Innovation in audit – Moving from traditional to cutting edge

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Innovation in Audit: From Traditional to Cutting Edge

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Introduction

A Traditional Audit Function
- Our story

Think Big
- Global best practice
- Innovation focus
- People

Cutting Edge
- Objective
- Agile
- Business partner

One Year In
- What I wish I’d known!

A Traditional Audit Function
- Our story

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Our journey

1. Our story
2. What we’ve learnt
3. How we’re innovating
4. One year in

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Our story

1. A mature, traditional internal audit function
2. World class against IIA standards and external benchmarks
3. Hard working and experienced team
Internal Audit and Advisory

**Operational Team**
Internal Audits and Advisory work for operations, maintenance, engineering, production, joint ventures and projects

**Functional Team**
Internal Audit and Advisory work for global functions, global processes and SOX

**Strategy & Development Team**
Focused on strategy, governance, methodology, reporting and innovation

Team members with a mix of engineers, auditors and subject matter experts (SME)

Guest Auditor Program and Cosource for specialised SMEs and peak periods

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Types of things we do

Value Contribution

- Strong Risk Focus
- Continuous Improvement
- Organisational Change
- Charter Values

Approach

- Business Partnering
- Organisational Learning
- Sarbanes Oxley
- Productivity
- Focus on Safety
- Responding to Change
- Assurance Data Analytics
- Three Lines of Defence
- Methodology

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What we’ve learnt
Team

**Strong Scores**
- Proud to be associated with BHP
- Collaborative team that gets along well together
- Feel they are treated with respect
- Feel they could report unethical behavior without fear of negative consequences
- Leaders act in ways that are consistent with BHP Charter Values

**Weak Scores**
- Audit skills perceived to be undervalued by the business
- Having the tools and resources to execute the work
- Having the information and resources to manage own careers
- Progression opportunities out of audit
Stakeholders

“Greater strategic approach needed”
• Take an enterprise-wide view
• Focus more on what matters
• Enable a ‘learning organisation’
• Be more strategic and forward looking
• Create a culture of care

“Focus on the business”
• Provide objective advice
• Reduce compliance focus
• Help continue to build 2LOD capability

“Reduce duplication and inefficiencies”
• Look at why things are done
• Provide concise advice and reports
• Remove duplication

“Bring expertise and insights”
• Continue to include guest auditors
• Build expertise through resourcing pools
• Strengthen specialist roles
• Present and act as one team
• Provide deeper, meaningful insights

“Increase knowledge sharing and collaboration”
• Share knowledge
• Collaborate more with the business
• Improve stakeholder engagement and partnering
Peers

Operating Model
Internal audit team composition is moving from career auditors to business leaders who rotate into the function for short periods (~2 years).

Coverage and assurance
A concept of what is the ‘Minimum Level of Assurance’ exists to provide a baseline while allowing space for strategic reviews.

Audit Universe critical to explain coverage (in particular what is not in and why).

Innovation
Even in highly regulated industries, the traditional internal audit mindset is being actively challenged.
Embedding a ‘piloting’ mentality for changes.
Agile methodology being used to build energy and reduce lead-times.

Business Partnering
Knowledge sharing forums are used as a two-way communication channel. With appropriate planning, these are impactful to the business and the internal audit team.

Methodology
Early days in the application of data analytics.
More time spent planning/scoping reviews (e.g., engage functions to understand their requirements, management interviews to ‘see if they know issues’, work of other assurance providers).

Reporting
Perspectives on culture and attitude (together with views on the control framework, it provides a more holistic view).
Acknowledgement of management identified issues and proactive versus reactive approach.

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How we’re innovating

Think Big

Purpose

Focus Areas
Think Big

Imagine what we can achieve if we continue to think big
**PURPOSE**
Through objective assurance and insights, protect what BHP has today and create value for tomorrow

**VISION**
Be a cutting edge internal audit team

**BEHAVIOURS**
- Insightful
- Agile
- Authentic
Our innovation focus

RELATIONSHIPS
- Building deeper relationships with Assets / Functions
- Providing broader insights through themes
- Creating a culture of care with all stakeholders

BUSINESS FOCUS
- Actively contribute to a learning organisation
- Forward looking
- Applying a strategic and risk based lens to assurance

PEOPLE
- Fearless objectivity, supported by quality and judgement
- Recruiting and retaining top talent
- Supporting career progression

DELIVERY
- Being innovative and agile in delivery methods
- Providing facts and opinions
- Advancing data analytics and the use of technology
Our innovation focus (continued)

**People**
- Talent management
- Career opportunities
- Rotational team
- Wellness & fatigue management

**Relationships**
- Implement a new way of working
- Networking
- Rebranding
- Quality assurance

**Business Focus**
- Refresh our planning approach
- Pulse checks
- Measure our effectiveness & impact
- Re-prioritisation

**Delivery**
- Use agile methodology
- Change our methodology
- Drive continuous improvement
- Dashboards & visualisation
- Analytics & reporting
One year in

What I wish I’d known

• Sell, sell, sell!
• Some people like traditional
• Cultural change takes time
• There is no right answer
• Internal audit’s potential
Questions?