AUDITING SOCIAL MEDIA

Adding value by improving governance

The Institute of Internal Auditors | *Global*

Table of Contents

About the Expert

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Tichaona Zororo is an IT advisory executive with Enterprise Governance of IT (Pty) Ltd., an IT advisory firm based in South Africa. He has several years of in-depth and global experience in mainstream IT, IT auditing, security, governance, and risk across private and public sectors. He is an advisor to a number of boards, boards of directors, and IT and business leaders across the globe on the utilization of disruptive technologies to create and preserve stakeholder value, governance, and management of enterprise IT, IT risk, cybersecurity, IT auditing, IT modernization, and digital transformation. He is also an ISACA board member and a past chair of the ISACA Audit & Risk Committee.

INTRODUCTION

Social media: A business imperative

The business benefits of social media are undeniable considering nearly half of the global population is actively online. Tichaona Zororo's "Auditing & Governance of Social Media" presentation at The IIA International Conference in California addressed how organizations and prominent individuals can use social media to tap into billions of potential customers and followers. But, leveraging this 21st century megaphone takes planning as well as an understanding of how social media works.

While social media is popular for personal use, it is also a potentially powerful marketing tool for organizations of every size and variety. With few exceptions, organizations have at least some degree of social media presence, either because they created it or someone else has done it for them through reputation, posts, or fake profiles. The key question isn't if a company has a social media presence, but rather what strategy is in place to govern and manage it?

Being part of an ever-expanding virtual community presents many benefits to an organization because it can create a more intimate relationship with stakeholders and clients alike. Utilizing social media as a business tool overall allows organizations to stay connected to clients, consumers, competitors, and even potential new employees. But to best use these benefits, organizations should develop a social media strategy that is enterprise-wide. It should encompass everything from the company's core objectives to how the company handles the unexpected through crisis management.

> "Social media has emerged from a reactive or passive function to a real-time interactive function within all of our brands, and it is starting to make a positive difference."
>
> — Dan Williams,
> Senior Vice President of Internal Audit,
> Darden Restaurants

THE SOCIAL MEDIA LANDSCAPE

Billions of users offer countless opportunities

The scale of social media

In 2019, there were more than 3 billion active social media users — a far cry from the 3 million or so users on social networking pioneer Six Degrees in 1999.[1] Just 20 years later, almost half of the world's population has a social media profile on the Internet where they share images, opinions, and interact with one another. Facebook is the most popular social media site on the Internet today followed by LinkedIn, Instagram, Snapchat, and Twitter. Facebook, although currently facing a plethora of issues ranging from privacy to security, has seen a steady climb in users as well as profits. Globally, more than 1.5 billion people use it daily, and more than 2.3 billion use it monthly.[2]

While Facebook and its peers dominate the social media landscape in many parts of the world, there are some platforms that remain specific to one market. For example, WeChat is China's social media alternative to Mark Zuckerberg's billion-dollar company. First released in 2011 by Tencent and subsidized by the Chinese government, WeChat now has more than 1 billion active users every month.[3]

The global landscape

Some promising platforms are in the process of transitioning from a single-market model to a more global focus. Douyin is the most significant example. Originally founded by ByteDance in 2016 for the Chinese market, its success prompted the company to release an alternative in 2017 called TikTok for the rest of the world. Today, the company's platforms have more than 1 billion active users, with 100 million in the U.S., and 250 million in India.[4]

With such well-established global reach, it only makes sense for organizations to utilize social media outlets, both established and new, as a way to connect with existing customers and gain new ones. Organizations that successfully leverage social media have strategies in place that not only optimize their presence on such

1. Dow Jones, "Company News; Youthstream to Ac1uire SixDegrees for $125 Million," *The New York Times*, December 16, 1999, https://www.nytimes.com/1999/12/16/business/company-news-youthstream-to-acquire-sixdegrees-for-125-million.html.
2. Andrew Hutchinson, "Facebook Reaches 2.38 Billion Users, Beats Revenue Estimates in Latest Update," SocialMediaToday, April 24, 2019, https://www.socialmediatoday.com/news/facebook-reaches-238-billion-users-beats-revenue-estimates-in-latest-upda/553403/.
3. Michelle Evans, "4 Reasons Super Apps Like WeChat Would Struggle in the U.S.," *Forbes*, March 21, 2018, https://www.forbes.com/sites/michelleevans1/2018/03/21/four-reasons-why-super-apps-like-wechat-would-struggle-in-the-us/#33d55daf3154.
4. Sherisse Pham, "The Company that Owns TikTok Now Has One Billion Users and Many Are Outside China," CNN Business, June 20, 2019, https://www.cnn.com/2019/06/20/tech/tiktok-bytedance-users/index.html.

platforms but also minimize risk. Coca-Cola, for example, plans every post and tweet months in advance and uses that time to get approvals from their legal department as well as evaluate any potential risk. Additionally, Coca-Cola has a director of social media engagement who is responsible for planning and developing the company's social media platform. Coca-Cola's reward for its social media due diligence is a following that tops 100 million users on Facebook alone.

SOCIAL MEDIA GOVERNANCE

Strategy and planning are often missing

Poor social media governance can make organizations vulnerable

Many organizations have incomplete social media strategies. They are reactive rather than proactive, and organizations lack many of the processes that are needed to successfully manage an organization's social media platform. This isn't isolated to a single country or region, either. "I am a board member of a number of organizations, and I am also an audit and risk committee member of quite a number of organizations internationally and in South Africa as well," said Zororo. "But what I have seen is that very few organizations have got social media governance in place."

Organizations that lack solid social media governance and an understanding of the social media landscape, strategy, and regulations are ill prepared for incidents that could damage their brand and financial health. Therefore, it is important to create effective social media strategies by understanding what is missing from current ineffective ones. Organizations often lack experts with knowledge of social media sites and legal compliance requirements as well as social media governance, corporate strategy, and clearly defined management. As Zororo stated in his presentation, it is important to understand that "social media governance is all about achieving the strategic and performance objectives of the organization."

Developing an effective social media strategy

All effective social media strategies must start with knowing the company's stakeholders, understanding what they expect from that strategy, and how one can positively influence them. A social media strategy should have a policy that articulates a clear understanding of corporate strategies and objectives, sets processes and procedures, and defines roles and responsibilities for those who actively monitor social media.

Peter Scott's article "Social Media and Reputational Risk" recommends organizations begin with a risk assessment that examines how social media is used. Too often, social media usage is compartmentalized in business silos without any operational oversight. Such compartmentalization can lead to inconsistent policy, governance, and oversight of social media within the company. It also poses a great risk that misinformation could be disseminated leading to possible violations of social media laws and guidelines.[5]

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5. Peter Scott, "Social Media and Reputational Risk," The IIA, accessed September 26, 2019, https://dl.theiia.org/AECMember/Social-Media-and-Reputational-Risk.pdf.

Internal auditors by the nature of their role are able to bring together multiple departments within the company to discuss different aspects of social media. From there, the CAE can:

- Assess the organization's social media capabilities.
- Determine the role social media has within the company's business model.
- Recommend enterprise-wide policies, processes and guidelines.
- Define and establish social media fit for purpose structures.

Part of a CAE's responsibility is to ensure that the most significant risks are priorities for the board, and social media may rise to that level in some organizations. Everyone in the organization should understand social media, their role in the company's social media strategy, and the legal and reputational ramifications of a bad tweet or an insensitive Facebook update. Effective social media strategies also have a "listening system" designed to transform data collected from social media into performance indicators and risk factors. A social media strategy should also monitor for — and actively counter — negative content and have a crisis management plan in place in case negative content goes viral.

VALUE-ADD SOCIAL MEDIA AUDITING

Beyond "check listing"

Adding a business context to internal audit's social media findings

In his presentation, Zororo touched on the importance of relating findings, whatever they may be, with the company so that they have value and context. "Even if you look at social media auditing, it's about adding value. It's not just about auditing social media in isolation with the business. Whatever findings you find, in social media you have to give them a business context. You have to relate them to the performance and strategic objectives of the organization," said Zororo.

According to Zororo, of The IIA's 10 Core Principles for the Professional Practice of Internal Auditing, the most important ones in this context are:

- Aligning with the strategies, objectives, and risks of the organization.
- Providing risk-based assurance.
- Being insightful, proactive, and future-focused.
- Communicating effectively.

Auditing social media requires understanding its usage at every level of the company as well as within every department. It is essential that an internal auditor explore basic business objectives, strategies, and processes, as well how each matches the social media landscape in which the business chooses to operate. Internal auditors should consider incorporating the potential for unavoidable or unforeseen events into their risk assessments and how they could impact company objectives. For example, if a company does not adhere to an IT policy that periodically renews security credentials for social media, the potential for hacking is significantly increased. An evaluation of the current IT policy, whether the policy is adhered to, and the potential consequences of not adhering to it, should all be included in an internal auditor's risk assessment. It is the responsibility of the auditor to identify issues, form insights, and then track the resolution throughout the audit.

What follows are a few questions that a company's internal audit department should be asking to ensure that a social media audit is adding value to the company:

1. Are the appropriate stakeholders involved in developing the social media strategy?
2. Are insights from monitoring being used to keep the social media strategy up to date?
3. Is the social media strategy aligned with enterprise objectives and strategies?
4. Do company policies, processes, procedures, and structures support a social media strategy?
5. Is social media discussed at board and committee meetings?

SOCIAL MEDIA CRISIS MANAGEMENT

Where does internal audit fit?

A tale of two airlines

While many social media strategies are incomplete, most are at least reactive. In some cases, however, it is clear that even a reactive strategy isn't enough. For example, in 2017 millions of people watched a viral video of a United Airlines passenger being forcibly removed from an aircraft. An internal communication from the CEO blamed the passenger. When the CEO later issued an apology over Twitter through the airline's handle, it wasn't very well received. Subsequently, United Airlines experienced a loss in profit and public trust.

Such an outcome raises a variety of questions. Was there a social media crisis management plan? If there was a plan, was it followed? "Where were the auditors?" asked Zororo in his presentation. "Did the audit risk committee make sure there was a policy and a social media crisis plan before this happened? Did the board of directors have anything to do with social media governance?"

Interestingly, the CEO himself was not on social media at all before and after the incident — his Twitter account was discovered to be fake — which implies a lack of understanding or even interest in the implementation of a social media policy capable of responding properly to such a scenario. While it is it easy to blame the C-suite for mishandling the company's reaction, internal audit should be held to some account for not providing the necessary assurance against such a costly risk, or at least educating stakeholders about adequate governance of the company's social media presence. "If there was social media governance, could this have been communicated in a better way?" continued Zororo. "If auditors had looked at it before, could they have given different recommendations? If the risk committee provided proper oversight over this, could the outcome have been different?" Based on what internal audit is obligated to provide their organizations in accordance to the *International Standards for the Professional Practice of Internal Auditing (Standards),* specifically Standard 2110 and 2120, the answer to these questions is yes.

Audit Focus

IIA Standard 2110: Governance

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for:

- **Making strategic and operational decisions.**
- **Overseeing risk management and control.**
- **Promoting appropriate ethics and values within the organization.**
- **Ensuring effective organizational performance management and accountability.**
- **Communicating risk and control information to appropriate areas of the organization.**
- **Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.**

Contrast United's handling of its crisis to one involving AirAsia. In 2014, tragedy hit when an AirAsia flight crashed into the Java Sea, killing 162 passengers and crew. But it wasn't a news outlet that brought this tragedy to the world's attention. Rather, it was AirAsia's CEO Anthony Fernandes who tweeted about it first. Within an hour of his initial tweet all AirAsia social media accounts were grayed out as a sign of respect and solidarity. The CEO alone, who had an established social media presence, updated the public throughout the day. Fernandes also expressed an appropriate and sincere gratitude for the support the airline received and rallied support for his employees.

Clearly of these two examples only one airline had a comprehensive understanding of the policies in place to respond to a crisis on social media, while the other did not. There are several areas regarding social media governance and management that AirAsia did right and United could have done better:

- AirAsia's CEO responded thoughtfully. His tweets showed compassion as well as concern and leveraged a relationship of trust with his followers. The CEO of United blamed an elderly customer for being manhandled off of an aircraft when all he wanted was to get home.

- Fernandes alone used social media to communicate the situation to the public in order to minimize the risk of misinformation. United's CEO wrote an inflammatory internal letter that was leaked to social media.

- Immediately after the 2014 tragedy, a crisis management plan was activated that used social engineering to minimize brand damage. United's solution was to issue a thinly veiled apology, which only worsened the situation.

- AirAsia's CEO had active, verified social media profiles and a social media strategy that kept his company connected with consumers; United's CEO was not on social media at all prior to and after the incident.

Social media regulations

As social media keeps on growing in enabling business so too are the laws and regulations regulating it. Many of these laws, regulations, and regulatory bodies are focused on protecting individual rights as they relate to data collection, and protected speech. Internal auditors should be aware and knowledgeable of them when evaluating their organization's social media policy. One such example is Section 7 of the U.S. National Labor Relations Act (NLRB), which protects union organizing activities.[6]

The NLRB protections include conversations over social media and related legal rulings have found it unlawful for employers to have policies regarding what employees do on their personal social media pages. Though how invasive an organization may be with their employees and potential hires varies by governing body, employers cannot ask for an employee's usernames and passwords, nor can they issue a blanket prohibition on using social media.[7]

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6. "The NLRB and Social Media," National Labor Relations Board, accessed October 10, 2019, https://www.nlrb.gov/rights-we-protect/rights/nlrb-and-social-media.
7. Michael Levy, "Putting the Squeeze on Social Media," *Internal Auditor*, February 20, 2015, https://iaonline.theiia.org/2015/putting-the-squeeze-on-social-media.

CLOSING THOUGHTS

Strategy, governance is vital to managing social media

Today more than ever, having a social media presence is vital for any organization in today's economy. Yet, for many, the need for a social media strategy is underestimated. What's more, with nearly half of the world on social media, all organizations have a social media presence, regardless of whether wants they want one or not. And, if the company isn't managing it, someone else is.

By helping to create and provide assurance on a comprehensive social media strategy and governance, internal auditors can help organizations fully utilize sites such as Facebook to promote brand and reduce the risk. A social media strategy can also make sure organizations adhere to laws and regulations put in place to protect the company, public, employees, and stakeholders. Without it, organizations run the risk of violating laws, incurring related fines, and seriously damaging to the company brand.

Even though laws apply generally, strategies are unique to the organizations they serve, so there isn't a "one shoe fits all" approach. But the components of strong social media strategies are the same and conducting social media audits can provide valuable insights. Audits should look at everything from the objective of the organization to how those representing the company behave in a social media crisis.

After all, having a good social media strategy can mean the difference between effectively apologizing for a company blunder and managing the fallout or making the situation worse.

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