Engineering and construction

Internal audit benchmarking study

EY

Building a better
working world

Contents

Introduction

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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.
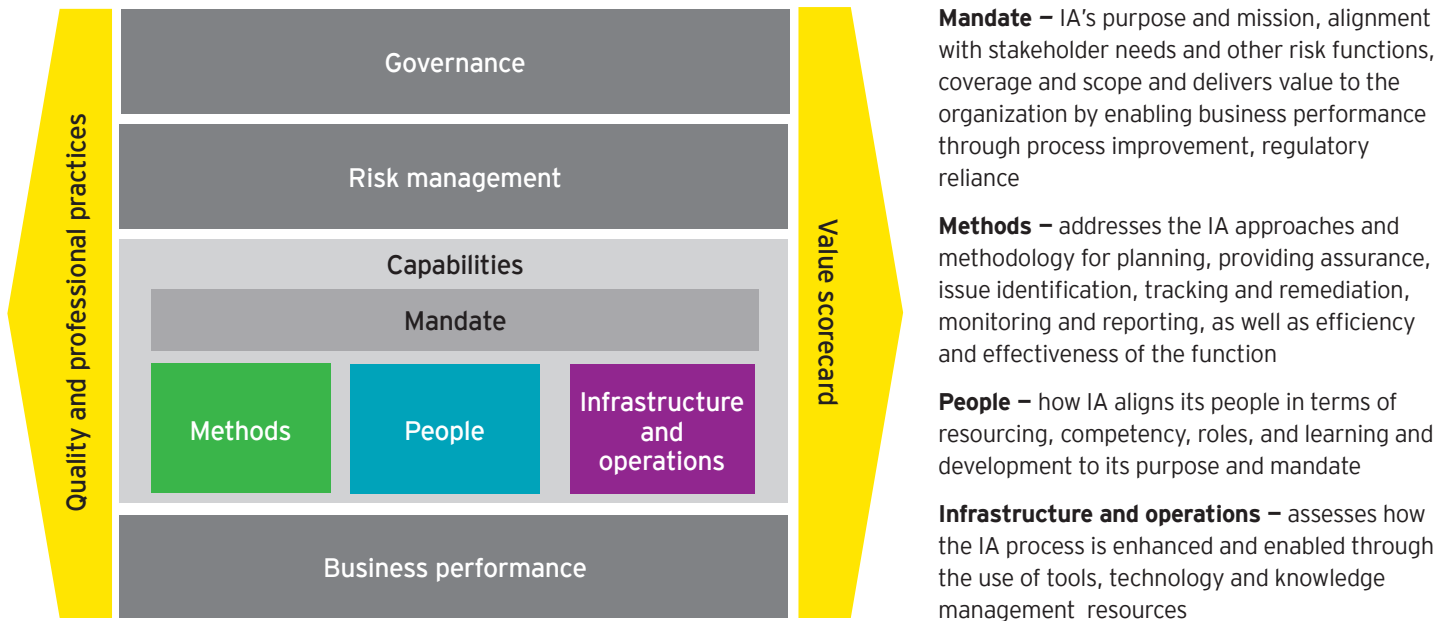
Sincerely,

Erin Roberts

Americas Construction Leader

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.
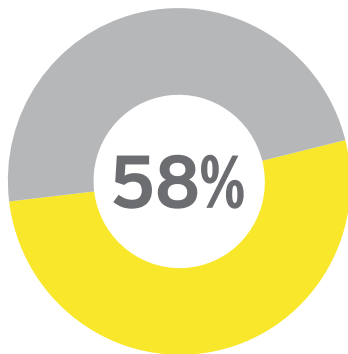
Survey summary

Survey summary
Methods

This is a summary of the survery results, subsequent pages show details for each charts.

58%

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-risks areas are covered every 2–3 years

50%
of audits are driven by a top-down risk assessment

45%
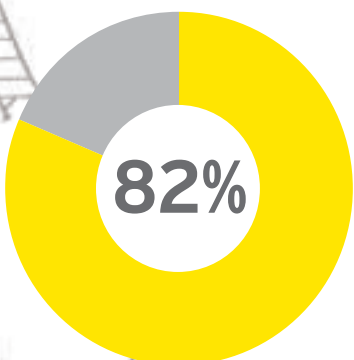of planned audit drafts are presented to Business unit management prior to finalization

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

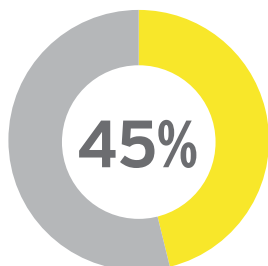## Third-party contractor/supplier audits and capital projects are key focus areas

82%

82% of average audits annually are in:

1. Third-party contractor/supplier audits
2. Capital projects

Survey summary
People – resourcing

45%

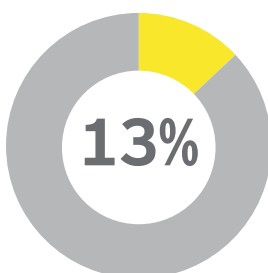45% of respondents maintain team member bios or other skill matrices for staffing

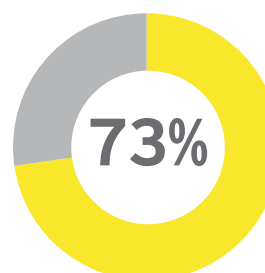**Measures used to align team skill to the audits**

- ‣ 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

55%

55% of respondents offer an auditor rotational program

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%

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

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%)

73%

73% of respondents use third-party resources

Specific services provided by the third party:

- ‣ International coverage
- ‣ IT skills
- ‣ Staffing shortages
- ‣ Compliance
- ‣ Internal control regulation
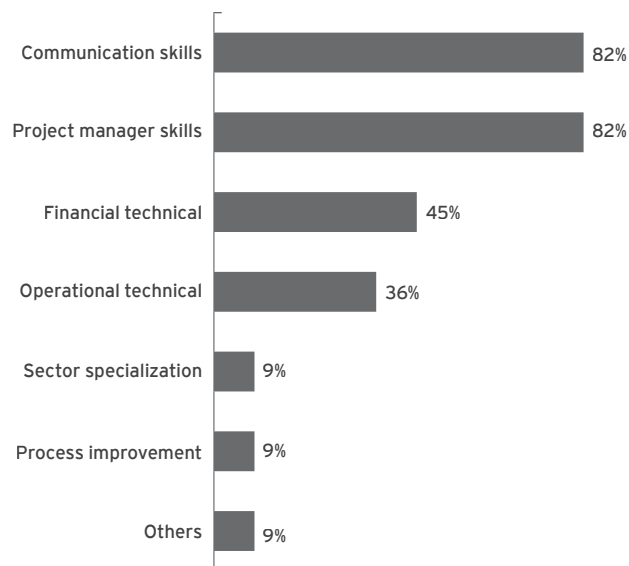- ‣ Contractor/supplier audits
- ‣ Fraud skills

Various competency and performance measurements are used
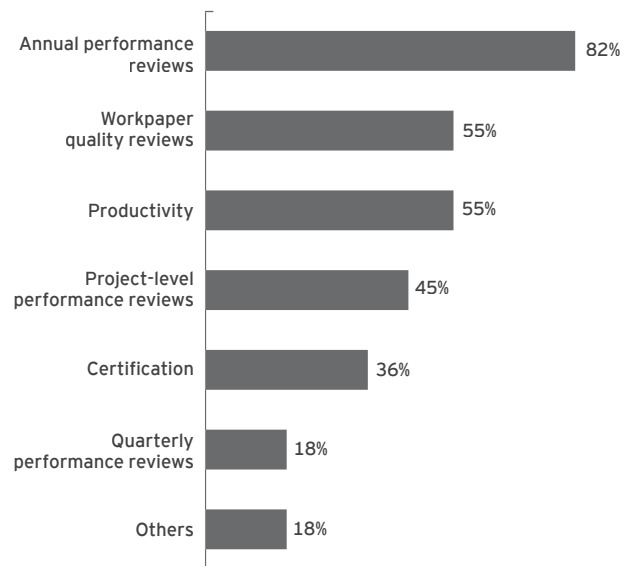
Which employee competencies are measured?
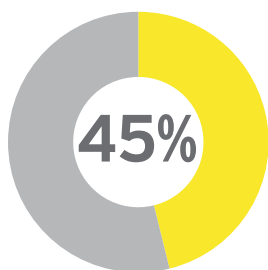
Percentage of participants measuring each competency

Competency	Percentage
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

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

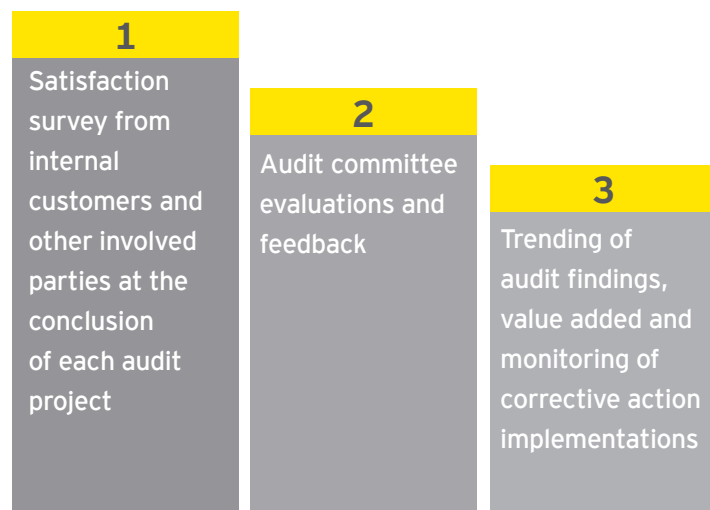*Multiple responses allowed.*

45%

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

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

Top three measures used to determine the quality and value of internal audit work to the business
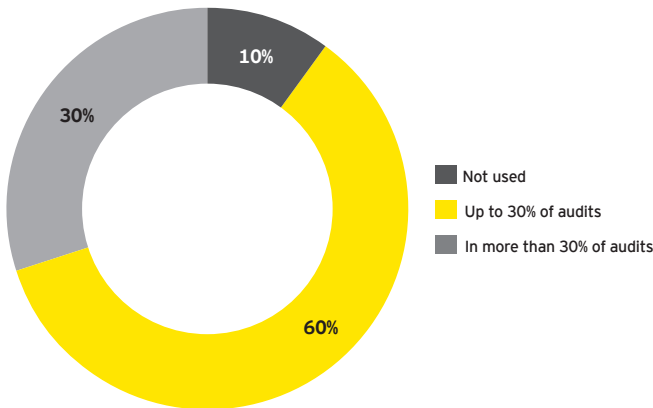
1 Satisfaction survey from internal customers and other involved parties at the conclusion of each audit project

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

- 10%
- 30%
- 60%

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

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

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

Continuous auditing:

10% of respondents have implemented continuous auditing, while another 10% are in progress

When implemented, continuous auditing is leveraged for:

- ‣ Ethics
- ‣ Trade sanctions
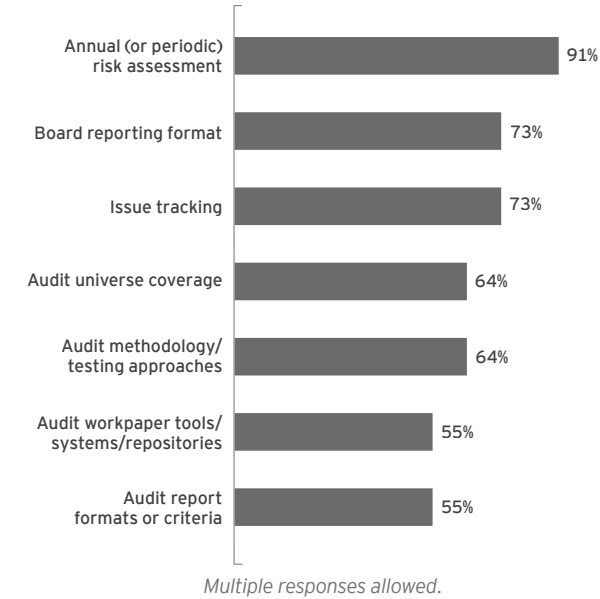- ‣ Compliance

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

Category	Percentage
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

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

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
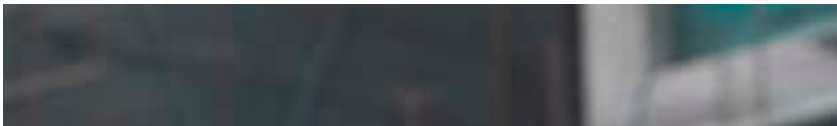
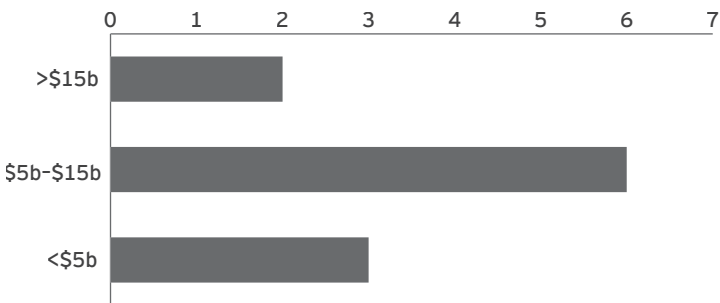# Detailed survey results
Background and Methods
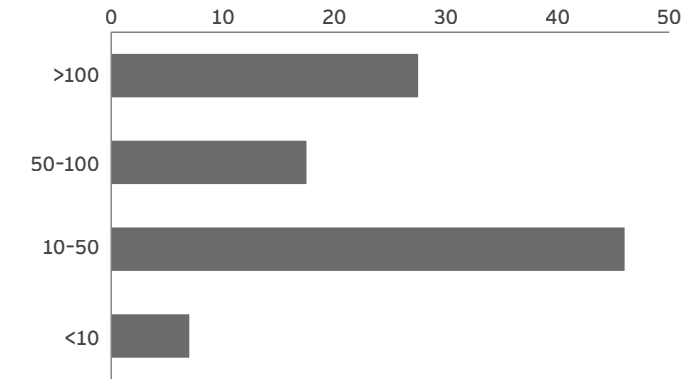
Detailed survey results
Background

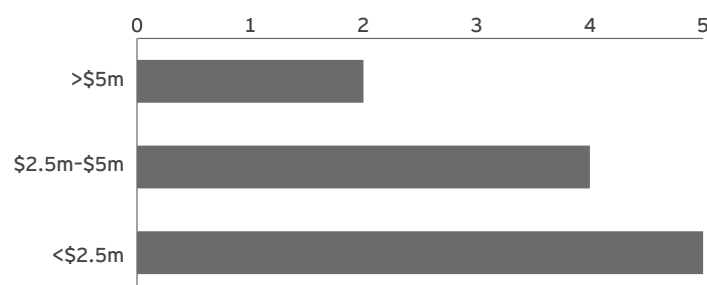### Participant company demographics

Annual revenue:

	0	1	2	3	4	5	6	7
>$15b								
$5b-$15b								
<$5b								

Number of countries in which each respondent operates

	0	10	20	30	40	50
>100						
50-100						
10-50						
<10						

Where department personnel are domiciled

- North America
- Europe
- Middle East/Africa
- China
- India
- Asia-Pacific

80%
6%
5%
3%
3%
3%

Department budget

	0	1	2	3	4	5
>$5m						
$2.5m–$5m						
<$2.5m						

Department profiles

Title	In-house FTEs		Tenure for employees at each level					
			Low (years)		Average (years)		High (years)	
	Average	High	Average	High	Average	High	Average	High
Vice President	1.0	1	3.1	8	5.7	15	6.3	20
Director	1.7	3	7.0	16	9.0	17	12.1	35
Senior Manager	2.1	3	4.7	11	5.9	12	9.5	25
Manager	2.8	8	4.4	8	5.2	11	10.0	16
Senior	5.4	17	1.5	3	3.8	7	6.1	20
Staff	2.9	6	2.0	5	2.8	5	3.9	5
Guest/Rotational	1.0	2	0.0	0	0.0	0	0.0	0
Subject Matter Resource	1.0	2	4.5	5	4.0	4	2.5	5
Headcount	12.4*	33*						

Headcount averaged across respondents, does not reflect table total/summation.

Most audit projects stem from a top-down risk assessment

Percentage of audits driven by:

- ■ Top-down enterprise-level risk assessment — 50%
- ■ Annual compliance-based reviews — 14%
- ■ Rotational based on time since last audited/similar factors — 15%
- ■ Requests by management/business units — 11%
- ■ Other Drivers — 10%

A majority of the participants use an audit universe

How many auditable units are included in your audit universe?

■ <100   ■ 100–300   ■ 300–500   ■ > 500
■ No response

- <100 — 27%
- 100–300 — 9%
- 300–500 — 9%
- > 500 — 18%
- No response — 37%

Requests for audit assistance often exceed audit's capacity to meet those requests
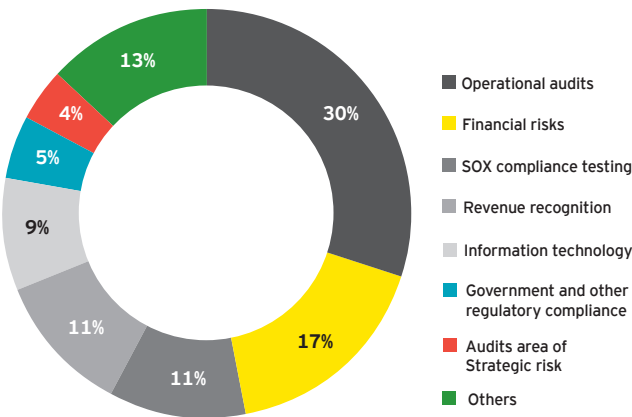
Types of audit support requested from management but declined due to limited resources?

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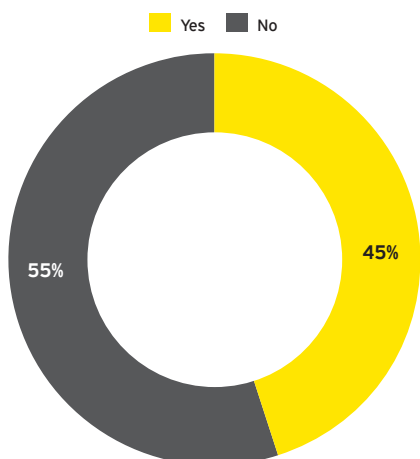- ▸ Delayed until resources are available
- ▸ Utilization of other in-house staff
  - ▸ Operational
  - ▸ Legal
  - ▸ Finance
  - ▸ Respective function or project/process owner

Allocation of efforts per risk area

- ■ Operational audits — 30%
- ■ Financial risks — 17%
- ■ SOX compliance testing — 11%
- ■ Revenue recognition — 11%
- ■ Information technology — 9%
- ■ Government and other regulatory compliance — 5%
- ■ Audits area of Strategic risk — 4%
- ■ Others — 13%

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?
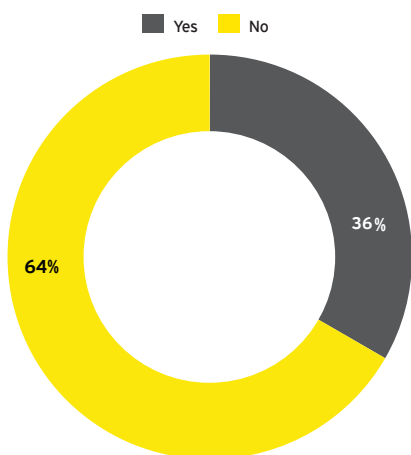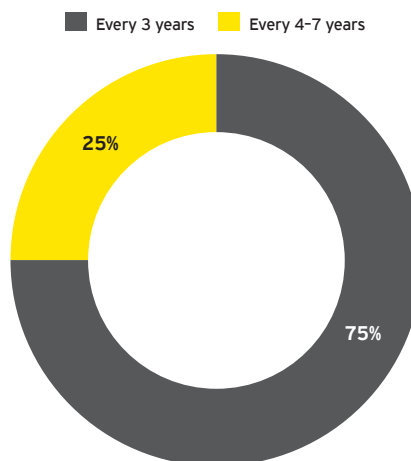
Yes **No**

55% 45%

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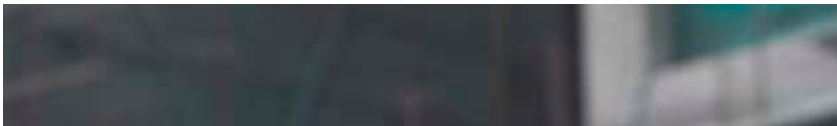
Do you audit 100% of the company's audit universe?

Yes **No**

36% 64%

If yes, on what frequency is 100% of the audit universe completely audited?

Every 3 years **Every 4-7 years**

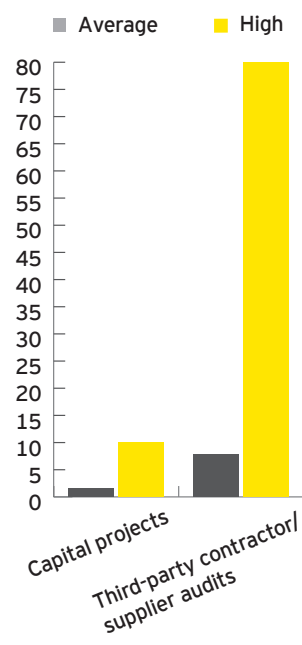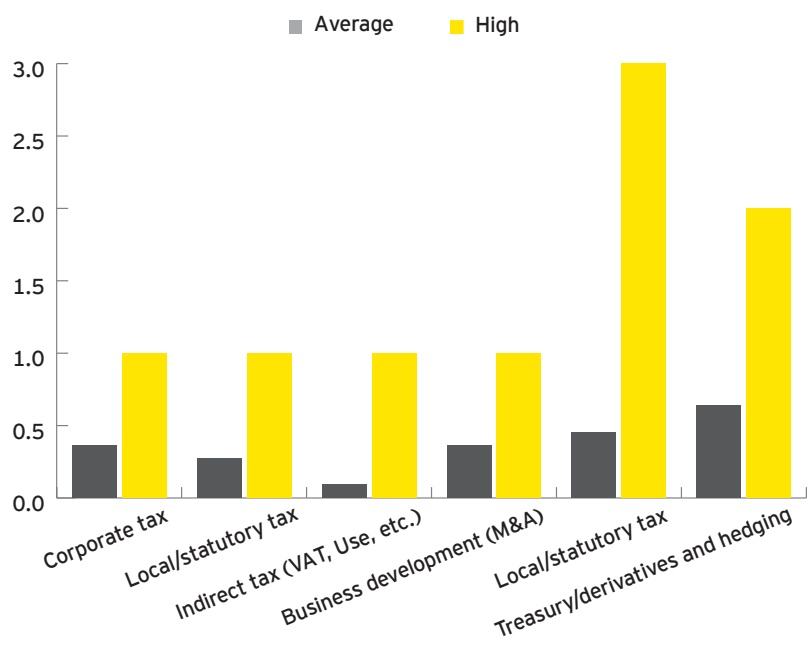25% 75%

Detailed survey results (continued)
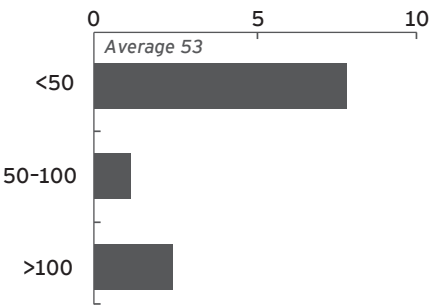## Methods

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

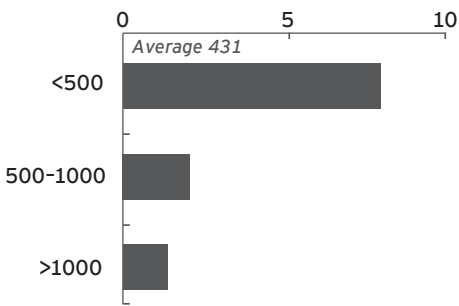How many audits do you perform annually (on average) in the following process areas/departments?

■ Average   ■ High

■ Average   ■ High

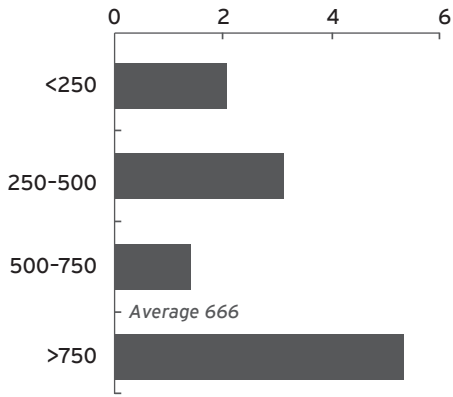## Number of reports and project size

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

Average 53

<50

50-100

>100

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

Average 431

<500

500-1000

>1000

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

<250

250-500

500-750

Average 666

>750

People
Resourcing and Competency development
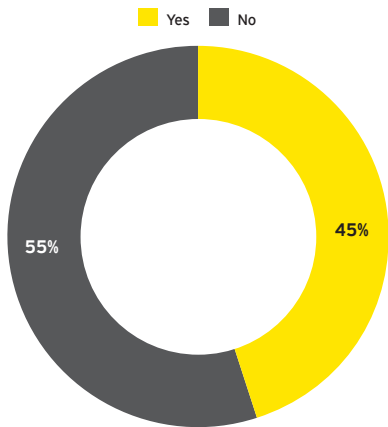
People
Resourcing

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?

Yes ■ **No**

45%

55%

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?
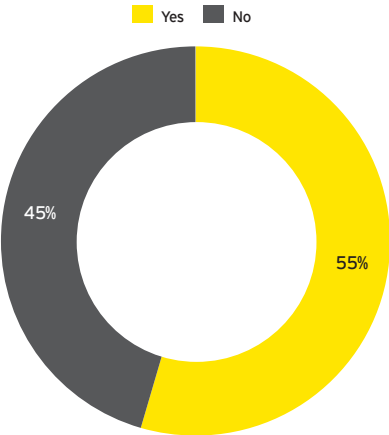
Key highlights:

▸ 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
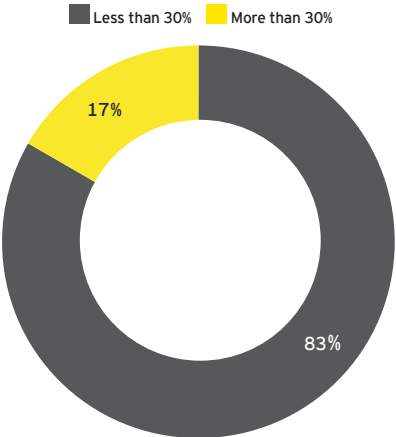
Do you offer auditor rotational programs?

Legend: Yes (yellow), No (gray)

- 45% No
- 55% Yes

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

Scale: 0 1 2 3 4 5

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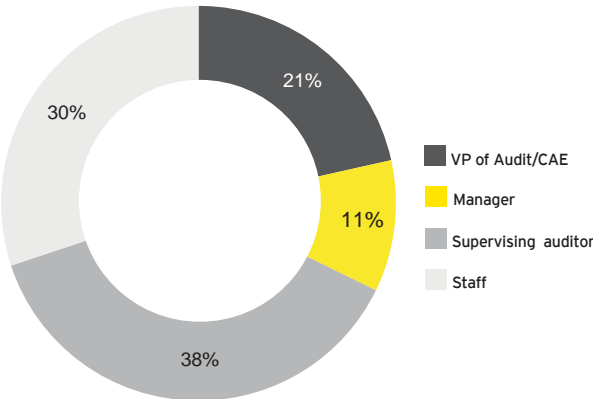- Others

Items ranked in priority order

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?

Legend: Less than 30% (gray), More than 30% (yellow)

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

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

Legend:
- VP of Audit/CAE (dark gray)
- Manager (yellow)
- Supervising auditor (gray)
- Staff (light gray)

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

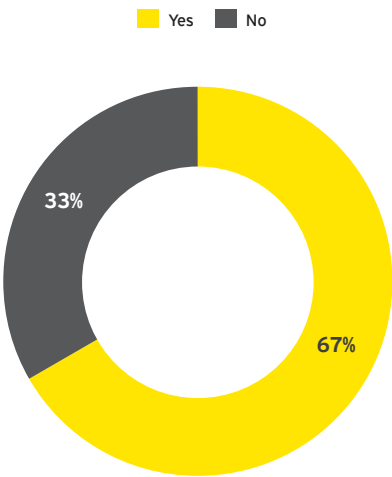*Graph includes the average of responses by level.*
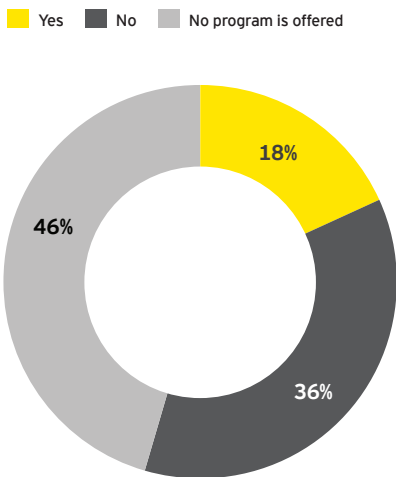
People (continued)
Resourcing

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?
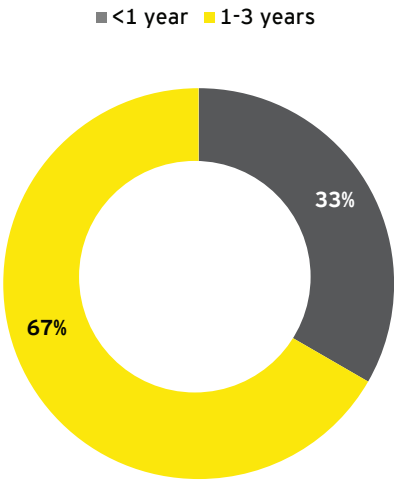
Is the rotational program part of a formal leadership development program across the company's finance or other departments?
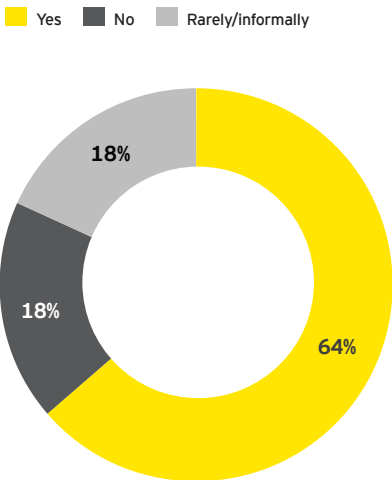
Yes **No**

33%

67%

Yes **No** **No program is offered**

18%

46%

36%

The type of rotational programs influences the duration of the rotation

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

Legend: ■ <1 year ■ 1-3 years

33%

67%

Does the company use a guest auditor program (i.e., targeted resources to participate in an audit for specific skills or learning opportunities)?
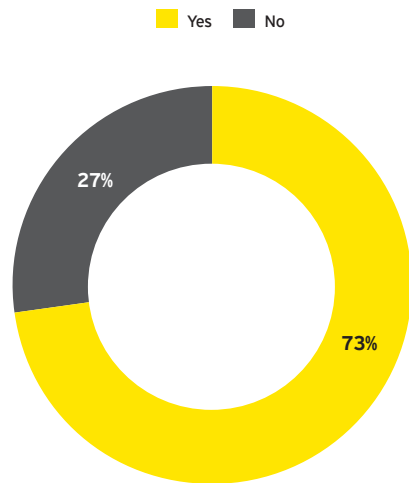
Legend: ■ Yes ■ No ■ Rarely/informally
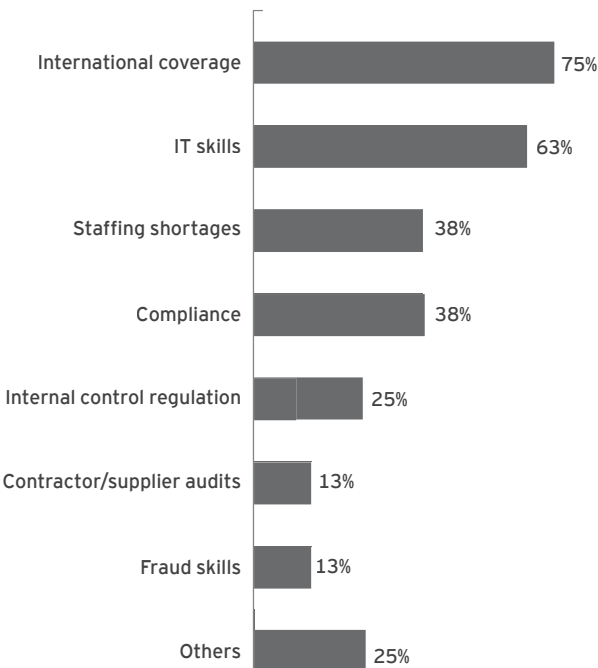
18%

18%

64%

People
Competency development

Most respondents use third parties as part of a flexible sourcing strategy

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

Yes ▮ No ▮

27%

73%

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

Percentage of respondents using each service

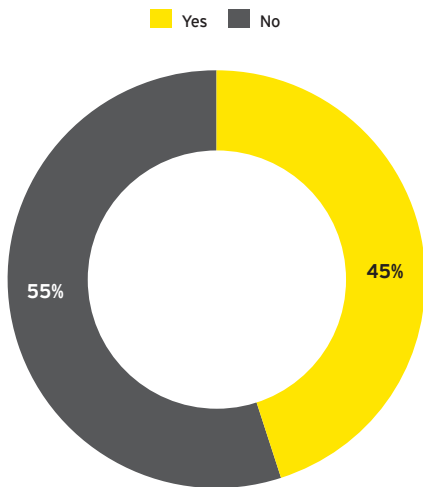| Service	Percentage
International coverage	75%
IT skills	63%
Staffing shortages	38%
Compliance	38%
Internal control regulation	25%
Contractor/supplier audits	13%
Fraud skills	13%
Others	25%

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?

Yes ■ No

55% 45%

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
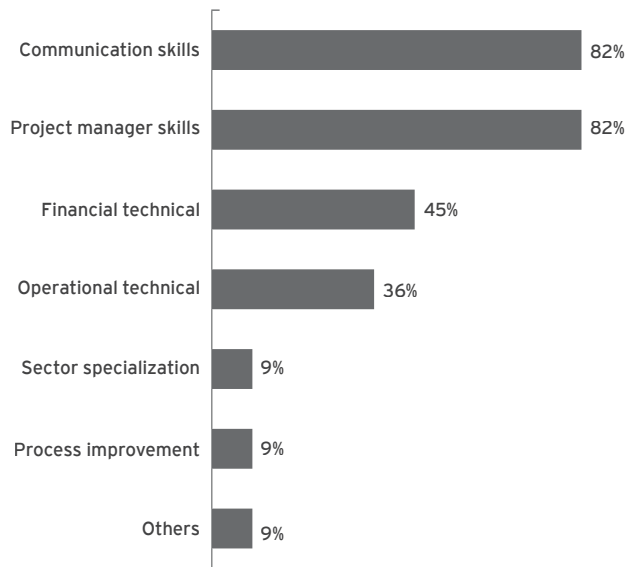
People (continued)
Competency development

Various competency and performance measurements are used
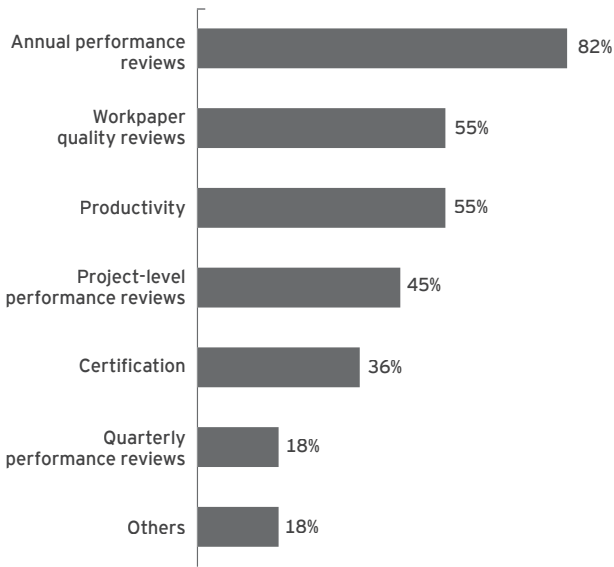
Which employee competencies are measured?

Percentage of participants measuring each competency

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

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

Infrastructure
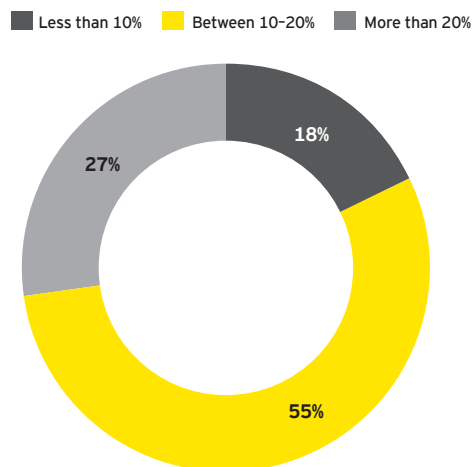# and operations
Tools and technology

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?
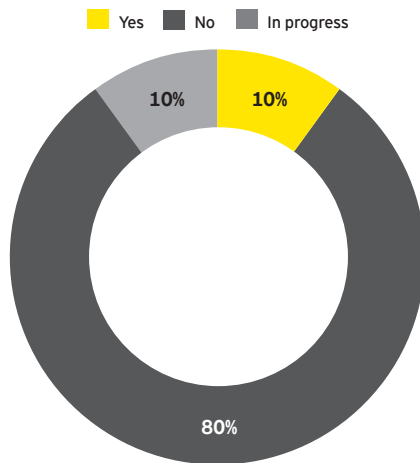
Key highlights:

▸ 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%

- 18%
- 55%
- 27%

Continuous auditing analytics is an emerging area

Does your department use continuous auditing?

Legend: Yes (yellow), No (dark gray), In progress (light gray)

- 10% (Yes)
- 10% (In progress)
- 80% (No)

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

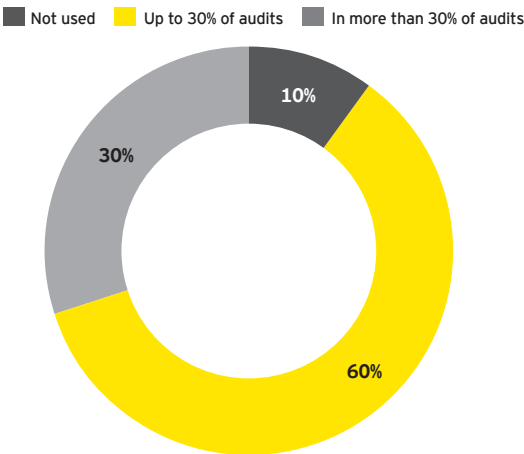Key processes include:

- ▸ Ethics
- ▸ Trade sanctions
- ▸ Compliance

Infrastructure
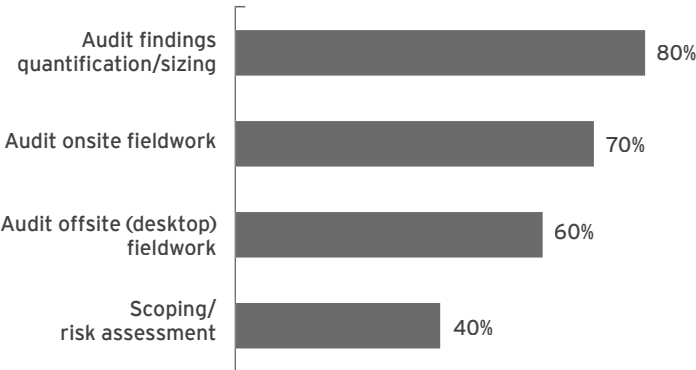# and operations (continued)
Tools and technology

Data analytics is used across the internal audit life cycle

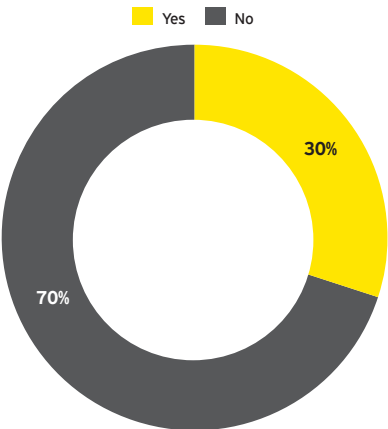**What is the percentage of the audits where data analytics is used?**

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

10%
30%
60%

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?
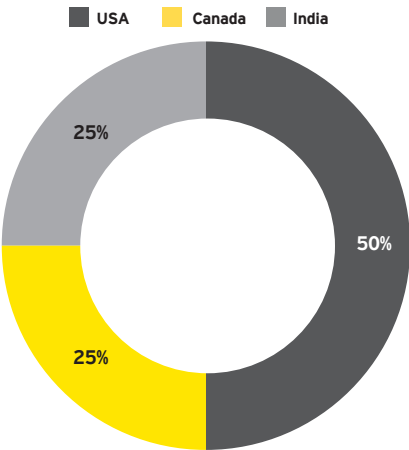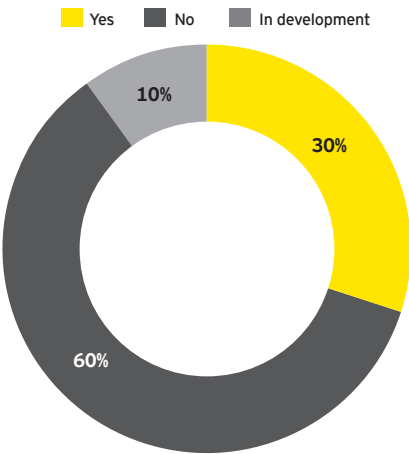
Yes   No

30%
70%

Systems used:

▸ SAP Business Warehouse

▸ ACL and certain automated scripts

▸ IDEA software

▸ ODB connection

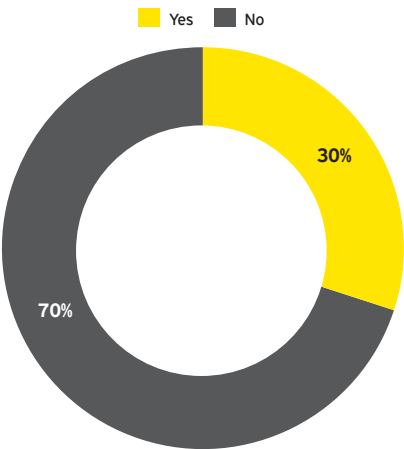# Some participants use data analytics specialists extensively

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.

Legend: Yes | No | In development

- 30%
- 60%
- 10%

Legend: USA | Canada | India

- 50%
- 25%
- 25%

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)?
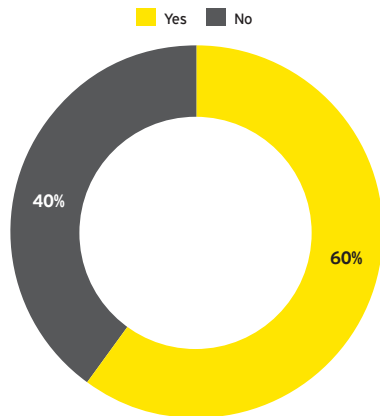
Legend: Yes | No

- 30%
- 70%

This strategy is commonly applied to investigations and has proven to be an effective tool for regular audits.

Infrastructure and operations
Knowledge management

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)?
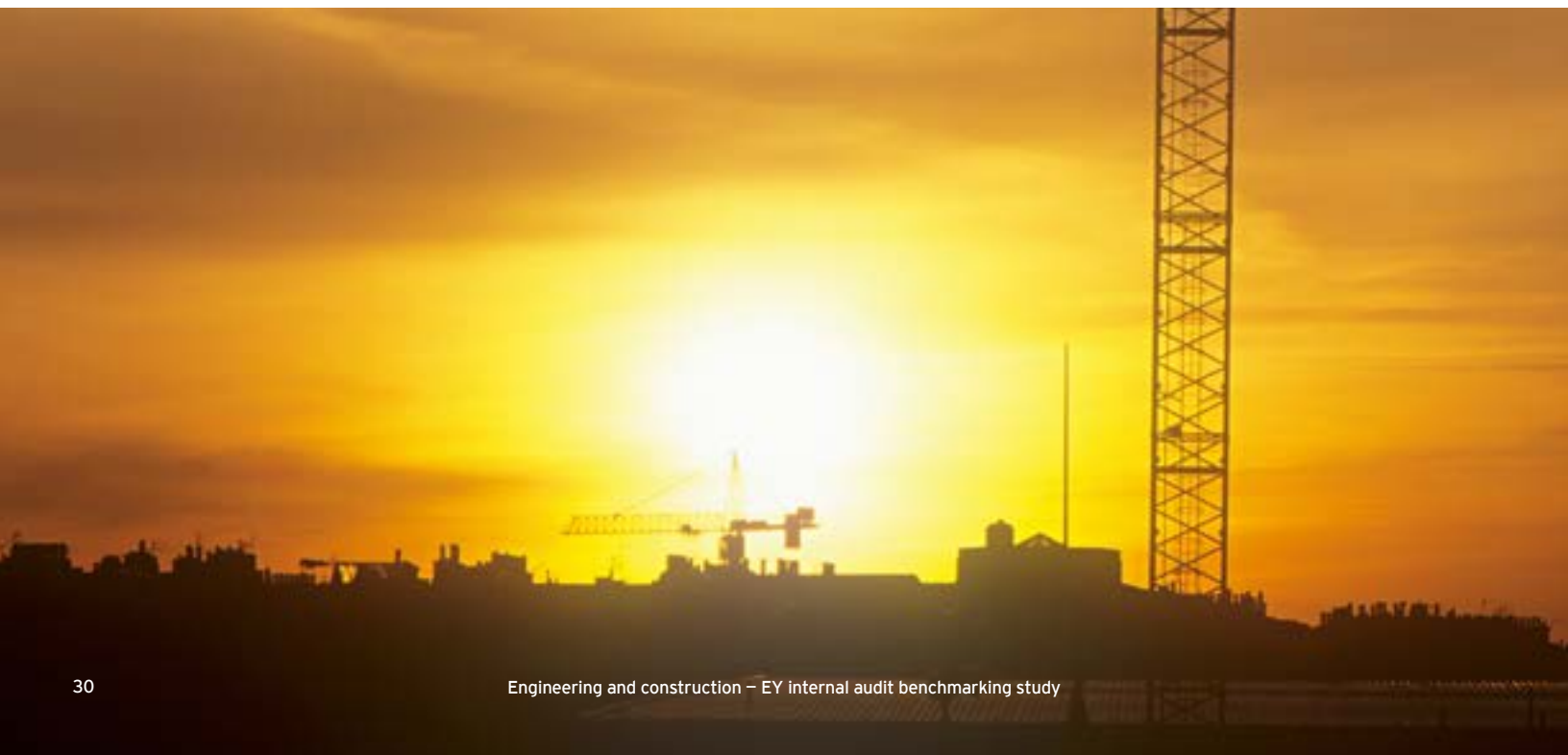
Yes ▢ No ▢

40%

60%

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?
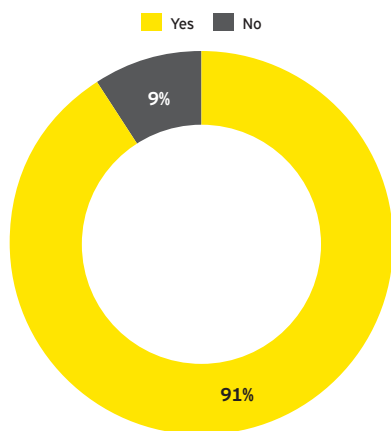
▸ Yes in (100% of audit reports)

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?**

Yes ▪ No

9%

91%

Yes ▪ No

9%

91%

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?
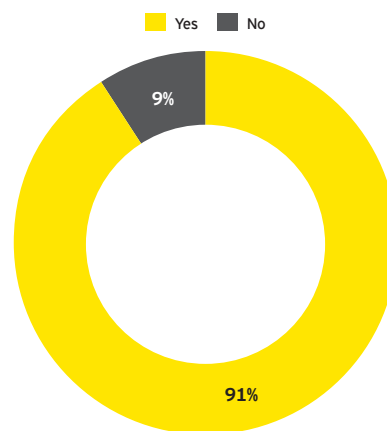

Legend: Yes (yellow), No (dark gray), Informally (light gray)

- 18% (Informally)
- 18% (No)
- 64% (Yes)

Share any leading-practice activities in the business identified during the audit?

Legend: Yes (yellow), No (dark gray), Sometimes/rarely (teal)

- 11% (Sometimes/rarely)
- 33% (No)
- 56% (Yes)

Key highlights:

▸ Informal discussions conducted during the audit fieldwork and the closing conference

Key highlights:

▸ Broad sharing done rarely or in specific circumstances

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?

Category	Percentage
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

On average, IA collaborates with two other risk functions.

▸ Assurance

▸ Ethics and compliance function

▸ IT governance and compliance

▸ Financial controls and governance (SOX 404)

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?

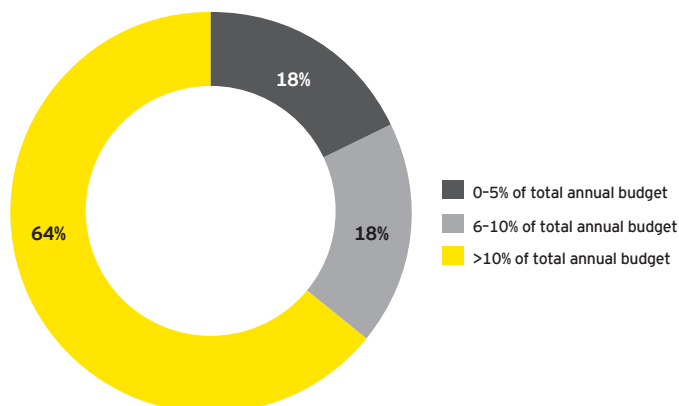| Activity	Average	High
Audit planning and delivery	49%	80%
Sarbanes-Oxley management, documentation or testing	11%	30%
Audit action plan/remediaition tracking and follow-up	8%	20%
Annual risk assessment/audit plan establishment	6%	10%
Vacation/holiday/sick leave/personal leave	6%	10%
Process improvement/consulting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

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?

Legend:
- 0-5% of total annual budget
- 6-10% of total annual budget
- >10% of total annual budget

Chart values: 18%, 18%, 64%

Audit subject allocation detail

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

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

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

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EY team

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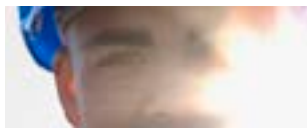
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EY Advisory services

EY Advisory services

Service offering	Overview	Services provided	Benefits
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)

Service offering	Overview	Services provided	Benefits
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

EY | Assurance | Tax | Transactions | Advisory

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