

How and when should you leverage internal audit?
March 28, 2017



Agenda

- Internal Audit foundation
- 3 lines of defense
- Trends in consultative & value enhancement work
- Why you should care
- Key takeaways



2

What are your initial thoughts on internal audit?



3

What are your initial thoughts on internal audit?

Boring! Adversaries!

Who? Strategic Partner? Nuisance!

Blocking and tackling

Gotcha! Financials

Sleepy time!

PwC 4

Internal audit overview

What is internal audit?

“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.”

-The Foundation for the IIA Standards

<p>Define</p> <ul style="list-style-type: none"> Align objective of review with management goals Define scope of review Prepare planning / scope memo Determine resources and budget 	<p>Assess</p> <ul style="list-style-type: none"> Conduct planning meetings Prepare data collection plan Collect preliminary data Establish detailed approach to review 	<p>Analyze</p> <ul style="list-style-type: none"> Establish capability of the process Identify risk to meeting objectives & goals; to organization Identify the root cause (control / process breakdown) 	<p>Recommend</p> <ul style="list-style-type: none"> Develop feasible recommendations to reach goals Aggregate root causes addressed by same recommendations Agree findings & recommendations with management
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PwC 5

Wait! Before we go on...

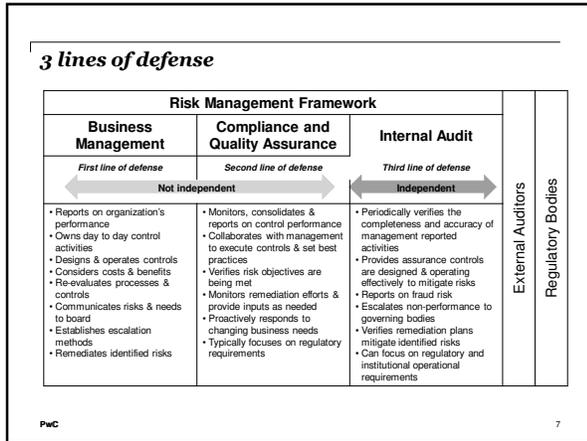
...isn't internal audit the same as compliance or quality assurance?

Great question!

What do you think?

Are they the same? How should they differ?

PwC 6



Internal audit vis-à-vis compliance

	Internal Audit	Compliance
Definition	Independent, objective assurance and consulting activity designed to add value and improve operations	Preserve corporate integrity and adherence to a code of organization ethics and ensure compliance with regulatory matters
Purpose	<ul style="list-style-type: none"> ➢ independent appraisals of governance, risk and control ➢ review reliability and integrity of financial information ➢ safeguarding of assets ➢ review consistency with operational goals and objectives ➢ recommend operating improvements 	<ul style="list-style-type: none"> ➢ encourage the use of internal controls to monitor adherence to applicable regulations ➢ effect change as necessary to achieve regulatory compliance ➢ create organizational compliance policy and procedure, compliance training ➢ protect and secure PHI ➢ implement HIPAA Privacy and Security standards
Authority	Audit Committee Charter Internal Audit Charter	Compliance Program Compliance Committee Charter
Management Relationship	Independent with no operational responsibilities; reports directly to Board or Audit Committee; does not own policies	Operational responsibility for administering the compliance program; reports to management; may create and / or own policies
Expertise	Primarily with internal controls	Primarily in regulatory matters
Internal Controls	Confirm internal controls are designed and operating effectively	Understand, help design and encourage the use of internal controls

PwC 8

- ### State of the internal audit profession
- Shifting from retrospective → prospective
 - Innovation
 - Moving from value protection → value enhancement
 - Alignment with business objectives & strategic initiatives
 - Collaboration with second line of defenses
 - Right mix of talent and business acumen
 - Effective & timely communication
 - Follow-up and monitoring process
- PwC 9

Questions

For questions, contact:

Keith Graff – PwC
Health Industries Director
Cell: 312-952-5753
E-mail: keith.graff@pwc.com

Alice Louie – PwC
Health Industries Manager
Cell: 206-972-3928
E-mail: alice_i.louie@pwc.com



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