

*Presentation in ICAI Seminar*

*Expectations from Internal Audit*

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# Definition of Internal Audit

“ Internal Audit is independent appraisal activity within the organization to check reliability of organization's records, promote operational efficiency, encourage adherence to policies, systems and procedures and to safeguard organization's assets”.

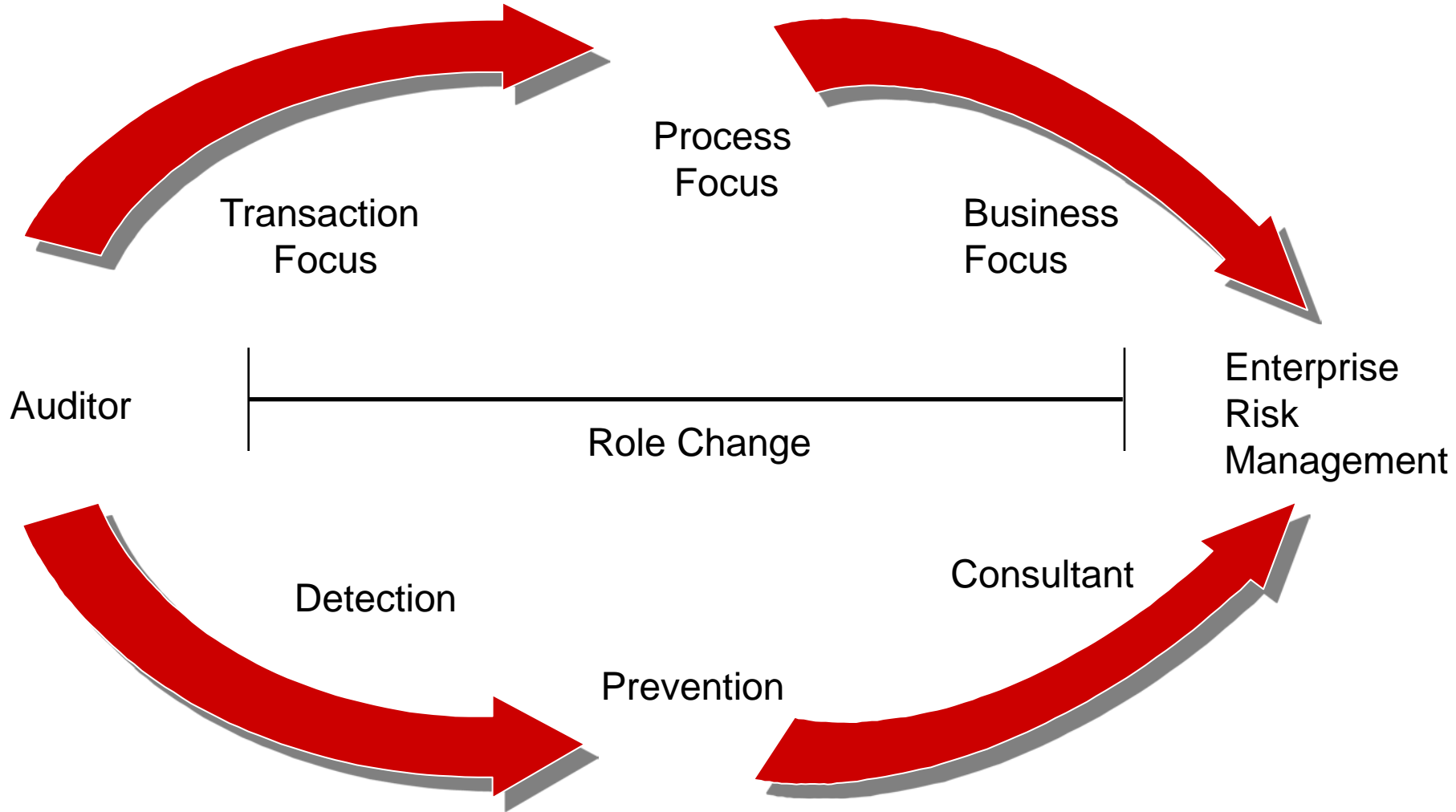
Source: The Institute of Internal Auditors

# Definition of Internal Audit

“Internal Auditing is an independent, objective **assurance and consulting activity** designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to **evaluate and improve the effectiveness of risk management, control and governance processes.**”

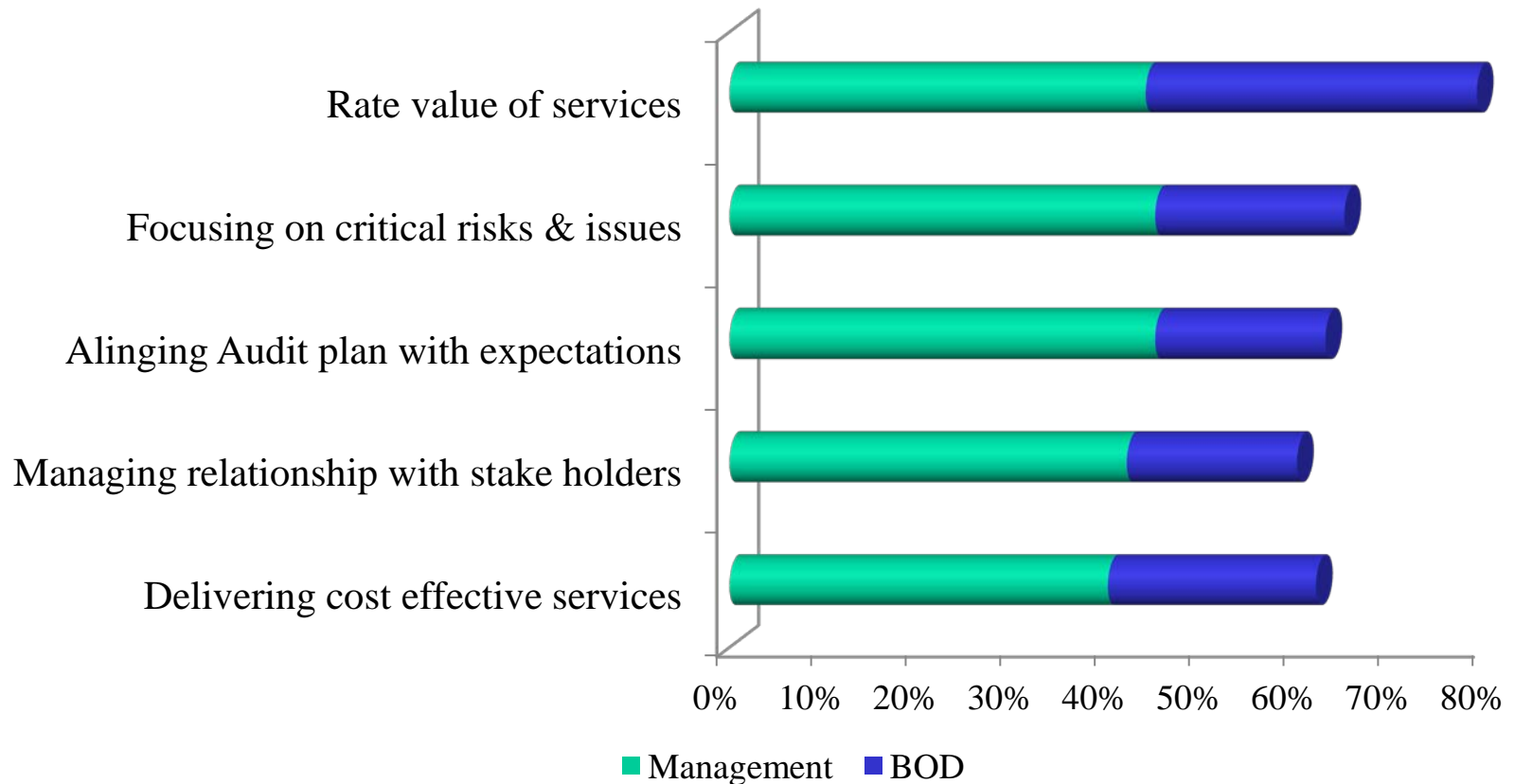
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# Changing Role of Auditor

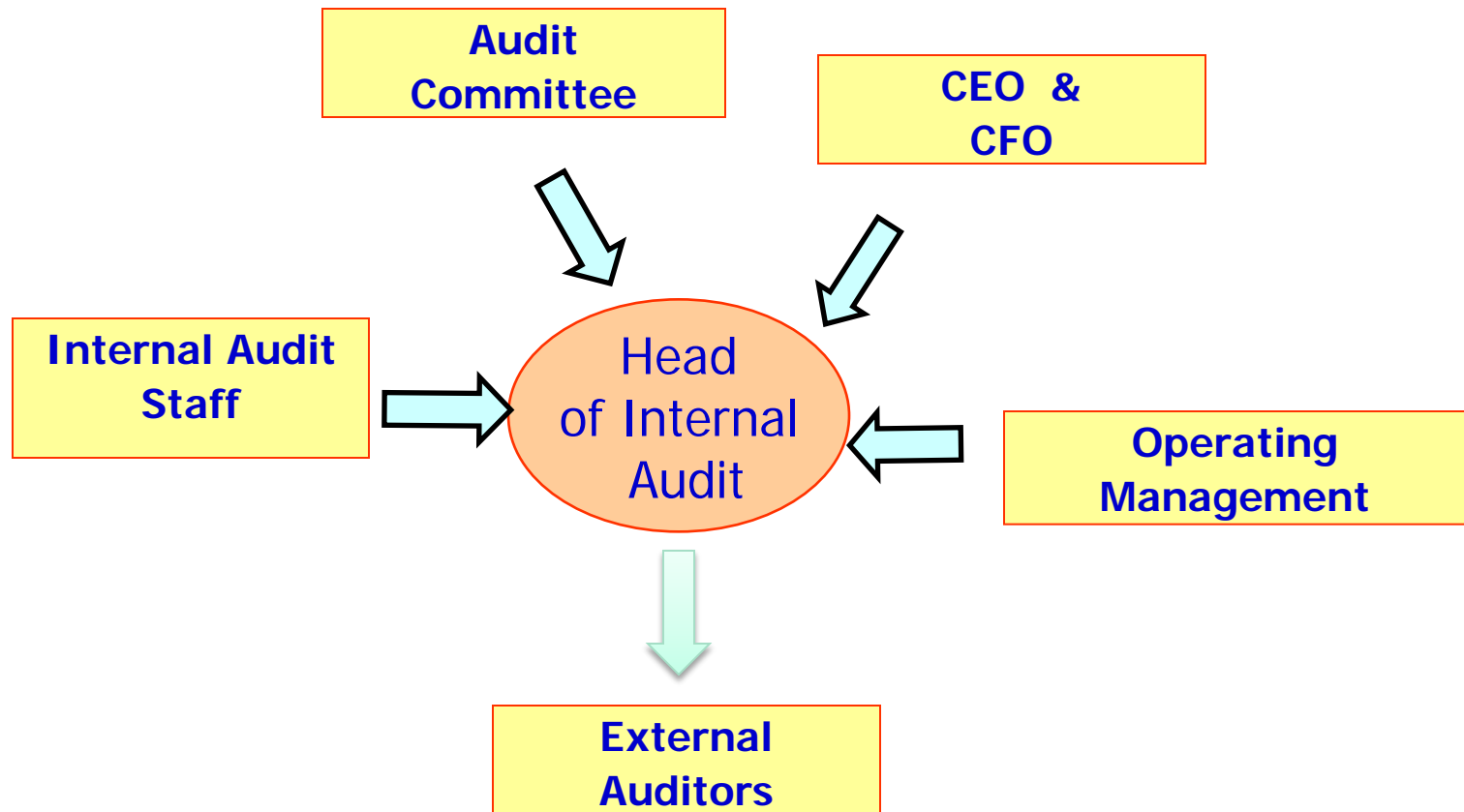


# Alignment of stakeholders

- PWC survey 2012



# Multiple Stakeholders



# Expectations of Audit Committee

- Independent Directors i.e. outsiders
- Limited interaction with organization
- Not involved in day to day operations
- Legally liable for conduct of organization.
- Their personal growth do not directly related to success of organization

# Expectations of Audit Committee

## Provide Assurance on:

- Governance
- Wealth Protection / Value preservation
- Legal/Regulatory compliance
- Risk Management
- Integrity of Financial Reports
- Related party transactions



# Expectations of CEO & CFO

- Top management of organization
- Directly responsible for performance of organization.
- Their personal growth directly depends on success of organization.
- Involved in strategic decision making.
- Monitoring role of day to day operations.

# Expectations of CEO & CFO

## Provide Assurance on:

- Management assertions on Internal Controls
- Facilitate knowledge exchange across co.
- Process Effectiveness.
- Legal & regulatory compliances
- Conduct of employees as per policies & procedures of organization.
- Frauds & Errors

# Expectations of Operating Management

- Execution of day to day operations.
- Responsible for operational efficiencies for their function.
- Their personal growth directly relates to success of organization.

# Expectations of operating Management

- Operation of Internal Controls
- Identify cost-saving opportunities
- Performance Expectations
- Cross-company bench-marking
- Advice on Control design/ execution
- Help on mitigating risks of non-compliance etc.
- Feedback on systems & processes

# Expectations of Internal Audit Staff

## Provide Support for:

- Exposure to business & processes
- Experience & Knowledge
- Training & Development
- Career planning & growth
- Financial rewards

# General Expectation from IA

- Pro active approach, i.e. no last minute surprises
- Business oriented audits
- Value Addition in form of Cost Reduction
- Feedback on operations instead of processes
- Act as consultant
- Limited resources
- Contribute in Risk Management Framework

# Services by Internal Audit

- **Assurance Services**
  - Process Audits
  - Operations Audits
  - Technical Audits
  - Information Security Audits
  - Related Party Transactions
  - Legal & regulatory Compliances
  - Fraud Risk Assessment
  - Delegation of Power
  - Pre-Audits

# Services by Internal Audit

- **Consultancy Services**

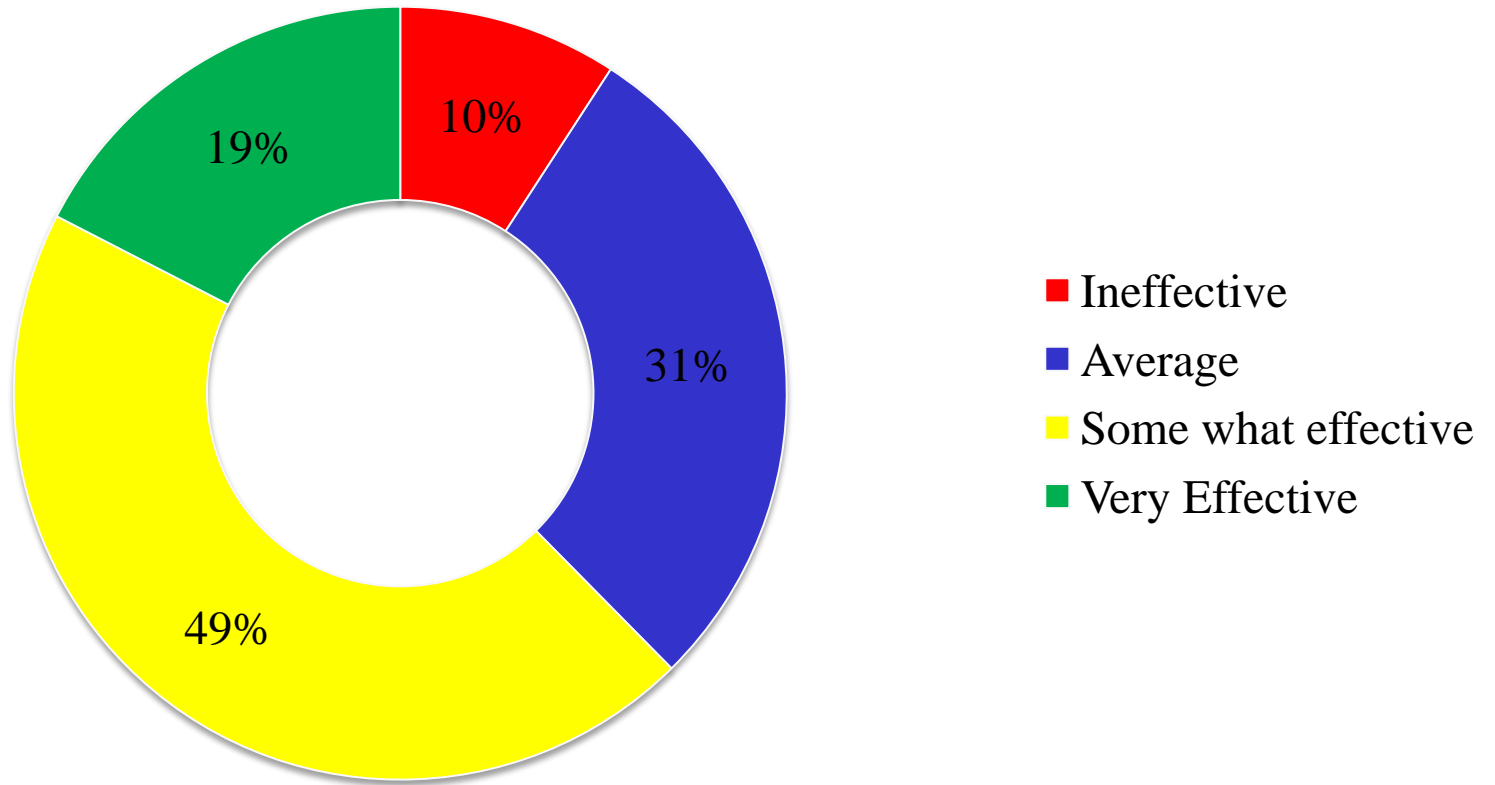
- Involvement in ERP implementation
- Cost Reduction studies
- Marketing Audits including feedback on new product launches.
- Preparation of SOPs
- Fraud investigations
- Due Diligence Audits
- Setting up of systems & processes in new businesses



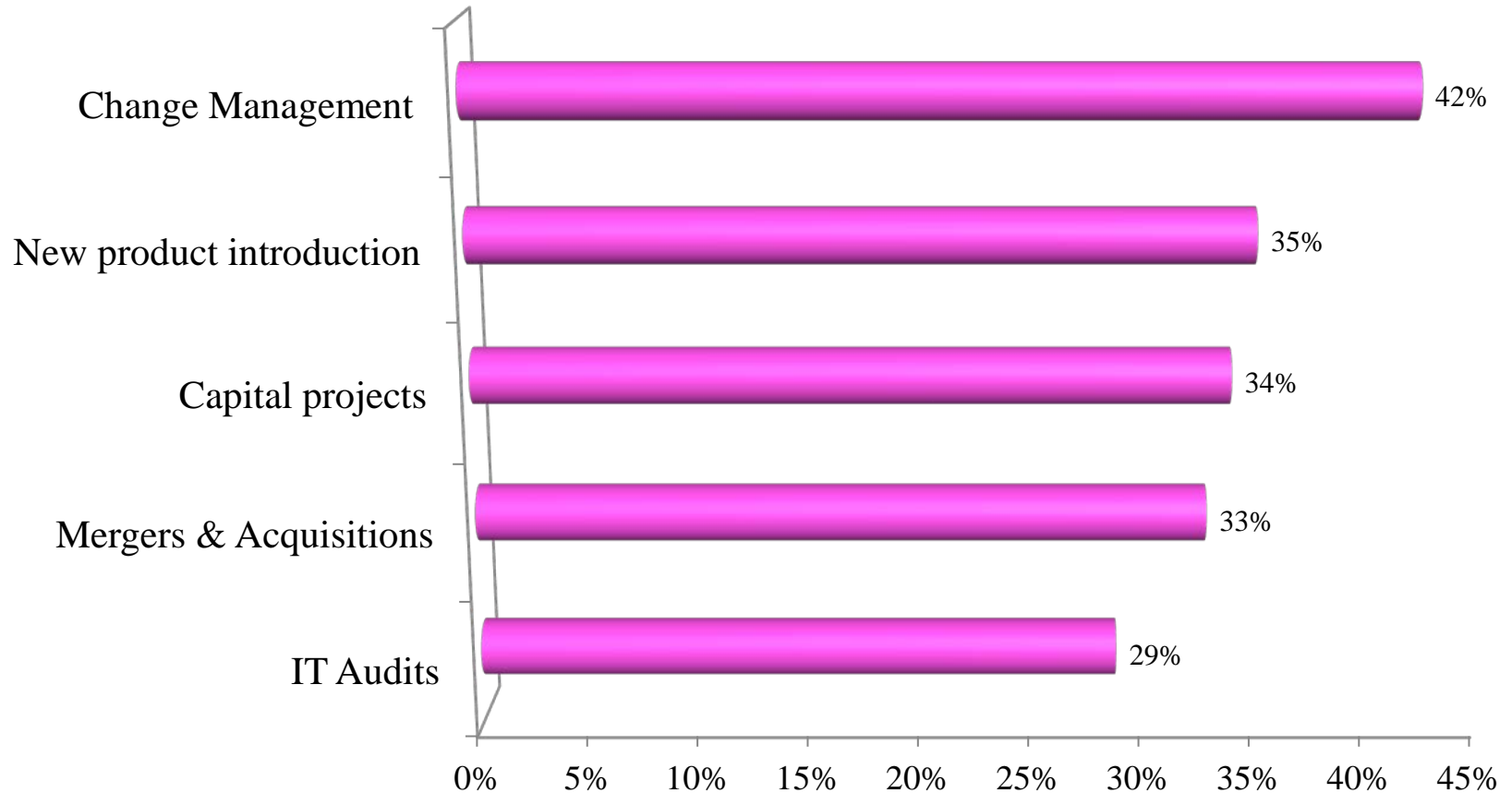
# Skills set

- Business Insight
- Data Analysis skills
- IT skills
- Finance & Accounting knowledge
- Risk Assessment skills
- Communication skills
- Fraud investigation skills

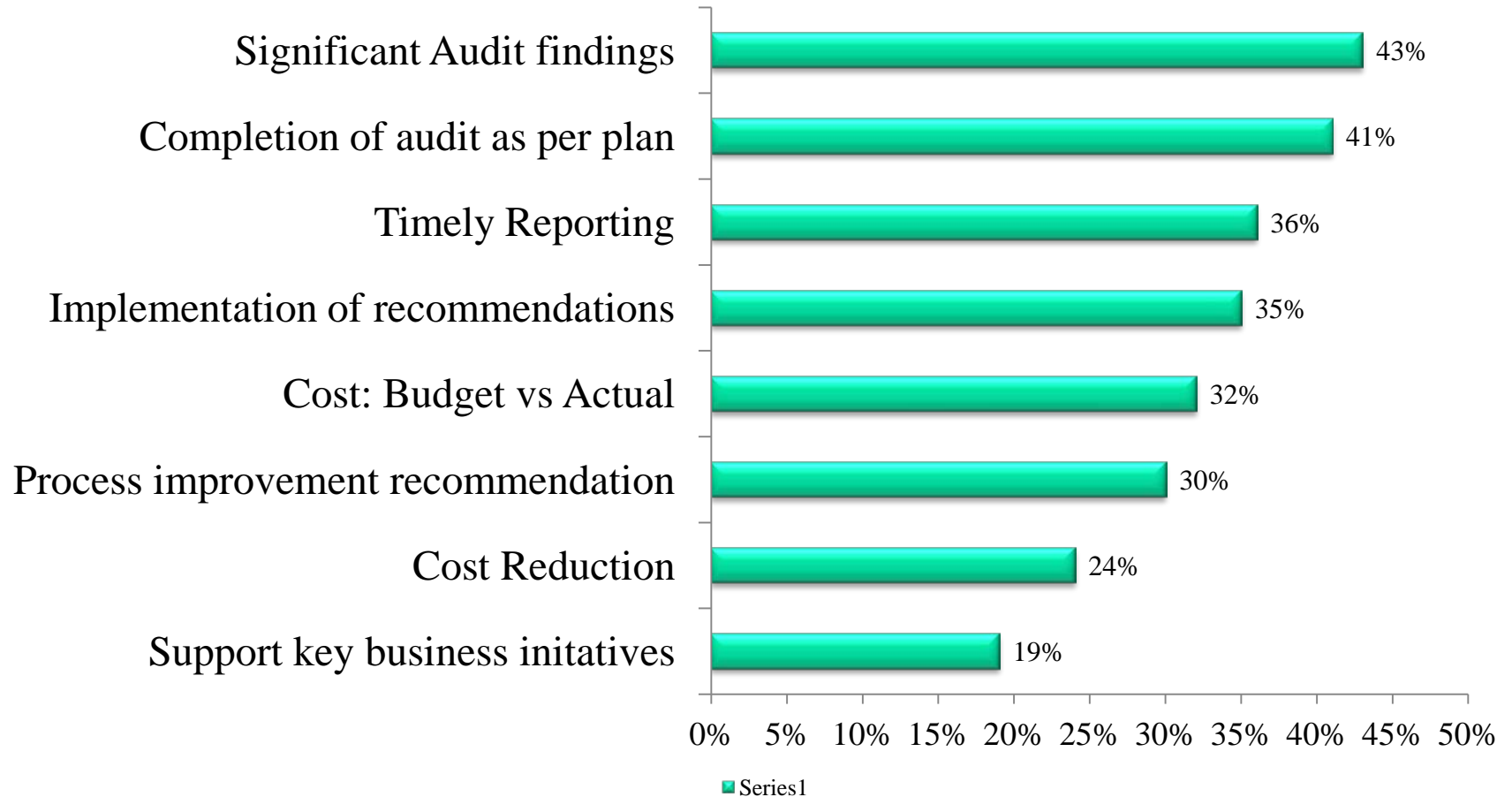
# Rating of Internal Audit : E&Y survey



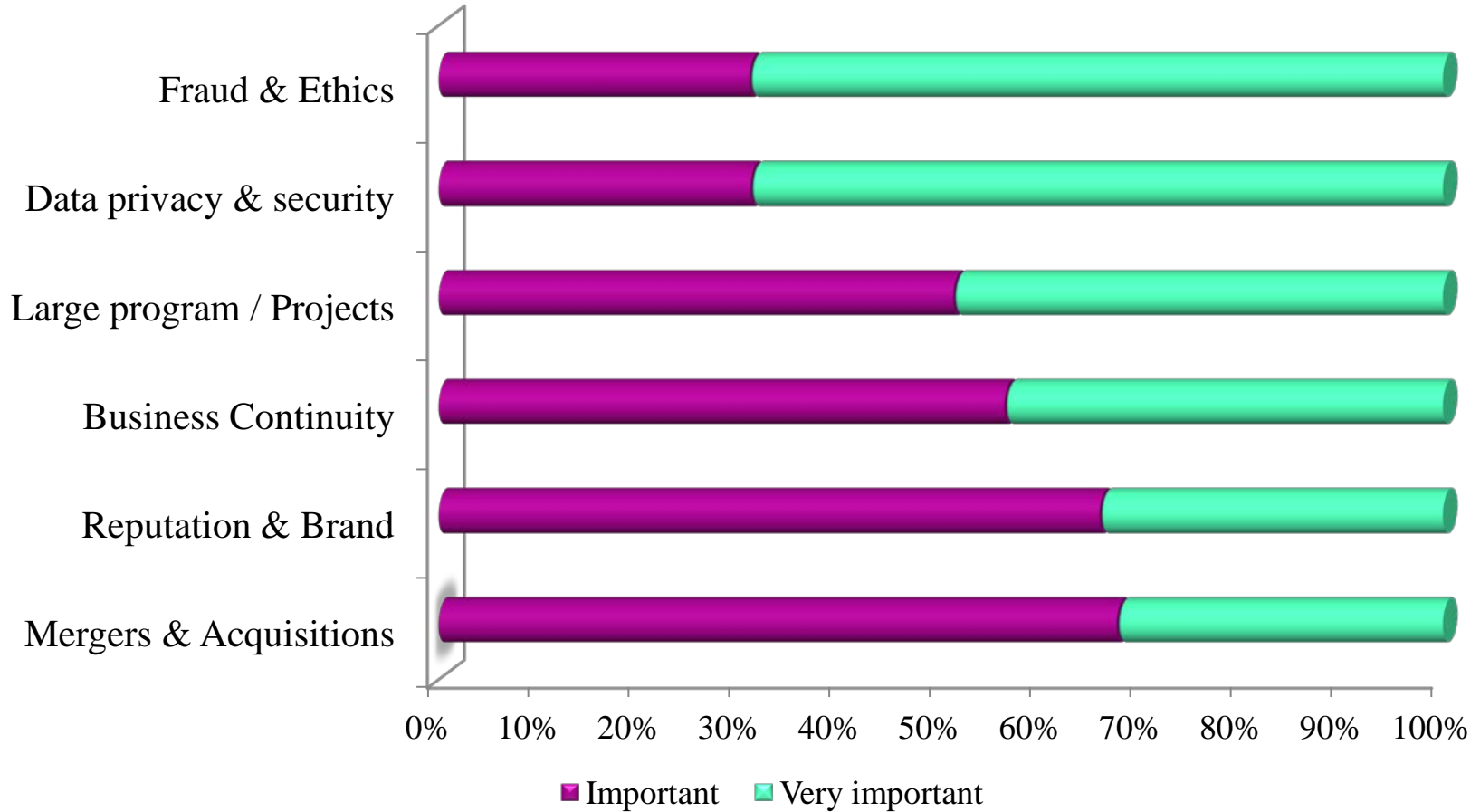
# Areas of Dissatisfaction : PWC Survey



# Evaluation of IA : E&Y Survey



# Importance of IA : PWC Survey



# Personal Journey

- 1989 : Correctness of transactions. Detection of Errors & Frauds.
- 1992 : Effectiveness of processes
- 1994 : Technical Audits
- 1996 : Build controls in ERP implementation
- 1997 : IT Audits
- 1998: Cost Reduction
- 1999 : Business Continuity Planning & Y2K
- 2001 : Due Diligence Audits
- 2003 : SOX (SOX Act 2002)

# Personal Journey

- 2005: ERP Implementation & Clause 49
- 2006 : Building systems & processes for overseas companies
- 2008 : Cost Reduction & Cost Cutting
- 2009 : Accuracy of financial reporting
- 2009 : Related Party Transactions
- 2010: Legal & Regulatory compliances
- 2012 : Domestic Transfer Pricing rules
- 2013: Org Restructuring : Merger & Demerger
- 2014 : ???????

# Other Involvements

- Member of Leadership Forum
- Member of Executive Committee
- 3 times member of Budget Committee
- 2 times member of Promotion Committee
- Member of IT Steering Committee
- Member of committee formed to select ERP for group including implementation partner.
- Member of Org. Restructuring team
- Member of Operational Efficiency project
- Member of Campus Interviews
- One of coach for new recruits



**Thank You**