“You may not control all the events that happen to you, but you can decide not to be reduced by them.”

— Maya Angelou
What the internal audit function brings to complex entities such as AUC is an important perspective to risk assessment and internal controls. Fulfilling this responsibility aims at facilitating a high volume of transactions and regulatory compliance issues facing the University. Stakeholders rely on internal audit to provide reasonable assurance that the University operations are intact while keeping up with an increasingly complex environment and an ever-changing landscape. Setting the appropriate tone at the top has never been more important for the Internal Audit Office as a whole.

While the specific duties of the Internal Audit Office vary depending on the University’s governance structure, we are typically expected to:

- Verify the existence of assets and recommend proper safeguards for their protection
- Evaluate the adequacy of the internal controls system
- Recommend improvements in controls
- Assess compliance with policies and procedures and sound business practices
- Assess compliance with state and federal laws and contractual obligations
- Review operations/programs to ascertain whether results are consistent with established objectives and whether the operations and programs are being carried out as planned
- Investigate reported occurrences of fraud, embezzlement, theft, waste and more

The Annual Audit Book is an example of our commitment to providing AUC with leading practices to help fulfill our responsibilities and raise the bar continually on individual and overall performance.

I hope you find this book valuable as you take an overview of our achievements and initiatives.

Sameh S. Abdel Fadil
Chief Audit Executive
Internal Audit Office
The Internal Audit Office (IAO) has selected a team with a rich blend of relevant experience. We believe that selecting the right team that best fits the University requirements will enable us to provide a unique combination of auditing, IT and compliance expertise, in addition to a wealth of knowledge to meet our needs.

We have put together a team which has the right skills to deliver the advice and support that the University needs. The diagram shows the key team members.
Sameh S. Abdel Fadil, CIA  
Chief Audit Executive

Sameh S. Fadil is the chief audit executive of the Internal Audit Office. He joined The American University in Cairo in 2005. Fadil has nearly twenty years of experience in performing internal auditing, including 10 years as internal audit manager at AUC.

Prior to his appointment at the University, Fadil started his career at Arthur Anderson - Egypt, one of the leading external audit firms in the world at the time. He later joined Mobinil, a reputable and well-recognized telecommunications company in Egypt, as senior internal auditor, where he became one of the pioneers in applying the Sarbanes-Oxley Act in Egyptian companies. Fadil is also a founding member of Cairo’s chapter of the Institute of Internal Auditors.

Mahmoud Eissa, CIA  
Internal Audit Manager

Mahmoud M. Eissa is the internal audit manager. Eissa, who joined AUC in 2015, has nearly 12 years of experience in internal and external auditing, including three years as internal audit manager at AUC.

Eissa started his career at PricewaterhouseCoopers (PwC), the second largest professional services firm in the world. He worked as an internal auditor for three years, performing operational, financial and compliance audits. His main auditing and consulting assignments included major multinational clients in various fields, which gave him substantial knowledge and experience.

Sally F. Sayed
IT Audit Manager

Sally F. Sayed is the IT audit manager. She joined The American University in Cairo in March 2018 and has around 10 years of experience in information systems auditing at PricewaterhouseCoopers (PwC).

Sayed has substantial experience in the evaluation of IT general controls to ensure alignment of the IT environment with financial reporting objectives. This includes assessments of the company control activities over IT operations, security, system change management and development. She has been involved in other special engagements that tackled assessment of due diligence, data analysis, project management, ISO 27001-gap assessment and software selection.
Evelyne Eskander  
Senior Internal Auditor

Evelyn A. Eskander is a senior internal auditor with six years of experience in operational control management.

Eskander worked for PricewaterhouseCoopers (PwC) and later for the Commercial International Bank (CIB), where she worked with the operations group units on rectifying, identifying and fixing process failures. She also conducted different types of structured reviews over operational functions.

Mohamed K. Khamis  
Compliance Manager

Mohamed K. Khamis is the compliance manager at the internal audit office. He joined The American University in Cairo in August 2018 and has over 10 years of corporate experience in compliance and risk management.

Prior to his appointment at AUC, Khamis worked in well-renowned corporates such as Sanofi and Novartis, where he was responsible for managing the testing and compliance monitoring of company-level controls.

Maha M. Mosalem  
Senior Administrative Assistant

Maha M. Mosalem is the office senior administrative assistant and has been with AUC since 2007. She has almost 12 years of experience in executive and administrative services as well as office operations.

Mosalem began her career at the University working in the Department of Computer Science and Engineering, where she managed academic, accreditation and administrative tasks.
CAPABILITIES

We consider our methodologies to be one of our primary assets in providing services to our clients. They are the result of learned lessons and good practices that our team has acquired throughout the years. Therefore, we thrive to keep our methodologies up-to-date and aligned with the latest standards and global best practices.

With this goal driving our efforts, we ensure and maintain rigorous continuing professional trainings in order to keep our staff up-to-speed on relevant updates and technical matters.

Internal Audit Staff Training
The Internal Audit Office aims to maintain a diverse, flexible, experienced and agile audit team that proactively identifies key risks; quickly responds to new requests; is a source of talent to the University.

Auditors receive an average of 40 hours of comprehensive professional training each year. Training programs include business strategy, industry and business information, emerging audit hot spots, technical training, communication skills, compliance and regulatory updates, new applications and systems overviews, data analytics, and team building events.

Over the years, ongoing professional training has helped the internal audit team achieve better work in traditional audits, proactive advisory services provided to management, and digital forensics and fraud investigations.

A total of three members of our team have attended training programs in the below areas:

Training Takeaways

1. High Impact Skills for Developing and Leading Your Audit Team
   - Leadership tools and techniques for skill enhancement.
   - Mastering strategies to leverage audit knowledge with proven tactics to inspire and motivate staff.
   - Modern goal-setting methods, effective coaching and mastering the art of persuasion.

2. Risk School
   - Fundamentals of risk-based auditing.
   - Underlying concepts of a risk-based audit methodology.
   - Key areas of data analytics, evaluating global risk and conducting a detailed risk assessment at the engagement level.

3. Audit Data Analytics
   - Designing effective tests, critiquing and assuring the quality of the work of others.
   - Basic analytic techniques, such as stratifications, summarization and duplicate identification.
   - Cutting-edge topics, such as visual analytics, risk score carding and spatial analysis.
Compliance

In FY18, the Internal Audit Office introduced the compliance function to the University to oversee compliance and regulatory issues. The function will remain within the scope of the Internal Audit on a temporary basis until the AUC community is educated on the born responsibilities. Moving forward, the function will relocate to an overarching AUC compliance entity.

What Is Compliance About?

Compliance is a strategic partner to the business teams, and part of its mission is to support the achievements of business objectives within the frame of the University’s values, ethics and standards.

- Compliance’s main objective is to achieve ethics and integrity.
- Acting in accordance with the laws, codes, policies, SOP and ethics.
- Helps in fostering organizational justice.
- It is the way we behave in the normal course of our job, especially when pressure for results could impair our judgment.
- It is an important part of the “How” we do the “What” through pursuing ethical decision-making approaches. Compliance helps to make sure we DO the RIGHT thing at the RIGHT time and for the RIGHT reason.

Compliance Scope, Culture and Focus
INTERNAL AUDIT GOVERNANCE

PLAN

ASSESS

ENHANCE
BACKGROUND

The Annual Audit Book is designed to present the internal audit work performed during the fiscal year 2018 that provides independent, objective assurance and consulting services designed to add value and improve the University’s operations. AUC’s internal audit activities help AUC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

INTERNAL AUDIT GOVERNANCE

Internal Audit Governance Framework

In an expanding risk landscape, internal audit has emerged as a critical lever for change. Now, more than ever, it needs to rise to the challenge and demonstrate its value. We are driving internal audit innovation merging the skills of our people with a robust, leading edge internal audit approach and technology. The result is the Internal Audit Office (IAO) “relevant, aligned and agile”. IAO delivers insight and quality in equal measure and to the highest standard, helping the University build the confidence to move faster and act decisively.

We help the University look deeper and see further considering areas like client values and behaviors to help the University improve and embed control. In short, we make sure that every hour we spend working is impactful, addresses the right risks and seeks to add maximum value to the University.

In order to achieve this, the internal audit follows a governance framework. Establishing an effective governance framework includes defining organizational structure, processes, leadership and roles and responsibilities to ensure that internal audit’s work is aligned and delivered in accordance with the University’s strategies and objectives.

Why We Adopt an Internal Audit Governance Framework?

- Ability to look at things holistically and see the bigger picture
- Helps ensure that the process is followed
- Assistance in decision making process
- Ensure compliance with standards and regulations
- Removes barriers from getting activities accomplished
- Increase visibility and awareness to a project
I. Internal Audit Planning

Overview and Benchmark
IAO performs several regular and special assignments with the following objectives:
• Identify key risks, which may threaten the achievement of AUC objectives
• Validate the design and operating effectiveness of key controls implemented within each office or department to mitigate those risks
• Benchmark the maturity of current controls against a good practice framework and relevant industry peers

BENCHMARK
The performed review benchmarks the University’s maturity against other peers across seven key focus areas covering high-level processes.

Each process has a pre-defined standardized maturity level criterion for scoring. Ratings are assigned to the high-level processes by management based on the standard criteria to assess the current state.

These seven areas are shown in the diagram below.

Approach and Scope
The Internal Audit Office maintains quality and control procedures for the work it carries out. Our approach incorporates quality assurance through the entire life-cycle of an engagement. Our pragmatic approach allows us to work with senior management to ensure the achievement of the right outcomes from the work programmed.

The approach encompasses a continuous feedback mechanism to project sponsors and project managers enabling the entire team to proactively identify and address potential risks before they significantly impact the success of the project in terms of the deadline, cost and quality of deliverables.

In the case of regular or special assignments, there are multiple layers of quality control
Linking the Internal Audit Office’s FY18 to AUC’s Strategic Goals

The Internal Audit Office (IAO) contributes effectively to the achievement of AUC’s strategic goals through conducting a number of regular, special and consulting engagements, in addition to introducing compliance and IT audit in FY18.

• **Enhance AUC’s internationalization among all stakeholders**
  The Internal Audit Office uses a risk-based audit approach to assure that AUC is progressing in the right track that leads to the accomplishment of the pre-set University goals and objectives. The IAO applies and performs audit work in accordance with the latest Institute of Internal Audit (IIA) standards and best practices to attain internationalization among all stakeholders.

• **Foster a culture of service, trust and collaboration across academic and administrative University departments and offices to enhance the overall AUC experience.**
  Since the establishment of the office, IAO leadership’s vision has revolved around serving the AUC community by collaborating with different offices and departments as consultants, business partners and advisors. This, in turn, has led to an increasing trust between academic and non-academic offices and IAO.

• **Enable a conducive environment that is led by exceptional human capital, optimized through digitized processes and propelled by timely and efficient data-driven decision-making models.**
  In FY18, the IAO was enriched by adding the following staff positions:
  • Senior Internal Auditor (August 2017)
  • Senior Administrative Assistant (September 2017)
  • IT Audit Manager (March 2018)
  • Compliance Manager (August 2018)

### ii. Risk Management

Over the last few years, the need to manage risks has become recognized as an essential part of good corporate governance practice. This has put the University under increasing pressure to identify all the business risks they face and explain how they manage them.

In fact, the activities involved in managing risks have been recognized as playing a central and essential role in maintaining a system of internal control. While the responsibility of identifying and managing risks belongs to management, one of the key roles of internal audit is to provide assurance that those risks have been properly managed.

We believe that a professional internal audit activity can best achieve its mission as a cornerstone of governance by positioning its work in the context of the University’s own risk management framework.

**Internal Audit Risk-based Auditing**

Our Risk Based Internal Auditing (RBIA) is a methodology that links internal auditing to the University’s overall risks. RBIA allows the internal audit to provide assurance to the board that management processes are managing risks effectively in relation to the risk appetite.
Our Risk Assessment Process

(Strategic, Operational, Financial, IT and Compliance)

Identify Audit Universe ➞ Risk Rank Audit Units ➞ Map Risks and Determine Final Risk Assessment ➞ Prioritize Business Risks ➢ Identify Business Risks

• Identify and link University structure, locations and processes
• Inventory business initiatives, IT projects, applications and infrastructures components
• Link IT applications to processes
• Assess risks in auditable units
• Prioritize and develop clear communication tools
• Map business risks to related auditable units
• Aggregate auditable unit risks with business risk
• Involve appropriate stakeholders
• Understand entity level control environment
• Evaluate the risk of fraud
• Prioritize risks on the inherent and residual basis
• Understand business strategies, goals and objectives, and potential obstacles
• Customize a risk model to fit the University’s capability and culture
• Update periodically throughout the year and consider emerging risks

• Management of Risk Assessment ➞ Link Risk Assessment to Audit Plan ➞ Estimate Budget and Timing

iii. Performance Assessment

On a routine basis, offices should measure and quantify the performance effectiveness of their business activities. Following the same practice, internal audit needs to demonstrate its own effectiveness using a performance measurement system tied to the expectations of its key stakeholders. Only by circling back to the needs of its key stakeholders and regularly tracking its performance against the expectations of the board, senior management and operating management, can the internal audit function satisfy increased scrutiny and more demanding expectations.

Prospective Performance Assessment

For future performance assessment, IAO is studying the prospects of implementing a balanced scorecard which goes well beyond numbers to examine important broad-based activities. Studies have shown that scorecards are the most comprehensive and integrated framework for measuring performance. The balanced scorecard concept measures the action areas to assess internal audit effectiveness.

Balanced Scorecard

The balanced scorecard is a strategic performance management tool that can be used by staff to keep track of the execution of activities within their control and monitor the consequences arising from these actions.

The critical characteristics that define a balanced scorecard are:
• Its focus on the strategic agenda of the University
• The selection of data items to monitor
• The blend of financial and non-financial data items

The design of a balanced scorecard is based on the identification of financial and non-financial measures and attaching targets to them so that when they are reviewed, it is possible to determine whether current performance meets expectations. By being alert to areas where performance deviates from expectations, IAO team are encouraged to focus their attention on these areas, and as a result, trigger improved performance.
Controls Self Assessment

Controls Self Assessment (CSA) is a technique that allows AUC units and work teams directly involved in business units, functions or processes to participate in assessing the organization’s risk management and control processes.

Internal audit will provide a framework for helping AUC’s organizational units to manage their risks to achieve their business objectives.

CSA will involve a structured approach to documenting business objectives, risks and controls and having operational management and staff assess the adequacy of controls.

Fiscal Year 2019 Initiative

- **Design CSA Methodology - Q1/Q2**
  There are many different CSA techniques that range from simple questionnaires, one-on-one interviews, facilitated workshops and automated solutions. We will provide the most suitable approach to follow based on our understanding of AUC’s selected units and areas.

- **Provide CSA Training**
  Our training will give management and staff the necessary understanding of CSA to support its implementation and acceptance in AUC.

- **Project Management of the Implementation**
  We will use our experienced professionals to manage the implementation of CSA.

- **Conduct CSA Workshops (if needed)**
  We can help in providing workshops to support the implementation of CSA and provide advice on risks and effective controls.
The basic notion is that the value of an internal audit activity is determined by its usefulness to the University. There are a number of steps that IA can take to capture and communicate the value it adds to the University. The diagram below provides a process that can be used to build further value into IAO, from the initial stakeholder engagement through the delivery of the audit and afterward.

**Identify stakeholder value drivers and needs**

**Understand risks and opportunities** (strategic, financial, operational, compliance)

**Evaluate impact to stakeholder value**

**Value Enhancement**
- Strategic
- Tactical

**Value Protection**

### A Framework for Demonstrating a Value

**VALUE DRIVERS**
- Understand who your key stakeholders are and what they value

**VALUE ATTRIBUTES**
- Detail the specific attributes that are required to be demonstrated

**VALUE MEASUREMENTS**
- Measure value delivered. In which commitment from your stakeholders help measuring the criticality of value delivered

**VALUE SCORECARD**
- The scorecard should contain actual examples of how the value attributes were delivered

### How We Will Deliver the Value to Our Clients

**LEADERSHIP**
Our thought leadership and capabilities cover the full spectrum of operations, technology and information security.

**GLOBAL REACH**
We continue to expand our global reach and work with international organizations to lead and ensure that our staff members are appropriately trained and certified.

**LEADING THE FUTURE OF INTERNAL AUDIT AT THE UNIVERSITY**
As an office with internal audit expertise, clients look to us to develop and deliver the kind of forward thinking that will make a real difference in their offices.
KPIs to Consider

Working through stakeholder priorities can help clarify the role of, and the value placed on, internal audit.

Understanding stakeholder expectations also allows IA to develop KPIs that report on the value being delivered. Some KPIs that can be considered, depending on the focus agreed on with stakeholders, are:

- Business coverage (how much has been audited over an agreed period)
- Stakeholder feedback on the quality of internal audit (the team and the work)
- Clearance rate of raised issues
- Value of performance improvement opportunities identified by IA and adopted by management

Vision for Success

Our Project Success Pillars

- Team is highly efficient
- Risks are managed
- Scope is realistic and managed
- Stakeholders are committed
- Work and schedule are predictable
- Benefits are realized

Value enhancement can be easier to demonstrate than value protection - which is core to the IA role.
Internal Audit Future Prospects

ASSURE
ADVISE
ANTICIPATE
Internal Audit in AUC’s Centennial

Since the world is gearing up toward new technologies, digitalization and emerging evolutions, the business landscape is changing dramatically. Internal audit is up for risks of various types, complexities, and inter-dependencies. The strategies, practices and technologies that organizations employ are new. All of which are compelling internal audit to adopt a new vision of its role and remit to maintain its relevance in providing impactful assurance and advisory services to AUC.

With the advent of AUC centennial, internal audit is adopting new tools and techniques to develop capabilities needed to effectively respond to today’s challenges. It is equally important for Internal Audit to develop a coherent vision with the University in order to drive needed changes and prioritize initiatives for the function and the organization as a whole.

Accordingly, we have developed a new set of strategic goals in alignment with AUC’s centennial strategic plan aiming at clarifying the expectations of internal audit and codifying the most important components.

Our goals are attuned to the challenges of emerging risks, technologies and innovation to be able to assist in safeguarding processes and assets as management pursues new methods of creating and delivering value.

Below are AUC’s strategic pillars and the corresponding internal audit goals:

**INSTITUTIONAL EFFECTIVENESS**
- Performing financial, operational, IT and compliance audits and consulting services

**AUC EXPERIENCE**
- Enhance the University’s academic operations

**INNOVATION**
- Adopt technology in audit activities
- Continuously improve knowledge and skills of the internal audit team

**ASSURE • ADVISE • ANTICIPATE**

While planning for the future, our key roles remain unchanged. Internal audit aims at:

**ASSURING**
- Governance, appropriateness of behaviors and oversight digital technologies

**ADVISING**
- Control effectiveness, change initiatives and enhancements to risk management technologies

**ANTICIPATING**
- Our role is more proactive helping management intervene before risks materialize

Moving forward, internal audit aims at unlocking value by being more proactive. We intend to continue our role of providing AUC with the confidence that the truly greatest risks – including cyber, digitalization, change management, crisis management and such – are appropriately managed on a more continual basis. As we embark on a new era, we need to shift internal audit’s role from the identifier of issues to a partner in developing solutions, because audits begin with known issues. This will eventually enable internal audit to leverage its knowledge, position and experience to help the business improve processes and controls.
“Strive not to be a success, but rather to be of value.”

— Albert Einstein