

Internal Audit Coverage & Strategies:

Focusing on What Really Matters

Disclaimer:

All views expressed in this presentation are of the presenter and does not represent Dream Sports view on this topic. The purpose of this presentation is only to share learnings from presenter's experience on topic of Internal Audit with professionals in similar fraternity.

Objective of Internal Audit

Question:

What is the purpose of existence of
Internal Audit ?

Objective of Internal Audit

What is the purpose of existence of Internal Audit ?

“Internal audit is an **independent management function**, which involves a **continuous and critical appraisal** of the functioning of an entity with a view to **suggest improvements** thereto and **add value to and strengthen** the overall **governance mechanism** of the entity, including the entity's strategic risk management and internal control system.”

Purpose of Internal Audit

What is the purpose of existence of Internal Audit ?

- Value-added assurance to top management / Board / Board Committees
- Cost optimization / Cost controls
- Fraud prevention / fraud detection
- Risk-control / process assurance
- Regulatory Compliances
- Combination of 2 or more of above points

*Determining what is the **objective & purpose** of Internal Audit function is key to determining the Focus areas for Audit*

→ Stakeholder expectations

→ Regulatory requirements

→ Risk profile of business / industry / other macro-economic / geo-social factors

→ Others

Identifying key focus areas for Internal Audit

Practical steps to define audit key focus areas

1. Define / assess / re-assess Audit Universe
2. Perform risk assessment to define Risk based internal audit plan

Practical steps to define audit key focus areas

1. Define / assess / re-assess Audit Universe

WHY?

a. Transparency on Coverage: An internal audit universe helps provide transparency to internal audit and the Audit Committee over the audit coverage of key businesses or functions at a point in time. For example, internal audit can easily calculate and report that 100% of high risk-rated auditable entities have been, or are planned to be, audited during the financial year.

b. IA business-knowledge: Internal audit will improve their knowledge of all parts your organisation including not only the risks and controls but also the business strategies, therefore, improving their commercial awareness. Specifically, internal audit will better understand the roles of each department or function within an organisation to help start discussions where there may be control gaps or duplicated effort. Additionally, internal audit can determine which departments or functions are already providing assurance within your organisation and develop an approach to determine if internal audit can rely on their work.

c. IA Staff & Skill requirement: Internal audit can better determine their future headcount / staff-strength and skillset requirements including possible hiring, or co-sourcing to obtain a skill-set.

Practical steps to define audit key focus areas

1. Define / assess / re-assess Audit Universe

What does it entail?

- An audit universe is a collection of potential audit activities to be performed by the internal audit function.
- It is made up of auditable entities, processes, systems, and activities.
- Keeping an audit universe is not a requirement of professional audit practice.

Practical steps to define audit key focus areas

2. Input considerations to define Audit Universe

Some of the other key risk considerations to draw a risk based internal audit plan:

- a. Org. Structure
- b. Risk & Control Matrix at main-process and sub-process level
- c. ERM risk register
- d. CSF's of Business strategy and it's associated risks
- e. GL accounts and Materiality assessment
- f. Regulatory requirements

Practical steps to define audit key focus areas

Strategic Risks

- Long term
- External Factors
- Mega trends
- Business model

Tactical Risks

- Medium term
- Transactional
- Projects
- Financial risks

Operational Risks

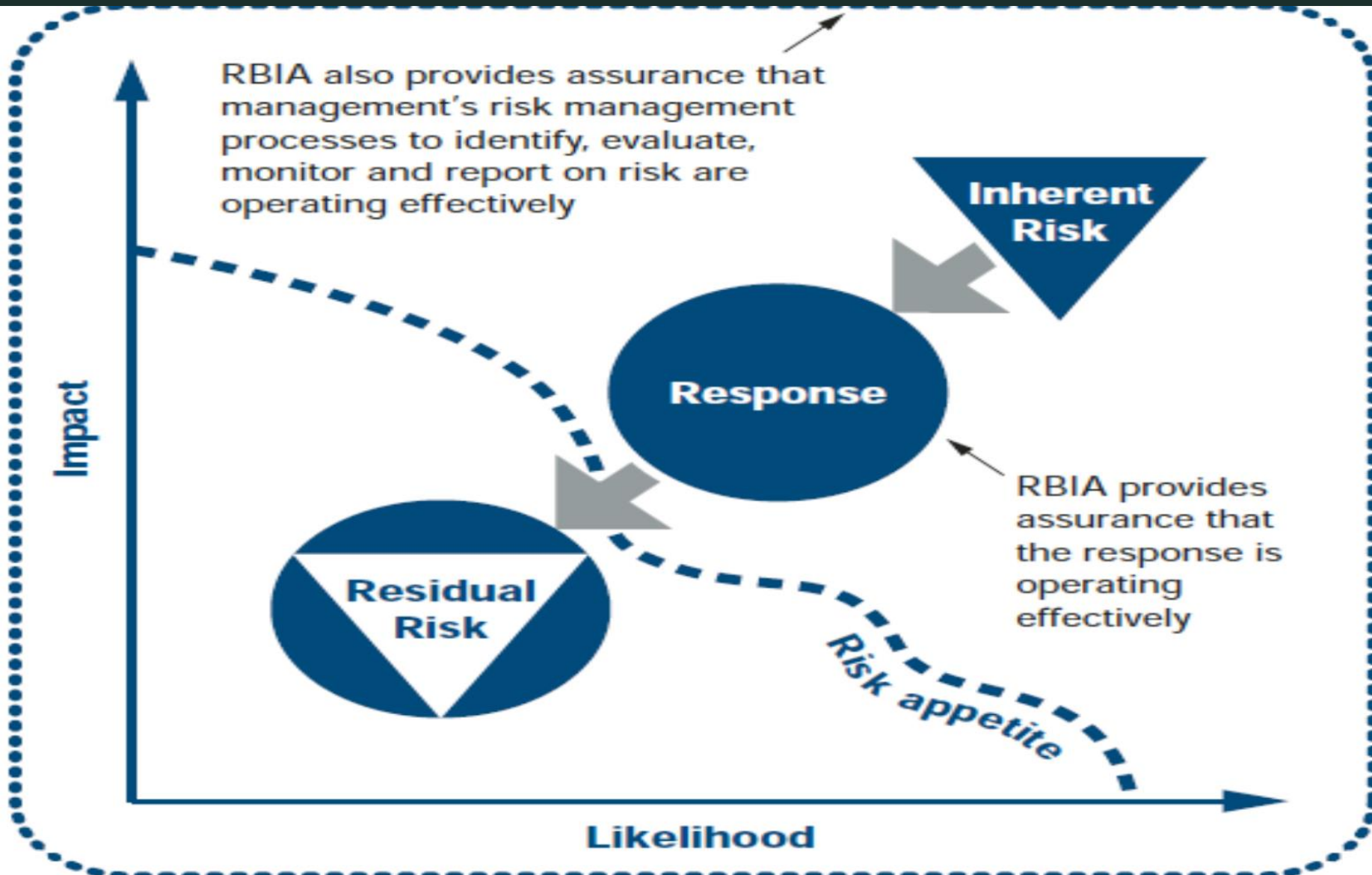
- Day to day
- Resilience
- People, Systems, Processes
- Compliance

2. Perform risk assessment to define Risk based internal audit plan

Developing a Risk-based Internal Audit Plan



Developing a Risk-based Internal Audit Plan



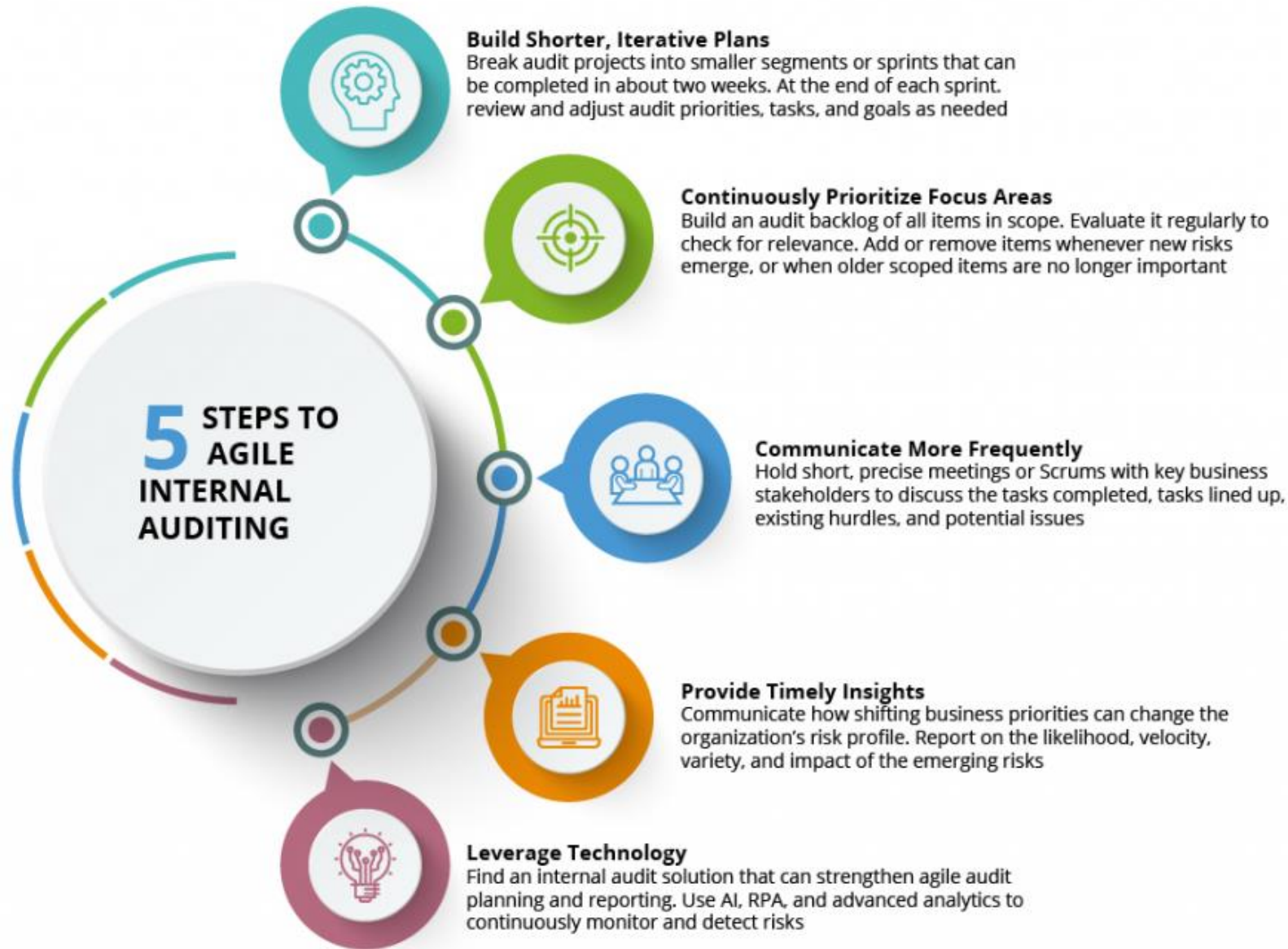
Assurance level provided by RBIA

Practical approaches for Internal Audit Strategies

Some practical tips for creating internal audit strategy while focusing on what truly matters [1 of 2]:

→ Deploy Continuous Control Monitoring to bifurcate internal audit into transaction assurance vs value-added assurance / Agile Audit

Agile Audit



→ Define a strong mechanism to capture emerging risks:

Cyber and data security

Regulatory change and compliances

Digitization and new technologies

Financial, capital and liquidity

Human capital and talent management

Disaster and crisis response

Macroeconomic and geopolitical factors

Supply chain, and 'nth' party risks

Corporate governance and reporting

Communications management, reputational risks

ESG risk

Some other practical tips for creating internal audit strategy while focusing on what truly matters: [2 of 2]

- Monitor KRI's along with the ATR's
- Define a team structure / co-sourcing model suitable for the audit plan
- Have flexibility in the internal audit plan to accommodate business driven additional requests for assurance
- Strong business cadence

Questions / Suggestions ?

Thank you !!!

*Keep learning & strive for
Excellence!*