



IIA CHICAGO
CHAPTER
58TH ANNUAL
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TRANSFORMING...
OURSELVES.
OUR WORKPLACE.
OUR PROFESSION.

THE CAE'S ROLE IN MAJOR PROJECTS AND TRANSFORMATION INITIATIVES

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AGENDA

Organizations are continually looking to implement new systems, initiatives, and processes that are many times transformative to the organization.

It is at these critical times that it is even more important for Internal Audit to become a risk advisor (and partner) to help ensure:

- There is a clear business case (**why**) - organizational improvement, economic value, risk mitigation, etc.
- There is a coherent vision of intended outcomes and plan to realize intended outcomes (**how**) - effective people and process change management.
 - *Has to be more than just the implementation or “bolt-on” of new system or process.*
- Effective program risk management and governance is in place.
- Robust and objective system testing is in place.

OBJECTIVES

- By the end of this course, you will be able to:
 - Understand typical ways that Internal Audit should be engaged
 - Leverage experiences from project debriefs and Internal Audit's role
 - Consider IIA standards impact when involved on a major project

INTERNAL AUDIT IS > JUST VALIDATION AND COMPLIANCE

- **Internal audit has transitioned from pocket protectors and auditing expense vouchers to being a true business partner for management.**
- Boards, CEO, and CFOs expect Internal Audit to be more than compliance as major initiatives are undertaken.
 - Financial System Implementations, Data and IT Security Projects, Business Process Transformation Projects, IT Upgrades, Organizational Change Management.
- **Internal Audit leadership and teams typically have the range of disciplines - particularly a strong risk management framework - to partner with management to help ensure outcomes and goals are realized.**
- While maintaining objectivity and independence is critical for Internal Audit, helping to protect the organization from embarrassment and costly issues is critical as well.
 - Internal Audit has to be a risk advisor and partner - and it can be balanced with maintaining objectivity and independence.
 - And sometimes it can't...*(and that's OK)*.

HOW SHOULD INTERNAL AUDIT IS BE INVOLVED?

- **There is no single best role for Internal Audit as it varies by organizational need.**

- **Traditional Audit** – Project Audit, Post-implementation Review, Reactive Actions
- **Advisory or Consultative** – Project Health Check, In-flight Reviews, Risk Advisor (Seat at the Table)
- **Participative** – Shared Testing, Steering Committee Member
- **Incubation** – Project Oversight, Project Recovery

- **The key is to have a role! A proactive role, not just reactive post-implementation review type roles.**

- **Ground Rules for Internal Audit Engagement**

- Start as early as possible in planning and strategy
- Roles of project executives, PMO, and CAE must be defined
- **MUST** viewed as a partner first and “auditor” second
- Full transparency, collaboration, and exchange of information - without the fear of embarrassment to peers and leadership
- There has to meaningful management engagement
- **At some point the CAE’s opinion will be sought by executive leadership**

ROLE EXAMPLE – ASSURANCE – PROJECT HEALTH CHECK

- Why are we doing this, i.e. organizational improvement, economic value, risk mitigation?
- What are the quantitative and qualitative benefits to the organization expected outcomes?
- What people and change management is needed to prevent the same as last year result?
- How will we measure project success and when will success be achieved?
- What is the project timeline and major milestones?
- What is the project cost for year one and year two - the full cost?
- Who is the project manager and what implementation methodology is being used?
- What are the key project risks and decision escalation protocols?
- Who clears the path when project obstacles exist?
- Is there a well-represented steering committee?
- What is the change management strategy and how we normalize into operations?
- Who is responsible for bringing the project to completion?

MAJOR PROJECT DEBRIEFS

Scenario 1: Payroll (Advisory – Project Health Check)

- Interviews and documentation review
- Vague responses, documentation gaps, and lack of role clarity
- Ability to implement based on payroll rules was unknown
- Number of union pay codes unknown during design
- Prior projects not successful and reasons why not considered owned, not business
- IT owned project, not payroll business unit
- Incurred significant cost over initial six months
- **Project cancelled**

Scenario 2 - Billing System (Participatory)

- Agreement to supplement testing capacity and sample other testing performed
- Closed door meetings to discuss project status, issues, and risks
- Executive updates with leadership and CAE participating and providing feedback and assurance
- Joint decision for day +1 testing before public exposure
- External auditors placed increased reliance on testing and enabled reduction in audit fees
- **Project successful**

MAJOR PROJECT DEBRIEFS

Scenario 3: Enrollment System (Assurance → Participatory)

- Independent verification and Validation
- Clear business case and outcomes
- Lack of testing plan and testing skill sets
- Ad hoc development plan
- Requirements not fully defined before vendor selection
- Significant customization and unwillingness of user to change process
- Temporary project oversight; PMO restructuring
- Added nearly 30 resources
- Transitioned project oversight using new PMO structure
- **Project trending positive**

Scenario 4 – Fare System (Participatory)

- **Initial deployment was Project Health Check**
- **First US launch of mobile technology fare payment system**
- **Project deteriorated within days of initial public launch**
- **Highly isolated project team, poor transparency, weak system testing, overzealous technology partner**
- **Hard to prove system issues and failure due to mobile communications**
- **Technology partner refusal to admit issues until system failure with nearly entire executive team onsite**
- **System re-designed over nearly 25 software patches**
- **Project successful**

KEY IIA STANDARDS

- 1112 – Chief Audit Executive Roles Beyond Internal Auditing
 - Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.
- 1130 – Impairment to Independence or Objectivity
 - If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.
- **What is independence or objectivity is impaired?**

QUESTIONS AND ANSWERS?

END OF PRESENTATION



THANK YOU FOR YOUR TIME AND ATTENTION!

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