

Internal Audit As A Start-Up

Surprising Similarities



IIA Salt Lake City Chapter
April 26, 2023

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INTRO



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EXPECTATIONS TODAY



Let's Get Real



Anatomy of a Start-Up



Ultimately, About You



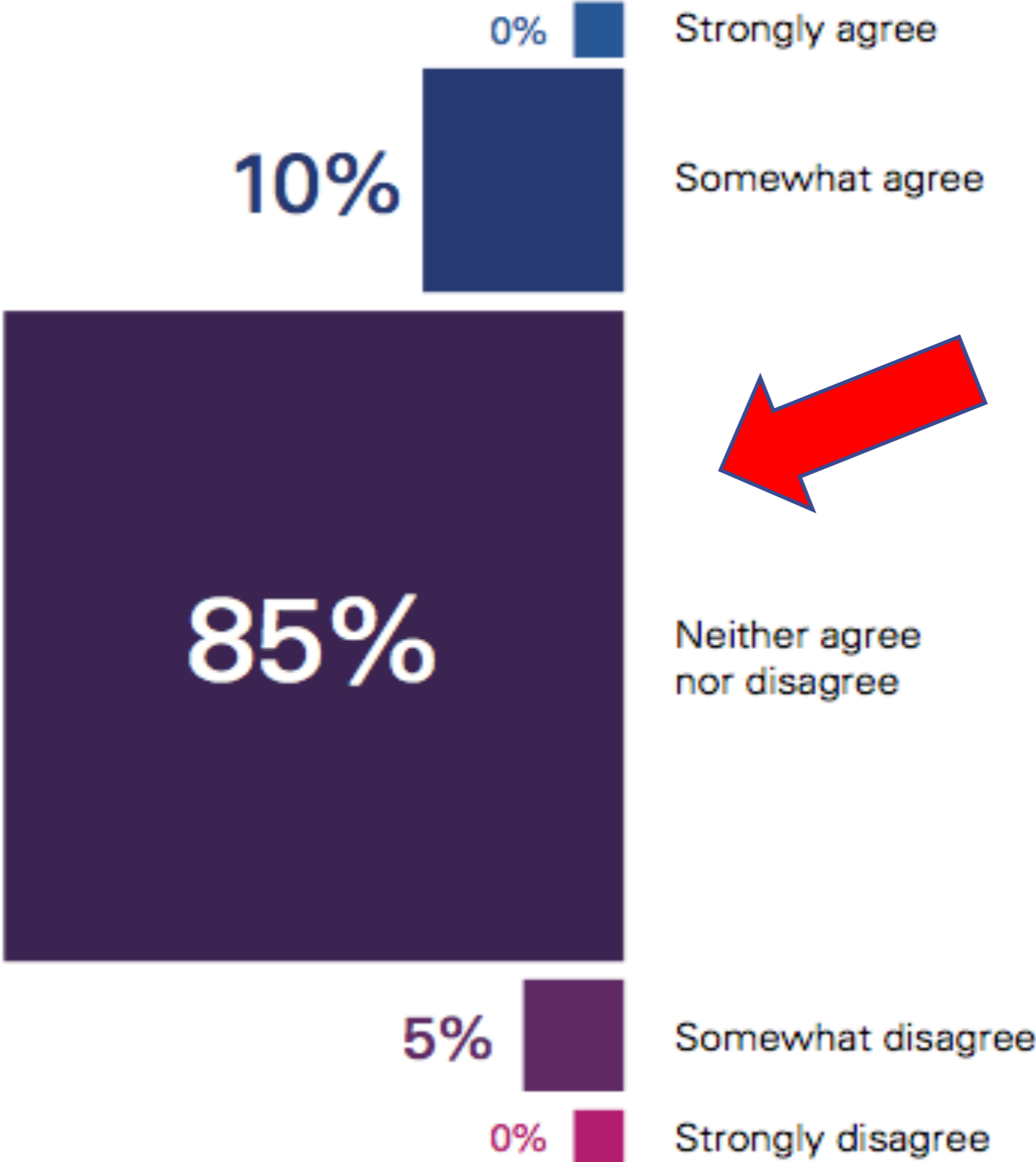
LET'S GET REAL (1/3)

What insights do companies receive from their IA today; what insights would be of most value?



Source: Seeking value through Internal Audit, KPMG International, 2016

How strongly do companies agree or disagree that their IA function adequately identifies and responds to their emerging risks?



Source: Seeking value through Internal Audit, KPMG International, 2016

LET'S GET REAL (2/3)

“Stakeholders in various companies are asking internal audit to provide more,” Steven Singer, a principal in E&Y’s risk advisory services group, told CFO.com. “Don’t just be the compliance police. Literally help identify opportunities for process improvement, and focus more on strategic and operational risk.”

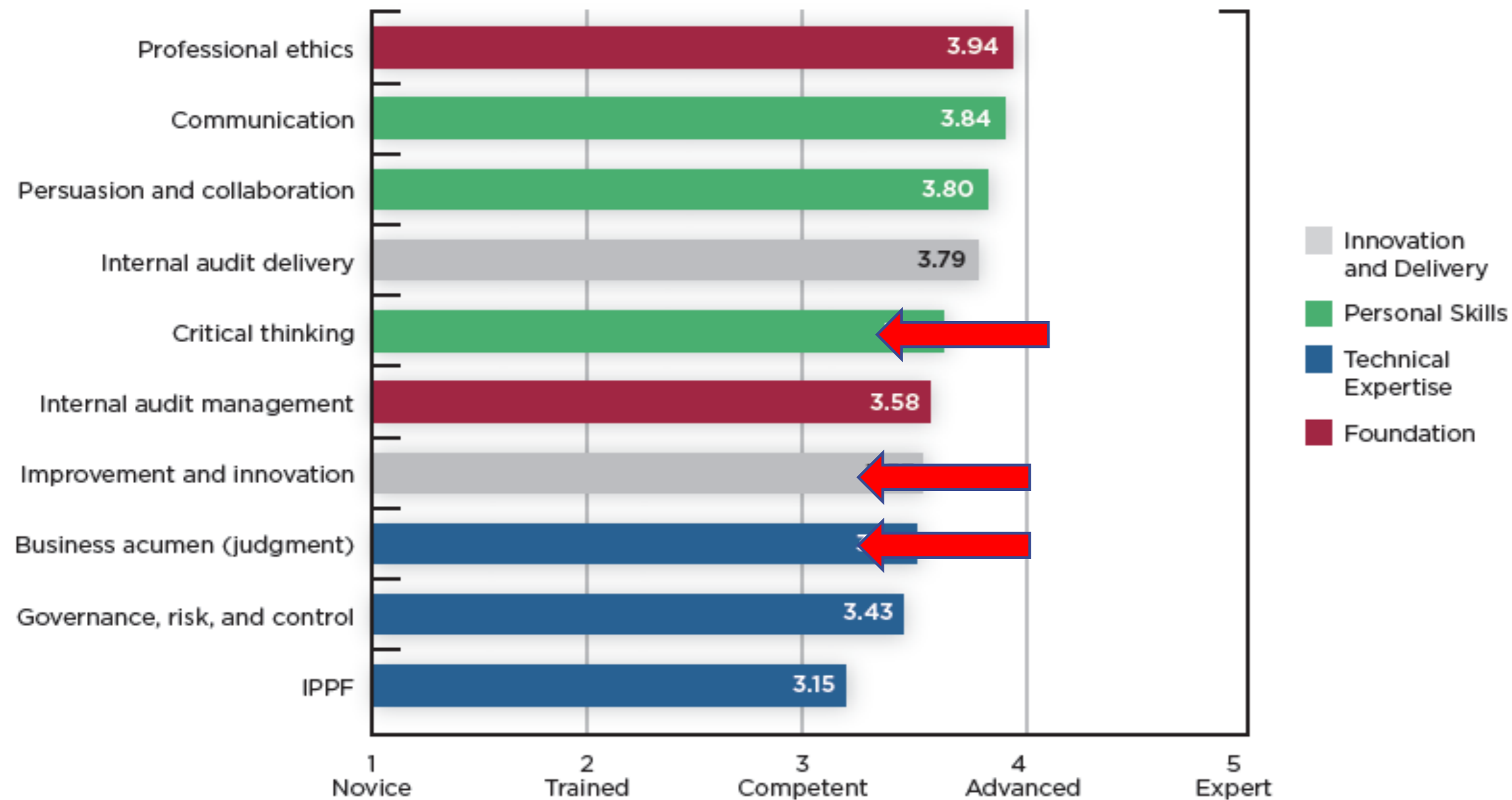
But establishing that focus may be easier said than done. Because of the years of focus on Sarbox, many internal audit teams today are thin on the experience needed to operate in a new way.

Only 17 percent of respondents to the recent survey rated their current team’s skill at enterprise risk assessment as “very competent.” Just 19 percent said the same for fraud detection, 22 percent for use of technology and analytics, and 39 percent for business process improvement.

“If you look at the survey data, the leaders of organizations do not have full faith right now in internal audit’s ability to execute their mission,” said Singer.

LET'S GET REAL (3/3)

Exhibit 4 Competency Self-Assessments Ranked from Highest to Lowest



Note: Q79-Q88: Estimate your proficiency for each competency. The scores in the exhibit are averages of multiple measures used for each of the 10 core competencies. IPPF refers to The IIA's International Professional Practices Framework. $n = 10,366$ to $11,350$.



Critical Thinking - **5th!**

Innovation – **8th!**

Acumen – **9th!**

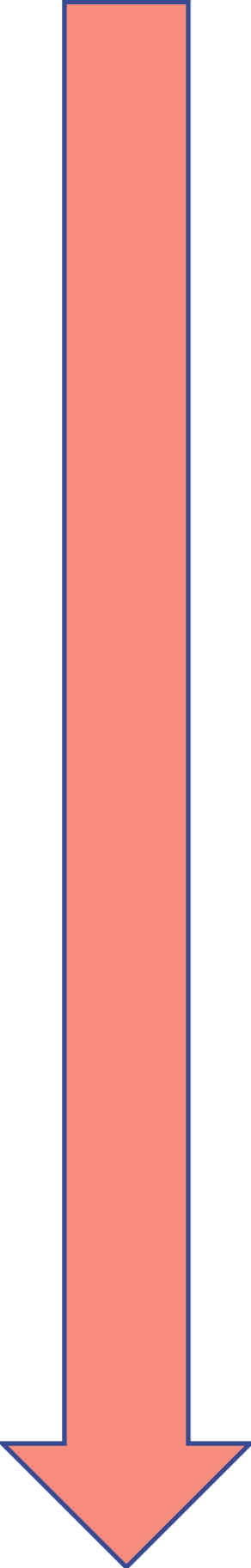


Ethics & Management



Technical Skills

Bottom of the Pyramid



External Environment

Board & C-suite

Operations
Management

INTERNAL AUDIT



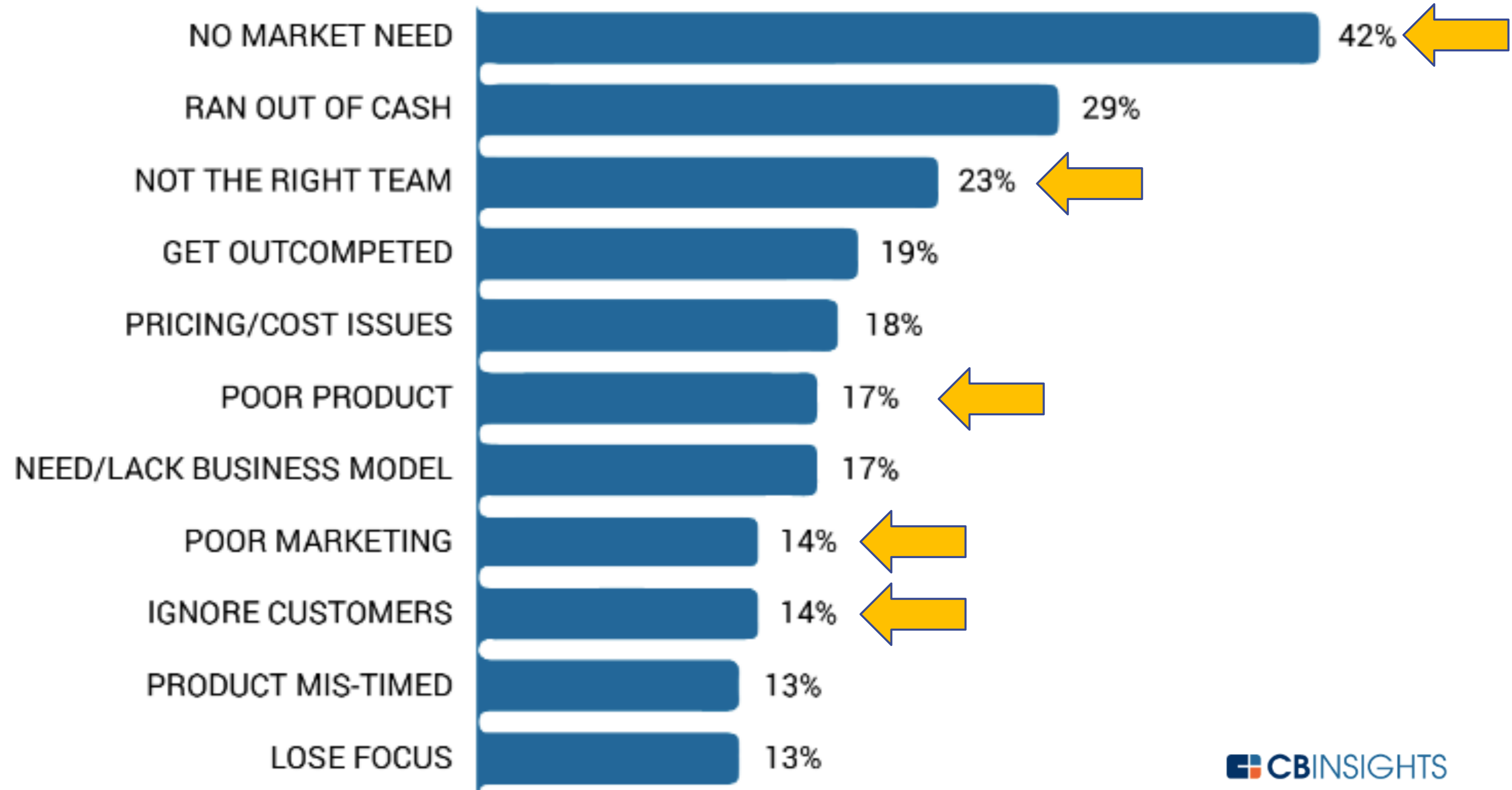
What Is A Start Up?

“... a human institution designed to create new products & services under conditions of **extreme uncertainty**”

Startups are young companies founded to develop a unique product or service, bring it to market and make it **irresistible and irreplaceable** for customers.

Rooted in **innovation**, a startup aims to remedy deficiencies of existing products or create entirely new categories of goods, **disrupting entrenched ways** of thinking and doing business. That's why many startups are known within their respective industries as “disruptors.”

Top 10 Reasons For Failure



Similarities With IA

- Uncertainty
- Mission / Story – Unique Value Prop
- Product – Market Fit
- Competition / Mind Share
- Investors - Delivery
- You

Mission - Story

Simon Sinek: Golden Circle – Start With “Why”

- *We believe that everything we do is to*
- *To uniquely accomplish this, we will ...*
- *We are in the business of*
- *When we accomplish, we imagine a world where*
- *Together, we will achieve that through*

Product – Market Fit

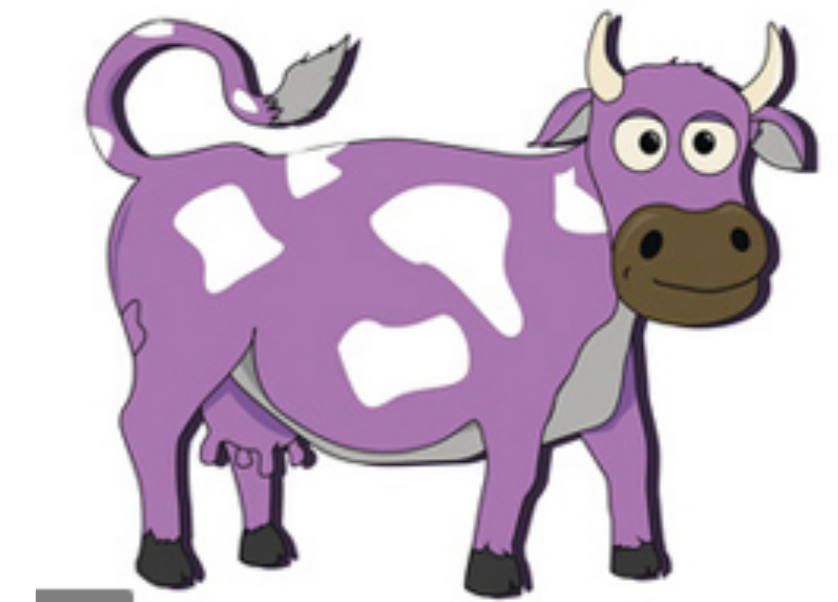
- **Anyone think we aren't marketing every minute?**

Who's Listening? For the most part, no one.

"A little more control", "a little savings" etc. You are invisible.

- **Remarkable Product**

- What's your Value Prop? Anyone care?
- "Purple cow" - Exceptional, remarkable, new, interesting
- Marketing – Even the best product needs it
- In a crowded "market place", fitting-in is failing
- "Show – Not Tell" – Don't Assume



Kano Model (1/2)



A product or service is **much more** than a collection of functionalities; it is about how **customers perceive & respond** to its value.

This model offers great value for us as Risk, Compliance & Audit (RCA) leaders, by answering these essential questions:

- How do we think about customer satisfaction?
- How do we choose what to build?
- How do we go beyond satisfaction into **delight**?

Kano Model (2/2)

Category	Examples (Buying a New Car)	RCA Services	Customer Response
<p>Must Have</p> <p>Customers expect to have</p>	<ul style="list-style-type: none"> ○ Brakes ○ Headlights ○ Radio ○ Seat Belt 	<ul style="list-style-type: none"> • Basic audit reports Acceptable quality • Limited business risk awareness • Clear and direct communication • Timely project & issue completion 	<p>Tolerance</p> <p>“Am getting what I am paying for”.</p> <p>Be seen but not heard</p>
<p>Good To Have</p> <p>Increases customer's enjoyment (more is better)</p>	<ul style="list-style-type: none"> ○ Decent Mileage ○ Cruise Control ○ Plays Spotify ○ 3-Years Warranty 	<ul style="list-style-type: none"> • 2-dimensional, annual risk assessments • Coordination with process owners & auditors • Competent team management • Met approved budget 	<p>Satisfaction</p> <p>“Hey, these guys are competent – they don't cause me any headaches”</p>
<p>Love To Have</p> <p>Customers don't even know they want them but are delighted with when they find them.</p>	<ul style="list-style-type: none"> ○ Blind-spot Detection ○ Drowsiness Detection ○ Driver-less Driving ○ 10-Year Warranty 	<ul style="list-style-type: none"> • 5-Dimensional, forward-looking, real-time risk assessments & insights • Audit reports with not-obvious operational insights, creative data analysis, best practices • Incubators of talent & future leadership • Cost transformation 	<p>Delight</p> <p>Go-to resources who are valuable sounding boards and help achieve company objectives.</p> <p>“Future business leaders”</p>

Investors

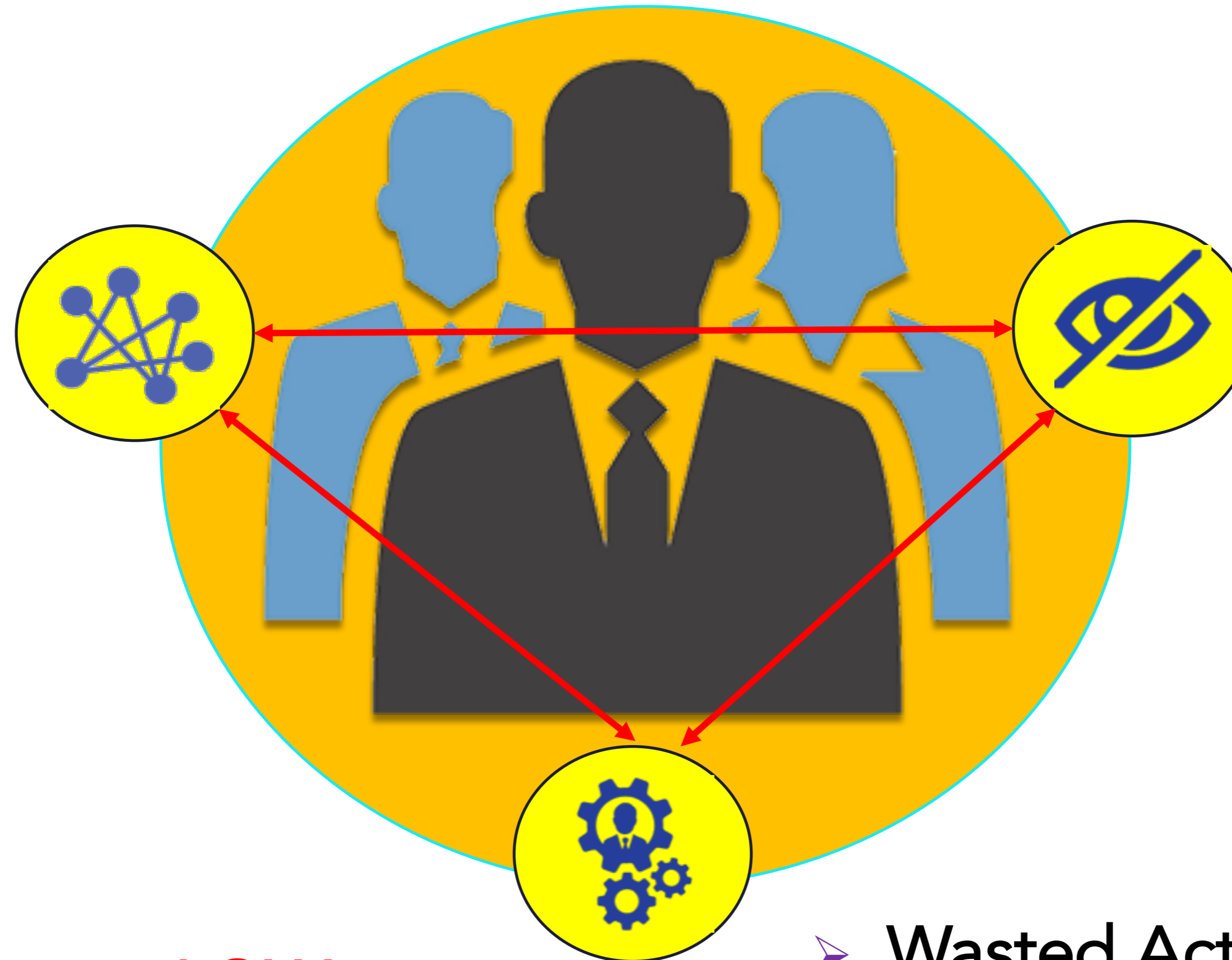
Who is your investor? How do they evaluate you?

- Are you solving a real problem?
 - How big? & Does anyone care? (*Business impact*)
- What is your traction (*Reputation*)?
- How good is the team?
- Exit plan (*Talent Incubation*)?
- X-Factor – Self-Awareness | Empathy | Chemistry

Pain Points

COMPLEXITY

- Training & Maintenance
- Repeatability
- Higher Cost



POOR VISIBILITY

- Weak Collaboration
- Slow Response
- Execution Risk

LOW PRODUCTIVITY

- Wasted Activity
- Team Turnover
- Inefficiency

The Idea



“Why do enterprises still live on spreadsheets to run **Audit, Risk & Compliance** processes? Why multiple tools for same job?”

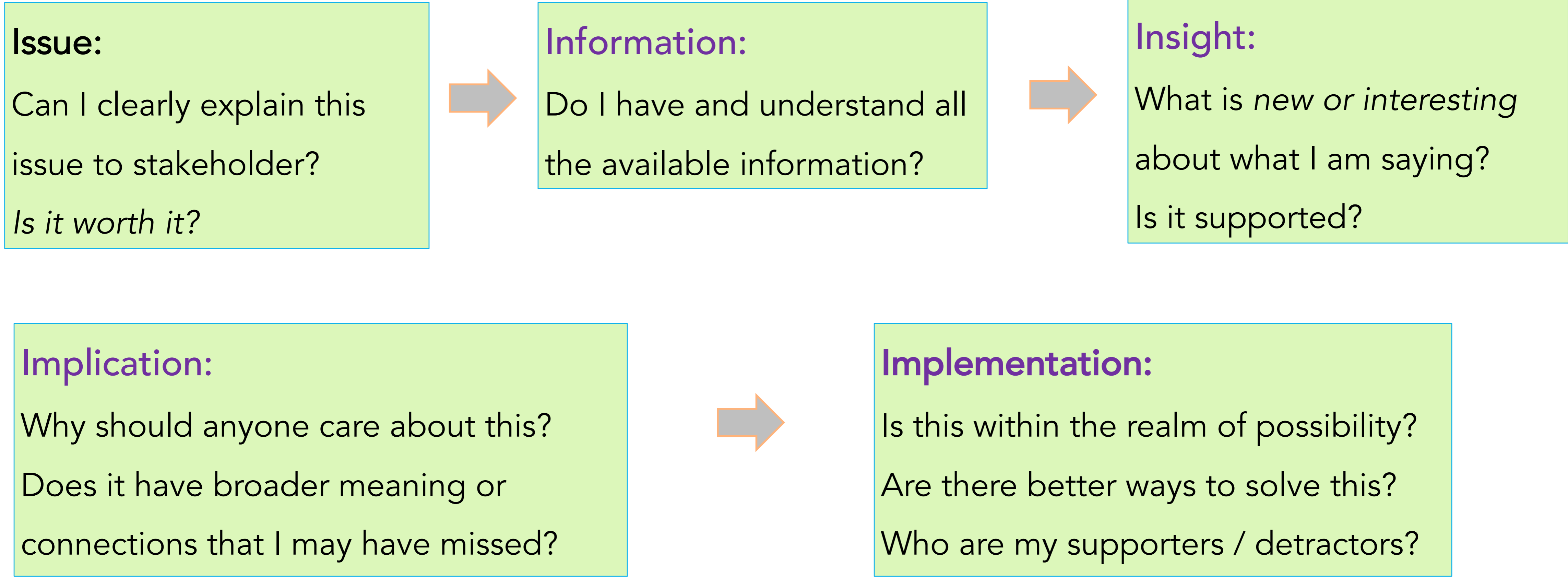


Existing tools are too cumbersome, expensive and fragmented. Increasing regulations and budget / talent retention challenges.



- 1. “Simplify Processes”
- 2. “Be Versatile and Integrate Capabilities – Offer Best ROI”
- 3. “Offer Best UI / UX (SaaS) in the market”
- 4. Quickest Implementation & Above & Beyond Support

Good Questions To Ask Ourselves (5is)



Ultimately, Not About "Them" – It's About You!

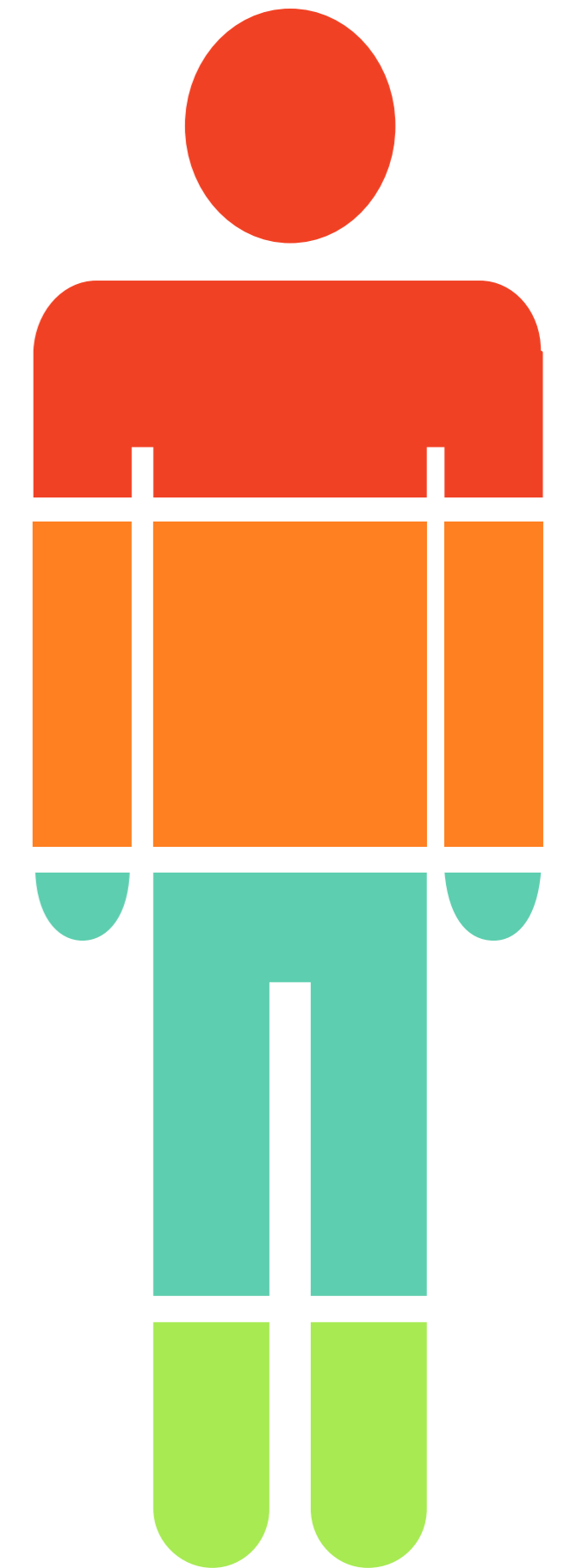
$$\text{Trust} = \frac{\text{Credibility} + \text{Reliability} + \text{Intimacy}}{\text{Self-Awareness}}$$

Logical, clear
Listens well and relates
Demonstrates Expertise

Feels familiar
Consistent
No surprises

Takes risks for others
Empathetic / Humane
Discreet

Moves on easily from disappointment
Leads with curiosity
Comfortable changing agendas



Onward &
Upward!

Thank You!

