

# GOING BEYOND LIMITS TO BUILD RESILIENCY



Internal Auditing Around the World®  
Volume XVII

**protiviti**®  
*Face the Future with Confidence*

Internal Audit, Risk, Business & Technology Consulting



# FOREWORD

Amid Chaos and Uncertainty, Internal Audit Stands as a Beacon of Resilience

In November 2018, which feels like a lifetime ago, Protiviti published a white paper titled *The Next Generation of Internal Auditing – Are You Ready?*<sup>1</sup> It was a call to action for chief audit executives (CAEs) and their teams to adapt, evolve and transform as quickly as possible — or risk becoming irrelevant. We wrote, “By choosing to disrupt their functions proactively rather than waiting passively to be disrupted, future-minded CAEs will boldly take their functions to new frontiers of performance.”<sup>2</sup>



**BRIAN CHRISTENSEN**

*Protiviti Executive Vice President  
Global Internal Audit*

<sup>1</sup> *The Next Generation of Internal Auditing – Are You Ready? Catch the Innovation Wave*, Protiviti, 2018: [www.protiviti.com/US-en/insights/next-generation-internal-auditing](http://www.protiviti.com/US-en/insights/next-generation-internal-auditing).

<sup>2</sup> Ibid.



At the time, we framed our recommendations to internal auditors based on our observations of change in the innovation economy, where new technologies and digital transformation were upending businesses and even entire industries. We didn't know, of course, that about a year later another force would emerge and unleash dramatic and, in some cases, permanent disruption around the world: COVID-19.

When we set up interviews for Volume XVII of our *Internal Auditing Around the World*® profile series, we weren't sure what we'd hear from internal audit leaders. In our discussions last year with the CAEs featured in our previous edition, we found these leaders to be calm and resolute, despite all the fear and uncertainty in those first months of the global pandemic. But much has happened since — and COVID-19 is still with us.

However, as we started to hear the stories from our latest group of CAEs, we discovered that these leaders were feeling not only confident but also optimistic. While respecting the magnitude of the crisis, they were undaunted by it. Most had already started disrupting their functions before the pandemic so they could build a next-generation organization.

In many ways, the crisis has been an opportunity for internal audit to shine. For years, internal audit leaders and their teams have been working to raise the profile of the function in their companies. They've embraced new technologies, like artificial intelligence and machine learning, and new ways of working, including agile frameworks and processes. They've been hiring more diverse teams with diverse skill sets. And they're constantly looking for opportunities to add more value to the business and be seen as a trusted adviser.

It's been a challenging road of transformation for internal audit as a profession, and one that's far from finished. The functions featured in this publication are well along that road in most cases, or they at least have a detailed map they intend to follow into the future. The work they've done so far to evolve has helped them to be resilient amid chaos.

Most internal audit leaders we interviewed told us that the business has truly welcomed the function's guidance during this time — and has even sought it. One leader said the company's executives had invited internal audit — for the first time — to consult them on key issues that could impact the business. Several CAEs said their team has played a critical role in helping to monitor the health of the corporate culture. And others noted that their boards are looking squarely at them to provide insight on the company's overall state of resilience.

These are positive developments. The pandemic has been a catalyst for launching the internal audit function into higher-profile areas of the business, as well as nontraditional ones, to serve critical stakeholders and help the business increase its resilience. The challenge now for CAEs and their teams is to continue building on this momentum.

The stories in this edition of *Internal Auditing Around the World*® leave us feeling even more optimistic and energized about the future for the internal audit profession. We hope they inspire you as well.

**Brian Christensen**

*Executive Vice President – Global Internal Audit*

*Protiviti, June 2021*



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# INTRODUCTION



*A pivot is a change in strategy without a change in vision.*

**Eric Ries**

American entrepreneur and author of *The Lean Startup*



Internal auditors, by nature, like order and certainty. But the global health crisis has allowed for none of that. Its disruption thrust internal auditors into the uncomfortable position of having to completely abandon or revise their well-thought-out plans and familiar checklists and processes — fast.

They had to pivot — often, multiple times — to ensure they did not falter in providing independent assurance that their organization’s risk management, governance and internal control processes were operating effectively. But many internal audit functions needed to be more agile and flexible than ever before for another critical reason: The business needed their help to survive.

The internal audit organizations most successful at pivoting, and helping the business to do the same, are those that had already embraced next-generation internal audit practices before the COVID-19 pandemic. These functions, which are more agile and technology-enabled, were well-positioned to support the business in new, innovative ways driven by the crisis.

We know from our research that most internal audit organizations are only at the start of their next-generation journey.<sup>1</sup> That said, even internal audit functions early into this evolution have found that changes they’ve made so far — whether it was automating a critical process, expanding analytics capabilities, learning about agile auditing, or encouraging an innovative mindset — allowed them to be more adaptable and resilient amid unprecedented disruption.

The internal audit organizations featured in Protiviti’s 17th edition of *Internal Auditing Around the World*<sup>®</sup> are at various stages of their next-generation journey. But we learned by talking with their leaders that they all have at least two things in common: First, the pandemic has helped them significantly increase their visibility as a function and demonstrate the value that they can deliver to the business. Second, they aim to build on lessons learned during the crisis to help inform and accelerate their efforts to become a successful, next-generation function.

For this edition of *Internal Auditing Around the World*<sup>®</sup>, we thought it appropriate to focus on the topic of resilience, given everything internal audit teams and their companies have been through lately. More specifically, we asked chief audit executives (CAEs) and their colleagues: “What is internal audit’s role in business resilience?” To summarize their responses: It’s pivotal.

This is not conjecture or hubris; it’s a fact. The stories we present herein illustrate just how critical internal audit functions are in helping their organizations not only maintain resilience, but also increase it and find ways to grow it in the future. Consider, for example:

- **Booking Holdings:** Its core brands, such as OpenTable and Priceline.com, were severely affected by the pandemic’s devastating impact on the travel and tourism industry. Its internal audit team helped management stabilize the business, which included resizing “for the new reality.” Now, the internal auditors are focusing attention on monitoring risks with the highest potential to disrupt the company in the future, like growing competition, the digital services tax, and increasing regulation and consumer protection laws.

<sup>1</sup> *The Next-Generation Internal Audit Journey Needs to Begin Now*, Protiviti, 2021: [www.protiviti.com/US-en/insights/survey-next-gen-internal-audit-journey-needs-begin-now](http://www.protiviti.com/US-en/insights/survey-next-gen-internal-audit-journey-needs-begin-now).



- **GlobalFoundries®:** The internal audit team for this leading semiconductor manufacturer recently embarked on an engagement — the third in a broader resilience program — that focused on business continuity management and operational resilience for manufacturing. The team identified specific areas for improvement, including the need to develop guidance for manufacturing sites to implement recovery strategies, testing, training and crisis communication more effectively. It is also monitoring supply chain continuity for critical raw materials.
- **Knowles Corporation:** The pandemic drove internal auditors supporting this audio technology company to adjust their general approach to auditing to focus more on emerging risks. For example, they’re now closely monitoring supply chain risks and assessing whether customers’ pandemic-driven liquidity challenges could negatively impact the business. They’re also focused on helping Knowles increase cyber resilience by following a road map they developed before the pandemic to improve the company’s cybersecurity and data security.

The profiles of these and other companies featured in this publication showcase the significant role internal audit has in driving business resilience. These stories also help to highlight how businesses define and perceive “resilience” differently, and that resilience can take many forms — including strategic, cyber and operational resilience.

However, based on what we learned in our interviews, it’s clear that internal audit leaders hold a similar view on the meaning of resilience: being agile and flexible to adapt to rapid change, pivoting swiftly and decisively in response to unexpected disruptions, and being open to evolving thinking and processes to help the business achieve its mission and vision, and endure and thrive.

## Protiviti

June 2021

## Acknowledgements

We would like to thank the companies and internal audit leaders who shared their insights and experiences with us for Volume XVII of *Internal Auditing Around the World®*. We appreciate their candor about the challenges they’ve faced during this period of extreme disruption. Protiviti also values our longtime partnership with The Institute of Internal Auditors (The IIA) and supports its commitment to advancing the internal audit profession and helping internal auditors prepare for the future. We thank The IIA for its continued interest in this annual publication.



# BOOKING HOLDINGS

Navigating a Global Crisis With a Resilience Mindset



*We want to bring in guest auditors from other parts of the organization ... By allowing people to look at other parts of our business – other brands or other functional areas through that risk lens – as we do in internal audit, we hope to contribute to the overall awareness and maturity in how we identify, manage and deal with risks in the company.*

**Marco Rozenberg**

Senior Vice President and Chief Audit Officer



As “the world leader in online travel and related services,” Booking Holdings serves travel consumers in more than 220 countries and territories throughout Europe, North America, South America, the Asia-Pacific region, the Middle East and Africa.<sup>1</sup> The firm’s six market-leading brands include Agoda, Booking.com, Kayak, OpenTable, Priceline.com and Rentalcars.com.

The company’s journey began in 1997 when Jay Walker founded Priceline in the United States. The company gained notoriety for its famous “Name Your Own Price” service, which powered an initial run of rapid growth culminating in 1999 with the firm’s initial public offering. Priceline achieved a first-day market valuation of \$12.9 billion, a record at the time.

*Rozenberg’s Global Internal Audit function is centered around three pillars: operational audit, Sarbanes-Oxley compliance and enterprise risk management.*

Priceline continued to grow primarily through acquisition, purchasing Rentalcars.com in 2003, European hotel reservation site Booking.com in 2005 and Asia’s Agoda in 2007. Key acquisitions of Kayak and OpenTable followed, and by 2014, Priceline had changed its name to Priceline Group. The firm was named a World’s Most Innovative Company by *Fast Company* in 2016.

In 2018, Priceline Group rebranded as Booking Holdings and showed up on numerous “best of” lists, including *Forbes’* World’s Best Employers and Best Employers for Women

lists. Rapid growth continued, driven primarily by Booking.com’s strong performance in the European hotel booking landscape.

“We are working toward enabling the ‘connected trip,’” says Marco Rozenberg, senior vice president and chief audit officer at Booking Holdings. “Our ultimate vision is for a consumer to be able to log in to one app on their phone and book everything from the airport transfer and a rental car to a hotel room, attractions and food plans.”

This decades-long record of consistent and rapid growth hit a sudden wall in early 2020. Within days, Booking Holdings closed the majority of its global offices and shifted to an almost entirely remote working environment to mitigate coronavirus-related health and safety risks.<sup>2</sup>

## A Foundation in IT Auditing

A native of the Netherlands, Rozenberg joined Booking Holdings in October 2016 after a nearly decade-long stint in global audit at the Heineken Company. His experience as an IT auditor provided an ideal fit for the auditing needs of the online travel booking company.

Rozenberg’s Global Internal Audit (GIA) function is centered around three pillars: operational audit, Sarbanes-Oxley (SOX) compliance and enterprise risk management (ERM). The function has evolved substantially since it was first established in 2008, in what he refers to as “GIA 1.0.” At that time, the organization was focused primarily on SOX compliance, and Rozenberg’s team consisted of 14 individuals.

In 2016, Rozenberg was tasked with the department’s transition into what he calls a “full-fledged internal audit” function, kicking off “GIA 2.0.” By the end of 2020,

<sup>1</sup> Factsheet, Booking Holdings: [www.bookingholdings.com/about/factsheet/](http://www.bookingholdings.com/about/factsheet/).

<sup>2</sup> History, Booking Holdings: [www.bookingholdings.com/about/history/](http://www.bookingholdings.com/about/history/).



headcount had grown to 27 people, and GIA is now readying its next phase of development, which Rozenberg calls “GIA 3.0.” This phase is designed to provide additional maturity to address the needs of a global firm with increased, more diverse auditing and risk management needs.

The audit function recently passed its Institute of Internal Auditors (IIA) assessment for the first time. With a targeted headcount of 34 auditors, this next iteration is designed to handle Booking Holdings’ more heavily regulated activities, including those related to payments, data privacy and insurance. Rozenberg is also eyeing the use of advanced data analytics to introduce greater efficiencies into audit.

“Data analytics is still something we need to build out further,” Rozenberg says. “We are also realizing our vision of having the first and second line own and operate their SOX compliance more actively. This is a more mature approach than having internal audit pick up all of the testing.”

### Achieving Resilience in Key Risk Areas

Rozenberg defines business resilience as an organization’s ability “to deal with difficult, disruptive developments that impact your organization, like new technologies, new competition or a pandemic.” Booking Holdings addresses business resilience in two parts: prevention and recovery.

“On the preventive side, we look at how we organize cybersecurity and how we ensure the privacy of all the data we have,” Rozenberg says. “Then there’s the reactive, crisis management side. Internal audit recently participated in a tabletop exercise with senior management where we simulated a malware and ransomware attack just to learn and answer questions like, ‘How do we proceed if this happens to us today? What do we do?

Who do we call? How do we prepare? How do we respond to something like that?’”

With a global business built almost entirely online, Booking Holdings is focused primarily on three key overlapping risks: cybersecurity, data privacy and continuity (which includes the stability of the brands’ core IT infrastructure).

“One consideration is risk velocity — how quickly can the risk impact our business,” Rozenberg says. “In terms of cybersecurity, if we have an incident on our website and our apps are down and no one can do business with us, well, then we take a very significant hit to our revenue and also to the trust our partners and consumers have in us.”

*Rozenberg defines business resilience as an organization’s ability “to deal with difficult, disruptive developments that impact your organization, like new technologies, new competition or a pandemic.”*

“Privacy is another critical area,” he adds. “Not only because of the threat of big fines under the General Data Protection Regulation and the California Consumer Privacy Act of 2018, but also because of the reputational element. If the incident is big enough, people will remember that, and they have plenty of other options for booking their travel.”

Rozenberg views the third critical risk area, IT infrastructure, as synonymous with business continuity.

“Pre-COVID-19, we would process around 800,000 to 1 million transactions per day. These are big numbers. The moment the website or app is down for 10 minutes, it has a big impact that directly hits our bottom line.”



## COVID-19 Crisis Presents New Challenges

The travel and tourism industry has been uniquely decimated by the worldwide pandemic crisis. When COVID-19 hit Europe and the Americas in March 2020, it had an immediate and lingering impact on Booking Holdings' core businesses. Travel bookings in 2020 were down 63% for the year, and earnings before interest and taxes were down 85% compared with 2019.<sup>3</sup>

Management acted quickly to stem the bleeding, and business resilience took the form of a three-step process. First up was ensuring that the business had sufficient cash to survive for an uncertain period of time with just a fraction of its historic revenue streams. To address this short-term liquidity concern and help ensure the long-term sustainability of the company, Booking Holdings obtained almost \$4 billion in additional financing.

*Rozenberg's GIA team participates in a range of enterprisewide initiatives and regularly plays an integral role in business resilience.*

Step two was a resizing of the business for the new reality. "Our projection at that point in time was that it would take probably until 2023 or 2024 to get back to 2019 levels," Rozenberg says. "Our CEO and CFO recognized we could not continue to run this business with the headcount we had pre-COVID. We had to look at the volume-driven parts of the organization and resize it to fit the size of our business in the coming years."

The third step in Booking Holdings' recovery was to prepare for the inevitable resurgence

in travel demand. "Even in the last few days, you can read about very positive trends in the U.S., especially," Rozenberg says. "All of a sudden, that pent-up demand is beginning to come back."

## Embedding Resilience Into the Enterprise

Rozenberg's GIA team participates in a range of enterprisewide initiatives and regularly plays an integral role in business resilience. This helps ensure that the function offers real, tangible value to the organization even during the most challenging times.

For example, GIA plans and executes an annual ERM exercise that is designed to set the risk management focus for the year. It begins with an initial selection of those risks deemed most relevant to the organization. Next, Rozenberg's team surveys 60 top leaders across all the business units, asking them to identify their top three risks. The team then maps those risks back to the original list and adds in any that were missed.

Then, the 60 leaders are asked to rate the top 15 risks based on likelihood of impact and whether the organization is doing enough to mitigate those risks. Finally, around half of the leadership team is interviewed to gather a deeper-dive, qualitative view of the most pertinent and urgent risks facing the organization.

Interestingly, liquidity didn't make it to the annual risk assessment until 2020. "We generated a free cash flow of around \$4 billion before the crisis, so liquidity was never top of mind," Rozenberg says. "When we run our enterprise risk assessments, we always do an annual update in August or September, where we select around 15 top risks for the company. Liquidity was never on the list, but now we have added it."

<sup>3</sup> Factsheet, Booking Holdings.



Beyond the ERM assessment, GIA places a high degree of emphasis on auditing business continuity within the organization's core IT infrastructure, which includes massive data centers and cloud platforms. The goal is to ensure that all systems are redundant and fully resilient, with no opportunity for a single point of failure.

Internal audit also serves in the conventional role of preparing and administering the company's audit plan. Booking Holdings commits to covering the three core risks — cybersecurity, IT continuity and privacy — in every brand, every year. Other topics are added to the plan as one-off themes for that year. GIA also aims to review large-scale and impactful change programs well before going live to identify any potential red flags early before they could have a disrupting effect on the organization.

*Rozenberg had begun to see a shift in the larger organization toward an increasing focus on business resilience and enterprise risks, even prior to the pandemic.*

While Rozenberg is confident in the current state of affairs, he has ambitious plans for future business resilience initiatives. These include inviting personnel from the businesses to participate in long-term rotations in internal audit.

“We want to bring in guest auditors from other parts of the organization to spend six months or a year with us, or maybe even longer,” Rozenberg says. “In the long term, this will help the company think about risks, our risk response and topics like risk appetite, which are kind of difficult concepts if you've

never dealt with them before. By allowing people to look at other parts of our business — other brands or other functional areas through that risk lens — as we do in internal audit, we hope to contribute to the overall awareness and maturity in how we identify, manage and deal with risks in the company.”

Rozenberg also looks forward to enriching the use of data analytics. “Everything we do in the company is captured in data, which provides us with a great opportunity. We have a full-time manager to lead our analytics efforts and are adding an internal data scientist to the team as well,” he says.

### A Maturing Mindset for Risk

Rozenberg had begun to see a shift in the larger organization toward an increasing focus on business resilience and enterprise risks, even prior to the pandemic. “Over the last four or five years, I've seen a maturation in mindset at the company,” Rozenberg says. “People are more at ease thinking about risk, what can go wrong and how we would respond to various scenarios.”

Internal audit reports regularly to the audit committee and the board on a variety of risk-based topics. Cybersecurity and privacy are among the topics almost always included in the quarterly reporting to the audit committee. The board receives an update on cybersecurity twice each year, which is a joint effort between the chief information security officer and internal audit.

Rozenberg has started taking a wide-ranging approach to developing talent and ensuring that broad skills are available across the internal audit function. This includes recruiting staff outside of the traditional audit background and bringing in talent with specialized skills in areas like cybersecurity and privacy. Booking Holdings also utilizes



co-sourcing partnerships with external vendors for cyber risk assessments and other critical needs. As the function matures, Rozenberg sees greater opportunity to build bench strength in such nontraditional auditing skills.

“Now that we have established our methodology and way of working, and The IIA has assessed us and given us the green light, we feel confident that we can bring in more people with diverse backgrounds and deep knowledge of topics like IT continuity, privacy, cyber and crisis management,” he says. “For me, that’s really key to growing our function into ‘internal audit 3.0.’”

Looking over the horizon, Rozenberg is focused on those risk areas with the highest potential to disrupt Booking Holdings’ business. These include challenges like growing competition, the digital services tax, and increasing regulation and consumer protection laws. Yet, as the past year has demonstrated, emerging risks like a worldwide pandemic can arise seemingly out of nowhere.

*Looking over the horizon, Rozenberg is focused on those risk areas with the highest potential to disrupt Booking Holdings’ business.*

“We are lucky to be able to grow our team even in times of crises to expand our scope and include those topics that can disrupt our business,” Rozenberg says. “Going forward, some of our SOX compliance efforts will be picked up by the second line of defense, and we plan to transfer the freed up capacity to operational audit instead. We also want to develop coordination across the lines of defense with the crisis management team and the IT continuity team. I think, with cyber, we are in a good spot already. We can’t really push that any further, but in other areas, we probably have a couple of steps to take still to make sure that we’re all working seamlessly together on these topics.”



# CENTENE CORPORATION

Resilience Stems From the Resolve to Help Others



*Our team members are recruited regularly for other roles in the business – and we support that. Internal auditors bring a risk lens to other functions, and I believe their perspective contributes to the company’s long-term resilience.*

**Matt Snyder**

Senior Vice President, Internal Audit, Compliance and Risk Management



Elizabeth “Betty” Brinn, a former hospital bookkeeper, saw too many people in her home city of Milwaukee, Wisconsin, struggling to access affordable healthcare. So, she took on the daunting challenge of finding a solution. In 1984, Brinn founded a nonprofit Medicaid plan, Family Hospital Physician Associates, and began operating the health plan in the basement of Milwaukee’s Family Hospital.

Brinn, who grew up in an orphanage, understood the positive impact people can make when they support the health and well-being of others in need. The new health plan allowed her to provide employment opportunities to women returning to the workplace. That commitment to women in the workforce helped form the foundation for the diversity and inclusion (D&I) practices of the company that Brinn’s health plan later evolved into: Centene Corporation. As proof, consider that more than 75% of Centene’s workforce today are women — and 64% of supervisor roles are held by women.<sup>1</sup>

Family Hospital Physician Associates was renamed Centene in 1997, not long after healthcare executive Michael Neidorff became the company’s president and CEO. Centene established its corporate office in St. Louis, Missouri, that same year, and began a new chapter of growth through acquisitions and expansion that would transform the company into a leading multinational healthcare enterprise. By 2001, Centene had gone public. By 2013, the company’s revenues had grown to \$10 billion. And as of 2021, Centene is operating in 50 U.S. states and three international markets and has more than 25 million managed care members.

Operating government-sponsored healthcare programs remains a core focus for Centene,

which also provides commercial programs. In the United States, Centene offers affordable and high-quality products to nearly one in 15 individuals across the nation. It’s the largest Medicaid managed care organization, the largest carrier in the health insurance marketplace, and a leader in managed long-term services and support. Centene is also one of the largest providers of managed care services for U.S. military families and veterans, and it provides programs to individuals in correctional facilities as well.

*Centene’s belief that “every individual deserves access to high-quality healthcare with dignity” reflects Brinn’s original vision.*

### **A Goal to Develop the Leadership Readiness of Internal Auditors**

It’s safe to say that nearly four decades after founding Family Hospital Physician Associates, Betty Brinn’s aim to help uninsured, underinsured and low-income individuals access affordable healthcare has been realized. Centene’s belief that “every individual deserves access to high-quality healthcare with dignity” reflects Brinn’s original vision. So does the local approach the company maintains today: Centene is “focused on transforming the health of the community, one person at a time.” And many of its more than 71,000 employees work in its local health plan organizations across the United States.

While Centene’s purpose is straightforward, the company is complex. And a public entity operating in the healthcare space with

<sup>1</sup> “Who We Are: Valuing Diversity, Embracing Inclusion,” Centene website, accessed April 2021: [www.centene.com/who-we-are/diversity-and-inclusion.html](http://www.centene.com/who-we-are/diversity-and-inclusion.html).



diverse U.S. and international operations has many regulatory compliance pressures and risks to navigate. Not surprisingly, Centene has a robust internal audit function.

Matt Snyder, senior vice president, internal audit, compliance and risk management, has multiple direct reports with each of their teams supporting a diverse product and market matrix in addition to a dotted-line relationship to more than 35 risk and compliance teams across Centene and its subsidiaries. His compliance and risk management organization includes investigations, privacy, security risk management, enterprise risk management (ERM), international and vendor oversight, as well as a claims audit team that's focused on independently auditing the accuracy of the company's claims payments.

*The company has devoted a lot of attention over the years to ensuring that its larger offices in states prone to natural disasters have support if they face disruption.*

Julie Sniegowski, vice president of internal audit, oversees a team who plans to execute over 70,000 audit hours in 2021, with some assistance from co-sourcing partners to meet staffing needs on specific engagements. She reports to Snyder, who reports to the audit committee of Centene's board of directors.

Sniegowski describes some of the general goals for internal audit at Centene: "We provide independent objective assurance and consulting for management, and we're constantly working to help Centene improve its operations and the effectiveness of its

governance risk management and controls. We also support management's conclusion on the effectiveness of internal controls over financial reporting."

As for short-term goals, Sniegowski says that every year internal audit "executes a risk-based audit plan and drives closure of the higher-risk findings." Continuously improving the function's processes through digital initiatives is another ongoing objective — as is finding more ways to add value to the company. She says "developing future leaders" for the internal audit team and for other various teams throughout Centene is a strategic goal for the organization. That includes providing team members the opportunity to rotate into other departments or step up to roles with more responsibility and management duties.

### **A Long-Standing Focus on Business Continuity Provides Pivot Power**

Business continuity management (BCM), which helps increase business resilience, has long been a priority for Centene, according to Snyder. He says the company has devoted a lot of attention over the years to ensuring that its larger offices in states prone to natural disasters have support if they face disruption. "When a hurricane rolls through or a wildfire breaks out, we know how to react," Snyder says. "We have the tools for communication in place, and we can transition people quickly to remote work environments. We've had to do this many times, unfortunately."

And now, with the COVID-19 pandemic, Centene can report that it knows how to transition the majority of its workforce to remote work arrangements on short notice. Snyder says that while there were logistical things for Centene to work through in the



early days of the pandemic — such as “buying thousands of laptops” — the company had considered pandemic disruption in its own risk and solvency assessment (ORSA)<sup>2</sup> and successfully coordinated cross-functionally to keep its processes running.

“COVID-19 is an event where all the different components of resilience and readiness need to come together. I don’t want to overstate our readiness, but a pandemic was certainly on our list of risks. We didn’t have a button to push that said ‘Go!’ — but we were able to pull things together quickly and take nearly 90% of our employees to work-from-home status,” says Snyder. “We were also able to maintain our call centers to serve our employees and members. Even so, it was quite a leap for us, given that we’re traditionally an in-person type of organization.”

“A pandemic is one of a million things that could impact a healthcare company,” says Sniegowski, who is the “BCM champion” in internal audit who attends Centene’s business continuity planning meetings.

“The company’s ability to adapt to any major disruption or change is business resilience. And internal audit plays an important role in making sure that the organization considers resilience from all angles.”

Sniegowski explains why she thinks internal audit is uniquely suited to help an organization fortify its business resilience: “Internal audit can see how departments impact each other, identify upstream and downstream controls in processes, and ensure the right interfaces for communication exist between teams. I feel like we add a lot of

value just by identifying potential risks and making recommendations.”

## Design Thinking Sessions Help Keep Improvement in Focus

Internal audit looks to keep business resilience top of mind for Centene’s leadership long after the pandemic subsides — although Sniegowski suggests this is poised to happen naturally anyway. “Our internal audit plans and strategies follow our company’s strategic priorities, and business resilience is already a part of so many of those priorities,” she says.

*Internal audit looks to keep business resilience top of mind for Centene’s leadership long after the pandemic subsides — although Sniegowski suggests this is poised to happen naturally anyway.*

Snyder and Sniegowski say they are also focused on ensuring that their team members actively think about how to promote business resilience not only throughout Centene but also within the internal audit function. “The pandemic and the shift to remote work really forced us to figure out how to work a different way — and to be agile and resilient in ways we hadn’t been before,” says Sniegowski. “We’ve held some design thinking sessions over the past year to identify our pain points and consider how we might automate or continuously improve our processes.”

<sup>2</sup> An ORSA, as the National Association of Insurance Commissioners (NAIC) defines it, is an internal process undertaken by an insurer or insurance group to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios. An ORSA will require insurers to analyze all reasonably foreseeable and relevant material risks that could have an impact on an insurer’s ability to meet its policyholder obligations. It is a continuously evolving process and should be a component of an insurer’s ERM framework, according to NAIC. For more information, see the NAIC website: [https://content.naic.org/cipr\\_topics/topic\\_own\\_risk\\_and\\_solvency\\_assessment\\_orisa.htm](https://content.naic.org/cipr_topics/topic_own_risk_and_solvency_assessment_orisa.htm).



Snyder says internal audit leadership also helps the whole team stay agile by making the auditors aware of emerging risks and potential changes for Centene. “Our internal audit directors or managers participate in quarterly ERM meetings with executives from the company’s different departments,” Snyder explains. “In those discussions, they’ll learn about risks or other key issues. Then, internal audit applies that knowledge in our assessments to make sure we’re looking out for those things.”

### **Contributing to Long-Term Resilience by Applying a Risk Lens**

Centene is building an East Coast headquarters in Charlotte, North Carolina, that can house up to 6,000 workers. When the first phase is completed in the fall of 2021, Snyder says Centene will be prioritizing the health and safety of its workers through many efforts, including the building’s design. “There are escalators to reduce the need for elevators, for example, and more space between floors. How people traffic should flow throughout the building has also been considered,” he explains.

Snyder says he’s closely tracking Centene’s return-to-office planning in general. “It’s an area of risk our team will need to assess and provide feedback on,” he adds.

Meanwhile, internal audit is helping Centene monitor how employees are coping with remote work and assess their needs. “Our

HR department has led some surveys on employee engagement and our response to the pandemic to better understand how employees are feeling,” says Sniegowski. “For example, do they think they’re getting the right kind of communication from the company, and in the right amount?”

*Snyder says internal audit leadership also helps the whole team stay agile by making the auditors aware of emerging risks and potential changes for Centene.*

Sniegowski says internal audit added a work-from-home assessment to its audit plan in 2020 because of the pandemic. And in 2021, the team is looking at how it might cover other emerging or changing risks for Centene — such as telehealth or environmental, social and governance (ESG) reporting.

Snyder sees another way that internal audit can help Centene stay on top of risks and keep building business resilience: by continuing its practice of tapping talent from the function to staff positions elsewhere in the organization. “Our team members are recruited regularly for other roles in the business — and we support that,” says Snyder. “Internal auditors bring a risk lens to other functions, and I believe their perspective contributes to the company’s long-term resilience.”



# DBS BANK

Using Data to Highlight Risks, Increase Resilience  
and Usher in the Future of Audit



*Things change all the time: systems, products, customers, regulations. Agile auditing practices push auditors to explore beyond what they already know and their personal biases. This whole idea of maintaining a flexible mindset has become a ritual for our team – and it strengthens our resilience.*

**Derrick Goh**

Managing Director, Head of Group Audit



There are many banks on the planet, but few can claim they've been named the best bank in the world. DBS Bank Ltd. is one of them. The Singapore-based financial institution has earned that title three years in a row, in fact — twice from *Global Finance* magazine in 2018 and 2020, and once from *Euromoney* magazine in 2019. The latter accolade marked the first time that *Euromoney*, in the 27-year history of its awards program, gave the top prize to a bank from outside the United States or Western Europe.<sup>1</sup>

As for the 2020 award, *Global Finance* attributed its decision to bestow upon DBS the top honor of “World’s Best Bank” partly because of the bank’s readiness to respond to “the sharp rise in demand for digital banking services during the [COVID-19] pandemic.”<sup>2</sup> The magazine’s write-up about the award also noted how, over the past decade, DBS has “invested heavily in all things digital and created an inclusive and efficient banking culture,” and acknowledged that “those investments are paying off at a time of economic uncertainty and increased credit risks, strengthening the bank’s resilience and helping it step up at a time of heightened customer need.”<sup>3</sup>

Joyce Kar Hong Heng, regional chief operating officer (COO) for Group Internal Audit at DBS, credits the “visionary leadership” of the bank’s CEO Piyush Gupta as a key reason DBS has been earning so much attention on the global stage. “We’re always at the forefront of leveraging digital technology, and we’ve been on a massive transformation journey led by our bank’s leadership,” she says. “I remember when we started this process

several years ago, and we needed to change our mindset to one of agility. Our CEO told us to think of DBS as a startup with a workforce of more than 25,000.”

Agility at DBS, says Heng, is “about looking at the disruption in the world and figuring out how to stay ahead of it to keep our customers happy.” She adds, “We don’t just compete for the sake of competition, though. We always think about how we, as a bank, can outdo ourselves.”

### **An Ongoing Journey to Refine Agile Practices**

Group Internal Audit at DBS has taken the companywide agility mandate to the next level by adopting agile methodology practices. Heng works closely with Derrick Goh, the bank’s managing director and head of Group Internal Audit, to help guide and refine those practices. Heng, who has been with DBS for 19 years, transitioned into the internal audit team about two and a half years ago.

“My role as Group Internal Audit COO is to partner [with Derrick] to help cultivate cutting-edge techniques, tools and solutions in the function,” says Heng. “Internal audit was already starting a journey toward agile practices when Derrick joined as the head of Group Internal Audit in 2018. But we both saw agile as a way to provide better assurance to the board of directors and senior management, and to work more collaboratively across the bank.”

“I believe our internal audit organization was one of the first in the world to formally adopt agile auditing practices,” says Goh.

<sup>1</sup> “Euromoney names the world’s best banks in its 2019 Awards for Excellence,” July 10, 2019: [www.euromoney.com/article/b1g6954mhl7sl/euromoney-names-the-worlds-best-banks-in-its-2019-awards-for-excellence](http://www.euromoney.com/article/b1g6954mhl7sl/euromoney-names-the-worlds-best-banks-in-its-2019-awards-for-excellence).

<sup>2</sup> “World’s Best Banks 2020: DBS Honored as World’s Best Bank,” by Gordon Platt, *Global Finance*, October 6, 2020: [www.gfmag.com/magazine/october-2020/best-banks-global-winners](http://www.gfmag.com/magazine/october-2020/best-banks-global-winners).

<sup>3</sup> Ibid.



He explains that agile practices help the internal auditors at DBS to be more flexible in their thinking: “Things change all the time: systems, products, customers, regulations. Agile auditing practices push auditors to explore beyond what they already know and their personal biases. This whole idea of maintaining a flexible mindset has become a ritual for our team — and it strengthens our resilience.”

Goh adds, with a laugh, “It kind of sounds like a religion, doesn’t it?”

### **Auditing at the Speed of Risk — Powered by Data**

As part of the shift to agile practices, Heng says the Group Internal Audit team at DBS has widened its embrace of data analytics and other technology to help team members automate routine processes, work faster and more efficiently, and stay on top of emerging risks. And she emphasizes that the team has made this transition with a careful eye toward ensuring that digitized work is accurate, of high quality, performed in a standard way across the function, and conducted with appropriate security and governance.

All the work Group Internal Audit did to digitize prior to the COVID-19 pandemic has helped the team be more resilient during the crisis, according to Heng. Although, at the start of the crisis, there was some concern about whether the team could conduct its highly collaborative “sprints” — the short, repeatable phases of agile projects — in a virtual environment. But Heng says they soon realized they could pivot without a hitch. “It was really seamless,” she recalls. “We were totally equipped to make this transition. There wasn’t even any downtime. We were plugged in and ready to go.”

Heng and Goh say that the team’s pre-pandemic work to automate the request

for information (RFI) process has also proved to be very beneficial in the virtual work environment. “As part of our digital transformation journey over the last five years, we’ve automated this information-heavy part of the auditing process,” says Heng. “The whole bank’s repository of information now goes into our data warehouse. So, when the pandemic kicked in, there wasn’t even a worry about seeing stakeholders because the data we needed for auditing was already at our fingertips.”

“Our technology tools — and our massive use of data — help increase resilience for DBS,” says Goh. “Traditional auditing is about taking samples. You pick samples and hope you can make conclusions about a population based on those samples. Well, that can be a very hit-or-miss exercise. But with digitized data, we can run scripts and automation to check the data 100%. We can also drive continuous improvement in our technologies and systems and make our algorithms more powerful over time.”

*All the work Group Internal Audit did to digitize prior to the COVID-19 pandemic has helped the team be more resilient during the crisis, according to Heng.*

Group Internal Audit is now moving full speed ahead on a new digital initiative: implementing a data-driven operating model (DDOM). Goh explains, “My team has fully embarked on this effort. DDOM is an approach to further our use of data, and our algorithms and machine learning tools, as part of our everyday auditing. For example, we produce audit reports and schedule audits a year in advance. Well, how can we use data to discover risks and highlight them before



we even conduct an audit, so they can be fixed ahead of time? In other words, how can we use data to highlight and fix risks proactively, and make this process a central aspect of auditing, rather than focus on producing reports and auditing after the fact?”

“When fully implemented at scale, the DDOM approach will make audits more flexible and responsive to emerging risks because of all the real-time or almost real-time context we’ll have on transactions, changes in the marketplace, regulations and more,” says Goh. “That would be the ideal state of audit, right? I’ve not seen any internal audit function, in any part of the world, do this yet. But this is how we *should* work. It’s where I see the future of audit.”

*DBS is also working to further fortify its business resilience through an array of sustainability efforts.*

### Hunting Together to Find and Thwart the “Common Enemy” of Risk

Goh, who reports to the audit committee of DBS’ board of directors, currently oversees a team of over 200 employees. Half of the auditors are based in Singapore, with the rest located across DBS’ key markets of Hong Kong, China, India, Indonesia and Taiwan. Goh says he expects that more talent will join his organization because of DBS’ recent bank acquisitions as well as business expansion into new areas.

In April 2021, for example, DBS, which operates in 18 markets, acquired a 13% stake in Shenzhen Rural Commercial Bank for US\$814 million. That deal is part of DBS’

strategy to widen its presence in the rapidly growing Guangdong–Hong Kong–Macau Greater Bay Area. Also, in November 2020, DBS purchased the Lakshmi Vilas Bank, a nearly century-old, Chennai-based private sector bank. That move substantially increased DBS’ footprint in India to more than 550 branches and over 900 ATMs.

DBS is also working to further fortify its business resilience through an array of sustainability efforts,<sup>4</sup> which include:

- **Responsible banking**, including an emphasis on fair dealing, preventing financial crime and promoting financial inclusion by delivering financial services to traditionally underserved consumer segments.
- **Responsible business practices**, including a commitment to pay its fair share of taxes across the countries in which it operates, developing an inclusive work environment (one in four leaders at DBS is a woman), and influencing its supply chain to adopt more sustainable practices.
- **Creating social impact**, by helping to support regional communities that have been hit hard by the COVID-19 pandemic, championing social entrepreneurship in Asia, and reducing waste.

“I think DBS has demonstrated significant business resilience through the ability of the bank and operating units like Group Internal Audit to continue to serve our customers and grow despite the challenges of the pandemic,” says Goh. “The pandemic will pass, but then, there will be other challenges for us to face — like competition from fintech companies, the changing demographics and needs of our customers, and evolving regulations. This is why resilience is such an important topic right now.”

<sup>4</sup> “Stronger Together: Sustainability,” DBS website, accessed May 2021: [www.dbs.com/sustainability/default.page](http://www.dbs.com/sustainability/default.page).



And, according to Goh, building resilience is a team effort at DBS not only because everyone is united in the mission to be agile but also because it's a necessity. He explains, "It's impossible for any one person, unit, group or department to cover every angle of risk. I think the old adage of 'More heads are better than one' applies here — especially in a critical time like this."

Goh continues, "Internal audit alone can't help the business build resilience. Our stakeholders play their part in our agile approaches and discussions. We are thankful to the bank's leadership for allowing us to work like this — and for the openness of the corporate culture to acknowledge that there are risks and that we must all hunt for them together."

*According to Goh, building resilience is a team effort at DBS not only because everyone is united in the mission to be agile but also because it's a necessity.*



# FIS

Leveraging the Power of Emerging Technology  
for Greater Assurance



*Business resilience is always going to be a focus for internal audit. ... The opportunity for us as an audit team is in covering more of these audits through technology. That's where we will add more value in the future on business resiliency – by continually challenging the organization and providing more feedback on areas where we see an opportunity to improve.*

**John Eagle**

Chief Audit Executive



For more than half a century, Fidelity National Information Services, Inc. (FIS) has maintained a reputation for leadership, consistent growth and innovation in the rapidly changing financial technology sector.

Walter V. Smiley, a graduate of the University of Arkansas and native of Hope, Arkansas (also the birthplace of former President Bill Clinton and former Arkansas Governor Mike Huckabee, among other notables), founded Systematics, Inc. in 1968. This provider of banking software was one of Arkansas' first homegrown technology companies, consistently listed as one of America's top 200 small companies by *Forbes* magazine.<sup>1</sup>

In 1990, ALLTEL Information Services acquired Systematics and, in 2003, spun the unit off to title insurance behemoth Fidelity National Financial®. In 2006, Fidelity National Financial, in turn, spun off its information technology subsidiary into a public company named Fidelity National Information Services (FIS).<sup>2</sup>

FIS grew rapidly through a combination of organic growth and acquisitions, including buying Kordoba and BankWare in 2004, Certegy® in 2006, eFunds® in 2007 and Metavante® in 2009. In 2015, FIS acquired SunGard, opening the door to new financial technology (fintech) markets in capital markets, asset management, trading, and custodial and clearing services.<sup>3</sup>

In one of the largest deals in fintech history, in 2019, FIS acquired global payments giant Worldpay, expanding the organization's presence in the payments and merchant

services ecosystem, while significantly increasing Worldpay's distribution footprint.<sup>4</sup>

Today, FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally, offering more than 450 solutions and processing over \$2 trillion in annual transaction volume worldwide. The company is headquartered in Jacksonville, Florida, and employs more than 55,000 people in more than 100 countries. FIS is a Fortune 500® company and a member of the S&P 500.<sup>5</sup>

### A Homegrown Career

John Eagle has witnessed much of this growth firsthand, having started his career at FIS in 1995. He has held various accounting and finance positions with the company, gradually moving up the ranks into senior auditor and audit management roles before accepting his current role as chief audit executive in 2017. As the organization has evolved and grown, so too has internal audit, from a small team of auditors to a large independent oversight function that works closely with the business.

Eagle has established several goals for his team, including continuing internal audit's traditional assurance role through an annual risk-based audit plan, which Eagle calls "very formal and structured."

Longer term, Eagle is looking to expand the use of technology like data analytics and robotic process automation (RPA). FIS has already started down the path of using robotics for audit activities.

<sup>1</sup> "Walter V. Smiley," Arkansas Business Hall of Fame, University of Arkansas website, accessed May 2021: <https://walton.uark.edu/abhf/walter-v-smiley.php#:~:text=In%201968%2C%20Walter%20V.,for%20the%20banking%20industry%20worldwide>.

<sup>2</sup> About Us, FIS website, accessed May 2021: [www.fisglobal.com/en/about-us/company-history](http://www.fisglobal.com/en/about-us/company-history).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.



## Critical Role Shines a Light on Business Resilience

With the acceleration of emerging risks, business resilience continues to be a high priority for Eagle and his team of auditors, especially considering the special role and criticality of FIS within the larger financial services ecosystem.

Eagle defines business resilience at FIS as “the ability to provide our clients the services and technology they need with minimal impact to their organization” in the event of a business disruption. To this end, business continuity is nearly synonymous with business resilience at FIS. The organization maintains numerous business continuity plans and performs a large number of disaster recovery exercises each year.

“We’ve had a strong focus on business resiliency for years,” Eagle says, “but over the last 10 years, the focus has intensified. As a technology provider to financial institutions and merchants, the availability of our systems is critical to the financial world, the clients that do business with us and, ultimately, the end consumers. We live in a digital age now where clients have high expectations of systems being available basically around the clock. We run the technology that many financial institutions and merchants rely on.”

FIS follows the three lines of defense model of risk management, with internal audit providing independent assurance in the third-line role.

“Our role is important because we evaluate the control environment for business resiliency at the first line of defense — the business process owners — and we also audit the company’s global business resilience team, which is part of the second line of defense,” Eagle says.

FIS’s global business resilience team is responsible for preparing the corporate-wide risk assessment with a focus on business continuity, serving essentially as the organization’s business continuity oversight team. “It is a formal team dedicated to overseeing and driving the policies around business resiliency that reports to our chief risk officer in the second line of defense,” Eagle says.

The global business resilience team plans for and manages all life safety and business crises and coordinates all the business continuity plans and business impact analyses for each business unit and process owner.

Internal audit, to provide third-line oversight, has a group that’s charged with auditing business continuity planning throughout the organization. “They meet with the second line of defense on a regular basis during the risk assessment process to understand any changes to their program,” Eagle says. “We consider that in our audit risk assessment process every year.”

*Eagle defines business resilience at FIS as “the ability to provide our clients the services and technology they need with minimal impact to their organization” in the event of a business disruption.*

## COVID-19 Crisis Tests Business Resilience

When the pandemic crisis hit in early 2020, FIS was well-prepared.

“We went from largely working from offices and on-site to going 95% remote virtually overnight,” Eagle says. “The rapid transition to a remote workforce had very little impact on our organization and our clients because of all the years we spent focusing on business



continuity, our technology and developing mature processes.”

Eagle has seen leadership’s interest in business resiliency increase since the beginning of the COVID-19 pandemic.

“The audit committee of our board of directors has asked me to provide quarterly updates to the organization on the impacts of COVID from my perspective,” Eagle says. “We’ve done many ad hoc audits this year around the subjects of COVID-19, work-from-home and the impacts to the organization.”

Current business resilience initiatives include using a formalized audit plan and coverage model for disaster recovery and business continuity. It includes a rotational plan where internal audit will participate as an observer in disaster recovery exercises in various business units each year, providing the function with deep visibility into the quality of the plans.

### Developing People on the Job

As FIS’s internal audit function has grown over the years, its recruitment and training programs have matured as well. Eagle takes time to identify and develop those who demonstrate a strong interest in and aptitude for business resilience, with an eye on fostering their careers.

“As people join our team, we’ll identify those who have a strong interest in business resilience and business continuity, and we’ll invest in their training and certifications within that area,” Eagle says. “Then we get them involved in the risk assessment process, so they become a subject matter expert in business resilience. We have a lot of team members who have been with us for years, and they have a lot of experience just due to the complexity of our organization.”

Every team member has a hand in creating their own personalized formal training plan, and those who have an interest in business resiliency work with their manager to develop how they’re going to advance their knowledge and understanding of the area. In addition, FIS has an internal training program called Regulatory University, which allows the internal auditors access to customized training modules on various topics, including business continuity and resilience.

*In terms of measuring the future success of internal audit at FIS, Eagle says he is committed to an ongoing focus on business resilience, and technology will continue to play a key role.*

### Continued Success Dependent on Emerging Technology

Considering the nature of FIS’s core business, internal audit has historically maintained a strong focus on technology, and Eagle is looking to continue to develop the function’s capabilities over time.

“One of our goals is to advance our data analytics program that we’ve had for several years,” Eagle says. “The use of advanced analytics and robotics technology will give us the ability to do complete audits of key areas within our large global organization versus sampling. We started using our first robots in the SOX area but expect to advance that into the other areas of our audit activities, like risk assessment.”

In terms of measuring the future success of internal audit at FIS, Eagle says he is committed to an ongoing focus on business resilience, and technology will continue to play a key role.



“Business resilience is always going to be a focus for internal audit,” Eagle says. “This is not something that you look at one time and then go back and look at years later. We do multiple audits every year on business resilience, and that won’t change. The opportunity for us as an audit team is

in covering more of these audits through technology. That’s where we will add more value in the future on business resiliency — by continually challenging the organization and providing more feedback on areas where we see an opportunity to improve.”



# GLOBALFOUNDRIES

A “Laser Focus” on Strengthening Business Resilience



*We have a culture of change. And while the COVID-19 pandemic is very significant, it's also just the latest, greatest challenge impacting our behaviors. More than anything, it has accelerated what we were already doing as a company.*

**Cary Haggard**

Chief Audit Executive



GlobalFoundries® (GF®) is one of the world's leading semiconductor manufacturers, and the only one with a manufacturing footprint that's truly global. It has five advanced manufacturing facilities — three in the northeastern United States, one in Dresden, Germany, and another in Singapore. And while the company has only been in business for just over a decade, GF has more than 10,000 patents and applications to its name and approximately 15,000 employees working across 14 countries.

GF didn't start from scratch when it was established in 2009, though. The chipmaker was once the manufacturing arm of a multinational semiconductor company, Advanced Micro Devices (AMD). In 2008, AMD decided to go “fabless” — choosing to outsource its semiconductor device fabrication process needs. It spun off its manufacturing operations in 2009 to form GF, with a joint partner known today as The Mubadala Investment Company.

Since then, GF has invested more than \$15 billion to support innovation and manufacturing capacity, and its revenue has grown from \$1 billion to over \$6 billion annually. Through its three strategic business units, which work closely together, GF focuses on producing a broad range of feature-rich chips for high-growth markets such as artificial intelligence (AI), the Internet of Things (IoT), 5G and wireless connectivity, automotive, and industrial.

GF is a global “sole source” manufacturer of these feature-rich chips, which means its strategic partners rely on the company's assurance of a steady and dependable supply of product to sustain their production. GF serves more than 70% of the global semiconductor manufacturing services market. Meanwhile, GF is investing \$1.4 billion in 2021 alone to expand its manufacturing capacities across the world to meet the insatiable demand for chips.

*Longer-term goals for internal audit include being able to sustain the function's leading practices while continuing to help ensure that GF maintains its strong governance for the future.*

## **Pandemic and Geopolitical Climate Help Bring Resilience Topic to the Fore**

GF's chief audit executive is Cary Haggard, who has been with the company since January 2019 and reports to the audit committee of the company's board of directors. Haggard is based in Texas and oversees a core staff of eight auditors working in GF's United States, Germany and Singapore offices. “We scale as needed through co-sourcing arrangements, sometimes expanding our team to 20,” he says.

The internal audit function's vision, according to Haggard, is “to enhance and protect organizational and shareholder value by providing risk-based, independent and objective assurance, advice and insight in positive support of the achievement of our business objectives.”

To realize that vision, the team is working toward a short-term goal to help GF position itself for the next phase of growth. Longer-term goals for internal audit include being able to sustain the function's leading practices while continuing to help ensure that GF maintains its strong governance for the future, Haggard says.

Governance, along with risk management, are part of business resilience planning — something that GF is even more focused on lately. “Strong business resilience has always been critical to our company. That's partly because we operate in an industry that is dependent on scarce materials for production and global supply chains,” says



Haggard. “But I would say that the COVID-19 pandemic, as well as the current geopolitical landscape, have brought even more of a laser focus on business resilience at GF.”

He adds that this focus isn’t just about ensuring that the company has access to the raw materials, electricity and water it needs for manufacturing; it’s also about people. “The people aspect of our operations has really been amplified,” he says. “We’ve been able to maintain our regular operations during the pandemic because our industry is considered critical. We have very automated fabs, but we’re still dependent on people being in our manufacturing sites. So, we’ve taken increased actions and strengthened our policies related to protecting the health and safety of thousands of workers at those sites.”

*Haggard says GF fortifies its business resilience through proactive risk management and mitigation, comprehensive threat awareness, and practical recovery planning backed by responsible risk financing.*

### **“BCM Champions” on Hand to Lend Specialized Expertise to Engagements**

Haggard says GF fortifies its business resilience through proactive risk management and mitigation, comprehensive threat awareness, and practical recovery planning backed by responsible risk financing. “Our resiliency is global,” he says, noting that GF maintains its client support and manufacturing capabilities in low-risk geographies — the United States, Europe and Asia. “That strategy provides us with the flexibility to prevent and respond to disruptive events more effectively,” he says.

As for how internal audit helps to increase business resilience at GF, Haggard says his team makes an impact through the course of its work in both advisory and traditional audit engagements. “The work we do every day helps to ensure the organization is building resilience in everything it does,” he explains. “It’s an important role, as we’re able to provide an unbiased, independent perspective on the state of GF’s resilience today and future-state plans to improve the company’s readiness.”

Making recommendations to enhance GF’s business continuity management (BCM) is one way the internal audit team helps the company grow its resilience. The function includes two certified BCM practitioners, who both have extensive experience in the semiconductor industry. “We take a hybrid approach to BCM that relies on our functional or geographical leader to manage our projects, while our BCM champions provide highly specialized insight,” says Haggard.

Recently, internal audit embarked on an engagement where it focused on BCM and operational resilience for manufacturing at GF. That engagement was the third in a broader resilience program, where internal audit has looked at the broader-based policies, procedures and activities related to the company’s manufacturing operations.

Through the BCM and operational resilience engagement, Haggard says the internal audit team identified specific areas for improvement, such as the need to develop guidance for manufacturing sites to implement business continuity plans more effectively, including recovery strategies, testing, training and crisis communication.

“In the future, we plan to conduct more traditional audits of these areas to help ensure adequate processes and controls are in place and functioning adequately,” Haggard says.



## An Acceleration of Initiatives and an Elevation of Internal Audit's Profile

Internal audit performed the following two other major engagements over the past year to assess and help GF increase its overall resilience.

### *Supply continuity for critical raw materials*

Haggard says this engagement, performed in the first quarter of 2020, involved collaborating closely with global supply chain and procurement teams to ensure that GF has the processes and suppliers in place to provide continuity of raw materials to sustain 24/7 production at all its global manufacturing sites.

The results of this engagement included refinement and unification of “processes, data, and tool integrity and controls” to help drive improvement, says Haggard. Another outcome was establishing integration points with other teams, including finance and enterprise risk management, to better anticipate events that might require changes to procurement, such as increases in safety stock.

### *Cybersecurity strategy for manufacturing operations*

The motivation for this engagement was to confirm that GF is taking the right approach to secure its global production from cyber threats and to enable cyber resilience.

“More specifically, we wanted to ensure our industrial control systems networks, tools and other equipment were protected from cyber events, like ransomware attacks, that have adversely affected our competitors,” says Haggard.

The outcome of this engagement was a “reset of GF’s strategy and an acceleration of its implementation” to prevent production disruption due to cyber events, according to Haggard. “We had already planned the BCM, supply chain and cybersecurity engagements

before the pandemic, but we stepped up our work in response to it,” he says. “COVID-19 and geopolitical events accelerated our evaluation of supply chain continuity for critical raw materials. It was a strategic priority.”

Haggard adds that another positive outcome for these recent engagements has been raising internal audit’s image as a trusted adviser among key leaders in the organization, including GF’s chief procurement and supply chain officer, its chief information security officer, and the director of enterprise risk management and BCM.

“One of the mantras of the audit profession is, ‘Develop relationships, then bring the services,’” says Haggard. “While I think that’s true, I also believe it’s more important to show you can deliver value — that you have the expertise and can deliver the goods. Then, you can build trust through your expertise, which, in turn, helps you build good relationships.”

*Haggard adds that another positive outcome for these recent engagements has been raising internal audit’s image as a trusted adviser among key leaders in the organization.*

## A Plan to Conduct “Resilience Audits” to Meet the Challenge of Change

While 2020 was a year that saw countless businesses upended by the pandemic’s disruption, GF had one of the best years in its history in terms of performance, says Haggard. “I think you can attribute our success primarily to two things: First, we didn’t have any major disruptions to our operations, and second, we were able to quickly respond to change.”



To help make sure GF is always in a position to respond effectively to change, no matter what that change might be, Haggard says internal audit plans to conduct resilience audits of the company's major manufacturing locations in Germany, Singapore and the United States in the coming years.

The internal audit team has also incorporated "resilience elements" into the culture, governance and cybersecurity audit programs it tailors for use at the company's nonmanufacturing sites in locations such as Bulgaria, China and India. "We had been piloting and testing these programs, but the pandemic and the shift to remote work accelerated the need to formalize them," says Haggard.

GF's workforce is used to change generally, though, and Haggard says that adaptability likely was a factor in the company's ability to weather recent events successfully. GF underwent a transformation in mid-2018 when it decided to focus on manufacturing feature-rich chips that are designed for high-growth markets. "Along with that decision came transformation of the business holistically," says Haggard. "We have a culture

of change. And while the COVID-19 pandemic is very significant, it's also just the latest, greatest challenge impacting our behaviors. More than anything, it has accelerated what we were already doing as a company."

GF also recognizes the importance of helping its workforce to navigate change and disruption, says Haggard: "I think what the company has done exceptionally well during the crisis is demonstrate its commitment to its people. Employee safety has been and always will be our number one priority. The executive leadership team, along with implementing various programs, has helped to draw us all closer together as a family."

*The internal audit team has also incorporated "resilience elements" into the culture, governance and cybersecurity audit programs it tailors for use at the company's nonmanufacturing sites.*



# GRUPO BEPENSA

Revolutionizing the Audit Process to Amplify  
Business Resilience



*We always need to be ready for change. ... That is what builds  
resilience – not responding to something that has already happened.*

**Javier Humberto Cámara Cabrera**

Audit Director



Whether you sip a Coke, Sprite, Fresca, or one of more than 30 other Coca-Cola brands while in the southeastern Mexican states of Yucatán, Campeche and Quintana Roo, or in the Dominican Republic, it's a good bet your beverage was bottled and distributed by Bepensa Bebidas. Its extensive operations in Mexico and the Dominican Republic include 50 distribution centers, 1,500 distribution lines and 28 production lines for ready-to-drink sparkling and noncarbonated soft drinks, including juice and water.

Bepensa Bebidas is one of five divisions of the Mexican business group, Grupo Bepensa (Bepensa), based in Yucatán, which owns 40 different companies that employ more than 15,000 people in three countries. Its other divisions include Bepensa Spirits, which produces and markets Caribe Cooler, a low-alcohol-content, mixed-drink brand purchased from the French beverage group Pernod Ricard in 2015. More recently, the division has started distributing in Mexico wines made in Argentina and Spain.

Bepensa also has an industrial division that offers value-added services and products to the food and beverage industries, including plastic packaging, flavorings, refrigeration, and distribution and logistics. And Bepensa Motriz, which has subsidiaries in 19 Mexican states and the U.S. state of Florida, markets, leases and services automobiles, trucks, industrial equipment and more.

Finally, there's Bepensa's financial services division, which includes FinBe (Financiera Bepensa), a multipurpose financial company that offers business, automotive and leasing credit. In 2017, FinBe, known as SOFOM in Mexico, became the first company in Yucatán to enter the Mexican Stock Exchange (BMV). ABC Leasing, which provides fixed-asset financing solutions in 25 Mexican cities, is also part of the division; Bepensa acquired the business in 2020.

"Yes, we are a complex company," acknowledges Javier Humberto Cámara Cabrera, audit director of Bepensa. He credits the group's diverse operations as a core reason the company has been resilient during the COVID-19 pandemic. "The board of directors sees opportunities for growth for Bepensa," Humberto says. "Of course, this wasn't the feeling at the beginning of 2020. But looking back, we can say, 'OK, we have passed the hardest situation. Now, we need to think about what we're going to do for the next 10 years. And how do we duplicate the value of the company in the next five years?' That is the target at Bepensa right now."

*An overarching strategic goal for the internal audit organization at Bepensa is adding value.*

### **Evolving Toward a More Risk-Based Approach to Auditing**

Humberto, who reports to the audit committee of the board, has witnessed a lot of change at Bepensa over the 22 years that he's worked for the group — including in his previous role as chief financial officer. Today, Humberto leads a team of 36 auditors and three general managers, who are based either in Mexico or the Dominican Republic. One general manager oversees Bepensa's beverages and spirits divisions, another is responsible for the industrial and automotive divisions, and the third is focused on the company's financial services.

An overarching strategic goal for the internal audit organization at Bepensa is adding value, according to Humberto. "We're always trying to increase the value of the company," he says. That wasn't a formalized objective when Humberto first took over the function about



six years ago, however. “The audit process was very traditional — very fiscally focused,” he explains. “We needed to modernize and focus more on risk and get the business focused on it, too.”

To drive change, Humberto says the internal auditors started asking open-ended questions of business owners across Bepensa, such as, “What worries you most about your operation?” The team translates the responses it receives into risks, which it then uses to help inform and guide its work on engagements. Humberto says he hopes that this more risk-focused approach to audits will help the function to be viewed as a partner to the company.

“We need to build trust and show we have a process for adding value and minimizing risk exposure,” he says. “It’s not easy, but we’re getting there.”

*Applying specialized expertise in key risk areas for Bepensa and its many diverse companies is one way that internal audit is succeeding at growing trust.*

### **Building Resilience Through Continuous Preparation for Change**

Applying specialized expertise in key risk areas for Bepensa and its many diverse companies is one way that internal audit is succeeding at growing trust, while also helping the group increase its overall business resilience. For example, Humberto and his team members have anti-money laundering certifications from the Comisión Nacional Bancaria y de Valores (CNBV) in Mexico, also known as the National Banking and Securities Commission. CNBV is Mexico’s banking and securities regulator

and a decentralized entity of the Secretariat of Finance and Public Credit, the country’s finance ministry. The internal auditors have also earned the Anti-Money Laundering Certified Associate (AMLCA) designation from the Florida International Bankers Association (FIBA).

The internal audit team has IT audit certifications in its portfolio of credentials, as well. Monitoring cyber risks has been a particular focus for the function since 2019, when Bepensa was the target of a major cyberattack that significantly disrupted the business for two weeks.

“We gave feedback on the recovery plans and worked closely with IT,” says Humberto. “Within two months, all the issues that had left us exposed to the attack were resolved.” He adds that the extreme disruption of the attack, and all the actions the company took to overcome it and be better prepared for future incidents, likely helped Bepensa to weather COVID-19-related disruption more effectively.

Humberto says he also believes that internal audit’s efforts in recent years to modernize its auditing approach and become more risk-focused allowed the team to be agile during the pandemic — and a more effective partner to leadership at Bepensa. He says everyone on his team now understands even more acutely that preparing for change continuously is a must in today’s dynamic environment.

“We always need to be ready for change, whether Bepensa is acquiring a company, responding to new regulations or adapting to changes in the political environment,” says Humberto. “That is what builds resilience — not responding to something that has already happened. And we need to work on this every day. That’s the only way audit can be respected and looked at as indispensable to the company.”



Adapting to change includes embracing different tools and strategies to meet new challenges. During the pandemic, Humberto and his team have had to rely heavily on technology to conduct their work. Many of Bepensa's companies were considered essential businesses during the crisis, so they didn't have to close — but they did need to implement new safety measures for their employees, like conducting temperature checks and instituting social distancing.

To help gauge whether Bepensa was controlling risks in the “new normal,” Humberto says his team used creative means, like equipping designated employees on-site with cameras and then providing instructions on how to check whether critical practices were being followed. “Technology has helped us when we haven't been able to audit in person, although it's always preferable to see things with your own eyes,” he says.

### **Thinking Outside the Box to Revolutionize the Audit Process**

Bepensa's deep commitment to sustainability and social responsibility issues are no doubt also helping the company to increase its business resilience over time. It promotes sustainable development of its people, it's actively working to reduce its environmental impact throughout its operations, and it aims to make a positive impact in the communities it serves through its Bepensa Foundation. And Bepensa's five strategic pillars — people, security, financial discipline, focus on clients and corporate responsibility — are based on the vision and thinking of Fernando Ponce G. Cantón, who founded the company in 1946.

When recruiting talent for his internal audit organization, Humberto says he looks for professionals who will help the company uphold its values, as well as “think outside the box” and speak their mind. “You need to take risks when making recommendations to the business,” he says. “Internal audit needs to challenge the controls and their design and offer ways to mitigate risks. Some auditors worry that they will make a recommendation and, if it doesn't work, then the business is going to say, ‘We did it because internal audit recommended it.’ But if we don't take risks and make those recommendations, we're never going to help move the company forward in an environment that's constantly changing.”

One thing that has changed since the pandemic started and likely will become a permanent situation for many employees throughout Grupo Bepensa is remote work. “Even when we return to normal, many positions aren't going back to the office,” says Humberto. “But despite all the risks and chaos we've experienced this past year and will likely see as we transition to the new normality, there are opportunities emerging. For example, right now we're looking at the money the business could save over the long term because of the shift to remote work.”

Humberto adds, “That's another way internal audit adds value to the business and helps it become more resilient — by looking at how to increase efficiency and reduce costs. Is there a better way to do something that will create benefits? Again, that's why I need auditors to think outside of the box. That's how we're going to revolutionize the audit process and move faster than perhaps we need to, just to make sure we are always prepared for change.”



# INCHCAPE PLC

Finding Reward in Resilience: Internal Audit as a Beacon for the Future



*What I want is for us to go to the business with risks before the business sees the risks and to offer them solutions as well. It's about ensuring we have a forward-looking, proactive audit service.*

**Joanna Sheppard**

Group Head of Internal Audit



Lighthouses have served to guide ships away from treacherous rocks and other hidden dangers near the shoreline, while symbolizing strength, hope and safety to seafaring travelers around the world.

Inchcape plc is named after the Inchcape Rock lighthouse (also known as the Bell Rock Lighthouse), located off the east coast of Scotland near Arbroath. In 1911, on the 100th anniversary of the lighthouse's construction, the company's founder, James Lyle MacKay, was named Baron Inchcape of Strathnaver (and later Earl Inchcape) in recognition of his service on the Viceroy's Council in India. Growing up in Arbroath, MacKay saw the lighthouse as a "symbol of unyielding persistence and self-belief [that] represented the power of courage, perseverance and teamwork."<sup>1</sup>

Today, Inchcape plc is an independent, multibrand automotive distributor with operations spanning five continents. With 15,000 employees serving 36 international markets, Inchcape counts 30 brand partners in its ecosystem, including some of the world's foremost premium and luxury automotive brands, like BMW, Mercedes, Jaguar Land Rover and Toyota.<sup>2</sup>

Drawing on 170 years of international trade experience, Inchcape services every step of the postfactory automotive value chain for its original equipment manufacturer (OEM) partners, providing a highly efficient, customer-focused route to market that delivers shared rewards at every stage.

Under Inchcape's new group CEO, Duncan Tait, the company instituted a new corporate strategy focused on two key growth pillars: "Distribution Excellence" and "Vehicle Life Cycle Services."

"There's significant untapped potential across our markets that we haven't fully realized in the past. The new strategy will enable us to put more emphasis on capturing the lifetime value of both customers and vehicles," says Joanna Sheppard, group head of internal audit at Inchcape. "To drive this, we are making sure we've got the right people, the right culture and the right capabilities through digital, data and analytics to scale and deliver efficiently. Approaching our growth in a prudent and structured manner, in close collaboration with our OEM partners, is critical."

### Developing a Proactive Audit Service

Sheppard, who had previously worked in the healthcare industry, joined Inchcape in December 2019, just months before the onset of the COVID-19 crisis, and promptly instituted several new practices.

"Since I arrived," Sheppard says, "we've been working on evolving a methodology and an internal function that focuses on the key risks of the organization. One of the key changes has been strengthened IT and program assurance capabilities. This has been hugely important, particularly given the level of transformational activities happening across the group."

Inchcape's audit function is an efficient operation consisting of 17 team members spread across the group's four regions: the United Kingdom, Europe, the Americas and Africa, and in APAC, which includes one auditor in Asia and another covering Australia and New Zealand.

Overseeing a function focused primarily on financial, operational, privacy, data, digital and program assurance, Sheppard has responsibility for three broad areas of risk and compliance: internal audit, internal controls and enterprise risk management.

<sup>1</sup> Inchcape: Our History: [www.inchcape.com/en/who-we-are/our-history.html](http://www.inchcape.com/en/who-we-are/our-history.html).

<sup>2</sup> Inchcape: An Overview of Inchcape: [www.inchcape.com/en/who-we-are/inchcape-at-a-glance.html](http://www.inchcape.com/en/who-we-are/inchcape-at-a-glance.html).



According to Sheppard, Inchcape's internal audit function has established several ambitious goals and objectives for 2021. These include developing a forward-looking internal audit service with "high-quality talented people and a flexible and risk-based audit plan at its core" and ensuring that the organization is "digitally fit" to handle the demands of the future.

In support of these aims, Sheppard has spearheaded Project Phoenix, an internal audit transformation program encompassing multiple workstreams. "The goals of the program are to ensure our processes and ways of working are fit for Inchcape now and Inchcape in the future," Sheppard says. "We are using data in many ways both as a function and for the business, looking to provide clearer and sharper audit reporting and to support ongoing training and development of the group's auditing team."

*Sheppard defines "business resilience" as "our capacity to absorb stress, to recover our critical functionality and to thrive."*

Sheppard is also committed to designing a progressive internal audit function that is empowered to offer valuable insights, raise themes and trends, and support digital transformation activities at the operating level.

"I've never wanted internal audit to be an ivory tower," Sheppard says. "What I want is for us to go to the business with risks before the business sees the risks and to offer them solutions as well. It's about ensuring we have a forward-looking, proactive audit service."

Sheppard chose that phrase carefully, recognizing the value her function can provide to the enterprise well beyond the

traditional audit. "We can advise within the parameters of the standards," she says. "We do investigations, and we do program assurance work. We can also work with our stakeholders to share key messages, agree on joint action plans and join up with other assurance providers."

### **An "Auditor Without Wings" Rises From the Ashes**

Sheppard defines "business resilience" as "our capacity to absorb stress, to recover our critical functionality and to thrive." At Inchcape, this concept is centered around people, technology and process, as well as the organization's ability to respond and recover when challenges strike.

Perhaps no year in recent memory presented as many unforeseen challenges as 2020.

"2020 was tough, right?" Sheppard asks rhetorically. "A number of our markets were significantly impacted, not just by COVID-19 but by social unrest and other challenges. For those reasons, in 2020, we showcased how resilient we were. We made prompt but quite difficult decisions to make sure our platform was leaner and fitter, and we used that year as an opportunity to accelerate some of our thinking and innovations."

Managing a geographically dispersed internal audit function during this pandemic year presented its own barriers to resiliency. With different areas of the globe moving in and out of lockdown at various times of the year, internal audit had to adjust its on-site audit schedule, often relying on individual business units to share data and reporting.

"I never thought an 'auditor without wings' could happen," Sheppard says, "but the emergence of technology, the way we're using analytics to obtain information directly from our systems and become more efficient, has really enabled us to do more with less.



There is absolutely a place for face-to-face engagement, but we are evolving to more of a hybrid model focused on exploiting analytics, data and automation.”

Internal audit’s overarching view of the entire organization allowed it to offer real value in support of business resilience. The function was able to dive deeper and take a more dynamic role during the crisis, with a particular focus on people, health and safety, as well as on the key risk areas that came with operating in a pandemic.

Sheppard took quick and decisive steps in 2020, including deferring the normal audit to the fourth quarter to enable a deep dive into the organization’s business continuity management program and governance framework.

Inchcape also underwent a lessons-learned exercise from the COVID-19 experience to ensure that it captured learnings while the impacts of decisions made were still fresh. As an ancillary benefit, the exercise enabled the company to rally around and celebrate its successes during a stressful and trying time.

“It was evident from our COVID-19 review how proud management and our employees were of the way Inchcape responded to the pandemic,” Sheppard says. “There are things that we’re going to clearly look to do differently and improve on, as you always would, but it was great to celebrate and reflect.”

### **Strategic Growth Continued to Fire on All Cylinders**

Despite these enormous challenges, Inchcape continued to expand its reach throughout 2020 and remained focused on its long-term strategic growth objectives.

In late 2019 and early 2020, Inchcape acquired Daimler’s Mercedes-Benz passenger car and private van distribution operations in Colombia, as well as the distribution rights for

passenger and commercial vehicles in Uruguay and Ecuador, expanding the two firms’ 30-year, retail-only partnership to include distribution contracts, a further milestone for Inchcape’s OEM Partner of Choice strategy.

“Our acquisitions in South America enabled us to become the second-largest Daimler distributor in Latin America,” Sheppard says. “We also built on our contract for El Salvador, and later in the year, we secured some additional distribution rights in Chile and with BMW in Peru.”

All strategic decisions made at the corporate and risk management levels were done with a long-term view in mind. According to Sheppard, the firm was focused on optimizing its business, expanding its omnichannel footprint and right-sizing its retail operations in response to evolving consumer needs and business conditions.

Above all, management stayed committed to taking prompt, difficult action when the situation required it.

*Internal audit’s overarching view of the entire organization allowed it to offer real value in support of business resilience.*

“We sought to use 2020 to really showcase how resilient we are,” Sheppard says. “We faced tough decisions — we clearly had to look at our cost base and make some decisions there. But we used it in a way that would help us get fit for the future. Any changes that we made weren’t simply in response to the COVID-19 situation. They were also in line with our strategic thinking and making sure we were ready for not just 2020 or 2021, but the future.”

One important component of Inchcape’s future readiness is its goal of becoming a



digitally fit company. The company invested in a global data and analytics team, which is charged with helping the organization grow in its corporatewide focus on digital technology and enabling the ongoing development of an omnichannel customer interface.

“This last year has brought home the need to invest significantly in technology within the audit function as well as the larger organization,” Sheppard says. “Our teams worked to find solutions to maintain a route to market for our OEMs throughout the pandemic. Our practices were adapted to enable us to continue to serve our customers — notably through accelerating, including some of our digital and omnichannel initiatives. For example, we’ve always wanted to offer ‘click and collect,’ particularly in the U.K., but we got to it quicker and more efficiently because we had to.”

“We had a nimble response to using technology through our journey last year, and it just goes to show what you can get done when you have to get it done quickly,” Sheppard says.

### Top to Bottom, People Are the Key

Although relatively new to the organization, Sheppard has received nothing but enthusiastic support from Inchcape’s senior leadership, its board and the audit committee since her arrival.

“The key this last year was how nimbly we responded to COVID,” Sheppard says. “This was something that was really supported by the audit committee. They were comforted by the fact that I went to them with a new plan of key controls reviews focusing on the heightened risks during the COVID period.”

Perhaps Sheppard’s biggest takeaway from the past year has been the importance of supporting the organization’s most important asset: its people.

“It’s been very difficult for our teams working from home — working with their families, not having the space to work and the strains that puts on you as an individual,” Sheppard says. “One of our objectives this year is on team well-being and enabling the team to be physically, mentally and spiritually well. We offer regional group well-being activities; we’re encouraging use of our employee assistance program and want to make sure any concerns within the team are escalated to me. We need to be really thoughtful about our return to whatever business as usual is in 2021 and how we continue with our flexible working. I said to my team, ‘Take the time you need on a regular basis or as and when needed just to pause and think about your own well-being.’”

*Perhaps Sheppard’s biggest takeaway from the past year has been the importance of supporting the organization’s most important asset: its people.*

2020 was a year filled with turbulence and turmoil, but it has empowered firms like Inchcape to stretch their wings and prove how business resilience can establish a strong foundation for future growth and expansion.

“We used last year as an opportunity to accelerate our thinking and some of our innovations,” Sheppard says. “It provided us with a mandate and permission to expedite that journey and move it forward. We took the opportunity to create reward from resilience and to start to really explore some of the thinking we had in the past. Despite the challenges presented by the pandemic, we continue to make good and strategic progress on a number of fronts.”



# KNOWLES CORPORATION

Tuning in Closely to Stakeholder Feedback



*Business resilience comes from understanding the risks and planning for how to manage disruption well when it happens. Internal audit can play a critical role in helping the company to become more resilient and crisis-ready.*

**Simon Ong**

Chief Audit Executive



When U.S. astronaut Neil Armstrong stepped onto the moon's surface on July 20, 1969, and declared, "That's one small step for man, one giant leap for mankind," it was a Knowles microphone that captured his now-legendary words. But it was 15 years before the Apollo 11 mission when Knowles, the company, introduced audio technology innovations that would change the lives of millions of people on Earth — the first miniature microphone and speaker for hearing aids.

Inventor and acoustical engineer Hugh S. Knowles founded Knowles Electronics — known today as Knowles Corporation — in 1946. He held more than 50 patents in acoustics and related fields, and his work helped set Knowles on the path to becoming a market leader in providing advanced microacoustic, audio processing and precision device solutions. Knowles' workforce spans a dozen countries and includes hundreds of engineers dedicated to helping the company pioneer acoustics, audio and precision device technology for the consumer electronics, communications, medtech, defense, electric vehicle and industrial markets.

Knowles developed the world's first MEMS (microelectromechanical system) microphone in 2002 — the SiSonic™ series — whose second generation, introduced a year later, helped enable dramatically thinner cell phones. That technology is used today in a wide range of mobile, ear and Internet of Things (IoT) applications. On the latter front, Knowles MEMS microphones and other products and capabilities help enable voice input for smart speakers, screens and homes. Through its Precision Devices unit, Knowles is taking its nearly 75 years of innovation even further by creating filtering technology for Defense and 5G applications, capacitors for electric vehicle drivetrains and components for medical implantable devices.

## **A Collaborative Approach Designed to Help Add Value to the Business**

Knowles' long history includes the company's acquisition in 2005 by Dover Corporation, a diversified global manufacturer based in Illinois. In February 2014, Dover spun off Knowles, and later that same year Knowles Corporation began trading on the New York Stock Exchange under the symbol "KN." Jeffrey Niew, who led Dover's communication technologies unit, became president and CEO of the newly independent public company — a position he still holds today.

Knowles also acquired its chief audit executive, Simon Ong, as part of the spinoff from Dover Corporation. Ong, who is based in Singapore, had been leading Dover's regional internal audit function for Asia and Europe when he was invited to join Knowles. Ong continues to be based in Singapore because Knowles has major manufacturing investments in China, Malaysia and the Philippines. "From an internal audit standpoint, it makes sense for me to be working here in Asia," says Ong.

Ong's internal staff of four includes two auditors located in the United States and two stationed at a Knowles manufacturing facility in China. For some engagements that require specialized skill sets or resources, Ong relies on a co-sourcing model, with specialists retained from a global auditing and professional services firm.

According to Ong, internal audit's mission at Knowles, in addition to "providing independent and objective assurance of the risks, processes and controls for the organization," includes building a collaborative approach with stakeholders to help add value to the company. "We strive to work in tandem with management on business strategy initiatives in an advisory sense," says Ong. "On the assurance front,



we continue to provide Sarbanes-Oxley (SOX) testing. We also conduct specific projects with key stakeholders to help improve select processes.”

### **An Urgent Need to Pivot, Become More Agile and Adopt New Practices**

At Knowles, business resilience is viewed as the company’s ability to respond to and manage a crisis in an organized fashion as it is unfolding and quickly recover from it, Ong says. “Every organization will face a crisis at some point. Business resilience comes from understanding the risks and planning for how to manage disruption well when it happens,” he explains. “Internal audit can play a critical role in helping the company to become more resilient and crisis-ready.”

Does Ong think that the COVID-19 crisis has made building and maintaining business resilience a higher priority for Knowles? The short answer: No and yes. He says that the company was already focusing on fortifying its business continuity plan, with help from internal audit, well before the pandemic started. But he does agree that the crisis along with other recent events have helped to accelerate some of that work. It has also forced the internal audit team at Knowles to become more agile in its work.

“When the pandemic first hit, we had to pause some of our routine work and pivot quickly to conduct detailed risk assessments and have discussions with various stakeholders to understand and monitor what the crisis meant for them,” Ong says. He emphasizes that “agile” for the internal audit team means keeping things simple and working swiftly, to the extent possible, so the team can more quickly turn around insights to management for critical decision-making.

*The internal audit team has also adjusted its general approach to auditing to focus more on emerging risks for Knowles.*

Ong and his team also had to embrace remote techniques for conducting audits, since most of Knowles’ workforce, including internal audit, shifted to remote work during the pandemic. “This situation is not ideal for internal audit, and it’s definitely been a big change and challenge for us,” he says. “I suspect that moving forward, we might continue to do some audits remotely, since we have clearly demonstrated that we can do it effectively. But I still believe it is valuable for auditors to be on-site, interacting with people and observing the culture firsthand.”

He continues, “Also, some testing can’t be performed remotely, like a physical observation of inventory. Fortunately, through co-sourcing, we’ve been able to retain local resources when needed to conduct some on-site testing at certain facilities during the pandemic.”

The internal audit team has also adjusted its general approach to auditing to focus more on emerging risks for Knowles. “For example, this past year we looked at the fact that some customers could face liquidity challenges because of the pandemic, and we assessed the potential risks to the business,” says Ong. “We also closely monitored potential risks in the supply chain.”

### **An Emphasis on Growing Cyber Resilience and Protecting Trade Secrets**

Strengthening cybersecurity is one specific way that Knowles is working to improve its overall resilience as a company, according to Ong. “A few years ago, an external resource,



working closely with our IT team, conducted a benchmarking exercise to compare where Knowles was in its cybersecurity journey compared to its peers. We identified potential vulnerabilities and created a road map for improvement. The company has also been increasing its investment in secure data storage solutions and other measures to protect critical assets.”

Ong says internal audit is directly involved in measuring the company’s progress toward achieving milestones on the road map, and he notes that two team members have cybersecurity expertise. “Our team works closely with IT, business partners and managers on this effort, and we really value the collaborative relationship we have with them in improving Knowles’ cybersecurity,” says Ong. “We are able to be agile, ask the right questions, respond appropriately, and we were able to report quickly to the audit committee on the approach we took to secure our network against recent major cyber incidents affecting various U.S. companies.”

Internal audit also collaborates with Knowles’ legal team to perform “trade secrets reviews.” Ong explains, “Our auditors conduct these reviews at our facilities at the direction of an intellectual property attorney from Knowles’ legal department. During the course of these reviews, we work with counsel to identify where trade secrets are, how they are protected and consider how we can harden controls further.”

### **Empowering Stakeholders to Be “Internal Audit Champions”**

Knowles is working to extend its long history of innovation by transforming digitally as a company. While this process was underway before the pandemic, it has been accelerated by it, says Ong. “Digitalization will likely be an inseparable part of Knowles’

business strategy over the long term,” he adds. “And I would say that, as part of that transformation, internal audit needs to keep investing in its own capabilities and tools to ensure we are in a position to help our organization as it digitizes.”

*Ong says internal audit is directly involved in measuring the company’s progress toward achieving milestones on the road map.*

Ong says the pandemic has hastened another initiative, too: internal audit’s effort to implement continuous auditing and monitoring. The team is even more focused now on increasing its use of data analytics through Audit Command Language (ACL) data extraction and analysis software used for fraud detection and prevention and risk management. “We’re also enhancing our data-monitoring capabilities and investing in enterprisewide business intelligence tools,” Ong says. “In addition, we’ve engaged an external consultant to help us create meaningful dashboards that both internal audit and our stakeholders can use to monitor risks and identify potential exceptions.”

Ong says internal audit’s emphasis on collaboration is helping stakeholders see the value of using these tools to help the business reduce risk and increase its resilience. “I call on every employee at Knowles to be an internal audit champion,” he says. “When they’re empowered to help us in detecting risks early, it becomes much easier for our team to perform audits — and for the organization to avoid major surprises. ‘Don’t wait for an audit to know what’s going on.’ I would say that’s the message we’re trying to impart to the stakeholders.”



Ong says he also encourages his auditors to pursue relevant training proactively so they can keep their skills up to date and ensure that they can keep supporting the business effectively as it evolves. He notes that one positive outcome of the pandemic is the invaluable experience his internal audit staff has learned on the job while responding to the crisis. “I’m pleased about this,” Ong says. “What they have learned about how the business is run and how each function operates will enhance their work in the future.”

*One positive outcome of the pandemic is the invaluable experience Ong’s internal audit staff has learned on the job while responding to the crisis.*

And how will Ong measure his team’s impact in applying these newly gained insights to its audits? This will be accomplished through the feedback the internal audit function receives from stakeholders.

“I’ve gathered formal and informal feedback from our stakeholders for years, and it gives me and my team great satisfaction to know that our stakeholders like the collaborative approach we’ve adopted and are appreciative of our efforts,” says Ong. “Although we have our formal key performance indicators (KPIs) established with the audit committee and the executives, the real measure of success, I feel, is the feedback from our stakeholders. That’s how we know we’re making a positive impact on our organization.”



# MASONITE INTERNATIONAL CORPORATION

Opening Doors to the Possibilities of Resilience



*A disruptive event for us could be a natural disaster that impacts one of our manufacturing facilities or a raw materials supplier. It could be the pandemic. It could be significant reductions in demand brought on by macroeconomic impacts. ... It could be a variety of things, but for us, it is how we respond and react to those risks that matters.*

**Katie Shellabarger**

Vice President and Chief Audit Executive



It pays to keep the door open to innovation. Without a little luck, William H. Mason may have never discovered the process he used to turn waste into worth.

By the 1920s, Mason, a former apprentice of Thomas Alva Edison, was living in Laurel, Mississippi. Surrounding the area were booming lumber mills that disposed of huge quantities of unwanted wood slabs and trimmings, which were being burned or buried. Mason felt that there had to be a profitable use for this waste wood and began a series of experiments to determine if steam could be a possible means of converting wood to fiber. Eventually, Mason began experiments on pressing insulation board. Before leaving for lunch one day, Mason accidentally left the pressure valve open on his paper press, which allowed steam to leak into the machine. The steam interacted with the fiber-water slurry, forming a thin, dense, tough sheet — hardboard! In 1924, Mason received a patent for his hardboard and founded the company now known as Masonite International Corporation.<sup>1</sup>

Today, Masonite is a leading designer, manufacturer, marketer and distributor of interior and exterior doors for the new construction and repair, renovation and remodeling sectors of the residential and nonresidential building construction markets.<sup>2</sup> Masonite serves approximately 7,600 customers in 60 countries<sup>3</sup> through three main operating segments and a global network of manufacturing plants.

“The majority of our business is residential, but we also have a commercial business that serves the healthcare, hospitality, education, office and government sectors,” says Katie

Shellabarger, vice president and chief audit executive at Masonite. “We’re one of the few fully vertically integrated door companies in the world.”

Having previously started the internal audit function at CDK Global, Shellabarger joined Masonite in April 2019. “We are a growing team in transition,” Shellabarger says. Balancing a revamp of the internal audit approach with a team rebuild, Shellabarger is also working closely with the Masonite Leadership Team (MLT) to derive more value from enterprise risk management (ERM). “It’s been hard but rewarding work,” Shellabarger says. “More importantly, we are seeing the benefits.”

Masonite gains the benefit of additional headcount and expertise through a co-sourcing arrangement. Shellabarger reports functionally to the audit committee of the board of directors and administratively to Masonite’s EVP and CFO.

### **Evolving Internal Audit Into a Nimble, Responsive Function**

Since joining Masonite, Shellabarger has been focused on three key objectives for internal audit. The first involves partnering with the chief accounting officer to optimize SOX compliance. Last year, the organization introduced a program internally dubbed “SOX 2020,” with the goal to increase control owner accountability, increase transparency, and improve efficiency and effectiveness. “The benefits to internal audit are reduced testing hours, which we reinvest in value-added operational and consulting projects,” Shellabarger says.

<sup>1</sup> Masonite International Corporation History, Funding Universe: [www.fundinguniverse.com/company-histories/masonite-international-corporation-history/](http://www.fundinguniverse.com/company-histories/masonite-international-corporation-history/).

<sup>2</sup> Masonite corporate profile, LinkedIn: [www.linkedin.com/company/masonitedoors/](http://www.linkedin.com/company/masonitedoors/).

<sup>3</sup> Masonite 2020 Form 10-K.



The second short-term objective relates to restructuring operational reviews to be “more nimble, thoughtful, practical and responsive” while updating the underlying audit methodology. In 2020, her team completed the foundational work. This year the team is focused on execution and refinement.

The last short-term objective relates to the ERM transformation. By focusing on business objectives and strategy and working closely with the segments and corporate functions, “we are embedding ERM into the DNA of the organization,” Shellabarger says. “By creating this muscle memory, we believe we can ensure ERM succeeds.”

Long term, Shellabarger sees internal audit evolving into “an internal consulting group for Masonite, engaged early in projects and whose perspective is sought after by the business.”

“We also want to be a feeder of talent to the organization,” Shellabarger adds, “where people come into internal audit, learn the organization, spend a couple of years and then move out into the business in different roles.”

*Shellabarger defines resilience as the company's ability to react to and rebound from disruptive events.*

### **Business Disruption Provides Opportunity for Acceleration**

After an eventful 2020 that saw Masonite’s core markets buffeted by the global pandemic, the company focused its lens more tightly on business resilience. Shellabarger defines resilience as the company’s ability to react to and rebound from disruptive events.

“By design, we did not add ‘pandemic risk’ to our risk register,” Shellabarger says.

“Since the pandemic started, we have consciously decided to focus on our ability to respond to any risk that could disrupt our operations. A disruptive event for us could be a natural disaster that impacts one of our manufacturing facilities or a raw materials supplier. It could be the pandemic. It could be significant reductions in demand brought on by macroeconomic impacts. It could be geopolitical factors, such as anti-dumping regulations. It could be a variety of things, but for us, it is how we respond and react to those risks that matters.”

For Shellabarger, internal audit’s focus on business resilience contributes to the long-term success of the organization in a couple of ways. “It’s a fantastic opportunity to advance internal audit,” she says. “But more importantly, it’s fundamental to our transformation initiative — how the business reacts to changes affects how we audit, when we audit and where we audit. It also affects our processes, the content of our work and our deliverables.”

Throughout the course of the pandemic, internal audit supported Masonite’s operations in several key ways. Early on, internal audit lent people to the business to help with day-to-day operations and participated in an executive-level crisis response team that met seven days a week for months. “At the heart of all discussions were our priorities related to the pandemic: employee health and safety, customer service, and maintaining financial strength. Early on, they became the true north that guided our subsequent actions,” Shellabarger says.

Several months into the pandemic, Shellabarger saw an opportunity to help the business improve business resiliency



by capturing key lessons learned during the pandemic. She engaged a third party that specializes in crisis response, interviewed MLT and workstream leaders, and created a document that outlined what the organization did well and steps it should take to be better prepared for the next disruptive event.

“I saw the opportunity to capture lessons learned because things were moving very rapidly,” Shellabarger says. “Decisions were being made quickly, and the team was very focused on managing through the crisis. I offered to help by pulling information together so that when there is a next event — and it doesn’t need to be a pandemic — we would be able to leverage what we had learned.”

Despite the challenges presented by the pandemic, Shellabarger says that internal audit dealt with the situation “pretty seamlessly.”

### *Internal audit’s role and value to the organization in business resilience begins with ERM.*

“Internal audit is normally a traveling team, so we all have laptops,” Shellabarger says. “Because we were able to do all of our work remotely, we were able to navigate this without significant bumps in the road. We retrenched a bit and left the business alone for several months, letting them do what they needed to do while we observed from afar. That bit of downtime gave us the opportunity to accelerate some strategic projects in 2020.”

These projects included the deployment of a leading audit, risk and compliance management software solution. Masonite initially purchased the tool to support its SOX

testing and used the early-on downtime to ensure that it was “deployed correctly versus deployed rapidly,” Shellabarger says.

“That actually was very significant for us because the feedback we have received organizationally regarding the deployment of that tool has been phenomenal,” she adds.

### **Transforming ERM From “Check the Box” to “Going Deep”**

Internal audit’s role and value to the organization in business resilience begins with ERM. Shellabarger says that before she joined Masonite, “The management risk committee would meet quarterly to discuss risks, which were mostly operational and compliance in nature.” Under Shellabarger, ERM is focused on getting the organization past the day-to-day operational issues to have deeper, sometimes uncomfortable, conversations around risks and risk scenarios.

One of the things internal audit is doing is taking a more active role as a business partner. “In the past, we would point out the risk,” Shellabarger says. “Now, internal audit is offering our people, our thoughts and our insights to the business to help make solutions a reality without crossing the independence line. We know the business. Now, we are bringing that knowledge to help build solutions that improve controls and make processes more efficient.”

For Shellabarger, one of the most notable benefits of a continual focus on business resilience has centered around the improved reputation of her function within the larger organization. Particularly during the pandemic period, a focus on developing a close partnership with the business and leadership team has helped internal audit demonstrate its value to the organization.



“I think our biggest impact has been on our brand,” Shellabarger says. “When I joined the organization, we were considered a SOX shop. It hurts to admit this, but we were perceived as not being really part of the Masonite team but rather primarily a compliance function. By engaging with the business and seeking ways to be relevant to them, we have been able to turn around our brand internally. It’s also helped us to accelerate what we’re trying to achieve on the ERM front, which is significant.”

To this end, Shellabarger has instilled a more proactive approach to conducting regular enterprise risk assessments, which includes an annual deep-dive review along with quarterly refreshes of the risk register.

To get a fresh perspective, ERM led the organization through a thorough bottom-up risk assessment. “By design, we didn’t utilize the existing risk register. We wanted to start from scratch,” Shellabarger says. “Then we did our top-down and arrived at our top enterprise risks. Going forward, we’re asking the business units to talk about risk concepts in all of their leadership team meetings. Quarterly, ERM will facilitate a more formal refresh of the risk register. So, we’re really making sure that the risk profile is changing as the business changes.”

Masonite had an existing management-level risk committee when Shellabarger joined the organization. “We have scaled down membership while upping the ante on member expectations,” she says. “We now have one risk committee member per segment and each of our corporate functions, plus myself and the CFO, who serves as ERM sponsor.” The group meets every six to eight weeks to discuss key risks, including emerging topics. “We also do deep dives at each meeting, with select members reviewing the current state of the risks identified in

their part of the business,” Shellabarger adds. “It helps us to stay aligned on the top risks across the enterprise and how they are being managed.”

*Of course, none of Shellabarger’s innovative audit agenda could be achieved without the support and encouragement of her audit committee, board and MLT.*

### **Achieving Resilience by Testing Boundaries**

In addition to Masonite’s recent deployment of its software tool, Shellabarger hopes to increase her function’s use of data and analysis and is considering employing technology like audit command language software and robotic process automation. She also would like to add a dedicated data analytics expert to her team to help accelerate the use of data analytics to replace process-level controls.

Of course, none of Shellabarger’s innovative audit agenda could be achieved without the support and encouragement of her audit committee, board and MLT. She reports quarterly to both the audit committee and the governance, sustainability and nominating committee and provides the full board an update on enterprise-level risks at least once each year. Shellabarger also engages regularly in pre-meeting conversations with the audit committee chair and other members.

“I am very fortunate to have the support to achieve my objectives,” Shellabarger says. “The CFO and the audit committee chair are on the same page as far as what internal audit is trying to achieve and why we’re trying to achieve it.”



When it comes to the long-term resilience of the organization and internal audit's role in it, Shellabarger is optimistic.

“Our ability to be successful on the ERM front is really key to our ability to become a more risk-intelligent and resilient organization,” Shellabarger says. “We’re continually testing

the boundaries of what actually could happen. Last year, things changed and evolved at a frenetic pace. As internal auditors, we have to keep up that pace in order to remain relevant. We have to bring these uncomfortable topics forward so that we can engage in a good dialogue and be better prepared for anything that comes our way in the future.”



# stc (SAUDI TELECOM COMPANY)

Instilling a Business Resilience Mindset



*We have a guest auditor program that allows internal audit to capitalize on the knowledge of the company's subject matter experts who understand the risks associated with the business.*

**Abdullah S. Alanizi**

Group Chief Audit Executive



Since becoming privatized in 1998, **stc** (Saudi Telecom Company) has developed into a major force in the telecommunications industry, both in the Middle East and worldwide.

According to its website, **stc** is “a pioneer digital champion [that has] always been focused on innovation and evolution.” To that end, **stc** offers a variety of Information Communication Technology (ICT) solutions and digital services in several categories, including telecommunications, IT, financial technology, digital media and cybersecurity, through which **stc** is “leading the digital transformation nationally and regionally.”<sup>1</sup>

Today, **stc** serves markets across the Gulf region and the Middle East, as well as in Indonesia, Malaysia and India. In its home nation of Saudi Arabia, **stc** holds a roughly 60% market share in the telecommunications sector. The firm posted revenues of over \$15 billion in 2020, and it employs approximately 25,000 people across the parent company and nearly a dozen subsidiaries.

This phenomenal growth in market share has been driven largely by **stc**'s burgeoning reputation for innovation and service. In 2020, **stc** was named the most influential local brand in Saudi Arabia, according to an Ipsos survey of over 800 brands across 14 markets.<sup>2</sup>

“The company started concentrating on improving the customer experience and going into digital,” says Abdullah S. Alanizi, group chief audit executive at **stc**. “Now, by using our innovative app, ‘mystc,’ the customer doesn’t need to go to any outlet or branch. The customer can do all operations digitally, including getting a new SIM or a new device, with free delivery within two hours, maximum.”

Alanizi also cites the company’s introduction of “**stc** pay,” a digital wallet app, “the first fintech application in Saudi Arabia,” as a key development, adding that “**stc** pay became the first unicorn in the Middle East. It has gained more than 5 million customers in less than two years, and it was valued at more than \$1 billion last year. We are applying for the first digital bank license in the country.”

According to Alanizi, **stc** also maintains a top 10 worldwide data center, which provides a comprehensive range of solutions, including cybersecurity, staffing, software, customization, and cloud services to governments, large companies, and small and midsize businesses throughout the region. These world-class services have contributed to **stc**'s rapid evolution into one of the most highly valued and respected businesses in the industry.

*According to Alanizi, **stc** also maintains a top 10 worldwide data center, which provides a comprehensive range of solutions.*

## Building Internal Audit From the Ground Up

When Alanizi joined the group’s internal audit function in 2004, one year after its establishment, it had only four employees. Today, it has grown into a sophisticated function, with 76 staff members charged with overseeing audit activities across **stc**.

Alanizi reports functionally to the audit committee and administratively to the group CEO. Internal audit at **stc** takes a decentralized approach — each subsidiary

<sup>1</sup> About us, **stc** website, accessed May 2021: [www.stc.com.sa/wps/wcm/connect/english/stc/stclanding](http://www.stc.com.sa/wps/wcm/connect/english/stc/stclanding).

<sup>2</sup> “**stc** Named Most Influential Brand in KSA,” **stc** website, April 11, 2021: [www.stc.com.sa/wps/wcm/connect/english/stc/NewsItems/received-10-dubai-lynx-awards](http://www.stc.com.sa/wps/wcm/connect/english/stc/NewsItems/received-10-dubai-lynx-awards).



has its own audit function with a dotted line to the group chief audit executive. Internal audit is structured within three primary units: IT and telecom, investment and financial, and operational and business, along with two subunits focused on continuous audit, and planning and quality.

Alanizi's vision for his function is "to become a world-class internal audit function aligned with international standards and best practices to assist **stc** in achieving its objectives." This vision, he adds, aligns with internal audit's mission "to protect and enhance **stc**'s value by providing risk-based and objective assurance, advice, and insight."

To help ensure that his audit plan is fully aligned with **stc**'s corporate strategy, Alanizi attends the management team's off-site strategy meeting held in the fourth quarter of each year. Based on that meeting, Alanizi made sure that his team's audit plan for this year has taken into account **stc**'s strategy.

In addition, internal audit has developed a set of strategic objectives using the acronym VALUE, where the *V* stands for "Visualize, Analyze Data and Automate Processes," *A* means "Act As Trusted Adviser," the *L* is for "Leverage Cross-Functional Synergies and Increase GRC Function's Efficiency," *U* means "Upskill and Inject New Talents to Keep Pace With **stc**," and *E* is for "Expand Scale and Scope."

## A Growing Focus on Business Resilience

Business resilience is an important concept at **stc**, and one that Alanizi says "gives us the strength that we need to process and overcome hardship." According to Alanizi, without business resilience, people can be overwhelmed by challenges. On the other hand, a focus on resilience allows **stc** to "capitalize on our strengths, such as having the largest market share, having the right talent in the company and having the

required training to upskill our people. All of this has helped **stc** become more resilient."

Resilience is also manifested in **stc**'s ability to handle disruption and recover operations in the face of any disaster. The IT and telecom audit unit oversees most aspects of business resilience at **stc** and makes sure the group maintains data center sites "far from the main center in Riyadh, Saudi's capital," Alanizi says. "These centers are being tested annually to ensure readiness, and in case of any emergency, they can become the main data center or center for operations."

*Business resilience is an important concept at **stc**, and one that Alanizi says "gives us the strength that we need to process and overcome hardship."*

In early 2015, Alanizi began implementing a new business resilience initiative to employ continuous control and risk monitoring, that is, "continuous audit." The approach utilized the automated extraction of data and the application of business rules against the collected data to detect exceptions. Internal audit began applying various analytical methods, including artificial intelligence (AI), to eliminate false positives and published alerts and exceptions in reports disseminated through a user-friendly dashboard. Over the next few years, **stc** will realize several benefits as a result of this project.

"The implementation of continuous audit freed up internal audit to spend more time focused on strategic and high-risk audits rather than traditional audits," Alanizi says. "It also helped to make sure that any exceptions are discovered promptly. In some areas, where we used to audit them once every three years, with this automation, we can visit them through the data and



extraction analysis and report on exceptions periodically.”

Other benefits of this approach include reduced dependency on the IT function for data, earlier detection of fraud and errors, expanded coverage, and an overall reduction in risk across **stc**.

“Previously, whenever we needed the data, we had to go to IT and ask for it,” Alanizi says. “There’s a delay, or sometimes a risk of the data being altered or masked from us. Now, we go right to the source.”

Risk management, compliance, human resources (HR), procurement, and cybersecurity are high-risk areas. With the implementation of continuous auditing in these higher-risk areas, Alanizi’s function has redeployed its resources from traditional audit to becoming more of a trusted adviser and consultant to the business. In fact, Alanizi has begun attending senior leadership meetings in a consultancy role.

“Every two weeks, our Group CEO has a meeting with his senior VPs where he gets updates about what is going on in our company,” Alanizi says. “Sitting at the table with them has helped internal audit to understand what is going on with the company. We are now in a position to listen to them, give advice and become the adviser they need in corporate governance, controls, or any number of other matters.”

Technology also plays a major role in internal audits at **stc**. Alanizi is particularly focused on employing automation and AI in continuous audits across high-risk areas. The internal audit function uses an automation tool called Audit Command Language (ACL), for which **stc** has developed in-house scripting to monitor and report on key performance indicators (KPIs).

“We now monitor more than 100 KPIs, fully automated,” Alanizi says. “It supports us

with the ad hoc report and data extraction. For example, the audit committee asked us to review the financial statements every quarter. Before we implemented this data automation for any variants, we spent up to three days understanding the reasons for any increase in a particular expense or revenue figure. Now, with this tool, it’s a matter of just clicking and drilling down to learn exactly why this expense or revenue increased or decreased.”

“For example, when we did the procurement audit, we discovered some instances of conflicts of interest,” Alanizi says. “That could not be done without getting full data from procurement and HR on the employees and linking it to medical insurance data. This could not have been done without the system’s ability to access multiple sources of data and the analytics tools that we built into the system.”

*Alanizi is particularly focused on employing automation and AI in continuous audits across high-risk areas.*

## A Business Resilience Mindset

To help develop a business resilience mindset within the internal audit function and ensure that the function can keep talent for the long term, Alanizi adjusted his hiring practices a few years ago. In 2016, he switched to hiring primarily junior auditors instead of seasoned professionals. In addition, he began recruiting female auditors, in line with a companywide initiative.

Internal audit also introduced several comprehensive training programs to develop in-house talent. These include a program for new auditors consisting of 100 days of training and certification courses over three



years, and three specialty programs designed to serve individual staff members' career development goals.

"These three programs have helped us attract and retain talent not only in audit but throughout stc," Alanizi says.

Alanizi relies on strong support from his audit committee as he guides internal audit toward a future built around business resilience. The committee has shown particular interest in the continuous auditing project, the results of which have informed Alanizi's performance evaluations for the past few years. He reports on the program's current status, along with the progress of the annual audit plan and the top findings to the committee every quarter.

### Measuring Success Over the Long Term

The internal audit function uses various tools to track success, including a customer satisfaction survey provided to the audit client after each engagement. The results are gathered by internal audit's planning and quality team, which analyzes the feedback and offers recommendations for improvement.

"2020 was very challenging," Alanizi says. "However, we managed to complete the audit plan engagement fully, while the majority of our staff worked from home. We have access to the systems to get the data the auditors need to do their jobs, so it was beneficial."

Looking beyond the current crisis, Alanizi has big plans for the future of internal audit at stc. Key initiatives include updating the organizational structure, investing more in the continuous audit program and raising

the functional level of the activity to be at the level of a director. Work is underway to publish the continuous audits in all stc subsidiaries, benefit from the original program's success, and apply it to all activities and operations of stc.

In addition, internal audit is introducing a job rotation program to facilitate a more robust partnership between internal audit and stc's operational business units.

*Alanizi relies on strong support from his audit committee as he guides internal audit toward a future built around business resilience.*

"We have a guest auditor program that allows internal audit to capitalize on the knowledge of the company's subject matter experts who understand the risks associated with the business," Alanizi says. "They provide us with insights and help us draft the report in a way that makes sense, adds value and is understandable by the business."

The guest auditor program features three levels of engagement, ranging from a limited role where the employee sits in on audit meetings to an embedded six-month program designed to increase awareness and internal audit's level of control in the company.

"All of these activities will help us and give us sustainability while ensuring we provide what is required and add value to the business," Alanizi says.



# STANDARD CHARTERED

Creating an Organization That Is “Resilient by Design”



*Our focus on business resilience will always remain because the business landscape will continue to evolve. We're on a journey to become resilient by design, where business resilience just becomes part of the bank's DNA.*

**Micky Bhansali**

Managing Director, Group Head of Audit for  
Technology and Innovation and Operations



Standard Chartered is a leading international banking group with a presence in 59 of the world's most dynamic markets and serving clients in another 85 markets. With a business history spanning more than 160 years, the corporation is listed among the top 100 largest companies on the London Stock Exchange.

The bank has two primary lines of business: Corporate, Commercial and Institutional Banking (CCIB) and Consumer, Private and Business Banking (CPBB).

Although headquartered in London, Standard Chartered maintains a significant presence in Singapore, which Micky Bhansali, managing director, group head of audit for technology and innovation and operations, now calls home. In October 1999, the bank, which established its branch presence in Singapore in 1859, was among the first international banks to receive a qualifying full banking (QFB) license. Standard Chartered is listed on two of Asia's largest stock exchanges and is the first and only bank in Singapore to be awarded enhanced Significantly Rooted Foreign Bank (SRFB) privileges by the Monetary Authority of Singapore (MAS) in recognition of its higher degree of rootedness exceeding the SRFB baseline criteria.

"We have a significant presence in this market," Bhansali says. "Singapore serves as a strategic hub for doing business across our core markets of Asia, Africa and the Middle East."

### **Adopting an Agile, Dynamic Approach to Audit**

Bhansali joined Standard Chartered in August 2020. He relocated to Singapore from Tokyo, where he previously held senior positions in audit and business management at major global banks.

Due to Standard Chartered's size and global reach within a highly regulated industry, the bank maintains a large and geographically dispersed global internal audit operation of more than 500 team members. Chief Audit Executive Alison McFadyen is based in London and reports directly to the chair of the board audit committee of the bank. Bhansali is one of a small cohort of group heads that constitutes the function's senior management team and reports to McFadyen.

The global internal audit function's objectives are focused around three key pillars: Smarter Auditing, Auditor of the Future, and Technology and Innovation. "These three pillars underpin our vision to be a forward-thinking and insightful team that supports responsible growth and protects the bank while driving positive change," says Bhansali.

"Smarter Auditing involves the use of short, sharp reviews to provide timely opinions," Bhansali says. "We do this by utilizing a number of different audit products, such as a traditional risk-based audit, a targeted review or a risk response. Each of these artifacts has a different way of reporting and a different style of messaging. The idea is to address key existing and emerging risks in short, sharp sweeps."

The Auditor of the Future objective reflects the bank's organization-wide people plan and is centered around assessing new ways of working and the new skill sets required for internal audit to continue to remain relevant in a rapidly changing business environment.

The Technology and Innovation pillar, meanwhile, encompasses the use of advanced technology solutions in support of a dynamic, agile approach to auditing.

"Our focus is currently on the use of data analytics and may also include the use of big data or artificial intelligence in the future,"



Bhansali says. “It’s about having a wide array of tools to help us audit a constantly changing landscape. We’re in the process of implementing a new audit system to be delivered later this year.”

“Businesses globally are adopting the agile methodology of development, and group internal audit at Standard Chartered is following suit and adopting a dynamic auditing process,” Bhansali adds. “Rather than employing the traditional phases of planning, testing and reporting in horizontal slices, we’re now breaking down the boundaries between planning, testing and issue discussion. We’re doing it in vertical slices, very similar to how the agile approach works, in order to drive efficiencies in our processes.”

*Bhansali and his colleagues maintain an active voice on numerous risk committees and in governance forums within the organization.*

The timing of this strategic transformation couldn’t be better. In the wake of 2020’s historic pandemic crisis, the importance of business resilience has become obvious to Bhansali and his colleagues. Standard Chartered’s audit team tracks business resilience in its list of 15 top risks. Bhansali doesn’t expect this to change anytime soon.

“Our focus on business resilience will always remain because the business landscape will continue to evolve. We’re on a journey to become resilient by design, where business resilience just becomes part of the bank’s DNA,” Bhansali says.

## Preventing, Responding to and Recovering From Business Disruption

According to Bhansali, Standard Chartered defines business resilience as “preventing, adapting, responding to, recovering from and, more importantly, learning from a material operational disruption.”

He contrasts business resilience with business continuity, flagging it as a more proactive approach that anticipates needs and risks within each critical business service.

When it comes to business resilience, the bank’s global internal audit function can offer value to the larger organization in a variety of ways.

First, the audit team can provide individual business and support units with customized guidance born of deep institutional knowledge across a wide array of domains.

“Group internal audit is the third line of defense. As such, we have significant organizational knowledge,” Bhansali says. “We have been performing for many years audits across all the core foundational elements of business resilience, including cyber resilience, third-party resilience and technology resilience. We are therefore uniquely placed to be able to connect the dots across each of these foundational areas to provide an overall opinion on the organization’s business resilience posture.”

Bhansali and his colleagues maintain an active voice on numerous risk committees and in governance forums within the organization, allowing internal audit to maintain a continuous feedback loop. Having this proverbial seat at the table is critical for the internal audit function to establish a trusted relationship with the bank’s operating units, as exemplified through a recent audit of client journeys.



“Client journeys are the complete sum of experiences that a client has when interacting with a specific business, product or function,” Bhansali says. “This concept was born of the bank’s Simplifying Change Governance program and is very important to the bank’s future. Group internal audit has been asked to review the entire client journey model at different phases as it develops and matures and provide a view on what’s working well and what needs to be improved. We’re doing that. This is the continuous feedback loop to business management.”

*Bhansali emphasizes the importance of “embedding business resilience knowledge into our people through a journey of continuous learning and creating opportunities to put that learning into practice.”*

### **Engaged, Supportive Leadership Sets the Tone**

Of course, without fully engaged and supportive leadership, the global internal audit function would not have a platform to offer such value to the bank. Standard Chartered’s audit committee is locked in on the importance of business resilience to the bank’s long-term success and viability.

“Business resilience is on the agenda of every regulator globally, and if the regulators are focused on it, so is our board, the audit committee and our management,” Bhansali says. “Our audit committee is very interested in understanding how the bank is progressing in its journey toward achieving business resilience.”

Each year, Bhansali’s team presents the audit committee with a comprehensive update on each top risk, including business resilience. This update offers a view of the internal audit team’s work to date, key findings, and initiatives the bank or specific business line has undertaken to improve its risk profile.

### **People Are Key to Smarter Auditing**

In addition to this top-down support, the biggest factor in Standard Chartered’s success in prioritizing business resilience has been the quality and skills of its auditing team.

Bhansali emphasizes the importance of what he describes as “embedding business resilience knowledge into our people through a journey of continuous learning and creating opportunities to put that learning into practice.”

All of the function’s teams have regular sessions where members brainstorm critical risk areas that may not necessarily get covered through periodic audits but are important enough to warrant continuous monitoring. “We’re trying to embed this kind of mindset into our people where we’re constantly identifying emerging risk areas, looking at what’s happening in the industry, and then taking a step back and asking ourselves the question, ‘Can this happen here?’”

The bank also places a strong focus on continuous upskilling and provides its audit professionals with access to a wide range of learning tools. These opportunities include a wealth of internal courses, industry seminars and various accreditations, particularly those focused on emerging technologies like application programming interfaces (APIs), the cloud and data analytics.



As head of a large audit function, Bhansali constantly keeps an eye out for new talent outside the organization. “We are always looking to benchmark ourselves against those skill sets available in the industry,” Bhansali says. “We are focused on building our bench strength and bringing in the diversity of thought required to take us into the future. When we hire today, particularly in my area of technology and innovation, we are looking for people who have deep knowledge of emerging technologies.”

Bhansali recognizes that the traditional approach to mainly recruiting candidates from other financial institutions is no longer viable in a world where the competition includes big tech firms like Amazon, Facebook and Google. “Our search for talent also has to include the wider industry and can’t simply be focused on financial services,” Bhansali says.

“I think business resilience is a journey,” he adds. “There will always be new threats on the horizon as the world becomes more interconnected. Business resilience is going to become even more important because a material impact on one business very likely will have an impact on another line of business or another support service. For this reason, I think the focus on business resilience will continue for the foreseeable future.”

*As head of a large audit function, Bhansali constantly keeps an eye out for new talent outside the organization.*



# TRUEBLUE

Focusing on Customer Service to Increase Versatility and Flexibility to Help Stay Resilient



*It's the highest compliment for our team when our 'customers' (auditees) invite us to have a seat at the table for their application implementation because it means they see internal audit as a trusted business adviser, which is our vision – each team member has this vision statement written in their email signature.*

**Angela Treleven**

Vice President, Internal Audit



For the past 30 years, TrueBlue has focused on connecting people to work and helping to change lives in the process. And while the COVID-19 pandemic made 2020 an incredibly challenging year for workers and businesses around the globe, TrueBlue did not waver in that mission. Amid all the disruption, the company helped 490,000 people connect with jobs with over 99,000 companies worldwide.

Like most companies, TrueBlue was not immune to economic disruption to the business. But it acted on cost-reduction measures in a thoughtful manner that would leave its three business lines poised for the ensuing economic recovery and ready to play a critical role in connecting people and work.

TrueBlue is a leading provider of specialized workforce solutions. Based in Tacoma, Washington, the company, formerly known as Labor Ready, went public in 1996 and changed its name to TrueBlue in 2008. Today, TrueBlue offers workforce solutions through three brands:

- **PeopleReady** provides temporary associates on demand — from general labor to highly skilled craftspersons — for employers in industries such as construction, hospitality, manufacturing and logistics, marine, and transportation. Its JobStack mobile app and online portal help people find work opportunities and businesses locate talent 24/7. PeopleReady has approximately 600 branches in the United States, Canada and Puerto Rico.
- **PeopleManagement** delivers contingent, on-site industrial staffing for e-commerce and retail fulfillment, warehousing, manufacturing and other businesses. It also provides commercial driver services through its Centerline business, including drivers with specialized driving certifications.

- **PeopleScout** is the world's largest recruitment process outsourcing (RPO) provider. It offers managed service provider (MSP) solutions and talent advisory capabilities to a wide range of industries, including financial services, aviation, hospitality and healthcare. Its proprietary talent acquisition platform, Affinix™, helps speed the talent acquisition process by supporting virtual interviews, digital assessments and more. PeopleScout has operations in the United States, the United Kingdom, India and Australia.

To stay resilient, a complex, public company with international operations like TrueBlue needs the support of a well-staffed — and well-rounded — internal audit organization that's keeping an eye on the future. And since joining the company five years ago, Angela Treleven, vice president, internal audit, has been dedicated to building that kind of function.

“We had a small team with varied auditing skills and business acumen when I started on the heels of the largest acquisition in our company's history,” says Treleven. “It has sometimes been a challenge to rebuild and find team members with the continuous improvement mindset and the ability to thrive in a constantly changing and dynamic environment. We have doubled, almost tripled, our team size and gone global.”

Recent additions to the internal audit team at TrueBlue include two team members based in India and a diversity, equity and inclusion (DEI) intern from a local accredited university. “It is important that our team resemble the communities we live and operate in and the footprint of the company's organization,” says Treleven. “So, when TrueBlue established a shared services center in India, a location I've traveled to personally



twice in my career, I thought, ‘If we have finance, IT, legal and operations personnel in India, then internal audit needs to resemble our global structure.’”

*Treleven says it’s inevitable for all her internal auditors to become more versatile and tech-savvy, given that there’s so much overlap between IT and audit when assessing certain controls.*

### **Setting a Goal to Cross-Train the Entire Internal Audit Function**

While Treleven has been working these past several years to recruit talent for the internal audit organization, she’s relied on a co-sourcing model to ensure she has the resources necessary to execute on her audit plan. And now that she has the function staffed fully, she says she wants to start “blurring the lines” between auditors who currently focus on either business or IT audits.

She explains, “I really want to try to cross-train our entire department. We’re primarily a Sarbanes-Oxley shop right now. But I want to change things so my team has more career opportunities, a greater understanding of the business, and the ability to flex and fill in wherever the needs are. I don’t want to have auditors who have narrowed range-of-motion. Business acumen skills are critical for the audit team of the future.”

TrueBlue has embarked on a digital transformation journey in recent years that includes its implementation of Oracle Fusion, human capital management (HCM) and, most recently, platform-as-a-service (PaaS) from a financial reporting perspective. TrueBlue has also implemented smartphone apps to

support operations, specifically for associates and customers. All of this has helped to add a sense of urgency to Treleven’s plans to cross-train her team.

“There’s so much we need to understand about technology and business risks when auditing the preventive and automated controls versus the old-world detective and manual controls in processes,” says Treleven. “We need to have multiple people on our team who can identify and understand these risks, as well as think creatively on how to mitigate them. We can’t rely on one person to be the Oracle expert, for example, or the proprietary point-of-sale system expert, as this model breeds either the single-point-of-success model or, worse, the single-point-of-failure model.”

Treleven says it’s inevitable for all her internal auditors to become more versatile and tech-savvy, given that there’s so much overlap between IT and audit when assessing certain controls. “It’s no longer a case of ‘That’s your responsibility, and this is mine.’ It needs to be more collaborative: ‘Here’s the issue. Let’s work together to solve it,’” she says.

Treleven is also leading the way with the finance and human resources (HR) organizations on a hybrid “return to work” model as she recognizes the importance of collaboration and the apprenticeship learning model.

While the internal auditors are still focused primarily on auditing internal control over financial reporting (ICFR), Treleven says they’ve started to work on additional consultations that are more IT-focused and designed to help TrueBlue increase its overall business resilience. Those consultations include pre-implementation reviews, pre-design reviews and an ISO 27001 certification to ensure that the company “builds in, rather than bolts on” controls, she says. Beyond



that, Treleven is focused on environmental, social and governance (ESG) reporting and the importance of putting people first.

In addition, Treleven leads the company's fraud prevention committee, focusing on continuous monitoring and involving those in the first line of defense. Treleven and this committee are developing methods and creating a global team to expand their use of data analytics to support continuous monitoring in specific areas of the business to help reduce fraud risk.

Treleven remarks, "We have barely scratched the surface of data analytics, AI, RPA and an 'insert any buzz phrase here' approach."

Treleven is excited about the future, where ESG, employee engagement and data analytics converge to build a powerful business model.

*Treleven says she thinks gauging the health of the company's culture will be just as important in the post-pandemic recovery.*

### **Working to Maintain a "Sticky" People Culture**

Treleven leads TrueBlue's finance employee engagement, with an aim to take their work enterprisewide one day in partnership with the HR department. "We are a people company," she says. "We connect people and work. So, we need to make sure we're investing in our own people culture too."

Keeping a close eye on the state of the "people culture" has been essential for TrueBlue and many other organizations disrupted by the global health crisis — and leaning hard on their teams because of it.

Treleven says she thinks gauging the health of the company's culture will be just as important in the post-pandemic recovery: "As things open up, it will be even more critical, from a resilience perspective, to ensure we maintain a 'sticky' people culture at TrueBlue."

Treleven's passion for maintaining a positive people culture stems from her family's business — a pest control company that's been operating for nearly 100 years, with her father most recently celebrating his 50th anniversary with the company.

"My dad would always say, 'We're not in the pest control industry. We're in the people industry.' That resonated with me the first time I heard him say it — and now that I'm actually working in the people industry, even more so," Treleven says. "Each time I think about our people, whether at TrueBlue or the boards I am affiliated with, my heart beams with pride. If you take care of your people, they will take care of your business."

To track employee engagement at TrueBlue, Treleven says the company uses engagement surveys administered by Glint. "Our most recent one for the finance organization was incredible — I couldn't believe it," she says. "Even with all the challenges we've faced during the pandemic such as salary reductions, no matching for retirement plans, workforce reductions and beyond, we found a way to increase our score from an 80 to an 81."

She continues, "While one point to an extremely competitive person like myself might feel like a letdown, I readjusted my perspective. It is a huge win, as it's hard to move the needle given the starting point and the headwinds we faced this year. I'm proud of our company leaders for focusing on the people. And I am excited for the future, as it is a bright one in the human capital space!"



## Taking a “Blue Sky” Approach to Planning for Future Tech Needs

The internal audit team at TrueBlue is focused on improving in two key areas in 2021, according to Treleven. The first is customer service. “How do we make it as easy as possible for the business to work with us?” Treleven says. “Thinking like that — about the end consumers of our services — helps to build customer service skill sets from the senior level to the staff level in our organization.”

*Treleven says they are engaged in “Technology Blue Sky Planning” — thinking about what technology they need to be more effective today and to become a more resilient function in the future.*

Some changes now underway at TrueBlue to improve internal audit’s customer service abilities include redesigning the entire process for gathering audit evidence. “We were using SharePoint before, and our external reporting team was using email and a Workiva platform and our external auditors another platform,” says Treleven. “From a customer service perspective, it felt repetitive and painful to remember what logins were needed. So, we moved to Microsoft Teams to make the process more collaborative for all finance-related compliance and laser-focused on how to reduce any duplicate requests for information and the number of places where people need to log in to submit information.”

She adds, “That’s what I’m trying to get my team to think about now: ‘How do we make all of this easier and still maintain compliance?’”

The second area of focus for internal audit this year is evaluating and improving how the team uses technology. Treleven says they are engaged in “Technology Blue Sky Planning” — thinking about what technology they need to be more effective today and to become a more resilient function in the future. “We’re creating an inventory of everything we use right now — from Adobe, which we use to write and mark up work papers, to our governance, risk and compliance platform, to our timekeeping program.”

Once that inventory has been completed and reviewed, Treleven says the team will start researching new technologies they might adopt. “What data analytics tool should we use? What is beyond API and AI? How do we break our Excel crutch? And what’s already available to us in the organization?” she says.

How will Treleven know if her team is meeting its objectives — and making the desired impact? When the business seeks them out, she says, which is already happening: “It’s the highest compliment for our team when our ‘customers’ (auditees) invite us to have a seat at the table for their application implementation because it means they see internal audit as a trusted business adviser, which is our vision — each team member has this vision statement written in their email signature.”

Another litmus test for internal audit, in Treleven’s view, is the turnover rate in the function. “When someone wants to join my team, or stay with it, that indicates, ‘OK, we’re doing something right here,’” she says.

“I realize that these metrics sound a bit arbitrary,” Treleven adds. “They’re certainly not the key performance indicators you might expect internal audit to measure. But this is what I focus on to determine whether we’re building good relationships with



the business and adding value. If you stay focused on how our business operates, avoid following ‘same as last year’ and engage in a solutions-oriented mindset, I will support you and find opportunities for you to be successful, either in our organization or outside of it — you do you!”

That said, Treleven admits she also looks at hard numbers when evaluating whether internal audit is delivering a high level of

employee engagement, which, in turn, drives customer service. When the most recent survey results were released, her team led the way. “Yes, that’s right, *internal audit* led the way with the finance scores!” she says.

Treleven says she will not sit still and take that achievement to the bank. She intends “to stay diligently focused on continuous improvement, our people and stakeholders.”



# UNUM GROUP

Pivoting to Respond to Change While Positioning for the Future



*Looking back at all that Unum has accomplished during the pandemic, I see a great example of business resiliency in action. Going remote hasn't slowed us down at all. ... We were able to pivot quickly, from both an internal audit and workforce perspective, and that's something we're really proud of.*

**Miles Archer**

Vice President, Internal Audit



Few companies in the United States have a longer history of serving customers than Unum Group, which was founded in 1848 as Union Mutual Life Insurance. A year later, the company issued its first policy: \$5,000 in life insurance coverage.

Unum has spent the following 172 years focused on protecting people financially when they're injured or ill and need it most. Today, Unum provides disability, life, accident, critical illness, dental and vision, and leave benefits to 39 million people through their workplaces.

Unum Group's family of businesses includes Unum U.S., Unum U.K., Unum Poland and Colonial Life. Based in Chattanooga, Tennessee, the company employs more than 11,000 people and reported revenues of \$13.2 billion in 2020.

As an insurance company, effectively taking and managing risks is essential to the success of Unum. Its internal audit team plays a central role in fulfilling this critical function.

### **Increasing Resilience by Investing in Future-Forward Skills and Tools**

Unum's Enterprise Audit organization's structure is unique, with 75 employees located in the United States, the United Kingdom and Poland, staffing three primary audit functions. One function is internal audit, which represents the largest portion of the organization, with 25–30 auditors. Second is the internal claims audit function, which reviews claims to ensure that Unum's claims decisions are fair, objective and thorough. That function also conducts performance agreement audits on behalf of Unum's customers, which are essentially analyses of claims-related, service-level agreements.

The third function, with about 10 auditors, concentrates on auditing Unum's internal control over financial reporting and ensuring

Sarbanes-Oxley Act compliance. And, in the past three years, a fourth function has been established in the internal audit organization — transformation and data science — which has grown to a team of 10.

“The transformation and data science function is all about transforming each of our audit functions so we can contribute even greater value to Unum in the future,” says Vicki Gordan, Unum's senior vice president and chief auditor.

*As an insurance company, effectively taking and managing risks is essential to the success of Unum.*

“We're investing in talent for our audit organization overall, making sure we have the right skills to meet our business demands,” says Robert Snyder, who leads the growing function as Unum's assistant vice president, transformation and data science. “We're also investing in technology and trying to use it more effectively. As an example, we're trying to leverage data as a foundation for better reporting and business intelligence capabilities. This allows us to provide key information more quickly and in a way that's easy for the business to both understand and use to make stronger, risk-based decisions.”

Other goals for the transformation and data science function include automating routine audit work. “That creates efficiencies and capacity for the internal audit organization, which can then be channeled to deliver additional assurance and advisory engagements on emerging risks, change initiatives, and the operational control environment,” says Snyder.

He adds that the strategic road map encompasses implementing continuous



auditing capabilities. “That will allow us to provide baseline assurance more effectively — for example, through full population coverage. In addition, it can significantly reduce the support needed from business partners compared to a traditional audit,” Snyder explains.

### Success Factors to Achieve Internal Audit’s Bold Goal

Many of the changes in progress or on the road map for internal audit at Unum were planned before the COVID-19 pandemic, and they have positioned the function well to pivot to new and emerging needs and risks in Unum’s businesses, says Gordan. Unum’s business similarly had transformation initiatives in progress, and the pandemic accelerated many of those.

“Suddenly, things that we expected would take two to three years to happen were being done in a matter of months,” says Gordan. “That was true not only for our businesses, but also for our audit function, where we prioritized the development of continuous monitoring dashboards and other analytics to provide assurance that COVID-19 risks were well-controlled.”

The internal audit organization has been pursuing transformation, in part, to achieve the bold goal it set for 2022. Snyder explains, “We look to increase our effectiveness by 50% by that time. We’re working to achieve that goal by positioning the internal audit organization as an essential business adviser, a leader in digital auditing and one of the best places to work at Unum.”

Gordan and her team have been evolving a strategic plan over the past two years to help internal audit reach that bold goal. It’s centered on four success factors — efficiency, operating model, stakeholder value and talent — and tracking progress on each factor

through measurement and accountability is key to the bold goal achievement.

The bold goal serves as a north star for the organization, and “achieving the bold goal will help increase the internal audit organization’s resilience and agility so that it can help Unum and its businesses grow their resilience and agility too,” says Miles Archer, vice president of internal audit.

Strong, connected business relationships are foundational to bold goal achievement. Archer says: “Even before we set the bold goal, we were focused on building strong business partnerships and business acumen so we could better contribute to the company in many areas.”

*Strong, connected business relationships are foundational to bold goal achievement.*

He continues, “I think one thing that has helped Unum during the pandemic is the fact that internal audit can apply an enterprise perspective — that we’re able to quickly take a step back and think broadly across the entire company. What do we see from a risk perspective? Where do we see the potential strain on controls, and how can we contribute to help the business reduce that strain?”

Archer says Unum also benefited from the combined assurance internal audit has provided to the business in conjunction with the enterprise risk management and compliance functions. “We already had strong relationships with these teams,” he explains. “Together, we were able to dive into some critical pandemic response areas from a resilience standpoint and create an efficient approach for Unum to make sure it had the right people in the organization talking about the right topics and making decisions in a sound way throughout the crisis.”



## Standing Up a Cross-Functional Team to Respond to Disruption

Unum shifted to virtual work rapidly in early 2020, successfully transitioning about 98% of its employees worldwide to remote work arrangements. Archer says at the same time, the company “stood up a cross-functional, operational decision-making team to help Unum begin reacting and responding to what was a very dynamic and multifaceted situation evolving around the globe.”

The team, Archer says, looked at everything from how the business could ensure that the virtual private network (VPN) employees use for remote access stayed up and running to which technology platform the business should pivot to so that its sales and service teams could interact with customers in a changed world where face-to-face meetings were no longer an option.

“Decisions were being made quickly — and thoughtfully — to allow Unum to respond to its customers effectively, all of whom were impacted by the pandemic and many of whom had employees submitting claims related to COVID-19,” says Gordan. “So, one of the first things the internal audit, enterprise risk management and compliance teams asked business leadership was, ‘How are we tracking these process updates and decisions? You’re going to want a complete log of all decisions, and the risks and controls impacted by those decisions, to evaluate the effectiveness of the changes, to effectively debrief as the pandemic continues, and to determine which changes should ultimately be reversed as applicable just to the pandemic and which changes should become permanent practices.’”

The outcome of that conversation, says Gordan, was the creation of a decision log — a central repository for documenting key business issues that needed resolution, the business decisions made and the rationales, the changes being made to

Unum’s processes, and the results of those changes. It also identified any potential risk and control implications and when and how those decisions would be revisited later to be either continued, reversed or implemented permanently, says Gordan.

*As Unum navigates pandemic-related disruption and makes plans for the eventual recovery, the internal audit team is continuing its transformation.*

## Using Data Science and Process Mining to Improve Efficiency

As Unum navigates pandemic-related disruption and makes plans for the eventual recovery, the internal audit team is continuing its transformation. That includes carrying out the talent strategy Gordan and her team set a few years ago. “We started thinking about our talent profile and built a competency framework,” says Gordan. “And about a year ago, we created an ‘auditor of the future’ profile. These tools have helped us to focus on recruiting and growing the right competencies in the organization that will allow us to become stronger advisers and assurance providers.”

Those competencies include technology skills. The internal audit team at Unum has been working to embed data science and analytics more deeply into all areas of their work, with help from the fourth function led by Snyder. One recent accomplishment on the data science front is the development of “pulse analytics auditing” for several areas of Unum’s U.K. operations. “These are highly targeted engagements that provide data-driven risk insights both point-in-time and on a continuous basis,” says Snyder.



*Snyder says the full population audit approach has delivered deeper insights on claims handling throughout the pandemic.*

And, in the U.S., the team’s work with a process mining provider has automated auditing of several of the claims performance agreement standards. Snyder says the full population audit approach has delivered deeper insights on claims handling throughout the pandemic. These insights can result in more targeted actions in the claims organization to improve processes so they can better serve Unum’s customers.

Archer says, “Looking back at all that Unum has accomplished during the pandemic, I see a great example of business resiliency in action. Going remote hasn’t slowed us down at all. I know some other internal audit organizations, particularly during the height of the crisis, were struggling. They wondered, ‘How are we not going to do on-site audits?’ That wasn’t an issue for us. We were able to pivot quickly, from both an internal audit and workforce perspective, and that’s something we’re really proud of.”



## ABOUT PROTIVITI

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\*MEMBER FIRM

“Do not judge me by my successes,  
judge me by how many times I fell down  
and got back up again.”

**NELSON MANDELA**

The South African activist and former president



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