President’s Message
Kristina Davis

April is the month for our chapter to election of Chapter Leaders, with the new chapter year beginning in June. Our required positions include President, Vice President and Treasurer. In my email earlier this year reaching out for chapter volunteers, Brittney McAllister with USA graciously offered to join our chapter leadership. I appreciate her offer and welcome her into our chapter’s Vice President role. Thank you for joining our chapter and helping move it forward, Brittney!

Don’t think there is not a spot for you to serve in with our chapter. The new IIA chapter guidelines require more leadership roles within each chapter. If you are interested in volunteering and joining up for a leadership role, please let either Kristen or myself know. The chapter needs an active membership and volunteer base to keep providing training and support for all our members.

May is Internal Auditor Month! So it’s a good reason to celebrate. The chapter will be holding a commemorative luncheon meeting at Dauphin’s for chapter members and regular meeting attendees. Look for more info in an email within the day or so.

Hope to see you soon - Kristina

“Don’t knock the weather: nine-tenths of the people couldn’t start a conversation if it didn’t chance once in a while.”
Kin Hubbard
Auditing Culture: Assessing Risk and Providing Internal Audit Assurance on the Tangibles and Intangibles of Culture

May 15, 2018
1:00–2:00 p.m.

Weak corporate cultures can hinder strategic objectives and lead to events that create brand and reputation damage for an organization, but what about managing risk and creating competitive advantage through culture? How can internal audit as the third line of defense play a vital role in conducting internal audits of culture? We'll discuss:

- The role of key organizational stakeholders in and governance structure for managing culture risk.
- Insight into the latest trends in culture risk management and a framework for gaining insights into an organization’s culture.
- Approaches for internal audit to address aspects of culture risk across the internal audit life cycle and ways to provide internal audit assurance on and add value to enterprise culture risk programs.
- Share case studies of real techniques for managing and performing internal audits of culture risk.
- What some regulators around the globe are saying about the importance of culture and auditing it.
- Expectations of corporate Boards in governing corporate actions on culture and what they may be asking Internal Audit to focus on.

Course Duration: 1 hour
Knowledge Level: Basic
Prerequisites: None
Field of Study: Auditing
Advance Preparation: None
Delivery Method: Group Internet-based

Speakers

Carey L. Oven
Partner, Deloitte & Touche LLP
National Managing Partner – Modernizing Compliance and Culture Risk

Michael Schor, MBA, CPA, CIA, CISA
Partner, Deloitte & Touche LLP

Go to the IIA website— www.theiia.org
Click on Training and Events tab
Select Webinars and register for the webinar - you’ll receive a confirmation email.
To actually listen to them, you will have to sign into the website with your IIA membership information. You must register and listen to them live to receive the CPE credit.
What Will Internal Audit’s Future Leaders Look Like?

It is a safe assumption that every profession will change dramatically the deeper we go into the 21st century. Technological innovations, the rapid evolution of artificial intelligence, and geopolitical and macroeconomic pressures virtually guarantee it.

In most cases, the changes will redefine how professions deliver value. In others, change will diminish or eliminate professions altogether. For the internal audit profession, I believe the next 20 years will offer a great opportunity for transformation that will bring us closer to becoming indispensable to effective risk, control, and governance.

I recently blogged that internal audit will have to undergo a radical mindset change to achieve this goal. We cannot afford to rely on how things have always been done if we are to navigate a disruptive landscape and meet growing stakeholder demands. Innovation and transformation will require visionary leadership, trial and error, commitment, and courage. This alteration — likely to be more evolution than revolution — will invariably redefine the profile of the typical internal auditor.

Each year, Internal Auditor magazine recognizes a group of men and women as “Emerging Leaders” in our profession. These are individuals who possess many of the characteristics and attributes that are essential to leading the profession in the years ahead. The magazine is currently accepting nominations for 2018, and those selected will be announced in the October issue. As this process unfolds, it is hard to resist contemplating what internal audit’s future leaders will look like. Here are six characteristics that I believe will be fundamental to those who will be directing internal audit functions by the year 2030.

**Genetically Risk-centric.** Early last year, I wrote about “Leadership at the Speed of Risk.” I noted that truly risk-centric leaders must be able to “decipher a vexing risk/reward puzzle that can include disruptions in global supply chains, geopolitical instability, cybersecurity threats, and technological breakthroughs that can morph yesterday’s state-of-the-art into tomorrow’s quaint curiosity.” As I noted in the blog post, those who lead at the speed of risk 1) are risk aware, 2) possess risk intuition, 3) accept risk, and 4) possess risk courage. Although still a rare breed, tomorrow’s internal audit leaders will need to possess risk-centricity in their DNA.

**Tech Savvy and Tech Fearless.** Technology has always been a two-edged sword. Advances that make work easier, increase productivity and efficiency, and add convenience also can eliminate jobs, make supporting services unnecessary, and disrupt competition. The next generation of internal audit leaders will have to understand innately how technology can impact and change organizations and still have the courage to embrace and adapt to technological change.

**Incessantly Curious and Professionally Skeptical.** Asking “why?” is fundamental to the work of internal auditors, and a desire to dig deeper will be as important as ever in the future. Intellectual curiosity is one of the characteristics I single out in my book, Trusted Advisors: Key Attributes of Outstanding Internal Auditors. In the future, this will be more than just a trait of the best; it will be table stakes to get into the game. However, tomorrow’s internal audit leaders
will need to walk a fine line when it comes to skepticism. The axiom "trust but verify" will become critical for successful internal audit leaders.

**Ethically Far-sighted.** Ethical resiliency is another of the character traits I identify in *Trusted Advisors*. The pace and unforeseen consequences of change will make having an unshakeable ethical foundation imperative for internal auditors of the future. Beyond this, however, they will need to understand and anticipate how technology and other factors that change our world impact and influence ethics within the organization and within themselves.

**Intellectually Honest.** Seeking the truth, regardless of whether it agrees with one's personal beliefs, should be a principle by which every internal auditor lives. Yet, rapid change and pressure to be agile and innovative will test our ability to remain so. True leaders will not give in to pressure to compromise intellectual honesty for expediency.

**Not Your Grandfather’s CPA.** According to the 2018 North American Pulse of Internal Audit survey, accounting and finance remains the most recruited academic degree for internal audit. However, IT-related degrees, such as data science or information systems, are now a close second. Demand for accounting and finance backgrounds will continue to decline as the scope of internal audit work changes, and I suspect IT could overtake the traditional finance backgrounds by the end of the decade.

In the future, internal auditors will increasingly come from nontraditional backgrounds, from engineering to chemistry, as demand for specialized skills grow in parallel to changing demands on the profession. This is especially germane as sustainability and enterprise risk management play greater roles in governance.

**Cosmopolitan.** Macroeconomic and geopolitical pressures are here to stay. Despite efforts at isolationism, demands of the marketplace, global warming, population growth, limited resources, and other factors make it impossible for any nation or industry to be an island. As such, internal auditors of the future will have to be cosmopolitan — familiar with and at ease in many different countries and cultures.

Those are just some of the ways that tomorrow’s internal audit leaders will distinguish themselves. Many are already achieving them and other new job skills and outlooks. Since *Internal Auditor* magazine began identifying some of our profession’s rising stars in 2013, alumni have been contributing to shaping internal audit’s future, including two who serve on The IIA’s North American Board, as well as others who are members of The IIA’s Young Professionals Task Force.

As always, I look forward to your comments.

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**CIA Application Fee Waived in May**

The IIA is waiving the application fee (up to a $230 value) for the Certified Internal Auditor® (CIA®) credential, as well as offering exclusive savings on CIA exam prep resources from May 1–31.

The money-saving offers provide candidates an opportunity to show the global sign of success with “CIA” after their name.

Earning the world’s only globally recognized certification for internal auditing proves proficiency and professionalism, plus encourages elevated trust and credibility with stakeholders. In addition, according to The IIA’s 2017 Internal Audit Compensation Study (U.S. responses only), internal auditors with the CIA certification on the average earn $38,000 more annually than those without a certification. Earning an IIA credential can also open doors to career-advancing opportunities.
The IIA chose International Internal Audit Awareness Month to launch this offer because earning the CIA is the optimum way to ensure understanding of the profession’s guiding framework, the *International Standards for the Professional Practice of Internal Auditing*, and how to apply Standards in the practice of internal auditing.

Learn more about the following savings: up to $230 on CIA App Fee Waiver; 25% on The IIA's CIA Learning System and on CIA Exam Practice Questions.

**Internal Audit Foundation Releases New Artificial Intelligence Research Report**

**Educating Practitioners on Unique Risks Posed by Data Use**

The [Internal Audit Foundation](https://www.theiia.org) has released a new research report, *Artificial Intelligence – The Data Below*, to make internal auditors aware of the different ways AI applications use data and the unique risks this poses. By educating practitioners on how AI data use differs from that of standard IT applications, the authors hope to help internal auditors understand why and how they must adapt their audit approach.

Pointing to key differences like AI’s use of probability versus correctness when it comes to data, the authors discuss the various land mines organizations can unwittingly stumble upon if their internal audit teams cannot confidently assess the governance of the data in the development, implementation, and operational phases. To this end, they:

- Provide an overview of different aspects of data as related to AI.
- Identify specific challenges presented by the role of data.
- Suggest interview questions practitioners can use to ascertain data governance during the various phases of application rollout.

This research report applies to all internal auditors across all industries and provides guidance in the absence of specific standards related to auditing AI governance, since it is a relatively new phenomenon.

This report, powered by the Internal Audit Foundation and sponsored by The IIA's Chicago Chapter, is available for [free download](https://www.theiia.org).

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**A Dress Code in Two Words**

Mike Jacka April 24, 2018

When General Motors' CEO Mary Barra became vice president of GM's Global Human Resources in 2009, one of the first things she took on was the company's dress code. Now, that seems like a rather trivial focus considering the organization had just filed for bankruptcy; one would think more pressing matters than exploring the mundane intricacies of what can and cannot be worn to work might warrant her attention.

But the dress code was exactly the issue where Ms. Barra wanted to start. According to [this article from Quartz at Work](https://www.quartz.com/), she said “A lot gets set aside when you’re going through a restructuring process, so [starting with the dress code] was an opportunity to really define our culture.”
She took the 10-page dress code and reduced it to two words: “Dress appropriately.”

If any of you know (or have heard rumors about) behemoth-bureaucracy conglomerates, you can imagine the resistance she faced. (Shoot, it doesn’t take a conglomerate to get its feathers in a bunch over something like this. Resistance to such an approach would probably happen in any organization. In fact, I can imagine how many of you are similarly shocked by this approach or, at the very least, think it’s interesting and maybe even cool but “would never work in my organization.”)

But what was underlying almost every reaction was the belief that people either could not or would not follow an open-ended code. And every one of those reactions spoke volumes about the culture that existed within the organization.

Barra was using the dress code as a first salvo in changing that culture. Something as simple as telling people, effectively, to just do the right thing showed that the company had faith in employees’ decision-making skills, the company trusted employees to not take advantage of the situation, and the company believed in the skills and understanding of its employees. It was a solid step toward exhibiting a corporate culture of faith, trust, and empowerment.

As Barra stated, “If they cannot handle ‘dress appropriately,’ what other decisions can they handle?”

We all seem to be spending a lot of time talking about auditing the corporate culture. But it seems everyone is struggling with just how internal audit can attack the situation.

Well, maybe the start isn’t as hard as we think. Ask yourself, how many words in your dress code? Does the volume of words indicate trust in the employees, or does it exhibit a corporate belief that all employees look for excuses to circumvent the rules? Is the dress code simple enough to show that employees are empowered to use their best judgment in all situations, or does it tell employees that, without detailed specifics, those employees are too unprofessional to be trusted to dress the way they should.

Look everywhere.

How many words are in your code of conduct? Is it as simple as Alphabet’s “Do the right thing?” Or is it a filibuster of do’s and don’ts and if-you-do-this-you-will-have-to-pay-this-kind-of-hell?

Can your employee handbook be stated as simply as Nordstrom’s “Use good judgment in all situations”? Or is it the centerpiece of week-long training on everything from where to hang your coat in the morning to how one should genuflect when in the presence of corporate executives.

Look, I’m not going to say any of these companies is perfect. And to be honest, I can’t tell you exactly how well these abbreviated codes have worked. But they’ve been around long enough that they still stand as the gold-standard for how to approach employees.

So, if you want to start to get a handle on the culture of your organization you don’t have to see exactly how people are being treated. (Although, you won’t want to ignore that either.) All you have to do is start exploring how much trust employees are given when the rules and standards are being articulated.

And, if that shows the culture needs to be changed, use the courage of a true trusted advisor and begin to let others know that it might be time for a change.
Got News?
Just email your news, important events, or information to Kristina at kristina.davis@infirmaryhealth.org and it will be added to the following month’s newsletter.