



**INNOVATION IN AUDITING:  
UNLEASH YOUR INNER DA VINCI**  
ACUIA Annual Conference June 2013

FROM THE LIFE OF LEONARDO...

- What does Leonardo da Vinci have to do with auditing?



# INTRODUCTION

- This presentation is meant to cultivate ideas and communicate best practices
- Not meant to cover or replace IIA standards
  - Consult your Redbook!
- Please participate; this is a judgment-free zone



# OUTLINE

- Introduction
- Strategic Planning
- Finding and Retaining Key Talent
- Incorporating Audit Metrics
- Better Communication with Stakeholders
- Other Ideas/Questions
- Wrap-up



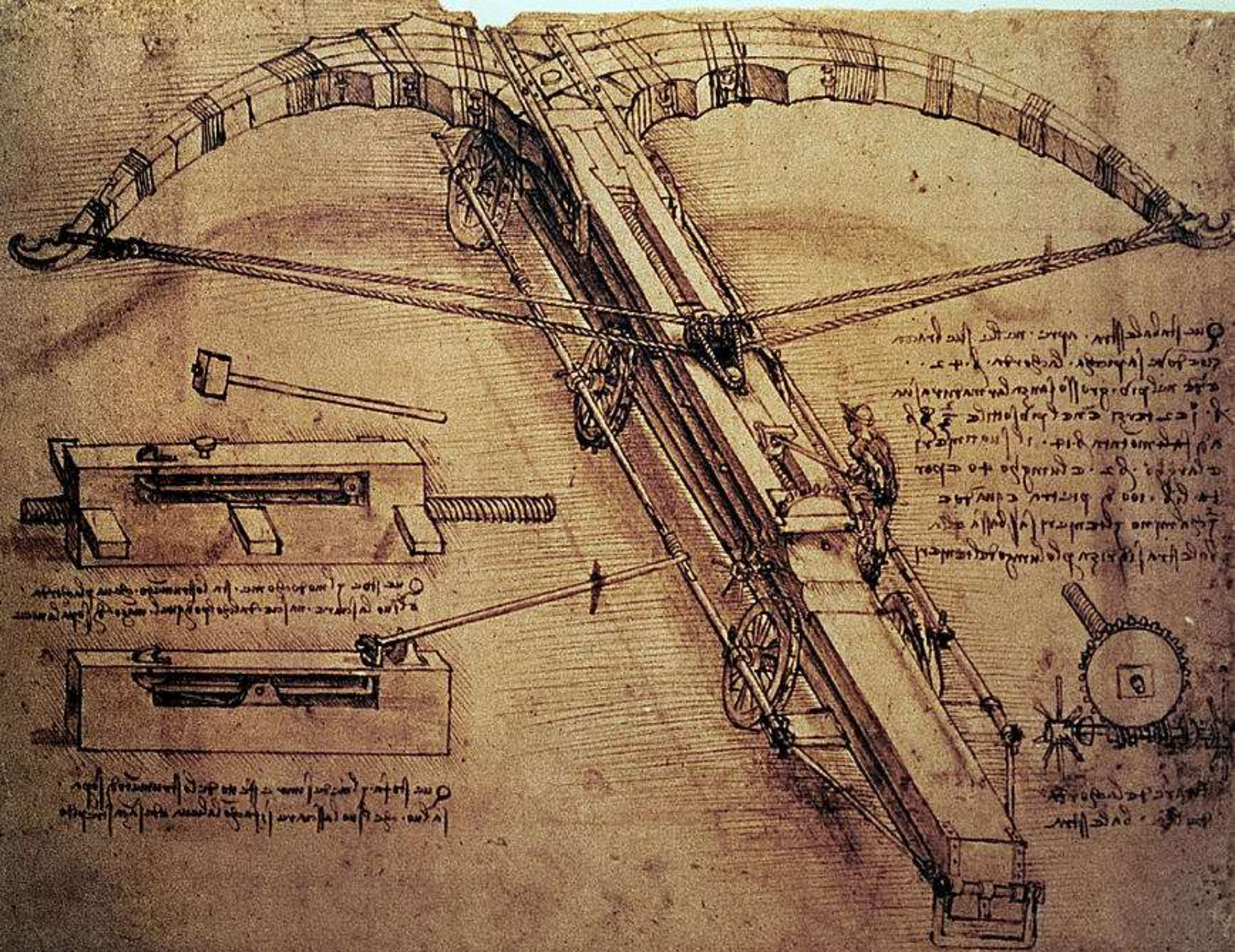
FROM THE LIFE OF LEONARDO...

- Leonardo da Vinci...Creator and Destroyer of Worlds???









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# STRATEGIC PLANNING FOR INTERNAL AUDIT

- What do we talk about?
- Earlier years (1-2)
  - Develop mission statement
  - Develop vision statement
  - Determine 'brand'
  - SWOT analysis
  - 'Most important objectives'
  - '5 Keys'
- Mature years (3+)
  - Revisit mission and vision statements
  - Tie in credit union's plan
  - Build on previous years' meetings





Quality

Objectivity

Teamwork

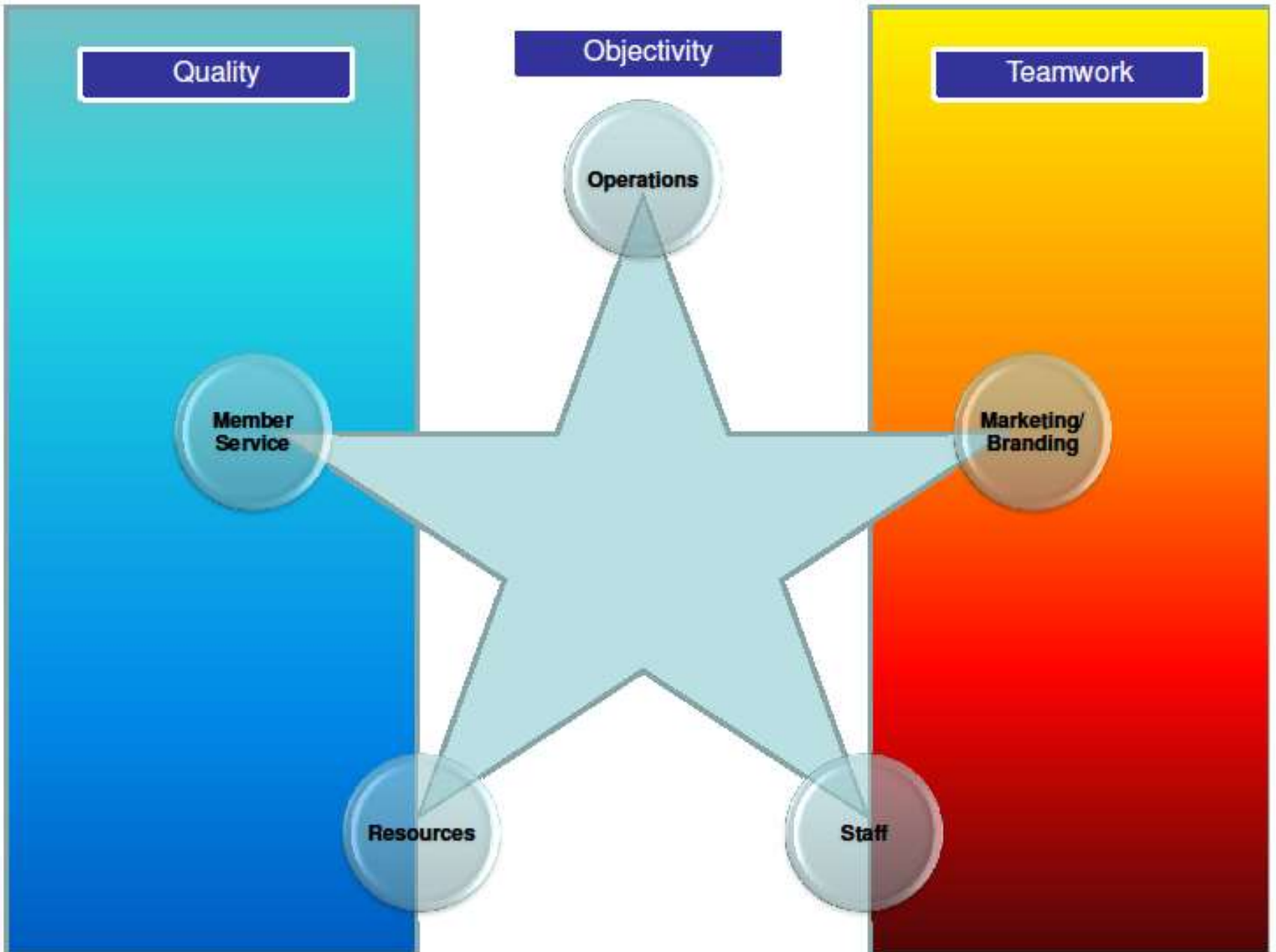
Operations

Member  
Service

Marketing/  
Branding

Resources

Staff



# STRATEGIC PLANNING FOR INTERNAL AUDIT

- Some ideas to jump start your sessions
  - Plan well in advance
  - Use surveys beforehand
  - Present awards to top performers
    - Audit practice of the year
    - Lowest budget-to-actual ratio
    - Highest 'billable' hours ratio
  - Invite a member of management to present a session
    - CEO
    - EVP
    - SVP
  - Be familiar of your credit union's strategic plan
  - Off site



# STRATEGIC PLANNING FOR INTERNAL AUDIT

- Ideas to jump start your sessions (cont'd)
  - “Judgment Free Zone”
  - Break out groups
  - Consider a theme to focus discussion
  - Have a ‘deliverable’
    - Strategic plan
    - Measureable goals
    - Regular updates
  - Consider involving Supervisory Committee
    - Good excuse to invite them to lunch
  - Have fun!
    - Plan ‘break’ activities, don’t go too long without these



Department Mission Statement: "Internal auditing is an independent and objective assurance and consul the assets of Mountain America Federal Credit Union ("MACU"). It assists MACU in accomplishing its o systematic and disciplined approach to evaluate and improve the effectiveness of MACU's risk manageme

What measures would this annual report include?

What is the 3-5 year outlook/long-term initiatives for this area(s)?

What revisions should be made to the branch audit program to better respond to operational risks?

What type of specialized training do we need to acquire for this area(s)?



# STRATEGIC PLANNING FOR INTERNAL AUDIT

- What strategic planning ideas do you have that have worked for your group?



## FROM THE LIFE OF LEONARDO...

- Leonardo da Vinci...business manager?





# FINDING AND RETAINING KEY TALENT

- How do you assess your FTE needs?
- Skill sets required?
- Recruiting methods used?
- Looking back, would you say these methods have been successful?
- How do you know what you need?





# TALENT MANAGEMENT IS A MARATHON... NOT NASCAR

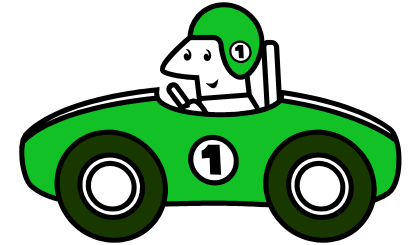
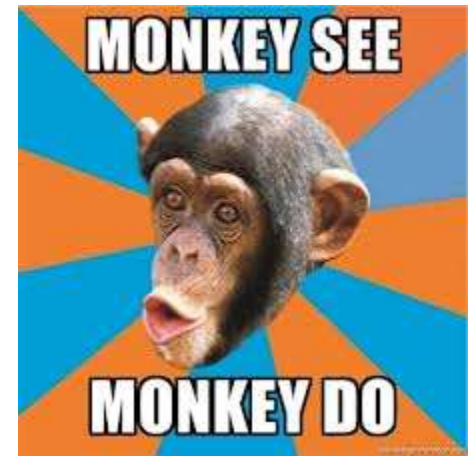


Table 3. Skill Sets Projected For Recruitment in 2013

SKILL	PERCENTAGE (ALL RESPONDENTS)	SKILL	PERCENTAGE (FORTUNE 500)
Analytical/critical thinking	77%	Analytical/critical thinking	79%
Communication skills	66%	Communication skills	68%
Data mining/analytics	47%	Data mining/analytics	50%
Business acumen	41%	Business acumen	49%
IT	39%	IT	38%
Industry-specific knowledge	35%	Accounting	35%
Accounting	29%	Industry-specific knowledge	34%
Risk management assurance	27%	Risk management assurance	19%
Fraud auditing	13%	Forensics and investigations	14%
Forensics and investigations	11%	Fraud auditing	8%

# TALENT MANAGEMENT

- IIA's GAIN Study
- Walk the Walk as a leader
  - Maintain CIA, CFSA, CRMA certifications
  - Volunteer with your local IIA Chapter
  - Start an ACUIA Chapter
- Recruit
  - Bachelor's Degree (or equivalent experience)
  - Experienced Auditors
  - Critical thinking skills
  - Financial Services experience
  - Require Professional Certifications from your Senior staff



FROM THE LIFE OF LEONARDO...

○ Leonardo da Vinci...engineer?







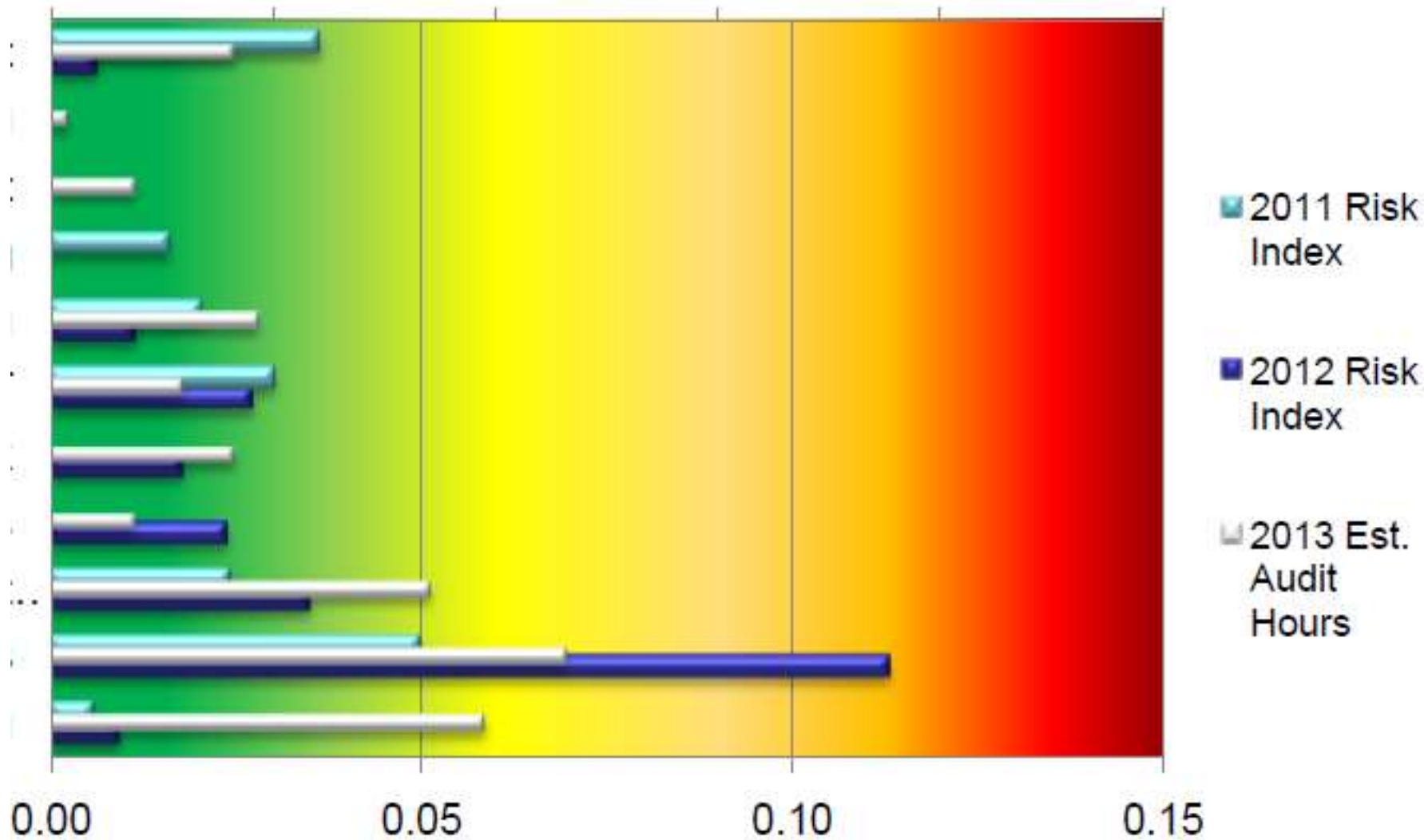
# AUDIT METRICS

- Department efficiency measures
  - Realization (budget-to-actual)
  - Usage (billable; working on audits)
  - Audit hours mix (IT, O/C, Branch, Investigations, Administrative-Training)
- Department effectiveness measures
  - Risk heat map (measure of resources used to areas of highest risk)
  - Action plan implementation rate (all and high risk audit issues)
  - Open action plans by risk center/area



# 2013 Est. Audit Hrs

0% 10% 20% 30% 40% 50%



- 2011 Risk Index
- 2012 Risk Index
- 2013 Est. Audit Hours

Wtd Risk Index

# AUDIT METRICS—BENCHMARKING

- What metrics do you benchmark?
- How do you measure productivity?
- How do you compare your results to your peers?





FROM THE LIFE OF LEONARDO...

○ Leonardo da Vinci...poet?



# COMMUNICATING RESULTS

- Department: Constant Feedback Loop
  - Auditor evaluations
    - Every audit and investigation
    - 7-10 questions
    - Review in person
  - Manager/In-charge evaluations
    - Every audit and investigation
    - 7-10 questions
  - ‘Post-Mortem’ meetings
    - ‘What went right’,
    - ‘What could have gone better’
    - Retain in audit file for future audits



# COMMUNICATING RESULTS

- Department: Regular Meetings
  - Weekly planning meetings
    - Group fraud brainstorming
    - Audit status updates
    - Update on department and strategic goals
    - Audit metrics
  - Quarterly one-on-one meetings
    - Administer surveys
    - Use something easy (Word)
    - Drive feedback
  - Annual
    - Strategic planning
    - Determine overall satisfaction with department initiatives




## INTERNAL AUDIT MISSION STATEMENT

Internal auditing is an independent and objective assurance and consulting activity to safeguard the assets of Mountain America Federal Credit Union ("MACU"). It assists MACU in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of MACU's risk management and control processes.

In conjunction with our quarterly meetings next week, please rate how you would agree with each of the statements below.

Please comment below the survey about any statements with which you disagree, or about any suggestions you have to improve your job satisfaction. Please respond by Tuesday, April 23<sup>rd</sup>. Thank you!

### CLICK APPROPRIATE BOXES BELOW

 <b>MOUNTAIN AMERICA</b> CREDIT UNION	Strongly Agree	Moderately Agree	Slightly Agree	Slightly Disagree	Moderately Disagree	Strongly Disagree	Not Applicable
1. My work load demand is appropriate for my expectations and matches my job description.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I have control over how I perform my work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I have control over what direction my career takes within the department.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. I am supported and encouraged by my manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I am supported and encouraged by my team members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I am supported and encouraged by other co-workers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. I have the resources necessary to perform my work duties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. I can approach my manager with work-related problems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# COMMUNICATING RESULTS— SUPERVISORY COMMITTEE PACKET

- Monthly Financials
- Board Policies
- Reports
  - Internal Audit Reports (Assurance)
  - Follow-up Audit Reports
  - Examinations
  - Articles of Interest
  - VP of Internal Audit update
    - Key Regulatory or Industry news
    - Key accomplishments of staff (certifications, volunteer leadership positions, etc.)
    - Recruiting status
    - Photos of team events





FROM THE LIFE OF LEONARDO...

- What does Leonardo da Vinci have to do with auditing?



# FROM THE LIFE OF LEONARDO...

- Be actively inquisitive
- Be a 'Word Painter' in your communications
  - Use illustrations, colors, and descriptive, concise wording
- Use Leonardo's model of continuous improvement
  - Effects
  - Scrutiny
  - Causes
  - Reasons
  - Principles
  - Cases
  - Experience
  - Evidence
  - Proof



FROM THE LIFE OF LEONARDO...

○ Leonardo da Vinci...AUDITOR!



# QUESTIONS?

