Challenges of the global internal audit function

On March 21–22, 2013, members of the Audit Committee Leadership Networks in North America (ACLN) and Europe (EACLN) met in Washington, DC for their eighth summit meeting. On March 22, members met with Larry Harrington, vice president of internal audit at Raytheon Corporation, to discuss the challenges facing internal audit and the responses of internal audit departments and audit committees.¹

ViewPoints contains a summary of the key points raised during the discussion, along with background information and selected perspectives that members and experts shared before and after the meeting.² For further information on the networks, see “About this document,” on page 10. For brief biography of the Mr. Harrington, see Appendix 1, on page 11. For a full list of participants, see Appendix 2, on page 12.

Executive summary

The role of the internal audit function is evolving with the changing business environment. Mr. Harrington and the audit chairs discussed several aspects of this evolution and its oversight by the audit committee:

- **Internal audit faces escalating challenges** (Page 2)
  
  Today’s business environment is both elevating the importance of internal audit and subjecting it to significant challenges. As companies extend their operations across the globe, internal audit departments must recruit, train, and manage staff that can operate across a variety of cultures and far-flung locations. They must also deal with multiple regulatory regimes. Meanwhile, the heightened focus on risk in recent years – especially IT risk and compliance risk, which are seeing rapid change – has broadened the depth and scope of internal audit’s activities in this area.

- **Internal audit departments are responding in several ways** (Page 3)
  
  Internal audit departments must secure a strong position within their companies, underpinned by trust and close relationships with staff in other business units. They must balance the advantages of centralization and decentralization, and they must marshal capable staff through hiring, training, and cosourcing. An understanding of the company’s business and strategy is critical. New approaches in data analytics (“big data”) are transforming audit processes, even as they present their own challenges, such as the need for additional expertise.

- **Audit committees provide critical oversight and support for internal audit** (Page 7)
  
  Audit committees interact extensively with internal audit departments. Topics of concern for audit committees include not only specific audit issues and the capabilities of the internal audit department, but also the department’s relations with management and the external auditor, which must be careful in how it uses the work of internal audit. Mr. Harrington underscored how important it is for audit committees to “fully support” the chief audit executive and the internal audit department as it strives to provide the objective auditing that helps secure the company’s long-term success.

¹ Two other topics were discussed in main sessions at the summit. See Audit Committee Leadership Summit, “Enhancing audit committee reporting,” ViewPoints, May 2, 2013, and Audit Committee Leadership Summit, “Board/shareholder engagement,” ViewPoints, May 2, 2013.

² ViewPoints reflects the networks’ use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before, during, and after meetings are not attributed to individuals or corporations. However, the guests have given permission for their remarks to be attributed. Comments by the guests and network members are shown in italics.
Internal audit faces escalating challenges

The internal audit function plays a number of key roles in large global companies. At past ACLN and EACLN meetings, members have identified several areas of activity: financial and operational audits, audits of compliance activities, involvement in risk management, and support for the external auditor. In some companies, internal audit also provides feedback and recommendations on operational efficiency, focusing not just on whether a given process achieves its objective but also on how cost-effectively it does so.

There may be regional differences: in a pre-meeting conversation, an EACLN member noted that the emphasis in European companies is often different from the emphasis in North American companies, with the former more likely to prioritize operational issues and compliance activity. An ACLN member said that the prioritization varies from company to company: “Internal audit has a wide spectrum of focus. At all [SEC registrant] companies, there’s an internal controls aspect, due to Sarbanes-Oxley. At some companies, it’s operational, procedural, and process oriented. At some companies, it’s oriented around financial accounting. I don’t know if there’s a recipe that fits everyone.”

Regardless of focus, the function must be strong and objective. A member remarked, “The internal audit function is one of the most important functions for the audit committee to partner with. It’s not a policeman, but it’s the eyes of the audit committee, ensuring that controls are working properly – it is crucial.” The member went on to add, “When we talk about ethics and respecting the law, this is about the only way for the audit committee to help ensure that there isn’t a breach of ethics. I always ask internal audit to check if the code of conduct is implemented well, and I ask them to report to the audit committee. There’s almost no other way for the audit committee to know.”

Some of the same dynamics that are elevating the importance of internal audit are also subjecting it to significant challenges. At large companies, these challenges include a global operating environment and an intensified focus on risk.

A global environment

Large companies today operate in multiple countries. Large distances separate corporate headquarters from offices around the world, and business is conducted in many languages and across diverse cultures. Members noted two categories of challenges these circumstances pose:

- **Resourcing.** A member said, “Being able to recruit, train, and manage teams in so many countries is very challenging.” The challenges include staffing teams that have an understanding not only of the language in a particular location, but also the business norms and the general culture. Achieving sufficient scale in regions such as Asia, which have many different countries and cultures, may be difficult, and the time and expense associated with travel may be prohibitive, if staff are being sent out from headquarters. A member asked, “How much travel do you want to pay for?”

- **Multiple regulatory regimes.** Members remarked on the difficulty of dealing with differing “rules and regulations all over the world – staying abreast of them and dealing with them proactively.” Challenges include tracking and interpreting new legislation and regulation, as well as understanding the legislative process and the political dynamics that are driving policy.

---

1 See, for example, European Audit Committee Leadership Network, “Evolution of Internal Audit,” ViewPoints, July 21, 2008.
An intensified focus on risk

The heightened focus on risk and enterprise risk management in recent years is impacting internal audit departments, expanding the depth and scope of their activities in this area. A member remarked, “The scope for the audit committee and the head of internal audit changed from financial controls and financial statements to broader risk management – it dramatically broadened [the scope of internal audit].” Mr. Harrington and the audit chairs identified a number of risks that internal audit has a role in addressing:

- **IT risks.** Both the ACLN and the EACLN have recently discussed the urgency of cyberrisks. Mr. Harrington noted, “People thought cybersecurity was just an issue for banks, but all companies are at risk, including their intellectual assets and, through denial-of-service attacks, their brands.” Internal audit can play a key role in testing security systems, protocols, and policies at both the technical and procedural level. It can also help mitigate the risks of large-scale IT systems implementations, and it can ensure that there are business continuity and crisis management plans in place. Companies that have grown internationally through acquisitions may face special challenges around IT systems. A member observed, “In a multinational company, you have a host of ERP [enterprise resource planning] systems, so internal controls are a nightmare.”

- **Compliance risks.** The challenges of operating in multiple jurisdictions are exacerbated by the pace of regulatory change in recent years, which has made it even more difficult to track, implement, and monitor compliance with regulations. A member noted, “We are devoting resources much more to compliance, a response to changes in the external environment – FCPA, etc. Norms are changing, and we need to make sure everyone understands.” At the meeting, a member said, “Because the bar has been raised, I told internal audit that compliance should be on the agenda for all their audits.” Another member remarked on the strains that this can cause: “It requires a different kind of person. If you have to ask if bribes have been paid, you become a policeman. It’s psychologically draining. Also, you may be stuck in places like Russia. Some say, ‘That’s not what I signed up for!’”

Mr. Harrington commented on the dynamic nature of today’s business environment and its implications for internal audit: “Companies are not changing fast enough. They need to accelerate change, and internal audit has to be plugged into those changes.” In a pre-meeting conversation, Martin Studer, head of global internal audit at Ernst & Young, made a similar point about keeping up with change: “Every company needs a tailored internal audit. The audit needs to assess if their internal audit is fit for purpose. If the business has transformed, has internal audit transformed with the business? Often, companies have an internal audit department similar to what they had many years back, not having transformed the service.”

Internal audit departments are responding in several ways

At the meeting and in pre-meeting conversations, Mr. Harrington and ACLN and EACLN members reported that their internal audit departments are responding to the challenges facing them in a number of ways, using various organizational and resourcing strategies and leveraging data analytics.

Positioning internal audit within the company

Mr. Harrington and the members agreed that it is important for internal audit to have a strong position in the company as a trusted and valued player. Mr. Harrington underscored the importance of trust between
the chief audit executive (CAE) and the CEO: “The CEO and I have candid conversations. It’s important to be able to have that honest dialogue.” A member highlighted the importance of the relationship between the CAE and the CEO in positioning internal audit within the company: “We had difficulties because internal audit was not viewed as a place to be. It took several years to reposition it as a valued resource. It required the CEO to validate the position of internal audit. You need to give the CAE time on the CEO’s calendar.”

Internal audit must maintain its objectivity and independence. While the internal audit function reports functionally to the audit committee at a majority of US and European companies, a question that is currently under debate is whether internal audit should report administratively to the CFO or the CEO. In an effort to promote objectivity on the part of internal audit, the US Federal Reserve recently issued a policy statement in favor of having CAEs at large banks report to the CEO, an arrangement that the Institute of Internal Auditors (IIA) also supports.\(^6\) Richard Chambers, president and CEO of the IIA, said he expected the practice to spread to smaller banks and other industries.\(^7\) Several ACLN members noted that internal audit typically reports administratively to the CFO rather than the CEO (48% versus 27% at Fortune 500 companies\(^8\)), but one remarked, “If internal audit is broader than finance, then reporting to the CEO makes the most sense.”

Trust between internal audit and the company at large is also important. Mr. Harrington said: “The CEO has a raise-your-hand policy. If you ask internal audit to find a problem, it’s okay. We have an atmosphere where you are rewarded for asking for help.” A member emphasized the general importance of relationships between the CAE and the rest of the company: “Relationship building is very important. We just reviewed the CAE at one of my companies. He wanted to take out relationships [from his performance review criteria]. But if you want to have impact, relationships are what make it happen.” Having a rich set of relationships allows internal audit to see the bigger picture and coordinate activities among different business units, Mr. Harrington noted, adding, “There are lots of stovepipes in companies. It is important for the Chief Audit Executive to bring all those operations together to connect the dots, to see what others are seeing and to work together and leverage each others work.”

Balancing regional presence and centralized control

In pre-meeting conversations, members weighed the costs and benefits of various responses to the challenges of conducting global audits involving different languages, cultures, and distant locations. Two basic approaches emerged:

- **Decentralization.** A member said, “We decided to establish a satellite audit function in Singapore, to be built by local expertise. We haven’t solved the issue, but we have local people available to look at local developments.” Another member mentioned a similar approach: “We try to create a strong regional internal audit presence because you can’t do it all from a central office, and there are specific regional issues.” A few members stressed, however, that local teams must achieve critical mass in local staffing if they are to be effective.

- **Centralization.** Some members were wary of decentralizing internal audit too much. In some cases, the issue was the scale of the regional groups: “We decided these groups were too small to be effective, so we created a centralized group.” Another concern was independence: “If [internal audit is] decentralized, it’s too easy for the [local] business unit to become influential. Internal audit has to be a corporate function reporting to the CEO. It

---


\(^7\) Ibid.

should not serve the individual business units.” Other members made a more general point about centralized control: “If you want consistency on enforcement, etc., it’s better to centralize.”

One member pointed out that the two approaches are not mutually exclusive: “A centralized approach does not preclude the possibility of internal audit living outside headquarters. But promotions, pay, performance reviews – those are the things that have to be centralized.” Indeed, members who advocated centralization often had alternative means of dealing with local issues. One member said, “[The problem of being at a distance] is offset because within each operating company there is a risk champion, so when internal audit goes out, there is a counterpart [locally]. They can be the back channel if there’s been a whistleblower. They don’t report to internal audit, but it’s a way to have more support.”

Resourcing

Mr. Harrington and the members explored several resourcing options to help internal audit marshal the skills it requires to tackle issues such as globalization, cybersecurity, and compliance:

- **Staffing.** Several members said that their companies have hired additional staff and more qualified staff. One reported, “My company has been progressive in upgrading talent and diversity of talent and in hiring more staff located outside the US, which is very important at a global company.” Another member said, “We changed half the staff and strengthened the skill set – almost everyone now has degrees and certifications.” Mr. Harrington and the members also mentioned the option of bringing in “guest auditors” from other parts of the business. Mr. Harrington commented, “There are two other benefits from [bringing in guest auditors]: it facilitates businesses talking to each other, sharing best practices, and it helps internal audit think about risk in a different way. We maintain objectivity because the guest auditor doesn’t audit their own businesses.” He noted that “some of the most interesting ideas come from those without the internal audit background.”

- **Training.** Members mentioned the importance of training: “It’s become apparent that you can’t just check the box. You have to think outside the box. That means continuing education, moving people around, more engagement with business leaders.” Training and on-the-job learning are options when the candidate who is best for the job nevertheless has gaps in their experience or skill set. One member recalled just such a situation: “The internal candidate didn’t have tons of international experience, but they were the best person. They have increased their international understanding with a lot of travel and work with the external auditor.”

- **Cosourcing.** While participants agreed that large, global companies are less inclined today to fully outsource the internal audit function, they mentioned the benefits of cosourcing, or outsourcing some elements. A common way of obtaining more resources and/or specific skills is to hire consultants, often from audit firms. Mr. Harrington said, “We use cosourcing for subject matter experts – they help us think through risks and issues.” A member said, “Getting IT-capable staff in internal audit is challenging, so we cosource from the Big Four.” Another member noted, “We outsource to supplement the local staff.”

Mr. Studer remarked on the dynamic nature of the demands on internal audit: “This year, cybersecurity may be at the top of the chart. Next year, it may be FCPA compliance or operational performance. You need flexibility in the resourcing model. If you don’t have that, the focus becomes more on standards and compliance, which is not helpful.” Mr. Harrington picked up on that point during the meeting, noting that to get staffing right, one must have a firm handle on company strategy: “When you understand where the company is going, you can have the right HR plan in place.”
Internal audit as a training ground

Several ACLN and EACLN members brought up an ongoing debate about whether internal audit should serve as a training ground for positions in other parts of the company – a model often associated with General Electric Company (GE) in the United States and Nestlé in Europe. They raised several issues regarding the impact of such a role for internal audit:

- **Understanding the business.** Like guest auditors, longer-term staff from outside internal audit can offer business insight and relationships. Mr. Harrington commented, “IIA conducted a study and found that 50% of CAE positions were going to non-career auditors. The number one reason for going outside internal audit for a CAE was to find someone with strong business acumen and the ability to create relationships to drive positive change. Ironically, that was the same reason used by those who hired a new CAE with an internal audit background.”

- **Recruiting and motivating staff.** Some members suggested that a pathway out of internal audit would make it more attractive for ambitious professionals to work there for a time. One said, “It’s the best place for recruitment into executive positions, so people are willing to make sacrifices and work very hard.” Another pointed out that people will pay attention to where key internal audit staff go after leaving the function and said, “It’s an important signal when they left that they went to a significant position. We spend a lot of time on succession planning.”

- **Independence.** A few members wondered if internal audit staff hoping for future employment in a particular business unit would be fully objective in their audits of that unit. Others said that failing to provide objective assessments would be the worst way to try to impress a hiring manager.

- **Cosourcing.** If internal audit is a training ground, it is obviously preferable to fill positions with potential candidates for roles outside internal audit rather than with staff supplied by outsourcers. Conversely, if internal audit is not a training ground, there is more leeway to cosource.

Using data analytics

Mr. Harrington and the members discussed the power of data analytics, including the promise of “big data” as a tool for internal audit. As Jose Tabuena of Compliance Week explained in a recent article, big data refers to three developments in data analytics: “an explosion in the amount of data available, a dramatic reduction in cost of storing that data, and a dramatic improvement in the tools available to analyze it.”

For internal auditors, big data offers new possibilities for analyzing business processes, policies, and systems, which auditors are beginning to leverage.

In a pre-meeting conversation, Mr. Harrington explained, “The leading 10% of internal audit functions are already there. They are testing not just a sample of transactions, for example, but the entire population. They can identify potential problems to drill down on. Analytics can shorten time on the ground, so it can reduce costs, lessen disruption of the business, and provide greater assurance for the audit committee, because it looked at the entire population. This is one of the biggest transformational issues in internal audit.” He elaborated at the meeting: “It [Big Data] gives insight into the behaviors of the company. You can test a much larger population, but the real benefit is understanding behavior.”

---

Members concurred. One member remarked: “It’s still early days, but we’re aggressively looking at analytics. It can minimize human resource use, identify issues earlier, etc.” Another member said: “Data analytics is very powerful – we have four people dedicated to it. We analyzed all supplier payments to see how often suppliers were paid twice. We traced disbursements to tax haven countries. It’s a powerful tool that will help.”

At the same time, big data presents its own challenge for internal audit departments, such as ensuring the integrity and privacy of the data. Dealing with these challenges requires skills that are scarce. Prior to the meeting, Mr. Studer remarked, “Not many resources are trained in these kinds of analytics. It is very different from the usual process auditing.” At the meeting, Mr. Harrington said, “It takes expertise and tools. You need budget to fund the tools. Many companies use cosourcing, then transition to [in-house staff]. But it’s expensive. You need to discuss this with the audit committee to get support.”

Both internal audit and the audit committee may also be vulnerable to assumptions about how people will respond to big data implementations that will not always hold true. Mr. Harrington described what happened when his department developed a tool for monitoring travel expense compliance: “We provided scripts to travel and entertainment group for continuous monitoring purposes. They found it useful and further improved them. They also started sending email reminders to managers when potential issues were spotted. But when we checked again, we found that half the managers didn’t open the emails! So more changes were made. It’s a constant evolution. Continuous monitoring isn’t an internal audit function but a business function. Working together with operations, we can make a huge difference.”

### Audit committees provide critical oversight and support for internal audit

ACLN and EACLN members confirmed that their audit committees focus considerable attention on the internal audit function and its activities, and this attention may be increasing in response to the new challenges internal audit faces. A member said, “We make a lot of time on our agenda – we are now adding two or three hours to the annual calendar, particularly in the area of risk and compliance.”

Members reported having email exchanges and phone calls with the head of internal audit in advance of the in-person discussions that take place during audit committee meetings. Some members described contacts with other internal audit staff as well: “We always have an executive session with ... the head of internal audit present. Sometimes, they will have the internal controls person with them, sometimes the IT person, so we don’t meet just the head. Annually, we meet with every internal auditor.” Another member mentioned travelling internationally with internal audit at least once a year. One member described improving the flow of information from internal audit: “I’ve built up an atmosphere so that they can tell me about problems, so that I’m included and involved.”

Many of these practices are also highlighted by CAEs, who underscore the importance of good communications and building trust and confidence between the CAE and the audit chair. Mr. Harrington described his relationship: “The audit chair and I meet privately four times a year. There’s no tension. The rule is that we can say everything to each other, but it will never be repeated. We never violate that trust.” Like audit chairs, CAEs value informal interactions that include other members of the internal audit staff. CAEs also appreciate unrestricted access to the audit committee and candid feedback that clearly communicates the

---

10 See Audit Executive Center, *Relationship Building: Establishing an Effective Relationship with Your Audit Committee Chair* (Altamonte Springs, FL: Institute of Internal Auditors, 2011).
Mr. Harrington said, “I always leave 25% of the audit plan unallocated, and I constantly meet with the audit committee to discuss what to add to it.”

An executive session with only the audit committee present is very useful to CAEs, even when other modes of communication are working well.\footnote{Audit Executive Center, Effective Executive Sessions with the Audit Committee (Altamonte Springs, FL: Institute of Internal Auditors, 2012), 4.} CAEs do not necessarily need longer executive sessions, especially if the audit committee is skilled at dealing with complex issues quickly and the CAE has a preliminary meeting with the audit chair to set the agenda. CAEs note that even though the objective of the executive session is to discuss issues without management in the room, it is important to keep management as informed as possible in order to maintain trust and good relations.\footnote{Ibid., 7.}

Members noted several topics of concern for the audit committee:

- **Specific audit issues.** Audit committees delve into the details of internal audit reports. A member said, “The audit committee reviews all the individual reports and expresses interest in them. Depending on the issue, we will sometimes get pretty ‘down and dirty.’ This has led to spirited discussion with the audit team as well as management.” Another member highlighted the importance of high-quality reports that flag the most important issues: “The report has to be meaningful, clear, and digestible to the audit committee. We work with internal audit to make sure we are not getting voluminous data in which important facts are buried.”

- **The performance and capabilities of internal audit.** One member described a comprehensive review: “We review the quality of the staff. We review and approve the budget. We review the scope of the work. Periodically, there’s an external review. On an ongoing basis, we get feedback from the external auditor on the quality of the internal audit department and their work.”

Another member emphasized the importance of reviewing resources: “One standard question we ask is, how do they feel about resources? Given the scope of their work, do they have what they need? We ask this especially if they are under budget, to make sure it’s not just because of management pressure to cut costs.” Mr. Harrington proposed additional questions that audit committees should ask CAEs regarding efficiency: “Are you using tools to audit faster? What are you doing to improve operational efficiency?”

- **Relations with management.** A member highlighted the challenge of helping the company achieve its goals yet remaining objective: “Finding a balance between independence and being part of the corporate organization is hard.” Mr. Harrington noted that CAEs at some companies risk being removed if they clash with the CEO, and that it is precisely in these situations that the audit committee must support the CAE. The CAE should be able to report inappropriate behavior by the CEO to the audit committee with full confidence that the committee will stand up for the CAE.

Members also expressed concerns about management simply ignoring internal audit: “More important has been making sure that internal audit findings receive attention by management – that there are real repercussions. It’s a very independent group, but the relationships with the chief executives are very important.” A member described a problem encountered at one company: “The operating divisions were sideline internal audit, making access to the right management people difficult. They were slow in implementing recommendations, and they were not reporting up.”

\footnote{Ibid.}
Relations with the external auditor. A member said, “I try to position internal audit so that the external auditor can rely on their work, but that requires additional congruence in terms of the timing of internal audit’s work. If there’s not enough coordination, the external auditor feels they have to go back and test something again.” Internal audit can also learn from the external auditor: “I have been pushing the external auditor to be more cooperative with internal audit, to build connections and to come with improvements and recommendations.” A member summed it up thus: “The key is to ensure constructive relations between the external auditor and internal audit, and we ascertain that in executive sessions with each of them, comparing their responses.”

Conclusion

Internal audit departments at large, global companies face a multitude of challenges. They must operate effectively across far-flung locations, navigating multiple regulatory regimes. The heightened focus on risk in recent years has drawn them more deeply into risk management, especially with regard to IT and compliance risks. In response to these challenges, internal audit departments are striving to elevate their position within their companies and establish an effective balance between centralization and decentralization of global operations. They are taking flexible approaches to finding capable staff, and they are leveraging new types of data analytics. Audit committees are working closely with internal audit departments, ensuring that they have the resources, relationships, and independence to achieve their mission. Mr. Harrington told the audit chairs, “We can’t be successful without you. We need your support on the tough issues.”
About this document

The European Audit Committee Leadership Network (EACLN) and Audit Committee Leadership Network (ACLN) are groups of audit committee chairs drawn from leading European and North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The networks are organized and led by Tapestry Networks with the support of Ernst & Young as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management and their advisers as they endeavour to fulfill their respective responsibilities to the investing public. The ultimate value of ViewPoints lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive ViewPoints are encouraged to share it with others in their own networks. The more board members, members of management and advisers who become systematically engaged in this dialogue, the more value will be created for all.

The perspectives presented in this document are the sole responsibility of Tapestry Networks and do not necessarily reflect the views of network members or participants, their affiliated organizations, or Ernst & Young. Please consult your counselors for specific advice. Ernst & Young refers to all members of the global Ernst & Young organization, each of which is a separate legal entity. This material is prepared and copyrighted by Tapestry Networks with all rights reserved. It may be reproduced and redistributed, but only in its entirety, including all copyright and trademark legends. Tapestry Networks and the associated logos are trademarks of Tapestry Networks, Inc. and Ernst & Young and the associated logos are trademarks of EYGN Ltd.

SCORE no. AU1630
Appendix 1: Biography of Larry Harrington

Lawrence J. (Larry) Harrington has more than 25 years of experience in auditing and finance. He is vice president of internal audit for Raytheon Company, which had 2012 revenues of $24 billion, and is a technology and innovation leader in defense, security and civil markets around the world.

Mr. Harrington started his career in public accounting and has since held a wide range of positions within retail, financial services, insurance, manufacturing, and technology. He has served as vice president of finance, vice president of human resources, and vice president of operations, as well as chief audit executive for several Fortune 200 companies during his career.

Mr. Harrington Vice Chair of the IIA’s international board of directors, the past chairman of the IIA’s North American board of directors, and the past president of the Greater Boston chapter of the IIA.
Appendix 2: List of participants

The following ACLN and EACLN members, who collectively sit on the boards of nearly 50 large-, mid-, and small-cap public companies, participated in all or parts of the summit:

- Denny Beresford, Audit Committee Chair, Legg Mason
- Les Brun, Audit Committee Chair, Merck
- Aldo Cardoso, Audit Committee Chair, GDF SUEZ
- Ángel Durández, Audit Committee Chair, Repsol
- Michele Hooper, Audit Committee Chair, PPG Industries
- Judy Richards Hope, Audit Committee Chair, General Mills and Union Pacific
- Lou Hughes, Audit Committee Chair, ABB
- DeAnne Julius, Audit Committee Chair, Roche Holding
- George Muñoz, Audit Committee Chair, Altria and Marriott International
- Chuck Noski, Audit Committee Chair, Microsoft
- Tom O’Neill, former Audit Committee Chair, Archer Daniels Midland
- Pierre Rodocanachi, Audit Committee Member, Vivendi
- Guylaine Saucier, Audit Committee Chair, Areva
- Tom de Swaan, Audit Committee Chair, Royal Ahold
- Martine Verlyuyn, Audit Committee Chair, STMicroelectronics and Thomas Cook
- Bernd Voss, Audit Committee Chair, Continental AG
- Chris Williams, Audit Committee Chair, Wal-Mart Stores

Ernst & Young participants included the following:

- Tom Hough, Americas Vice Chair, Assurance Services
- Steve Howe, Managing Partner, Americas
- Christian Mouillon, Global Vice Chair, Assurance Services
- Mark Otty, Managing Partner, EMEIA
- Jim Turley, Global Chairman and CEO
- Mark Weinberger, Global Chairman and CEO-elect
Appendix 3: Discussion questions for audit committees

- How have the challenges confronting your internal audit team changed over the past several years?
- What specific challenges are associated with operating globally?
- What specific challenges are associated with the heightened focus on risk, including risks associated with cybersecurity, compliance, and strategy?
- What do you believe the proper role of internal audit should be? As an audit chair, how have your demands on internal audit changed over the past few years?
- What organizational approach is internal audit taking? Has it changed its structure in recent years?
- What approaches to resourcing have worked best? What pitfalls of different approaches have emerged?
- Does internal audit serve as a training ground for other roles in the company?
- What kind of analytic tools is internal audit using? How is it applying them? What have been the costs and benefits? Will more powerful tools raise expectations of internal audit?
- What approaches is your audit committee taking to provide effective oversight of internal audit? Have there been any recent changes?
- How do you build a good relationship with the CAE and their team?
- How does your audit committee review internal audit reports?
- How does audit committee assess the cost, performance, and capabilities of internal audit? What is the process? What are some specific areas of focus?
- How does the audit committee oversee relations between internal audit on the one hand and the external auditor and management on the other? What are the reporting lines for internal audit?