaz says he will continue to recruit new talent for his team while working to upskill current team members who are up for the challenge. “I tell them all that this is a big opportunity,” he says. “We are undergoing transformation, and they will learn a lot about process auditing, continuous auditing and data analytics. They will be part of what will be a state-of-the-art function in Mexico.”

Díaz says he will continue to recruit new talent for his team while working to upskill current team members who are up for the challenge.

Díaz also says that he thinks now is the right moment for companies across Mexico to embark on internal audit transformation. “In Mexican finance culture, external audits have always been seen as more important than internal audits,” he says. “Things are better than they were 20 years ago. The increased focus on corporate governance, generally, is pushing many organizations in Mexico to establish audit committees and more concrete internal controls. But it’s not changing fast enough.”

He adds, “I think Mexico needs internal audit. The economy in Mexico, private institutions, public institutions — they all need our profession.”



Ferrovie dello Stato Italiane

Getting on Board With Change to Increase Relevance

*If internal audit can be involved in the business dynamics,
we can understand easily what is useful for the organization.
We can see how best to support the organization and its
objectives with an audit plan and activities that are relevant.*

SERGIO ROMITI

Chief Audit Officer



AT A GLANCE

Romiti is trying to move the internal audit organization to a new era.

One where:

- **Auditors are highly attuned** to the dynamics of the business.
- **Continuous auditing, data analysis,** the fostering of cross-functional synergy and more are all part of everyday operations.

Continuous auditing is important for increasing internal audit's ability to be a relevant and effective function.

"We cannot analyze everything. But with the support of technology and a continuous auditing process, we can analyze 100% of the items in the universe we have in front of us."

"I try to be aligned with the organization's goals, and this is something I can do better now that internal audit is participating regularly in meetings with top management."

In 1905, Italy established its national railway system through the founding of Ferrovie dello Stato, which unified the country's privately owned and managed railways. Nearly 120 years later, the company, now known as Ferrovie dello Stato Italiane S.p.A. (FS Group) is a leading provider of passenger and freight transport by rail in Europe, operating more than 10,000 trains and 7 million vehicles on the road per day. Annually, it moves 1 billion train and bus passengers and 45 million tons of freight.¹

FS Group is a state-owned enterprise and a joint-stock holding company headquartered in Rome. In 2022, the business generated nearly €13.7 billion in revenue.² FS Group's companies include Trenitalia, Italy's primary train operator; Rete Ferroviaria Italiana, which maintains the nearly 17,000 kilometers of Italy's railway infrastructure; and Anas, which is responsible for the construction and maintenance of more than 32,000 kilometers of motorways and state highways in the country.

¹ "The Industrial Plan and the Four Business Units," FS Group website, accessed April 14, 2023: www.fsitaliane.it/content/fsitaliane/en/fs-group/the-industrial-plan-and-the-four-business-hubs.html.

² "FS Italiane, the Board of Directors Approves the 2022 Financial Statements: Net Income of 202 Million Euro, Operating Margins Up, Technical Investments at 11.3 Billion Euro," press release, FS Group, April 6, 2023: www.fsitaliane.it/content/fsitaliane/en/media/press-releases/2023/4/6/fs-italiane-approves-2022-financial-statements.html.



FS Group employs over 82,000 people across Italy, Germany, Greece, France, Spain and the United Kingdom. Its four business units — Infrastructure, Passengers, Logistics and Urban — are helping the company to execute on its “Industrial Plan,” a bold initiative to develop “an increasingly integrated and sustainable infrastructure and mobility system for the benefit of the country.”³ Through this work, FS Group aims to move Italy toward a new era — “Un Tempo Nuovo.”⁴

Meanwhile, within FS Group, Chief Audit Officer Sergio Romiti is trying to move the internal audit organization to a new era as well — one where the auditors are highly attuned to the dynamics of the business, and where continuous auditing, data analysis, the fostering of cross-functional synergy and much more are all part of everyday operations for the function and FS Group as a whole.

“If internal audit can be involved in the business dynamics, we can understand easily what is useful for the organization,” says Romiti. “We can see how best to support the organization and its objectives with an audit plan and activities that are relevant.”

Setting Guidelines, Increasing Involvement and Aligning on Strategic Goals

Romiti, who joined FS Group in March 2020, reports to the company’s board of directors. He oversees a team of about 30 auditors at the company’s headquarters in Rome. As the chief audit executive, Romiti is focused on creating a diverse and highly skilled auditing team for FS Group. “More than half of the auditors on my team are women,” he says. “And most of our auditors have an economic degree and several years of experience working in the internal audit profession.”

In total, there are about 160 auditors working at FS Group and its various companies. “Our internal audit organization is decentralized,” Romiti explains. “We have the internal audit department within the holding company, which I lead, but we also have the various internal audit departments in FS Group’s main consolidated subsidiaries.”

The holding company’s internal audit function establishes audit guidelines and methodologies and shares best practices that the other departments are expected to adopt, according to Romiti. He notes that his team can perform audits “in every subsidiary without limitation,” but that the subsidiaries’ departments are responsible for routine audits and technical issues at their respective companies.

Romiti is focused on creating a diverse and highly skilled auditing team for FS Group.

“My team has a different field of work,” Romiti says. “We look at the group’s strategic issues, like main project objectives and related risks to the Industrial Plan.” However, he emphasizes that his team provides guidance regularly to the other internal audit functions on a range of issues — from hiring processes to environmental, social and governance (ESG) matters to cybersecurity.

All the teams at FS Group are closely aligned on the strategic goals for the holding company as well, Romiti says. “This is a relatively new development at the company,” he explains “The internal audit departments are completely involved in observing and

³ “The Industrial Plan and the Four Business Units,” FS Group website, accessed April 14, 2023: www.fsitaliane.it/content/fsitaliane/en/fs-group/the-industrial-plan-and-the-four-business-hubs.html.

⁴ “FS Italiane, the New Institutional Campaign — ‘Un Tempo Nuovo’ — Kicks Off,” press release, FS Group, May 16, 2022: www.fsitaliane.it/content/fsitaliane/en/media/press-releases/2022/5/16/fs-italiane--the-new-institutional-campaign---un-tempo-nuovo---.html.



supporting the business dynamics. We are all invited to the monthly business meeting and weekly staff meeting, for example. This is very important because without this interaction, we cannot fully understand our goals and our plan, and stay aligned.”

Romiti says he always wanted internal audit to be at the table for these meetings at FS Group. “I had been trying to help management understand the importance of our involvement,” he says. “But the final decision came from CEO [Luigi Ferraris] about two years ago. One day, he asked me, ‘Why are you not participating in our business meetings?’ I said, ‘This is a good question. I would like to know, from your perspective, why I am not participating?’ From that point on, internal audit has been involved.”

Digitizing the Audit Process and Moving Toward Continuous Auditing

FS Group is a company focused on the future — and driving innovation. And, to keep pace with change and find new ways to add value, the group’s internal audit function has been widening its embrace of technology under Romiti’s leadership. He says one of his team’s short-term objectives — digitization of the audit process — is likely to deliver positive returns to FS Group over the long term.

Romiti’s team is piloting the digitization project, which includes creating a dashboard that will help to enable a continuous auditing process, within the parent company. Ultimately, the team will “share the experience with the other internal audit departments to get them all on board with change,” he says.

Romiti says moving to continuous auditing is important for increasing internal audit’s ability to be a relevant and effective function. “We cannot analyze everything,” he says. “But with the support of technology and a continuous auditing process, we can analyze 100% of the items in the universe we have

in front of us. This is a relevant approach because it gives you the assurance that you have analyzed everything in that universe.”

In 2023, Romiti says his team is working to “implement a relationship model among the group’s internal audit functions for all the corrective actions on cross-functional processes.” On the longer-term horizon, Romiti says he intends to see internal audit at FS Group expand the use of data analytics capabilities. Professional development and upskilling opportunities for the team are also ongoing priorities.

Romiti says moving to continuous auditing is important for increasing internal audit’s ability to be a relevant and effective function.

“Creating synergy” across all the control functions operating within FS Group is another strategic goal, according to Romiti. “Internal audit is the third level of control, but there are two other levels with which we have to interact in a specific way,” he says. “This is something not yet done well at FS Group. We have to work on this and create clarity around the use of specific tools like risk taxonomy and rating scales on risk-related findings. We also want to implement a combined assurance model.”

Confirming Relevance by Collecting Feedback From the Business

Romiti has many plans for the internal audit organization at FS Group, but he admits that driving the engine toward change is often challenging. “Trying to switch from a traditional assurance audit approach to an advisory approach is one example of the challenge,” he says. However, he also notes



that one area where his team is making good progress on advisory work is through their involvement with the company's information technology initiatives.

"Our chief technology officer asked for our support on specific projects, so we have planned a lot of advisory engagements in this area," Romiti says. "This is work that I consider to be particularly relevant because it is work that we are doing that we know is relevant to the *auditee*."

From Romiti's perspective, the best way for his team to know if they are demonstrating relevance, as a function, is through the feedback they gather from the business after audits. "Last year, for the first time in the history of this department, we were able to achieve the maximum level of appreciation regarding our work — or, let me say, the relevance of our work," Romiti says. "This is evidence that we are adding value to the processes that we analyze together with the auditees."

He adds that the business viewing the internal audit organization as a source for talent beyond the function is another indicator that they are making a positive impact as a team. "If nobody asks for our internal auditors to work with them or for them, this is a very bad signal," he says.

From Romiti's perspective, the best way for his team to know if they are demonstrating relevance, as a function, is through the feedback they gather from the business after audits.

Romiti adds that it is also his job to stay relevant as an internal audit leader — and to actively promote his team and the value that they can provide to the business. "I try to be aligned with the organization's goals, and this is something I can do better now that internal audit is participating regularly in meetings with top management," he says.

He also encourages his team, as well as all the other auditing professionals working at FS Group's various subsidiaries, to look continually for new ways to increase the efficiency and effectiveness of the internal audit function. "I tell them to be innovative in their mindset — and not to do the same things every day," Romiti says.



GSK

Sustaining Relevance Through Education and Adding Value

An internal audit function's primary objective is to provide assurance to the board and senior executives that everything is operating as it should. However, our function must also instill an understanding and responsibility for risk management and effective controls within the business organization itself.

HELEN HARLOW

Senior Vice President, Head of Audit and Assurance



AT A GLANCE

Harlow views audit's role as that of an "enabler" of prudent risk management, rather than a "check the box" function.

"Both the audit committee and our company's senior stakeholders challenge us to remain relevant, particularly in the digital space."

- "Investment in new technology and capabilities to keep pace with the business is a priority for us."
- "If we're not keeping pace with the business and viewed as a forward-looking function, then the business won't see what we do as being relevant to them."

"You want an independent assessment of the function to see how good you are relative to other organizations in terms of both hitting the basic functions and where you are cutting-edge."

"Our goal for the future is to be viewed as a function that adds critical value through teaching and by encouraging good risk management."

GSK is a global biopharmaceutical company dedicated to uniting "science, technology, and talent to get ahead of disease together."¹ The company traces its history back over 300 years to the opening of the Plough Court Pharmacy in London. From those modest beginnings in 1715, GSK has grown to become a biopharmaceutical giant with over 75,000 employees worldwide.

GSK's rich heritage of pharmaceutical innovation includes 15 first-in-class or combination vaccines and first-of-their-kind medications in respiratory, antibiotics, antivirals and oncology. Recognized as the longest continually running British pharmaceutical company,² GSK focuses on four core therapeutic areas: infectious diseases, HIV treatments (through ViiV Healthcare, a joint venture with Pfizer and Shionogi), immunology/respiratory, and oncology.

In July 2022, GSK strategically spun off its consumer healthcare business to form Haleon, leaving the legacy firm solely focused on biopharma.³ The company enjoyed strong

¹ "Our Strategy," GSK homepage, accessed March 29, 2023: www.gsk.com/en-gb/.

² "History and Heritage," GSK website, accessed March 29, 2023: www.gsk.com/en-gb/company/history-and-heritage/.

³ "Annual Report 2022," GSK website, accessed March 29, 2023: www.gsk.com/en-gb/investors/financial-reports/annual-report-2022/.



results in fiscal year 2022, posting £29.3 billion in group turnover and a £6.4 billion operating profit.

Drawing Skills From the Business

Helen Harlow is senior vice president and head of audit and assurance at GSK. She joined the company in 2008 as head of tax and has served as chief audit executive (CAE) since 2014.

“I’m a finance professional by background,” Harlow says. “There are many similarities in terms of relevant skills, even though they are very different roles. Governance and risk management are important to both roles. I know a lot of heads of audit who have come from other business roles, and I think it works well having that mix of expertise within the audit team.”

Harlow oversees an internal audit team of 75 staff located primarily in GSK’s geographic hubs in the United Kingdom, United States and Singapore. The department is structured into five functional areas: commercial and finance, research and development, supply chain, technology, and a culture assurance team formed when Harlow took over leadership of the department. Harlow reports to the chair of the audit and risk committee, as well as the firm’s chief financial officer.

According to Harlow, “An internal audit function’s primary objective is to provide assurance to the board and senior executives that everything is operating as it should. However, our function must also instill an understanding and responsibility for risk management and effective controls within the business organization itself.”

Harlow says she views internal audit’s role as two-pronged: First is to provide the firm with a snapshot in time of how the business is operating in accordance with best assurance practices. And second is to provide an outlook

“focused on predicting and managing risks for the future.”

Right now, Harlow is keeping an eye on several global trends having a significant impact on the healthcare industry, including the increasing speed of delivering new pharmaceutical therapies along with the evolving importance of data and technology. Cybersecurity, particularly in terms of protecting intellectual property, is also top of mind.

To address these emerging trends in a dynamic field like healthcare, it’s increasingly important for internal audit to maintain relevance within the larger organization, Harlow says.

“The world has changed,” she explains. “Business is about taking risks, but you need to understand how to manage them. As an internal audit function, we have a duty and responsibility to really understand the business we’re in — otherwise, any assurance we give will not be valued. I absolutely think internal audit needs to remain objective and independent to a degree, but we all want the organization to be successful.”

Harlow adds, “If we’re not keeping pace with the business and viewed as a forward-looking function, then the business won’t see what we do as being relevant to them.”

A Focus on Education

Harlow says she views audit’s role as that of an “enabler” of prudent risk management, rather than a “check the box” function. She is also committed to empowering the business to assess and monitor their unique risks so GSK can make sound decisions. That’s why, when Harlow took over as CAE nearly a decade ago, she placed a renewed emphasis on educating the business on establishing a good risk framework with ongoing monitoring practices.



Internal audit at GSK works closely with other support functions, including finance, compliance, legal, information technology (IT) and the company's quality groups. The enterprise risk team reports under the compliance function and is separate from internal audit. Harlow says one of her goals is to maintain a strong partnership between the compliance, risk and audit teams.

Harlow has initiated a number of activities to help foster internal audit's ongoing relevance to the business. In addition to changing the audit approach to one that's more forward-looking and even predictive, she has sought to bring new talent into the function, particularly those professionals with in-demand business experience and technical skills.

With the recent emergence of new data analysis and automated technologies, expanding internal audit's digital capabilities and skill sets has become a top priority for Harlow.

One way Harlow achieves this is through a program of rotating staff from the business through internal audit for stints of one to three years. Harlow estimates this results in anywhere from 20% to 30% turnover within the department each year — a higher than typical rate that she credits as a catalyst for the sharing of fresh ideas and new skills within the team as well as equipping business leaders with improved risk management capabilities.

Technology Takes Center Stage

With the recent emergence of new data analysis and automated technologies,

expanding internal audit's digital capabilities and skill sets has become a top priority for Harlow. "The tech space is continuously evolving, and it applies to all the risk areas," she says. "So, my team needs to stay up to speed. Everybody needs to be a bit of a tech expert nowadays."

Harlow coordinates upskilling of her team through an ongoing series of training and employee development programs. This includes a formal program delivered at the team's annual gathering, where experts from the business and outside of GSK deliver sessions devoted to emerging technologies. Throughout the year, the team also participates in a regular series of lunch-and-learn training programs, attends external conferences, and takes technical courses online to upskill.

Continuous improvement also applies to the types of technology GSK employs within internal audit and throughout the organization, such as a new enterprise resource planning (ERP) system now in use companywide.

"We've transitioned our audit system to a platform much of the company uses," Harlow says. "This allows us to start sharing data, making it much more accessible to everybody. Over time, this will improve the visibility and transparency of data across the organization."

She continues, "We don't get involved in designing what the business is doing, but there is an opportunity here through technology and making data available in the right way to improve processes, and I think that really helps."

Within internal audit, the function is exploring opportunities to use emerging tools like artificial intelligence (AI), machine learning, process mining and robotics to help streamline audits and increase staff productivity.



“We have experimented with different types of reporting and dashboarding technologies to deliver information to people in a way that’s engaging but also highlights the right outcomes for them,” Harlow says. “People at different levels of the organization need different types of feedback from our work. So, I’m really interested in looking at emerging tools and technology we can use to make our reporting more dynamic.”

Harlow cautions, however, that the nature of the pharmaceutical business isn’t yet as conducive to continuous or real-time auditing methods as some other industries, such as financial services. “We piloted some process mining tools to see whether we could use it in our audits,” she says. “We decided we could use it occasionally, but it was better suited for the business to have these tools themselves because they can use it all the time. As a result of our piloting the tool, the business invested in the technology and now uses it regularly to manage our global processes more efficiently and effectively.”

Because of this engagement and stronger relationships and visibility, the internal audit team at GSK is now more front of mind and often invited to early-stage project meetings.

Partnering With Key Stakeholders

Harlow cites the support and engagement of GSK’s audit committee as vital to the internal audit function’s ability to maintain relevance in the organization. “Both the audit committee and our company’s senior stakeholders challenge us to remain relevant, particularly in the digital space,” she says. “Everybody knows that both

the way we work and the tools we use are rapidly changing. So, we get asked very often about how we intend to stay up to date, and whether we have the resources to do so. Investment in new technology and capabilities to keep pace with the business is a priority for us.”

Harlow also focuses on maintaining ongoing engagement with all internal audit’s stakeholders, including the CEO, senior leadership team and business unit leaders. “My team and I spend time with the heads of the business units and their lead teams. We also attend various governance and compliance meetings as part of our stakeholder engagement,” she says.

This engagement is critical to establishing trust across the organization, according to Harlow, which allows audit to provide maximum value in its role. “One thing we’ve done within the team is to create space for engagement with stakeholders across the business at different points outside of the audit,” she says. “We did that so we could show them that we’re spending time to stay up to date. I think that’s been helpful in terms of building trust with them.”

Because of this engagement and stronger relationships and visibility, the internal audit team at GSK is now more front of mind and often invited to early-stage project meetings. They are present to offer input and advice while also ensuring the function maintains appropriate independence, Harlow says.

“We’re asked to attend and share our experience at the beginning of these projects,” she explains. “We have to avoid helping them design whatever they’re doing because we must retain our independence, but they recognize that we’re there. It’s always better if we’re involved in big projects early to offer input the business can use to get things right upfront rather than waiting for an initiative to be up and running.”



When it comes to fostering a relevance mindset among her team, Harlow says her job is made easy because the auditors know they need to understand how GSK operates if they are going to conduct assessments.

Audit staff will often schedule lunch-and-learn sessions with guest speakers on a wide range of topics, from new products and commercial campaigns to emerging technology. Harlow says it has also become much easier in recent years to recruit staff to internal audit, as people have begun to recognize “the opportunity they have to influence the business, as well as the learning and development opportunities they receive” by joining the department.

In terms of what’s next for internal audit at GSK, Harlow anticipates a continuing focus on technology, particularly around harnessing data and analysis to enhance the audit process.

Measuring Relevance for the Long Term

Harlow relies on several measurements to ensure internal audit is adding value and staying relevant to the organization as a whole. These measurements include stakeholder surveys conducted after every audit engagement, where business leaders are asked whether the audit was relevant and helpful to them.

Harlow also cites the effectiveness of engaging with people around the organization regularly. “There is a subjective way to pick up on clues as to whether we are providing value,” she says. “I ask leaders to tell me if our staff is not hitting the mark or isn’t up to speed. In a transparent feedback environment, you have to accept it both ways.”

For an independent view, Harlow recently engaged an outside consulting firm to provide an external assessment of internal audit’s practices and effectiveness. “You want an independent assessment of the function to see how good you are relative to other organizations in terms of both hitting the basic functions and where you are cutting-edge,” she says. “That perspective, to me, is really important.”

In terms of what’s next for internal audit at GSK, Harlow anticipates a continuing focus on technology, particularly around harnessing data and analysis to enhance the audit process. “Data analytics is such a huge opportunity for all of us, and we can be more resourceful and valuable to the business through the use of that technology,” she says.

But the biggest marker of success, says Harlow, is when she receives “proactive audit requests” from the business, demonstrating that the function is not seen simply as “an audit obligation” but a function that can share relevant insights.

“Our goal for the future is to be viewed as a function that adds critical value through teaching and by encouraging good risk management,” says Harlow. “That’s what we’re here to do.”



HEMA BV

Stepping in to Enable Accelerated Transformation

As a risk and internal audit function, we aim to be a pragmatic and supportive chameleon that can adapt to each situation in a simple and agile way. We step in as a catalyst for change in the business, and we relish being part of the solution.

BERRY KOK

Manager, Risk and Internal Audit



AT A GLANCE

Internal audit is helping to ensure the business is not “distracted by internal issues, unexpected risks, inefficiencies or other unwanted interference with strategy execution.”

- “We have successfully implemented ERM, determined our risk appetite, built and implemented internal control frameworks, and delivered insightful internal audit projects.”
- “To stay relevant, it’s important to carefully search for and select new team members that fit our team structure and objectives.”

At HEMA, innovation is always a priority, which is why Kok says he pushes his team to explore new ways of achieving efficiency in their audit work, and how they deliver information to stakeholders.

“We will continue to be the pragmatic and supportive chameleon, providing structure, insights and feedback to the organization.”

For nearly a century, HEMA BV’s mission has been to “make everyday life better in a more beautiful world.”¹

Since founders Leo Meyer and Arthur Isaac opened their first store in Amsterdam in 1926, HEMA has been a household name in the Netherlands. Originally conceived as “a different kind of store ... a department store for ordinary people,” HEMA focuses on selling good quality everyday items that last longer to regular consumers at good value.²

The iconic Dutch general merchandise retailer remains active in the Netherlands, as well as in Belgium, Germany, Luxembourg, France and Austria. HEMA also operates in the Middle East and Mexico through franchise partnerships.³

HEMA designs, markets, sells and distributes 32,000 private-label products and services through its owned stores, and its network of branded franchise stores, partnerships and e-commerce. Today, the firm has around 750 stores, three distribution centers, roughly

¹ “About Us,” HEMA website, accessed April 19, 2023: <https://corporate.hema.com/en/about-us/>.

² “History of HEMA,” HEMA website, accessed April 19, 2023: <https://corporate.hema.com/en/history-of-hema/>.

³ Ibid.



800 production facilities and a workforce of more than 17,000 people.⁴

Up until recently, HEMA was owned by a series of private equity firms that maintained a mostly short-term focus. Since February 2021, HEMA has been co-owned by a consortium of Mississippi Ventures — the investment arm of the Dutch entrepreneurial Van Eerd family, owners of Jumbo Supermarkets, the second-largest supermarket chain in the Netherlands — and Parcom, a Dutch private equity firm.⁵

The current owners are focused on long-term value creation and making sure HEMA will last as a successful and beloved retailer. “Now, under our new management, the company has decided to rebuild its basics in governance, risk, internal control and audit,” says Berry Kok, Manager, Risk and Internal Audit at HEMA.

This “rebuild” began in the fall of 2021, when HEMA started recruiting outside talent to reconstitute its risk and internal audit team. That’s when Kok joined HEMA, bringing extensive risk management experience from multiple industries including retail and consulting. Kok reports functionally to HEMA’s audit committee and chief financial officer (CFO), and administratively to the CEO and management board.

HEMA’s risk and internal audit function consists of seven full-time employees, including Kok. All staff work out of the company’s headquarters in Amsterdam. The team has responsibility for multiple areas across the second and third lines of defense, including enterprise risk management (ERM), internal controls and internal audit. Kok cites the function’s “close collaboration with the many other second-line teams such as compliance, privacy, security, safety and cyber[security]” as a key factor in its success to date.

Kok outlines his team’s goals: “Our key short-term objective is to [demonstrate] control over the basic processes and IT systems through an action-driven risk approach. For the mid- and long-term, our goal is to continuously ensure that HEMA can effectively execute its business strategy in a controlled and timely manner. In practice, this means first focusing on the basics and operational risks, and gradually we will shift toward tactical and strategic risks.”

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Back to Basics

Under HEMA’s new corporate leadership, Kok says internal audit is placing considerable focus on the “fundamentals and prerequisites of a successful company — the ‘oiled retail machine’ as it is called within HEMA.” This scrutiny includes heightened concentration on the firm’s processes, systems and people, as well as on governance, internal control and risk management.

To provide the company’s operations with what Kok calls a “stable backbone,” internal audit is helping to ensure the business is not “distracted by internal issues, unexpected risks, inefficiencies or other unwanted interference with strategy execution.”

“As a risk and internal audit team, we are very well-equipped, empowered and

⁴ “About Us,” HEMA website, accessed April 19, 2023: <https://corporate.hema.com/en/about-us/>.

⁵ “Consortium of Parcom and Mississippi Ventures Reach Conditional Agreement With HEMA’s Bondholders Regarding Sale of HEMA,” News, Parcom website, October 2020: <https://parcom.com/en/consortium-of-parcom-and-mississippi-ventures-reach-conditional-agreement-with-hemas-bondholders-regarding-sale-of-hema/>.



positioned at the center of the organization,” Kok says. “We bring specific knowledge, expertise and experience that no one else has in the organization. In that sense, we add relevance and value to the organization on both the operational and strategic levels.”

Less than two years after the change in ownership for HEMA, adding value entails proactively helping the business navigate evolving operational, competitive and regulatory climates by anticipating and addressing emerging risks, according to Kok. These risks currently include lingering supply chain issues; reputational risks, which, in consumer retail, frequently revolve around product quality and safety; along with macroeconomic and financial challenges, such as inflation and fluctuating currency exchange rates.

“Most of our products are private-label, so product quality and food safety are very important areas that can affect our reputation,” Kok says. “Those are key areas we focus on, along with cybersecurity and privacy because they could lead to data leaks that would also have a negative impact on our reputation.”

A “Pragmatic and Supportive Chameleon”

For Kok, maintaining relevance is a crucial goal of the internal audit function. “As a risk and internal audit function, we aim to be a pragmatic and supportive chameleon that can adapt to each situation in a simple and agile way. We step in as a catalyst for change in the business, and we relish being part of the solution.”

In practice, that means maintaining a flexible and highly collaborative partnership with the function’s stakeholders. “Our roles and responsibilities across the second and third lines are frequently discussed with the board, audit committee and our external auditor to ensure we all feel comfortable with them and

the corresponding level of independence and objectivity,” Kok says.

This flexible approach has already begun paying dividends during Kok’s short tenure with HEMA. The opportunity to rebuild the risk and internal audit function from the ground up has enabled risk and internal audit to begin “telling the story about the necessity and added value of internal control,” he says.

“We have worked hard to build the team, implement pragmatic, agile ways of working and show that we are capable of bringing new insights,” Kok says. “We have successfully implemented ERM, determined our risk appetite, built and implemented internal control frameworks, and delivered insightful internal audit projects. The proof is that now we frequently receive requests from the business to support or perform risk reviews, audits and process reviews.”

The opportunity to rebuild the risk and internal audit function from the ground up has enabled risk and internal audit to begin “telling the story about the necessity and added value of internal control.”

Indeed, the risk and internal audit function at HEMA has recently participated in several cross-functional projects. Currently, it is leading a project in collaboration with IT, data analytics and business leaders in developing key risk indicator dashboards for specific business areas.

“We all bring our own expertise with the goal to make HEMA’s processes and risks more transparent and tangible,” Kok says. “In the end, all of us — from the first to the



second and third lines — benefit from this. Being the core initiator of these projects that yield tangible added value really shows our relevance.”

He adds, “While the organization is busy transforming, our relevance is clearly being recognized and appreciated. This wouldn’t have happened if we didn’t take a stakeholder perspective and focus on our relevance as a team.”

Technology as a Catalyst for Relevance

Technology — both traditional and emerging — is helping to facilitate risk and internal audit’s transformation at HEMA. “Technology removes time-consuming administrative tasks and enables our team to spend more time with our stakeholders,” Kok says. Just as importantly, it is providing the function with “more and better insights,” he notes.

Kok and his team have started using data and risk analytics and are in the process of implementing automated risk dashboards that will provide senior leadership, the executive board and all committees with access to overviews of major risk themes, relieving the audit team from having to frequently build PowerPoint decks with data acquired from multiple, disparate sources.

In addition to technology, Kok views cross-functional collaboration as a critical element for enabling the risk and internal audit team at HEMA to maintain their relevance and continue finding ways to provide value to the organization.

“We deliberately choose to have a relatively small risk and internal audit team and build more expertise in other second-line functions,” he says. “This helps to ensure that the ownership of risk management and internal controls is felt and kept within the first- and second-line teams. Through close collaboration and participation in

joint projects, we ensure that we bundle our strengths.”

Recruiting Talent That Can “Connect the Dots”

“To stay relevant, it’s important to carefully search for and select new team members that fit our team structure and objectives,” Kok says. “This has been quite difficult in the current tight labor market.”

Although Kok did recruit a few team members with specialized skills in IT risk management, data analytics and financial accounting into the growing department, he has focused primarily on attracting “generalists” with varied educational and experiential backgrounds and excellent communication skills.

“I want my team to become specialized in specific fields like analytics. But at the same time, I am looking for people who can connect the dots between the business and the boardroom,” Kok says. “I want my team to be storytellers who can translate the details into a simplified, actionable report in the boardroom.”

Technology — both traditional and emerging — is helping to facilitate risk and internal audit’s transformation at HEMA.

“We specifically focus on professionals who aren’t afraid of taking on big and complex challenges, have good social skills to build relations and trust across the business, and have a hands-on mentality. We have learned that it is not so much about selecting staff with retail or audit experience, but looking for those who demonstrate flexibility, diversity of approach and a positive mindset.”



To identify such talented generalists, Kok uses a case study approach in his job interviews, with a goal of identifying the interviewee's ability to translate challenging audit scenarios into concise insights for a senior-level audience.

"We don't care too much about CVs or backgrounds," Kok says. "It's more important to get an understanding of whether the individual is capable of managing complex situations. We give them a piece of the puzzle, some time to ask questions and come up with an elevator pitch, and then translate their findings into a five-minute breakdown using only two slides. Within five minutes, you know if somebody would succeed or fail in presenting their conclusions to the CFO or senior leadership."

Embracing Simplicity and Pragmatism

To keep his team focused on continuous growth and relevance, Kok insists they "think one step ahead," and from the perspective of internal audit's stakeholders. He explains, "I ask my team to relate to the HEMA values of being modern, open and brave, by being innovative, transparent, objective and direct, and not being afraid of bringing a hard message to senior stakeholders. Most importantly, they should embrace simplicity and pragmatism."

At team meetings, Kok says his team "challenges each other on these elements," and asks "whether what we do is really what we should be doing." He says, "In that sense, we are constantly working on our relevance — and with that, the branding and perception of our team."

At HEMA, innovation is always a priority, which is why Kok says he pushes his team to explore new ways of achieving efficiency in their audit work, and how they deliver information to stakeholders. For example, the function is exploring the use of "video reporting to bring across our message in a stronger and more time-efficient way," he says.

"We will continue to be the pragmatic and supportive chameleon," Kok says, "providing structure, insights and feedback to the organization."

To keep his team focused on continuous growth and relevance, Kok insists they "think one step ahead," and from the perspective of internal audit's stakeholders.



Hilton

Relevance as a Journey, Not a Destination

We talk about relevance as a journey. It is something you must protect, respect and treat as a significant obligation to your people, your stakeholders and the work you're doing. Otherwise, you can become complacent – and you'll find yourself obsolete.

MISHA MOYLAN

Vice President, Internal Audit and ERM



AT A GLANCE

“We really think that greater relevance equals greater value. Going back to the mission to protect, improve and add value, there’s an inherent connection between relevance and everything we’re trying to achieve, both as a team and as an organization.”

- “**Staying connected** is a big part of being relevant, and people are fundamental to establishing meaningful connections.”
- “**Our levels of team attrition and turnover** — both involuntary and voluntary — have come down precipitously since we’ve been focusing on relevance.”
- “**When a department leader** approaches us with a project and asks our team to be involved because we can help, that is the ultimate measure of relevance.”

Founded over a century ago, Hilton is a leading global hospitality company with a portfolio of 19 hotel brands comprising more than 7,200 properties and 1.1 million rooms in 122 countries and territories. Founder Conrad Hilton purchased his first hotel, The Mobley in Cisco, Texas, in 1919. Following the 1925 opening of the first Hilton-branded hotel in Dallas, the company introduced numerous innovations to the industry, including the first hotel with air conditioning and cold running water, and the first coast-to-coast hotel chain in the U.S. with the 1943 purchase of the Roosevelt and Plaza Hotels in New York City.¹

Today, Hilton is the world’s second-largest hospitality chain, with annual revenues of US\$8.8 billion, 159,000 employees and a market value of over \$36 billion.² Headquartered in McLean, Virginia, Hilton has consistently been recognized for its exceptional workplace culture. It has been named as one of the World’s Best Workplaces by *Fortune* magazine and a Great Place to Work for eight consecutive years; it recently

¹ “The Story of Hilton,” Hilton website, accessed April 10, 2023: <https://stories.hilton.com/history>.

² “Hilton: Company Information,” Fortune.com: <https://fortune.com/company/hilton-worldwide-holdings/>.



ranked No. 2 on the list of best places to work in the world³ and the U.S.⁴ and remains the top hospitality company on the list.

Geographically, Hilton's operations span three major worldwide regions: the Americas; Europe, Middle East and Africa (EMEA); and Asia-Pacific (APAC).

For Moylan, achieving relevance means “that we are being both valuable and useful to people in their lives and work, attributes that are closely aligned with our internal audit team’s mission.”

Misha Moylan is Hilton's vice president of internal audit and ERM (enterprise risk management), with almost 13 years of service at the hotel chain. “I felt Hilton was a place where I could really leverage my technical accounting background, skills and expertise, while getting more of a well-rounded business perspective,” he says. “Hilton's global presence and operations have provided me with the greatest opportunities and choice in my career.”

Today, Moylan leads over 25 team members spread across Hilton's major geographic regions. The function maintains workstreams covering Sarbanes-Oxley (SOX), technology, and corporate and property audits, as well as ERM, data analytics and advisory services.

To help the function meet its mission “to protect, improve and add value to the organization through our risk-based objective assurance, insights and advice,”

Moylan focuses on long-term strategic goals “through an emphasis on Hilton's values and key strategic priorities (KSPs).”

The process of determining internal audit's key strategic priorities each year begins with a risk assessment that covers everything from people to new projects and objectives. “Our planning process drills down to the level of the tools and technologies we're planning to use and the ways we share information and communicate with our stakeholders,” Moylan says.

A Focus on People First

For Moylan, achieving relevance means “that we are being both valuable and useful to people in their lives and work, attributes that are closely aligned with our internal audit team's mission.” He says, “We really think that greater relevance equals greater value. Going back to the mission to protect, improve and add value, there's an inherent connection between relevance and everything we're trying to achieve, both as a team and as an organization.”

In support of this objective, the internal audit function at Hilton strives to “focus on people first, and then the work — because that aligns with our values as an organization and team, as well as with our KSPs, which are centered on culture, stakeholders and performance,” Moylan says.

“Staying connected is a big part of being relevant, and people are fundamental to establishing meaningful connections,” he adds. “I think we all learned and experienced that during the pandemic. When you're connected and aligned on purpose, it leads to better performance and outcomes.”

³ “Hilton Ranked #2 Workplace in the World,” news release, Hilton, October 13, 2022: <https://stories.hilton.com/releases/hilton-ranked-2-workplace-in-the-world>.

⁴ “Hilton Earns #2 Spot on Best Companies to Work For List in the US,” news release, Hilton, April 4, 2023: <https://stories.hilton.com/releases/hilton-earns-2-spot-on-best-companies-to-work-for-list-in-the-us>.



When he first took over leadership of internal audit, Moylan says he strove to transform the function through a people-first approach. “In the past, we used to conduct our risk assessments in isolation, come up with a list of projects we wanted to do for the year and then deliver that list to management,” he explains. “I challenged that and asked, ‘Why aren’t we having conversations and connecting with the business? Why aren’t we understanding their key strategic priorities and looking for ways to help support and enhance them with the skills that we bring?’”

Developing Relevance Through Innovative Learning

As a people-focused organization, Hilton has numerous best-practice human resources (HR) programs designed to drive team engagement and satisfaction. Recognizing the unique stressors that can lead to staff burnout and turnover in the auditing and compliance functions, Moylan adopted these programs for his team.

“Internal auditors at times can be road warriors,” Moylan says. “You see a lot of churn and burnout in many organizations. We decided to focus on the needs of our team members, the skill sets they have, and the additional skills we needed in the department. We invest in our people and their happiness, so they can do the work that we are asking them to do.”

Internal audit offers a learning and development program focused on three core pillars: soft skills and leadership, technical skills, and employee wellness. Moylan explains, “‘Thrive at Hilton’ is our Team Member value proposition to support their well-being and performance. It’s about an investment in our people to make sure they first feel valued. Then, we provide them with the necessary skills and training to be successful in their current roles and along their career journey.”

Moylan says the internal audit function at Hilton aims to be “a talent factory and a source of people for business roles throughout the organization.” That requires upskilling and reskilling team members in new emerging technical areas like environmental, social and governance (ESG) and cybersecurity.

When he first took over leadership of internal audit, Moylan says he strove to transform the function through a people-first approach.

To help with that learning, Moylan makes a range of learning solutions available to his team. These offerings include “Hilton University,” the firm’s in-house learning and development platform, which he and his leadership teams leverage to create customized modules within a “College of Internal Audit.”

“HR also offers several great learning and development programs that cover soft skills and leadership,” says Moylan. “And, as a company, we have several partnerships with external providers that offer content our team members can access for free.”

To ensure internal audit stays current with the latest auditing practices, Moylan is committed to implementing new technologies and solutions like data analytics, cloud-based governance, risk and compliance (GRC) platforms, robotic process automation (RPA), and artificial intelligence (AI). “You can’t be relevant without thinking about technology,” he says. “To provide value and insights, we have to stay informed and aware of all the latest systems, trends and risks that are related to new and emerging technologies and their impacts on the business.”



“In addition, the way we work must keep up with the pace of technology and changes in the environment. The traditional auditing timeline and schedule — where you would do a risk assessment, plan out an audit, execute the fieldwork, compile the results and issue the report — renders findings potentially obsolete by the time you get through the calendar.”

Moylan adds, “Technology is at the core of everything that we do.”

Increased Trust and Stronger Relationships

Internal audit’s ongoing focus on relevance has delivered a number of benefits to Hilton to date, according to Moylan. “First, we’ve seen increased trust and stronger relationships among our team members and stakeholders,” he says. “Second, we’ve seen higher levels of engagement and fulfillment on our team. Nothing makes you feel better than when you actually see a purpose to your work, and you can find meaning in it.”

Moylan says this all leads to improved performance and better work results, as measured by increased innovation, efficiencies and effectiveness. “That ultimately leads to lower turnover and higher retention in our department, which is critical,” he says. “Our levels of team attrition and turnover — both involuntary and voluntary — have come down precipitously since we’ve been focusing on relevance.”

To help ensure internal audit stays relevant within Hilton, Moylan says he seeks to partner with peers within the business and keeps “open lines of honest communication and dialogue with stakeholders.” He says, “We view our team as internal advisers and business solutions partners. So, throughout the year, we ask for feedback from our stakeholders about how we’re doing in helping achieve their goals. We want to know how and where we can better serve them as our customers.”

As a result of this proactive outreach, the internal audit team at Hilton has received “high satisfaction scores from all our stakeholders and auditees, as well as high satisfaction and engagement scores from our team members,” Moylan says.

To help ensure internal audit stays relevant within Hilton, Moylan says he seeks to partner with peers within the business and keeps “open lines of honest communication and dialogue with stakeholders.”

Maintaining Strong Stakeholder Relationships

Moylan maintains strong relationships with Hilton’s audit committee and other key stakeholders, whom he refers to as “phenomenal business partners” who are “extremely interested” in making sure internal audit remains relevant to the business.

“They provide their perspective and insights on the topics and areas they consider important and have been very supportive in looking for ways to engage with management and suggest how internal audit can get involved and provide assistance,” Moylan says. “We value that trust from the audit committee and management and take it as a very serious obligation to be able to maximize the opportunity to provide meaningful insights. It’s a reciprocal trust relationship.”

One example of this trust in action relates to the emerging topic of ESG compliance. Moylan explains: “There are many emerging regulations and reporting requirements in this space. Fortunately, Hilton has had a very well-established program for quite



some time. It's been an area of focus for the company for many years."

Moylan says increasing regulations around data reporting have highlighted the need for internal audit's technical skill sets around data collection, processing, controls and reporting information. And the internal audit team at Hilton recognized the need for increased ESG reporting early on and raised the topic with the ESG team. But instead of positioning it as strictly a compliance requirement, Moylan says they took another tack.

"We chose to frame ESG as a key strategic priority area for the company and the business," he says. "We viewed it through a different lens, where internal audit can help the business operate and capture data more effectively and efficiently for Hilton's own internal purposes, first and foremost. The ability to report externally is a successful byproduct. Processes and controls provide greater confidence about the reliability, accuracy and completeness of the information and offer a considerable amount of value and benefit."

He continues, "Making this process more about providing something of value to the organization instead of just a compliance-driven exercise has really ingratiated us and helped us build a rapport with the team. Our stakeholders recognized that we really are partners on this journey, and we understand why it's important to the business and can provide support through our technical expertise."

Focusing on the Future

Although Moylan sees the measurement of internal audit's achievement of relevance as "more art than science," he says Hilton uses various qualitative metrics to track the function's progress. These metrics include team survey scores, stakeholder feedback, trust and engagement scoring models, and retention data.

Moylan has also observed more instances of business stakeholders asking for audits. "To me, that is the biggest measure of 'you know it when you see it,'" he says. "When a department leader approaches us with a project and asks our team to be involved because we can help, that is the ultimate measure of relevance."

Moylan has observed more instances of business stakeholders asking for audits.

For the near future, Moylan says he's focused on ensuring his team fully understands and embraces the value proposition internal audit offers the enterprise. "We talk about relevance as a journey," he says. "It is something you must protect, respect and treat as a significant obligation to your people, your stakeholders and the work you're doing. Otherwise, you can become complacent — and you'll find yourself obsolete."

Moylan adds, "I'm really proud of what my team has been able to accomplish. At the end of the day, it's really all about them. We provide them with a platform. If you're not focused on your people at every level, the chain of relevance can break down."



Majid Al Futtaim Retail

Embracing Relevance as a Guiding Principle
for Transformation

*We derive our relevance from continuous learning.
It is something that we practice. It isn't just talk.*

ALI F. HAMDAN
Chief Audit Officer



AT A GLANCE

Hamdan's starting point for pushing internal audit transformation forward was to set the function's "brand promise."

- That promise is what is now known internally as the "AAA" brand — with the three A's representing *assure*, *advise* and *anticipate*.
- Internal audit helps to "steer" the business in its decision-making without "jeopardizing the function's independence and objectivity."

"I want audit to become a body that exports talent to the organization. I don't want audit to be a final destination. This is how we show our relevance to the business. We export change agents to turn around the business with the right discipline, and the right controllership mindset."

"Disrupt yourself before being disrupted. It's very simple. If you want to stick with the status quo, then you will end up being unnoticed."

Majid Al Futtaim is a leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia. Founded in 1992, the company has since grown into one of the United Arab Emirates' most respected and successful businesses, spanning 17 international markets, employing more than 46,000 people and obtaining the highest credit rating (BBB) among privately held corporations in the region.

Majid Al Futtaim is also the exclusive franchisee for Carrefour, a global consumer goods retailer based in France, which operates supermarkets, convenience stores, hypermarkets and other store formats. Majid Al Futtaim owns the rights to operate the Carrefour brand in 30 countries across the Middle East, Africa and Asia.¹ The company began its journey with Carrefour by opening one hypermarket franchise in Dubai in 1995. Today, through its Majid Al Futtaim Retail subsidiary, the company operates more than 465 Carrefour stores in 16 countries that serve more than 770,000 customers daily and employ over 38,000 people.

¹ "Grocery Retail," Majid Al Futtaim website, accessed April 18, 2023: www.majidalfuttaim.com/en/what-we-do/our-industries/industry/retail.



Ali F. Hamdan is the Chief Audit Officer at Majid Al Futtaim Holding, a role he was promoted to in April 2023.² Previously, he was Senior Vice President of Audit and Advisory Services at Majid Al Futtaim Retail. Hamdan says that when he first joined the organization in September 2019, the internal audit function was “at the beginning of a big transformation.” Under Hamdan’s leadership, that effort has only continued to advance and accelerate.

Communicating and Delivering on the “AAA” Brand Promise for Internal Audit

Hamdan’s starting point for pushing internal audit transformation forward at Majid Al Futtaim Retail was to set the function’s “brand promise.” That promise is what is now known internally as the “AAA” brand — with the three A’s representing *assure*, *advise* and *anticipate*. “We want to translate what we do as a function into language that auditees can digest,” says Hamdan. “Because the moment we take them through our technical jargon, we will lose them.”

Hamdan describes how his team approaches delivering on the AAA brand promise through the function’s overall audit strategy and vision:

- **Assure** — Internal audit is capable of providing “deep knowledge of the needs of the business,” Hamdan says. That includes understanding the firm’s key trends and value drivers and investing sufficient time to build productive, long-term relationships with the business owners.
- **Advise** — Internal audit helps to “steer” the business in its decision-making without “jeopardizing the function’s independence and objectivity,” according to Hamdan. He explains that the function uses “stakeholders’ actions as the ultimate

truth” and provides support for effective decision-making “based on facts, context and risks.”

- **Anticipate** — Internal audit engages in “risk assessment and risk-sensing types of activities,” says Hamdan. And, by having “the back” of the business, he says his team helps to support and encourage innovation and “constantly pushes for fresh perspectives.”

Internal audit helps to “steer” the business in its decision-making without “jeopardizing the function’s independence and objectivity,” according to Hamdan.

These are only a few highlights from Hamdan’s formal brand definition for internal audit that he shares with business owners. To describe the purpose of internal audit at Majid Al Futtaim Retail, he refers to the function’s comprehensive “Value Charter”:

“Our purpose is to enable the firm’s business outcomes by assuring effective governance, accountability and internal control,” Hamdan says. “This is fostered by a transformed internal audit function that keeps pace with change, creates value, remains relevant, and enhances impact and influence.”

Hiring Subject Matter Experts and Promoting “Purple Talentism”

According to Hamdan, the internal audit team at Majid Al Futtaim Retail views relevance as “a guiding principle” in their purpose. It is also core to their values as a function.

² Note: When Protiviti interviewed Hamdan for this profile in March 2023, his title was Senior Vice President, Audit and Advisory Services — Retail. His comments in this profile were provided through the lens of that role at Majid Al Futtaim Retail, which Hamdan held from September 2019 until his promotion in April 2023 to Chief Audit Officer of Majid Al Futtaim Holding.



He explains, “We derive our relevance from continuous learning. It is something that we practice. It isn’t just talk.”

Through focused efforts to be relevant, Hamdan says the internal audit team strives to:

- Be recognized as business-savvy and bring the right expertise and best practices to their work.
- Invest in their skill sets to improve interactions with stakeholders and better meet their needs.
- Attract the best talent to the function and be seen as a key step in long-term career progression.

On the latter front, Hamdan has been focused on recruiting specialized talent for his team and expanding the function’s capabilities since he joined Majid Al Futtaim Retail. However, not everyone he has hired has an auditing background — and that was his intent.

Hamdan points to the organizational chart for his internal audit function. It shows the leaders of six different “pillars” within the department who report to him — individuals who have various titles, including vice president, director and head of department. The six pillars represent core capabilities for the function: internal audit, food safety and hygiene, real estate and construction, fraud and forensics, technology and analytics, and the quality assurance (QA) and improvement program.

“The person leading the food safety and hygiene team? She’s a biochemical engineer. She’s not an auditor by background,” says Hamdan. “The person leading my real estate and construction team? She has a Ph.D. in construction project management and architecture. Fraud and forensics? I hired a specialist in this area. You get the idea.”

He continues, “These talented people aren’t auditors — they’re subject matter experts. They are being trained to become auditors. Meanwhile, they are transferring their

knowledge to the ‘Purple’ audit talent pool in our organization.”

The layer of talent Hamdan refers to as “Purple” includes internal audit senior managers, assistant managers, junior auditors and others. He says the concept of “Purple Talentism” — which is based on an advanced teaming framework for red and blue teams in the cybersecurity world — is a way to “open the horizon for every single talent on the team,” allowing them to take advantage of opportunities for “cross-fertilization and the ability to work on different sectors.”

This approach, Hamdan says, helps his auditors to avoid getting stuck in a routine. Instead, they can “maximize their learning and their exposure within the business” — and stay relevant.

To help determine what capabilities to build in internal audit, Hamdan says he works with a leading analyst research firm.

Addressing Capabilities Gaps in the Function and Increasing Tech Skills Across the Team

To help determine what capabilities to build in internal audit at Majid Al Futtaim Retail, Hamdan says he works with a leading analyst research firm. “We have a strategic partnership, and they help us with benchmarking,” he explains. “One resource we access is a business alignment diagnostic survey. We reach out to key stakeholders in the business to understand which matters are important to them, and how they evaluate the effectiveness of internal audit in relation to those issues.”



He adds, “If we identify any gaps through this process, it highlights a need for me to build capabilities and skill sets within the team. Our last survey in 2020 helped us determine that we needed to build our capabilities in fraud assurance, project management and food safety, for example.”

Also, in 2020, the internal audit team at Majid Al Futtaim Retail adopted a hub-and-spoke model for the function. Now, about 75% of the team’s resources are based in the Dubai “hub” and the other 25% are distributed across the “spokes” in four different geographies. “One of the spokes is India, for example, and this is where we have our technology capabilities, and where our cybersecurity and data specialists are based,” says Hamdan.

A planned initiative for the function, according to Hamdan, is to build “a center of excellence (CoE) that will transcend across all six pillars in the organization.” The purpose of the CoE, he says, is to help increase the function’s technology maturity and continue advancing the team’s use of data analytics. He says they are already working with process mining and predictive analytics, and they also plan to adopt continuous monitoring and continuous auditing tools.

Increasing data literacy across the function is another high priority for Hamdan. “Data literacy has become a key skill for every single member of the team,” he explains. “Part of the three-year development road map for our people includes upskilling and reskilling on data literacy.”

Hamdan says he also has “a dream” to transform internal audit into an accelerated leadership program for Majid Al Futtaim Retail. “I want audit to become a body that exports talent to the organization,” he says. “I don’t want audit to be a final destination. This is how we show our relevance to the business. We export change agents to turn

around the business with the right discipline, and the right controllership mindset.”

Creating a Diverse Mix of Talent in Internal Audit That Delivers High ROI

Hamdan is also focused on building a diverse and inclusive team, and notes that gender diversity in his organization is at nearly 40%. Ten nationalities are also represented in the function. “Diversity and inclusion are very close to my heart,” Hamdan says, adding that the “other hat” he wears in the organization is as the co-chair of Majid Al Futtaim Retail’s Diversity and Inclusion Council.

When asked how creating a diverse and inclusive team helps internal audit to be more effective and relevant, Hamdan shares a story: “When I joined the firm, I had an internal audit team capable of doing operational, financial and compliance audits. But we had risk exposure in several areas, like food safety and quality, and technology and digital. I wanted to build these capabilities in the team — and it didn’t matter to me where these skills came from, or what a person’s gender, background or nationality is.”

He adds, “I have since worked to create a mix of talent that strengthens a sense of belonging for everyone in the function and helps to drive better business performance. And look at the ROI of our function today. We have exceeded 500% for three consecutive years.”

Hamdan continues, “So, that’s my story when it comes to diversity and inclusion. It’s about not only having the mix, but also making sure that the mix is working very well.”

Hamdan also has some advice for auditors wondering how they can stay relevant in a profession that is evolving rapidly. “This is something that I keep sharing with my team: *Disrupt yourself before being disrupted*. It’s very simple. If you want to stick with the status quo, then you will end up being unnoticed.”



Packaging Corporation of America (PCA)

Helping the Business Manage Risks
and Deliver on New Demands

Relevance means different things to different people. For our team, relevance is knowing the business and its pain points, and responding effectively to the risks that exist – but not forgetting about the basics of auditing that we have to follow.

YULIA GURMAN

Vice President, Internal Audit and Corporate Security



AT A GLANCE

“My main message to [my team] is to learn the business, and to look at things holistically and question if we need to keep doing things how they were always done.”

- “I think **relevance** is more about actions than words.”
- **The most value internal audit provides** to the company is “assurance that everyone understands what our policies and procedures are and that they are actually following and executing on them.”
- “**Our auditors have moved on** to become controllers in the organization or took on key roles in finance and accounting at our headquarters.”
- **Gurman credits PCA’s** long-running guest auditor program for helping to raise internal audit’s visibility with the business at large.

In 1951, three companies located in the U.S. Midwest — the Central Fiber Products Company, the American Box Board Company and the Ohio Boxboard Company — consolidated their operations to form Packaging Corporation of America (PCA).¹ More than 70 years later, PCA has grown to become the third-largest producer of containerboard and corrugated packaging in North America and one of the largest producers of uncoated freesheet on the continent, based on production capacity.²

PCA went public in 2000 and is traded on the New York Stock Exchange. The company reported net sales of US\$8.5 billion for 2022 — the same year it produced a staggering 4.6 million tons of containerboard and shipped more than 63 billion square feet of corrugated products. PCA’s packaging business includes seven containerboard mills and 89 converting operations. The company also manufactures and sells white papers, including commodity and specialty papers, at its mill in International Falls, Minnesota.³ Its paper division operates under the trade name, Boise Paper.

¹ “Our Company: PCA’s History,” PCA website, accessed March 17, 2023: www.packagingcorp.com/our-company/history/.

² “Investors: About PCA,” PCA website, accessed March 17, 2023: <https://ir.packagingcorp.com/>.

³ Ibid.



Based in Lake Forest, Illinois, about 30 miles north of downtown Chicago, PCA employs more than 15,000 people in North America, primarily in the United States. The company's vice president of internal audit and corporate security is Yulia Gurman, who joined PCA in 2016. She reports to the chief financial officer (CFO), and functionally to the audit committee of the board. Gurman leads a team of 20 auditors, including four IT auditors.

Maintaining Oversight of Key Controls in a Rapidly Changing Environment

Most internal audit team members at PCA, including Gurman, work at the company's headquarters, but some auditors work remotely full time. Five corporate security staff who work in different locations throughout the United States also report to Gurman, who acknowledges that her corporate security responsibilities are "somewhat unusual" for an internal audit leader.

"I oversee areas like physical security, investigations and the employee concerns hotline," she explains. "This arrangement actually works very well because when we need to conduct special investigations and reviews, it's easier to team up the right resources from internal audit and corporate security."

Gurman adds, "If we would need to look at the corporate security team's effectiveness, I would have someone independent of me handle that to make sure internal audit maintains that objective line."

Increased demand for corrugated paper products during the COVID-19 pandemic — due, in part, to the surge in e-commerce and related packaging needs for shipping — has had a significant impact on PCA's business. "It's been a very busy time for our facilities — the volumes have been going up each year," Gurman says. She notes that it's also been a challenging period for the internal audit team,

which has had to maintain oversight of key controls in a rapidly changing environment.

"A big part of our program is testing and reviewing key controls for PCA and many of the components that go into those controls," Gurman explains. "We work closely with our external auditors to make sure there's alignment, and to confirm that we have a good understanding of business needs and are adjusting the control environment appropriately."

Gurman notes that it's been a challenging period for the internal audit team, which has had to maintain oversight of key controls in a rapidly changing environment.

She says her team strives to continually improve their oversight of key controls, including for Sarbanes-Oxley and other regulatory compliance requirements, while also finding opportunities to do things better or differently or to "streamline" work where possible.

"I always ask my team to question things — to observe, understand and connect the dots," she says. "My main message to them is to learn the business, and to look at things holistically and question if we need to keep doing things how they were always done. And when they need to travel for an audit, I emphasize that it's not just about getting the work done — they are also there to *learn*."

Confirming Relevance Through Stakeholder Outreach and Feedback

Gurman says the internal audit organization at PCA updates its strategic plan annually to make sure the function's work remains



relevant to the company. This process also helps ensure that the business views the internal audit function itself as relevant — and providing value to PCA.

“Relevance means different things to different people,” says Gurman. “For our team, relevance is knowing the business and its pain points, and responding effectively to the risks that exist — but not forgetting about the basics of auditing that we have to follow.”

Gurman says one clear measure of whether her team is demonstrating relevance and adding value is how many requests they receive proactively from the business, asking for help and input.

“I think relevance is more about actions than words,” says Gurman. “You can call yourself relevant all you want. But if you don’t get requests for help or no one wants to talk to you, there is no relevance, right? When process owners and management say, ‘Hey, can you come look into this? I really would appreciate your advice,’ that’s relevance to me. Or, when internal audit provides the senior management team and audit committee with the information they need at their level — not too little, not too much — that’s relevance because you’re giving them what they need.”

Post-audit surveys and even informal conversations with stakeholders also provide insight into whether the internal audit team at PCA is viewed as a vital resource, says Gurman.

“I think internal audit sometimes has a tendency to think about all the fancy ways to add value, like consulting. But again, we should be careful not to forget about the basics of auditing,” she says. Gurman also notes that in a recent discussion with PCA’s leadership team, she was told that the most value internal audit provides to the company is “assurance that everyone understands what our policies and procedures are and that they are actually following and executing on them.”

The internal audit organization at PCA has been widening its embrace of technology to help deliver on the basics of auditing more effectively.

Enhancing Effectiveness Through Automation and Expanded Use of Data

The internal audit organization at PCA has been widening its embrace of technology to help deliver on the basics of auditing more effectively, Gurman says — such as by automating certain processes and tasks to drive operational efficiency. In 2020, the function implemented an audit tool that makes it easier for auditors to manage audit projects and to request updates and documentation from stakeholders.

“PCA is still a traditional manufacturing business in many ways, with a lot of paperwork for us to scan and review,” says Gurman. “We’re looking to use our audit tool to help streamline some of the manual and paper-heavy processes. We also want to provide the information via dashboards that are easy to access and see in real time. This initiative is getting a lot of positive feedback from management.”

Gurman says her team is trying to enhance their use of data, generally, so they can identify areas where their help and attention is truly needed and can create value for the business.

“When you have guidance from the data telling you where to look, it typically gives you better results, and also better value from the audit. This also helps to increase internal audit’s relevance to stakeholders and the audit committee,” says Gurman. “It’s definitely an ongoing journey that we’re constantly improving on, but it has been very fruitful so far.”



Enabling Two-Way Learning Through a Guest Auditor Program

Another testament to internal audit's relevance at PCA is the fact that the internal audit team is seen as a source of skilled talent for the business. "Our auditors have moved on to become controllers in the organization or took on key roles in finance and accounting at our headquarters," says Gurman. "One of PCA's plant managers also worked in our function."

For Gurman, seeing her auditors hired by PCA for roles outside of the department is "a great win" and a sign of "big-time relevance" for the function. She says, "I may not want to let someone go from my team because they are a top performer, but I will support them if they are ready for a change or if a great opportunity presents itself."

Gurman credits PCA's long-running guest auditor program for helping to raise internal audit's visibility with the business at large. She says the program has become so popular that competition to participate in it has become rather intense. "We get a lot of people from our manufacturing plants, finance department, accounting — from anywhere within PCA, really — trying to get a spot in the program," says Gurman. "They want to attend one of our audits to learn why and how we do things."

This experience is highly valuable for internal auditors, too, because they receive feedback on how they can improve their processes, Gurman says.

A quarterly webcast delivered to PCA's financial team provides yet another avenue for Gurman and her team to communicate their relevance. "This is an educational moment for our finance team," she says. "We use these webcasts to talk about what's going on in internal audit and what we're seeing, and to share information with our controllers

about what's in the pipeline and what control issues or risk areas we think they should be paying attention to."

She adds, "I think these quarterly touch points are very helpful. We're connecting with the business and giving back a little bit, helping them to prevent issues from coming up."

Receiving Words of Motivation From the Top

In addition to emphasizing the importance of asking questions and learning about the business, Gurman says she arranges training sessions for her team where business leaders from PCA join to share what's on their mind and what they expect from internal audit. Recently, the CEO attended a session.

"I think it's very inspirational and motivational for our team — especially some of our newer members — to meet the CEO, CFO and other leaders of the company and hear what their expectations are," says Gurman. "I think it is a big deal for them to connect with all our leaders and learn about their career journeys, the ups and downs, and to be able to ask them questions."

To help ensure that her team meets those high expectations and delivers relevant work of top quality, Gurman says she plans to continue arranging external quality assurance reviews for the function every five years. The most recent review, conducted in 2022, was the team's second.

"I think having that independent report on our practice, which is also shared with the audit committee and executive team, helps us gauge the quality of our work," says Gurman. "Management may not know much about internal audit standards, but I think it's important for our team to have that independent view that confirms, 'Yes, you are doing what you are expected to do.'"



PNC

Banking on a Future of Increased Relevance

I have very high standards for my team. I believe we can do things better and faster ... That's one reason we are pushing the envelope so hard with data analytics. But non-tech innovation is important to increasing our relevance, too – and it's why I make sure to reward it.

STACY JUCHNO

Executive Vice President and General Auditor



AT A GLANCE

The auditors, who are trained to use advanced data analytics, vigilantly study the monitors as if they are stock tickers, tracking and analyzing any changes occurring inside or outside of the company that may impact the KRIs and require swift action.

- “I’m sure that most progressive internal audit departments are working toward the same ambitious goal — to have their internal auditors truly able to conduct risk assessments in real time.”
- “The data on the monitors that we will use in our department in the future will be information that is very outcome-based.”
- “Being able to see the results of our audit work ... in real time, will allow us to become more risk-aware. In turn, we can help the business to be more proactive and agile in how they respond to risk.”

It’s morning in Pittsburgh, Pennsylvania, and hundreds of internal auditors are about to start their workday at the headquarters of PNC Financial Services Group, Inc., one of the largest diversified financial services institutions in the United States. The department is set up like a trading floor, with multiple large monitors displaying real-time data visualizations of PNC’s key risk indicators (KRIs).

All day long, the auditors, who are trained to use advanced data analytics, vigilantly study the monitors as if they are stock tickers, tracking and analyzing any changes occurring inside or outside of the company that may impact the KRIs and require swift action. Meanwhile, at PNC’s Cleveland offices, the Pittsburgh team’s internal audit counterparts are doing exactly the same thing — keeping a close eye on the monitors installed on their “trading floor.”

This is the vision for the future operations of PNC’s internal audit function — a vision that Stacy Juchno, executive vice president and general auditor at PNC, wants to see become a reality as soon as possible. She’s



also confident that many of her peers are thinking the same way about the future for their teams. “I’m sure that most progressive internal audit departments are working toward the same ambitious goal — to have their internal auditors truly able to conduct risk assessments in real time,” she says.

The data evaluated in those future, real-time assessments — at PNC, at least — would include the “output of audit work that has been automated,” according to Juchno. “The auditors will be able to test an extensive inventory of controls automatically, and they’ll be using tools like robotic process automation (RPA), advanced data analytics and process mining software regularly in their work. And they’ll be able to tell, at any given time, whether all controls are in place and functioning effectively.”

The transformational vision Juchno outlines for internal audit at PNC has moved well beyond the concept stage.

She adds, “They will also feel comfortable and confident doing this work because of the data analytics skills that they have developed. That’s really where it starts — with deep analytical skills. And that’s what we are trying to do — build for the future now.”

The transformational vision Juchno outlines for internal audit at PNC has moved well beyond the concept stage. She says the team is already executing a risk-based audit approach and leveraging continuous monitoring. “We have also made significant strides in our efforts to implement automated

control testing,” Juchno says. “Eventually, our goal is to replace all traditional auditing work we handle manually with either full or partial automation. When we get there, most everything will be preprogrammed, and the auditors can monitor the results of their work in real time.”

Striving to Exceed Expectations of Performance Excellence

Transformation has been a theme throughout PNC’s history. The business has been changing and growing for more than 170 years. PNC traces its history to the 1852 founding of Pittsburgh National Bank — the largest subsidiary of Pittsburgh National Corporation. The bank was started during a period of significant transformation for Pittsburgh, which needed to be rebuilt and reimaged following a massive fire in 1845 that destroyed one-third of the city.

Fast-forward to 1983, and PNC is formed through the merger of Pittsburgh National Corporation and Philadelphia-based Provident National Corporation. Through this bank merger, the largest one in U.S. history at that time, PNC became the largest bank in Pennsylvania.¹ Today, PNC operates in 27 states and the District of Columbia, and it maintains more than 2,600 branches. It provides a full range of lending products; specialized services for corporations and government entities, including corporate banking, real estate finance and asset-based lending; wealth management; and asset management. PNC reported revenue of US\$21.1 billion in 2022.²

Juchno joined PNC in 2009, serving as the company’s finance governance and oversight director and its Sarbanes-Oxley (SOX)

¹ “Corporate History,” PNC website, accessed April 24, 2023: www.pnc.com/en/about-pnc/company-profile/legacy-project/corporate-history.html.

² “PNC Reports Full Year 2022 Net Income of \$6.1 Billion, \$13.85 Diluted EPS or \$13.96 as Adjusted,” press release, PNC, January 18, 2023: <https://investor.pnc.com/news-events/financial-press-releases/detail/589/pnc-reports-full-year-2022-net-income-of-6-1-billion>.



director until 2014, when she assumed her current role as general auditor. She reports functionally to the audit committee of PNC's board of directors, and administratively to CEO Bill Demchak. The internal audit organization Juchno leads includes about 500 auditors working at the company's offices in Pittsburgh and Cleveland; Raleigh, North Carolina; Birmingham, Alabama; and various other locations across PNC's footprint.

Internal auditors are rewarded with "Challenge Coins" for trying new things, failing fast, learning from those experiences and rebounding.

While Juchno's plans for internal audit transformation at PNC are ambitious, they align with the company's commitment to performance: "We expect excellence in all that we do."³ Juchno says leadership is very supportive of her vision for internal audit, as they fully understand how vital it is for PNC — like any financial services company operating in today's dynamic business environment and regulatory landscape — to do all it can to stay on top of risks.

One recent innovation at PNC is already enhancing the internal audit team's ability to track risk. According to Juchno, the business created a "negative news feed" capability that is tied to about 120 data sources. It automatically filters and forwards relevant news in real time to various departments within PNC.

"For example, the feed might send news about a compliance issue our internal audit team needs to know about," says Juchno. The news feed will be one of the foundational data

sources for the "trading floor monitors" the function will use to conduct real-time risk assessments in the future, she adds.

Rewarding Both Technical Skills Growth and "Non-Tech Innovation"

While technology is crucial to supporting Juchno's plans for internal audit, it is also vital to helping the function support PNC effectively. She says her team is constantly developing and testing new use cases for RPA, for example, which they eventually deliver to the business. They are also proactive about sharing examples and best practices, especially around the use of data analytics.

Juchno makes sure every auditor on her team is thoroughly trained to work with data analytics. "We have a formal program that every person in our department, regardless of their level or responsibilities, can pursue to become proficient in data analytics," she says.

The program includes different levels of certification. It's also gamified in that participants can earn badges — actual physical badges — as they progress through different levels of training, experience and skill proficiency. "Learning data analytics is seen as a cool thing to do in our department," Juchno says. "People recognize that once you get into it, you can add value in new ways, develop a career path and be recognized for your skills within audit — and beyond. The badges are an extra incentive to keep advancing. They also help foster a sense of friendly competition throughout the team and make it fun!"

Internal auditors are also rewarded with "Challenge Coins" for trying new things, failing fast, learning from those experiences and rebounding. For example, a *Dare to Be Great* coin would be awarded to someone for trying something different to make a process more efficient or even

³ "Our Values," PNC website, accessed April 24, 2023: www.pnc.com/en/about-pnc/company-profile/corporate-values.html.



just generating a new idea. Whether the idea was successful or even implemented, the *Dare to Be Great* coin is a tool to reward innovative thinking.

Juchno is also doing her part to drive non-tech innovation in the internal audit department by adding diversified skill sets. She recognizes that bringing teams together with unique skills and experiences leads to more innovative ideas. She and her team's leaders are focused on acquiring new talent with skills that position internal audit for increased relevancy.

For example, Juchno has made a point to hire several regulators for her team to help ensure that PNC can take a proactive approach to managing regulatory risk in a rapidly changing environment. Bringing experienced regulators on staff helps the internal audit function to maintain a strong regulatory focus, she explains: "We want to help PNC be proactive about compliance. We don't want anyone to be surprised by what regulators are thinking."

Juchno says that investing in growing her team's skills and recognizing auditors' accomplishments and contributions help to drive innovation in internal audit and increase the function's overall relevance. "I have very high standards for my team," she says. "I believe we can do things better and faster — and have a little fun while we are doing it! That's one reason we are pushing the envelope so hard with data analytics. But non-tech innovation is important to increasing our relevance, too — and it's why I make sure to reward it."

Juchno and her team's leaders are focused on acquiring new talent with skills that position internal audit for increased relevancy.

Making Plans to Scale Outcomes-Based Auditing

The desire to work "better and faster" isn't the only reason Juchno wants to move as quickly as possible to automate more traditional auditing tasks and processes. She's also eager to scale up an outcomes-based approach to auditing, where the auditors — or rather, the "auditor-analysts" she's developing — identify what the expected outcome should be and then figure out the "why" behind what actually happens. Then, they can make targeted recommendations for improvement.

"The data on the monitors that we will use in our department in the future will be information that is very outcome-based," says Juchno. "And being able to see the results of our audit work, and the news and other critical information, all in real time, will allow us to become more risk-aware. In turn, we can help the business to be more proactive and agile in how they respond to risk."

Juchno adds, "All of this will help increase internal audit's relevancy with our various stakeholders. It will help them realize, 'OK, internal audit is relevant because we need them to tell us how things are going — whether it's good or bad — and what actions we may need to take.'"



Tata Consumer Products

Delivering on the Promise of Efficiency and Agility

Our function's goal is to align our work with the strategic objectives and vision of the company. By being present in various senior management forums, having strong sponsorship from the CFO and CEO, and through frequent engagement with key stakeholders, we gain an understanding of their pain points, initiatives, and the internal and external changes within the business and industry. This enables us to be a more agile, efficient and collaborative function.

AIEN NOORUL

Global Internal Audit Head



AT A GLANCE

“It is imperative for internal audit to provide consultative insights and tangible value to the organization, in addition to its traditional assurance role.”

Aien classifies his function’s role under “five pillars of service,” which goes beyond the traditional role of internal audit:

1. Core internal audit and business advisory
2. Enterprise risk management
3. In-house control analytics
4. Fraud investigations
5. Internal audit advisory services for all joint ventures, associates and subsidiaries

“We are constantly challenging ourselves to find new ways to be more efficient, more agile in execution and more collaborative with our colleagues across the company.”

With US\$1.7 billion in annual revenues and 3,900 employees,¹ Tata Consumer Products Limited (TCP) is the second-largest branded tea player in the world and among the top 10 fast-moving consumer goods (FMCG) companies in India. TCP is part of the NIFTY50 index on the Indian Stock Exchange, which consists of India’s top 50 companies across all sectors and has created ~3X value for its investors in the last 3 years. TCP has a diverse portfolio of brands in the foods and beverages category. The company is making significant progress in its transformation to becoming a leading FMCG company. TCP’s business has witnessed a multifold increase in turnover in recent years through a combination of organic and inorganic growth.

TCP’s tagline “For Better” reflects the company’s commitment to improvement by pushing boundaries and aiming to achieve better results for all its stakeholders. TCP’s beverage product range includes tea, coffee, water and ready-to-drink (RTD) products. The food portfolio includes salt, pulses, spices, dried fruits, ready-to-cook and

¹ “Tata Consumer Products Integrated Annual Report 2022-23,” TCP website, accessed June 28, 2023: www.tataconsumer.com/iar-2022-23/.



ready-to-eat offerings, breakfast cereals, snacks and mini-meals. In addition, TCP operates over 330 Starbucks stores across India through a joint venture with Starbucks Coffee Company.²

TCP has brand presence in 40 countries. In India, the company's products reach over 200 million households and are distributed through approximately 3.8 million retail outlets.

TCP's operations are predominantly split into two divisions: India and international business. Within each division, operating segments are divided among food, RTD beverages, tea and coffee. A majority — 71% — of TCP's business revenues come from India, with the remainder from international markets including the United Kingdom and Europe, the United States, Canada, Australia, South Africa and the Middle East.³

Aien Noorul is TCP's global internal audit head, overseeing an in-house internal audit and risk management team of 13 staff, with plans to expand to 15 by the end of 2023. Co-sourcing partners support the in-house team in delivering the internal audit engagements.

The internal audit function at TCP reports administratively to the company's chief financial officer and functionally to the audit committee. For risk management agenda purposes, Aien reports to the risk committee — a separate committee of the board.

Providing Assurance Through “Five Pillars of Service”

Aien views the internal audit function's role as one that is constantly evolving, with increasing expectations from all stakeholders. He believes that matured internal audit functions are in the best position to deliver on these expectations and tackle the challenges associated with the role. According to Aien,

“Internal audit functions that are viewed as watchdogs can no longer stay relevant and fully meet the expectations of management and the board of directors. It is imperative for internal audit to provide consultative insights and tangible value to the organization, in addition to its traditional assurance role.”

Aien views the internal audit function's role as one that is constantly evolving, with increasing expectations from all stakeholders.

Aien says, “At TCP, we seek to earn the credibility and respect of all our stakeholders with every project. By doing so, we are recognized as a mature and ‘ahead of the curve’ internal audit function that contributes to the company's success.”

In support of this overarching goal of adding value to the company, TCP's internal audit function engages in various auditing and risk management activities. Aien classifies his function's role under “five pillars of service,” which goes beyond the traditional role of internal audit. These include core internal audit and business advisory, enterprise risk management (ERM), in-house control analytics, fraud investigations, and internal audit advisory services for all joint ventures, associates and subsidiaries. This enables the function to provide insights on business risks and mitigation plans, process improvements, areas for operational efficiencies, cost-saving and revenue maximization opportunities, continuous control monitoring, and fraud prevention measures to further strengthen risk and control governance.

² “Subsidiaries, JVs and Associates,” TCP website, accessed April 20, 2023: www.tataconsumer.com/about/subsidiaries-jvs-associates.

³ “Tata Consumer Products Integrated Annual Report 2022-23,” TCP website, accessed June 28, 2023: www.tataconsumer.com/iar-2022-23/.



“Our function’s goal is to align our work with the strategic objectives and vision of the company,” Aien says. “By being present in various senior management forums, having strong sponsorship from the CFO and CEO, and through frequent engagement with key stakeholders, we gain an understanding of their pain points, initiatives, and the internal and external changes within the business and industry. This enables us to be a more agile, efficient and collaborative function.”

On the risk management side, Aien says the function’s objectives include “making sure all emerging risks are identified so that the company’s ability to meet its strategic objectives is not hampered.” The risk team co-develops risk mitigation strategies with management and then tracks key performance indicators (KPIs) with a goal of continuous improvement.

Internal audit conducts regular, proactive risk assessments to identify emerging risks and assess the effectiveness of existing controls.

Adding Value as a Trusted Partner and Adviser

According to Aien, one of the key measures of internal audit’s success in the context of relevance is its ability to serve as a trusted partner and adviser to management, contributing to the organization’s success and resilience.

This is achieved by developing a deeper understanding of the business through various senior management forums and frequent interactions with key stakeholders. These interactions allow the team to provide

relevant insights and recommendations that align with the organization’s challenges.

Aien has also adopted a 10-factor-based audit planning approach that incorporates both qualitative and quantitative factors. “Internal audit functions can no longer operate with a fixed internal audit plan that does the same types of audits day in and day out,” Aien says. “We have developed an internal audit planning framework that includes qualitative factors like industry dynamics, changes in the regulatory landscape, internal business changes, function-specific initiatives, outcomes of the risk assessment and engagements with key stakeholders. This has been recognized as a promising practice across the entire Tata Group, and it ensures that our efforts are directed towards addressing significant risks and adding value where it matters most.”

Among other initiatives, internal audit conducts regular, proactive risk assessments to identify emerging risks and assess the effectiveness of existing controls. By identifying potential risks early on, the function is best positioned to work with management to co-develop mitigation plans.

Internal audit also initiates value-added audits, which “go beyond traditional SOP compliance-focused audits and strive to provide value-added insights. This is achieved by identifying process improvements, cost-saving opportunities and operational efficiencies that can enhance the organization’s performance,” says Aien.

In addition, TCP’s in-house developed TGO analytics solution has facilitated continuous monitoring to identify anomalies, trends and potential control weaknesses. By leveraging technology and analyzing large data sets, the team can provide real-time insights to management and adopt a more solution-oriented approach.



Lastly, the function's strong relationships with key stakeholders, effective communication methods and diverse competencies within the team have fostered a collaborative approach. "We collaborate on special engagements with the business to find solutions to specific problems and challenges," Aien says. "We also partner with the business to provide inputs based on our assessment of process design constructs, key regulatory changes and critical system implementation projects."

Aien adds, "When it comes to communicating the outcomes of the internal audit reviews, we take a balanced approach while maintaining independence. The results are presented along with benchmarked practices and practical actionable insights, an approach that goes a long way toward building the function's credibility and perception around the organization."

The function's strong relationships with key stakeholders, effective communication methods and diverse competencies within the team have fostered a collaborative approach.

A Focus on Technology

Technology is a major enabler of relevancy for TCP's internal audit and risk management team. The function uses data analytics, artificial intelligence and other emerging technologies to analyze large volumes of data and identify patterns and trends. TCP has deployed technology in three key areas: internal controls monitoring, proactive action plans tracking and risk management.

"The TGO analytics solution is our proprietary system for internal controls monitoring, which we use to improve audit efficiency and the governance and control framework of the company," Aien says. "These control analytics are ideated by an in-house team and deployed within various audit engagements. The analytics are also used by various business teams for continuous control monitoring and are embedded into the control framework. The solution offers ease of use, low cost of technology and actionable insights drawn from a large, complex data set, resulting in the internal audit team being recognized as a solution provider for continuous control monitoring."

In terms of action plan tracking, TCP deploys Robotic Process Automation (RPA). Homegrown Dakota Action Management tool is used to drive the timely closure of action plans by sending proactive reminders to the business leaders responsible. According to Aien, "The technology provides real-time visibility into the status of action plans for all management levels. The usage of this technology has led to a cultural shift where 98% of action plans are closed within the agreed-upon timelines — a marked improvement over past performance."

Aien adds, "The third area where we apply technology is on the risk management side. We use analytics as well as our in-house developed ER4B tool to identify, report and track the risks for our various businesses and geographies. Using this tool, risk champions across all the business teams can report relevant risks and mitigations, which is then used to identify and track risk mitigation KPIs. This in turn helps us generate a risk scorecard for the whole company, as well as for the individual businesses. Additionally, we also deploy AI to screen and identify any emerging risk through information available in the public domain."



He continues, “A lot of work has been done in the last four or five years in the area of technology. We are focused on staying relevant — not only by understanding emerging technologies and building our competence in these areas, but also by applying the technology to increase our auditing efficiency and coverage.”

Developing Team Competency

In addition to the use of advanced technology, Aien is committed to upskilling and developing diverse competencies within his team to enhance internal audit’s effectiveness and relevance to the organization.

“Internal audit functions need to develop diverse competencies to deliver on constantly evolving roles and expectations,” he says. “We are not just hiring finance professionals. Our team is a combination of hardcore internal auditors as well as professionals with diverse skills from various business functions within the company and the industry. These competencies include experience in procurement, sales and distribution, quality management, analytics and cybersecurity. This team mix has led to newer insights and more effective collaborations with the business, and it has enhanced the credibility of the function.”

Aien adds, “We also invest a lot in learning and development activities to foster a culture of continuous learning. We engage in ongoing knowledge sharing pertaining to the industry, business and processes, both within the in-house team and among the members of the co-sourcing team. Auditors share the insights and learnings for each engagement with the entire team, helping to widen the perspective and upskill competencies within the function.”

In addition, Aien notes that insights from budget discussions, Mid-Term Plans (MTP)

discussions, Audit Committee Meetings (ACM) and business performance reviews are also shared with the team, which helps drive better alignment with business objectives and challenges. As a company, TCP also facilitates direct access to the CFO and CEO through various forums to assist in the development of top talent within the function.

Internal audit’s focus on relevance and upskilling has had a tangible effect on recruiting, enabling the function to attract top talent, enhance skill set diversity and achieve higher retention and employee engagement.

“We also have a guest auditor program,” Aien says, “which allows us to supplement our skill sets within the department with expertise from other functions, leading to mutual learning opportunities.”

Internal audit’s focus on relevance and upskilling has had a tangible effect on recruiting, enabling the function to attract top talent, enhance skill set diversity and achieve higher retention and employee engagement. This in turn has helped boost the function’s reputation within the business.

According to Aien, the auditors on his team get exposure to many diverse areas because the function takes a “differentiated approach” to developing and executing the audit plan. “As a result, our retention rates are very high,” he says. “It has also helped our people develop as internal audit professionals who can add value to any function. We have had instances of people who have worked in internal audit and then gone on to take higher positions either within the company or in the industry.”



Keeping in Tune With a Growing Enterprise

As Aien looks to the future, he envisions an internal audit and risk function fully in tune with TCP's objectives and goals. To achieve this ambitious agenda and maintain relevance for the long run, the audit leader has his team focused on continuously driving the conversation.

"We want to ensure that in the work we do — and in every audit we execute — we are applying a different perspective and bringing different insights," Aien says.

Aien expects his team to exchange feedback regularly with business stakeholders "to make sure that we are constantly staying up-to-date with the changes that are happening within the system."

Internal audit achieves this by setting measurable goals and holding individual team members accountable "to give them the necessary focus beyond looking at just the assurance and compliance activities, to be questioning each and every cost element and looking at how they can contribute to the top line — as well as the bottom line — of the company."

The audit leader also expects his team to exchange feedback regularly with business stakeholders "to make sure that we are constantly staying up-to-date with the changes that are happening within the system."

Aien says he is also committed to recognizing individuals on his team for good performance as a way to reinforce that this behavior is well appreciated. "It is a continuous learning process," he says. "We have come a long way. But we are constantly challenging ourselves to find new ways to be more efficient, more agile in execution and more collaborative with our colleagues across the company."



Vanderbilt University Medical Center (VUMC)

Demonstrating Relevance to Keep a Seat at the Table

Internal audit has become a go-to resource for the organization because they know we will be responsive to their requests, we won't compromise our independence, and we will bring leading practices to the discussion. That gives us a seat at the table.

TODD HAVENS

Chief Audit Executive



AT A GLANCE

Relevance is having “practical adaptability in meeting the medical center’s real-time needs.”

- **Internal audit is willing and able** to make rapid adjustments to meet the evolving demands of an elastic environment.
- “[The leadership team] proactively considers partnering with internal audit for an independent evaluation in an area — and that didn’t use to be the case.”

Knowledge-sharing and proactive outreach have helped internal audit become a valued and trusted resource for the organization.

Internal audit’s commitment to relevance has impacts well beyond the mid-South region of the U.S. — in fact, it reaches across an ocean.

The team is focused on maintaining their forward trajectory by staying engaged in organizational committees, sharing leading practices and accommodating leadership’s requests.

Vanderbilt University Medical Center (VUMC) is the largest comprehensive research, teaching and patient care health system in the mid-South region of the United States.¹ Based in Nashville, Tennessee, VUMC includes leading adult hospitals and Monroe Carell Jr. Children’s Hospital at Vanderbilt in the Southeast and sees more than 3 million patients each year. As a nonprofit educational and research institution, VUMC offers over 100 fully accredited residency and fellowship programs and trains more than 1,100 medical residents annually.

VUMC is consistently ranked among the nation’s best hospitals by *U.S. News & World Report* across numerous adult and pediatric medical specialties. It’s also the largest non-government employer in Middle Tennessee, with 40,000 employees working across 200 clinics and seven hospitals.²

In 2016, Vanderbilt University and VUMC split into separate legal entities, necessitating the creation of an internal audit function specifically supporting the medical center. Todd Havens joined VUMC as chief audit executive of the “startup” department. Since

¹ “About Vanderbilt University Medical Center,” VUMC website, accessed March 8, 2023: www.vumc.org/about/.

² Ibid.



2016, he has grown the function from just five auditors to 14 staff based in the U.S. and five in Mozambique. Havens also has added IT auditing and data analysis expertise to the function during his tenure.

Today, VUMC faces various operational challenges, including the assimilation of three regional community health hospitals it acquired within the past three years. Cost containment is also a concern.

“VUMC is also in the process of replacing its decades-old legacy general ledger, human resources and supply chain systems with the Workday enterprise resource planning (ERP) system,” Havens says.

For Havens, relevance is having “practical adaptability in meeting the medical center’s real-time needs.”

Maintaining Relevance Through Ongoing Education and Networking

For Havens, relevance is having “practical adaptability in meeting the medical center’s real-time needs.” For internal audit, this has meant being willing and able to make rapid adjustments to meet the evolving demands of an elastic environment.

“We have changed our focus from the historical approach of developing the audit plan and executing on that plan with minimal variations,” Havens says. “About three years ago — right before COVID-19 — I went to the audit committee and asked them for the ability to do what I call ‘small a’ agile audit planning. We have established sufficient credibility with both leadership and the audit committee, and they trust our judgment to make real-time changes to the audit plan

to ensure we’re focused on what’s most important to the organization.”

In practical terms, this has meant that Havens presents a shortlist of 15–20 assurance and advisory engagements focused on organizational priorities at the beginning of each fiscal year. But he says he holds 2,500 to 3,000 hours “in reserve” to provide internal audit the flexibility to add projects and address emerging organizational priorities as they arise.

“I’d much rather have that flexibility than have to go back to the audit committee to say I’m dropping an audit to add a project,” Havens says. “I’m going in with a conservative audit plan with great flexibility and hours so that I can respond quickly to matters such as integrity line investigations and new policies before they go live.”

He adds, “It’s worked out really well because it’s allowed us the flexibility to say, ‘Yes, we can do that,’ nine times out of 10. Departments are asking us for advisory work and assurance work. It’s taken us a few years to develop that model, but it resonates well with both leadership and the audit committee.”

Havens says the VUMC internal audit team has developed a collaborative relationship with the leadership team. “They proactively consider partnering with internal audit for an independent evaluation in an area — and that didn’t use to be the case,” he notes.

Havens also has partnered with his peers in enterprise risk management (ERM) and healthcare compliance to streamline the risk assessment cycle. In the past, the heads of these functions would meet separately with leaders across the enterprise; now, they’ve combined their meetings.

“This is the first time we’re combining forces, and all three of us are participating,” Havens says. “We were talking to substantially the same group of 60 to 80 leaders anyway. So,



by combining forces, we've reduced the total number of meetings from 200 to 80 and limited each meeting to 45 minutes. It's worked well. I think we're all getting what we need out of the discussion — and it has been very well received by the leadership team.”

Knowledge-Sharing and Ongoing Education

Havens pushes his team to pursue ongoing education, give back to the profession through volunteer roles and explore networking opportunities, and VUMC's internal audit staff frequently taps into the knowledge of peer academic medical centers to leverage insight from one another's experiences.

Havens is a past chair of the Association of Healthcare Internal Auditors (AHIA), and he encourages his team to network with peers actively through the organization. As a long-time AHIA leader, Havens facilitates regional chief auditor roundtables and forums to share challenges and successes with other institutions.

Havens sees technology as a vital catalyst for maintaining relevance and selectively seeks out new solutions to introduce into the function.

Within VUMC, internal audit is well represented on all major projects. For example, for the Workday ERP implementation project, Havens has dedicated senior-level resources to all seven project subcommittees, including those focused on human resources (HR), payroll and supply chain, among others. Havens says the goal is to have internal audit represented — to ensure they understand the design and

controls and to voice the function's concerns proactively — as the system is being developed and deployed.

As a result of these initiatives and proactive outreach, internal audit has become a valued and trusted resource for the organization, according to Havens. “Internal audit has become a go-to resource for the organization because they know we will be responsive to their requests, we won't compromise our independence, and we will bring leading practices to the discussion,” he says. “That gives us a seat at the table.”

Staying Ahead of the Technology Curve

Havens sees technology as a vital catalyst for maintaining relevance and selectively seeks out new solutions to introduce into the function. One example is AuditBoard, which was implemented throughout VUMC's internal audit organization in the U.S. and currently is being implemented in Mozambique.

“Before COVID-19, we were fairly immature in terms of technology,” Havens says. “We adopted AuditBoard in 2021 to automate our work paper flow, management action plans and observation follow-ups. This year, the internal audit team in Mozambique is implementing the automated workflow tool to enhance productivity.”

Internal audit at VUMC also has been granted access to a dedicated enterprise data analyst. “She's involved in the planning for every engagement, whether or not the decision is made to leverage data analytics in the planning or fieldwork phase,” Havens explains. “She makes us more efficient in executing our work. That's been a nice value-add for our team — and a benefit to the organization.”



Havens says the AHIA also provides education on leading practices around what can be accomplished through analytics versus sampling or detailed testing on a sample basis. “Our team is learning about the advantages of data analytics in various use case scenarios from me, our data analytics expert and our peers,” he says.

Demonstrating Relevance Through Impact

The focus on relevance is supporting the development of individual internal audit team members and making an impact around VUMC.

“Our recent additions of a dedicated data analytics person and audit resource to support our regional hospital and finance internal controls program are evidence of that focus on relevance,” Havens says. “In addition, even though VUMC doesn’t have a formal rotation program, 13 people have left internal audit and become directors, compliance officers and leaders in the organization over the course of the last 15 years.”

Havens says he attributes this success to the credibility that individual team members have established throughout the organization through their active engagement in committees and being “super-focused” in supporting the stakeholders they work with.

“I would much rather lose a team member internally and have them continue to benefit the organization than totally lose them from VUMC,” says Havens. “Only two of the last six people who have left internal audit while I’ve been here have left the organization entirely. The other four are now our stakeholders when we audit their areas of responsibility.”

Internal audit’s commitment to relevance has impacts well beyond the mid-South region of the U.S. — in fact, it reaches across an ocean.

Friends in Global Health, LLC (FGH) supports the delivery of HIV care and treatment to more than 320,000 people in Zambezia, the second-largest province in the southeastern African nation of Mozambique, and the one with the highest number of people living with HIV/AIDS.³ The program, a subsidiary of VUMC, operates under several funding streams, the largest of which is a cooperative agreement with the U.S. government through the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR).⁴

“With PEPFAR support, FGH assists the government of Mozambique in accelerating the pace towards epidemic control in Zambezia Province through the delivery of high-quality, evidence-based HIV and tuberculosis services,” says Havens. “FGH employs sustainable models of community- and facility-based services covering the full continuum of HIV response. This includes support for human resources, administration and finance best practices, health information systems, clinical mentoring, clinical laboratory support and much more. We have about 2,600 VUMC employees in Mozambique, and we engage an additional couple of thousand volunteers in this mission. We’ve operated under this grant for roughly 16 years; it’s substantial, and an amazing organization.”

Friends in Global Health developed an independent internal audit department to support governance and internal controls several years ago. The team is located in Mozambique and has a matrixed reporting line to Havens, who serves as the program’s audit committee chair. Providing oversight to an internal audit team working under difficult conditions in a foreign country is just one example of the challenges that Havens and his teams regularly face.

³ “Friends in Global Health,” VUMC website, accessed March 8, 2023: www.vumc.org/friends-in-global-health/home.

⁴ “What is PEPFAR?” HIV.gov, accessed March 8, 2023: www.hiv.gov/federal-response/pepfar-global-aids/pepfar/.



“We support 145 clinics within Zambezia Province, and only a portion of them even have running water and electricity,” Havens says. “I was in Mozambique for two weeks last October to learn more about their culture and operating environment. I realized then that until you see our FGH operations in person, you have no clue how challenging the environment is.”

Havens says that his team is focused on maintaining their forward trajectory by staying engaged in organizational committees, sharing leading practices and accommodating leadership’s requests.

Keeping an Eye on the Future

Havens’ efforts to burnish internal audit’s reputation within VUMC have paid off, but he remains vigilant. “We’ve worked hard over the last half-dozen years to develop our partnering reputation,” he says. “While that takes a long time, all it takes is one or two miscues, and you’re back to the building blocks with certain leaders.”

That’s one reason Havens commissioned an independent quality assessment review of the internal audit department last year. “The board audit committee and leadership weren’t asking for this review; they, in fact, were very comfortable with the audit team and the relationships we had developed,” he explains. “But I felt it was important to have an independent organization confirm that we adhere to all professional standards, and it further supported that we’re doing all the right things.”

Havens says that his team is focused on maintaining their forward trajectory by staying engaged in organizational committees, sharing leading practices and accommodating leadership’s requests. “The heavy lifting, in my opinion, is done — but we still need to work on the relationships every single day,” says Havens.



Wesco

Building Stronger Connections With the Business
to Increase Relevance

Internal audit's ability to bring a unique perspective to the table is one way we demonstrate relevance. But there's also a significant effort by our team to get out into the business and have conversations with people so they understand what internal audit is – and that we're capable of providing much more value than the classic blocking and tackling of compliance and assurance.

KEVIN KLEIN

Vice President, Internal Audit



AT A GLANCE

“Our team has played a key role in helping the new organization come together — and make sure things didn’t fall through the cracks not only from a risk and control perspective but also through policy and process harmonization.”

- **Whenever the business taps** internal audit as a resource for professionals with in-demand skill sets and experience, it helps to underscore internal audit’s relevance to the company.
- **“Ultimately, if you’re not adding value,** you’re not going to be relevant to them, and they’re not going to pick up the phone and call you because they don’t see the benefit to their priorities.”
- **The department has been receiving** an increasing number of calls from the business, asking for the team’s input on issues of all types, big and small.

Wesco International’s mission is to build, connect, power and protect the world.¹ When the company was founded in Pittsburgh, Pennsylvania, in 1922, its mandate was to help light the world as the distribution arm of electrical and lighting products manufacturer, Westinghouse — which was founded by visionary entrepreneur George Westinghouse.²

Within just a few decades, Wesco’s portfolio expanded exponentially to include emerging technology for the consumer market, like televisions, refrigerators and laundry machines, and electrical wiring and heating systems for homes and businesses. Today, Wesco, with US\$21 billion in annual sales and 20,000 employees, is a leading provider of business-to-business distribution, logistics services and supply chain solutions for commercial and industrial businesses, government agencies, institutions, and more.

Wesco serves customers around the world through 800 locations, warehouses and sales offices in more than 50 countries and offers a global network that serves multi-location businesses and multinational

¹ “Our Company: Our Mission,” Wesco website, accessed March 15, 2023: www.wesco.com/us/en/our-company.html.

² “A Legacy of Innovation,” Wesco website, accessed March 15, 2023: www.wesco.com/us/en/our-company/history.html.



corporations. The company has access to millions of different products, its services range from Internet of Things (IoT) consulting to project inventory management, and its solutions support industries from education to oil and gas.

It's a complex company. But Kevin Klein, vice president of internal audit, can sum up what Wesco does in just one sentence that drives home its impact on businesses and communities around the world: "We help life run smoothly."

Raising Internal Audit's Visibility Amid Major Organizational Change

Klein, who joined Wesco in 2016, leads a team of 22 auditors spread across various locations in North America, including Pittsburgh; Glenview, Illinois; and Mexico. He reports directly to the company's audit committee and administratively to the chief financial officer.

Klein can sum up what Wesco does in just one sentence that drives home its impact on businesses and communities around the world: "We help life run smoothly."

In June 2020, during the height of the COVID-19 pandemic, Wesco completed a merger with Glenview, Illinois-based Anixter International, Inc., a global distributor of network and security solutions, electrical and electronic solutions, and utility power solutions. Anixter became a wholly owned subsidiary of Wesco through the US\$4.5 billion transaction. And in January 2023, the

company unveiled its new "Wesco Anixter" brand to represent the combined organization in international markets where it operates.³

"Merging two equally sized companies while in a full COVID-19 lockdown was certainly interesting — and very challenging," says Klein. "We were just getting used to meeting via Microsoft Teams and not being able to travel. But having virtual meetings with people in multiple cities, often on very short notice, actually created some efficiencies that probably accelerated the process, including relationship-building between internal audit and the business."

As part of the merger, Wesco and Anixter combined their internal audit departments. The new team had a prime opportunity to demonstrate its relevance to the broader business by helping to, among other things, harmonize the companies' risk and control matrices into one.

Klein says, "Our team has played a key role in helping the new organization come together — and make sure things didn't fall through the cracks not only from a risk and control perspective but also through policy and process harmonization. What's the best way the new company should do things? That certainly raised our profile a bit."

In addition to serving as a third line of defense for Wesco, Klein says the internal audit function "strives to partner with the company's second- and first-line leaders to proactively identify and mitigate risks." In today's dynamic and unpredictable business and regulatory landscape, it's imperative for internal audit to help the organization keep a close eye on risk, according to Klein.

"As things continue to evolve, we have many conversations with stakeholders about change and what controls are needed. That

³ "Wesco Announces New International Brand," by Wesco International, Industrial Distribution, January 31, 2023: www.inddist.com/operations/news/22684256/wesco-announces-new-international-brand.



proactively, quickly and inexpensively avoids or minimizes issues down the road where it's typically time-consuming and expensive to make changes" he says. "Once controls are in place, we provide management with an independent assessment of whether those controls are working as intended. That provides a lot of value — helping management avoid issues and know, not just assume, that controls are functioning as they should."

Positioning Internal Audit as a Go-To Resource for Skilled Talent

Another ongoing priority for internal audit at Wesco — which Klein says he actively champions as the department's leader — is for the function to be a "talent feed" for the broader organization. Klein notes that whenever the business taps internal audit as a resource for professionals with in-demand skill sets and experience, it helps to underscore internal audit's relevance to the company. Also, in his view, it helps to strengthen the business.

"When someone at Wesco has a role to staff, I want them to look to our department first and ask, 'Can anyone in internal audit fill our need?'" Klein says. "And when they do hire from our function, they bring an internal auditor's perspective to their team. They gain someone who has seen many different aspects of the business, and who understands the company in a way some external hires might not."

It's internal audit's view across the organization and objective perspective that really allow the function to add value to any issue at Wesco, Klein says. "Every project introduces change, and with change, there's risk," he explains. "Just through our day-to-day work, we can step back and see patterns and trends and make connections that aren't necessarily obvious to the team working on a project."

He continues, "Internal audit's ability to bring a unique perspective to the table is one way we demonstrate relevance. But there's also a significant effort by our team to get out into the business and have conversations with people so they understand what internal audit is — and that we're capable of providing much more value than the classic blocking and tackling of compliance and assurance."

Klein emphasizes that ongoing communication and relationship-building are vital to his internal audit team's ability to continue demonstrating their relevance and building the department's reputation.

Adding Value by Understanding the "WII-FM" Mindset

Klein emphasizes that ongoing communication and relationship-building are vital to his internal audit team's ability to continue demonstrating their relevance and building the department's reputation. He says he encourages his team to be proactive about having "consultative-type conversations" with the business and also tells them to recognize that "everybody wakes up in the morning thinking, 'What's in it for me?'" Klein adds with a laugh, "A friend of mine refers to it simply as 'WII-FM' — the radio in everyone's head is tuned to that station every morning."

Klein explains that auditors need to help others in the business see the "WII-FM" of working with internal audit — and that hinges on understanding their needs and motivations. "If you can provide information or counsel that adds value to their objectives, it keeps you relevant," he explains.



“Ultimately, if you’re not adding value, you’re not going to be relevant to them, and they’re not going to pick up the phone and call you because they don’t see the benefit to their priorities.”

The additional upside of auditors being attuned to the WII-FM aspect is that they can be more effective at alerting the business to relevant risk, says Klein. “You can help them stay current on emerging trends and risks by calling them up to say, ‘Hey, this is coming,’ or ‘You should be thinking about this.’”

A continuous dialogue with the business also allows the internal audit team to identify opportunities to help Wesco increase efficiency. For example, an auditor might hear about how a business unit is approaching a particular process, and immediately recognize that there’s a more efficient way to handle it because of conversations the auditor has had with another business unit about a similar process.

“Making those connections and trying to help the organization be as efficient and effective as possible in meeting its objectives and goals also demonstrates our team’s relevance,” says Klein.

By all accounts, the internal audit team at Wesco is succeeding at becoming a top-of-mind resource for the business. According to Klein, the department has been receiving an increasing number of calls from the business, asking for the team’s input on issues of all types, big and small.

“I interpret this outreach as positive feedback on our efforts,” he says. “It tells me our team is doing a very good job of communicating what we have to offer. It suggests that we’re trusted to give our opinion on changing issues or just answer general questions that people in the organization may have. And if we don’t have the answer, we’re connected to the people who do.”

Keeping Pace With Rapid Technological Change – and Risk

Wesco is currently undergoing digital transformation. Several current projects were motivated by the recent merger with Anixter and are designed to combine systems and create greater efficiencies. And as Wesco continues to navigate technology change internally and externally, Klein says he plans to keep expanding and evolving his team’s skill set so they can help the business and its leadership stay aware of and respond to emerging risks.

Klein says he expects that data analytics will be “one of the early areas disrupted by emerging technology like AI” – and internal auditors need to be ready to adopt new capabilities.

“The pace of technological advancement is only accelerating,” says Klein. “And I don’t think ‘huge’ even begins to describe the near-term impact of expanded access to generative artificial intelligence (AI)-like capabilities — not just for companies like Wesco, but for all businesses.”

He continues, “How we respond as an internal audit department to this type of change is crucial. I’ve invested in the team to make sure they all have a basic understanding of IT risk, of course. But what skills do we need as a group to stay relevant and continue providing that forward-looking assessment to the company as the risk environment, especially around cybersecurity and technology, evolves?”

Klein says he expects that data analytics will be “one of the early areas disrupted by emerging technology like AI” — and internal auditors need to be ready to adopt new capabilities.



He points to travel and expense (T&E) card transactions as a simple example. “Starting with nothing more than a file of transactions, you’ll be able to upload your T&E transactions file to an AI-driven system and ask, ‘Show me the transactions that are high risks for fraud.’ AI will be able to turn that information around in seconds and show you other patterns in the data set. It’s likely AI will be able to give you an answer to any question you have about any data set, or continuously monitor the transactions coming in for changing patterns. All you’ll need to do is ask. We are very close to having that be a reality. So, what does that mean for the skills that I need for my department?”

Despite the need to continue growing his team’s technological knowledge and capabilities, soft skills — like ethics, drive and leadership abilities — are always a priority focus whenever Klein is promoting or recruiting talent for his team. “You can teach most technical aspects, if needed,” he says.

Klein recalls a former staff member he recruited for a leadership position in internal audit. “She’d never been in a pure audit role,” he says. “But she had some exposure to Sarbanes-Oxley and a fantastic understanding of financial processes and accounting information systems — enough to be a brilliant auditor. Now, she’s doing even bigger and better things at Wesco. She’s a great example of how you can fill in the technical piece quickly when you have an auditor who brings other skills to the table.”

He adds, “I’m not necessarily looking for career auditors when I hire. Obviously, career auditors have a role to play and a very valuable one — and that’s me speaking as one! But when people want to come into the internal audit function and use it as a career steppingstone to another role within our company, that’s a win-win for everybody.”



Westpac Group

Refocusing for Relevance

In an internal audit context, we will be and remain relevant by having a voice at the table, providing trusted, objective and insightful assurance, and delivering opinions and recommendations that our stakeholders value and leverage.

SCOTT KIERAN

Group General Manager — Group Audit (Chief Audit Executive)



AT A GLANCE

“Our purpose is to create better futures together by providing objective and insightful assurance and building trust with all our stakeholders so that we can support a better future for our customers in Westpac Group.”

Group Audit’s recent refocusing efforts include a refresh of its strategy and purpose to help the function achieve “better practice” overall.

- “We have refocused ourselves and our resources towards becoming a trusted adviser, while continuing to maintain our independence.”
- In Kieran’s view, becoming a “well-run and more technology-enabled” function is crucial to Group Audit’s ability to become more relevant.

“Relevance will be the outcome of what we do in relation to our purpose and strategic priorities as a function. We’re on a journey.”

Westpac is Australia’s first bank — and its oldest company. It started out in 1817 as the Bank of New South Wales, with a dual purpose to provide banking services and issue currency to merchants and other businesspeople in Sydney. Thirty-nine citizens, who had the backing of New South Wales Governor Lachlan Macquarie, established the bank with an aim to help strengthen and support the emerging economy in colonial Sydney.¹

The founding of the bank turned out to be exceedingly timely: In July 1817, many farmers in New South Wales lost their livestock and crops due to severe flooding. The brand-new bank moved swiftly to create a disaster relief fund, supplemented by King George III’s government, which helped support the affected citizens until 1820, when they were able to harvest successfully again.²

More than 200 years later, Westpac remains committed to helping its customers in times of need — and that goes beyond providing a range of financial solutions. A prime example

¹ “About Us: Our Timeline,” Westpac Group website, accessed April 25, 2023: www.westpac.com.au/about-westpac/westpac-group/company-overview/our-history/.

² Ibid.



is the Westpac Lifesaver Rescue Helicopter Service. The service, which operates across Australia from “bush to beach,” has completed more than 80,000 missions since it was established in 1973 — and, according to Westpac, “no one has ever paid to be rescued.”³

So, it’s no surprise, perhaps, that Westpac — which is also one of four major banking institutions in Australia and one of the larger banks in New Zealand — has a customer-centric internal audit organization with a strong sense of team spirit. “Our purpose is to create better futures together by providing objective and insightful assurance and building trust with all our stakeholders so that we can support a better future for our customers in Westpac Group,” says Scott Kieran, Group General Manager — Group Audit (Chief Audit Executive).

Expanding Skill Sets and Focusing on Constructive Feedback

Kieran joined Westpac Group in May 2019 from Bank of America, where he was the regional head of corporate audit for the Asia-Pacific region. At Westpac, Kieran reports directly to the chair of the board audit committee, who engages a supportive working dynamic between Kieran’s team and the committee as a whole.

Over the past four years, Group Audit’s headcount has grown to 220, which has strengthened the effectiveness of the function and also supported the changing needs and expectations of stakeholders. About 80% of the team is based in Sydney, along with Kieran. The remaining staff members are distributed across Adelaide, Brisbane and Melbourne in Australia, and in Auckland, New Zealand. Kieran says he has “direct and full responsibility” for the teams

in Australia and oversight responsibility for the New Zealand team.

Kieran has been focused on developing Group Audit’s overall skill set, including in areas like financial crime, compliance, environmental, social and governance (ESG), credit, data analytics, and report writing. To that end, he has been actively recruiting people from the first and second lines of defense, as well as those with global banking experience or from outside of the financial industry, so that the function can access deep business acumen and specialized expertise.

To drive continuous improvement, Kieran and his team have been highly focused on listening to, and acting upon, feedback over the past 12-18 months.

The focused investment on expanding the depth and diversity of skills — and diversity of thought — in Group Audit has enabled the team to provide quality and impactful independent assurance and insights, and become more well-rounded, more empathetic to stakeholders in the business, and more relevant to Westpac overall, according to Kieran. Further, feedback from an external reviewer was that the senior team is experienced and highly credentialed and has fostered a strong team culture, which is focused on development and inclusion.

To drive continuous improvement, Kieran and his team have been highly focused on listening to, and acting upon, feedback over the past 12–18 months, including from external reviewers, such as a regulator and third-party experts in internal audit best practices. The team has also collected

³ “Help: Westpac Lifesaver Rescue Helicopter Service,” Westpac Group website, accessed April 25, 2023: www.westpac.com.au/help/community/rescue/rescue-helicopters/.



feedback from surveys of Westpac’s board and management that were designed to gauge how they perceive Group Audit.

“We realized that while we are well respected and supported by the board, to be more relevant to the organization, we need to better align ourselves to what our business stakeholders are trying to achieve and help them be successful,” says Kieran. “We need to challenge our teams to better focus on what matters — and provide further insights that will help the business develop in the spaces where we see gaps. So, we have refocused ourselves and our resources towards becoming a trusted adviser, while continuing to maintain our independence.”

Embracing Emerging Technologies to Deliver Value in New Ways

In Kieran’s view, becoming a “well-run and more technology-enabled” function is crucial to Group Audit’s ability to become more relevant. Recent investments for the team include the hiring of IT and data specialists, implementation of a new audit management system, increased training across the team in data analytics and automated testing techniques, and expanded use of advanced data analytics, powered by artificial intelligence and machine learning.

“We’re starting to use advanced data analytics — including tools such as those related to process mining, natural language processing, outlier detection and network analysis,” Kieran says. “Staying current with different tools and techniques within audit and using technology to increase our effectiveness in identifying material issues will help us increase our relevance and add value to our stakeholders going forward.”

He adds that his team is also sharing data analytics queries and tools they are using with the business. These tools can benefit the business “by helping management

identify issues they’re not aware of” and “signaling potential problems or risks for the business.” He also sees process mining as an invaluable tool because it can increase efficiency for the auditors, by reducing the need for walkthroughs, and for the business, by bringing to light inefficient, ineffective processes and routines that could be creating risk for the organization.

“We are only in the early stages of using advanced analytics in our audit work, but we aspire to one day be leading-edge in the use of advanced and innovative technology,” says Kieran.

Fostering a forward-looking, high-performing and engaged internal audit team that’s focused on continuous improvement is an overarching priority.

Encouraging the Sharing of Ideas to Help Drive Improvement

For Kieran, fostering a forward-looking, high-performing and engaged internal audit team that’s focused on continuous improvement is an overarching priority. He says creating that team is vital to Group Audit’s ability to become more relevant — and remain so for the long term.

Kieran says that his team learned through the feedback-gathering process that while the Group Audit function was rated mature, including its people, processes and positioning, and was independent and well respected by the board, focus was required to elevate their standing with the business and not be viewed as a “compliance-based function.” It was an “epiphany,” he says — and a catalyst for change. “We said, ‘What do we need to do to adjust that perception, while maintaining our independence?’” recalls Kieran.



He continues, “Obviously, we want to be seen by the business as being here to help them. We’re all part of the same organization and have the same objectives. So, that’s why we decided to refocus our purpose and strategic priorities, while remaining objective. Our purpose is now aligned with the organization and the changes we have made will enable Group Audit to better support Westpac’s commitment to our customers and stakeholders.”

Within the internal audit function, Kieran says he encourages everyone on his team to share their knowledge and ideas. “We try not to be overly hierarchical in our organization. If people have good ideas, we want to hear about them,” says Kieran. “I get really inspired when I listen to a manager who has great ideas about an analytic tool they want to run. I’m happy to spend an hour with that person to talk about it because that’s the kind of thinking we want to encourage across the whole team. It’s how we’re going to keep getting better.”

Working Collectively to Produce the Best Results for Westpac

While the term “relevance” is not specifically mentioned in Group Audit’s purpose or strategic priorities, Kieran says it is “an outcome we’re definitely focused on.” He explains, “In an internal audit context, we will be and remain relevant by having a voice at the table, providing trusted, objective and insightful assurance, and delivering opinions and recommendations that our stakeholders value and leverage.”

Group Audit’s recent refocusing efforts include a refresh of its strategy and purpose to help the function achieve “better practice” overall, according to Kieran. He adds that the function’s ability to continue to “influence improvements to risk management and the control environment” at Westpac over time will have a direct impact on whether they will be seen as “a leading audit team.”

Kieran takes a similar view toward relevance: “Relevance will be the outcome of what we do in relation to our purpose and strategic priorities as a function. We’re on a journey.”

Within the internal audit function, Kieran says he encourages everyone on his team to share their knowledge and ideas.

To help further that journey, including improving the engagement between the business and Group Audit, “engagement protocols” were recently developed in collaboration with and support from the firm’s executive team, CEO and the board audit committee.

“It’s a framework that helps set expectations for everyone involved in the audit process by outlining how we can all constructively work together to further improve Westpac’s risk management practices and control environment,” says Kieran. “This has to be a team sport, otherwise we can’t deliver those outcomes effectively. We are grateful for the support and engagement we get from the board and management.”

Within the engagement protocols, Kieran says that he and his team have committed to “escalate any significant issues as soon as they are identified so that management is not ‘surprised’ at the end of the audit and can immediately get to work on addressing them.”

Kieran explains, “We’ve also committed to engage with them before we start scoping an audit to make sure we get their view on potential risks within the business. So, management really understands why we’re in there, is included in the process, and sees value in the audit results.”



Zebra Technologies

Maintaining Relevance in a Dynamic World

Since the pandemic, risk is coming at us at a rapid pace. Previously, risk was more static – not much changed from quarter to quarter. Today, there are new challenges every quarter, and it affects our audit plan in different ways. That’s one of the reasons maintaining relevance is so important.

MICHAEL STENT

Vice President, Internal Audit



AT A GLANCE

Stent sees a focus on relevance as critical for internal audit's future, and the value the function brings to the larger organization, especially in the technology industry, which is very dynamic.

- “Our stakeholders expect more from us, but at the same time they don't always realize what an audit function can do. We view this as the ‘art of the possible’ of what you can get out of an audit function.”
- Stent is pushing a focus on “predictive risk management” as an alternative to using historical information to anticipate future risk.
- “It's no longer a matter of finding something insignificant in an audit that now has to be corrected; rather, we're identifying meaningful data points that have the potential to change the direction of an area of the organization.”

Founded in 1969, Zebra Technologies has a history of innovation at “the edge of the enterprise,”¹ having introduced new technology solutions across a wide range of industries, including retail, manufacturing, transportation and logistics, and healthcare. These innovations include the first hand-held laser barcode scanner, the first thermal printer for on-demand barcode labeling, and the first radio frequency identification (RFID) handheld and mobile printing solutions.

Today, Zebra “empowers organizations to thrive in the on-demand economy by making every front-line worker and asset at the edge visible, connected and fully optimized.”² Hardware like mobile computers, barcode scanners and imagers, RFID readers, specialty printers, and real-time location solutions is still Zebra's “bread and butter.” But today, the company also offers inventive software solutions to further enable these technologies and has expanded into market adjacencies in emerging areas like software, automation and machine vision technologies.

¹ “About Zebra,” Zebra Technologies website, accessed March 8, 2023: www.zebra.com/us/en/about-zebra.html.

² “CEWE Automates Production Workflows With Zebra Technologies' Fixed Industrial Scanning Solution,” press release, Zebra Technologies, March 2, 2023: www.zebra.com/us/en/about-zebra/newsroom/press-releases/2023/cewe-automates-production-workflows-with-zebra-technologies-fixed-industrial-scanning-solution.html.



“Zebra is a leading provider of innovative digital solutions enabling businesses to intelligently connect data, assets and people,” says Michael Stent, Vice President, Internal Audit, Zebra Technologies. “Whereas our core business remains hardware, we also support our customers with solutions that leverage data from enterprise assets, including status, condition, location, utilization and preferences to then provide prioritized actionable insights, whether they are physical goods like inventory for the retail, transportation and logistics, manufacturing, or warehouse management industries, or a patient in the healthcare industry.”

With support from over 10,000 partners across more than 100 countries, Zebra serves customers of all sizes — including 86% of the Fortune 500 — with an award-winning portfolio of hardware, software, services and solutions that digitize and automate workflows. Zebra recently expanded its industrial automation portfolio with its Fetch Robotics acquisition and increased its machine vision and artificial intelligence (AI) software capabilities with the acquisitions of Adaptive Vision, antuit.ai and Matrox Imaging.

Headquartered north of Chicago in Lincolnshire, Illinois, Zebra posted revenues of US\$5.8 billion in fiscal year 2022. The company is regularly heralded on lists like *Newsweek's* “America’s 100 Most Loved Workplaces” and *Forbes’* “America’s 500 Best Midsize Employers.” Zebra is also part of the S&P 500’s index of the 500 largest U.S. public companies.

Stent brings more than 23 years of internal audit experience to his role as Zebra’s chief audit executive (CAE). For the past 11 years, he’s led a team that executes financial, operational, IT and compliance-based audits. Stent has also facilitated the company’s Sarbanes-Oxley (SOX) audits and assisted with efforts to support enterprise risk management (ERM).

The internal audit function at Zebra consists of 18 team members located in the United States and the Czech Republic. The department maintains four functional areas focused on business process audits, IT assurance, data analytics and continuous audits, and ERM. Stent reports directly to Zebra’s audit committee and administratively to the chief financial officer (CFO).

A Focus on the “Auditing of the Future”

According to Stent, in 2022, he and his internal audit team recrafted the department’s vision “to be a trusted and innovative adviser for Zebra’s business leaders and stakeholders” along with a mission “to provide independent, objective assurance and consulting services *designed to create and preserve value* for the company’s business operations, supporting technologies, culture and strategy.”

In alignment with its vision and mission, the function has set four long-term objectives for the internal audit team to achieve by 2030, beginning with “focusing on the auditing of the future,” says Stent. “This future state will be heavily dependent on using technology to deliver greater efficiency and assurance coverage for the entire enterprise.”

“Where are we going as an organization?” Stent asks. “For me, it’s about engaging further in both analytics and AI to conduct health checks in areas like travel and entertainment expense (T&E), accounts payable, and wire transfers. The goal is to reduce the amount of time our team spends in those areas and similar health-check areas in other business cycles so we can repurpose them to more strategic areas of the business.”

Stent is also pushing a focus on “predictive risk management” as an alternative to using historical information to anticipate future risk. “We’re trying to shift the narrative toward what’s coming at us and how we can get ahead of those risks earlier,” he explains.



“This will come through predictive analytics, an area we are in the early days of, along with building forward-looking risks into our ERM programming.”

The last two long-term strategies for internal audit at Zebra include a shift toward higher-velocity auditing of IT and security, and a “deeper engagement in the culture and strategy” of the organization, Stent says.

Although they maintain a long view on the evolution of internal audit, Stent and his team have a lengthy checklist of initiatives to focus on in the near term. For 2023, Stent says he’s striving to further enable value-driven audits to provide more “meaningful insights” that will have notable impacts on the enterprise’s change management, culture and strategy.

Internal audit at Zebra is committed to building relationships around the organization and enhancing both its internal and external talent pipelines.

Internal audit is also pursuing greater efficiency in its SOX audits and assisting the company’s leadership in addressing new U.S. Securities and Exchange Commission (SEC) guidance around environmental, social and governance (ESG) risk. The function is also working with the business to build out and mature the ERM program and mature its analytics platforms and dashboards.

Internal audit at Zebra is committed to building relationships around the organization and enhancing both its internal and external talent pipelines.

Making Relevance a Priority for Internal Audit

Stent says he sees a focus on relevance as critical for internal audit’s future, and the value the function brings to the larger organization, especially in the technology industry, which is very dynamic. As a result, relevance is something thought about company-wide.

“Things change very quickly in the tech industry,” Stent says. “You can be made obsolete in a heartbeat by someone who has found a new technology that replaces what you do. Think of the ‘Uber-ization’ of taxis, which completely upended an entire industry. It’s important for the internal audit function in a technology organization to have this in mind as it consults with management on risk.”

He continues, “Since the pandemic, risk is coming at us at a rapid pace. Previously, risk was more static — not as much changed from quarter to quarter. Today, there are new challenges every quarter, and it affects our audit plan in different ways. That’s one of the reasons maintaining relevance is so important.”

Stent notes that this dynamic environment contributes to the evolving nature of what internal audit’s stakeholders are asking for from the department. “Our stakeholders expect more from us, but at the same time they don’t always realize what an audit function can do,” he says. “We view this as the ‘art of the possible’ of what you can get out of an audit function. Audit can be more than health checks on accounts payable processing and inventory management. Leveraging our skills in risk-based thinking, we can delve more into the consulting space.”



To maintain relevancy in an evolving risk environment, Stent and his team focus on offering value in various ways, including providing the business with real insights that can help drive results. Stent says these insights take the form of data and metrics, such as those that “can improve the effectiveness of an operation, enable a cost-savings opportunity, or better position the company for the longer term” as well as consultative support on projects.

Stent is championing internal audit’s evolution toward becoming a true partner and trusted adviser to the enterprise. “It’s about providing real insights that the business can use to drive their success,” he explains. “It’s viewing risk from a much different perspective than a black-and-white ticking and tying of reports. It’s more of a consultative approach, where we focus on anticipating what can go wrong, evaluating what opportunities the company may be missing, and helping manage the company’s maturity in different dimensions. We’re trying some very innovative projects that you wouldn’t see in a traditional internal audit role 10 or 15 years ago.”

For example, the internal audit team at Zebra recently consulted with human resources to help devise strategies for identifying, attracting and onboarding the right kind of talent in an extremely tight labor market, while thinking about the skill set needs for where the company is going. “For me, being relevant is when the business requests to be audited, and comes to us with ideas for a project,” Stent says. “Obviously, internal audit needs to bring a point of view to our audits, but it’s a more collective process. Before we begin an audit, we collectively, with management, devise a summary of the key points of view or questions that we, both audit and management, would like to have an answer to at the audit’s conclusion.”

As internal audit proves its strategic value to the organization over time, it results in

compounding benefits for all, Stent says. Internal audit establishes greater trust with executive leadership and the audit committee, while the team develops greater pride in the work they do, making internal audit an exciting place to be.

“We’re doing things that are very important to the company’s strategy,” Stent says. “It’s no longer a matter of finding something insignificant in an audit that now has to be corrected; rather, we’re identifying meaningful data points that have the potential to change the direction of an area of the organization.”

As the CAE for an innovative technology company, Stent places a lot of emphasis on deploying new digital solutions to support internal audit’s mission.

Technology as a Catalyst for Relevance

As the CAE for an innovative technology company, Stent places a lot of emphasis on deploying new digital solutions to support internal audit’s mission. To date, the focus has been on data analytics, and Stent says, “We’ve made some good inroads over the last two years.”

Stent is now looking forward to potentially employing advanced automation tools over time to facilitate automated and continuous auditing in areas such as T&E to help enhance compliance with existing controls without spending human capital that could be deployed to higher-risk areas.

Whereas advanced analytics have been the focus, Stent acknowledges that technology in the audit space is quickly maturing, enabling the possibility of automation for audits of transactional processes. “For example, tools exist today in the market that enable the



automated reading of receipts and reconciling of expense data with publicly available metrics, which can essentially enable 100% coverage and better insights than what we can achieve through either sampling or traditional data analytics. This seems to be the future of where the auditing profession is headed.”

Keeping People Engaged With the Process

Stent has several ongoing initiatives focused on keeping his team engaged and excited about the value internal audit can bring to the organization.

In October 2022, for example, the full audit team (U.S. and Czech) met in person for the first time since the start of the pandemic. The forum lasted three and a half days and was chock-full of training and strategy brainstorming. “Our audit committee chair shared his perspectives of where the industry is going, what he thought the top risks were and what keeps him up at night,” Stent says. “He also talked about the company’s successes and what the company could achieve if we continue in the right direction.”

The conference involved small group brainstorming sessions focused on different areas of auditing such as SOX and operational audits. “We used online whiteboarding technology to map out where we think the department is going,” Stent says. “We discussed high-level topics such as what it means to be a co-leader of the company, and the skills we need to bring into the department to facilitate our long-term success.”

Zebra’s internal audit function also participates in the finance organization’s three-year Finance Development Program, where high-potential employees rotate through different parts of the broader finance organization, including audit. Stent notes that these team members bring new insights to the department and become ambassadors for internal audit when they return to the business.

“From a relevance perspective, Zebra’s Finance Development Program helps to build good internal controls and risk-based thinking into the organization for the longer term,” Stent says.

Stent tracks several KPIs to help ensure internal audit maintains relevance and continues to add value to the organization.

Building a Relevance Mindset for the Future

Stent tracks several key performance indicators (KPIs) to help ensure internal audit maintains relevance and continues to add value to the organization. These KPIs include annual goals that are tracked and revisited throughout the year. Also, internal audit’s leadership team gets together off-site twice a year to discuss strategy and how the department is performing in relation to its annual objectives.

“We do a twice yearly business review with the CFO where we discuss our KPIs and what we’ve achieved year to date,” Stent says. “We don’t talk about audit results or findings — rather, the focus is on how we are executing as a team. The idea is to run the internal audit function like a business of its own. We will do a deep dive into specific audit areas, such as data analytics, continuous auditing, or IT and security auditing. At another meeting, we’ll go deep into how we’re changing our team’s level of critical thinking and storytelling capabilities.”

Stent adds, “It drives the level of accountability with our team members, managers, and leaders because they have to prepare to present this information to the CFO and the chief accounting officer. This is how we hold ourselves accountable and measure our progress, too.”



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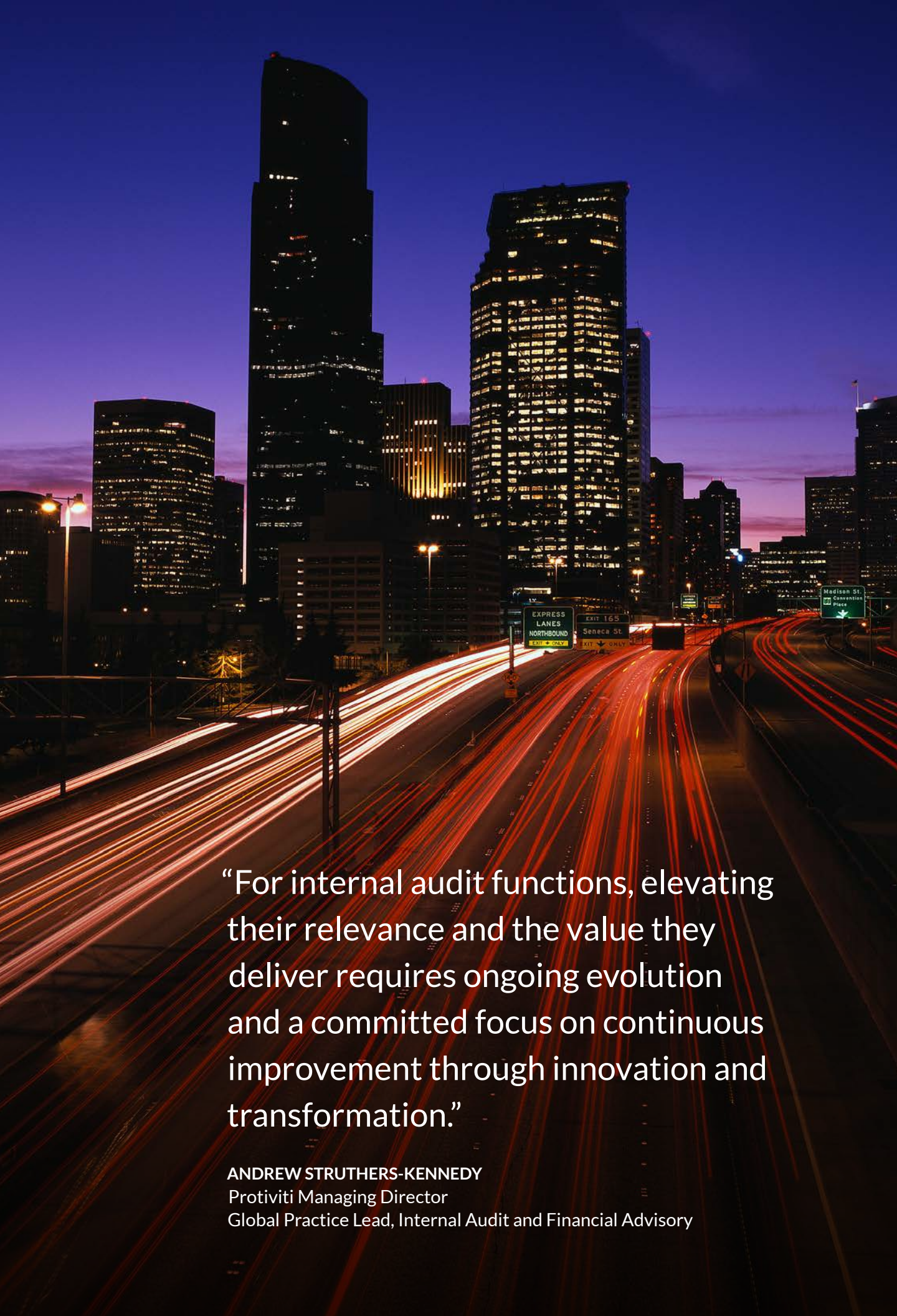
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“For internal audit functions, elevating their relevance and the value they deliver requires ongoing evolution and a committed focus on continuous improvement through innovation and transformation.”

ANDREW STRUTHERS-KENNEDY
Protiviti Managing Director
Global Practice Lead, Internal Audit and Financial Advisory

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