

# Finding Your Voice

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## Carrie Kennedy

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Carrie has practiced public accounting since 1997. She provides financial auditing, operational auditing, and other consulting services for credit unions, community banks, SEC banks, and other financial services organizations. Her experience includes initial public offerings, SEC reporting, start-up institutions, mergers and acquisitions, HUD reporting, and Sarbanes-Oxley and FDICIA reporting. She is actively involved in the firm's Financial Services Group and is a frequent speaker at industry association events, Moss Adams' annual supervisory committee workshops and webcasts, and also authors articles for firm and industry publications.





# Dustin Birashk

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Dustin has been in public accounting since 1999 and specializes in serving financial institutions including credit unions, community banks, thrifts, mutual banks, SEC banks, mortgage banking companies, and other financial services organizations. He is proficient with opinion audits and Supervisory Committee agreed-upon procedures engagements.

Dustin is actively involved in the firm's Financial Services Group and is a frequent speaker at industry association events, Moss Adams' annual supervisory committee workshops and webcasts, and also authors articles for firm and industry publications.



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# Expertise

*Crater Lake—  
A monument to perseverance,  
North America's deepest lake filled  
to 1,949 feet over 720 years.*

D

105

years in business

E

2,900

professionals

E

P

30+

industries served



# Reach

*Grand Canyon—  
At 277 miles long and up to 18 miles  
wide, this icon serves as a testament  
to determination and time.*

# W I D E

25+

locations

100+

countries served  
through Praxity,  
AISBL

\$577M

in revenue earned



# Finding Your Voice

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- Why is it important?
- How to get a seat at the table where important decisions are made.
- How to maintain that seat at the table once you get it.
- How to be in the know of your Credit Union's strategic plans.
- How to get involved on the front end of new products, services, business lines.
- How to be sought after for input on rules/regulations or operations.



# Finding Your Voice

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- Essentially about leadership
- Great leaders aren't born. Practice and shape your skills continuously.
- Look inward. SWOT analysis. Be honest with yourself.
- Read often.
- Seek out role models/mentors.
- Practice.
- Leadership training.



# Why

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- Today's economic environment
  - In the current environment, the expectations of internal audit are shifting to far more than assurance related risks.
- “Audit committees are growing increasingly reliant on the internal audit function to help them navigate external business risks that affect operations, including reputational risks from social media as well as cyber-security risks. As a result, the internal audit function at many companies has effectively been given a seat at the boardroom table as a trusted consigliere to the audit committee.” (source: Internal Auditors Eyeing Operational Risks, By Lindsay Frost, February 16, 2016)



# Why

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- “Boards identified various operational risks as among the most critical areas of concern in a survey published by EisnerAmper in late January and conducted in 2015. Among 300 public, private and nonprofit board respondents, the most pressing business concerns identified were operational risks, including reputational risks (75%), cyber-security/IT risk (61%) and regulatory compliance risk (53%). About one third (32%) of all respondents were from public company boards, with 56% of all respondents representing members of the audit committee on their respective boards. Respondents could choose more than one answer. The shift from identifying and mitigating finance and compliance risks reflects the way many organizations view risk currently, observers say. (source: Internal Auditors Eyeing Operational Risks, By Lindsay Frost, February 16, 2016)
- Leverage changing expectations for more involvement



# Why

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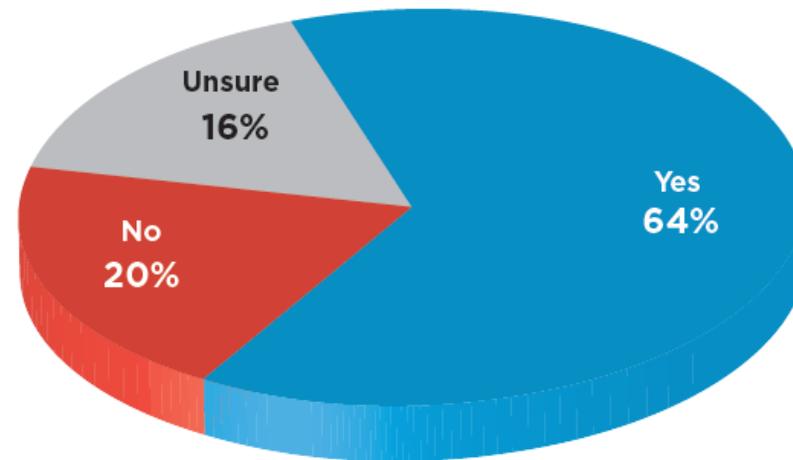
- “We went through a period in the aftermath of Enron and Worldcom where a lot of companies perceived the biggest risks to be in financial reporting controls, so a lot of internal auditors focused on financial reporting for a period of time,” says Richard Chambers, president and CEO of the Institute of Internal Auditors (IIA). “But, we’ve recently seen internal audit rebalance its workload to mirror risk [committees’ workloads], [including] whether operations are efficient and effective — areas not traditionally a part of their work.” (source: Internal Auditors Eyeing Operational Risks, By Lindsay Frost, February 16, 2016)



# IA Role in Strategic Risks

- Are we seeing a shift in expectations in our credit union?
- If so, how?
- Board?
- Supervisory Committee?
- C Suite?

**Exhibit 1** Should Internal Audit Have a More Active Role in an Organization's Strategic Risks? 



*Note:* Q16: Do you believe internal audit should have a more active role in connection with assessing and evaluating the organization's strategic risks?  $n = 859$ .



# Stakeholders' Perspective

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- Know your organization's mission, strategy, direction, objectives, and risks. Effectiveness of internal audit continually comes back around to this foundation.
- Assurance work is highly valued. While other tasks and projects performed by internal auditors may be value adding, they should not be done at the expense of assurance work.
- Advisory work is highly desired, with areas related to risk requested most frequently.
- Coordinate with functions in the second line of defense. Rely on their assurance work once they have been proven to be objective and reliable.
- Internal audit must be structured properly in the organization. Build relationships with management and board members. Relationships must be based on mutual trust and respect.



# Who has Already Achieved This?

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- Who in the room feels like they have been able to achieve this?
- And sustain it?
- What has worked for you



# What are the Obstacles

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- Management?
- Board?
- Supervisory Committee
- Structure?
- Other?



# Understand the Business

- If you want a seat at the table, you must understand the business
- The internal audit function must understand the mission, strategy and objectives of the Credit Union
  - Not only understand the strategy, but understand how it drives behavior
  - What can interfere or disrupt the organization's ability to achieve success
- The CBOK 2015 practitioner study found that 57% of internal auditors stated their audit plans align with the strategic plans of their organizations. This means that for 43% of the internal auditors, their plans are not aligned
- One board member commented “[Internal audit] supports by enhancing the existence of controls against the risks that hinder the organization to achieve its strategic and operational goals.” Source: Voice of the Customer: Stakeholders' messages for Internal Audit, A CBOK Stakeholder Report



# Understanding the Business

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- This does not mean that internal auditors will be involved in creating, developing, or challenging the strategy, but they will leverage their understanding of the strategic direction of the organization to drive their internal audit plan.
- CAE at large credit union...she has earned a seat at the table for discussions about strategy, direction, new product development, etc. She said that she does not question or challenge strategy, but she does have the ability to tactfully raise awareness about risks. Therefore, everyone at the table can go in eyes wide open.



# Understanding the Business

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- Good example of understand the strategy and risks...
- Credit Union doesn't have preventive controls surrounding removal of dormant account status. They made this determination based on member service and cost/benefit analysis, but they hadn't put in strong detective controls. Internal audit has added specific testing of a sample of reactivated dormant accounts, while in the meantime the department is being pushed to develop their own detective controls. Eventually, once the department has well designed and implemented controls, internal audit will shift to evaluating the new controls in place and will no longer performed the detailed audits of the process.



# Master the Blocking and Tackling

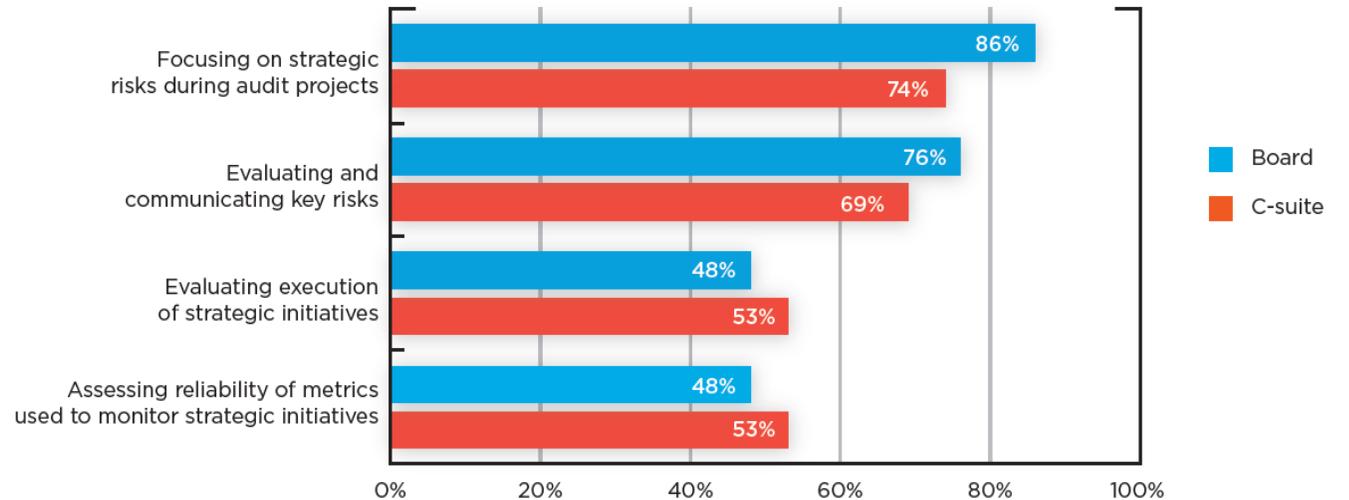
- Basic assurance work is critical, expected, assumed, and is most useful to stakeholders when it is tied to strategy.
- If you want a seat at the table, get this right.
- Don't let advisory or consulting work overshadow your basic assurance and compliance work.



# Tie Assurance Work to Strategy

The more that your work is tied to strategy and helping manage risk, the more likely you will get a seat at the table and maintain it; the more that you focus on tying work into the strategy and mission of the organization, the more leverage you have to ask to have that seat at the table.

**Exhibit 2** Avenues for Internal Audit to Improve Its Role in Responding to Strategic Risks



Note: Q17: Please designate which of the following are avenues for internal audit to improve its role in assessing/responding to strategic risks facing your organization.  $n = 553$ .

Source: Voice of the Customer: Stakeholders' messages for Internal Audit, A CBOK Stakeholder Report



# Client Example

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- CAE has a seat at the table
- She was persistent in asking to be present for all of these strategic discussions
- She had built a strong reputation based on her blocking and tackling
- She had good rapport with the process owners
- She built the case for why it was important for her to be there
- Once she was there, she would mostly just listen and observe
- In the rare event that she had serious concerns about a new product or service, she would generally meet offline with the department lead to discuss further, rather than throw them under the bus in the group setting
- This way, should could ensure that she understood all of the moving parts and the department lead felt supported and well advised
- Over time, this continued to build trust and support for the positive impact she could have as part of the team



# Build on Assurance Work

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- Stakeholders place value on work that builds on top of the standard assurance work
- “Interviews with stakeholders provided the same guidance. When asked how internal audit can help improve the culture of an organization, a board member...stated, “Promote a culture of discussion/risk awareness.” Similarly, a board member...said, “Internal audit can certainly contribute to improving the culture of the organization by helping to raise awareness...it helps to make managers aware of risks.” (Source: Voice of the Customer: Stakeholders’ messages for Internal Audit, A CBOK Stakeholder Report)



# Build on Assurance Work

- Asking for the chance to participate in strategic discussions and providing some observations of the relevant risks that require management is extremely important
- As long as the new product or service supports the strategic mission and direction of the credit union, internal audit can be the sounding board for identifying the risks that would need to be managed, monitored, etc.



# Coordinate with the Second Line of Defense

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- “Most stakeholders expect internal audit to communicate extensively with these functions and coordinate where possible. “Audit fatigue” affects many organizations when multiple functions are reviewing and assessing the same activities within the company. In addition, boards then have to decipher reports from multiple functions that seemingly cover the same material.” (Source: Voice of the Customer: Stakeholders’ messages for Internal Audit, A CBOK Stakeholder Report)
- Working with the second line of defense to own and develop controls over the risks in their respective areas is critical.
- As the second line of defense continues to improve, you can shift the focus on testing the controls of the second line of defense



# Structure and Relationships

- It's critical that internal audit has functional reporting to the Supervisory Committee or board. It's important for the Supervisory Committee to hear information directly from internal audit, information that is not filtered through management



Adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41



# Structure isn't Everything

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- Relationships are just as important
- “To think in a strategic fashion, the head of the internal audit department [as well as other internal audit team members] must be in constant contact with the business, able to quickly grasp the strategic changes by creating ongoing professional relationships with all key members of the company (and not just the CEO).”  
Source: Voice of the Customer: Stakeholders’ messages for Internal Audit, A CBOK Stakeholder Report
- Relationships are critical in understanding the business and keeping up with changes. However, relationships are valuable for much more. When stakeholders were asked for the best method to resolve competing demands, the majority said building strong relationships with operational and functional leaders. One CFO said, “I think having strong relationships is very important. People will always have different perspectives, but compromising is easier when relationship is there.”  
Source: Voice of the Customer: Stakeholders’ messages for Internal Audit, A CBOK Stakeholder Report



# Finding Your Voice - Recap

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Thank you!

