FORENSIC ACCOUNTING & ADVISORY SERVICES

Is Your Internal Audit Department Effective?

E ffective Internal Audit ("IA") Departments play a critical role in evaluating the effectiveness of risk management, internal controls, and business processes. But who is evaluating the Internal Audit Department to ensure their effectiveness? The Institute of Internal Auditors require IA to undergo an External Quality Assessment Process ("EQA Process") every five years. But during the five years between each EQA Process, how do you know your IA Department's plans and procedures are effective, including whether they are equipped to address emerging issues, such as Social Media? Our analysis and assessment of IA goes deeper than the EQA Process. We gather information from the field, gaining insights from company personnel regarding the effectiveness of IA, by amongst other steps, collecting data on the percentage of audit action points that management has agreed to address. We assess whether the percentage favors easy-to-implement actions while avoiding the harder issues.

Our work also includes interviews of all parties involved to assess whether management tone is one of cooperation or reluctance to change, or whether IA is forcing agreement to unrealistic recommendations. The scope of our work is unique to each client but tends to focus more on future effectiveness of IA versus the past. We provide boards and management with feedback on many forward looking IA issues such as hiring and retention of professionally qualified and experienced IA professionals, training, succession planning, and reward systems. We provide an independent view of your IA department providing you insight into whether your IA department can provide assurance to management, the audit committee, and the board on systems of internal control and risk management, as well as assist management in improving operations.

Does Your Internal Audit Department Quickly Adjust to Changes in the Business Landscape?

Over the past couple of years, Social Media has been an increasingly prevalent form of communication across the globe. Such applications like Facebook, Twitter, blogs, chat rooms, and Cloud applications present new and innovative ways of increased information flow. Companies and individuals are using Social Media more and more as a way of disseminating information, including international communications. Offsetting the positive reasons for using social media, however, are high risks of data security and integrity throughout the organization, and legal issues such as the balance between confidential company information and freedom of speech which may vary by country.

- How does your IA address these risk areas?

- Is your IA team aware of Social Media and the associated risks?

- Are the proper policies and procedures in place surrounding Social Media?

- Does your IA team have testing procedures Social Media policies?

Effectiveness of Planning

Planning is a key component of building and maintaining an effective IA Department. IA's plans should be forward-looking and flexible. FTI Consulting can help to evaluate these key strategic areas:

- Does your IA have an audit plan for the next 3-5 years? Or only for the current year?

- Is the audit plan appropriate for the organization and does it address the right risks?

- Is IA updating its plans or using the same plans as last year, and the year before?

- How often are IA's audit plans updated?

- Are IA's audit plans affected by budget and resource constraints, and do they have the proper resources available to execute their audit plan?

- Are IA's audit plans flexible enough to meet changing events?

- Does your IA have plans for contingencies and ad hoc requests?

- Do IA's plans inappropriately eliminate from review low risk areas?

- What is IA's Strategic Vision?

Reporting and Communication

Communication and reporting by IA should be open, direct, and relevant so that issues can be resolved and corrective actions can be implemented in an effective manner. Gaps in communication often remain, which ultimately lead to issues remaining unresolved.

- How are IA reports viewed by your organization?

- Are they taken seriously or seen simply as "checking the box"?

- Are issues that are identified corrected or remediated, and in what time frame?

- Is your IA Department viewed as an objective "partner" to the organization?

- How often does IA provide reports to the Board?

- Do the IA reports provide sufficient, yet not over burdensome information, and has there ever been requests/discussion of alternative report formatting?

- Do IA professionals feel comfortable bringing issues to the Audit Committee or the Board?

- Does the Audit Committee or Board meet separately with IA or are the meetings held with management present?

- Does IA tell the Board about budget/resource constraints?

Strategic Vision

A forward-looking IA Department is one that maintains a strategic vision that is aligned with organizational goals.

- Is IA providing strategic input to develop the company or are they more of a grader of the organization's Risk Management?

- Is IA part of your Company's business planning? Does IA review operational business plans where they can perform preliminary assessments of risks and assist early on in mitigating risks?

How FTI Consulting Can Assist

Your IA department is an invaluable source of information and therefore warrants significant attention. These are important questions that should be addressed when evaluating an IA Department. FTI Consulting can assist your organization with evaluating the IA Department's effectiveness and addressing areas for improvement. Our highly experienced professionals bring detailed knowledge of IA best practices, providing full- scale assessments, process improvements and support for IA programs.

Specifically, We Can Assist You in:

- Assessing IA's "Technology IQ" to determine if the proper testing procedures and controls are in place for data security and proper information flow;

- Enhancing reporting to board of directors, management and other stakeholders regarding IA activities, identifying gaps in communication and uneasiness in communications;

- Assessing and evaluating the current IA program, including whether the proper resources are available and deployed in an effective manner;

- Assessing and evaluating training programs and growth opportunities for IA staff to ensure consistent long term performance;

- Determining if your IA's message and reporting are consistently applied and understood across multi-cultural borders.

FTI CONSULTING™

Brian Ong
+1 212 499 3688
Brian.Ong@fticonsulting.com

Stephen J. Burlone
+1 617 897 1503
Steve.Burlone@fticonsulting.com

Gary Kleinrichert
+1 312 252 9316
Gary.Kleinrichert@fticonsulting.com

Edward Westerman
+1 415 283 4251
Edward.Westerman@fticonsulting.com

CRITICAL THINKING AT THE CRITICAL TIME™