

Internal Audit Overview & Emerging Opportunities for CAs

Members of
WIRC, ICAI

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Key aspects of an Effective Internal Audit Function

Risk Based Audit Plan

Audit Charter

Audit Process

Co-Sourcing Model

Data Analytics

Key aspects of an Effective Internal Audit Function

Report Writing

Action Taken on Audit Issues

Audit Portal

In-house Journal

Off Site Audits

Key aspects of an Effective Internal Audit Function

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

Key aspects of an Effective Internal Audit Function

Continuous Monitoring/Auditing

ISO Certification

Audit Committee

Control Self Assessment

Computer Aided Audit Tools (CAAT)

Key aspects of an Effective Internal Audit Function

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 – 4th and 5th 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

- **Not attending business strategy meetings**
- **Not in-sourcing**
- **Having an inflexible annual plan**
- **Having too much turnover, too little experience or continuity**
- **Not recognizing all stakeholders**
- **Not recognizing best practices**
- **Not adding value**
- **Monitoring the wrong KPI's**
- **Being a recluse. Talk, talk, talk to key stakeholders**
- **Not buying your last audit**

To conclude.....

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

..... CA Satish Shenoy

Thank You