

Leading Internal Audit Practices

FIDUCIARY AND INVESTMENT RISK MANAGEMENT ASSOCIATION

PATRICK RENAUD

MAY 2019

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PATRICK G. RENAUD, CPA, MBA

MANAGING DIRECTOR, GENERAL AUDITOR, GLENMEDE

Mr. Patrick G. Renaud, is Managing Director and General Auditor of Glenmede. Mr. Renaud directs the Internal Audit function, which is comprised of five professionals. Within Glenmede, Internal Audit is a component of Business Assurance. The group also includes Compliance, Risk Management, Security and Legal.

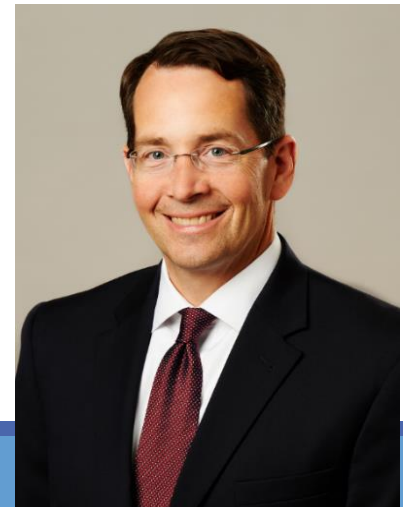
The Audit team serves as liaison for federal regulatory examinations. Headquartered in Philadelphia, the firm operates seven additional offices in NJ, NY, DE, OH, FL and Washington, DC. In addition to his audit duties, he serves on the Risk Management Committee and acts as the Secretary for the Audit Committee of the Board of Directors.

Prior to joining Glenmede, he spent time at Merrill Lynch where he had audit responsibility for \$540 billion in assets as Vice President of Internal Audit. Previously spending nearly 20 years in the industry, he supported companies such as Bank of America, BlackRock, Summit Bancorp and CoreStates Financial Corporation.

Mr. Renaud received his MBA in Accounting from Temple University and BS in Marketing from Indiana University of Pennsylvania. He is a licensed CPA. Mr. Renaud is a member of the American Institute of Certified Public Accountants (AICPA), Pennsylvania Institute of Certified Public Accountant (PICPA) and Institute of Internal Auditors (IIA).

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PERCEPTION

Internal Control Freaks

Control
Cops

Big Bad Beancounter

Auditaholic

YEAR END YEARNERS

AUDITOR NICKNAMES

The Enemy

Ticking
Consultant

Double Entry Detectives

Process Police

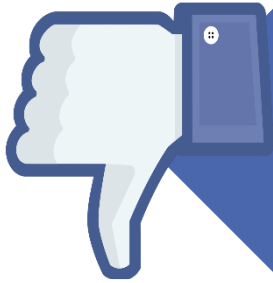
Bean Blower

Penny Patrol

Tickers 'n' Bashers

Spreadsheet Snoops

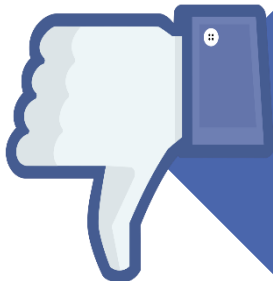
WHAT LEADING INTERNAL AUDIT PRACTICES ARE NOT...



Copy and paste of last year's audit program and related risks



Tick the box exercise



Telling Management what they already know

LEADING INTERNAL AUDIT PRACTICES

(1) Forward looking & thought provoking

(2) Get the big picture and strategy

(3) Believe in the power of relationships

(4) Leverage other lines of defense

(5) Are truly risk based

LEADING INTERNAL AUDIT PRACTICES

Forward looking & thought provoking

- Is internal audit positioned to provide insights into emerging areas of risk?
- If you were the reader of an audit report, would you want to know about a process weakness found a year ago on an old recently replaced system or where potential risks/issues may surface with the newly implemented one?

LEADING INTERNAL AUDIT PRACTICES

Leading practices

- Be proactive: take advantage of the unique view- ask your colleagues in other areas for best practices on similar issues and share
- Challenge audit planning assumptions: allocate time in process covering 'emerging' areas, make it a priority- include in staff performance appraisals
- Share audit reports: engage your peers
 - Can the reader easily answer the question 'Why is this important?'
 - Will the reader conclude 'Interesting, we need to think about these areas in a different way'
 - Can your report say on 1 page what you are currently saying on 5 pages?

LEADING INTERNAL AUDIT PRACTICES

Get the big picture and strategy

- Think like a business leader- put yourself in their shoes
 - Without this understanding, how can we reasonably be expected to add value and be a trusted advisor?
- Step outside the comfort zone and traditional audit areas
 - Are traditional areas really critical to corporate strategy? important yes, but for the time you're spending?
 - Ask yourself, how would you weigh a small number of material internal errors versus a disastrous new product roll out?
 - Do you understand what is relevant today and what will impact the business tomorrow?

LEADING INTERNAL AUDIT PRACTICES

Leading practices

- Review business objectives, goals, strategic documents:
ask- what are the top 2 or 3 things that could prevent your department from achieving their goals?
- Prioritize in audit planning efforts, stress the importance.
Incentivize your Team- include in staff performance appraisals

LEADING INTERNAL AUDIT PRACTICES

Believe in the power of relationships

- Where did you get that report, I could really use something like that to help me assess risk?
 - This will help develop credibility and strengthen relationships.
- Can we get together over a cup of coffee to discuss...

LEADING INTERNAL AUDIT PRACTICES

Leading practices

- Share whitepapers, training events that cover relevant/emerging trends and topics
- Craft solutions to problems: will develop credibility and strengthen relationships
- Continuous audit plan review: in your audit plans, do you allocate time to respond to emerging issues and management requests? Do you adjust as needed?
 - A recent survey found that 'leading functions' are auditing areas such as governance processes, business strategy and one-off events that result in business changes (e.g. system implementation)
- Develop a relationship matrix
- Assess training plans to ensure right technical/soft skills balance
- Use the view: be proactive- share similar challenges/actions other areas of the business may be facing

LEADING INTERNAL AUDIT PRACTICES

Leverage other lines of defense

- Do we understand Risk and Compliance function strategies, short and long term goals?
- Do we understand how Risk and Compliance are using technology & automation to further their strategies & goals?
- Current technologies can make it easy to share Risk and Compliance information

LEADING INTERNAL AUDIT PRACTICES

Leading practices

- Meet with other lines of defense periodically to better understand what they are doing
- Review terminologies/definitions- are we speaking the same language?
- Assess similar work and adjust testing to allow for time to be spent on higher priority, higher risk areas
- Build an understanding of other lines of defense into all phases of your audit process (planning, fieldwork, reporting)

LEADING INTERNAL AUDIT PRACTICES

Are truly risk based

- When we say an area is high risk, do we really know what that means?
- Just because it was audited 3 years ago doesn't necessarily mean it needs to be audited now? (what has changed, what are the risks?)
- Do your audits strike the right balance between control compliance and value adding audit activity? Are you detail testing when you don't really need to?
- Are emerging risks discussed and included in audit planning? Are recent industry issues discussed?
- How much sense does it really make to audit a process from a year ago when the process was just recently changed? Is there risk with that?

LEADING INTERNAL AUDIT PRACTICES

Leading practices

- Think of ways to automate the basic routine areas that are audited annually
- Consider the top risks of the company when annual audit planning
- Assess involvement in risk governance forums
- Assess skill sets: rotational programs can bring in valuable expertise that can help assess risk
- Share, collaborate and obtain buy-in and agreement on your risk assessment with others (1st & 2nd lines of defense)

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