

Internal Audit In Brief

Fighting for relevance in times of change

July 2010



Internal Audit In Brief | Welcome

Welcome to the fifth issue of “Internal Audit In Brief” – the newsletter designed to give Internal Audit leaders a summary of the topical issues we are seeing in the market.

We very much hope that you will find this edition of interest. In addition to our regulatory update, in this edition we provide insights on the following topics:

Bribery

With severe penalties for “failure to prevent”, this board-level issue presents some real challenges for Internal Audit functions around how to assess both design and operating effectiveness and ensure the organisation has “adequate procedures” in place to defend its position should a bribery offence occur.

Management information

Many CEOs are questioning the scope and quality of the information they have available to support their strategic and operational decision-making, especially non-financial information. Internal Audit has a key role to play in assessing information flows, their accuracy and the adequacy of summarisation, presentation and consumability.

Treasury

Treasury risk management and, in particular, the ability to generate funding when required, have been key areas of increasing focus for commercial organisations in recent times. For many Internal Audit functions, developing the specialist skills required to review treasury functions is an increasing challenge as treasury risk management evolves in response to the economic downturn.

Public sector focus

With much of the burden for risk and control in the public sector residing with Internal Audit and Finance departments, Internal Audit should be more focused on those activities that will add more value to the organisation. By helping public sector management to embed a controls-conscious culture, and an aligned integrated risk and control framework, Internal Audit should be allowed to focus more on improving efficiency and identifying cost savings.

As Internal Audit confronts new needs and expectations, it must take the initiative to redefine its role, expand its skill sets, and prepare to take the lead in meeting the challenges of today’s ever-changing business environment.



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Global survey

We would like to thank those of you who participated in PwC’s Global Internal Audit Survey. We have highlighted some of the key results in this survey article, but would encourage you to read the full publication. In general, the results support the notion that Internal Audit functions have effected significant change and that they have the right priorities, but that there are still performance gaps in achieving the key attributes of high-performing Internal Audit functions.

Should you wish to discuss further any of the topics covered, or if we can help you in any way with the development and delivery of Internal Audit Services, please contact me or the PwC contact most relevant to your industry and location. Please also continue to share with us your views on “Internal Audit In Brief” and suggestions on how we can maximise its value to you going forward.

Check our
“Key Questions”
to gauge how
important these
topics are for
you and for your
team

Bribery | Act now or pay later

The Bribery Act 2010 passed into law on 8 April in the UK. In addition to offences of active and passive bribery (paying and receiving bribes respectively), there are two further specific offences, namely:

- Bribery of an overseas official; and
- A corporate offence of failure to prevent bribery.

This Act is relevant to those with UK operations. It also begs the question about how all organisations should react to corresponding demands in Ireland.

The Serious Fraud Office has indicated that it will use the “failure to prevent” charge as its weapon of choice. Sanctions include unlimited fines for companies and imprisonment of up to 10 years for individuals. But the reputational damage, professional fees and management costs of defending a bribery investigation could be even more significant for any company concerned.

Implementation of “adequate procedures” is key

A charge of failure to prevent bribery may be defended on grounds that the commercial organisation had “adequate procedures” in place at the time of the bribery offence. Accordingly, having adequate procedures in place will be critical in protecting organisations, both by mitigating the risk of

bribery occurring in the first place, and by helping to limit the damage if it occurs. This is not just about having good policies and delivering staff training (although these are important). Implementation is key, and may involve a wide range of elements, including changing cultures, behaviours and processes, design and operation of preventive and detective controls, appropriate monitoring, audit and enforcement, alignment of employee sanctions and reward mechanisms, amongst others.

Implementing an effective anti-bribery programme can be a significant undertaking. It may also represent the best insurance policy a company will ever buy. And the time to act is now.

Anti-bribery programmes must get board level support

This should be a board level priority and many CEOs and audit committees are already somewhat up to speed as the Bribery Bill was well publicised. However, based on PwC reviews undertaken at some of the largest and proactive UK companies, we estimate that only a small minority of UK companies have what are likely to be deemed “adequate procedures” in place. A key starting point before an effective anti-bribery programme can be implemented is a robust and comprehensive bribery risk assessment. Companies should undertake

such a risk assessment as a precursor to an evaluation of the effectiveness of existing programmes and controls. Building on the risk assessment, companies should then carry out an honest evaluation of their existing anti-bribery programmes, identify any gaps and plan to remedy them as a matter of some urgency.

An Anti-Bribery Policy does not equal an Anti-Bribery Compliance Programme capable of evidencing ongoing and up to date controls and messaging around anti-bribery in support of a strong ethical culture/tone from the top. Any regulatory investigation into alleged bribery offences will look for evidence of the anti-bribery programme working in practice if a company wants protection from prosecution under the “adequate procedures” defence.

The challenge for Internal Audit

The Act presents some real challenges for Internal Audit functions around how to assess both design and operating effectiveness. Heads of Internal Audit in some organisations are being asked to take on either interim or permanent compliance responsibilities, raising questions about self review threats. There will also be challenges around the training for Internal Audit teams that may lack experience in the assessment of softer aspects of an anti-bribery programme.



While the resolution of these issues remains unclear, we are confident that in the light of the Bribery Act, audit and ethics committees will want to prioritise anti-bribery programmes over the next few years.

For more information, articles and webcasts on the Bribery Act and other topical fraud and corruption related issues, please visit our Fraud Academy website at: www.pwcfraudacademy.com

Only a small minority of UK companies have what are likely to be deemed “adequate procedures” in place. Can we afford to assume Irish organisations are not as exposed?

Management Information | Consumable and effective?

Critical to the successful governance of any organisation is having access to the right information at the right time.

However, despite the effort being committed by many companies to their internal reporting, CEOs and their teams are questioning the scope and quality of the information they have available to support their strategic and operational decision-making, in particular related to non-financial information.

All too often the end result is management information that is incomplete, inaccurate, too financially focused and leaves too many questions unanswered.

To make matters worse, management will largely ignore poorly conceived management information and start to add to the already abundant reporting with new material, which can only add to the confusion.

Many boards and audit committees question whether they have access to the right information, and how accurate it is, especially non-financial information.

Lack of clear direction

Management should be able to step back from the internal reporting that is already available, and objectively assess what is required to give visibility to the progress made towards achieving their strategic objectives. Developing tailored, focused and balanced reporting to enable a clear line of sight through the key elements of the business, and a clear understanding of business performance, should provide substantial value.

The role of Internal Audit

Escalation – Internal Audit can assess scheduled and ad-hoc information flows to determine whether the right information is getting to executives and board committees.

Accuracy – It is, essential that executive management and the board have access to accurate management information. Internal Audit has a valuable role to play in assessing processes and controls over the accuracy of management information.

Summarisation and presentation – Internal Audit should assess whether key messages embedded in source information survive summarisation and presentation.

Consumability – Internal Audit can assess whether management information is digestible to the consumer. Executive management, boards and audit committees often struggle with the weight of reporting and are required to scan numerous pages of dashboards, traffic light reports and lengthy narratives to extract the really important pieces of information.



More focused exception based reporting can be developed once a strong framework for reporting management information has been established:

Step one – presentation of the framework and related change management process to executive management and the board.

Step two – exception based reporting with brief management discussion to focus on what the information is highlighting about the business rather than just reporting the facts (ie discussion related to the reds and ambers, and not the greens).

Many Internal Audit functions have used PwC's "Flying Blind" DVD to underpin a series of workshops designed to help achieve more streamlined and accurate management reporting. Please contact your PwC representative for further information.

A good way to assess the strength of internal information systems is to ascertain how long it takes bad news to reach the top.

Treasury | Weathering the financial storm?

Treasury risk management and, in particular the ability to generate funding when required, have been key areas of focus for commercial organisations in recent times. This has brought many organisations' treasury activities to the forefront of the boardroom agenda.

PwC recently completed a global treasury survey of nearly 600 treasurers across a spectrum of industries and company sizes, which considered treasury's reaction to the recent financial crisis. The survey shows that many treasurers were prepared, at least in part, for the effects of the crisis. However, few would claim to have been sufficiently prepared in all areas and all have drawn important lessons from the experience.

Rather than highlighting the need for new approaches, the crisis has underlined the importance of bringing established 'best practice' to the fore.

Treasury functions currently have the opportunity to add value and some treasurers have weathered the storm better than others. Here we have highlighted some of the key messages from the survey and what this could mean for Internal Audit functions.

Resourcing

The survey confirms that the best practice developed in the years prior to the crisis would have provided a solid foundation for dealing with its impact in areas ranging from liquidity and counterparty risk management to the volatility in commodity prices and foreign exchange rates and that the consequences of neglecting the treasury function can be devastating.

However, Treasury functions have traditionally been small, understaffed and under-funded departments.

In spite of the raised profile of treasury teams and the sharply increased demands placed upon them, only a small proportion of the participants in PwC's survey have been able to secure the extra resources and investment they need to help ensure the safety, liquidity and profitability of the businesses they serve.

Cash is king, again

'Cash is king' has been an enduring mantra. However, it would appear that many practitioners in treasury teams neglected the fundamentals of cash and liquidity management in favour of more exotic activities (including derivatives, structured bonds and merger and acquisition services). This situation has now reversed.

As access to liquidity declined, the proportion of survey participants rating cash management and working capital management as highly important has increased significantly (from 35% pre-crisis to more than 70% during and after).

Funding and liquidity

Funding and liquidity continues to be the number one challenge for treasurers. Banks are more particular in terms of the organisations they will invest in and are increasingly risk averse, which is reflected in the increased fees charged to organisations – if they are willing to lend at all.

For many years, both businesses and banks have spoken of the importance of their long-term relationships, often based on an understanding that while funding is provided now, other more profitable business will follow.

The crisis tested these relationships to the extreme and in many cases they failed. 56% of treasurers rated bank relationships as highly important pre-crisis compared to 84% during the crisis. Developing an appropriate framework for monitoring the true nature of the bank relationship is essential.



The financial crisis has put treasurers in the hot seat as they strive to sustain liquidity in the face of unprecedented funding constraints and to safeguard the business against heightened credit, counterparty, commodity and foreign exchange risks.

[Continued on next page](#)

Treasury | Weathering the financial storm? (continued)

Counterparty risk

A crucial aspect of a bank's willingness to grant funding is, of course, its own financial strength. While it has long been known that a major bank could collapse, few treasurers believed this was sufficiently likely to lead them to actively monitor the resulting risks.

In the wake of the crisis, the probability of a major bank collapsing is seen as real and the impact of this risk is now better understood. The lesson companies have learned is how devastating this impact can be. More subtly though, treasurers have realised that banking counterparties do not necessarily need to collapse to withdraw funding or other services.

The survey shows that this is one of the areas where best practice has evolved the most as a result of the crisis. 82% of respondents viewed counterparty risk as either a medium or high priority during the crisis and saw this continuing post-crisis.

There has been an increase in sophistication in how credit risk is monitored and has evolved from reliance on credit ratings (which many now believe are too slow in reacting to changes) to also looking at more real-time indicators such as credit default swap spreads, equity prices and bond yields.

Shift from standardised to active financial risk management

Most organisations have a formal treasury policy with defined limits and parameters, which are used as the reference point for driving treasury activities. A standardised, mechanical hedging approach may prove insufficient in highly volatile or illiquid markets.

Rather than stand alone hedging, participants see working with the business to manage risk more effectively as their main opportunity to add value over the next five years.

However, providing frontline teams with more advice and support is likely to require additional investment, both directly in analytical systems and the people to run them and in the automation needed to improve process efficiency and hence free up more time to work with the business.

There is a strong belief that investment in the tools and technology needed to support these activities will be critical in enabling treasury to prepare for future crises.

Training of Internal Audit departments on leading edge treasury practices should be considered.

Challenges for Internal Audit

As highlighted above, there are opportunities as well as risks arising from the financial crisis and both should be considered as part of Internal Audit's remit. This may require changes to the Internal Audit approach and focus on different angles.

Training of Internal Audit departments on leading edge treasury practices should be considered in order that adequate challenge can be provided against current best practice processes to evaluate areas of value leakage.

What is clear is that limiting testing to compliance with old treasury policies will no longer be appropriate if reviews are to be as effective as possible. Indeed, challenge of the ongoing effectiveness of the existing treasury policy may be the starting point.

For more information, articles and webcasts on treasury related issues, please visit PwC's treasury blog at: www.pwcblogs.com/finance_and_treasury.



Internal Audit should be able to provide adequate challenge against current best practice processes to evaluate areas of value leakage.

Public Sector | Maximising Internal Audit value in times of uncertainty

A key issue for the public sector is that all too often much of the burden for addressing compliance and control safeguards falls on the Finance and Internal Audit community, with little, if any, time available for value adding activities.

Aligning risk and control activity

Internal Audit should not take responsibility for acting as the first line of defence. Overall responsibility for risk management and control belongs in the hands of executive management, who need to be satisfied that it has the necessary tools in place to manage risks effectively.

Within the public sector, compliance and control activities are often seen as a burden, to budgets and management time, and associated with unnecessary cost and inefficiency. However, implemented and working effectively, internal controls embedded into every day processes should improve information reliability, decision making and operational performance. This is even more critical in times of cost reduction.

Internal Audit can help create a more comprehensive and understandable framework to assess, address and monitor organisational risks. By drawing more on the experience of best in class models, Internal Audit should be able to help with:

- Better understanding the risks being faced by the organisation
- Ensuring management implement appropriate compliance and control frameworks to address those risks

- Co-ordinating and integrating risk and control processes across the organisation
- Supporting integrated risk reporting to both senior management and board committees.

Thereafter, Internal Audit needs to bring risk and control skills to the front line to:

- Make those responsible for operating the day-to-day processes more control aware
- Equip fellow managers who do not have a control and risk background
- Proactively coach and encourage staff across the organisation to build a culture of compliance through risk and control consciousness.

Change programmes

The public sector is likely to experience significant levels of operational and systems change in the coming years. Transformational actions will be essential as the public sector tackles the issue of fiscal consolidation. As new operations, systems and processes tend to drive the majority of control failures, so Internal Audit has a key role to play in ensuring that executive management implements change programmes effectively. Internal Audit could and should equip those responsible for directing change programmes with appropriate risk management skills. For example, Internal Audit could challenge whether:

- A programme has clear goals with articulated benefits
- The information upon which decisions are being made is accurate

- Those running the programme have considered different ways of achieving their goals
- The representatives on stakeholder and governance boards are experts in different facets of the project, and not merely interested in a successful outcome.

Improving efficiency and cost savings

Given the current environment, many Internal Audit functions will need to identify ways to increase efficiencies and save costs, both within their own teams and across their organisation. Although Internal Audit is more traditionally involved in assisting with identifying and rectifying control breakdowns, it could also act more proactively to help avoid such pitfalls arising in the first place.

Whilst reviewing processes and controls, Internal Audit can consider whether the same level of control can be achieved in a more efficient/cost-effective way, and whether there are any controls and processes in place that can be removed as they really do not add any value to the organisation. Analytic and forensic reviews can be an ideal way to identify cost savings, including areas such as duplicate payment reviews, contract compliance reviews, travel and expense policy compliance, etc.

Within Internal Audit departments, improved efficiency can often be achieved with the increased use of technology, or by employing a risk-based methodology approach to reduce the time spent on non-key areas.

Improving the soft skills of Internal Audit staff is essential, especially at senior levels, as the most effective Internal Audit professionals will be those that communicate well, engage meaningfully with their organisations, provide strategic insight and can proactively suggest relevant solutions (and not just highlight problems). Internal Audit thus needs to develop more facilitative consulting and business partnering skills, as it is those same advisory, consulting and communicating skills that will let Internal Audit operate at the top of the organisation as a genuine business partner (whilst still retaining appropriate independence).

Put simply, with 25-40% cost reductions anticipated over the next five years, there is an opportunity for Internal Audit to identify efficiency and cost savings and monitor associated change programmes, but Internal Audit must also ensure controls are built in to re-engineered, streamlined processes to ensure operational risks are managed as costs are reduced.

To read about further issues of debate within the government and public sector, please visit: www.psrc.pwc.com

Internal Audit functions will need to identify ways to improve efficiencies and save costs, both within their own teams and across their organisation.

Global Survey | Responding to changing priorities

Involving more than 2,000 participants from 55 countries, PwC's "2010 State of the Internal Audit Profession Study" concluded that, to remain relevant and meet stakeholder demands, Internal Audit must evolve to an enhanced state that provides business leaders with actionable business risk intelligence. The key question the survey addresses is whether Internal Audit is delivering against changing priorities.

Improving relevance

Companies are keen to improve performance when it comes to monitoring and managing the risks that matter – the make-or-break risks that can spell fortune or failure for even the most powerful organisations. Business leaders must understand the events and shortcomings that drive risk, the effects risks may have on their organisation's strategies and objectives, and the capabilities required to manage and mitigate the key risks.

Based on our survey results, it is clear that Internal Audit functions want to assist their management boards in this area, although practices vary widely. There is also a lack of a well-proven path and clear direction from management or directors on what the output and outcomes should be.

However, most organisations acknowledge that an Internal Audit function positioned to see across the entire organisation has the necessary vantage point to achieve meaningful change by acting as a catalyst

for identifying and mitigating risk.

With regard to the profession's current view on its changing priorities, the survey points to a number of areas of increasing focus in the audit plan over the next three years. For example, 91% of respondents said they plan to increase focus on the management of risk; 78% on regulatory and compliance, 78% on emerging risks; and a healthy 69% on strategic initiatives. Similarly high percentages plan to increase focus on information technology risks (83%) and operational risks (81%).

At the same time, perhaps somewhat surprisingly, 67% of respondents plan to increase focus on financial controls. Furthermore, 48% of all respondents plan to focus more on identifying cost savings or revenue enhancement.

Keeping pace with demand?

Given the expansion of scope and drive to deliver more value, the real challenge for many Internal Audit functions is characterised by budgeted headcount shortages (37% of respondents have vacant Internal Audit positions).

The survey also indicates that changing capabilities and skill sets are emerging. 68% of respondents ranked critical thinking and analysis as the most desirable capability for staff over the next three years, closely followed by knowledge of risk management approaches (67%),

communication skills (63%), understanding the organisation's strategy (61%) and specific technology experience (60%).

On the issue of filling identified skills gaps, 58% of respondents said that significant use of training for in-house staff would solve the problem.

However, with increasing focus expected in many areas, there appears to be little corresponding decline in other activities. Most functions will therefore be hard-pressed to meet growing expectations without radical change.

Increasing areas of focus in the audit plan in the next three years



Continued on next page

Global Survey | Responding to changing priorities (continued)

Attributes of high performance

When questioned about the attributes of high performing Internal Audit functions, by scoring a set of pre-defined attributes out of 10 for importance and current performance, the results point to a consistent acknowledgement that a focus on critical risks and issues, and aligning Internal Audit's value proposition with stakeholder expectations, are ranked as the most important attributes, but also the areas of current performance where there is the greatest gap or room for improvement.

Two attributes were identified where the current performance exceeded the importance score of the attribute – these

related to a cost-effective delivery approach and client service culture.

Driving efficiencies and saving costs

Many Internal Audit functions are employing, or plan to employ, various tactics to increase efficiencies. The survey data points to the use of technology being the number one efficiency initiative when looking ahead, yet in practice that has been hard to achieve (largely due to a lack of available skills), and even harder to clearly demonstrate (55% of global participants were either unable to calculate a benefit, or had seen no benefit from previous technology deployments).

Moves to improve efficiency: 69% of

respondents already employing a risk-based approach to reduce the time spent on non-key areas, 69% of respondents are standardising audit procedures, and 58% are performing an end-to-end examination of the audit process.

When it comes to organisation cost-cutting initiatives, only 37% of respondents reported that company-wide layoffs included Internal Audit. This may be because many functions are already operating below their budgeted headcount as they struggle to recruit quality staff.

Raising the bar

As Internal Audit confronts new and continually changing needs and expectations, PwC believes the function must take a more radical approach to change than it has in the past. It must seize the initiative to redefine its role, and rethink the way it works.

The survey introduces the concept of "Internal Audit 2.0" to start organisations thinking about dramatic change. That means expanding its skill sets and preparing to take a leadership role as a more powerful resource for senior executives and the board in aligning strategy with risk identification, control and mitigation.

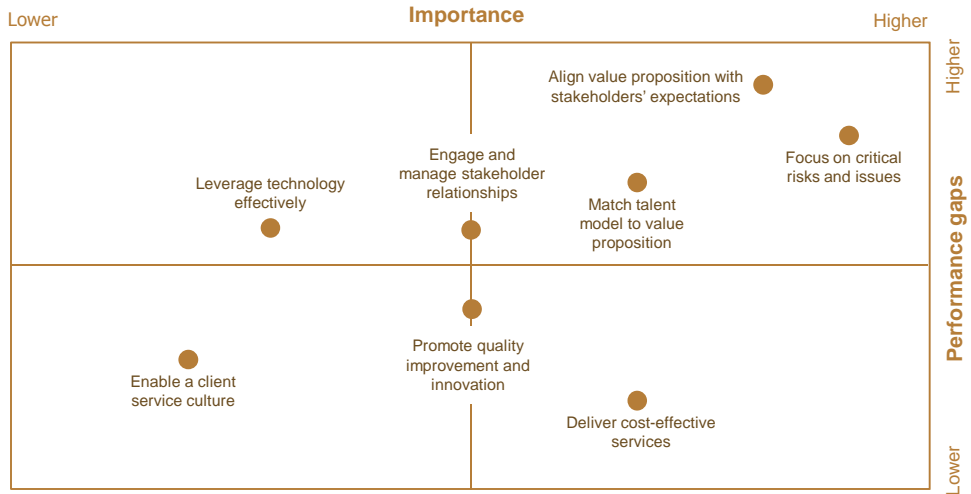
The survey describes the following key areas Internal Auditors should focus on improving to achieve the vision of "Internal Audit 2.0":

- Supporting corporate governance processes
- Continuing to elevate risk assessment
- Integrating further with non-financial risk and compliance functions
- Enhancing audit scope towards more value
- Closing the skills gap
- Responding to ongoing cost pressures
- Using technology more productively.

The 2010 survey data supports the notion that Internal Audit functions have made significant change and that they have the right priorities, but that there is still a critical performance gap in achieving the key attributes of high-performing Internal Audit functions.

To obtain a copy of the publication and arrange a meeting to help benchmark your Internal Audit department's performance against the survey findings, please contact your PwC representative.

As Internal Audit confronts new needs and expectations, it must take the initiative to redefine its role, expand its skill sets, and prepare to take the lead in meeting the challenges of today's ever-changing business environment.



Attributes of successful Internal Audit functions – Illustrating importance and performance gaps

Regulation

Bribery Act

The UK Bribery Act 2010 passed into law on 8 April 2010. Please see the article on page 3 for further information.

Solvency II

Solvency II is the most complex regulatory change to face the European insurance industry and is seen by other global regulators as leading practice insurance regulation. Internal Audit functions have an opportunity to add real value to the organisation, providing the Audit Committee with comfort over the status and direction of the project and the quality of the outputs being produced and also providing the Project Steering Committee with a Quality Assurance function on draft deliverables and comfort over the project status reporting of individual work streams. Internal Audit's role falls into the following areas:

- Auditing the Solvency II strategy
- Project assurance
- Quality assurance/benchmark support
- Solvency II key risks
- Model validation.

For further information, visit:

www.pwc.com/solvencyII

Basel III

In December 2009, the Basel Committee on Banking Supervision (BCBS) released its proposals for "Basel III" – aimed at strengthening capital and liquidity regulations. Two consultation papers were issued: "Strengthening the Resilience of the Banking Sector" and "International Framework for Liquidity Risk Measurement, Standards and Monitoring".

PwC has formally responded to the proposals, which are due to be finalised by the end of 2010 and implemented by late 2012. For further information, please visit:

www.pwc.com/basel

UK Corporate Governance Code

On 28 May 2010 the Financial Reporting Council (FRC) published the revised UK Corporate Governance Code to replace the 2008 Combined Code. The new edition of the code will apply to financial years beginning on or after 29 June 2010. Main changes from the 2008 code:

The new Code puts greater emphasis on the leadership and effectiveness of boards, and on the board's responsibility for the management of risk. It also recognises that the quality of governance depends on board behaviour not process, and that there needs to be better communication and engagement with shareholders.

For FTSE 350 companies only:

- Annual re-election of all directors to increase accountability to shareholders
- Externally facilitated performance reviews of boards at least every three years to help enhance the board's performance and awareness of its strengths and weaknesses.

For all listed companies the changes aim to:

- Encourage boards to be well balanced and avoid 'group think', board appointments to be on merit and against objective criteria, with due regard for the benefits of diversity (eg gender diversity)
- Promote proper debate in the boardroom, reinforce the importance of the chairman's role and the responsibilities of non-executives to challenge constructively and commit sufficient time

- Help enhance the board's performance – chairman to hold regular development reviews with each director
- Improve risk management – emphasis on the board's responsibility for risk management and the nature and extent of risk taking (and specific reporting on the company's business model in the annual report Business Review section)
- Link performance-related pay to the long-term interests of the company and its risk policy and systems.

www.frc.org.uk/corporate/ukcgcode.cfm

The Irish Stock Exchange is suggesting that a new Irish corporate governance code should mirror this new UK Corporate Governance Code. This call is contained in a consultation paper issued by the ISE on the implementation of a revised corporate governance code for Irish-listed companies

OECD Corporate Governance

The OECD's Steering Group on Corporate Governance has issued new guidance to help rectify the weaknesses in corporate governance that contributed to the financial crisis. While accepting the conclusions of previous reports that widespread weaknesses in areas such as remuneration, risk management, board practices and the exercise of shareholder rights all played a role, the OECD nevertheless believes the OECD Principles of Corporate Governance do not need to be revised.

The Group's latest report – "Corporate governance and the financial crisis: conclusions and emerging good practices. The report can be found at:

www.oecd.org/daf/corporateaffairs

CP 41: Corporate Governance Requirements For Credit Institutions and Insurance Undertakings

On 27 April 2010 the Irish Financial Regulator issued CP41 which sets out the minimum requirements as to how credit institutions and insurance undertakings should organise the governance of their institutions including membership of the board of directors, the role of the chairman and the operation of various board committees. The requirements draw on leading research and guidance in the governance area. The feedback period for this paper closed on 30 June 2010 with revised guidance expected.

Draft Data Protection Security Breach Code of Practice

The Data Protection Commissioner has published a draft Data Security Breach Code of Practice for public consultation. The draft Code of Practice has been placed on the website of the Office of the Data Protection Commissioner (www.dataprotection.ie) and the Commissioner has invited comments and observations in relation to the draft code. The draft Code provides that all instances of the loss of personal data (except where the data can be considered inaccessible due to proper security) must be reported to the Office of the Data Protection Commissioner where it affects more than a hundred individuals or where it involves any loss of sensitive personal data or personal financial data that could be used to carry out identity theft.

Key Questions

Contacts

Bribery

- Has bribery/corruption been considered in the internal audit risk assessment/planning process ?
- Can internal audit provide the Audit Committee with comfort that “adequate procedures” are in place to prevent/detect bribery & corruption ?

Management Information

- What scheduled and ad-hoc information flows to executive management and the Board? How is this selected? Has this been audited ?
- What processes and controls are in place to ensure the accuracy of management information flows?

Treasury

- Can internal audit provide an adequate challenge to current treasury practices ?
- Are internal audit able to add value through the provision of insights derived from current best practice ?

Public Sector

- Are internal audit positioned to play a key role in ensuring that the extensive change agenda is successfully implemented ?
- Have internal audit reviewed their own process and procedures to identify efficiency savings ?

Global Survey

- Can the current internal audit team keep pace with the changing demands and upskill in time to deliver on these ?
- Does Internal Audit really understand the key risks facing the organisation.....and is it addressing these in the annual plan ?

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