



in this issue

P.1 Opportunities for Audit and Risk Management Professionals: Supporting Cost-Cutting and Business Transformation Initiatives

P.3 Student Networking Evening a Great Success!

P.3 'Biggest Bang for the Buck': Stretching Your Audit Resources

P.5 Call for Volunteers

P.5 Job Opportunities

P.5 Upcoming Events including the AGM

P.5 Join us on Facebook and LinkedIn

Opportunities for Audit and Risk Management Professionals: Supporting Cost-Cutting and Business Transformation Initiatives

By way of a case study, this article aims to provide some ideas on how internal auditors and risk management professionals can support their senior managers and departments in preparing for and implementing cost-cutting and business transformation initiatives.

The fictitious agency in question has completed a Corporate Risk Profile (CRP), a point in time summary of its most significant strategic and operational risks. In developing the CRP, the senior management team was expecting budget cuts but could not make assumptions about the extent of cuts, the areas to be targeted, or the speed with which cuts would be effected. Similarly, the agency's Chief Audit Executive (CAE) has developed a Risk-Based Audit Plan (RBAP) that addressed areas of highest significance and risk, but could not yet consider the impacts of budget reductions.

Now that the agency has announced the programs, functions and positions affected by cuts, the Chief Risk Officer (CRO) and CAE want to support senior management and the agency. This means quickly updating the CRP and RBAP, streamlining any of their own processes that are burdensome on management, and being as strategic as possible in their service offerings to best support managers making the difficult decisions.

STREAMLINING INTERNAL AUDIT AND RISK MANAGEMENT PROCESSES

- ✚ The CAE has decided to streamline the follow-up process for outstanding audit recommendations by tying the frequency of follow-up and level of substantiation to the risk of the related audit findings.
- ✚ The CAE has decided to rely more heavily on the CRP and perform simplified consultations during the RBAP process this year.

- ✚ The CAE has suspended any audits of affected programs, and refocused some of internal audit's efforts on control mapping and flowcharting, control design assessments, and system under development audits.
- ✚ The CRO has decided to streamline the CRP process by focusing most of the effort on entity-level change management risks, performing regular environmental scanning (of internal and external environments) and issuing regular "risk alerts" to management on emerging risk exposures.

SUPPORTING IMPLEMENTATION OF COST-CUTTING AND BUSINESS TRANSFORMATION INITIATIVES

To support managers responsible for implementing change initiatives, the CRO and CAE developed a harmonized process, targeting their effort on areas of greatest need. Working with the agency's budget reduction "Implementation Team", the CRO will lead risk assessments of the department's most significant cost-cutting and transformation initiatives. To support these assessments, a workshop was held with Directors General to identify the most prevalent change management and business transformation risks in the agency. This standard list of risks will be assessed for each major cost-cutting and business transformation initiative to inform planning, implementation and oversight activities. The CRO has agreed to serve as the Project Risk Office for a select number of major transformation projects, supporting the respective project managers and project teams in the ongoing management of risks and issues throughout implementation. The CRO, in consultation with the Agency Risk Oversight Committee, will also periodically review and report on the effectiveness of action plans for major change management risks.

For areas of highest risk, Internal Auditors will work with management to identify and map existing and modified controls, providing advice on control best practices, efficiency opportunities and control gaps. The ultimate responsibility of designing controls will remain with management. The CAE has agreed to perform implementation audits of the highest risk initiatives to provide assurances to senior management on the design of governance, risk management and control processes. Furthermore, the CAE has agreed to provide periodic spot reviews of performance reporting to senior management and the Audit Committee on the state of implementation of all budget reduction initiatives.

EXAMPLES OF CHANGE MANAGEMENT RISKS FOR CONSIDERATION

Outlined below are some examples of risks that are prevalent in major change initiatives that auditors and risk management professionals may wish to consider. There will always be additional unique risks for every organization and initiative.

- Risk that expectations around changes approved by senior management are not clearly understood by managers implementing cuts.
- Risk of inaccurate forecasts of cost savings in initial plans to effect changes.
- Risk that the department lacks the necessary change management and project management processes and expertise to effect desired changes and realize expected results.
- Various risks related to employee morale and excessive burdens on staff and managers.
- Risk that key managers will resist change, thereby hindering the success of initiatives.
- Risk that managers will not be forthcoming about opportunities to realize economies and efficiencies in their operations.
- Risk that restructuring and rationalization will lead to permanent loss of important knowledge.
- Risk that senior management will not be kept fully apprised of implementation status.

Student Networking Evening a Great Success!

On 28 March 2012, the IIA Academic Relations Committee held its bi-annual social evening for post-secondary students in the Ottawa area. The social evening allows students to liaise with professionals from private and public sectors to discuss career opportunities related to internal audit. In addition to providing students an opportunity to network, the event allows local businesses and public sector organizations to meet the next generation of internal auditors.

The event was held at the Fox and Feather on Elgin from 4:00 to 6:00 p.m. Students from the University of Ottawa, Carleton University, Algonquin College and La Cité collégiale attended. IIA volunteers from both public and private sectors helped answer various questions posed by students regarding the profession of internal auditing, the CIA certification and process, the Ottawa Chapter, and career possibilities after completion of post-secondary school.

Over fifty students and volunteers attended, with many remaining to liaise and discuss after the scheduled end time. Overall, the evening was a considerable success! We would like to thank all of the students and school representatives who attended the social evening. We would also like to thank all the IIA volunteers who supported the event and helped make it a success.

By reaching out to young professionals through events like this social evening, the Ottawa Chapter aims to support the development of future generations of the internal audit profession. We hope to see you at one of our future events and will keep you posted on upcoming events!

Prepared by Sarah Lyons, Manager, Ernst & Young: sarah.lyons@ca.ey.com.



‘Biggest Bang for the Buck’: Stretching Your Audit Resources

In a post-recession, uncertain economy with cutbacks and streamlining everywhere, Internal Audit must demonstrate increased efficiency in addition to its value to an organization’s oversight, governance, risk management, and assurance. In May 2011, at the IIA Ottawa Chapter’s Annual General Meeting, Mr. Sylvain Michaud, Executive Director of Policy and Liaison in the Internal Audit Sector at the Office of the Comptroller General (OCG), highlighted the key roles of leadership, talented human resources, and technology in increasing internal audit effectiveness and efficiency. For example, the recent development of data extraction techniques by the OCG has enhanced efficiency and enabled continuous auditing. Technological approaches, however, often require significant investment that is not easily acquired in the current climate. What else can be found in the audit shop’s toolkit to bring increased effectiveness and efficiency in these tight times? Two familiar tools – the risk assessment and the preliminary survey – enable Internal Audit to focus its resources on the areas that count.

THE RISK ASSESSMENT

Risk-based audit planning and risk assessment methodologies are commonly employed to plan the required audits for the upcoming year. However, in a time of limited funds and expectations of increased cost efficiency, conducting a risk and control assessment and a comparison of the residual risk levels against the risk tolerance of the organization will help to determine what

should be assessed further in the current year and what can safely be left for future attention. Risk tolerance definitions that are specific to each area of an organization (e.g., finance, IT, programs, projects, administrative services, etc.) will aid in establishing how often and how thoroughly each area should be reviewed and possibly audited. Explicit risk tolerances provide direction for a Chief Audit Executive (CAE) in spending the audit budget in the most appropriate places and in developing guidelines for deciding which audits to conduct.

A more thorough control assessment during the audit planning process will also help to identify key areas for review. Risk

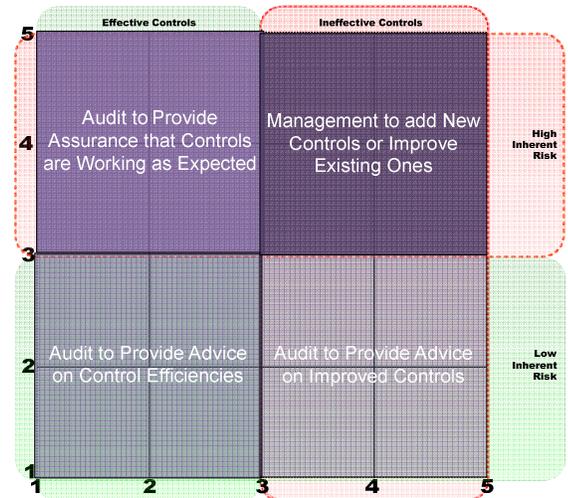
assessments usually involve discussions with key stakeholders about where their largest perceived risks lie. While this is an excellent way to identify inherent risks, the addition of an explicit assessment of controls during the risk assessment will provide the audit shop with a better understanding of how the controls are working in different branches and programs within the organization. Determining the effectiveness of controls is integral to a full understanding of the real (or residual) risk levels and possible control weaknesses of the organization, and will provide the CAE a more accurate assessment of the areas in which residual risks are not commensurate with the pre-established risk tolerances.

THE PRELIMINARY SURVEY

Internal Audit can also use preliminary surveys to zero in on areas that require more attention. A preliminary survey is like a mini-audit planning process – exploring the risks and controls of a specific program, operation or project in greater detail to determine where the highest risks and/or greatest control weaknesses lie. Usually preliminary surveys assist in prioritizing the known risks and developing appropriate audit criteria for the assessment of the controls in place. Auditors generally see preliminary surveys as the first phase of an audit, inseparable from the conduct and reporting phases. However, preliminary surveys can also be useful in determining go/no-go decisions on full audits. Using a preliminary survey to determine whether further work is required helps to ensure that Internal Audit’s budget is used as efficiently and effectively as possible.

During the course of this type of preliminary survey, a more detailed risk and control assessment that builds on the assessment undertaken during the annual audit planning process should be employed to determine whether and where further review is required. This assessment will form the basis for the rationale presented to senior management and the audit committee regarding the choice to proceed with an audit or not. Conducting more preliminary surveys across the organization provides the CAE, senior management, and the audit committee with a snapshot of the controls in place within its various operations, and enables more areas to be reviewed from an organizational perspective.

Full audits will always be required, particularly in areas that are consistently high risk and those where new risk drivers emerge and push up the level of risk. However, a strong suite of risk assessments, preliminary surveys, continuous auditing tools and full audits will help Internal Audit to maintain efficient service levels while keeping costs down. The combination of risk assessments examining inherent exposure, control effectiveness, and residual exposure that is then measured against risk tolerance, as well as discovery-style preliminary surveys to elicit go/no-go decisions on full audits will assist CAEs in focusing resources on areas of concern, while simultaneously providing the organization with a level of assurance across the organization.



Call for Volunteers

The IIA Ottawa Chapter needs you! While the Chapter is largely a volunteer-run organization and Board members are individuals working within the IA community, we are always looking for motivated volunteers to help us make the Chapter even better. You can earn a few CPE credits while you do it! In fact, the IIA permits...*"a maximum of 25 CPE hours may be awarded in the participation category in each two-year period for participation as an officer or committee member in a professional industry organization related to internal auditing. One CPE hour for each hour of qualifying participation will be awarded."*



See [CPE Opportunities - The Institute of Internal Auditors](#).

If you would like to contribute to the efforts of your local chapter please e-mail Marianne Avarello (avarelmc@oag-bvg.gc.ca) to find out what opportunities exist.

Job Opportunities

Looking for a new opportunity? Did you know that the IIA Ottawa Chapter posts local jobs? Please see the Chapter website for details at <http://www.theiia.org/chapters/index.cfm/view.resources/cid/94> or at <http://www.theiia.org/ottawa>.

Upcoming Events including the AGM

Visit our online version of the events at: <http://www.gifttool.com/registrar/ShowEvents?ID=1843&VER=1&LNG=EN>. Stay tuned for our new Events Calendar 2012-2013 coming soon!

Breakfast Session: Join us on May 23rd for our popular program session delivered by Dr. Don Dickie, which will focus on the misconceptions surrounding sample sizes. Click on the following link to register:

<http://www.gifttool.com/registrar/ShowEventDetails?ID=1843&EID=8898>

Luncheon and the Ottawa Chapter's Annual General Meeting (AGM). If you have not already registered for this year's Luncheon and AGM, please consider attending this event on May 30th. There will be a lunch followed by a panel of stakeholders (Audit Committee member, Deputy Minister, CFO and CAE) discussing the Value Proposition of Internal Audit. Following this stimulating panel session, we encourage you to stay for the short annual general business meeting. Here is the link to register: <http://www.gifttool.com/registrar/ShowEventDetails?ID=1843&EID=8913>. We hope to see you there!

Join us on Facebook and LinkedIn



Please join the IIA Ottawa Chapter on [Facebook](http://www.facebook.com/pages/IIA-Ottawa-Chapter/347323121959841) (<http://www.facebook.com/pages/IIA-Ottawa-Chapter/347323121959841>) and [LinkedIn](http://www.linkedin.com/groups/IIA-Ottawa-Chapter-4236155) (<http://www.linkedin.com/groups/IIA-Ottawa-Chapter-4236155>) for updates about events, training and more. It's a great way to connect with other internal auditors and learn about recent developments in the profession. We look forward to hearing from you!



Visit our Chapter site: <http://www.theiia.org/ottawa>.

Please send any comments or questions about the Newsletter to Christina Brooks, Communications Chair, at Christina.Brooks@cra-arc.gc.ca. Thank you!