



# CURIOUS AND EVER CHANGING

DOMINIQUE VINCENTI / NORDSTROM

APRIL 9, 2018

A case for never suffering transformation but leading change at all times.

# AGENDA

## Topic

Translate the change of your organization into the Internal Audit Function – Do you have an Internal Audit Strategy?

Recognize embedded tension and embrace them - Have you thought about Kaizen?

Anticipate and lead the change: have you thought about changing the profession at your level?



1996 – 1998  
Commercialization of the Web

1998 Email is installed on my desktop

1998 birth of  
  
search engine

2000 IIA New York International Conference

2002 first



My Flight ticket & Boarding pass



**1999 New Definition of Internal Audit**



2006 opened to all with email addresses

Top 10 Worldwide Market Cap

- Exxon
- GE
- Microsoft
- Citigroup
- Bank of America
- P&G
- Walmart
- Johnson & Johnson
- Pfizer
- AIG

2017

- Apple
- Alphabet
- Microsoft
- Amazon
- Berkshire
- Facebook
- Exxon
- Johnson & Johnson
- JP Morgan Chase
- Well Fargo



2018



My Flight ticket & Boarding pass



# Internal Dashboards

PROJECT

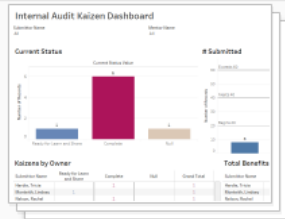
Projects 0 Workbooks 27 Views 56 Data Sources 1 Details

0 items selected

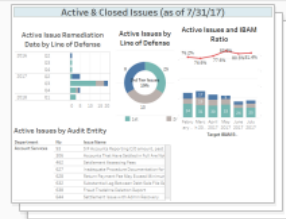
Sort by Views: All (Most-Least)



MAP Redesign Dashboards  
931 views ☆ 0



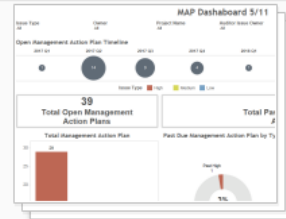
Kaizens  
606 views ☆ 0



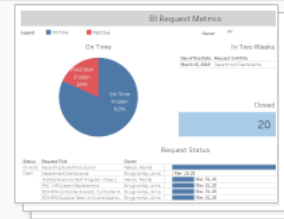
IA NFSB Dashboard (TempDB) 2  
308 views ☆ 0



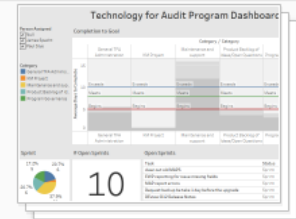
MAP Dashboards - 2/2017  
237 views ☆ 0



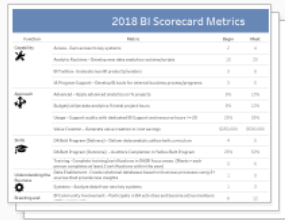
MAP Dashboards - 5/2017  
185 views ☆ 0



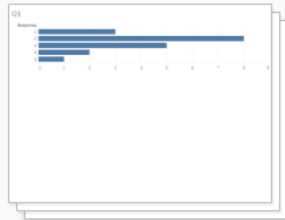
IA BI Status  
150 views ☆ 0



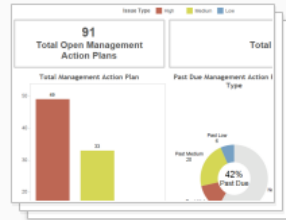
Technology for Audit  
134 views ☆ 0



2018 BI Scorecard  
121 views ☆ 0



Meeting Efficiency  
38 views ☆ 0



MAP Dashboard (All Company)  
36 views ☆ 0



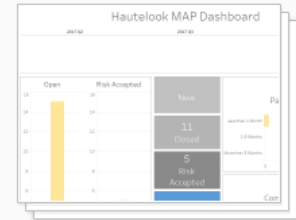
MAP Dashboards (Tech Only)  
28 views ☆ 0



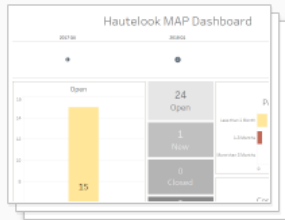
MAP Follow Up Dashboard  
25 views ☆ 0



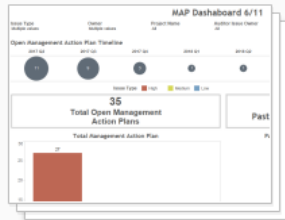
IA Metrics 2018  
18 views ☆ 0



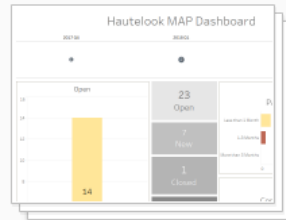
Hautelook MAP Dashboard  
13 views ☆ 0



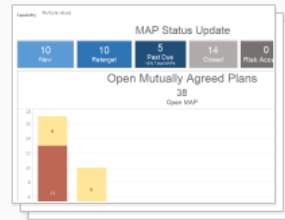
Hautelook MAP Dashboard - March 2018



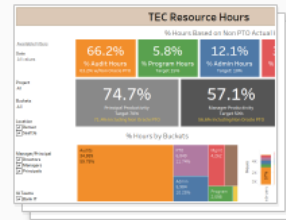
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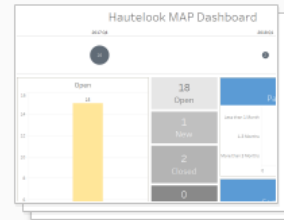
Hautelook MAP Dashboard - Feb 2018



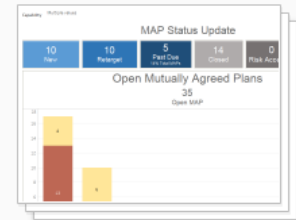
MAP Dashboard  
9 views ☆ 0



2017 TEC Resource Hours - TeamView



Hautelook MAP Dashboard - jan 2018

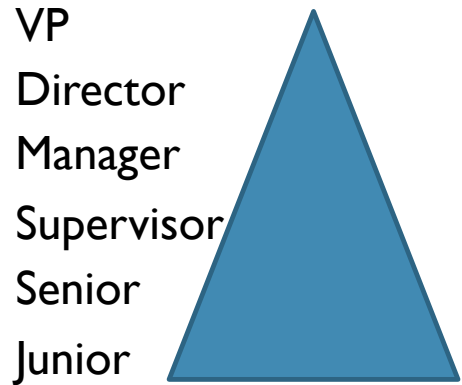


MAP Dashboard - 02122018  
6 views ☆ 0

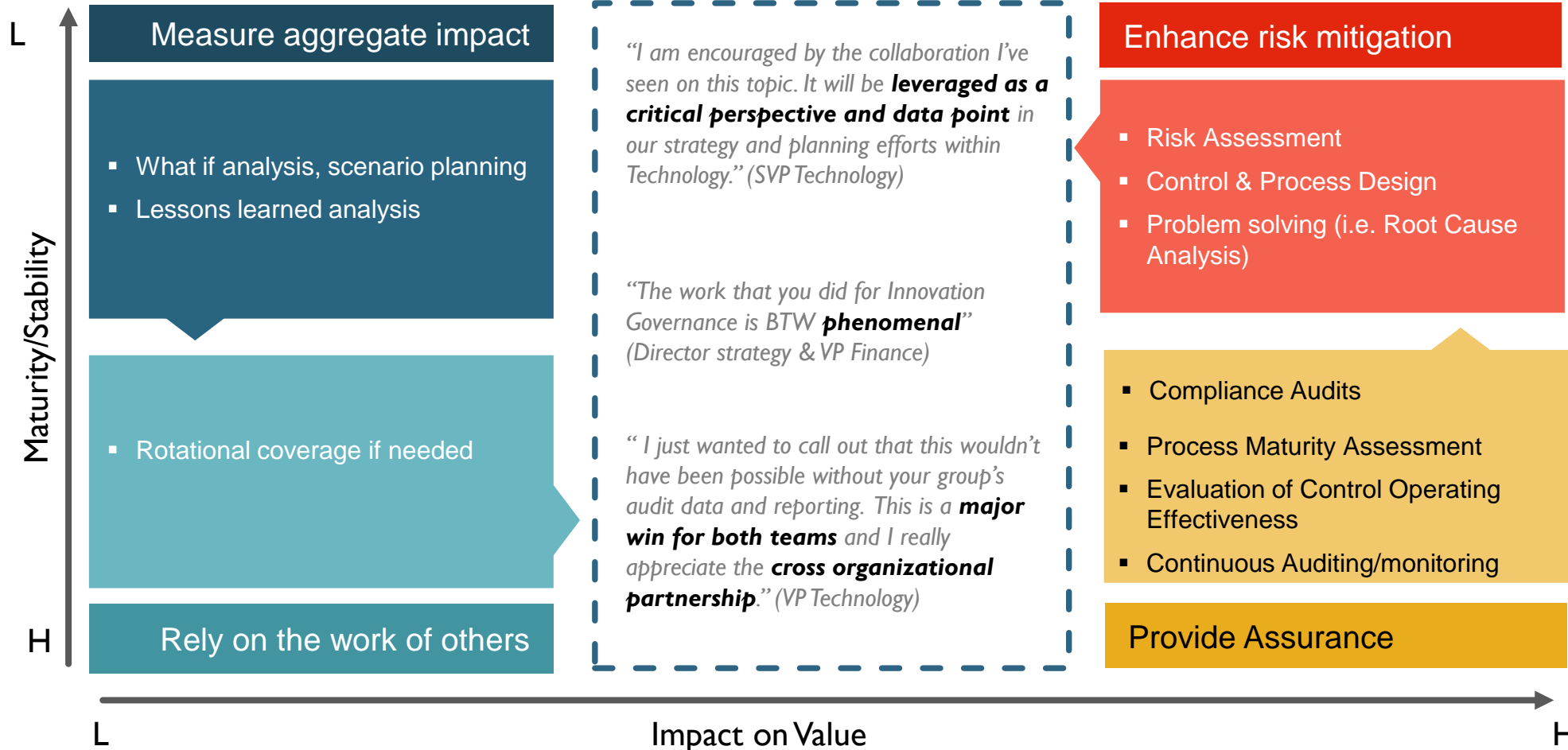
# COMPETENCIES

+

# METHODOLOGIES & TOOLS



# VOICE of Our Customers



Strategy without tactics is the slowest route to victory but **tactics without strategy is the noise before defeat** – Sun Tsu

Leaders establish **the vision** for the future and set the strategy for getting there – John P Kotter

Strategy is about making choices, trade-offs; it is about deliberately **choosing to be different** – Michael Porter



# YOUR STORY

## CORE PURPOSE

*Why do we exist?*

## AMBITION

*Where do we aspire to go?*

## STRATEGY

*How we will win?*

## BRAND

*What are we known for?*

## OPERATING PRINCIPLES

*How do we work?*

## VALUES

*What do we believe?*

## OUR NORDSTROM INTERNAL AUDIT STORY

### **CORE PURPOSE**

*Why do we exist?*

*Because good governance helps organizations to prosper responsibly. We strive to support management realize their objective. If we do our job well, management will be able to take more worthy risks*

### **AMBITION**

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*A trusted business partner, solving problems to inspire a culture of excellence in governance, accountability and execution in support of delivering Nordstrom world class customer experience and top tier shareholder value.*

### **STRATEGY**

*How we will win?*

### **BRAND**

*What are we known for?*

### **OPERATING PRINCIPLES**

*How do we work?*

### **VALUES**

# DO YOU HAVE AN INTERNAL AUDIT STRATEGY?



## ATTRIBUTES OF A WORLD-CLASS AUDIT FUNCTION

- Strategic Business Goals For 20XX
- Trends That May Affect Functional Strategy
- Likely Truths And Critical Uncertainties 20XX–20XX
- Critical Capabilities to Support Business Goals
- High Priority Improvement Areas
- Business Partner Feedback
- Functional Objectives for 20XX
- Initiatives To Achieve Functional Objectives
- 20XX Performance Scorecard
- Resource Requirements for 20XX
- Risk Heat Map
- Strategy Review Triggers
- Strategy Communication Plan

**1. Audit Committee**

Our Audit Committee and Internal Audit function share a common vision for audit's role. The Audit Committee is completely satisfied with Internal Audit's performance.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**2. Business Alignment**

Internal Audit resources and priorities are deeply aligned with management value drivers and stakeholder expectations which focus on adding value to the organization and driving improvements in business performance.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**3. Client Reporting**

We have systematic documentation and reporting that provides managers with timely information regarding the results of our work in such a way that management and the business clearly understand our work and respond to our recommendations.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**4. External Auditors**

We have a partnering relationship with the External Auditor that ensures that work is not inappropriately duplicated and that all major risks are evaluated in the most cost-effective way possible.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**5. Internal Audit Mission, Vision, and Values**

Our mission statement defines the independence, structure and scope of work of the IA function and establishes a relationship between our objectives and organizational performance allowing IA to be recognized as objective, professional and technically proficient.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**6. Audit Committee Partnership**

Internal Audit is clearly recognized as the key source of risk and control-related information for Audit Committee decision support.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**7. Risk Assessment and Prioritization**

Our audit plan effectively addresses the critical strategic, financial and operational risks facing the company by incorporating a comprehensive audit universe. The audit plan is consistently aligned with Board, management, and External Auditor priorities.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**8. Risk Integration**

Our audit plan development is deeply integrated with the risk management processes of the rest of the company.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**9. Audit Competency**

Internal Audit is an acknowledged source of risk management and control expertise in the enterprise, both measuring and reporting on the quality of risk management to the Audit Committee.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**10. Adaptive Planning**

Our planning process is driven by evolving risks and a continuous risk assessment process rather than by the calendar.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**SELF-ASSESSMENT SCORECARD**  
Importance/Effectiveness Matrix

		URGENT CHALLENGES						
CURRENT EFFECTIVENESS	1 = Highly Ineffective							
	2 = Ineffective							
	3 = Somewhat Ineffective							
	4 = Neutral							
	5 = Somewhat Effective							
	6 = Effective							
	7 = Highly Effective							
		1 = Extremely Low	2 = Very Low	3 = Low	4 = Moderate	5 = High	6 = Very High	7 = Extremely High
		IMPORTANCE						

**25. Strategic Risk Assurance**

Internal Audit proactively assesses the strategic risk landscape and explicitly disaggregates the top five to ten strategic risks of the Board and CEO into auditable entities.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**24. Operational Audit**

Internal Audit actively transfers best practices between business units and into the company from outside sources.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**23. Financial Audit Management**

Internal Audit leverages financial reporting practices to increase line responsibility and ownership of control issues.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**22. Fraud Management**

Internal Audit identifies and measures key enterprise-wide fraud-related risks, assessing the adequacy of mitigating controls and continuously monitoring their efficiency.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**21. IT Assurance**

Internal Audit effectively balances risk coverage between administrative issues such as information security and data integrity with functional oversight of software, hardware, and networking components.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**20. Outsourcing/Cosourcing**

We use professional service firms to provide critical surge capacity that maximizes value for spend. We effectively capture knowledge about external parties who are core to our work.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**19. Organizational Structure**

Internal Audit's organizational structure is optimized to meet risk coverage needs. Internal Audit's level and reporting lines give the function sufficient authority to challenge management.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**18. Audit Process Enhancement**

Internal Audit actively collects and disseminates knowledge, documents, and best practices within the Internal Audit function via collaborative tools and processes.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**17. Continuous Improvement**

We routinely measure past performance and rigorously assess the efficacy of our programs against internal and external benchmarks to ensure that they are the most efficient and world-class.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**16. Core Values**

Our decisions reflect a consistent set of core values, including ethics guidelines, auditing standards, and the code of conduct.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**15. Resource Flexibility**

A mix of specialist teams create "centers of excellence" that reallocate team members to cover emerging or technical issues during an audit.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**14. Training Programs**

Audit training programs adapt to reflect priorities of the audit plan and the long-term direction of Internal Audit.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**13. Employee Skill Sets**

We consistently calibrate auditor and manager competency requirements with the evolving needs of Internal Audit to ensure strong auditing, business, and management skills.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**12. Recruiting and Retention**

Unique skills/talents are rewarded in a culture of meritocracy. The Internal Audit department is a career or rotational destination of choice for many.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

**11. Data Analytics and Continuous Monitoring**

We employ data analytics and ongoing monitoring systems to enable the continual review of control effectiveness, potential fraud, and regulatory compliance.

IMPORTANCE: 1 2 3 4 5 6 7  
EFFECTIVENESS: 1 2 3 4 5 6 7

Audit Breadth

Maximizing Department Resources

Client Experience

Audit Planning

## NORDSTROM INTERNAL AUDIT STRATEGY

### VISION

**A trusted business partner, solving problems to inspire a culture of excellence in governance, accountability and execution in support of delivering Nordstrom world class customer experience and top tier shareholder value.**

## BRINGING OUR VISION TO LIFE

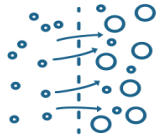
### STRATEGY

BUSINESS ALLIANCE	PEOPLE	BUSINESS INTELLIGENCE
Internal Audit resources and priorities are deeply aligned with management value drivers and stakeholder expectations which focus on adding value to the organization and driving improvements in business performance.	We have, at all times, the people and organization fit to deliver our vision.	We employ state of the art data science and technologies for continuous uncovering, review and analysis of risk and controls.

## STRATEGIC OBJECTIVES

*IN 2020 ...*

- We have a thorough process that supports continuous alignment with the dynamic changes in Business expectations and perceptions
- We have trusting and strong relationships with business partners, supported by the executive team and senior leadership, based on measurable value delivered by the Internal Audit



**A1 Alignment Process** – There is clarity and shared understanding of organization’s value drivers. Internal Audit adequately and timely identify, assesses, evaluates and respond to value drivers







**A2 Communication & partnership** – We build strong and collaborative relationships with the business based on mutual trust, value and sharing of information.



**A3 Value** – Internal Audit measures performance and monitor our effectiveness in delivery value and business improvements. We are nimble and agile in our response.

## GOALS

	2016	2017	2018	2019	2020	
 Process	<ol style="list-style-type: none"> <li>1. Inventory management value drivers</li> <li>2. Identify process to support continuous alignment and ultimately full integration. Ensure the process utilizes current work.</li> <li>3. Identify risks to the process and identify mitigation plans.</li> </ol>	 <i>Partially Repeatable</i>	<i>Fully Repeatable</i>	<i>Partially Defined</i>	<i>Partially Managed</i>	<i>Optimized</i>
 Partnership & Communication	<ol style="list-style-type: none"> <li>1. Define a process that can effectively assess, monitor and adapt to/address stakeholder expectations as they change &amp; evolve</li> <li>2. Consider the process developed above and how it will impact Business relationships &amp; communication.</li> </ol>					
 Value	<ol style="list-style-type: none"> <li>1. Assess current process for predicting value.</li> <li>2. Assess current process for determining if value has been met.</li> <li>3. Determine if Businesses and IA is aligned on definitions of value.</li> </ol>					

# DO YOU HAVE AN INTERNAL AUDIT STRATEGY?

Initiative	2017	Measure	Who
Develop plan to grow performance / accountability mindset	<ul style="list-style-type: none"> <li>• Full execution of Inc and Nfsb Audit plans on time, on budget and with additional focus on Value discussion, BI execution and Self Identified issues by management</li> </ul>	Modified Execution scorecard (See Professional Practices)	All
	<ul style="list-style-type: none"> <li>• Redesign MAP process , policy and Procedures, enforce and monitor (Inc)</li> </ul>	MAP process redesigned and metrics established	Linda
	<b>Professional Practices</b> <ul style="list-style-type: none"> <li>• Update scorecard, Measure and Monitor practices</li> <li>• Maintain and continuously improve Professional Practices and quality control</li> <li>• Oversee implementation of Action from the QA</li> </ul>	<ul style="list-style-type: none"> <li>• New scorecard 2/28</li> <li>• Peer Review # &amp; results</li> <li>• Action plan defined and executed</li> </ul>	Shelley

Initiative	2017	Measure	WHO
Capability Framework	<ul style="list-style-type: none"> <li>• Using the Enterprise Capability framework, assign capability ownership across IA management rolling up to DC and PK and then DV : Clearly define responsibilities and activities of each capability IA leader to manage each capability as a program to achieve business alliance. This includes a value assessment, audit plan, MAPs management etc,</li> </ul>	By end of Q1, Pilot with Tech and Bank & credit capability is completed and included <ul style="list-style-type: none"> <li>➢ an IA Risk assessment for Tech combining the value and risk map</li> <li>➢ Organized and structured communication framework and cadence</li> <li>➢ Q2, Q3, Q4 – Roll-out</li> </ul>	DC, PK
	<ul style="list-style-type: none"> <li>• Develop tools to support consistent quality of messaging across capabilities which align with relationship with ET and BOD</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly IA scorecard + roadshow deck</li> </ul>	DV

Initiative	2017	Measure	Who
Value perception alignment	Develop plans to ensure IA delivers insights that add value. <ul style="list-style-type: none"> <li>• Embed value discussion in planning, fieldwork and reporting phases of the audit</li> <li>• Develop collaterals to support communication of value and Internal Audit role across the company</li> </ul>	<ul style="list-style-type: none"> <li>• See A1</li> <li>• Se P4</li> </ul>	All
Value Quantification	Value Quantification (see IA execution scorecard): <ul style="list-style-type: none"> <li>• Improve process for quantifying issues</li> <li>• Measure the “value” of solutions implemented by the business (part of follow-up process)</li> </ul>	See A1	All



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### AMBITION

*Where do we aspire to go?*

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### STRATEGY

*How we will win?*

*An Agile, interdisciplinary and digitally enabled organization with a value based approach, anchored in the Company strategy*



### BRAND

*What are we known for?*



### OPERATING PRINCIPLES

*How do we work?*

*6 Cs  
&  
Nordstrom & Internal Audit  
Competencies*

### VALUES

*What do we believe?*

*Customer Obsessed  
Owners at Heart  
Curious & Ever Changing  
Here to Win*

# CONTINUOUS EVOLUTION

改善

Continuous improvement, is a long-term approach to work that systematically seeks to achieve small, incremental changes in processes - *in leadership* in order to improve efficiency and quality

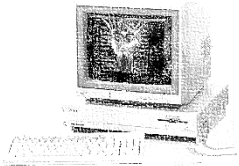
PROCESS 29

LEADERSHIP 12

High Integrity Politician  
Tech Savvy Humanist  
Globally minded localist  
Traditioned Innovator  
Humble hero  
Strategic executor 258

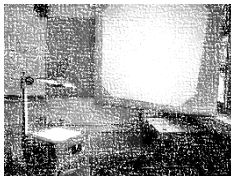


1996 – 1998  
Commercialization of the Web



1998 Email is installed on my desktop

1998 birth of search engine



2000 IIA New York International Conference

My Flight ticket & Boarding pass



## 1999 New Definition of Internal Audit

2002 first



2006  opened to all with email addresses

Top 10 Worldwide Market Cap

Exxon  
GE  
Microsoft  
Citigroup  
Bank of America  
P&G  
Walmart  
Johnson & Johnson  
Pfizer  
AIG

2017

Apple  
Alphabet  
Microsoft  
Amazon  
Berkshire  
Facebook  
Exxon  
Johnson & Johnson  
JP Morgan Chase  
Well Fargo

2018

Diligent Boards  
Dropbox  
BlueJeans  
PayPal  
UiPath  
Tableau  
Slack  
My Flight ticket & Boarding pass

# HAVE YOU THOUGHT ABOUT CHANGING THE PROFESSION AT YOUR LEVEL?

internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

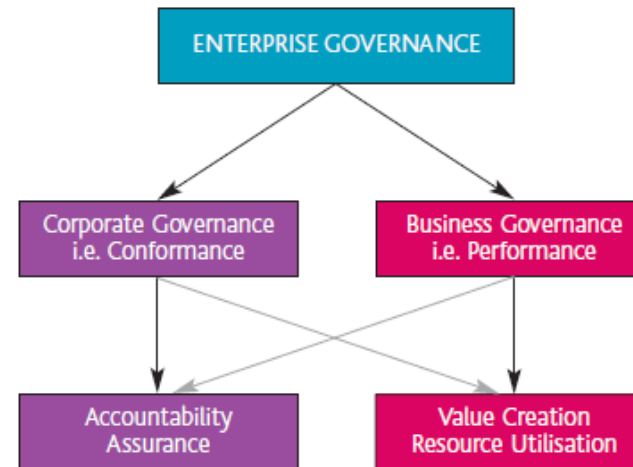
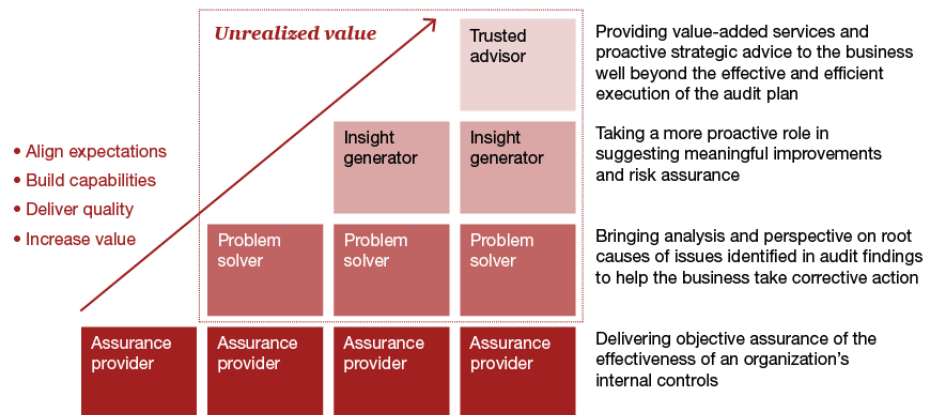
To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.

**LAURENCE D. FINK**  
Chairman & Chief Executive Officer

BLACKROCK®

Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.

LARRY FINK, CEO, BLACKROCK



.....is an independent, objective  
.....activity designed  
to..... It helps an organization  
accomplish its objectives by bringing a systematic,  
disciplined approach to evaluate and  
improve.....  
.....

# QUESTIONS AND ANSWERS?

END OF PRESENTATION

# THANK YOU FOR YOUR TIME AND ATTENTION!

IIA CHAPTER CHICAGO | 58<sup>TH</sup> ANNUAL SEMINAR