Appendix – Illustrative Kano Analysis Regarding Internal Audit

BOARD AND AUDIT COMMITTEE PERSPECTIVES ON VALUE ADD (ILLUSTRATIVE)

Seen to be value adding:

- Delivering the audit plan within the year;
- Delivering assurance over key concerns or areas of interest for the board/audit committee;
- Providing comfort over core control and compliance areas;
- Providing timely and tailored briefings on the position of the organization in relation to topical issues;
- Offering insights into emerging risks;
- Identifying themes and trends in audit findings;
- Being seen to be influential with senior management.

Seen not to add value:

- Failing to deliver the audit plan;
- Having a major issue occur in an area that was recently audited (e.g. “Why didn’t you spot that issue when you audited that area last year?”);
- Appearing un-influential with senior management (and expecting the board to do the running) or appearing in the pocket of management;
- Audit receiving negative feedback in a quality review or from a regulator or from the external auditor;
• Audit “Pushing the nuclear button” on an issue which proves to be relatively minor;
• Indications that management are not remediating audit recommendations;
• The CAE being unable to answer an obvious question when the matter is discussed at the board/audit committee.

SENIOR MANAGEMENT PERSPECTIVES ON VALUE ADD (ILLUSTRATIVE)

Seen to be value adding:
• Audit being on hand to do targeted work for some senior managers;
• Audit delivering advisory assignments that are seen to support the achievement of priority objectives;
• Audit producing short, balanced reports on a timely basis;
• Audit working in a joined up way with other functions, including the external auditor, to manage the burden of assurance activities across the organization;
• Audit delivering the audit plan to (or under) budget;
• Audit identifying inefficiencies or cost savings.

Seen not to add value:
• Audit reports with negative ratings that do not align with senior management’s risk appetite;
• Audit report wording that is either inflammatory or that might be unhelpful if disclosed to a regulator or in litigation;
• Anything that comes as a surprise;
• Anything communicated out of chain;
• Audit reports that simply repeat known issues in more detail;
• Audit reports that are issued too late to do anything with.

LINE MANAGEMENT PERSPECTIVES ON VALUE ADD (ILLUSTRATIVE)

Seen to be value adding
• Audit showing flexibility concerning the timing of the assignment in relation to other priorities;
• Offering something in the assignment that would be of value to them;
• Keeping management fully on board throughout the process;
• Taking opportunities to suggest that some control activities are wasteful and can be removed to make processes slicker.

**Seen not to add value:**

• Auditor coming across as poorly prepared during an assignment;
• Auditors asking follow-on questions, or requesting additional information, after interviews or initial requests for information, that appear to be a “second bite at the cherry”;
• Anything that suggests audit does not have a firm grip on the key facts;
• Not communicating proposed findings on a timely basis;
• Poor audit ratings, or poor wording which can imply management negligence or incompetence;
• Audit having an emphasis on procedures and paperwork in such a manner that the importance of points made is being lost;
• Being so prescriptive about remediation actions that management do not feel able to move things forward in a way that suits them or reflects other organizational changes.