

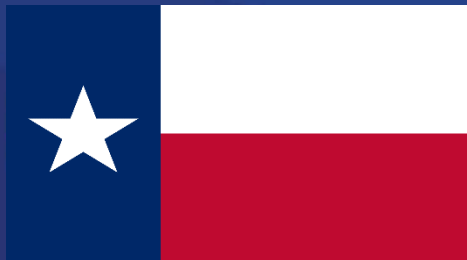


The Value of Internal Audit: Insight from Agency Leadership and Chief Audit Executives

Internal Audit Leadership Development Program

IALDP Cohort VIII

May 2017



Introduction



- IALDP Background
- Project Objective
- Methodology
- Deliverables





Executive Summary

- Internal Audit's (IA) Value
- IA and Alignment with Strategic Plan
- Assurance vs Consulting Projects
- IA Performance Metrics
- IA Strengths and Improvements

Internal Audit's Value

Agency Leadership Responses:

- Being involved throughout the organization
- Provide consulting, advising, as well as assurance audits
- Share with management opportunities to improve
- Provide valuable recommendations
- Facilitate understanding of risks, controls, and mitigating plans/controls

Chief Audit Executives Responses:

- Consult agency management in early stages of project or process implementation
- Identify and communicate issues or risks
- Insightful audit reports and recommendations
- Assist in improving operations and processes
- Build and foster strong, cooperative relationships within the agency



IA and Alignment with Strategic Plan

Agency Leadership Responses:

- Review and give insight and input in the development of the plan
- Review and incorporate the strategic plan in the development of the risk assessment and audit plan
- Ensure objectives are being achieved by management, met efficiently and effectively
- Attend periodic meetings with agency leadership

Chief Audit Executives Responses:

- Participant in the development of the strategic plan (seat at the table)
- Review and incorporate the strategic plan in the development of internal audit's:
 - Risk assessment
 - Audit plan
 - Strategic plan
 - Charter
 - Audit projects
- Hire auditors with certain skills based on organization's strategic plan.



IA and Alignment with Strategic Plan

Shared Responses:

- Internal audit plays an important part in the organization's strategic plan.
- Internal audit should be part of the development of the strategic plan.
- Internal Audit should incorporate the strategic plan into the internal audit risk assessment and annual plan to help ensure that the organization's goals and objectives are being achieved.



Assurance vs Consulting Projects

Agency Leadership Responses:

- Majority - 70-80% assurance and 20-30% consulting/advisory
- Others - 50% assurance vs 50% consulting/advisory
 - Depends on the maturity of the organization
 - Consulting/advisory services are helpful
 - Efficient and effective
 - Avoid issues or problems that could arise

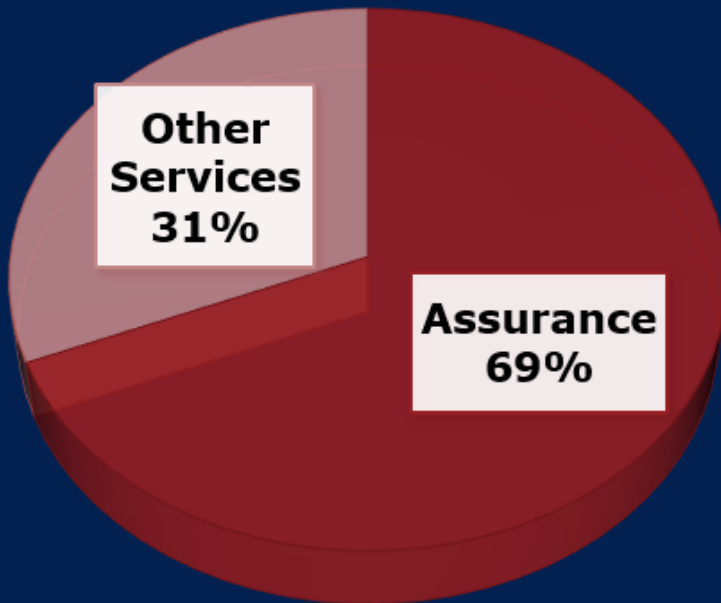
Chief Audit Executives Responses:

- Majority - 70% assurance and 30% consulting/advisory
- Some CAEs believe percentage of assurance vs consulting/advisory depend on:
 - Needs of the organization
 - Size and expertise of staff
 - Availability of agency staff
 - Prioritization of the Board
- Some CAEs stated that consulting/advisory services:
 - Add value
 - More proactive than reactive
 - Efficiency and effectiveness

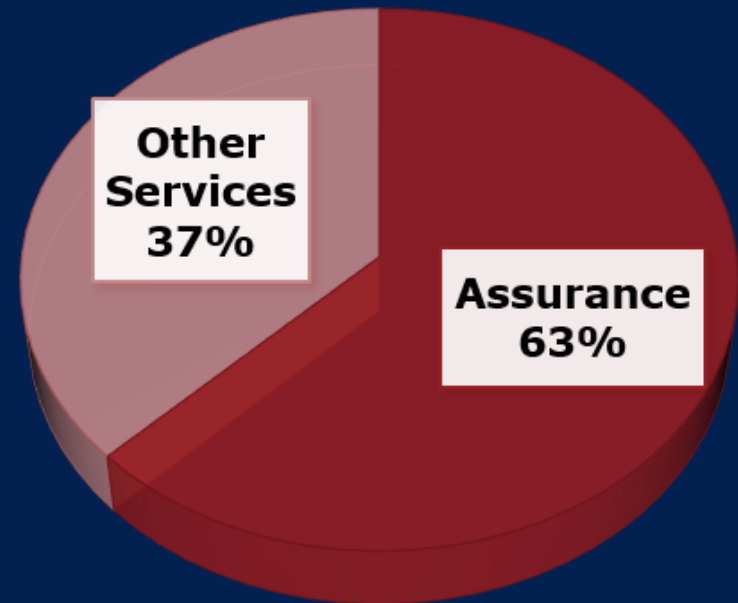


Assurance vs Consulting Projects

AGENCY LEADERSHIP AVERAGES



CHIEF AUDIT EXECUTIVE AVERAGES



IA Performance Metrics

Shared Responses:

- Completion of the audit plan
- Audit recommendations
- Agency engagement
- Client satisfaction



IA Performance Metrics

Agency Leadership Responses:

- Timeliness of audit services
- Relevance and impact of findings
- Chief Audit Executive internal management
- Well-defined audit objectives and scope
- Audit staff credentials
- Peer review results
- Audit plan amendments

Chief Audit Executives Responses:

- Recommendations implemented
- Percentage of engagements on direct services
- Interaction with Agency Leadership
- Identifying agency risk
- Understanding risk and level of impact
- Stakeholder buy-in



IA's Strengths

Agency Leadership Responses:

- Communicating well with stakeholders which builds relationships
- Making valuable and cost effective recommendations
- Discovering issues internally before external audit
- Being risk oriented
- Focusing on processes that impact the organization the most

Chief Audit Executives Responses:

- Identifying and measuring risk
- Building relationships with management and stakeholders
- Developing business acumen



Improvement Opportunities for IA

Agency Leadership Responses:

- Perform more consulting engagements
- Continue to build strong relationships with management

Chief Audit Executives Responses:

- Focus more on information systems
- Continue to improve relationships with management and stakeholders
- Improve efficiency
- Be more active participants throughout the organization



Conclusions

- Internal Audit's (IA) Value
- IA and Alignment with Strategic Plan
- Assurance vs Consulting Projects
- IA Performance Metrics
- IA Strengths and Improvements



Questions/Comments



TEXAS

Health and Human Services

Texas Department of Family
and Protective Services



TEXAS
Health and Human
Services



TEXAS
Health and Human
Services

Texas Department of State
Health Services



Dept. of Information Resources



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.





Thank you

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