

INTERNAL AUDIT IN SMEs

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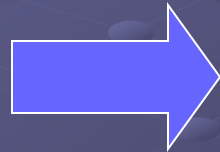
New Definition of Internal Auditing

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

Change in Emphasis

Traditional Auditing

- Compliance Focus
- Periodic Audit
- Find and Fix
- Labour - intensive
- Audit the Accounting Controls



Auditing the Business

- Service Focus
- Continuous Audit
- Anticipate & Prevent
- Technology & Knowledge Leveraged
- Audit the Business Processes



A Functional Definition of Internal Auditing

Internal auditing is a process by which an organization gains assurance that the risk exposures it faces are understood and managed appropriately in dynamically changing contexts.



Internal Audit Focus, Process and *Outcomes*

INTERNAL AUDIT PROCESS and <i>OUTCOMES</i>	INTERNAL AUDIT FOCUS			
	Dynamic Contexts	'Values'	Risk	Control
Developing <i>Understanding</i>	4	4	4	4
Contributing to <i>Improvement</i>	4	4	4	4
Providing <i>Assurance</i>	4	4	4	4
Managing the Function	4	4	4	4



Repositioning Internal Auditing

Major Issues to Address

1. Negotiating the internal auditing role
2. Improving corporate performance
3. Customer satisfaction drivers
4. Resourcing, outsourcing and competency
5. Strategic alliances with other functions



Repositioning Internal Auditing

Major Issues to Address

6. Business Risk Management
7. Risk, Quality, Control, CSA, Internal Auditing frameworks
8. Creating an Accountability environment
9. What to audit - priorities, subjects, issues
10. Designing the services needed



2. Improving Corporate Performance

- Improving control or improving performance?
- Valuing the contribution
- Finding the key areas to improve
- Before and after measurement



4. Resourcing, Outsourcing, Competencies

- Determining the organisation's needs of the internal auditing function;
- Determining the function's needs of internal auditors
- Business knowledge – where do you get it?
- Sourcing – balancing in/out/co-sourcing



5. Strategic Alliances With Other Functions

- Which other (assurance) functions? What specialties?
- What form of alliance?
- What is in it for you? For them? For the organisation?
- What strategy?



Role Reversal for Internal Auditors

FROM Internal Auditor:

- One on one
- Expert analyst
- Making statements
- Judging situations
- Writing the report
- Setting the pace
- Process owner

TO CSA Facilitator:

- One/two with many
- Guiding 'inexperts'
- Asking questions
- Not judging (openly)
- Collecting client data
- Guiding the pace
- Process manager



9. What to Audit – Priorities, Subjects, Issues

- Auditing the future – plans, developments, investments;
- Auditing the future – contexts, risks, controls;
- Management's priorities, subjects, issues
- Risk-Based planning or Service Needs selling?



10. Designing the Services Needed

- Bundling assurance services;
- Delivering on satisfaction drivers;
- Time to perform, to complete;
- Different services, in a *range* of services



Case Study – Forging Unit

- Background
- Issues – Insurance, Production, HR, Finance
- Consulting help – ISO top management review, Finance Review, training to personnel on building controls, education and awareness on systems and processes, recruitment of manpower.



Case Study – Tile Unit

- Background

- Issues – Treasury, C&F Agent review, HR review, Accounting software.

- Consulting help – Agreements with C&F Agents, recruitment of personnel, synchronisation of accounting software for regular updates from across the country etc.



Thank you