

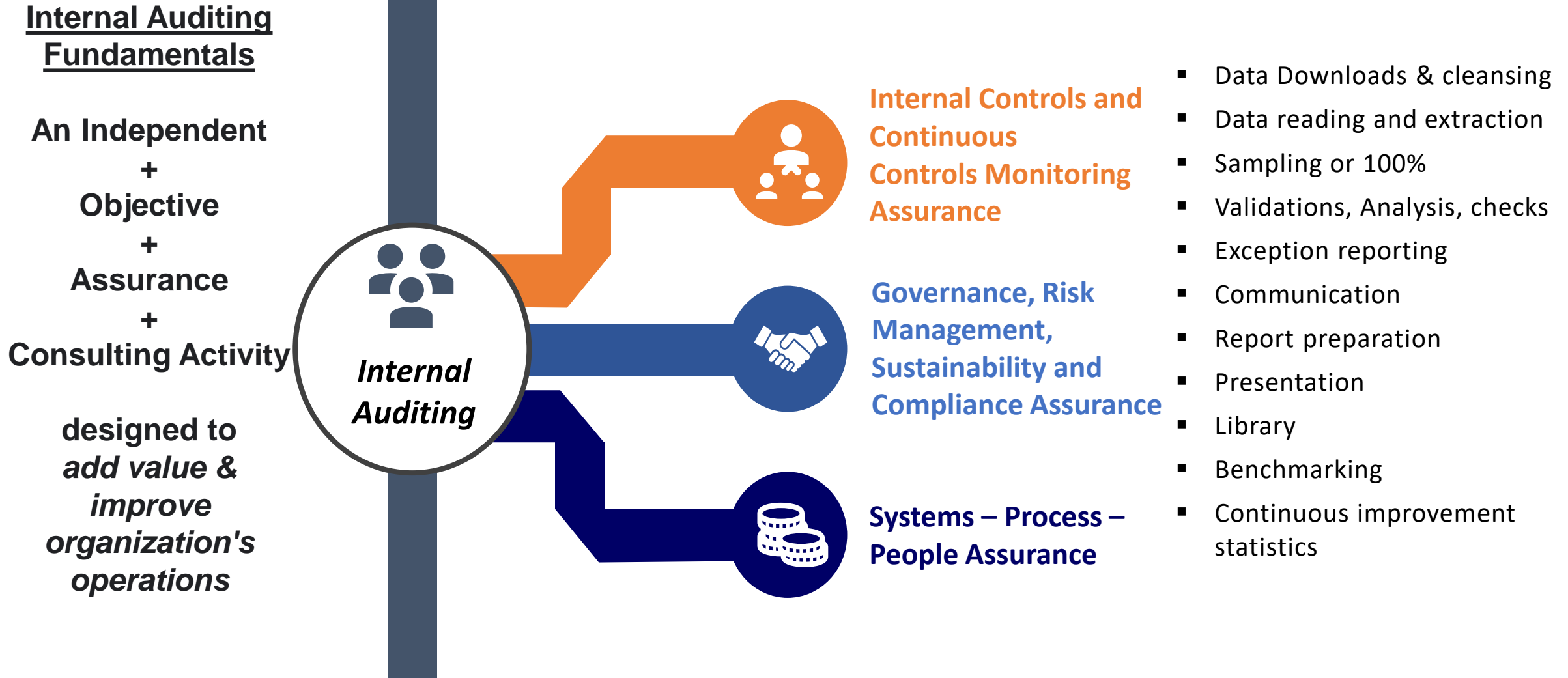
An Effective Internal Audit – A Practical Roadmap

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ROLE OF AN INTERNAL AUDITOR AT A **CONCEPTUAL LEVEL**

An Independent, Objective Assurance and Consulting Activity



An Effective Internal Audit

An Effective Internal Audit

The Genesis:

What makes an Effective Internal Audit Function? What are the essential elements of an Effective Internal Audit Function?

What are the Big Picture Elements that make an Effective Internal Audit Function?:

1. An Internal Audit Function that is aligned to Business Vision, Strategy and Plan
2. Alignment with Organisational Agility
3. Works along with the Management Stakeholders but meet Board Expectations
4. “A Trusted Arm” and “A Trusted Partner” of Senior Management that provides Assurance and that Validates execution of Key Business Strategy. Not a Trusted Advisor.
5. Well equipped with Technology Resources and leverages Technology for speed, efficiency and coverage
6. Is able to provide a significant level of depth and expertise in areas such as Cyber, Sustainability. Technology Effectiveness.
7. Well versed with the Business and Operating Models and all the Departmental / Functional KRAs and Functioning and partners and contributes to its achievement through objective assurance

An Effective Role of Internal Auditor – Existing Role that is generally acceptable

The Genesis:

What kind of Role of an Internal Auditor makes an Effective Internal Audit Function? What are the essential of the Role of an Effective Internal Auditor?

Some of the important areas pertaining to existing role of Internal Auditors:

1. The Risk Mindset – Risk Management, Governance, Internal Controls Mindset
2. Business Context
3. The Big Picture – Business Planning and Ability to achieve the Business Plan, Business Model evaluation and Futuristic and Proactive Going Concerns Evaluations
4. Technology Security and Governance (Cyber Security and Digital Trust) and Technology Effectiveness
5. An Eye of Forensics to be kept open while evaluating Internal Controls
6. Data Protection and Privacy

An Effective Role of Internal Auditors – An Evolving Role

Evolving Role of Internal Auditors as an Assurance and Governance Champion:

1. Sustainability – Concept of ESG
2. Board Governance – is an important area that needs to be evaluated since Internal Auditors report to the Board or the Audit Committee of the Board
3. Quality Assessment of Internal Audit and Risk Management Functions
4. Change Management and Preparedness for Various Projects
5. Management Structure, Efficiency and Effectiveness – Technology Enablement
6. Fitness for Purpose evaluations of right technology and its architecture – right OEM Products, right implementation partners, achievement of stated objectives
7. Fitness for Purpose evaluations of Key Business Strategies and its executional effectiveness
8. Well spelt out Role and KRA Document for the whole Internal Audit Function that is well agreed with the Board and Senior Management of the Organisation and it cascades down to all levels within IA Function.

An Effective Role of Internal Auditors – Planning Elements

Importance of Internal Audit Planning (important areas to be kept in mind):

1. Risk Assessment
2. Agreement of the Scope of Work in writing with the Senior Management and Those Charged with the Governance Responsibility (Board of Directors / Audit Committee)
3. Adequate Coverage of the Scope of Work – Terminology of Internal Auditor as per Regulations and Statutes and limitation of the Scope of Work
4. Detailed Audit Program – for the Audit Team
5. Internal Audit Calendar and its communication – adequate publishing of the same
6. Manning of the Internal Audit Team
7. Models of Execution – Co-sourcing and Full Outsourcing options and implications with respect to responsibility
8. Responsibility for adequacy of scope coverage VS adequacy of work execution.

An Effective Role of Internal Auditors – Execution Elements

Importance of Internal Audit Execution (important areas to be kept in mind):

1. Audit Sampling – 100% or sampling based;
2. Usage of Internal Audit – Technology Tools and Technology;
3. Data Analytics and Data Assurance;
4. Engagement with the Management and Process Owners – periodic and interim communications;
5. Constant Engagement with the Team Members and providing adequate guidance to the Team members;
6. Audit Process Work-flow;
7. Audit Report Writing and Audit Presentations.
8. Softer elements – Art of Engagement and Art of Presentation.
9. Limitation of IA – CCM

REAL LIFE APPLICATIONS OF TECH IN THE INTERNAL AUDITING SPACE – SELECT EXAMPLES



Data Intelligence – Data Analytics, Management, Warehousing

- Data Insights – helps in enriching the Internal Auditors understanding of key business insights
- Data Warehousing and Repository at the Enterprise level and IA level
- Advanced Analytics – for dealing with data sensitivity analysis, predictability, forecasting and cause and effect study
- Data Management – cleansing, storage and analysis.
- Examples such as, fraud prediction, risk prediction, financial modelling, risk modelling and business modeling



Robotic Process Automation

- Re-engineer, standardize, integrate and automate (robotize) business processes
- Let Robots (Bots) carry out repetitive and mundane activities and processes and creative human energies be used for strategic & high impact decision making and intuitive areas
- Integrated Business Processes and reflection of common organization theme and approach across all business processes
- Tangible value proposition and Intangible value proposition in the form of Process Objectivity – Robustness – Resilience – QMS – CMM



Physical Verification of Inventories & Fixed Assets using Drones

- Can be used for difficult & complex physical environments which maybe difficult for humans to navigate such as dips, measurements, surveying and verifying the presence or temperature
- Application with ease of use with real time view of the existence on the ground
- Replace Human travels for physical verification
- Cost effective proposition
- 100% verification – automated or human attended or recorded

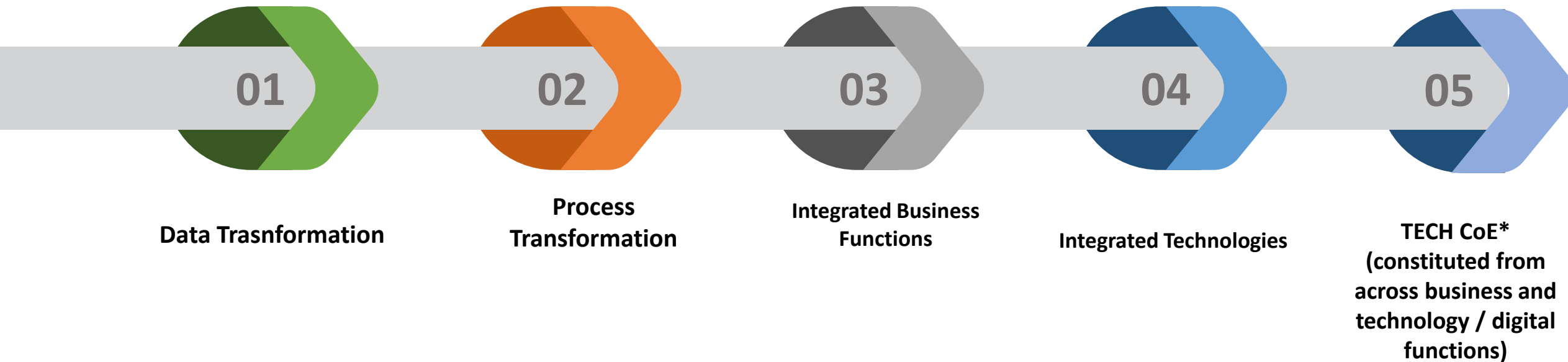


Conversational AI

- Chatbots – both voice and text for real time response to query and real time analysis and reporting of facts & figure. Real time pattern review and trend reports
- Examples such as, wastages before and after Capex or new process implementation, trend analysis of expenses, discounts, behavior, KRA achievements, Historical trend reports of audit findings from across several years & cause & effect study / simulation
- Stakeholder experience – enhancement of experience for all IA Stakeholders. Dynamic-on Demand Report generation, presentation and referencing from library, Statistical Data Analysis of the past findings and dynamic on-demand audit program preparation.

An Effective Internal Audit

A TECH ROADMAP & CMM LEADING TOWARDS AN AI COE AND AN EFFECTIVE ROLE OF INTERNAL AUDITORS



- *The Internal Audit Leadership Team should be a part of TECH COE as a Business Process, Internal Controls, Information Security, Technology Evaluation and Governance Champion....*

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