

Presentation to ICAI – WIRC

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HEAD – Corporate Audit & Assurance

Godrej Industries & Associate Companies (GILAC)

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AGENDA

- ❖ Role of IA in GILAC
- ❖ Audit Reports
- ❖ Concluding Thoughts
- ❖ Questions



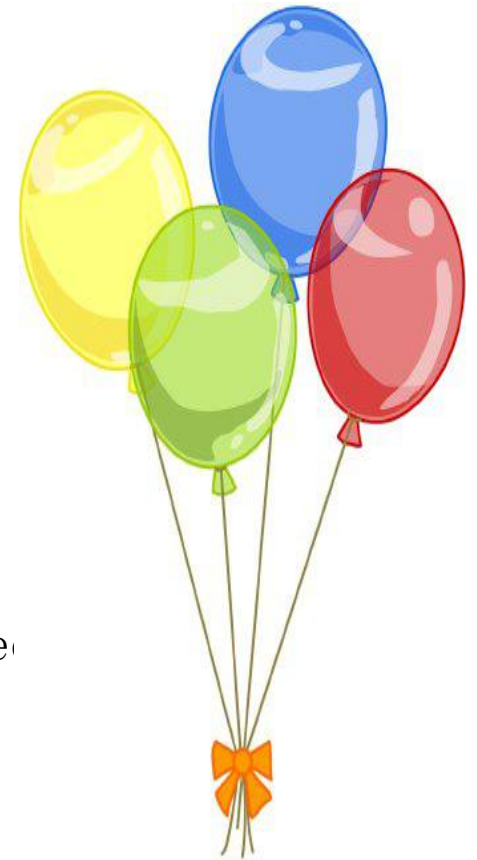
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- ❖ Role of IA in GILAC
- ❖ Risk & Compliance Frame-work
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INTERNAL AUDIT IN GODREJ

- Deep rooted function, established over 50 years
- Independence of the function
 - Reporting to the Group Chairman
 - Reporting to the respective Audit Committees
 - Representation in the Business Executive Committee
- Services rendered to all Group Companies
- Charter approved by the Board of Directors.
- Majorly In house function - comprising of a team of 34 people in India & Abroad
- Blend of Specialists/ Professionals - Process, IT, Forensics, Risk Mgmt.
- Need based outsourcing - specialized / technical reviews



Our Journey - Blood Hounds to Business Partners

- Always - feared... IA reports meant - Firing to Line Managers
- Enjoyed - Patronage of the Chairman...
- Internal Satisfaction Survey - 2005, 2006, 2007...2009
 - Business Heads felt - Audit did not add value,
 - Audits - unrelated to direction of the business
 - Stake-holders expectations - not met
 - Suggestions - forced , business perspectives not understood
 - Try and implement it ...lets swap roles
 - Who audits the Internal Audit Function - No accountability
 - Person Focused, not process focused
 - Lack of Empathy...
- Rating of slightly over 3 on 5 - consistently for 3 years



Handle Power with Care ! ...

Partnering with Business - Our Journey from 2009...

- Understanding Stakeholder expectations
- Understanding business Risks, Imperatives. Complexities
- Proactive involvement in Business Initiatives
- Early Warning Signals - LIGHT HOUSE
- Change in the approach to Audit



Understand the Customers & their expectations - key to success !

New Challenges in Corporate Governance !

- Internal Financial Controls
- Statutory Compliance
- Risk Management
- Fraud Risks
- IFRS
- Technology Risks



Business Scenario is changing and getting complex !

Change in Audit Approach

- Set Clear / Understandable Audit Objectives
- Business Aligned approach
- Audits - Data based NOT feelings based
- Discuss all action points with time-frames
- Be Practical on all recommendations
- Don' t get emotionally attached to recommendations
- Get to the “process” not to the “person”
- Give the person an opportunity to defend / Save his face
- It is not necessary to document every finding... “Internal notes” can work
- If we disagree - escalate both the views ...
- Our job ends once we have drawn Managements Attention...
 - To Implement or not is a Business Call...



. Seemingly Commonsensical !!! - is Most Uncommon

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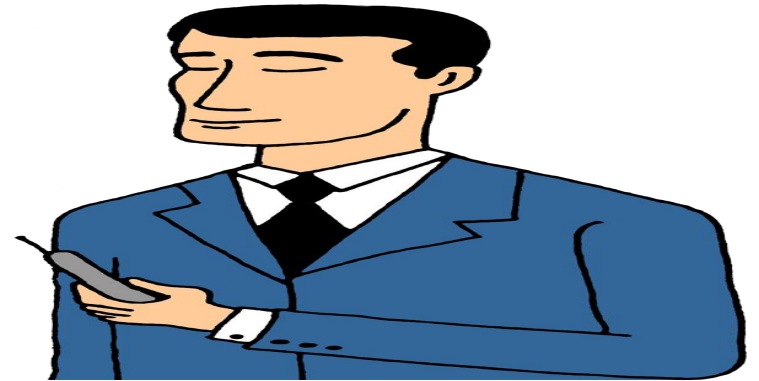
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Audit Report -the significant output of the audit process

A clear written expression of significant observations & recommendations based on the policies, processes, risks, controls

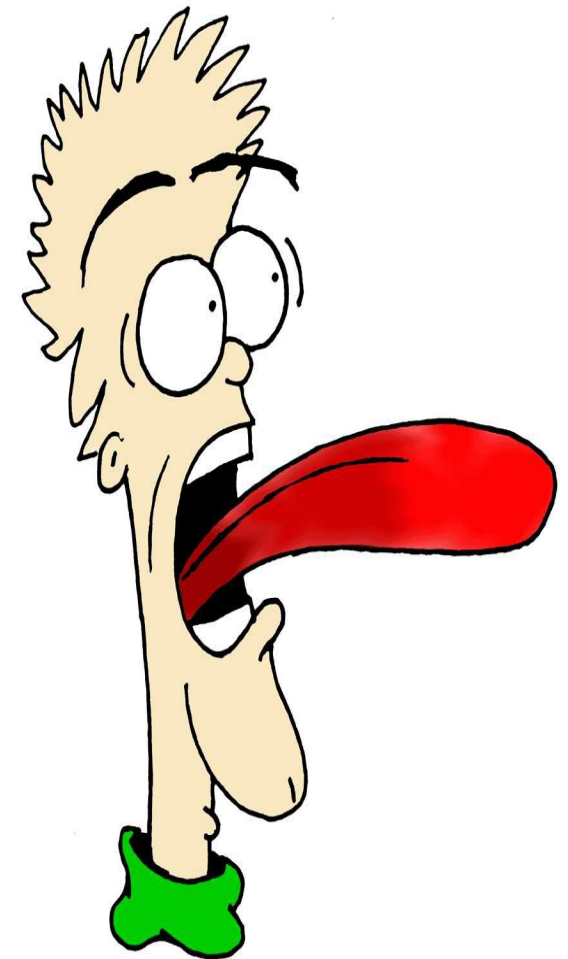
- Identifies potential opportunities for improvements
- Identifies issues/ non-conformities
- Helps in making informed decisions



Audit Report is out Final Product ! IT HAS TO BE THE BEST !

Audit Report – Key Considerations

- **Define the purpose of the report**
 - State your aims, objectives and intended outcome
- **Keep your audience your central focus**
 - Consider the subject from the audience’s perspective
- **Accurate, but brief and clear**
 - Only include important and directly relevant information
 - Bottom line first, then supporting details
- **Simplify the facts**
 - Determine how you are going to analyze the results
 - Use only value-adding descriptive words
 - Keep sentences and paragraphs short
- **Start and end strong**
- **Personalize the “pain points”**



Empathy - A great perspective !

How to Tailor Your Audit Reports

Think about who will be reading the report..

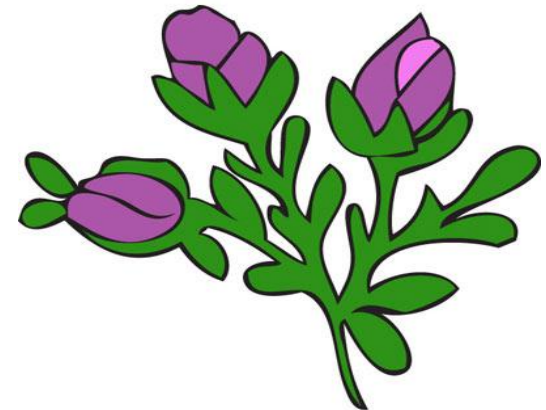
- Know the audience and answer the questions:
 - Who will be the most important readers of the report?
 - How much do they know about the subject?
 - How do they plan on using the report?
 - Why should they care about an auditor's recommendations?
 - How the problem impacts the reader?



Know your customer, his reaction, !

How to Tailor Your Audit Reports

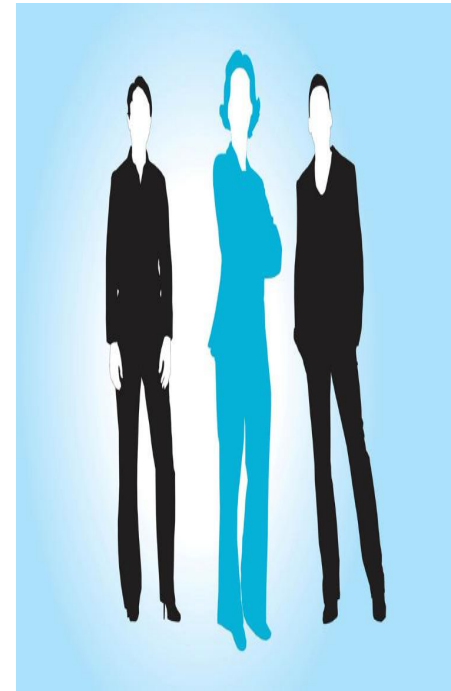
- Decide on the best report format and presentation:
 - ✓ A brief summary
 - Start with the main point, state the critical issue first then follow up with details
 - ✓ Central message
 - Context for the findings
 - Include Audience concerns to consider
 - Illustrate the risks
 - Why should they care about an auditor’s recommendations? What risk does not following the recommendations expose them to?
 - ✓ –Elements of a finding
 - Possible use of text boxes, graphics and verifiable statistics
 - ✓ –Use layers for multiple audiences
 - Takes the reader’s knowledge of the subject into account
 - ✓ Discuss report message throughout the audit
 - ✓ Use short, simple sentences
 - ✓ Use words your audience understands
 - ✓ Use color and visuals effectively



Report is out “Bread & Butter “ – it has to be YUMMMY –
but not too goody goody”

Communicate findings in context

- State your aims and objectives for the audit
- Provide bigger picture
 - Why this report matters
 - Help the reader understand what all the audit findings mean
- Determine what are the risks
- Determine levels of effect
- Create your call to action
- Link findings to business strategy/objectives
- Risk rate the findings and the implications if findings are not remediated.
- Create conclusions for lack of action (no action for 6 months = acceptance of risk)



Communicate & Convince---- not Confuse

Effective reports

- Avoid the “blame game.”
- Avoid unnecessary technical jargon.
- Avoid taking all the credit
- Avoid negative language
- Provide recommendations, not detailed solutions...”



If you mess-up the report , it will have the same effect as it it's a bad quality product !
Customer lost of ever !

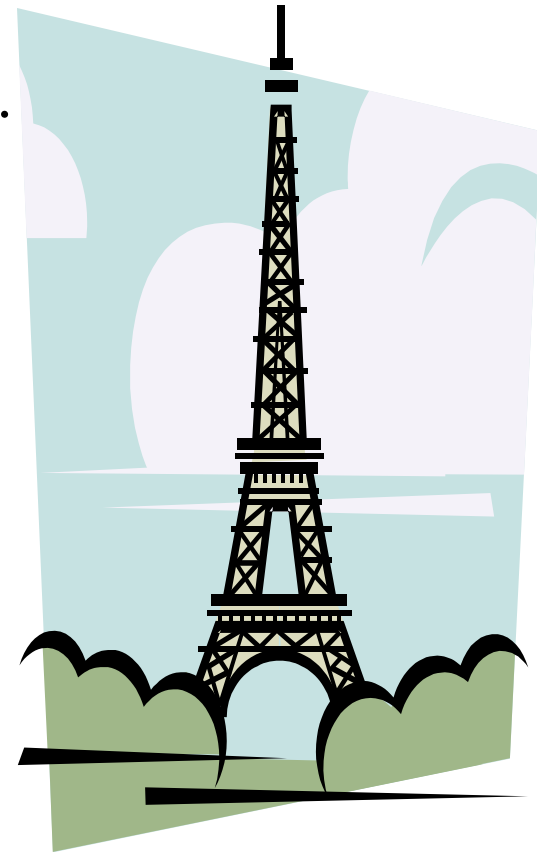
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Remember !!

- ❖ We are not Experts ... neither we claim to be one..
- ❖ We don' t have knowledge of Business / Functional intricacies
- ❖ We are not on a fault finding mission ...
- ❖ We focus on Process..
- ❖ Our approach is Commonsensical
- ❖ Ask logical questions....
- ❖ Open mind....



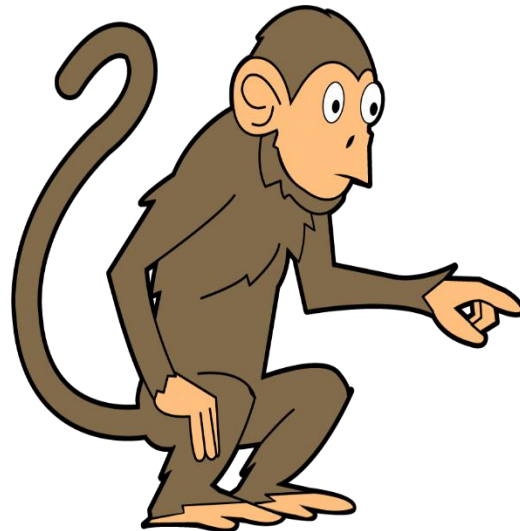
Audit Dilemmas..

One Extreme ...

- ❖ Is this my role ?? I am an auditor...
- ❖ Will this compromise my role??
- ❖ Will I be blamed if something goes wrong!..



Other Extreme...



*“ Monkey always on my
back”
syndrome...*

We can also demonstrate value

❖ Auditors - Part of the Solution



❖ Auditing by Walking Around



❖ Continuous Monitoring & Effective Use of Technology



❖ Think one step ahead ...



If you are not passionate about IA.... Then..!

- ❖ IA is also an important profession...
- ❖ Its not a Learning & Training Dept...
- ❖ We are not for punishment transfer..
- ❖ We are not for sabbaticals rehabilitati
- ❖ We need career Internal Auditors...
- ❖ My belief ...
 - ❖ Strong on Qualification/ Domain Knowledge but NO AIRS about ...
 - ❖ Industry working experience ----
 - ❖ Zero EGO.....
 - ❖ Willing to work on the ground.....



To Conclude

- Independence is a “State of Mind”
- Help Business without compromising on our Role
- Positive, Friendly & Proactive Approach - “ Win -
- Use Technology - to our advantage
- Seek Expert help - Wherever necessary
 - Understand we are not “Master of all Trai
- There are huge opportunities waiting to be grabbed
- Restricting ourselves to a “Financial/ Statutory scope” is limiting ourselves
- Expanding our horizons. Thinking in terms of Risks & Analytical mind...



Right approach/ attitude will make us Business Partners...

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THANK YOU FOR YOUR TIME AND CONSIDERATION