

Setting your Internal Audit strategy

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Acknowledgement of country



Sydney Water respectfully acknowledges Aboriginal people as the traditional custodians of Sydney, Illawarra and the Blue Mountains where we work, live and learn and share



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I would like to acknowledge the traditional custodians and pay my respects to Elders, past, present and emerging and their ancestors of the lands and waters across this wide land that is our home – too many peoples to name for all of us today but for my home it is the Ku-ring-gai people whose lore, traditions and customs nurtured and continue to nurture the waters (Salt Water and Sweet Water) where I live, work, learn and today share.

At Sydney Water we are passionate about engaging with the indigenous community to learn from them and help preserve their culture where we are able. This is a recent painting that we engaged a local indigenous artist to work on as part of one of our capital programs to improve the foreshore at Port Kembla

Today's talking points



- Context
- What is strategy?
- Goals
- Developing the strategy
- Communicating strategy
- Balancing Involvement and Independence
- COVID-19 – its impact
- Questions?

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Context



Who are Sydney Water and what do we do?

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We are a NSW state owned corporation delivering Water and Waste water services to the Sydney region to the Blue mountains in the west, down the Illawarra and up to the Central coast. We are Australia's largest Water utility

We have a capital program of around \$1BN per year

A large proportion of our capital and maintenance programs are outsourced but we still have 2,500 employees – half of whom are working from home to protect our critical operating location to allow us to continue to provide our services

I am part of a team of seven people with responsibility for IA and investigations of corruption and wrongdoing

About 1/3 our Audits are co-sourced with Deloitte That is about 10 in a program of 30 Audits per year

I report to the Chair or the ARC but I am also part of the Governance and Assurance group which is the first time that I have been part of a group or division where IA has been an integral part of that team rather than a place to park us

What is strategy



strategy

/'stratɪdʒi/

noun

noun: strategy; plural noun: strategies

- 1. a plan of action designed to achieve a long-term or overall aim.**
- 2. the art of planning and directing overall military operations and movements in a war or battle.**

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A couple of definitions up there for you

Whilst some days delivering the Audit plan feels like a war of attrition I think the first definition is what we are talking about

It is important to remember that a strategy is not an aspiration or a vision – it is a plan to deliver that aspiration

Underpinning that strategy needs to be a clear articulation of what you are trying to achieve

One strategy – aligned aims



Make sure whatever strategy you have it is aligned to the organisations strategy

Sydney Water's vision

Creating a better life with world class water services

Sydney Water's Internal Audit team vision

To be a world class Internal Audit function for Sydney's Water

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Remember that you might be independent of management but you are part of the organisation

You need to work to the same goals as your organisation of which you are a part

Developing the vision



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To develop your vision you need to understand a few things:

- Your organisation, where s it going, what does it want to achieve, what is driving it
- Your teams position in the organisation, your bran, your current product offering

This will inform either the gaps you need to address through your strategy or the heights to which you want your team to soar – or why not both?

Those gaps and heights become your goals

Translating a vision into goals



- **Quality – we need quality in everything we do**
- **Desired – we want people to want us**
- **Great things – be ambitious in what we do**
- **Inspirational – we want other people to want to be us**
- **Give – as we have received we will share**

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I was asked last week what “being a world class Internal Audit function for Sydney’s Water” actually meant – and that is a good question – the aim that your strategy is trying to achieve needs itself to have meaning

For me that vision of world class meant the following

Quality – in everything we do, how we deliver against the IIA standards, how we deal with the business, how we operate as a team, how we report to the ARC

Desired – we want people to want us, to come to us for advice, help, to bring their problems to us, to tell us what is going on in their business

Great things – good enough isn’t good enough we want to be better

Inspirational – we want other people to want to be us – that’s not just other Audit functions from other organisations we want the business to look at us and say – that’s what good looks like – how can we be like them?

Give – we didn’t make this up or invent good we learnt from others so we should share that in the same way that we received it

What these goals give us are hooks to land our strategy – our strategy should link to those goals

Developing the strategy



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This is a wheel don't reinvent it.

Use the tools that your organisation has to develop strategy – not only will that make life easier but it will help to ensure your application of your organisational strategy is aligned to the organisational strategy

Obviously the first part of developing your strategy is to develop the goals that underpin the vision – then test the vision and goals with the organisation – ask the CEO and the Chair of the Audit Committee – ask your peers and the executive

Make sure you can see a link between the goals and the vision

Actions designed to achieve a long term aim



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Going back to the definition of strategy – it is all about the actions to achieve the long term aim

At this point we have a clear vision, we have a clear articulation of what that vision means through our goals – that is the long term aim

That then gives us our actions

They are simply the plugs to the gaps between us and our goals or the steps to the heights that we are aiming for

Communicating the strategy



Internal (to the Audit Committee)

External (as in to the business)

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I am proud of what my profession does.

I am clear on my role and contribution to the goals of Sydney Water. I also know the importance of our profession

I also recognise that I am just one cog in a much larger machine. So I don't need to be a loud voice and be heard shouting my strategy just to remind everyone else how important I am.

I can be a clear and direct voice instead. So I don't need a 30 minute presentation at a senior leaders forum to broadcast my strategy - what I need to do is just make sure my strategy is shared

My simple communication of strategy internally (to the ARC) is to embed that in my annual plan cover paper that explains what we are doing, what is driving the plan and our strategy

The external (as in to the business) communication is equally simple – I share that same paper (slightly edited) to the heads of business group – my peers

My strategy



Two pillars supporting success

- The Audits (and the plan)
- The way we work

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I have explained my vision (to be a world class internal audit function for Sydney's Water) and my goals (quality, to be desired, great things, inspirational, giving) but how did I translate that into actions and communicate them to the business and the Audit Committee?

I split my strategy into two pillars. The first path as about the work that we do – the Audits that we did and how we identified them.

The second pillar of my strategy is how we engaged with the business and how we operated

The pillars are intertwined in terms of how we work and what we work on Both pillars provide the support needed to achieve the aims of quality, desired, great things, inspirational and

The Audits and the Plan



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In developing the plan I met with every head of business the exec and identified three categories of audits – Signature, risk prioritised and mandatory

That made it clear what the plan was about quality (the normal risk prioritised audits) and what was about giving to the business and being ambitious (the signature audits)

Not only did we have a clear plan that supported our strategy but we also named the plan. In an aspiration to do great things we branded this year's plan the FY21 Connected Internal Audit Plan. Much like my organisation has strategies to break down silos we are delivering a plan with audits that are connected across the business and connected to each other.

The way we work – our engagement model



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We collaborate and support the business

We engage early and we engage often

We set expectations of how we will act with the business before we set expectations of how they will act with us

We aim for no surprises

We give the business opportunity to provide context but we don't hide the truth

Balancing involvement and independence



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One of the questions I have faced a few times when talking about a business focussed engagement model s “Surely that’s going to impair independence”

My response generally on this is that I am my own control over my independence. It isnt my reporting line that keeps me honest – it is my desire to be independent

I know the boundaries I cannot cross and I always tell the business that I wont hide anything from the ARC and the CEO but I will always work with the business on the messaging

COVID19 – the impact



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The human impact of COVID for so many people has been terrible and I won't downplay that.

But for me and the delivery of my strategy there has been little adverse impact. I know more about my team than I have ever done. I am closer to some of them than I have been.

More importantly COVID19 has reinforced the importance of my strategy and importance of working with the business rather than against it.

Vienna



To quote Napoleon Bonaparte

“if you are going to take Vienna, take Vienna!”

Or don't...

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Questions

