Ready and Relevant

Prepare to Audit What Matters Most

(Agility at the Department Level)

Timothy J. Berichon

Sponsored by

The Institute of Internal Auditors
Chicago Chapter

INTERNAL AUDIT FOUNDATION
“Tim was an outstanding resource across our enterprise. [He has] a keen sense of strategy and uncovering uncertainties that impact our strategic plans. He is incredibly quick to learn and can lead a diverse team from multiple disciplines.”
— Dominick Wycoff, President, Strategic Business Unit —

“Tim of course excels at the traditional audit areas and approach—but what makes Tim different is his diverse background and resulting business acumen. This gives him the ability to help in many areas that are more operational and strategic for the business. He proactively spends time to know our business and what is important to me and our business leaders—building relationships as an independent partner.”
— Luis Ceneviz, SVP, International Business Leader —

“Tim is an agile and versatile leader with a diverse experience and technical knowledge. His ability to see the whole picture and develop the smartest solutions to complex situations makes him one of a kind.”
— Appiah Adubofour, Corporate Accountant and Guest Auditor —

“If you were to look in Webster’s Dictionary for the definition of agile, you would find Tim’s picture. His unique, diverse background brings priceless perspective to an organization. This perspective allows him to build and drive truly agile and relevant internal audit teams. Raising the bar on his team’s value creation drives tremendous opportunity for both his team members and the company.”
— Matt Hoverman, Director of Risk Consulting —

“Few people have the opportunity to report to a manager who is also a coach and mentor. Tim commanded a high level of finance and strategic expertise and always remained levelheaded whilst tackling even the most complex of situations. Tim espouses what can be summarized as excellent Enabling Leadership qualities.”
— Dumisani Hlabano, Finance Lead and Controller —

“Tim is a great Internal Audit leader that knows how to build relevant and risk-focused audit plans, understands the complexities of executing on these plans, both domestically and internationally, and has broad business acumen that helps him in building strong support in the business.”
— John Soenksen, Global Finance Leader —
# Contents

About the Author .................................................. ix

Chapter 1: Introduction ........................................ 1
Chapter 2: Challenges .......................................... 3
Chapter 3: Strategies for More Responsiveness and Relevance ... 7
Chapter 4: Strategy 1 – Internal Audit as a Rotation ............. 11
Chapter 5: Strategy 2 – Knowing What Matters Most – ERM .... 17
Chapter 6: Strategy 3 – A More Diverse, Flexible Resource Plan ... 27
Chapter 7: Strategy 4 – Focus on Competencies More than Skills ... 35
Chapter 8: Strategy 5 – Be a Professional Services Function ...... 41
Chapter 9: Strategy 6 – Proactive Relationship Management ...... 55
Chapter 10: Strategy 7 – Integrated Assurance ..................... 65
Chapter 11: Strategy 8 – Automate Everything We Can .......... 73
Chapter 12: Strategies 9 and 10 – Servant-Leadership and Emotional Intelligence ........................................... 79
Chapter 13: Revisiting (and Overcoming) the Challenges ......... 85
Chapter 14: What Success Looks (and Feels) Like ................. 93

Notes ................................................................. 97

Internal Audit Foundation Sponsor Recognition .................. 105
Internal Audit Foundation Leadership Society Members .......... 106
Internal Audit Foundation Board of Trustees ....................... 108
Internal Audit Foundation Committee of Research and Education Advisors .................................................. 109
List of Exhibits

Exhibit 3.1: 10 Strategies for More Responsiveness and Relevance ........ 7
Exhibit 4.1: People, Process, and Technology .......................... 15
Exhibit 5.1: Risk Management Strategies/Options .......................... 19
Exhibit 5.2: ERM Program Framework ................................. 20
Exhibit 5.3: Internal Audit and the ERM Program ....................... 21
Exhibit 5.4: Internal Audit Universe with ERM Linkage ................. 23
Exhibit 6.1: Organizational Hierarchies ................................. 29
Exhibit 6.2: Factors Impacting Internal Audit Budget ....................... 31
Exhibit 7.1: Top 10 Skills (Competencies) ................................. 36
Exhibit 7.2: Knowledge Iceberg ........................................ 37
Exhibit 7.3: CCL’s 70-20-10 Rule for Leadership Development .......... 38
Exhibit 8.1: Hierarchy of Consulting Purposes ............................ 42
Exhibit 8.2: Example Have Model (Spreadsheet-Based) .................. 44
Exhibit 8.3: Example Need Model (Spreadsheet-Based) .................. 46
Exhibit 8.4: Essential Project Management Skills ......................... 49
Exhibit 8.5: Project Management Triangle (Showing the Importance of Relationships) ........................................ 50
Exhibit 9.1: Example Relationship Map .................................... 56
Exhibit 9.2: Relationship Management Around Audits .................... 60
Exhibit 10.1: Integrated Assurance Presentation Example ................ 67
Exhibit 10.2: Integrated Assurance Presentation Example ................ 67
Exhibit 10.3: Coordinated Assurance ..................................... 68
Exhibit 10.4: Benefits of Combined Assurance ............................ 70
Exhibit 11.1: Automation and Audit Management ......................... 74
Exhibit 12.1: Core Emotional Intelligence Skills ............................ 83
Exhibit 12.2: Signs of Emotional Intelligence ............................... 83
Exhibit 14.1: SHRM: Behaviors of Engaged and Disengaged Employees .................................................. 96
“The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”

— Albert Einstein —
About the Author

Tim Berichon has been in the internal audit profession since 2007 when he joined Tyco International. He has 20 years of global diverse experiences in public accounting, finance, and strategic alliances, as well as marketing, selling, and implementing integrated accounting software. He has a bachelor’s degree in accounting and economics and an MBA in global management. Tim was certified as a CPA in Ohio while practicing at Coopers & Lybrand (now PwC).

Tim joined Tyco International as part of its initiative to transform its internal audit function to a more enterprise risk-based approach. After serving as America’s regional audit manager, Tim was named global director, overseeing the global enterprise risk management program and the integrated assurance plan. He then rotated from internal audit to become the business unit chief financial officer (CFO) of Tyco Sub-Saharan Africa based in South Africa.

After leaving Tyco, he served as chief audit executive (CAE) for two global, multibillion-dollar public companies. He is a leading speaker at conferences, association chapters, and universities. Tim strives to be a servant-leader to his stakeholders, including his teams, bosses, peers, and internal clients.
Chapter 1

Introduction
(Why We Are Here)

“Innovation is key. Only those who have the agility to change with the market and innovate quickly will survive.”

— Robert Kiyosaki —

Jim Pelletier, vice president of professional standards & knowledge at The IIA, provided a wonderful summary of the 2018 North American Pulse of Internal Audit (Pulse) in his Trends in the Internal Audit Profession. The Pulse starts by setting the stage around this being a time of great disruption and asks: Is the (internal audit) profession facing irrelevance without change? It then answers (yes) by saying that in order to “stay” relevant, we must be more agile, innovative, talented, and engaged. If we do not gain strategic relevance, we will instead gain strategic irrelevance.

Can internal auditors be relevant without being flexible, nimble, and responsive? Not unless they are perfect in forecasting and audit planning. The Pulse reported that only 45 percent of chief audit executives (CAEs) feel that their internal audit departments are very agile, yet 67 percent already realize that agility is extremely important in the future. It was surprising that this percentage was not higher, and also surprising that these CAEs feel it is important “in the future” and not more urgently now. In today’s connected economy, disruption happens at a speed never before experienced. Those who wait—those who move more slowly—will lose.

In response to disruption, the Pulse reported that only 56 percent of respondents have meaningful collaboration with other lines of defense, 46 percent have flexible resource planning and allocation, and 36 percent have flexible talent management. Yet these areas are all very important to help internal audit be more responsive to strategically important matters.
The Pulse also noted that 62 percent perform work only to the extent of internal capabilities and 65 percent delay work until they have developed the competencies/skills, or they exclude the area altogether. But what if the topic is very important to the enterprise? It’s no wonder internal auditors sometimes feel they are not responsive enough and wonder why they are not more relevant.

This book is not about agile auditing at the project methodology level, it is more about agility and relevance at the department level. As an example, Richard Branson said, “If someone offers you an amazing opportunity and you’re not sure you can do it, say yes—then learn how to do it later.” This book is about getting internal auditors to the point where they have the confidence to say yes and not lose great opportunities to be strategically relevant.

Too often, internal auditors are given concepts but not the practical tactics to implement them. This book offers specific strategies, tactics, and examples to help build and maintain a more responsive and relevant internal audit function. The next chapter puts some challenges on the table.