# Internal Audit Overview & Emerging Opportunities for CAs

# Members of WIRC, ICAI

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Chapter

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**Risk Based Audit Plan** 

**Audit Charter** 

**Audit Process** 

**Co-Sourcing Model** 

**Data Analytics** 

**Report Writing** 

**Action Taken on Audit Issues** 

**Audit Portal** 

**In-house Journal** 

**Off Site Audits** 

#### **IS Audits & Integration**

Internal Control Evaluation - Operations, Compliance & Financial Reporting (COSO Framework)

**Technical Support Engagement** 

Flash/Exception Reports

Study Circle/Book of the Month/Managers Meet/Annual Conference

**Continuous Monitoring/Auditing** 

**ISO Certification** 

**Audit Committee** 

**Control Self Assessment** 

**Computer Aided Audit Tools (CAAT)** 

**Additional Qualifications** 

**Active Participation in Professional Bodies** 

**Audit Scheduling** 

**Audit in Depth** 

**Distribution of Reports** 

### Controls Objectives - Payroll

No vacation / sick leave in last three years

Dramatic increase or decrease gross salaries of employees

Employees with same address and contact numbers

Salary payment to separated employees

Cadre wise boundary controls for salary payments to employees

### Controls Objectives - Payroll

Employees receiving mutually exclusive benefits

Employees having common PAN, salary account

PAN verification – 4<sup>th</sup> and 5<sup>th</sup> Digit Test

Terminated / separated employees having access to business applications

Employees terminated without notice pay - recovery

#### Controls Objectives - Procurement

Segregation of duties – PR and PO creation, PO and GRN creation, PO creation and authorization

Compliance with Company Guidelines

Procurement more than purchase requisition / without requisition

Material rate variations

Delivery dates expired but materials not delivered

#### Controls Objectives - Procurement

Open Purchase Orders – Delivery dates expired Vendor wise order analysis Big orders to new vendors Procurement against deleted requisitions Purchase orders dates before delivery dates regularization

#### Controls Objectives – Vendor Masters

Common name / address/ PAN / bank of vendors

Frequent changes in vendors or contractors banking accounts

Vendor masters created on Sunday / Holiday

Vendor masters having alternate payee

Vendor masters without addresses

#### Controls Objectives – Vendor Masters

Match vendor bank accounts with employees

Dramatic increase or decrease in total number of invoices from contractors / vendors

Vendor invoices without delivery note reference

Pattern of adjustments to accounts payables for goods returned

Sequential vendor invoice numbers and gaps in invoice numbers

#### Controls Objectives – Vendor Invoicing

Invoicing Party Modification at invoice booking stage, mismatch in vendor as per PO and invoice

Duplicate Invoices booked – Same amount, invoice number and quantity

Invoice booking more than GRN quantity and value

Payment terms modification at invoice booking stage

Sequential vendor invoice numbers and gaps in invoice numbers

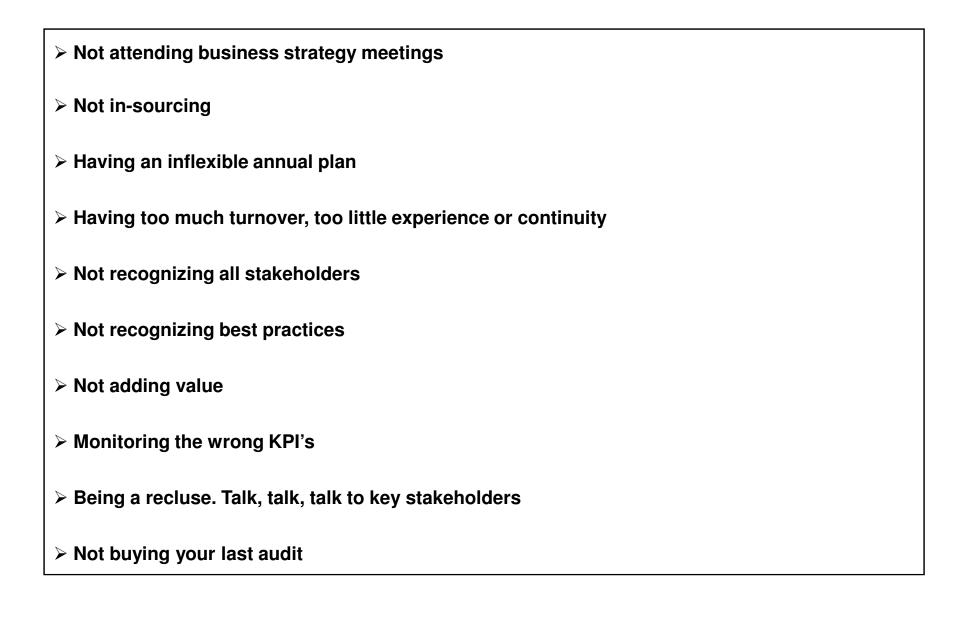
#### **Worst Internal Audit Practices**

- > Not employing staff that believes in Internal Audit's value
- > Not letting Executive Management and the Audit Committee know how you add value
- Doing SALY and JELLY audits "same as last year"
- > Not issuing timely reports
- > Issuing "snoozer" reports
- Using "fuzzy" math to validate quantified findings
- > Issuing factually incorrect reports
- ➤ "Nit-picking"
- Not communicating during the engagement process
- > Not knowing the business
- > Re-auditing after external auditors and regulators

#### **Worst Internal Audit Practices**

- ➤ Not following up
- > Not being available or responsive
- > Not lending staff out for value-added projects
- > Not being technically current. Must know industry issues, regulatory issues, ....
- > Not doing special projects
- > Not sharing audit tools, flow charts, .......
- > Issuing reports that are negative by definition
- > Not addressing current risks

#### **Worst Internal Audit Practices**



To conclude......

# If you had been a client, would you have paid for your last audit?

...... CA Satish Shenoy

### Thank You