

Key Factors in Determining Content

Understanding Board Expectations

- The audit committee charter
- The internal audit department charter
- Committee members and their backgrounds focusing on any changes since last meeting
- Prior audit committee reports and minutes
- Any arrangements that have been documented concerning report content expectations
- · Board communication style

Frequency of Meetings

Allotted Agenda Time

Understanding Board Expectations:

- Understanding board expectations is critical when determining content.
- By reviewing key documents such as the audit committee charter, internal audit can gain an understanding of the committee's risks and needs.
- It is recommended to meet separately with the audit committee (and senior management if deemed appropriate) to determine reporting framework and expectations upfront.

Typical Audit Committee Agenda

- Call to order
- Review and approval of minutes from prior meeting
- Audit committee report by internal auditors
- Audit committee report by external auditors
- Other matters (legal, hot line, compliance, etc.)
- Committee meeting in executive session
- Formal presentation of quarterly or annual reports to shareholders by CEO and CFO and approval thereof
- · Date and time of next meeting
- Adjournment

Report by Internal Auditors:

Internal audit will typically report first prior to external audit and other members of senior management (allotted time may vary during the year).

• Executive Session:

Internal audit should also be prepared to attend the executive session, where outside board members can question internal and external audit without the presence of senior management.



Typical Contents of an AC Report – Quarterly

- Dashboard report on current activities
- Changes to annual plan
- Status of the annual audit plan
- Critical findings or emerging trends
- Internal audit staffing, impact of resource limitations, and costs vs. budget year to date
- Results of special investigations
- Department performance metrics / scorecard

Typical audit committee reports will include a summary of:

- Reports issued during the quarter showing most important findings and aggregating others.
- Monitoring and follow-up activities.
- Financial values of any frauds that may have occurred.

Quarterly Audit Committee Reports:

- How reports are summarized should follow agreed-upon reporting arrangements.
- The committee may not want to review all reports, although they have access to all prepared material.
- The goal is to summarize for the committee what they need to know about routine findings in a logical summary format, and report separately on more important matters such as:
 - Matters that might affect the fairness of financial reporting.
 - Breaches of the company's ethics policies.
 - Details of any frauds discovered.
 - Significant delays in management responding to or acting on findings and recommendations.

Typical Contents of an AC Report – Annual

- Report on the year in review to include themes or trends identified
- Update of the risk assessment and audit plan
- Report on the results of the internal quality assurance and improvement program
- Discuss the results of the external quality assurance review, timing / frequency of the external assessment and reviewer's background
- Review and approve updates to the internal audit department charter
- Confirmation of the independence of the internal audit activity
- Reporting of any impairments of independence or objectivity
- Disclosure of nonconformance with The IIA Standards

Annual Audit Committee Reports:

With the exception of any additional items, the annual report is typically a summary of the four quarterly reports.

Additional items to cover may include:

- Statement that all work continues to be performed in accordance with IIA Standards.
- Details of changes in personnel in the internal audit department.
- The professional development courses that were given or attended during the year.
- When the next quality assurance review of internal audit is scheduled for.

Sample Calendar

The audit committee agenda will typically include discussion around:

- Internal Audit
- External Audit
- Risk Management

The table Gerowliae present of Segulator's pecific to the internal audit update.

	Q1	Q2	Q3	Q4	As Needed
1. Evaluate the Internal and Independent Audit Processes					
A. Internal Audit					
Charter, mission and objectives				✓	
Appointment and compensation of chief audit executive					✓
Budget, staffing and resources including resource constraints if any		✓			
Scope, procedures and timing of audits (i.e., audit plan)			✓		
Review of audit results and reports	✓	✓	✓	1	
Review internal and external quality assurance procedures	✓				
Confirm internal audit independence		✓			



Dashboards / Issues Summary

Engagements - Completed Since Last Meeting

- Accounts Payable Brazil
- Procurement Review Brazil
- Sales and Distribution Russia
- Disbursements Nigeria
- Europe Regulatory Readiness Europe
- Channel Stocking China
- Retail Channel Brazil

China Braz













2

ERM Assessment and Other Dept. Activities for Q1

- Finalize documentation of audit operating methodologies
- Analyze money, quality and time costs in current accounts payable process
- Reduce the volume of accounts payable transactions
- Implement rigorous, pervasive policies to protect against disbursement fraud and overpayments

Business Unit Audit RemediationStatus

,	Business Unit	Delinquency Status
	BU1	On Track
	BU2	On Track
	BU3	On Track
	BU4	On Track
	BU5	On Track
	BU6	On Track

Engagements / Audit Plan Activity for Q1

- Vendor Selection China
- · Accounts Payable Russia
- Employee Disbursements Mexico / Brazil
- Supplier Controls Review Latin America
- Revenue Recognition EMEA
- Accounts Payable China
- · US Govt. Lobbyist Compliance

Reports Issued Q1

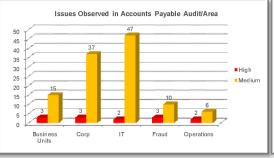
- Accounts Payable Brazil
- Procurement Review Brazil
- Sales and Distribution Russia
- Disbursements Nigeria
- Europe Regulatory Readiness Europe
- Retail Channel Brazil

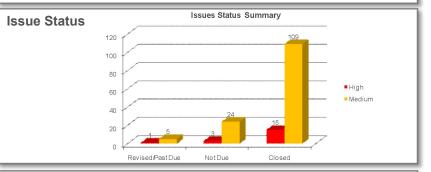
Scheduled Events

TBD – Internal Audit Department Training, location TBD Campus Recruiting



FY10





Revie	w In Charg	e Stage	DSF
AP - UK	Smith	Fieldwork	N/A
SAP SOD	Jones	Reporting	14
Close the Books	Farley	Fieldwork	N/A
TBD	TBD	Fieldwork	N/A
TBD	TBD	Fieldwork	N/A
TBD	TBD	Planning	N/A
TBD	TBD	Reporting	28
TBD	TBD	Reporting	14
TBD	TBD	Fieldwork	N/A
TBD	TBD	Fieldwork	N/A
TBD	TBD	Fieldwork	N/A
TBD	TBD	Reporting	N/A
TBD	TBD	Fieldwork	N/A

March 2011 April 2011

- China
- Global Procurement
- P-card
- PCE Compliance

- Privacy EU
- Acquisition Due Diligence

Key Message Points

- · Cash account reconciliations have improved, however remediation efforts related to system design deficiencies are still ongoing.
- There is no formal communication between AP and the merchandising (buyer) department to develop uniform, beneficial practices for supplier management, and communication with suppliers should be managed to establish mutually agreeable practices.

Summary of Completed Activities (2nd Quarter)

- Completed Activities
 - Payroll
 - Accounts Receivable and Vendor Management
 - Continuation of Premium Accounts Reconciliation Special Project

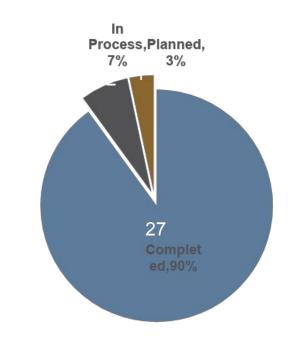
Summary of Completed Activities (3rd Quarter)

- Audits schedules for Q3
 - Retail Stores and Back Office
 - Accounts Payable
 - Vendor Master File Maintenance

Audit Finding Remediation Status

Risk Rating Category	Beginning Balance (as of insert date)	New	Closed	Currently Open	Open Past Due
High	2	1	0	3	0
Medium	10	5	2	13	5
Low	17	0	2	15	3
Total Findings	29	6	4	31	8







Quarterly Accounts Payable Review						
Expense payable, stock and relay		Review vendor master file creation for expense payables				
Review for completeness, accuracy and timeliness of input and payment processing (EDI and Manual)		Review integrity of interface from A/P sub ledger to G/L				
Review of access to systems and check stock / signature plates		Review monthly reconciliation of A/P sub ledger to G/L				
Review PO and invoice matching process (pre and post paid)		Review daily balancing performed by A/P				
Review disbursement approval process		Review vendor maintenance within A/P vendor master file (stock and relay) along with access controls				
Review controls over stop payments and reissues						

In Process Reviews

- Review of Vendor master files created by merchandising
- MSA on-line (rebates, deductions)

Planned Reviews

Wire transfers

Issue Status

We assessed the existence and effectiveness of controls in relation to the business objectives of the accounts payable process. Possible control improvements (rated as 'Moderate' or 'Limited Controls') are referenced to the detailed issues and action plans section for further details.

Completeness and Accuracy – Authority / Limit	Rating	Detailed Issues and Action Plans Reference
Suppliers are properly authorized prior to procuring goods / services.	\Diamond	Detailed Issue and Action Plan #5
Accounts Payable disbursements are properly authorized.	\Diamond	Detailed Issue and Action Plan #1, #2, #5, #7
Access to applicable AP systems is properly segregated.	\Diamond	Detailed Issue and Action Plan #2, #9, #12
Timeliness – Effectiveness / Efficiency	Rating	Detailed Issues and Action Plans Reference
Disbursements are made to maximize cash flow.	\Diamond	Detailed Issue and Action Plan #1, #2
Costs are reduced as much as possible.	\Diamond	Detailed Issue and Action Plan #2, #7, #8, #10
Processing time is minimized.	\Diamond	Detailed Issue and Action Plan #2, #3, #4, #5, #6
Performance measures used to control the process are reliable.		N/A
Strong Controls Mode	erate Controls	Limited

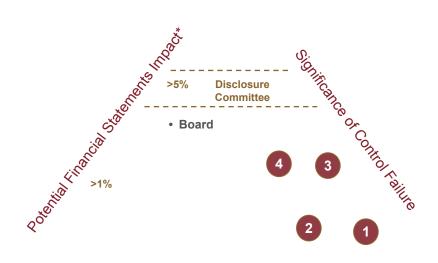
Issues	Business Impact	Responsible Person	Due Date
Merchandise Payables – Invoices are paid prior to the verification of the receipt of goods.	Negative impact on cash flow due to inaccurate payments to vendors.	XXX	8/31/YY
Expense Payables – There are no approval and authorization procedures for supplier selection prior to the	Vendor will not be the best cost, quality	XXX	7/31/YY
purchase of goods. Expense Payables – A purchase order system or other	and time supplier for xxx. Unauthorized disbursements and possible		
upfront approval process is not used for recurring expense or non-merchandise related purchases.	financial loss.	XXX	12/31/YY
Expense Payables – Proof of receipt is not required to be submitted with approved invoices prior to payment.	Inaccurate payments to vendors and possible financial loss.	xxx	7/31/YY
Multiple versions of the vendor master file are utilized and maintained.	Inaccurate payments to vendors and possible additional costs incurred.	xxx	7/31/YY
Access to the various systems utilized during the AP process is not adequately secured or monitored.	Loss of data integrity and inappropriate use of the systems.	xxx	8/31/YY

The following chart summarizes the significant (defined as red and yellow) issues identified between February and April. Issues are grouped by status (Revised, Not Due or Closed) and by report within the above categories.

Issue Date	Report Name	Report Rating	Coverage Area	# of Issues	# of Red Issues	Status
Date 1	Report 1	COSO Level 4	Geographic		8	8N
Date 2	Report 2	COSO Level 2	Corp Function		0	
Date 3	Report 3	COSO Level 1	Geographic		0	
Date 4	Report 4	COSO Level 2	Revenue		0	
Date 5	Report 5	COSO Level 1	Revenue		0	
Date 6	Report 6	COSO Level 1	Corp Function		0	
Date 7	Report 7	COSO Level 2	Geographic		0	
Date 8	Report 8	COSO Level 3	Geographic		2	2N
Date 9	Report 9	COSO Level 2	IT		0	
Date 10	Report 10	COSO Level 2	Revenue		0	
Date 11	Report 11	COSO Level 3	Geographic		2	1R, 1N
Date 12	Report 12	COSO Level 2	Geographic		0	
Date 13	Report 13	COSO Level 1	Corp Function		0	
Date 14	Report 14	COSO Level 2	Geographic		0	
Date 15	Report 15	COSO Level 3	Process		1	1C

*Key				
N	Not Due			
R	Revised			
С	Closed			

The 15 above listed reports include 29 Yellow rated issues. Red issues averaged 7% during the last 12 months. Types of issues continue to include reconciliations and clearing of aged items, fixed assets, time and expense approval, and system access.



* Calculated as a percentage of pre-tax net income and defined as more than a remote chance.

The control weaknesses noted above were not material to XXXX, but items 2 and 4 were significant to balance sheets of the countries.

Significance Control Criteria

	Tier 1 (Board)	Tier 2 (Executive Mgmt)	Tier 3 (Local Mgmt)
Pervasiveness	Impact to the Corporate Entity	Impact to the Segment, Region or Business Unit	Impact Isolated to the function or location
Relation to Financial Reporting	Direct	Marginal Relationship	Indirect
Fraud Potential	High	Medium	Low
Reputation Impact	High	Medium	Low
Potential Impact to Business Objectives	High	Medium	Low

Internal Controls Information	Report Issued	Rating At Issuance Current	IA Follow-up	Process Owner Progress		
Internal Audit Summary						
Audit 1	1/1/20xx	High —— Medium	In-process	Significant tax issue has been resolved.Cash reconciliation enhancements are in process.Controller reassigned in August.		
Audit 2	1/1/20xx	No Rating	In-process	 VP risk management is spearheading efforts to address short-term recommendations. Efforts will focus on enhancing capabilities at corporate and service centers. 		
Audit 3	1/1/20xx	Medium — → Medium	In-process	Efforts are underway to address identified issues.		
Audit 4	1/1/20xx	Medium> Medium	In-process	Efforts are underway to address identified issues.		
Audit 5	1/1/20xx	Low Low	In-process	Minor improvement opportunities are being addressed by local control owners.		
Audit 6	1/1/20xx	Low — Low	In-process	Minor improvement opportunities are being addressed by local control owners.		

Sample Audit Scope

A/P

- Understand Process
- Assess Control Design
- · Assess Control Gaps
- Tes

Vendor File Maintenance

- Understand Process
- Assess Control Design
- Assess Control Gaps
- Tes

Accounting

- Understand Process
- Assess Control Design
- Assess Control Gaps
 - Toot

In Scope

- Expense payables, stock and relay
- Review for completeness, accuracy and timeliness of input and payment processing (EDI and Manual)
- Review of access to systems and check stock / signature plates
- Review PO and invoice matching process (pre and post paid)
- Review disbursement approval process
- Review controls over stop payments and reissues
- Review daily balancing performed by A/P
- Review Vendor maintenance within A/P vendor master file (Stock and Relay) along with access controls
- Review Vendor master file creation for Expense Payables
- Review integrity of interface from A/P sub ledger to G/L

Review monthly reconciliation of A/P sub ledger to G/L

- Petty cash at RDCs
- Direct Ship
- Wire transfers
- TandE from xxx
- MSA on-line (rebates, deductions)
- · Review of vendor master files created by Merchandising



Internal Audit Calendar and Plan



Europe

North-America

Latin-America

- Geography
- Accounts Payable
- Accounts Receivable
- Service Center
- IT Project
- Technical Support
- TandE
- Recruitment
- India Assets Management
- Gift and Hospitality
- Business Unit Revenue
- Accounts Payable
- · Accounts Receivable
- Compliance
- QA Performance
- ATC POWING TO STREET PRYSA/DEGY
- · Business blinter
- · Business Unit 2
- · Pharmaceuticals
- Compliance Export
- Treasury
- Regulatory
- · Accounts Receivable
- Regional
- Market Pricing
- Strategy implementation
- Fixed Assets
- Transfer Pricing
- FCPA
- Royalty Audits
- OTC Americas
- Quarterly Company-wide JE Review (Q1-Q4)
- · HR Payroll and Accounting
- Quarterly SOX Testing (Q1-3)
- IT Projects Review

20XX IT Audit Plan - Company X Audit Plan and Activities

Accounts Payable Review

Accounts Receivable Review

ITIL - Change Management and Service Desk

PIMS – Interface Engine

Audit Committee Reporting

Quarterly Follow-Up (Performed by Internal Audit)

IT Risk Assessment (Initial)

Update IT Risk Assessment

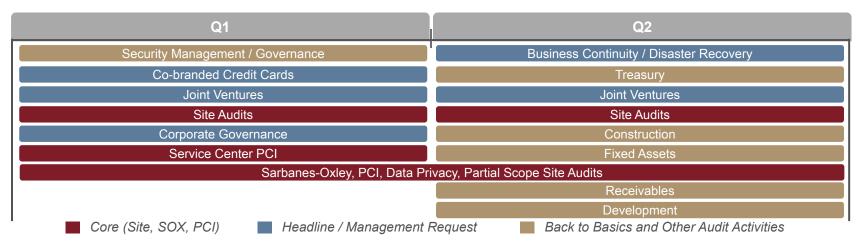
Coordinate with External Auditor





	Jan – Mar	Apr - Jun	Jul – Sept	Oct - Dec
	Accounts Payable Review	Accounts Receivable Review	Review 4	
Internal Audit		Anti-Money Laundering Review	Review 5	
		Review 3	Risk Assessment	
	Draft 20XX 404 Scope	Finalize 20XX 404 Scope	Execute Testing	Validate Self- Assessments
	Update Self-Assessment Program	Schedule Audits	Validate Self- Assessments	Monitor Deficiency Remediation
SOX 404		Roll-out Self-Assessment Program	Monitor Deficiency Remediation	
30X 404		Update Control Documentation	Complete Self- Assessment	Complete Self- Assessments
		Complete Self-Assessments	Evaluate Tested Controls	Evaluate Tested Controls
		Remediate Deficiencies	Remediate Deficiencies	Remediate Deficiencies

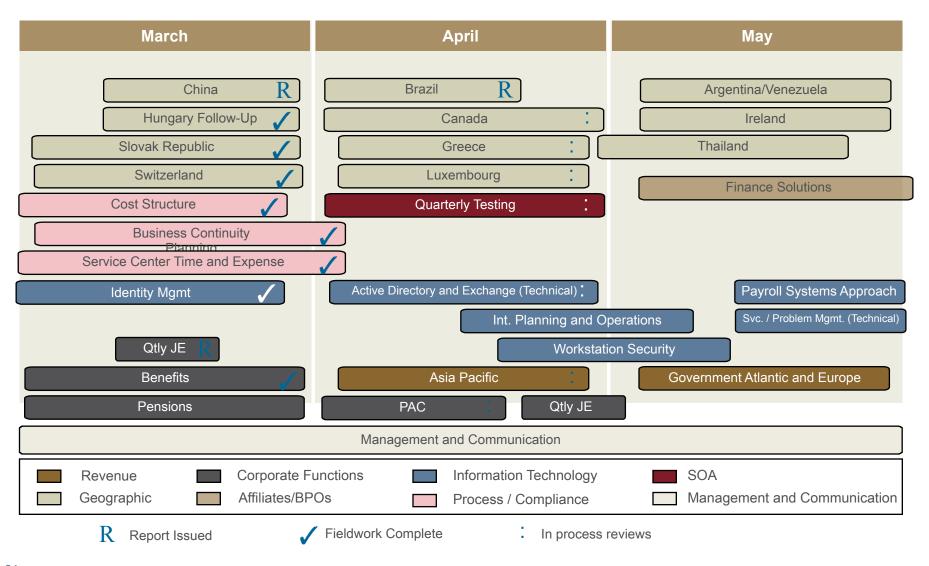




High-level Audit Scope Summaries

- Security Management / Governance: Assess completeness and sufficiency of security policies and evaluate enterprise-wide compliance.
- Co-branded Credit Card: Evaluate critical contractual requirements and related milestones associated with year one activities.
- **Joint Ventures:** Review site operations and assess financial information flow from site through partner to Company books.
- Site Audits: Assess financial statement, operational, financial and IT controls (some efforts directly support external auditor).
- Corporate Governance: Assess compliance with new Corporate Governance policies (e.g., disclosure controls, Reg FD, whistleblower incidents, Insider Trading Policy). Evaluate employee stock trading activities to confirm compliance with stated policies. Review enterprise-wide email distribution lists for completeness and accuracy. Propose enhancements, as necessary.
- Service Center PCI: Evaluate security configuration controls at the Service Center to confirm compliance with PCI requirements.
- Business Continuity / Disaster Recovery: Follow-up on 20XX Internal Audit results (Operations, Service Centers, Corporate), and evaluate processes related to recent service incidents / outages.
- Construction: Evaluate the project specific close-out process.
- Fixed Assets: Integrate SOX financial review with a detailed operational focus on fixed assets processes for accounting and reporting (N.A. and Int'l).
- Development: Supplement SOX testing with a deep-dive assessment of up to four deals.
- Receivables: Supplement SOX testing with a deep-dive assessment of key receivables processes.
- Treasury: Integrate SOX financial review with a detailed operational focus on capital management, liquidity and investment policies, and related metrics.

	Audit Hot Spot	Description and Internal Audit Coverage
	Corporate Governance	Effectiveness of training and policy compliance (Insider Trading, Integrity, Corporate Governance)
1		 Substantive testing of stock trades for policy compliance Integrate into site visits
		 SOX process and IT testing (including Entity Level Controls), Data Privacy and PCI compliance
		 Evaluate communication protocols (e.g., email distribution lists)
	Cash Investment and Deployment	Policy compliance for cash usage including marketable securities and significant deployment
2		 Integrated SOX and risk-based audit – Treasury Integrated SOX Development audit with deep-dive review of up to four significant
		deals Assess Delegation of Authority compliance
		, ,
3	Construction	Proper accounting for construction funding considering change in Corporate oversight
		Select relevant construction projects
	Einanaial Charad Candias	Completion of Corporate and Site conversion
4	Financial Shared Service Center	 Integrated risk-based, IT and SOX review (North America and India) Evaluation of cost structure, cost savings and performance metrics
	Pusiness Continuity	Ability to recover and sustain business operations after a service interruption
5	Business Continuity / Disaster Recovery	 Evaluate processes related to recent service incidents / outages Follow-up on 2009 review and remediation



Note: Timing to be confirmed with Business Unit owners.

					Mfg	Inventor v	Third Party					Legal	HR and		Financi al
Location	Audit Scope	Risk Coverage			Operat	i Manage ment	Outsour					Regula		Treasur	Reporti
		Financial Reporting		odon.		:	91119			:			:	<i>, ,</i> , , , , , ,	
Enterprise Wide	Cross Location Process Review - Sales Order Processing and Revenue Recognition	Efficiency	•	1	•	•	•	•	1	•	•	•	•	•	1
		Compliance		<u>:</u> :	: :	<u>:</u>		:	<u>:</u>	<u>:</u> :	<u>.</u>	<u>:</u>	<u>:</u> :	: :	
Precision Antennas (Stratford-Upon-Avon, England)	Major Process Areas (initial audit)	Financial Reporting	1	1	/	1		1	/	1	/	1	1	1	1
Lingianu)		Compliance		<u>.</u>	<u>:</u> :	<u>:</u>			<u>.</u>	<u>.</u>	<u>.</u>	<u>:</u> 	<u>.</u>		<u>.</u>
		Supply Chain (Sourcing)		:	:	:				:		:	:		
Shenzhen, China	Follow Up Major Process Areas	Fraud Organizational Culture	,	/	/	/	,	1	/	/	/	/	/	,	,
		Compliance													
		Communication		<u>.</u>	: 	<u>.</u>		<u>.</u>	<u>.</u> 	<u>.</u>	<u>.</u>	<u>.</u> 	<u>.</u>		<u>.</u>
EMS Georgia and Brazil - new acquisition	Post Acquisition - Integration Status Review	Financial Reporting	,	/	1	/		1	1	/		1	1		,
Elifo Goorgia and Brazil How adquisition	Post Acquisition - integration Status Neview	Compliance	Ť				•	•						-	
100 (17.0)	(AOP Move) Fixed Assets and Physical Inventory	Business Interruption	_				_		_	_		_	<u> </u>	_	
AOP (Joilet)	Observation and Reconciliation	Product / Service Failure	•	•	•	•	•	•	•	•	•	•	-	•	•
AHQ	Business Process Review - Treasury Cash Pooling	Financial Reporting	•				•	•		•				1	/
·····				<u>.</u>	 !	<u>.</u>			<u>.</u>	 !		ļ	<u>.</u>		<u>.</u>
Lochgelly, Scotland and Czech Republic	European Freight Payments Outsourcing Review	Compliance	-	•	•	•	1	•	•	•	1	•	•	•	1
		Supply Chain (Sourcing)		<u>:</u> :	<u>.</u>	<u>.</u>			<u>:</u>	<u>.</u>	<u>.</u>	<u>:</u> :	<u>.</u>		<u>.</u>
AOP	Ongoing Senior Management TandE Review	Compliance Ethical Behavior	•	•	•	•	•	•	•	•	•	•	1	•	•
	One sight Project / Price Very Falley / Its			 !	} · · · · · · · · · · · · · · · · · · ·	·······		· · · · · · · · · · · · · · · · · · ·	(!	 !	· · · · · · · · · · · · · · · · · · ·	(!	 !		······:
Global	Special Project / Prior Year Follow Up / Whistleblower Investigations	Compliance	•	•	•	•	•	•	•	•	•	•	•	•	•

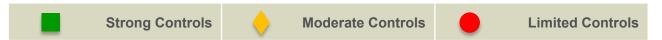


Findings Summary (detailed)

We assessed the existence and effectiveness of controls in relation to the business objectives of the accounts payable process. Possible control improvements (rated as 'Moderate' or 'Limited Controls') are referenced to the detailed issues and action plans section for further details.

Completeness and Accuracy – Authority/ Limit	Rating	Detailed Issues and Action Plans Reference
Suppliers are properly authorized prior to procuring goods / services.	.	Detailed Issue and Action Plan #5
Accounts Payable disbursements are properly authorized.	•	Detailed Issue and Action Plan #1, #2, #5, #7
Access to applicable AP systems is properly segregated.	.	Detailed Issue and Action Plan #2, #9, #12

Timeliness – Effectiveness / Efficiency	Rating	Detailed Issues and Action Plans Reference
Disbursements are made to maximize cash flow.	•	Detailed Issue and Action Plan #1, #2
Costs are reduced as much as possible.	.	Detailed Issue and Action Plan #2, #7, #8, #10
Processing time is minimized.	•	Detailed Issue and Action Plan #2, #3, #4, #5, #6
Performance measures used to control the process are reliable.		NA



Objectives and Scope

Background

To complete the audit, the PROJECT NAME renovation was selected, which was deemed representative of the population of renovations since the Corporate Office Construction / Project Management Department coordinates the processing of all renovations for the North American locations.

Scope

Internal audit tested to determine if the Company is accruing and paying the appropriate tax from a sales and use tax perspective.

Timing (week of)		
	Scheduled:	Actual:
Planning	Jan 1 – Jan 5	TBD
Fieldwork	Jan 8 – Jan 19	TBD
Pre-Close Meeting	Jan 25	TBD
Closing Meeting	Week of Feb 4	TBD
Report Distribution	Week of Feb 11	TBD
Issue Follow Up	TBD	TBD
Total Weeks	6	TBD

TBD

296

Significant Issues:

- TBD
- TBD
- TBD
- TBD

Internal Audit Team:

- TBD
- TBD
- TBD

Management Contacts:

• TBD

Total Hours

- TBD
- TBD
- TBD

Background:

The Company engaged a third-party, Protiviti, to perform a network security assessment of the organization's external, internal and wireless technology infrastructure (scope included several computing platforms, ranging from desktop computers to servers and databases that support critical applications and store business-critical information).

Summary Results

In general, the Company's technology environment appears to be configured and managed in a manner that is consistent with several generally accepted industry standards and practices. The organization has a well-architected network security infrastructure and effective operational IT processes. Although many strong controls and processes were observed, testing identified two specific issues during the internal network vulnerability assessment that allowed internal audit to gain access to all of the servers, workstations and information across the Company's technology environment.

- Easily Guessable Administrative Database Passwords Two database servers used for the capital expenditure system have easily guessed administrative account passwords. Internal audit used this compromised account to identify technical system information and other network account information stored on the database server that was leveraged to take complete control of the Company network. With complete control of the environment, internal audit was able to access various file storage servers and workstations containing sensitive business and employee information, including: mergers and acquisitions documents, financial information, employee and executive compensation, employee performance reviews, and legal documents.
- Re-Use of Administrative Credentials The default administrative accounts stored locally on the majority of Windows devices
 are configured with the same password (i.e., this password is reused throughout the Company's environment). Leveraging
 credentials obtained through the issue noted above, this password was obtained and used to access various servers,
 workstations and applications throughout the Company's environment. Individually, this issue did not provide a point of access
 during the assessment. However, when combined with the issue above, it resulted in a significant amount of access. This type of
 issue underscores the importance of security controls in layers.

IT management has already taken steps to remediate the specific issues identified during this audit. IT management is also implementing several long-term process improvements (including regular security audits) to address root cause issues.

Report Name: Information Security Audit --- issued 1/1/20xx

Overall Rating: High



Background and Scope:

Many companies store and process a large volume of personal and sensitive information on behalf of employees and customers. Recent company-specific assessment activities (e.g., SOX, PCI, data privacy audits) have identified a trend in security-related issues which has led to an increased focus on information security within corporate IT, legal and operations. Effective information security relies on the combination of robust technical configurations, automated and / or manual process and human behavior to ensure the confidentiality, integrity, and availability of corporate systems and data. The scope included:

- Network Security: Conducted a vulnerability assessment to determine if processes, procedures and configurations are adequately designed and implemented to provide reasonable protection against internal, external and wireless -based attacks.
- User Level Security Practices: Evaluated several business-critical security processes and technologies that support end user information security activities.
- Governance: Reviewed the roles, responsibilities, and supporting policies and procedures related to directing, managing and enforcing the information security program throughout the organization.

Summary Findings: The scorecard below summarizes ratings and findings by scope area.

Scope Area	Rating	Issues Summary
Network Security [internal]	High	Multiple network security controls are not operating effectively in company data centers and corporate locations. In some cases, systems and databases have weak passwords, and unauthorized users on the network may be able to access sensitive employee, customer and company information.
Network Security [external]	Medium	Employees provided valid email user names and passwords during electronic and telephonic social engineering exercises.

Management Response (at report issuance): Management agrees with the items outlined in the report and will take corrective action to address identified issues.



Budgeting

FYXX Budget Status Update

Actuals / Forecast	Q1 Actual	Q2 Actual	Q3 Forecast	Q4 Forecast	Total
Direct Payroll	X	X	X	X	X
Direct Non-Payroll Co-Source	X	X	X	X	X
Training	X	X	X	X	X
Travel	X	X	X	X	X
Employment Costs	X	X	X	X	X
Other	X	X	X	X	X
Total	X	X	X	X	Χ
YTD Cost	X	Х	X	X	

The approved budget is \$XM. Internal audit is actively managing all costs and expecting to finish the year within budget.

In comparison to FYXX:

- The number of reports issued increased from X to X.
- · An additional X unplanned projects were completed as of April.

Internal Audit Budget

Effective May 1, YY the Company restructured its corporate compliance functions under internal audit. As part of this restructuring, the following groups transitioned to internal audit:

- IT Compliance (SOX and PCI)
- SOX Compliance
- Compliance Audit (including site-specific audit teams)

The internal audit team successfully executed the complete FYXX Plan under budget, thereby realizing cost savings of \$500K.

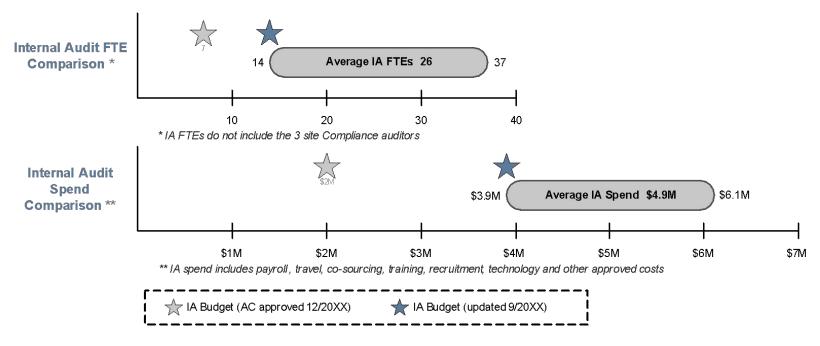
The table at right outlines the 20YY budget, 20YY actuals and 20YY budget.

Note: the 20YY budgeted spend includes adequate contingency to cover variable costs (e.g., SOX rework).

	Spend	FTEs
20YY Budget	X	X
20YY Actual	X	X
20YY Budget	X	X

Benchmarking Analysis

Internal audit provided the audit committee with several departmental benchmarking statistics in December. The graphs below provide updated information about our internal audit headcount and spend (at an annualized run rate) compared with three of our Site company competitors.



As a percentage of company revenue, the average internal audit spend for our Company and three other competitors 0.11%. The chart below outlines the percentage for each Site:

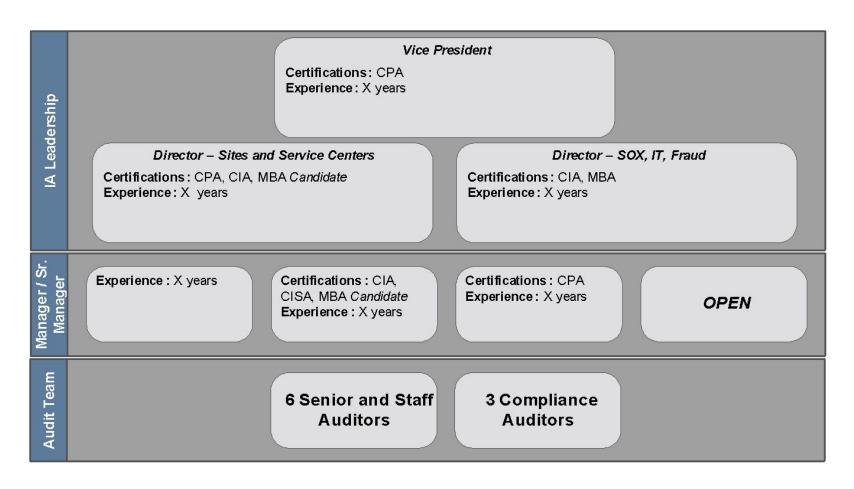
Competitor 1	.16%	Competitor 3	.07%
Competitor 2	.12%	Company	.10%



Audit Organization and Qualifications

Internal Audit Staffing Summary

Leveraging a combination of industry and public accounting experience, our talented team is capable of successfully executing the audit plan. We will continue to leverage resources from a co-sourced provider as needed for efficient audit coverage both geographically and in areas requiring specialized skills.

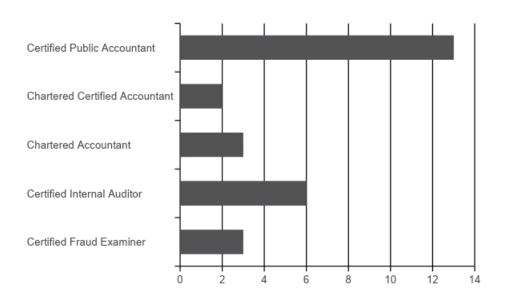


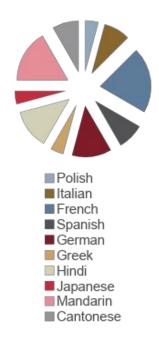
IA Personnel Profiles

Part of the measure of an internal audit department is the qualifications of the personnel. There are currently X full-time employees within the department.

66% of the personnel (X of X) hold a relevant certification, including 100% of the management group.

51% of the personnel (X of X) are fluent in a second language.





Note: some individuals hold more than one certification.

Note: some individuals speak more than one foreign language.

Department Status

The chart below depicts the six core infrastructure components of an internal audit department, and below each lists the attributes that define a mature function which links closely to the requirements of the QA review. The scale on the left is used to evaluate the current process maturity of each component along with the desired goal state.

Maturity Level	Strategies and Policies	Organization and People	Management Reporting	Methodology	Technology	Knowledge	Distinguishing Factors																	
Increased Quality Optimizing	Written and approved IA Mission and Charter Specific, communicated strategy Compliance with the IIA Standards	Development of IA resource budget Recruiting process Traditional - accounting Non-traditional - operational	Audit reports Executive management reporting and communication Audit committee reporting and communication	Risk assessment and planning Periodic risk assessment performed Common control/ risk language	Technology Tools: Risk Assessment Planning and Scheduling Work Flow Self-Assessment Data Analysis	Access to process best practice knowledge Access to risk/process expertise Knowledge sharing process Professional organization affiliations	Continuously																	
Managed	Alignment of IA within the organization Independent and objective IA function Quality assurance reviews	within Utilization of other professionals d Process experts Outside service providers e In-house rotation (guest auditor) program Competency models Training programs Professional certifications Performance reviews Succession planning Management development		Defined audit universe Control models Annual audit plan scheduling Audit execution	Defined audit universe Control models Annual audit plan scheduling Audit project planning Audit project staffing Work Plans Standardized documentation and retention requirements Continuo Follow-u Custom Tools inte	Continuous Monitoring Follow-up Customer Satisfaction Tools integration	Benchmarking	Improving Process																
Defined	Self-assessment IA Procedures Manual Enterprise risk assessment (global) Annual audit plan		Training programs Professional certifications Performance reviews Succession planning					Predictable Process																
Repeatable	development External audit coordination Integration of 404 strategy Anti-Fraud program coordination			wanagement development	манадентент чечегоритетт	wanagement development	management development	management development	манауентен чечеюрнен к	Wanagement development	wanagement development	wanagement development	munugement development	wanaganan developmen	wanagement development	манауанен иеvакриен	манаувнені чечворнені	манадентен чечекритен	манадения сеченирния	munegorioni development		Follow-up Computer assisted auditing techniques		
Initial	coordination's Organization's awareness of IA Development of IA department on-going improvement initiatives					Disciplined Process																		
Increased Risk	Goal State: 2 Current State: 3	Goal State: 3 Current State: 4	Goal State: 2 Current State: 2	Goal State: 2 Current State: 4	Goal State: 3 Current State: 4	Goal State: 2 Current State: 3																		

Thank you