Engineering and construction

Internal audit benchmarking study
Internal audit benchmarking study
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The internal audit function has never been more important than it is today. The dynamics of the Engineering and Construction (E&C) and real estate industry are quickly changing. Given recent economic events, several high profile incidents of fraud and pressures from regulators, investors and lenders, the industry is increasing its focus on operational infrastructure. Ineffective processes, poor controls and a lack of governance are no longer acceptable. Boards, audit committees, analysts, regulators and executive management are demanding greater accountability, transparency and management of enterprise risk. Industry leaders are increasing their focus on practices that allow them to more readily access data – but more importantly, ensure that the data is accurate and timely. Also, an investor's confidence in the manager’s ability to demonstrate its competence in these areas is increasingly becoming a basis for deploying capital.

The Institute of Internal Auditors (IIA) defines Internal Audit (IA) as “an independent, objective, assurance and consulting activity designed to add value and improve operations.” However the reality sometimes is a potential disconnect between the organizational objectives and the prioritization of IA activities. Whether the root cause is enablement or execution (or a little of both), IA departments within E&C Companies are not always perceived as a value add activity, at least not to the level they should and could be. Internal auditors as a whole have long wanted greater organizational standing for their position, but along with this increased focus and attention is the responsibility to deliver value. This “value” is delivered best by improving the organization's chances of achieving its organizational objectives, identifying operational improvement and/or reducing exposures through its services. Therefore, the key to delivering value and just as importantly, to be seen as such, must be to determine tangible and measurable ways of enacting this delivery.

Recently, EY conducted an Internal Audit survey with 11 top-tier E&C companies from North America, Canada and the UK with revenues ranging from US$2b to US$37b. We hope the survey helps you better understand how your internal audit function compares to others in the industry. If you have any questions, please contact any of the people listed at the end of this report.

Sincerely,

Erin Roberts
Americas Construction Leader

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erin.roberts@ey.com
EY leverages relationships with E&C clients to produce meaningful benchmarking data to understand how your internal audit function compares to others in the industry.

In Q3 2015, EY conducted a benchmarking survey using responses from 11 top-tier E&C companies. The survey included companies with revenues ranging from $2 to $37b operating in North America, Canada, and the UK, as detailed on our participant demographic slide. All survey responses are presented in aggregate form and are not attributed to any one survey participant or participating company. We structured our survey around EY’s IA framework below and focused our questions on the Capabilities section.

**Mandate** – IA’s purpose and mission, alignment with stakeholder needs and other risk functions, coverage and scope and delivers value to the organization by enabling business performance through process improvement, regulatory reliance

**Methods** – addresses the IA approaches and methodology for planning, providing assurance, issue identification, tracking and remediation, monitoring and reporting, as well as efficiency and effectiveness of the function

**People** – how IA aligns its people in terms of resourcing, competency, roles, and learning and development to its purpose and mandate

**Infrastructure and operations** – assesses how the IA process is enhanced and enabled through the use of tools, technology and knowledge management resources

All the charts are from Engineering and construction – EY internal audit benchmarking study, November 2015.
Survey summary

Methods

This is a summary of the survey results, subsequent pages show details for each chart.

58% of annual internal audit efforts are dedicated to:
1. Operational audits
2. Financial risks
3. SOX compliance testing

E&C internal audit departments:
- Issue an average of 53 internal audit reports per year
- Budget an average of 430 hours to each audit

Audit universe:
- Annual risk assessment process is utilized to determine coverage
- All high-risk areas are covered every 2-3 years

50% of audits are driven by a top-down risk assessment
45% of planned audit drafts are presented to Business unit management prior to finalization
64% of audit departments do not cover 100% of the audit universe
36% of respondents have more than 100 audit units included in their audit universe

Third-party contractor/supplier audits and capital projects are key focus areas

82% of average audits annually are in:
1. Third-party contractor/supplier audits
2. Capital projects
Survey summary
People – resourcing

45% of respondents maintain team member bios or other skill matrices for staffing

55% of respondents offer an auditor rotational program

Measures used to align team skill to the audits

› Evaluate skills, interests and prior experience to audit scope
› Provide support auditors (including guest SME’s) for focused scope areas
› Outsource in case specialist skills are not available in house
› One-on-one trainings

Purpose of the auditor rotational programs

› Fill internal audit gaps
› Access specialized capabilities for delivering audits
› Develop future leaders
› Improve control environment by raising awareness

13% of internal audit headcount (FTEs) is sourced from the rotational programs annually

73% of respondents use third-party resources

Breakdown of rotators’ roles on internal audit:

› Intern (4%)
› Staff (28%)
› Supervising auditor (36%)
› Manager (11%)
› Director/senior manager (2%)
› VP of Audit/Chief Audit Executive (CEA) (19%)

Specific services provided by the third party:

› International coverage
› IT skills
› Staffing shortages
› Compliance
› Internal control regulation
› Contractor/supplier audits
› Fraud skills
People – competency development

Various competency and performance measurements are used

Which employee competencies are measured?

Percentage of participants measuring each competency

<table>
<thead>
<tr>
<th>Competency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication skills</td>
<td>82%</td>
</tr>
<tr>
<td>Project manager skills</td>
<td>82%</td>
</tr>
<tr>
<td>Financial technical</td>
<td>45%</td>
</tr>
<tr>
<td>Operational technical</td>
<td>36%</td>
</tr>
<tr>
<td>Sector specialization</td>
<td>9%</td>
</tr>
<tr>
<td>Process improvement</td>
<td>9%</td>
</tr>
<tr>
<td>Others</td>
<td>9%</td>
</tr>
</tbody>
</table>

How do you measure the performance of your auditors?

Percentage of participants using each measure

<table>
<thead>
<tr>
<th>Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual performance reviews</td>
<td>82%</td>
</tr>
<tr>
<td>Workpaper quality reviews</td>
<td>55%</td>
</tr>
<tr>
<td>Productivity</td>
<td>55%</td>
</tr>
<tr>
<td>Project-level performance reviews</td>
<td>45%</td>
</tr>
<tr>
<td>Certification</td>
<td>36%</td>
</tr>
<tr>
<td>Quarterly performance reviews</td>
<td>18%</td>
</tr>
<tr>
<td>Others</td>
<td>18%</td>
</tr>
</tbody>
</table>

Purpose of competency maps:

- Incorporated in annual performance goals and performance assessment and review process
- Skill development built into individual goals and performance reviews
- Periodic reviews and assessments, measured against KPIs
- Part of a self-assessment process as completed on a project-by-project basis

45% of respondents have defined competency maps that set performance expectations

Top three measures used to determine the quality and value of internal audit work to the business

1. Satisfaction survey from internal customers and other involved parties at the conclusion of each audit project
2. Audit committee evaluations and feedback
3. Trending of audit findings, value added and monitoring of corrective action implementations
Survey summary
Infrastructure and operations tools and technology

Data analytics

Percentage of annual audits performed by respondents by leveraging data analytics

When used, data analytics are applied to the following phases of the audit:

- 40% Scoping/risk assessment
- 60% Audit off-site fieldwork
- 67% Audit on-site fieldwork
- 78% Quantification of findings

Continuous auditing:

When implemented, continuous auditing is leveraged for:
- Ethics
- Trade sanctions
- Compliance

Protocol for scope expansion

- Discussions with CFO
- Escalation to Senior Management/Director
- Internal Audit Group discussion and approval
- Discussions with the Audit Director
- Assess scope modification, recommend extension or re-visit later with Senior Management and other stakeholders for approval
Infrastructure and operations knowledge management/others

Common approaches, tools and templates utilized to collaborate with other internal risk or compliance functions

Collaboration with other risk functions is increasing

Other risk functions collaborated with:

- Corporate compliance
- Corporate/enterprise risk
- Data security
- Project management oversight and reviews
- Assurance
- Ethics and compliance
- IT governance and compliance
- SOX 404

Multiple responses allowed.

- Annual (or periodic) risk assessment: 91%
- Board reporting format: 73%
- Issue tracking: 73%
- Audit universe coverage: 64%
- Audit methodology/testing approaches: 64%
- Audit workpaper tools/systems/repositories: 55%
- Audit report formats or criteria: 55%

100% of respondents include recommendations and management actions plans in reports

49% of total hours (including the CAE) are dedicated to the audit planning and delivery

40% of planning and delivery time is allocated to the site operational/compliance reviews

36% of respondents spend less than 10% of the total budget on audit management travel expenses
Detailed survey results
Background and Methods
Detailed survey results

Participant company demographics

Annual revenue:

- $>15b
- $5b-$15b
- <$5b

Number of countries in which each respondent operates

- >100
- 50-100
- 10-50
- <10

Background
Where department personnel are domiciled

Department budget

Department profiles

<table>
<thead>
<tr>
<th>Title</th>
<th>In-house FTEs</th>
<th>Tenure for employees at each level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Low (years)</td>
<td>High (years)</td>
</tr>
<tr>
<td>Vice President</td>
<td>1.0</td>
<td>1</td>
</tr>
<tr>
<td>Director</td>
<td>1.7</td>
<td>3</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>2.1</td>
<td>3</td>
</tr>
<tr>
<td>Manager</td>
<td>2.8</td>
<td>8</td>
</tr>
<tr>
<td>Senior</td>
<td>5.4</td>
<td>17</td>
</tr>
<tr>
<td>Staff</td>
<td>2.9</td>
<td>6</td>
</tr>
<tr>
<td>Guest/Rotational</td>
<td>1.0</td>
<td>2</td>
</tr>
<tr>
<td>Subject Matter Resource</td>
<td>1.0</td>
<td>2</td>
</tr>
<tr>
<td>Headcount</td>
<td>12.4*</td>
<td>33*</td>
</tr>
</tbody>
</table>

*Headcount averaged across respondents, does not reflect table total/summation.
**Detailed survey results**

**Methods**

Most audit projects stem from a top-down risk assessment

A majority of the participants use an audit universe

How many auditable units are included in your audit universe?

<table>
<thead>
<tr>
<th>Percentage of audits driven by:</th>
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<tbody>
<tr>
<td>Top-down enterprise-level risk assessment</td>
<td>50%</td>
</tr>
<tr>
<td>Annual compliance-based reviews</td>
<td>14%</td>
</tr>
<tr>
<td>Rotational based on time since last audited/similar factors</td>
<td>10%</td>
</tr>
<tr>
<td>Requests by management/business units</td>
<td>11%</td>
</tr>
<tr>
<td>Other Drivers</td>
<td>11%</td>
</tr>
</tbody>
</table>

Requests for audit assistance often exceed audit’s capacity to meet those requests

Types of audit support requested from management but declined due to limited resources?

- Project reviews
- Supplier audits
- Special investigations
- Controls self-assessments
- Consulting
- SOX 404 support
- Monitorship assistance
- Assistance with routine activities

How are these declined management requests addressed?

- Increase in business unit reviews
- Delayed until resources are available
- Utilization of other in-house staff
- Operational
- Legal
- Finance
- Respective function or project/process owner

Allocation of efforts per risk area

- Operational audits: 30%
- Financial risks: 17%
- SOX compliance testing: 11%
- Revenue recognition: 11%
- Information technology: 11%
- Government and other regulatory compliance: 9%
- Audits area of Strategic risk: 9%
- Others: 5%
Some respondents validate the audit plan before finalizing it

Do you present a draft of your planned audits to a given business unit (BU)’s / department’s management prior to finalization?

Key highlights:

- Business leaders/key stakeholders are consulted during the development of the plan
- Consultation period of proposed audit plan is driven by risk-based approach and discussions with senior management
- Preliminary audit plan developed as per the risk assessment process and presented/discussed with the BUs for inputs prior to finalization
- Audit sites are communicated to upper management to obtain feedback prior to finalizing site audit plan
- Planning meetings are held with representatives of operations and corporate functions to develop the plan. Final plan is distributed to company-wide executive vice presidents for information only

Majority of respondents do not cover the complete audit universe

Do you audit 100% of the company’s audit universe?

If yes, on what frequency is 100% of the audit universe completely audited?
Detailed survey results (continued)

Methods

Third-party contractor/supplier audits and capital projects are key focus areas

How many audits do you perform annually (on average) in the following process areas/departments?

Number of reports and project size

How many audit reports does your department issue annually (on average)?

What is the average total of hours assigned to each audit (pre-planning through report issuance)?

What is the largest-sized audit (in total hours) originally planned during the audit planning process in a typical audit year?
People
Resourcing and Competency development
People
Resourcing

Nearly half of functions use skill matrices in staffing audits

Describe the measures you employ to align your team’s skills to the audits on the plan when scheduling team members on audits.

- Initial risk assessment for each audit
- Evaluate skills, interests and prior experience in context of audit scope
- Provide support to auditors, including guest subject matter experts (SMEs) for focused scope areas
- Skill sets in team matched to audits; outsource in case of specialist skills
- SMEs are assigned to area of expertise, knowledge share and cross training expected and considered when scheduling audits
- One-on-one trainings

Do you maintain team member bios or other skill matrices for staffing audits?

Resource deployment and maintaining objectivity

What is your approach for deploying local (in-region) resources to audits vs. mapping auditor skills to audits in spite of travel requirements?

Key highlights:
- Audit requirements and cost are key considerations
- Local resources are deployed where skill set is available
- Combined pool of resources for each geographic location
- Select regions have dedicated (resident) auditors; other areas covered by team based in corporate office
- Off-site work performed from the home office with local resources added during fieldwork phase as needed
- Resources centralized so travel is required
- Travel is not a significant factor in assigning audits; for language purposes, may outsource a portion of the team to the local Big Four firms

What objectivity practices do you employ to promote independence of co-located internal audit resources from the businesses units/departments that they audit?

Key highlights:
- Primary objective is to provide clarity of role and direct reporting line to corporate office
- Risk register and workpaper review along with other quality assurance practices
- Senior-level review of audit results
- Controlling the costs, salary/bonus and performance evaluation
Auditor rotational programs provide skills and leadership training

Do you offer auditor rotational programs?

- Yes: 45%
- No: 55%

If yes, what is the purpose of the rotational programs?

- Improve control environment by raising awareness
- Develop future leaders
- Access specialized capabilities for delivering audits
- Fill internal audit gaps
- Others

The size of rotational program varies based upon mandate and needs

What percentage of your internal audit headcount (FTEs) is sourced from the rotational programs annually?

- Less than 30%: 17%
- More than 30%: 83%

What are the participants’ roles on the rotation program (in a typical year)?

- VP of Audit/CAE: 30%
- Manager: 21%
- Supervising auditor: 11%
- Staff: 38%

Graph includes the average of responses by level.
More than two-thirds of rotational programs are linked directly to “high-potential” employee leadership programs

Do company-designated “high-potential” employees participate in the rotational programs?

Is the rotational program part of a formal leadership development program across the company’s finance or other departments?

- Yes
- No
- No program is offered
The type of rotational programs influences the duration of the rotation

What is the typical duration of each rotation in internal audit?

- <1 year: 67%
- 1-3 years: 33%

Does the company use a guest auditor program (i.e., targeted resources to participate in an audit for specific skills or learning opportunities)?

- Yes: 18%
- No: 18%
- Rarely/Informally: 64%
Most respondents use third parties as part of a flexible sourcing strategy

Do you use third-party resources to support the audit function?

If yes, what specific services are the third parties providing?

Percentage of respondents using each service

- International coverage: 75%
- IT skills: 63%
- Staffing shortages: 38%
- Compliance: 38%
- Internal control regulation: 25%
- Contractor/supplier audits: 13%
- Fraud skills: 13%
- Others: 25%

Multiple responses allowed.
Competency maps can drive the right skills to address an evolving risk profile

Do you have defined competency maps that set performance/skills expectations for each level within the audit department?

If yes, how are these competency maps used to monitor skill development and performance evaluation?

Key highlights:

- Incorporated in annual performance goals and performance assessment and review process
- Skill development built into individual goals and performance reviews
- Periodic reviews and assessments, measured against KPIs
- Part of a self-assessment process as completed on a project-by-project basis
Various competency and performance measurements are used

Which employee competencies are measured?

Percentage of participants measuring each competency

- Communication skills: 82%
- Project manager skills: 82%
- Financial technical: 45%
- Operational technical: 36%
- Sector specialization: 9%
- Process improvement: 9%
- Others: 9%

Multiple responses allowed.

How do you measure the performance of your auditors?

Percentage of participants using each measure

- Annual performance reviews: 82%
- Workpaper quality reviews: 55%
- Productivity: 55%
- Project-level performance reviews: 45%
- Certification: 36%
- Quarterly performance reviews: 18%
- Others: 18%

Multiple responses allowed.

Ranking of measures used to track performance and stakeholder satisfaction

Top three measures used to determine the quality and value of internal audit work to the business

1. Satisfaction survey from internal customers and other involved parties at the conclusion of each audit project

2. Audit committee evaluations and feedback

3. Trending of audit findings, value added and monitoring of corrective action implementations
Infrastructure and operations
Tools and technology and Knowledge management
Audit scope can be adjusted due to fieldwork findings

What is your protocol/process for expanding/extending the scope of an audit if findings/issues arise that warrant further testing/review?

Key highlights:
- Discussions with CFO
- Escalation to senior management/director
- Internal audit group discussion and approval
- Discussions with the audit director
- Assess scope modification, recommend extension or revisit later with senior management and other stakeholders for approval

On approximately what percentage of audits does scope expansion/extension occur?

- Less than 10%
- Between 10-20%
- More than 20%

- 55%
- 27%
- 18%
Continuous auditing analytics is an emerging area

Does your department use continuous auditing?

If yes, please list all processes/subjects audited using continuous auditing.

Key processes include:
- Ethics
- Trade sanctions
- Compliance
Data analytics is used across the internal audit life cycle

What is the percentage of the audits where data analytics is used?

- Not used
- Up to 30% of audits
- In more than 30% of audits

For audits where data analytics is used, in what phases of the audits is it used?

- Audit findings quantification/sizing: 80%
- Audit onsite fieldwork: 70%
- Audit offsite (desktop) fieldwork: 60%
- Scoping/risk assessment: 40%

Multiple responses allowed.

Datamart/data warehouse is a common technology enablement strategy

Do you utilize a datamart or other warehouse of company data to enable your data analytics to support audits?

- Yes
- No

Systems used:
- SAP Business Warehouse
- ACL and certain automated scripts
- IDEA software
- ODB connection
Some participants use data analytics specialists extensively

Do you use dedicated specialists to extract and analyze data to support audits?

If yes, please list the country(ies) in which these resources are located.

Unstructured text analytics is an emerging focus area for internal audit analytics

Do you perform unstructured text analytics as part of the scope of your data analytics (e.g., analyzing journal entry memos, email text and document file names)?

This strategy is commonly applied to investigations and has proven to be an effective tool for regular audits.
Auditors are including identified leading practices in audit reports

Do you include leading practices performed by the auditee in your audit reports (when identified during the audits)?

- Yes
- No

40% Yes
60% No

Does internal audit include recommendations in your audit reports to management?

- Yes in (100% of audit reports)

Does internal audit include management actions in your audit reports to management?

- Yes in (100% of audit reports)
Internal audit is reporting on common themes and sharing prior recommendations

Does your department engage in broadly sharing common themes identified by internal audit? Specifically, do you:

- Share similar audit findings and themes identified in multiple locations or departments?
- Share prior recommendations made with other departments?

Key highlights:
- Presentations, audit reports and committee participation
- Regular reports to different functions, highlighting themes and recurring issues

Key highlights:
- Audit issues grouped by areas for presentation
- Executive VPs receive reports presented to executive committee meetings
Infrastructure and operations (continued)
Knowledge management

Internal audit typically shares common themes

Does your department engage in sharing common themes identified by internal audit? Specifically, do you:

- Share prior remediation plans implemented?
- Share any leading-practice activities in the business identified during the audit?

Key highlights:

- Informal discussions conducted during the audit fieldwork and the closing conference
- Broad sharing done rarely or in specific circumstances

![Chart showing the percentage of respondents who engage in sharing common themes and leading practices.](chart.png)
Respondents driving common infrastructure across risk functions

Do you utilize common approaches, tools or templates for any of the following with other risk or compliance functions within your company?

- Annual (or periodic) risk assessment: 91%
- Board reporting format: 73%
- Issue tracking: 73%
- Audit universe coverage: 64%
- Audit methodology/testing approaches: 64%
- Audit workpaper tools/systems/repositories: 55%
- Audit report formats or criteria: 55%

*Multiple responses allowed.*

Collaboration with other risk functions is increasing

With which other risk function(s) do you collaborate most?

- Corporate compliance
- Corporate/enterprise risk
- Data security
- Project management oversight and reviews
- Assurance
- Ethics and compliance function
- IT governance and compliance
- Financial controls and governance (SOX 404)

On average, IA collaborates with two other risk functions.
Infrastructure
and operations (continued)

Knowledge management

Resource allocation breakdowns
What percentage of your team’s total hours (including the CAE) are dedicated to the following activities?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Average</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit planning and delivery</td>
<td>49%</td>
<td>80%</td>
</tr>
<tr>
<td>Sarbanes-Oxley management, documentation or testing</td>
<td>11%</td>
<td>30%</td>
</tr>
<tr>
<td>Audit action plan/remediation tracking and follow-up</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>Annual risk assessment/audit plan establishment</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Vacation/holiday/sick leave/personal leave</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Process improvement/consulting</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Training (internal or off-site, certifications, training and tests)</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>Other administrative time</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Team meetings and meetings with stakeholders</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Travel (if tracked separately)</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Unassigned resource time</td>
<td>1%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Additional leading practices shared by survey participants
Are there leading internal audit or risk management practices that your internal audit team performs that you would like to share with survey participants?

- Responses from two participants:
  - Creation of a business unit/function audit liaison role whereby BU representatives participate in the coordination of audits, resolution of issues during audits, review of draft reports, and preparation of management action items and monitoring/follow-up on management action items
  - Continually and consistently staying connected with senior management
Travel expense details

What percentage of your total budget is used for auditor and audit management travel expenses?

![Pie chart showing travel expense details]

Audit subject allocation detail

What percentage of internal audit’s audit planning and delivery time is allocated to the following audits each year?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Average</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site operational/compliance reviews of domestic or international locations</td>
<td>43%</td>
<td>75%</td>
</tr>
<tr>
<td>Back-office operational process audits</td>
<td>18%</td>
<td>40%</td>
</tr>
<tr>
<td>Fraud/FCPA auditing</td>
<td>10%</td>
<td>35%</td>
</tr>
<tr>
<td>Strategic processes, M&amp;A and other operational processes</td>
<td>9%</td>
<td>50%</td>
</tr>
<tr>
<td>IT systems audits</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>Third-party/contract audits</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>Other audits (includes construction audits, compliance audits, HSE)</td>
<td>6%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Internal Audit benchmarking survey, 2015 (n=11).
EY team
## EY team

### E&C leadership team

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting and Assurance</td>
<td>Erin Roberts</td>
<td>Americas Construction Leader, +1 713 750 1373, <a href="mailto:erin.roberts@ey.com">erin.roberts@ey.com</a></td>
</tr>
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<td>Mark Gibson</td>
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</tr>
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</tr>
</tbody>
</table>

### Benchmarking study team

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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</tr>
</tbody>
</table>
EY Advisory services
## EY Advisory services

<table>
<thead>
<tr>
<th>Service offering</th>
<th>Overview</th>
<th>Services provided</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| **Internal audit**             | Providing stakeholders with an objective view that the organization’s system of internal controls is designed and operating effectively over critical risks. We provide experienced team members with a real estate and accounting/audit background to assess key areas for weaknesses and improvements. In addition, we are able to advise with leading practices and practical solutions for remediation | Internal audit diagnostic; evaluating the processes, technology and people aspects of the Internal audit function  
Internal audit transformation identifying opportunities to enhance the value of Internal audit to the organization, resulting in sustainable changes to drive value, cost efficiencies and balanced risk coverage  
Internal audit co-sourcing and outsourcing, helping to improve the performance of the Internal audit function and increase the return on Internal audit investment | Having individuals with the right background and experience provides an independent perspective on the real estate risks that matter  
Receiving high quality and relevant business and insights  
around a specific risk area  
Identifying potential cost reduction opportunities and reducing risk and exposure |
| **Enterprise risk management (ERM)** | Assisting clients with identifying, assessing and prioritizing key business risks in the organization | Co-developing a risk profile mapped to business  
objectives, strategies and processes  
Customizing risk assessment criteria for use in assessing and prioritizing key business risks  
Surveying select business area management and other key stakeholders to identify key business area risks  
Conducting select interviews with corporate and business unit executives, and other key stakeholders to identify key business risks in the organization  
Facilitating a risk validation and prioritization session with executive management  
Assisting in defining risk mitigation strategies for key business risks and in the identification of risk tolerance levels to monitor risk activities | Identifying and focusing on key business risks to the organization by applying a broad “risk lens” to the business  
Converging and aligning the volume and disparity of risk reports from across the enterprise  
Managing expectations for effective risk coverage driven especially by audit committees, executive management, and stakeholder demands for stronger corporate governance and transparency  
Providing risk coverage in areas requiring special knowledge, such as information technology, fraud, acquisitions and joint ventures  
Adding benefit through process and control improvement recommendations, sharing of leading practices and helping implement major change initiatives  
Maintaining proper investment and alignment in risk management methodologies, technology, knowledge, and learning programs |
## EY Advisory services (continued)

<table>
<thead>
<tr>
<th>Service offering</th>
<th>Overview</th>
<th>Services provided</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| **Back-office transformation and technology enablement** | ▶ Supporting clients’ accounting, finance, asset and portfolio management, investor reporting and other functions through definition of more streamlined processes, better aligned organization models and implementation of leading-class technologies | ▶ Future state target operating model design  
▶ Business requirements definition and process design  
▶ Technology vendor evaluation for new or potential replacement solutions  
▶ Business readiness assessment for IPO, other corporate event or transaction  
▶ Technology implementation and project management support  
▶ Reporting and chart of accounts design | ▶ Aligning operational processes to business strategy  
▶ Improving processes and controls and developing a data model that stresses a single source of data  
▶ Reducing processing costs and scope for manual error by incorporating automation  
▶ Improving service levels for internal and external stakeholders  
▶ Facilitating collaboration across functional areas |
| **Third-party property manager reviews**               | ▶ Helping real estate investors confirm that those managing their investments have implemented effective safeguards in relation to operational effectiveness, compliance with property management agreements, and accuracy of property-level financial and non-financial data | ▶ Managing the annual planning process, including holding stakeholder planning meetings, conducting risk assessments, communicating with the property manager, and finalizing testing plans and templates  
▶ Review planning, including holding planning meetings with property managers, issuing property manager request lists, and finalizing interview templates and testing plan  
▶ Conducting field work, including process walk-throughs, testing, and compiling and reviewing findings  
▶ Reporting, including preparing draft reports with management, issuing draft reports to stakeholders, updating reports as required and issuing the final report  
▶ Follow-up, including preparing a management action tracker and assisting with follow-ups as required | ▶ Validating that reviews are focused on the right property managers and assets through a dynamic risk assessment process  
▶ Driving efficiencies during fieldwork by leveraging our knowledge and experience as well as utilizing comprehensive templates for inquiries and testing  
▶ Identifying controls to manage risks, such as misappropriation of cash, inaccurate rental income, disbursement of funds to the incorrect vendor, financial loss due to gaps in insurance coverage and lack of compliance with the Property Management Agreement  
▶ Validating that the property manager has appropriate controls in place and that they are functioning properly  
▶ Delivering consistently worldwide by employing a team of experienced professionals |
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide a timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audits start with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that come from auditing many of the world’s leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject matter knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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In a world of unprecedented change, EY Advisory believes a better working world means solving big, complex industry issues and capitalizing on opportunities to help deliver outcomes that grow, optimize and protect clients’ businesses.

From C-suite and functional leaders of Fortune 100 multinationals to disruptive innovators and emerging market small and medium sized enterprises, EY Advisory teams with clients – from strategy through execution – to help them design better outcomes and deliver long-lasting results.

A global mindset, diversity and collaborative culture inspires EY consultants to ask better questions. They work with the client, as well as an ecosystem of internal and external experts, to co-create more innovative answers. Together, EY helps clients’ businesses work better.

The better the question. The better the answer. The better the world works.

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