

Building an Effective Audit Program

ISACA LA Webinar



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AGENDA

- ❑ Introduction
- ❑ Striking the balance/focus areas for internal audit
- ❑ Questions



Paul Torres
Credit One Bank - SVP of IA (CAE)

- ❑ 25+ years IT/Cybersecurity assessments + internal audits. Previously 20+ years with KPMG
- ❑ Developed and implemented IA programs
- ❑ Industries (technology, banking/financial services, manufacturing, and healthcare)
- ❑ Led several global cybersecurity engagements to assess, design, build, and maintain cybersecurity program for multi-national companies doing business in China

Question #1

How many years of experience do you have in auditing or assurance?

- a. < 1 year
- b. 1 to 5 years
- c. 5 to 10 years
- d. > 10 years

Question #2

What is your biggest challenge you're currently facing in your audit program?

- a. Budget/Resources
- b. Complex and Evolving Regulatory Environment
- c. Communication Gap
- d. Others

Striking the balance/focus areas for internal audit

Challenges and opportunities



The line in the Apollo 13 (1995) – “What is still working”

Striking the balance/focus areas for internal audit

My career path

20+ years in consulting



Now



Striking the balance/focus areas for internal audit

Boader understanding of the organization

❑ Before charting a path to the IA department, I needed to thoroughly understand the broader organization:

- External environment
- Industry
- Competition
- Customers

- Strategy
- Strengths, weaknesses, opportunities, and threats
- Operations.

Striking the balance/focus areas for internal audit

Assess IA program

- ❑ Creating a leading practices internal audit function is more than policing compliance. It requires an optimum balance between positioning, people, and processes.

Positioning

Does the positioning of the internal audit function within the business allow it to contribute to business performance?

People

Does internal audit function have the right staffing strategy to deliver upon agreed objectives?

Process

Does the internal audit function's processes enable achievement of its objectives and enable responsiveness to changing business needs?

- ❑ A well-developed and aligned internal audit function can provide an important resource and opportunity for the organization to tighten their controls, reduce risks, identify potential efficiencies, and drive cost benefits.

Striking the balance/focus areas for internal audit

Assess IA program

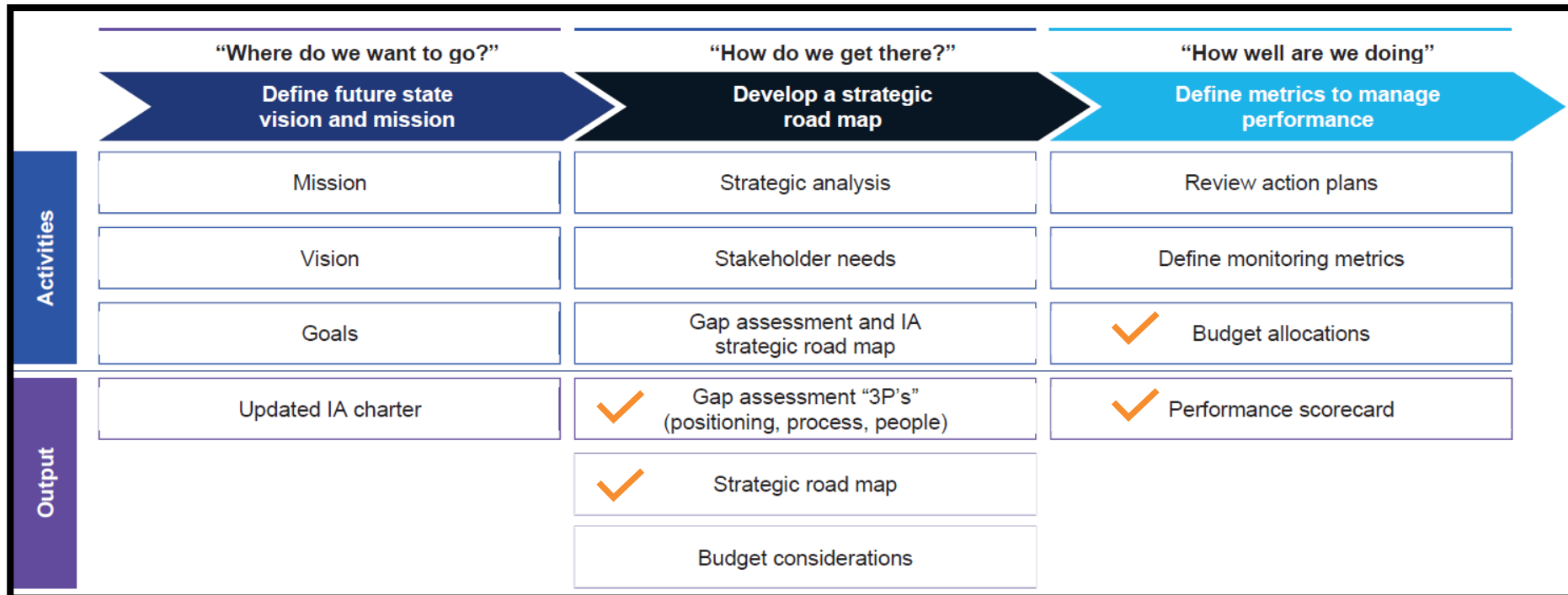
- ❑ Where are we? What's working? What to prioritize?
- ❑ Goal is to have a roadmap/navigation map.



Striking the balance/focus areas for internal audit

Assess IA program

- ❑ Once I determined a clear picture of the organization, I did a strategic analysis and alignment (SA&A).
- ❑ Most valuable output from the SA&A were: 1) Clear roadmap, 2) Tactical steps to achieve strategy, 3) Performance scorecard



Question #3

When assessing your audit program, what questions should you consider asking?

- a. Where do we want to go?
- b. How do we get there?
- c. How well are we doing?
- d. a, b, and c
- e. What time is Happy Hour?

Striking the balance/focus areas for internal audit

Assess IA program

❑ 1. Assessing IA Department

Focus areas	CAE's objectives
Self-assessment	• Review positioning, people, and process of the Internal Audit department
Confirm best practices	• Confirm appropriate policies and procedures are in place • Operate from a clear and updated audit committee charter
Risk based approach	• Focus on strategic business and process risk • Develop frameworks around risk
Leverage technology	• Leverage technologies to evaluate the effectiveness of controls • Recommend strategies for improvement

Striking the balance/focus areas for internal audit

Assess IA program

❑ 2. Monitoring/Compliance

Key objectives are to mitigate risks and comply with regulatory obligations, while maintaining a level of efficiency that supports business performance. The focus is on a balanced consideration of risk and control to enhance your ability to achieve business performance with integrity.

Focus areas	CAE's objectives
Financial reporting	• Develop related protocols and accounting standards
Integrating reporting standards ✓	• Verify and update regulatory requirements • Manage cross border reporting standards and synergize results
ERM practices ✓	• Develop an integrated ERM framework
Compliance cost	• Assess the compliance cost associated with audit committee requests • Cope with budgetary requirements

Striking the balance/focus areas for internal audit

Assess IA program

❑ 3. Integrating audit with corporate governance

Key objectives are to establish effective compliance programs, enterprise-wide risk management, and execution strategies for corporate integrity agreements — particularly independent review for compliance.

Focus areas	CAE's objectives
Internal control framework ✓	• Evaluate the internal control framework • Conduct systematic analysis of business processes and its controls
Fraud management ✓	• Institute measures to identify risk related to frauds and irregularities
Governance process	• Add value by strengthening the governance process
Sarbanes-Oxley	• Assess the impact of Sarbanes-Oxley on the IA department • Assess the realization of corporate goals and objectives

Striking the balance/focus areas for internal audit

Assess IA program

❑ 4. Risk Management

Key objectives are to manage operational, financial, and strategic risks by creating a culture of compliance—by improving internal approaches to meet regulatory obligations and implement effective programs and methodologies.

Focus areas	CAE's objectives
Risk evaluation ✓	• Review the risk management process
Emerging risks ✓	• Sense risks at the initial stages
Mitigating strategy	• Identify and manage multiple and cross-enterprise risks • Ensure that risk management processes are embedded within each business unit
Ensuring returns ✓	• Synergize the processes to gain positive returns • Lay an agenda for all future risk management strategies

Striking the balance/focus areas for internal audit

Assess IA program

❑ 5. Prioritize stakeholders

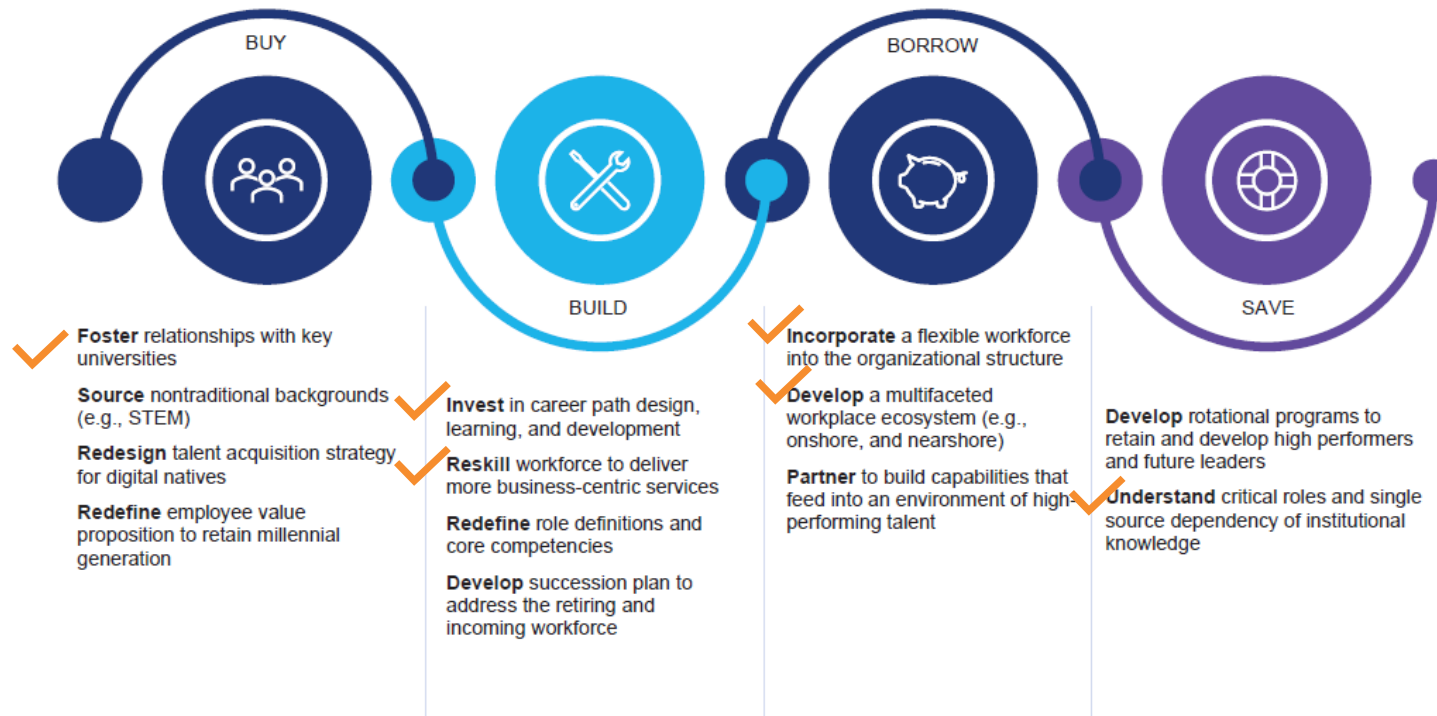
Key objective is development of final vision and strategy. The approach is designed to outline the strategy of the organization, inputs from stakeholders, leading practices, and external demands.

Focus areas	CAE's objectives
Identify stakeholders ✓	• Recognize all key stakeholders and their views
Action plan	• Develop robust stakeholder strategy and action plan
Leadership and direction ✓	• Ensure the right kind of leadership and the direction provided • Hire and retain people with the appropriate skill sets
Improvement plans ✓	• Improve the quality of audits and their outcomes • Focus on upgrading quality

Striking the balance/focus areas for internal audit

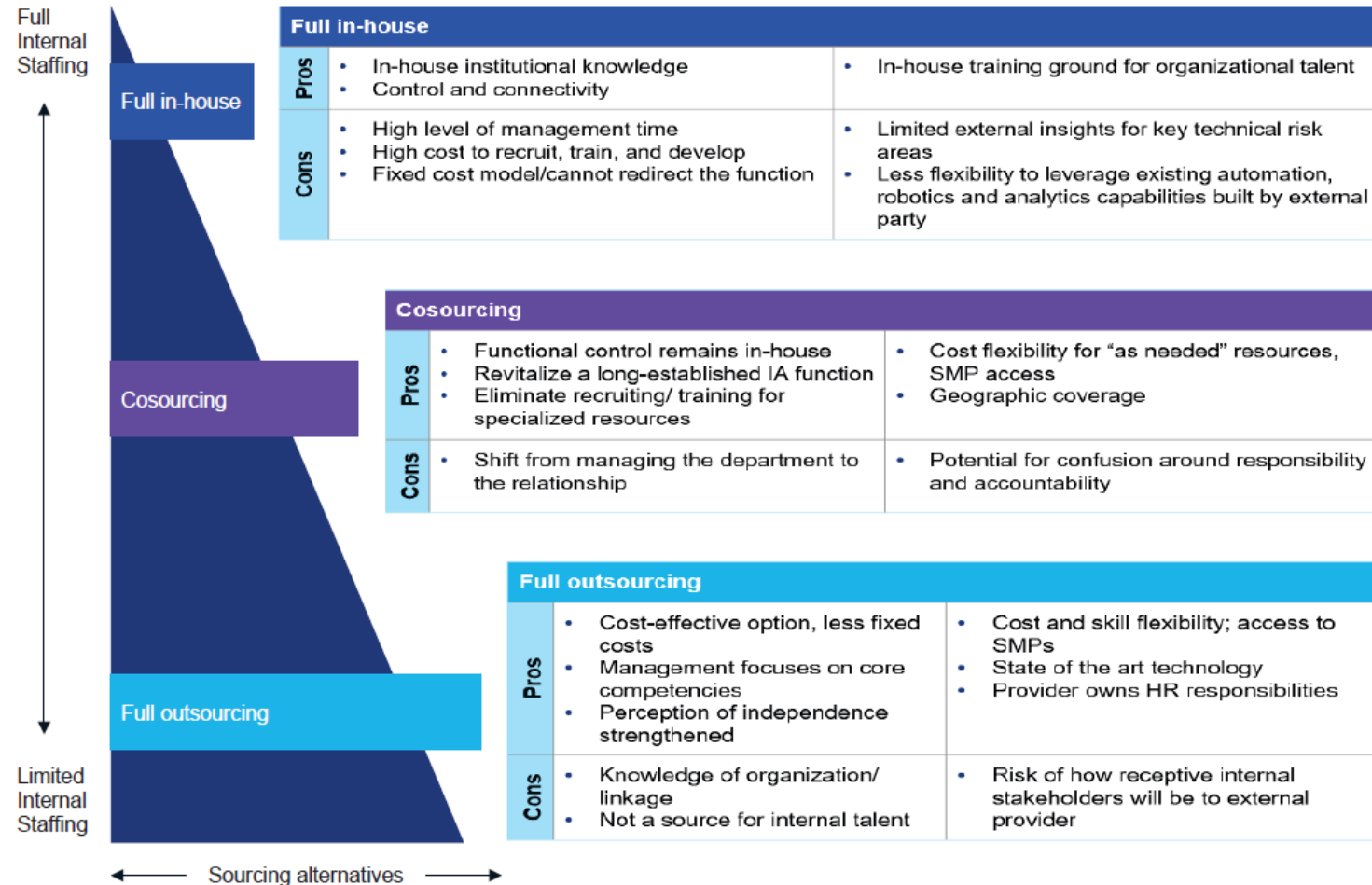
Resources

Nearly all CEOs say that nothing is more important than attracting and retaining top-notch Internal Audit talent. Attracting, building, and retaining talent will look different in the future, so having a holistic approach for addressing the critical aspects of managing Internal Audit talent, tailored to your organization's specific needs, will be essential.



Striking the balance/focus areas for internal audit

Resourcing model options



Striking the balance/focus areas for internal audit

Moving forward.....key steps CAE should continue to execute



Internal strategy

- Developing a formal strategy to improve relationship management and become a “trusted advisor”
- Creating a comprehensive relationship management program that identifies key relationships needed across the organization and how those relationships will be cultivated



Team member activities

- Cultivating relationships through frequent formal and informal meetings between IA team leadership and key stakeholders
- Implementing a training program for all internal audit staff on relationship management and holding staff accountable for cultivating relationships as well



Organizational activism

- Ensuring IA is part of annual business strategic planning meetings
- Attending executive management confidential sessions



Continuous improvement

- Maintaining a continuous improvement plan to reflect on progress and determine opportunities for improvement in relationship management



Question #4

Moving forward, what key steps CAE should continue to execute?

- a. Internal Strategy
- b. Team Members Activities
- c. Organizational Activism
- d. a, b, and c
- e. Determine the location of the next Happy Hour

Thank you!

