# Developing a Risk Based Audit Plan – a practical approach

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# Why do a risk based audit plan?


- Optimal **level of assurance** – core IA function objectives
- Supports **achievement of business objectives**
- Supports **management of  organization risks**
- Adaptable to **dynamic environments**
- **Relevant** and responsive to business needs
- Effective **use of skilled audit resources**
- In accordance with **standards by professional bodies**

# Components of the planning process


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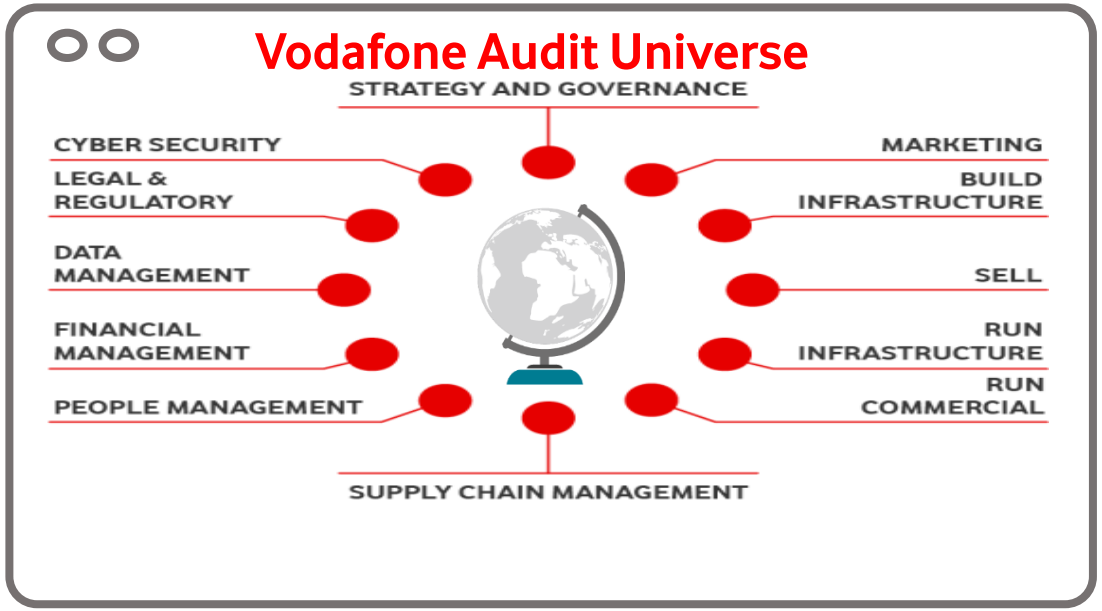
# 1. Audit Universe

The Audit Universe model captures all processes, which are relevant to deliver the strategic and operational objectives. It includes

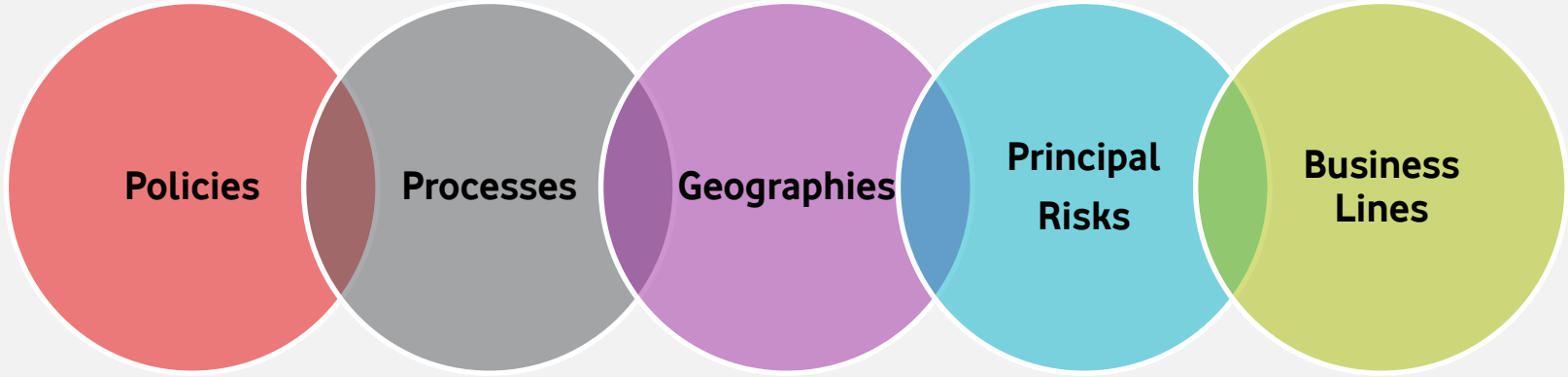
- Catalogue and definition of the processes
- Comprehensive list of entities & locations.
- List of service lines, products




| | | | | | |
|---|---|---|---|---|---|
| 3. Build Infrastructure | 3.1 Technical standards | 3.2 Planning and architecture | 3.3 Develop and Test | 3.4 Deploy | 3.5 Monitoring |
| 4. Sell | 4.1 Sales opportunities | 4.2 Customer acceptance | 4.3 Customer registration, contracts and conditions | 4.4 Sales commissions (sales processes) | 4.5 Provisioning and order fulfilment |
| 5. Run Infrastructure | 5.1 IT operations | 5.2 Network operations | 5.3 Technology resilience | 5.4 Business continuity | 5.5 Property management |

# 2. Risk Dimensions and Risk Inputs

## The Risk Dimensions




## The Sources of Risk Inputs are both Internal and External

| External sources: | | |
|---|---|---|
| Media, industry reports | Consulting /Risk Advisory firms | Independent auditors opinion |
| Country corruption index | Global currency instability | Thought papers (eg. Risk in Focus) |
| Communication risks: protect brand and reputation | Regulatory changes, scrutiny | Economic & Political environment |

| Internal sources: | | |
|---|---|---|
| Management interview at market and Group | Input & insights from Audit & Risk committees | Principal risks at market and Group |
| Internal audit historic findings | Rotational coverage of high risk policies | Insights from Data Analytics |
| Assurance results from2nd line of defence | Operational statistics and KPIs | Acquisitions and integrations |
| Outsourcing of processes and vertical functions | Transformation programmes (eg. digital) | Company strategy |

# 3. Planning Principles

To aid in the identification of preliminary themes and support risk assessment:

- Balance between local risks (audits) and Group risks (global thematic audits)
- Rotational approach for high risk policies and processes
- Coverage of principal risks
- Alignment with 2nd Line of defence assurance plan – avoid duplication/audit fatigue
- Inclusion of markets/geographies based on the size and risks of the markets
- Balance between established, emerging, and evolving risks

# 4a. Risk Assessment - Process

Risk assessment  is performed using the  risk inputs with the planning principles as a guide.

## Perception of Risk

- High Risk Policies
- Regulatory Requirements
- Poor Audit results
- Degree of change (transformation, strategic initiatives etc)
- KPIs below target
- Below par 2nd LOD results
- Areas of Strategic Focus

| | |
|---|---|
| High | where 'Yes' >2 parameters |
| Med | where 'Yes' '1' and '2' parameters |
| Low | where 'Yes' = 0 parameters |

## Coverage

Has the audit been covered

- every year in the last two years
- at least once in the last three years
- not performed even once in the last three years

| | |
|---|---|
| High | every year in the last 2 years |
| Med | at least once in the last 3 years |
| Low | None in the last 3 years |

## Prioritisation

| Coverage | Low | Medium | High |
|---|---|---|---|
| High | | | To assess for prioritisation [2] |
| Medium | | To assess for prioritisation [4] | To assess for prioritisation [1] |
| Low | | To assess for prioritisation [3] | In Plan |

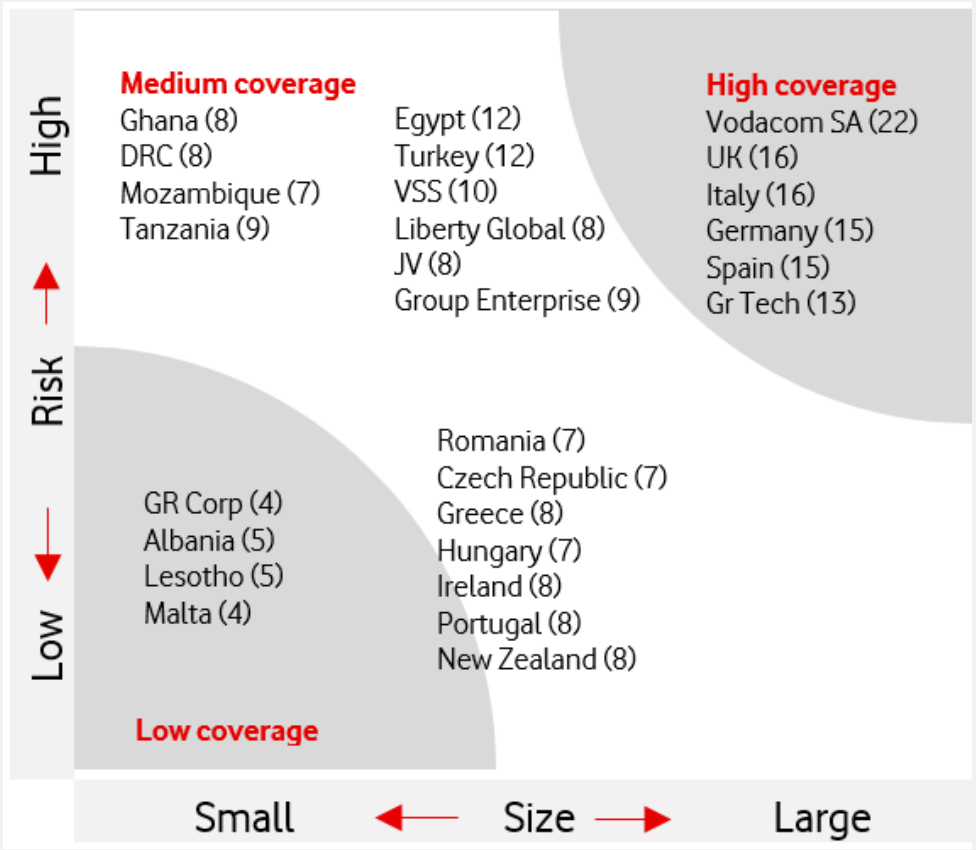
Perception of Risk

# 4b. Risk assessment - entities

Coverage of all markets, entities and locations

**Risk assessment by market – based on**

- Size – revenue, EBITDA, profits, customers, employees, assets etc
- performance,
- corruption index,
- political and economic stability,
- regulatory changes,
- mergers and acquisitions,
- Restructuring
- etc

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# 5a. Audit Plan – Process view and product/ service line view

- Plan coverage mapped to audit universe processes
- Risk based consideration to include ALL business lines and products (for telecom eg - Postpaid, Prepaid, Fixed, IOT, Cloud, B2B, Consumer) mapped and adequacy assessed

| Process Areas | Processes | Key Audits (cross-entity audits in bold) | % of plan | Change |
|---|---|---|---|---|
| Strategy and Governance | Strat, governance, transf. programmes | **Ex-LG control environment** \| Agile \| Transformation programmes (CRM/Billing/Skylon) \| Small acquisitions | 9% |  |
| Commercial | Marketing<br>Sell<br>Run Commercial | **Tariff & discount management* \| Credit vetting & collection* \| Prepay charging \| \| VB solutions delivery** \| M-Pesa AMS | 28% |  |
| Technology | Build Infrastructure<br>Run Infrastructure<br>Cyber Security | **Network change management* \| Critical national infrastructure* \| IT and network asset inventory \| 3rd party cloud \| Data loss prevention & phishing*** \| IoT security \| 5G security \| M-Pesa platform security | 31% |  |
| Finance/ SCM/HR | Supply Chain Management<br>People management<br>Financial Management | **Sourcing* \| S15 \| Treasury and cash management*** \| Ex-LG Procurement | 25% |  |
| Legal & Regulatory | Data Privacy<br>Legal & Regulatory | **Data privacy** \| M-Pesa separation \| Customer registration | 7% |  |

Cross-entity audits related to the COVID-19 risk are marked with *

Risk assessment of product/service lines include:

- contribution to revenue, profits
- rate of YoY growth,
- regulatory impact,
- markets impacted,
- Number of customers
- etc

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# 5b. Audit Plan – Company principal risk view

- Audit plan mapped to principal risks and adequacy of coverage assessed
- Strategic risks may not be covered
- Transparent communication with management and Audit Committee.
- Audit plan evolves as principle risks of company change (eg recent covid19 pandemic)

| Principal Risks FY21 | Key audits (cross-entity audits in bold) | % plan | |
|---|---|---|---|
| 1. Global economic disruption | **Treasury and cash management* \| Tariff & discount management* \| Credit vetting & collection* \| Sourcing*** | 21% | n/a |
| 2. Cyber threat and information security | **Data loss prevention & phishing* \| 3rd party cloud** \| 5G security \| IoT security \| Cyber Hygiene follow up | 18% |  |
| 5. Technology failures | **IT and network asset inventory \| Network change management* \| Critical national infrastructure** | 11% |  |
| 6. Strategic transformation | **Ex-LG control environment** \| Ex- LG Procurement \| Small acquisitions: SA, DE | 5% |  |
| 8. Digital transformation | CRM Billing transformation | 3% |  |
| 10. Legal and regulatory compliance | **Data privacy** \| M-Pesa separation \| M-Pesa product \| Customer registration | 13% |  |
| 3. Adverse political & regulatory measures | No direct coverage | | |
| 4. Geo-political risk in supply chain | No direct coverage; supply chain operational risks are in scope of the plan | | |
| 7. Market disruption | No direct coverage; key commercial processes are in scope | | |
| 9. Disintermediation | No direct coverage | | |

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# 5c. Audit Plan – High Risk Policy view

- Map audit plan to high risk policies to asses adequacy of coverage
- Three year rotation approach calibrated by the perception of risk, different regions etc
- All high risk policies have been reviewed in the last three years.

| High Risk Policy | FY19 | FY20 | FY21 |
|---|---|---|---|
| Anti Money laundering | Yes | Yes | Yes |
| Business Resilience | | | Yes |
| Technology Security | Yes | Yes | Yes |
| Privacy | Yes | Yes | Yes |
| Anti-bribery | Yes | | |
| Competition Law | Yes | | |
| Sanctions | Yes - Europe | AMAP | |
| Regulatory | | Yes | |
| Health and Safety | | | Yes |
| Technology Resilience | Network | IT | |

# 6. Continuous Risk Scanning



- Response to **internal events** such as restructuring, acquisitions, security incidents/events
- Response to **external events** such as the global pandemic, regulatory changes
- **Management requests** considered and audit plan amended
- **Mid year audit plan review** to assess relevance of audit plan
- List of **potential themes** that are currently below the radar

# Audit Plan - Areas of updated focus - Global Pandemic

Response to the COVID-19 pandemic – what we did

- Consider changes in the enterprise level risks
- Identify new risks emerging at the operational level within the business
- Which process, business or product line does it impact

| Scenario | Impact | Process |
|---|---|---|
| Financial difficulties by customers | - Bill collection<br>- Liquidity and working capital<br>- New sales | - Credit rating and collection process (bad debt)<br>- Treasury and working capital management<br>- New tariffs, discounts, products |
| Financial difficulties by vendors | - Ability to supply equipment, spares<br>- Logistics challenges | - Sourcing and on-boarding process |
| Remote working –increased phishing attacks | - Loss of personal data<br>- Denial of service | - Data loss prevention<br>- Cyber security<br>- Privacy controls |
| Multi-fold increase in voice and data consumption | - Network resilience<br>- Impact on capacity | - Network change management |