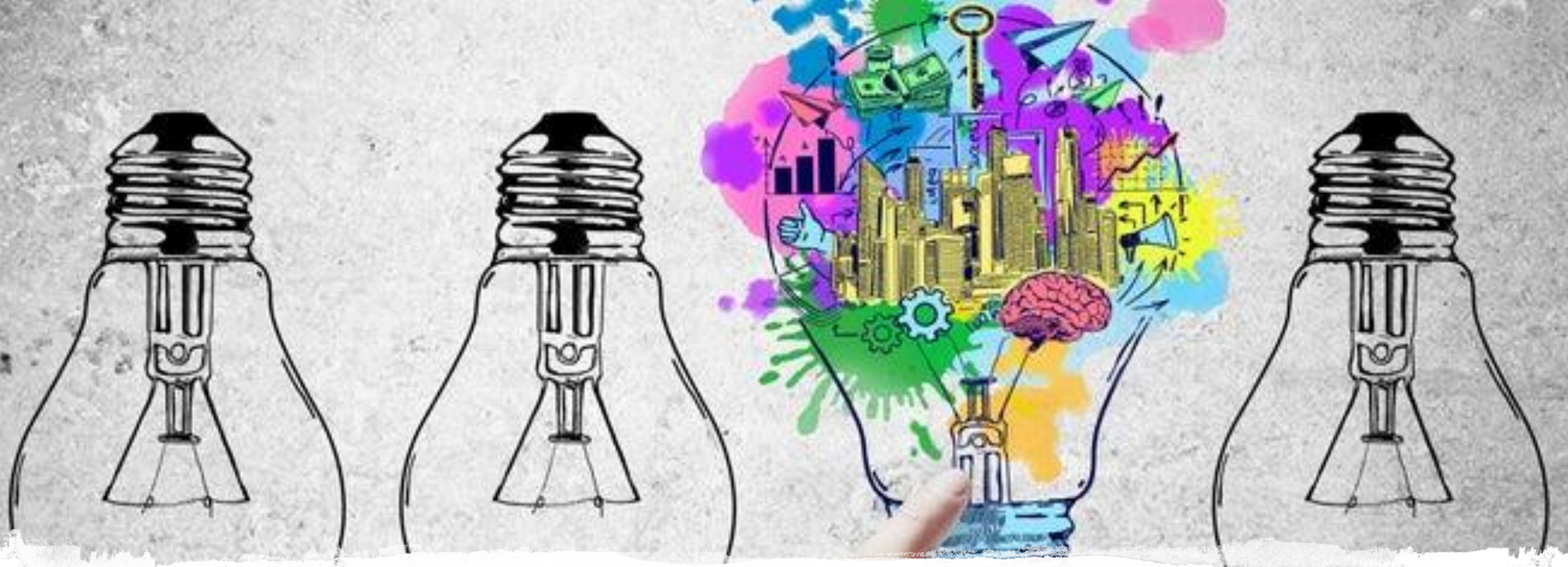


Innovation & Effectiveness in conducting Internal Audit

February 8, 2020

*“There's a way to do
it better - find it.”*

THOMAS EDISON



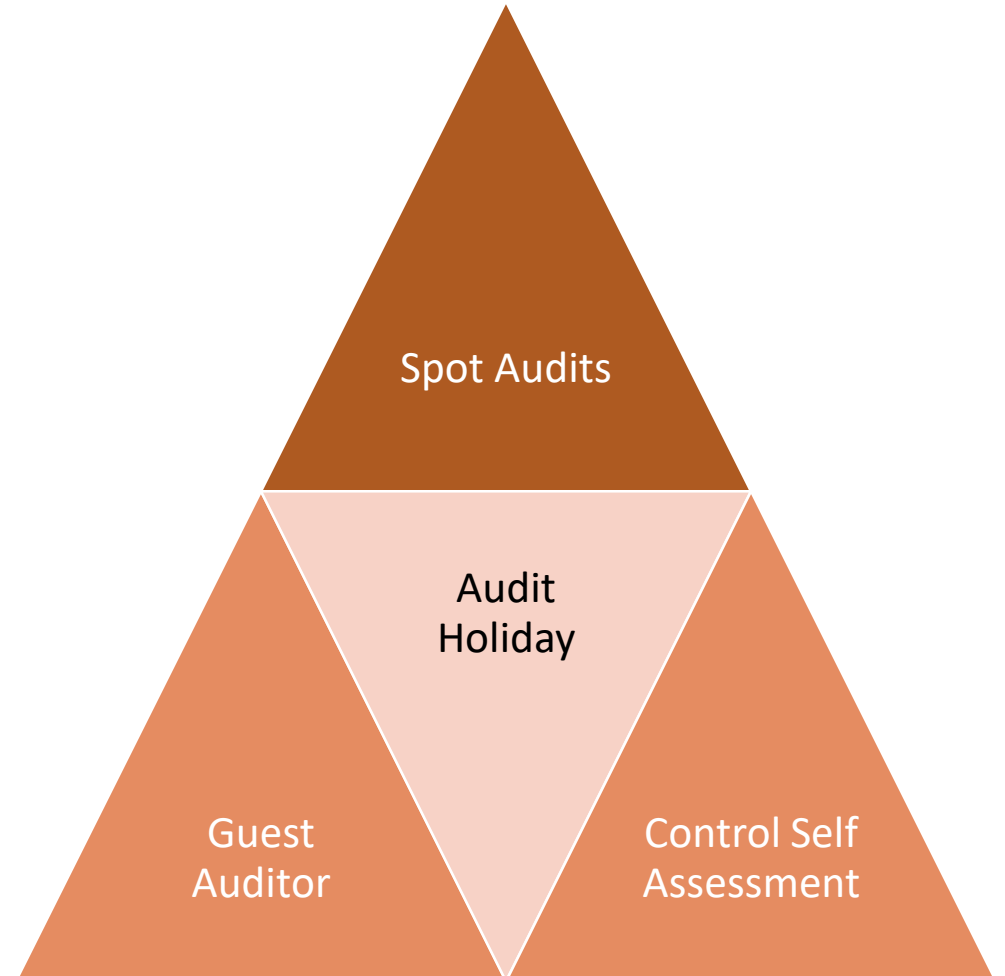
Save up to **40%** of audit cost
by following 4 simple initiatives

The 4 initiatives in Audit life cycle

Audit planning

Audit execution

Audit closure



Spot Audits



- Immediate value addition or improvement need
- Abbreviated audit cycle
- Lower documentation
- Audit techniques – mainly interviews & walk throughs

Audit Holidays



Standard Scoring methodology used by all auditors.

Defer audit by a year for high scoring processes

E.g. Audited once in 2 years instead of every year.

High audit scores = robust controls

Assurance Champion to Guest Auditor



IIA Best Practice

Internal Resources for mutual benefit

Control Self Assessments



- Build self control culture
- Concentrate on areas of risk
- Greater Assurance



A row of several 3D-rendered targets, each consisting of concentric red and white circles. The targets are arranged in a perspective line, receding into the distance. A single arrow is shown hitting the bullseye of the first target in the foreground. The background is a solid light gray.

Are we effective?

Measurable efficiency & effectiveness

- **Effectiveness Measures:**

1. ATR completion %
2. Risk & Control Index – Controls are more effective if increasing
3. No of repeat issues
4. Cost of Audit - Cost of an IA & of the entire team can be measured
5. Audit Plan completion
6. High risk issues in Vital & essential processes
7. Value Added Index

- **Efficiency Measures:**

1. No of days taken for audit over budget
2. TAT for reports issued
3. No of training attended compared to budgeted

Audit Universe Categorization

Categorisation of processes in audit universe on the basis of criticality, risk & materiality

As recognised by IIA Bombay chapter, Internal audit teams have gradually shifted the audit execution from functional and department audits to Process Audits. The Process Universe of the company has been classified into Core & Non Core processes. The contemporary audit planning approach is to bucket the existing processes into three categories viz., “Vital, Essential and Desirable”.

The process rating and bucketing is undertaken on the basis of:

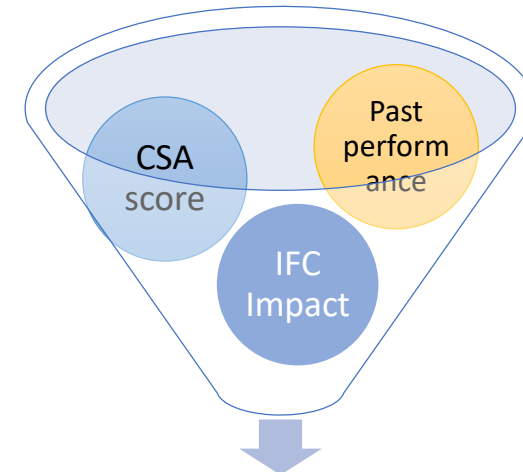
- Criticality/ Core or Non-Core to business
- Risk Profile – High, Medium or Low
- Materiality – Impact on financial statements

The coverage of the processes is determined through fixed criteria:

- Vital - All Vital processes to be reviewed during a financial year
- Essential – At least 50% of Essential processes to be reviewed during a financial year
- Desirable – At least 33% of Desirable processes to be reviewed during a financial year

For a risk based audit plan

- Audit universe - a list of processes
- Processes are categorized based on risk
- Objectively prepared



Inputs for Risk Based Integrated audit plan

Risk and Control Index

Risk & Control Matrix (RCM) Integration

- Fraud risk
- Internal Financial Controls
- Operational risks & Mitigation
- Data analytics



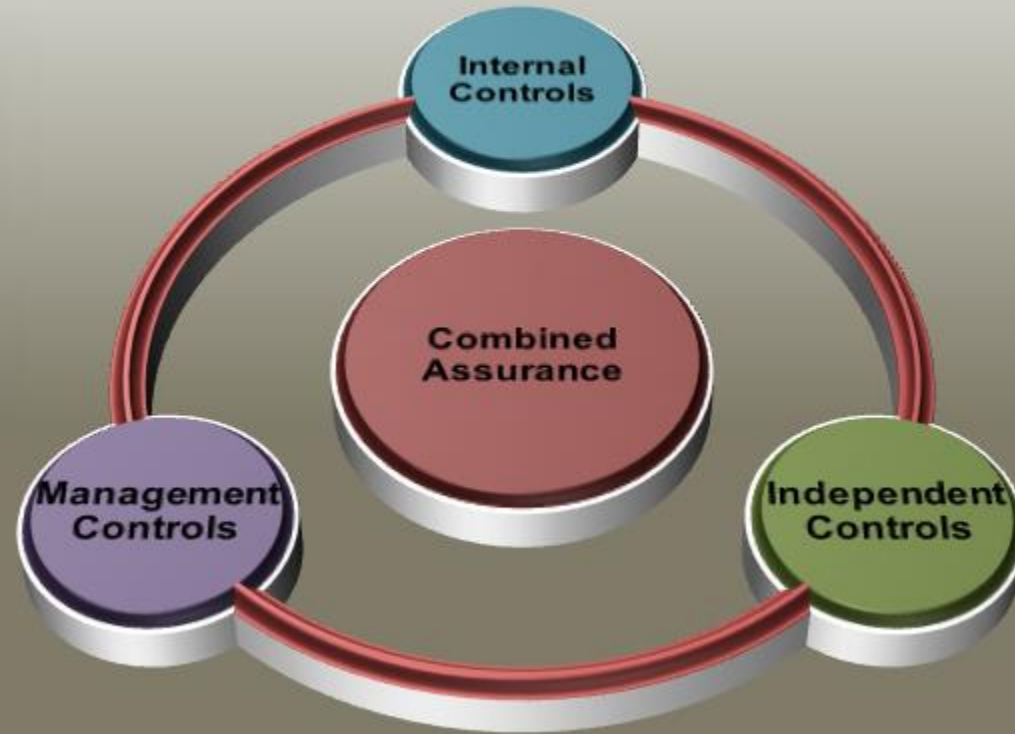
Combined Assurance

It helps to solve the problem of multiple guarantees for effective control on the process, by integrating and aligning the individual audits (Internal Audit, ISO etc), so that Senior Management, Audit committee and Supervisory Committee obtain a comprehensive, holistic view of the effectiveness of management practices, compliance of law, risks and controls.

One Language:
One taxonomy across all governance bodies and functions in the organization.

One Voice:
Breaking down of silos and more efficient collection and reporting of information.

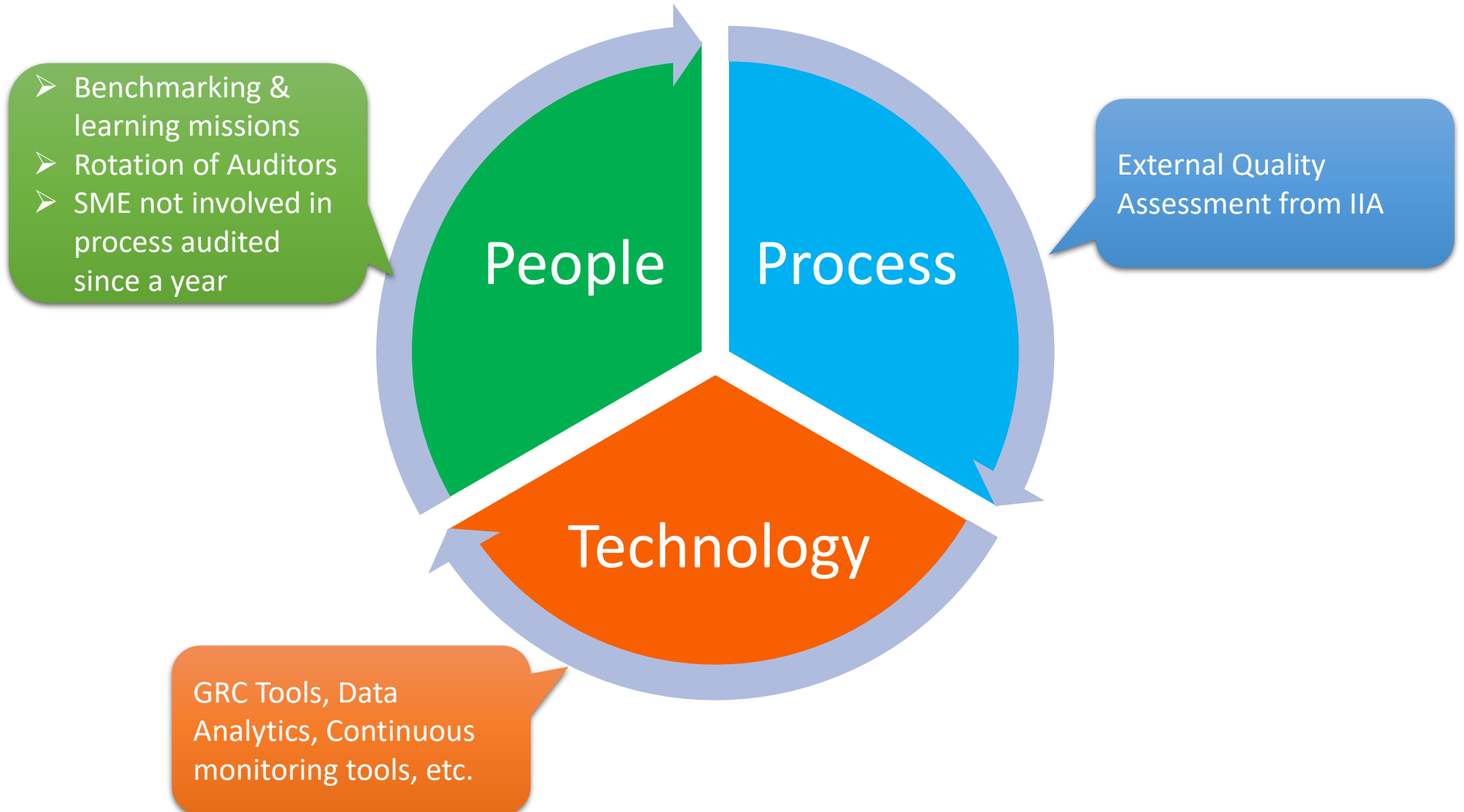
One View:
A common view of risks and issues across the organization.



Assurance mapping is a complete view of various organizational assurances

- Common visual information
- Identifies gaps & overlaps
- Collaboration among assurance providers

New ideas in the Main Elements



Thank you

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