

# **IIA PUBLIC SECTOR 27 FEBRUARY 2018**

## **Human and technology integration for optimal internal audit output**

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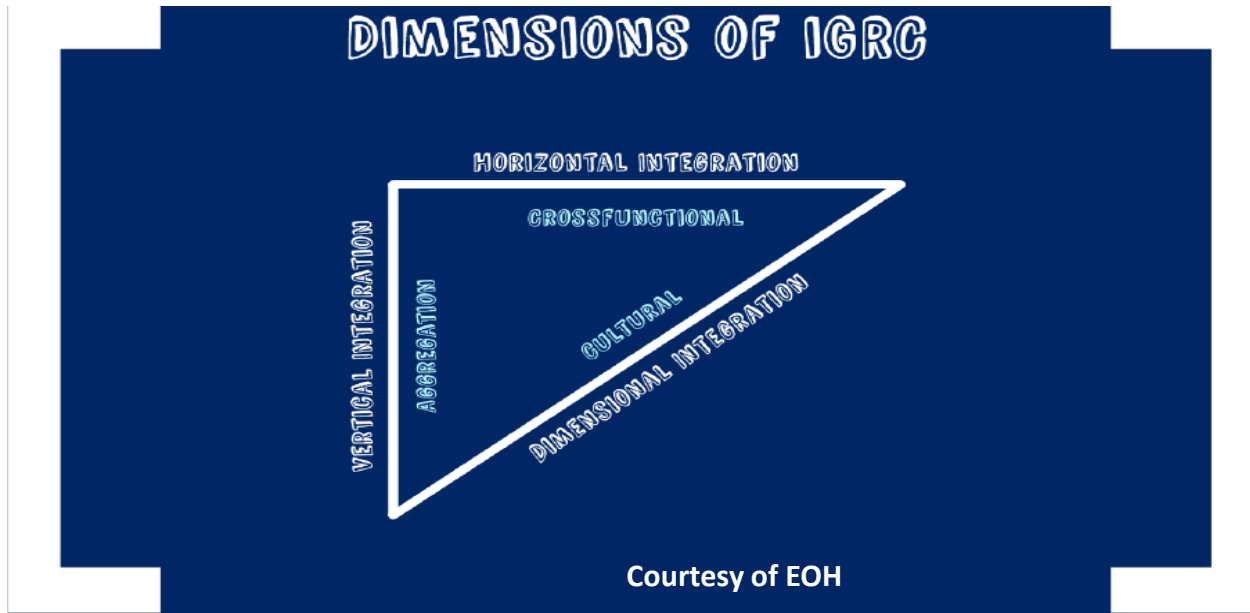
# Elevating audit through objective / risk-based auditing

- The Institute of Internal Auditors (IIA) framework defines internal auditing as: ‘An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’
- It is a common fallacy that the Internal Audit function exists to pick holes in management’s operations. This is not at all the case! Internal Audit must involve the organisation more in the audit process and produce recommendations that contribute to the organisation’s objectives. At the same time, the internal audit activity has to be careful not to lose its independence and objectivity because of moving closer to the operations

# Elevating audit through objective / risk-based auditing

- Internal Audit transitions from the business of providing subjective opinions on “control effectiveness” on a small fraction of the risk universe to ensuring senior management and the board are aware of the current residual risk status linked to key strategic value creation objectives and potential value erosion objectives
- Internal Audit enables an organisation to optimise the level of risk being taken to best achieve the organisation’s objectives whilst still operating within the risk appetite of the organisation
- The achievement of business objectives isn’t just about managing what might go wrong (risks), but is actually about making things go right
- **Trusted advisor: key strategic value creation objectives and potential value erosion objectives (video clip):**
  - Reputational risk (Salomon Brothers, VW, Bell Pottinger, KPMG, Steinhoff, Brand SA...)
  - Technology disrupter risk/s (trusted advisor, bigger picture, thinking out the box)
  - People risk (leadership, accountability, performance, consequences)
  - Political risk (downgrades, Brand SA)
  - Decision making (in time (predictive), early warning, taking action)

# The need for an integrated and embedded approach



- **Horizontal Integration (Cross Functional):** Governance, Risk, Compliance, Assurance, Fraud, IT Security. Incorporate Risk Management in Strategy (and Vice Versa) and establish a healthy Risk Appetite (combined assurance)
- **Vertical Integration (Aggregation):** Top down, bottom up embedding of risk and coordinate and aggregate disparate risk information for Decision Makers
- **Dimensional Integration (Cultural):** Tone at the Top, manage Human Behaviour /Change Management as part of the Risk Management and the Audit Process (buy-in, embed, ownership, KPIs, consequences)

“We will change the way that boards are appointed so that only people with expertise, experience and integrity serve in these vital positions. We will remove board members from any role in procurement and work with the auditor-general to strengthen external audit process,” Ramaphosa said.

**The architecture of the state-owned sector would be worked on to achieve better co-ordination, oversight and sustainability.**

Business Day 16 Feb 2018

# 6 ways integrated auditing adds value to your organisation

- **Business focussed approach assisting the organisation to achieve its objectives:** Audit focus on providing assurance on achievement of business objectives as opposed to standard audit programmes where it is not always clear how these impact the bigger picture. Elevates Audit from what many see as a compliance activity to a key part of strategy development, value creation and better managing potentially value eroding objectives.
- **Internal Audit focuses on the top value creation and potential value erosion objectives elevating IA's stature and value add:** Audit recommendations provide the greatest value added in terms of the optimising the level of risk being taken to best achieve the organisation's objectives whilst still operating within the risk appetite of the organisation.
- **Inclusive audit approach facilitating buy in and ownership from management:** Management is far more likely to support the audit work when they are involved in the process and can see how the audit's recommendations relate to the achievement of their business objectives. Embed risk management down to all levels (top-down and bottom-up).
- **Optimal level of assurance supporting the achievement of business objectives:** Risk-based auditing is more efficient because it directs audits at the high-risk areas, as opposed to simple rotation of predominantly financial areas, which may not represent the greatest risk.
- **Improved operational efficiency:** Risk-based auditing should highlight key processes and risks that are inadequately controlled and / or over-controlled.
- **More effective use of audit resources:** The audit plan is based on clear instructions from senior management and the board on the level of risk assessment rigor and independent assurance they require related to strategic / business objectives. It differs from the alternative approach, whereby the resources available determine the audits that can be conducted.

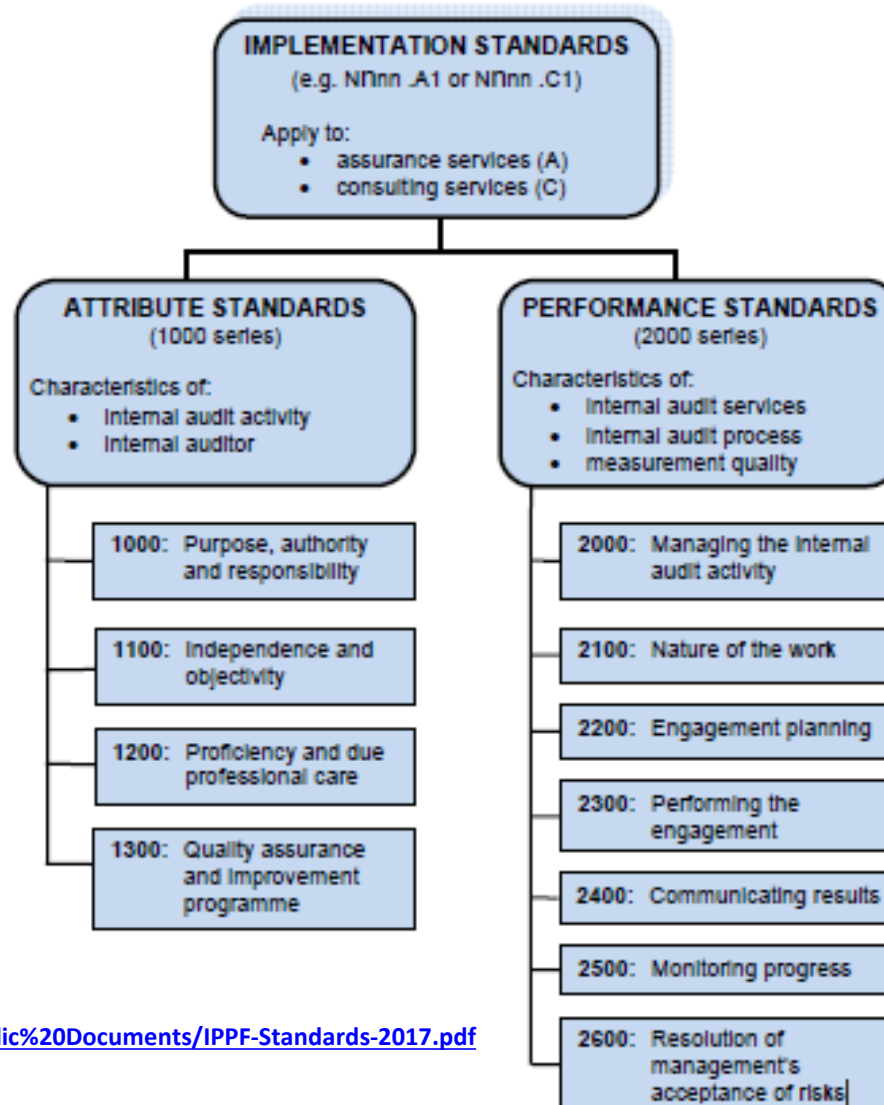
# Audit approach based on Risk Maturity

	<b>Controls</b>	<b>Monitoring</b>	<b>Audit approach</b>
<b>Risk enabled</b>	All risks identified and assessed. Regular reviews of risks. Responses are in place to manage risks	Management monitor that all types of response are operating properly. All managers provide assurance on the effectiveness of their risk management and are assessed on their risk management performance	<b>Assurance</b>
<b>Risk managed</b>		Management monitor that all types of response are operating properly. Most managers provide assurance on the effectiveness of their risk management and are assessed on their risk management performance	
<b>Risk defined</b>	Majority of risks identified and assessed. Regular reviews of risks. Responses are in place to manage most risks	Some management monitoring that all types of response are operating properly	<b>Consultancy</b>
<b>Risk aware</b>	Controls may be in place but are not linked to risks	Little monitoring	Cannot use RBIA. Adopt a consultancy approach to promote risk management and achieve 'risk defined' status. Carry out risk driven audits.
<b>Risk naive</b>	Controls, but some may be missing or incomplete	Very little, if any monitoring	

Courtesy of UNISA

# International Standards for the Professional Practice of Internal Auditing (IPPF)

Figure 1.2: Summary of the Standards



# International Standards for the Professional Practice of Internal Auditing (IPPF)

- **1220.A3** – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.
- **2010.A1** – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.
- **2010.C1** – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.
- **2100 – Nature of Work** - The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.



# International Standards for the Professional Practice of Internal Auditing (IPPF)

- **2120 – Risk Management** - The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes:
  - Organizational objectives support and align with the organization’s mission.
  - Significant risks are identified and assessed.
  - Appropriate risk responses are selected that align risks with the organization’s risk appetite.
  - Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.
  
- **2200 – Engagement Planning** - Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement
  
- **2450 – Overall Opinions** - When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.
  
- **2600 – Communicating the Acceptance of Risks** - When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

# PFMA

**38. General responsibilities of accounting officers.**—(1) The accounting officer for a department, trading entity or constitutional institution—

- (a) must ensure that that department, trading entity or constitutional institution has and maintains—
  - (i) effective, efficient and transparent systems of financial and risk management and internal control;
  - (ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of **sections 76 and 77**;
  - (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
  - (iv) a system for properly evaluating all major capital projects prior to a final decision on the project;

**51. General responsibilities of accounting authorities.**—(1) An accounting authority for a public entity—

- (a) must ensure that that public entity has and maintains—
  - (i) effective, efficient and transparent systems of financial and risk management and internal control;
  - (ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77; and
  - (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
  - (iv) a system for properly evaluating all major capital projects prior to a final decision on the project;

# MFMA

**62. General financial management functions.**—(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—

- (c) that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards;

**165. Internal audit unit.**—

- (1) Each municipality and each municipal entity must have an internal audit unit, subject to [subsection \(3\)](#).
- (2) The internal audit unit of a municipality or municipal entity must:
  - (a) prepare a risk based audit plan and an internal audit program for each financial year;
  - (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—
    - (i) internal audit;
    - (ii) internal controls;
    - (iii) accounting procedures and practices;
    - (iv) risk and risk management;
    - (v) performance management;
    - (vi) loss control; and
    - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and

## MFMA (continued)

### 166. Audit committees.—

- (1) Each municipality and each municipal entity must have an audit committee, subject to subsection (6).
- (2) An audit committee is an independent advisory body which must—
  - (a) advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to—
    - (i) internal financial control and internal audits;
    - (ii) risk management;
    - (iii) accounting policies;
    - (iv) the adequacy, reliability and accuracy of financial reporting and information;
    - (v) performance management;
    - (vi) effective governance;
    - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
    - (viii) performance evaluation; and
    - (ix) any other issues referred to it by the municipality or municipal entity;

# King IV

(copyrighted to The Institute of Directors Southern Africa).

- **The definition of corporate governance for the purposes of King IV**, is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:
  - Ethical culture
  - Good performance
  - Effective control
  - Legitimacy
  
- **Strategy, Performance and Reporting: Principle 4:** The governing body should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
  
- **Risk Governance: Principle 11:** The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.
  
- **Compliance Governance: Principle 13:** The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and good corporate citizen.

# King IV

(copyrighted to The Institute of Directors Southern Africa).

- **Assurance: Principle 15:** The governing body should ensure that the assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.
  
- **Internal Audit:**
  - 48. The governing body should assume responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective, relevant assurance that contributes to the effectiveness of governance, risk management and control processes.
  - 58. The governing body should monitor on an ongoing basis that internal audit:
    - Follows an approved risk-based internal audit plan; and
    - Reviews the organisational risk profile regularly, and proposes adaptations to the internal audit plan accordingly.
  - 59. The governing body should ensure that internal audit provides an overall statement annually as to the effectiveness of the organisation's governance, risk management and control processes.

<http://www.barnowl.co.za/insights/king-iv-report-risk-compliance-and-assurance/>

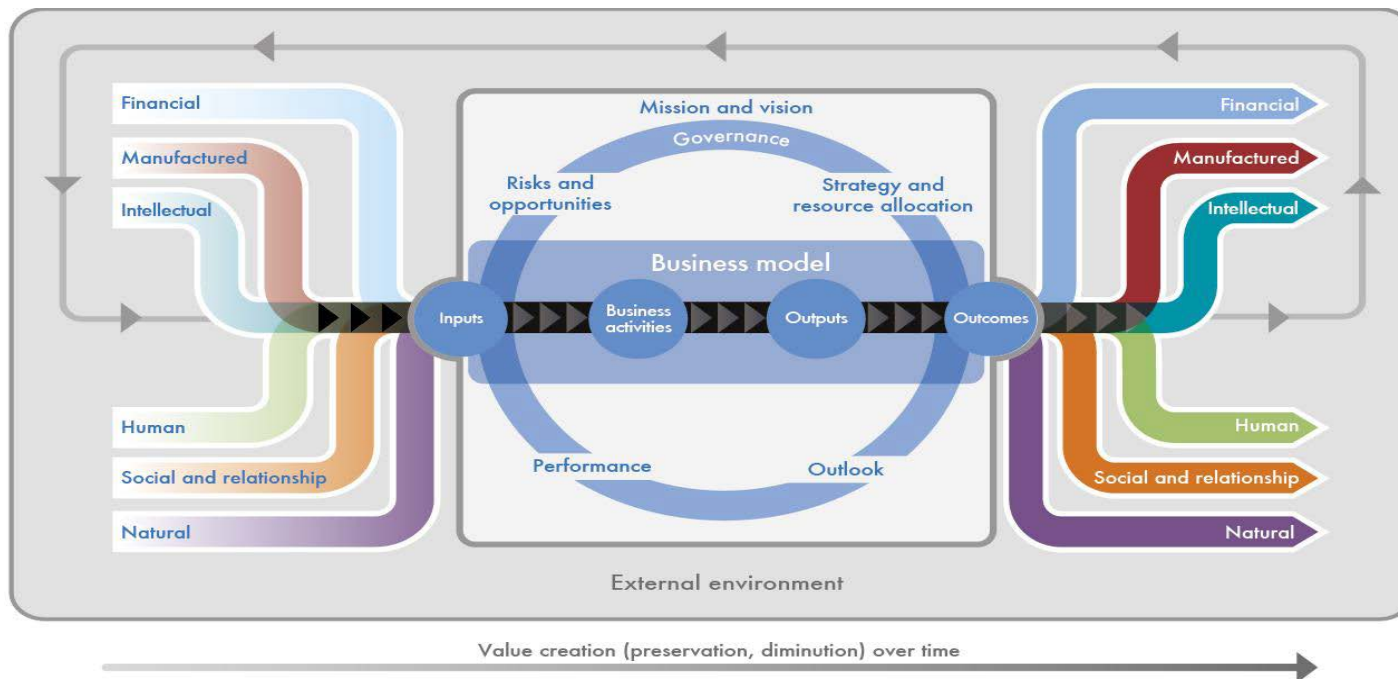
# King IV

(copyrighted to The Institute of Directors Southern Africa).

Michael Judin, partner in the Johannesburg based law firm, JUDIN COMBRINCK INC on 'Why King IV is not another layer of regulation but creates add-on value', spoke about business (and country) leaders' misconceptions that the power lies within the board room. The power really lies with the new millennials and the power of social media and the smart phone.

<http://www.barnowl.co.za/info-sharing/information-sharing-23-february-2017/>

<http://www.barnowl.co.za/insights/good-corporate-governance-alive-and-kicking/>



<http://www.barnowl.co.za/info-sharing/barnowl-information-sharing-session-29th-july-2016-on-the-integrated-report-and-integrated-thinking-in-the-reign-of-king-iv-by-leigh-roberts/>

By Leigh Roberts CA(SA), IRC of SA -CEO

# Why the need for software

- Facilitates objective, risk & control based auditing, ensuring that risks that matter to the organisation are audited and aligned back to the business
- Fully integrated with risk management providing enterprisewide visibility of risk and combined assurance reporting
- Incorporates built-in best practices and supports the adoption of the IIA standards
- Simplifies and standardises audit processes with centralised 'working-paper' library for all types of audit: risk & control, ad hoc, forensic, compliance etc.
- Eliminates audit errors and inconsistencies by standardising the audit process and enabling centralised library look-up
- Generates final audit reports, audit committee reporting, advanced business intelligence dashboard reporting at the click of a button
- Allows for online follow-up of findings via web-based action plans
- Risk intelligent early warning system with dynamic re-assessment, trends, KRIs, continuous auditing
- Increases audit coverage whilst reducing audit time and cost
- Reputation, Director / Accounting officer protection

<http://www.barnowl.co.za/insights/still-using-excel-for-risk-management-and-or-audit/>



# Why the need for software

- Final audit reports (in MS Word) at click of a button
- Alignment back to risk management with audit's ratings
- Living action plans for the ongoing monitoring of findings and follow-up
- Advanced business intelligence reporting in support of decision making:
  - Top risk trends by business unit based on number findings
  - Top risks and their root causes
  - Root cause analysis by business unit and process
  - Key performance linked to business objectives and risk management
  - Combined assurance reporting

BARNOWL

All cells, rows and columns in this report filter all other cells, rows and columns. Click to SELECT, click again to DESELECT.

### TOP 10 RISKS

RiskTitle	Year of EndDate		
	2011	2012	2013
Inadequate adherence to controls in place to prevent losses	27	3,483	2,412
Misappropriation of bulk deposit funds due to the inability to identify the customer making the bulk deposit.	45	3,798	1,701
Inaccurate recording of working hours.	54	2,799	1,962
Stockholding Inaccurate		3,177	1,278
Excessive shrinkage due to inadequate stock monitoring		2,889	1,476
Lack of timely, complete and accurate banking of daily takings.			3,834
Injuries / death due to inadequate monitoring, maintenance and or operation of machinery.	9	1,737	1,602
Causes for not achieving targets not identified thereby not addressing the actual problem.	72	3,204	
Unauthorised price overrides taking place	18	2,223	945
Out of stock situations arising due to poor supplier performance	54	2,169	738

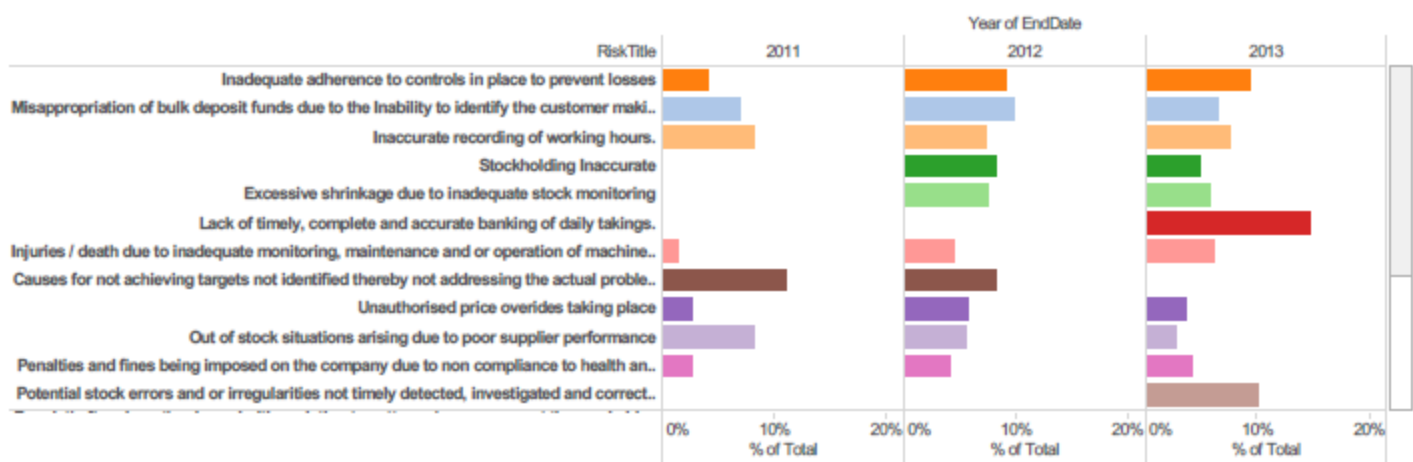
### TOP BUSINESS UNITS @ LEVEL 3

Unit Level 1	Unit Level 2	Unit Level 3		
ABC Retail Group Ltd	Operations	Ops Area 1	<span style="color: red;">■</span>	60,984
		Ops Area 2	<span style="color: red;">■</span>	45,945
		Ops Area 3	<span style="color: green;">■</span>	27,990
		Ops Area 4	<span style="color: red;">■</span>	54,225
		Roofbuild	<span style="color: black;">■</span>	504
		Support Office	Advertising (Ops / Dept Level)	<span style="color: black;">■</span>
	Creditors (New Program)	<span style="color: black;">■</span>	459	
	Creditors (Old Program)	<span style="color: black;">■</span>	63	
	Finance	<span style="color: black;">■</span>	171	
	Legal	<span style="color: black;">■</span>	54	
	Payroll	<span style="color: black;">■</span>	162	
	Procurement (Ops / Dept level)	<span style="color: black;">■</span>	297	
	SO - Debtors	<span style="color: black;">■</span>	18	
	SO - Fixed Assets	<span style="color: black;">■</span>	27	



FINDINGS DASHBOARD 3

TOP 20 RISKS



CAUSE OF WEAKNESS

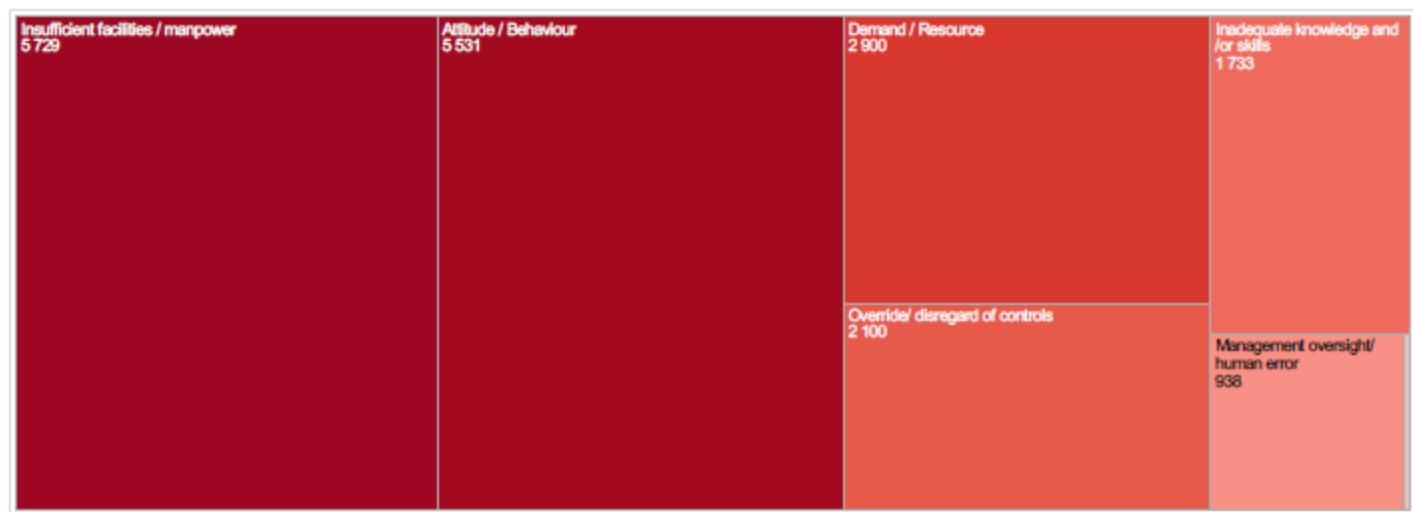


FIGURE 2.4 – FINDINGS BY ROOT CAUSE (BI)



# FINDINGS DASHBOARD 5

## CAUSES



Unit Level 1	Unit Level 2	Unit Level 3	Unit Level 4	2011	2012	2013	ProcessLevel3	2011	2012	2013	
ABC Retail Group Ltd	Operations	Ops Area 1	Division 1		5 301	2 142	Null		9		
			Division 2		4 959	4 194	Cash (AR - Extensive)			5 409	
			Division 3		4 833	3 906	Cash (AR)			5 499	
			Division 5	2 700	6 048	4 167	Cash (Pegasus)	351	13 383	4 527	
			Division 6		5 112	3 996	Debtors (AR - Extensive)			2 430	
			Division 7		4 248	1 503	Debtors (AR)			2 943	
			Division 8		5 814	1 251	Debtors (Pegasus)	198	13 959	5 112	
			Division 9		585	180	Fixed Assets	144	1 962	1 233	
			Division 12		1 737	2 871	Human resources	207	8 019	5 922	
		Division 13		522	1 953	Inventory (AR - Extensive)			855		
		Division 14		3 177	1 377	Inventory (AR)			6 741		
		Division 15		2 970	1 998	Inventory (Pegasus)	927	27 927	10 899		
		Division 16		2 745	3 501	Management & Administrati..			2 880		
		Division 17		5 580	2 934	OHASA	324	11 862	7 524		
		Division 18		3 249	2 448	OHASA (Update)			1 431		
		Division 19	369	4 878	1 935	Operations	162	11 583	6 570		
		Division 20		1 701		Ready For Business	522	10 269			
		Division 4		3 204	2 619	Security	270	7 281	4 428		
		Division 24		3 762	3 762	Store Closure		153	270		
	Division 25		2 304	3 969	Store Closure (Update)			90			
	Division 29		5 139	3 231	Store Handover		2 268	1 638			
		Ops Area 3									

**FIGURE 1.4.4 – KPIs**

KPI Category

Basic Service Delivery

Ward	KPI Subcategory	KPI	Objective	Target	2013				2014				2015			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Community Services	Community and social services	Appointment of a service provider to implement approved human settlement plan	Ensure social upliftment and maintain basic services	1	●	●	●	●	●	●	●	●	●	●	●	●
		Completion of 1st phase of the Library	Ensure social upliftment and maintain basic services	1	●	●	●	●	●	●	●	●	●	●	●	●
		Completion of bus route in Valley Pass	Ensure social upliftment and maintain basic services	1	●	●	●	●	●	●	●	●	●	●	●	●
		Number of screenings at the Shadow Centre	Ensure social upliftment and maintain basic services	500	✗	◆	◆	✗	✗	✗	✗	✗	✗	✗	◆	◆
					488,3	515,0	506,7	483,3	495,0	473,3	495,0	426,7	470,0	490,0	526,7	513,3
Electricity		Completion of the new 11/66kV electricity substation at city center	Ensure social upliftment and maintain basic services	1	●	●	●	●	●	●	●	●	●	●	●	●
Waste water management		Completion of the construction of new retention ponds in Valley Pass	Ensure social upliftment and maintain basic services	10	✗	◆	◆	◆	◆	◆	✗	✗	◆	◆	◆	●
					9,5	10,6	10,4	10,5	10,7	10,3	9,5	10,0	10,8	10,0	11,4	10,0
Water		Average water quality level as measured per SANS 241 criteria	Ensure social upliftment and maintain basic services	95	◆	KPI Subcategory: <b>Waste water management</b> KPI: <b>Completion of the construction of new retention ponds in Valley Pass</b> Objective: <b>Ensure social upliftment and maintain basic services</b> Ward: <b>Community Services</b> Quarter of Input Date: <b>Q1</b> Year of Input Date: <b>2015</b> Target: <b>10</b> Avg. KRI Input Value: <b>10,8</b> KPI Variance: <b>Above Target</b>										
		Completion of phase 2 of the upgrade of supply pipe line	Ensure social upliftment and maintain basic services	1	●											
		Completion of the upgrade of the Booster Pump Station	Ensure social upliftment and maintain basic services	1	●											
					1,1	1,0	1,0	1,0	1,1	1,0	1,0	1,0	0,9	1,0	1,1	1,1
Financial Services	Water	Limitation of unaccounted water	To provide an maintain basic services and ensure social upliftment of the Breede Valley community	25	✗	◆	◆	◆	◆	●	✗	◆	◆	◆	●	✗
					24,8	26,2	27,3	25,3	28,3	24,8	24,0	27,1	25,6	28,4	24,8	21,8

# FIGURE 1.5 – COMBINED ASSURANCE REPORTING

BarnOwl\_CombinedAssuranceReport\_20140831.xlsx - Microsoft Excel

B4      01. Regulatory risk

	A	B	C	D	E	F	G	H	
				First	Second	Third			
				Management Assurance and Cluster Assurance			Independent Assurance		
	Unit Name	Risks	Controls	Management	Line Management	Deloitte	PWC		
4	ABC Corporation	01. Regulatory risk	Compliance function	8					
5			16						
6			8						
7			8						
8			8						
9			4						
10		3							
11		4							
12	HR	Headhunting by competitors	Career planning	16	20				
13			Competitive remuneration						
14			Promotion and transfer						
15		Lack of ability to attract and retain new talent	Career planning	4	15				
16			Competitive remuneration						
17			On the job mentoring						
18		Lack of appropriate training	Certifications and licensing			15			
19			Cross training	8	6				
20			Formal training						
21			On the job mentoring						
22		Certifications and licensing							
23		Cross training							
24		Established performance measures	10	4					
25		On the job mentoring							
26		Lack of core competencies	Performance appraisal system						
27		Lack of succession planning	Career planning	6	10				
28			On the job mentoring						
29		No follow up on staff losses	Perform exit interviews	6					
30			Setup alumni programme						
31		Non compliance with laws and regulations	Disciplinary policy and procedures						
32			Employment contracts	15					
33			Equal employment opportunity						
34			Harassment and discrimination policy and procedure						
35		Non management of diversity and acceptance of other	Communication process	4					
36			Counselling						
37		Office working conditions	Lunch every day	9					

Control Combined Assurance Repo      Risk Combined Assurance Report      Sheet1      Sheet2

70%

# Frequently occurring findings observed by the IIA QA teams

## Standard 1210

### Observation

There is a perception on the part of clients, based on the client survey results and management interviews, that the IA Activity Staff does not possess the desired level of business knowledge.

### Recommendation

Increase auditor knowledge of business operations through staff rotation programs and in house training on business operations.

People - hands-on training and skills

# Frequently occurring findings observed by the IIA QA teams

## Standard 1210

### Observation

The internal audit activity should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities, including knowledge of key information technology risks and controls.

### Recommendation

Enhance information technology audit coverage by hiring information technology audit specialists, providing additional specialized IA staff training and/or engaging IT audit contractors with appropriate qualifications.

People – specialist skills



# Frequently occurring findings observed by the IIA QA teams

## Standard 1300

### Observation

The IA Activity uses the *Standards* to generally define the Profession's audit quality, but has not set up a formalized quality assurance and improvement program, as called for in *Standard 1300*.

### Recommendation

Establish and document a Quality Assurance and Improvement Program as set forth in the *Standards* and Practice Advisories.

People – skills

Process – document QA and improvement program

System – facilitates QA with standardisation and central repository of processes, risks, controls, audit procedures, tests, working papers etc.

Courtesy of [www.theia.org](http://www.theia.org)

# Frequently occurring findings observed by the IIA QA teams

## Standard 1311

### Observation

While several elements of the new *Standards* on quality assurance have been implemented by the IA Activity, the internal ongoing assessments could be strengthened by additional monitoring and benchmarking.

### Recommendation

Implement an ongoing internal quality assessment process with the use of performance metrics (e.g., cycle time, customer satisfaction, cost recovery, balanced scorecard) which can be monitored on an ongoing basis.

Process – implement an internal QA assessment process

System – enables monitoring and benchmarking of audit activities

# Frequently occurring findings observed by the IIA QA teams

## Standard 2010

### Observation

The IA Activity does not have a formal, documented risk assessment model for audit planning.

### Recommendation

Formalize the annual audit planning and risk assessment process to more closely conform to IIA *Standard 2010*.

System – provides a formal, documented risk assessment model in support of risk & control based auditing

# Frequently occurring findings observed by the IIA QA teams

## Standard 2010

### Observation

While the audit universe has been identified, the annual audit plan does not include all entities in the audit universe.

### Recommendation

Establish an internal audit risk assessment process to determine the priorities of the IA activity, consistent with the company's goals and objectives.

System – supports objective & risk-based audit universe showing high risk areas

# Frequently occurring findings observed by the IIA QA teams

## Standard 2030

### Observation

The CAE should implement use of metrics to measure actual internal auditing performance against budget.

### Recommendation

Use metrics to compare the actual use of resources to the budget.

System – timesheets, actuals versus budget etc.

# Frequently occurring findings observed by the IIA QA teams

## Standard 2040

### Observation

There is no formal internal audit policies and procedures manual governing the operating activities of the IA activity.

### Recommendation

Develop an IA activity audit policies and procedures manual to help guide the operations of the audit Department.

People – skills

Process – document standards and procedures

# Frequently occurring findings observed by the IIA QA teams

## Standard 2330

### Observation

A set of working paper standards needs to be developed and formally defined in the IA activity policies and procedures. A review of working papers indicated the quality varied between audit staff.

### Recommendation

Develop and enforce working paper standards, including sample formats, documentation requirements, indexing, and cross-referencing techniques with sufficient flexibility to serve as guidance for all types of audits, reviews, and evaluations.

People – skills

System – provides a centralised repository of standards and procedures including library of linked processes, risks, controls, audit procedures, tests, working papers, system description etc.

Courtesy of [www.theia.org](http://www.theia.org)

# Frequently occurring findings observed by the IIA QA teams

## Standard 2420

### Observation

A review of work papers disclosed that the audit report for 80% were issued later than scheduled.

### Recommendation

Improve the timeliness of audit reports by reducing the current time gap between the audit closing and the issuance of the report.

System – drives efficiency, facilitates management comments and generates final audit reports at click of button.



# Frequently occurring findings observed by the IIA QA teams

## Standard 2420

### Observation

Management interview comments indicate audit reports are not perceived as timely.

### Recommendation

Shorten the time taken to issue audit reports.

System – drives efficiency, facilitates management comments and generates final audit reports at click of button.

## In summary...

- Internal Audit transitions from the business of providing subjective opinions on “control effectiveness” on a small fraction of the risk universe to ensuring senior management and the board are aware of the current residual risk status linked to key strategic value creation objectives and potential value erosion objectives
- Internal Audit enables an organisation to optimise the level of risk being taken to best achieve the organisation’s objectives whilst still operating within the risk appetite of the organisation
- The achievement of business objectives isn’t just about managing what might go wrong (risks), but is actually about making things go right

<http://www.barnowl.co.za/insights/6-ways-risk-based-auditing-adds-value-to-your-organisation/>

‘The risks of risk management’ written by C. Burt, Halex Consulting Limited UK: [http://www.slideshare.net/cjburt/the-risks-of-risk-management-61986579?gid=f9eaaf9d-9168-4096-81f1-976e0f6cddcf&v=&b=&from\\_search=1](http://www.slideshare.net/cjburt/the-risks-of-risk-management-61986579?gid=f9eaaf9d-9168-4096-81f1-976e0f6cddcf&v=&b=&from_search=1)

# Thank You

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