

DECEMBER 2021

Strategic Transformation in Internal Audit

**How to transform your internal audit function from
assurance provider to strategic partner**

Today's goals for shaping the future in Internal Audit

Internal audit has long been the backbone of an organization's risk architecture. However, these functions are increasingly becoming strategic partners that can not only assess pertinent risk areas, but also drive opportunity and improvement across enterprises.

1

Structuring an Internal Audit Team for **strategic partnerships**

2

Creating an Internal Audit Plan/Approach to **drive enterprise value**

3

Cultivating an Internal Audit Team **focused on both enterprise risk and strategic enablement**

Setting the record for our session today.



Please ask questions throughout the presentation by raising a hand.



I encourage active dialogue and examples of your experiences!



All organizations are NOT alike – there is NOT ONE blueprint for strategic partnership.



Though theory may seem straightforward, many struggle to implement.



This session will assume certain “givens” of Internal Audit functions.

Sometimes the simplest directions are the most impactful.



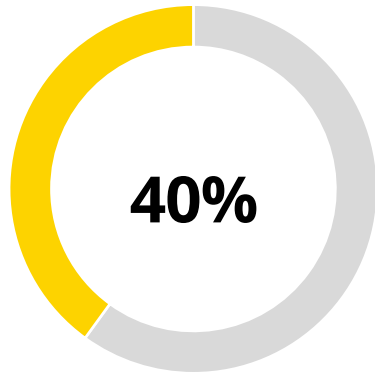
1

Structuring an Internal Audit Team for Strategic Partnerships



Perceived impact and influence of Internal Audit functions are rising, but still have room to grow.

Rating Impact / Influence



Of CAEs believe their function has Strong Impact & Influence within their organization

Key Challenges & Opportunities to Grow as a Strategic Partner

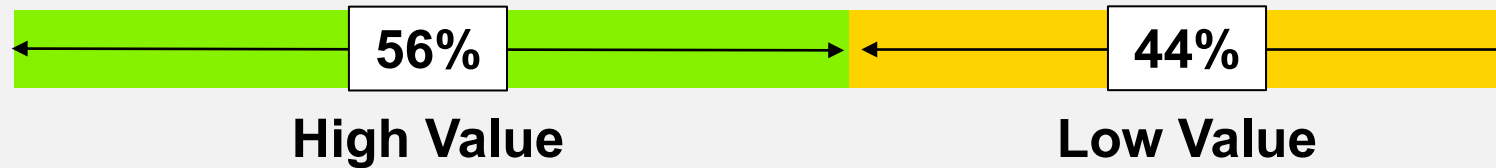
63% of organizations provide mostly assurance services with some advisory

55% of organizations believe they are missing key skills / talent or lack position within the organization

59% of organizations expect to provide more advisory services in the future

Be so good they can't ignore you.

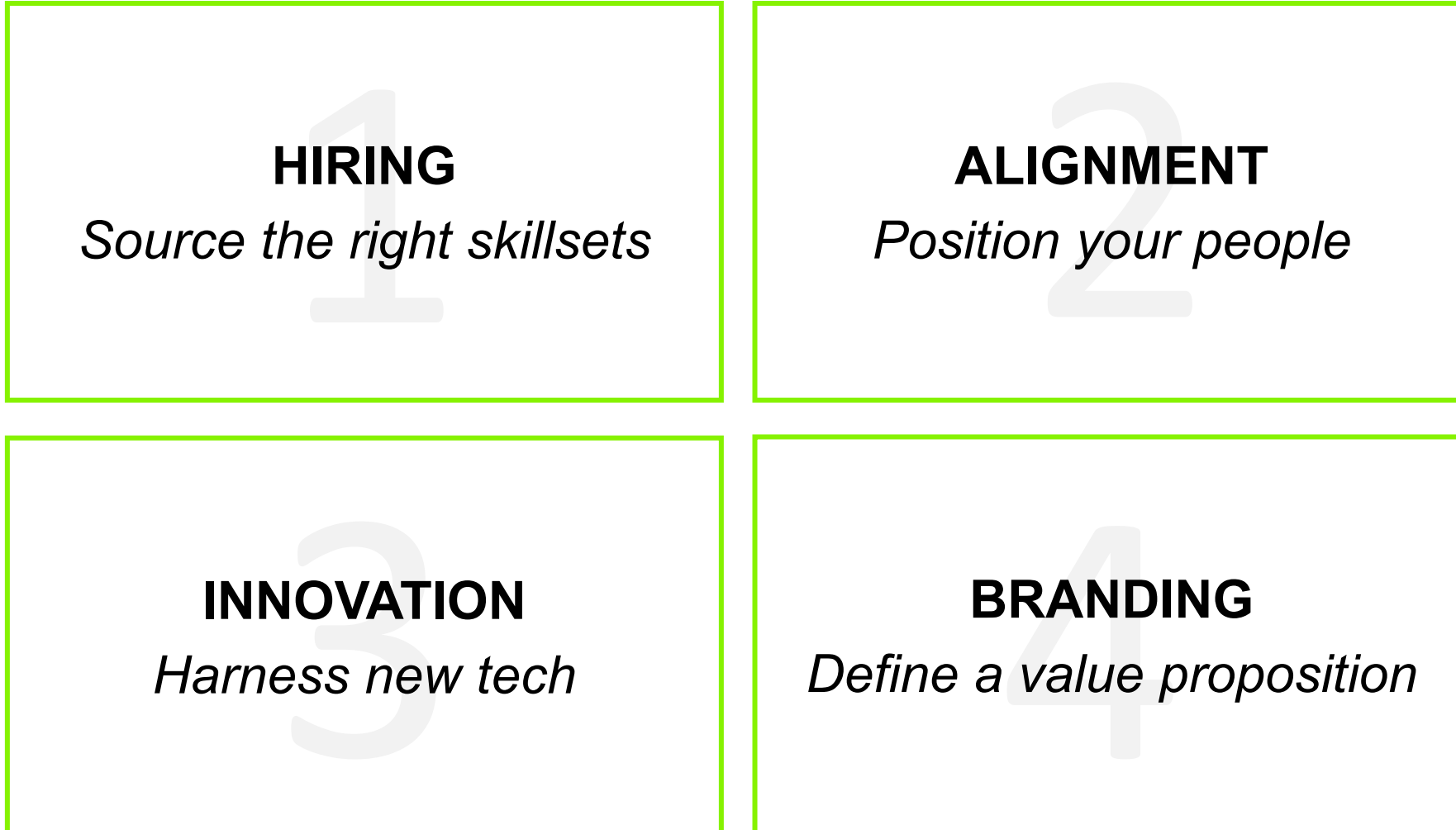
Average Value Rating of Health Care Internal Audit Functions



“How would I **define the strategic value of internal auditing**? From the perspective of the person receiving the value, they (the stakeholders) are able to say, I can use this information from internal auditing. **I needed this information and I can actually make things better.**”

- *CAE of a large national governmental organization*

A well-designed structure for an Internal Audit function is its foundation for adding strategic value.



Strategic internal auditing starts with putting the right people in the right places to add value.

1 HIRING

- Diversify hiring practices that include auditors and operators
- Prioritize a mix of “generalists” and “specialists” that reflect your organizational needs
- Pursue alternative sourcing models to increase strategic reach

2 ALIGNMENT

- Be intentional about how to staff audits and operations
- Provide enough context so that teams make strategic connections
- Pair audit teams with business partners through ‘chemistry’

In addition to building the right team, supporting and messaging your mission is critical.

3 INNOVATION

- Leverage analytics to prioritize risk and demonstrate value
- Build the right team-sharing and workflow capabilities
- Determine if advanced technologies (e.g., Robotics Process Automation) are appropriate for your organization

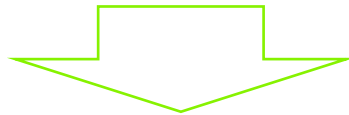
4 BRANDING

- Develop a value narrative to communicate and tangibly measure your success
- Utilize external benchmarking to help your stakeholders and yourself
- Embrace the “customer” mindset as an Internal Audit team

Case studies in structuring for success

A BUDDING TEAM

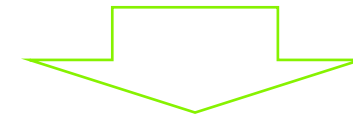
A health system looking to grow their Internal Audit function while simultaneously upskilling its employees partners with a co-sourcing partner and works side-by-side to embed team members and share experience.



Core team members learned from their external partners, leading to organic growth and development.

UNDERSCORING ANALYTICS

An Internal Audit team structures themselves functionally – staffing analytics professionals to focus on quantitative input, maintaining generalists to execute projects, and sourcing specialists internally and externally.



Analytics technology and professionals assisted with the ERM process, execution of audits, and extrapolation of value.



2

Creating an Internal Audit Plan/Approach to Drive Enterprise Value

Create a well-designed audit plan that emphasizes value-creation from risk and opportunity.

1
ENTERPRISE VALUE

Balance focus between protection and creation

2
AGILITY

Plan and execute in a way that moves with priorities

3
ADVISORY

Make time for advisory services

Executing value-accretive projects, while leaving room for flexibility, will help reinforce strategic imperatives.

1 ENTERPRISE VALUE

- Define and align added value in annual plans, then measure delivered results
- Be sure to include dimensions of both risk and opportunity in annual audit plans
- Incorporate the feedback of “customers” early in the process

2 AGILITY

- Though beholden to annual planning, leave room to “move with the market”
- While executing, “follow prevailing winds” when they could lead to organizational benefits
- Deploy empathy in spades

3 ADVISORY

- Consciously plan to conduct Advisory Audits with business partners
- Offer advice and recommendations where appropriate
- Budget time and effort towards building partnerships and advising on “non-audit” work

Case studies in driving value

WHO “CARES”

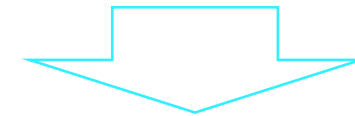
A health system utilized their Internal Audit team to help advise, prepare, and assure their CARES Act / HHS Provider Relief Fund activities throughout the year.



While maintaining adequate independence, Internal Audit assisted business partners timely by deploying knowledge of risks and controls in an advisory setting.

340B BECOMES AN A+

A health system’s Internal Audit function plans and executes an audit on the organization’s 340B program, targeting opportunities for increased revenue and shared savings.



By establishing financial benchmarks and leveraging analytics, IA was able to articulate how the enterprise could create added value through 340B.



3

Cultivating an Internal Audit Team Focused on both Enterprise Risk and Strategic Enablement

Continuing to cultivate your team's strategic presence will help with customer orientation.

COMMUNICATION

*Collaborate with customers
and support functions*

TRAINING

*Constantly upskill your
teams*

REPORTING

*Contemporizing and
expanding how results are
delivered*

By strengthening the core skills of your teams, they can better focus on both risks and opportunities.

1 COMMUNICATION

- Establish a regular meeting cadence with key business customers to stay in tune with business priorities
- Include staff, managers, and leaders in interactions with customers on a regular basis
- Align with the priorities of Compliance, Legal, and other lines of defense

2 TRAINING

- Temper hard-skills training for driving “core skills” and soft-skills
- Invest in your teams so that they invest in your organization!
- Comingle training with that of other business areas to foster a holistic understanding of risks and opportunities
- Include teams in annual planning and risk assessments

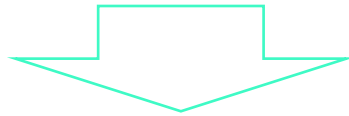
2 REPORTING

- Bring a Point of View to your audits, regardless of their nature
- Be sure to demonstrate opportunities/opportunity costs
- Use dynamic visualization to emphasize quantitative findings and their importance
- Follow the “No Surprises” approach – start early and provide updates often

Case studies in cultivating well-rounded teams

THE IMPACTFUL POV

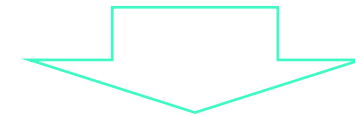
An Internal Audit team conducting a small operational audit on telehealth offered a POV from their audit findings that led to wide expansion of these services.



Often, Internal Audit teams are in a position to “take a step back” and offer an independent opinion that leads to an organizing maximizing value.

THE SOCIALIZED SQUAD

An Internal Audit team looking to build their core health care and operational skills enrolled in industry trainings with peers from other areas of the enterprise.



Internal Audit team members were given feedback that their knowledge of subject matter and identification of opportunity led to a more comprehensive audit report.

Conclusion

1

Structuring an Internal Audit Team for **strategic partnerships**

- Hiring
- Alignment
- Innovation
- Branding

2

Creating an Internal Audit Plan/Approach to **drive enterprise value**

- Enterprise Value
- Agility
- Advisory

3

Cultivating an Internal Audit Team **focused on both enterprise risk and strategic enablement**

- Communication
- Training
- Reporting