

Contents

Me and where I belong to

Internal Auditor Maturity Model

Attributes

Independence

Proficiency and due professional care

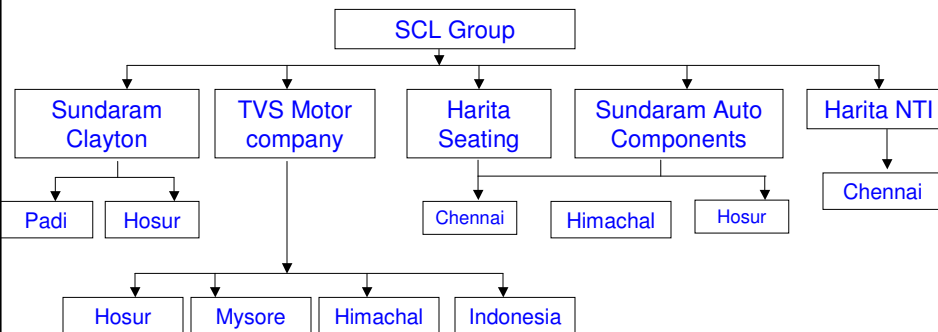
Continuing Professional Development – member IIA

Quality Assurance and Improvement Program

Managing Internal Audit Activity

Nature of Work

Sundaram Clayton Group - TVS



Plus 20 area offices – marketing

Aluminium die castings – trucks, cars, bus

Two wheelers – Motor cycles, Mopeds, ungeared scooters

Three wheelers

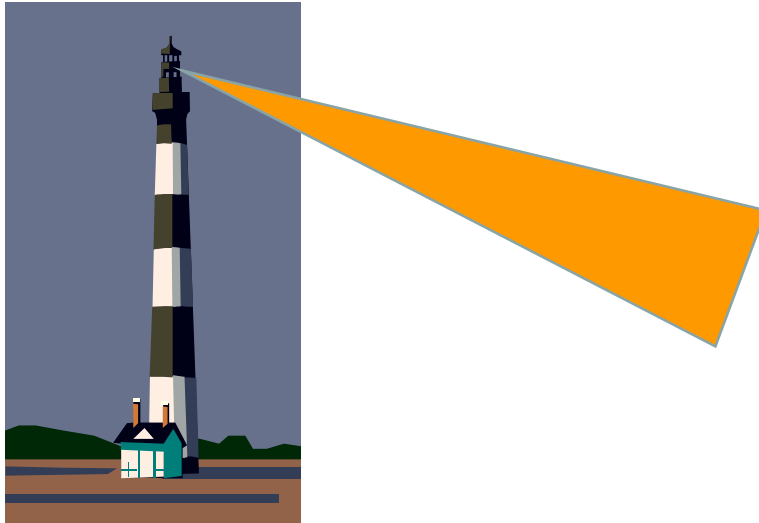
Seating systems – bus, SUVs, trucks, auditorium seats, vans

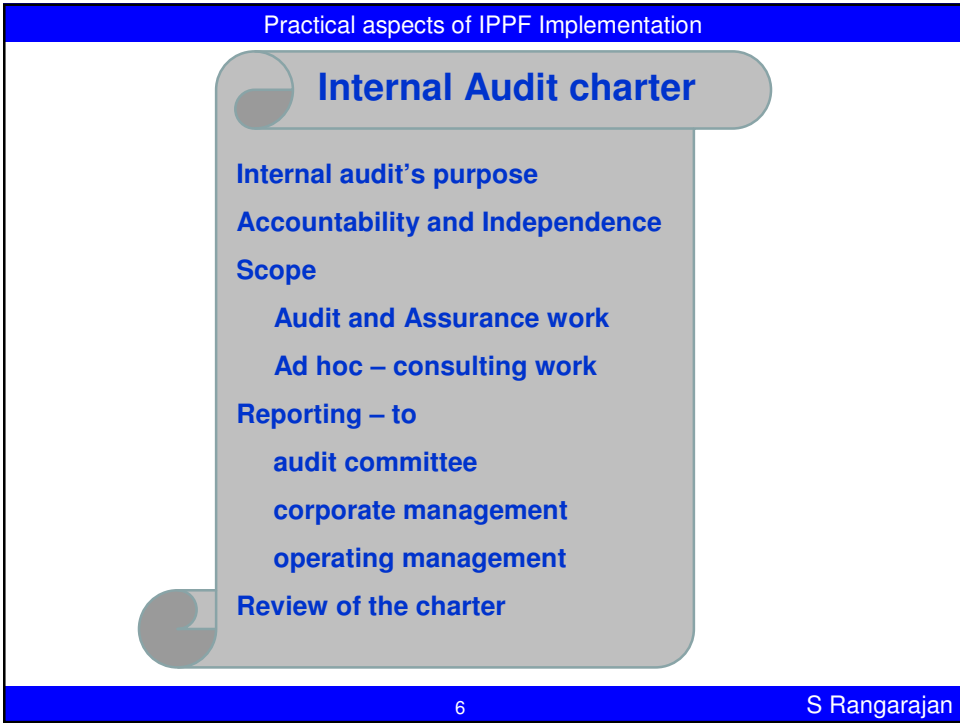
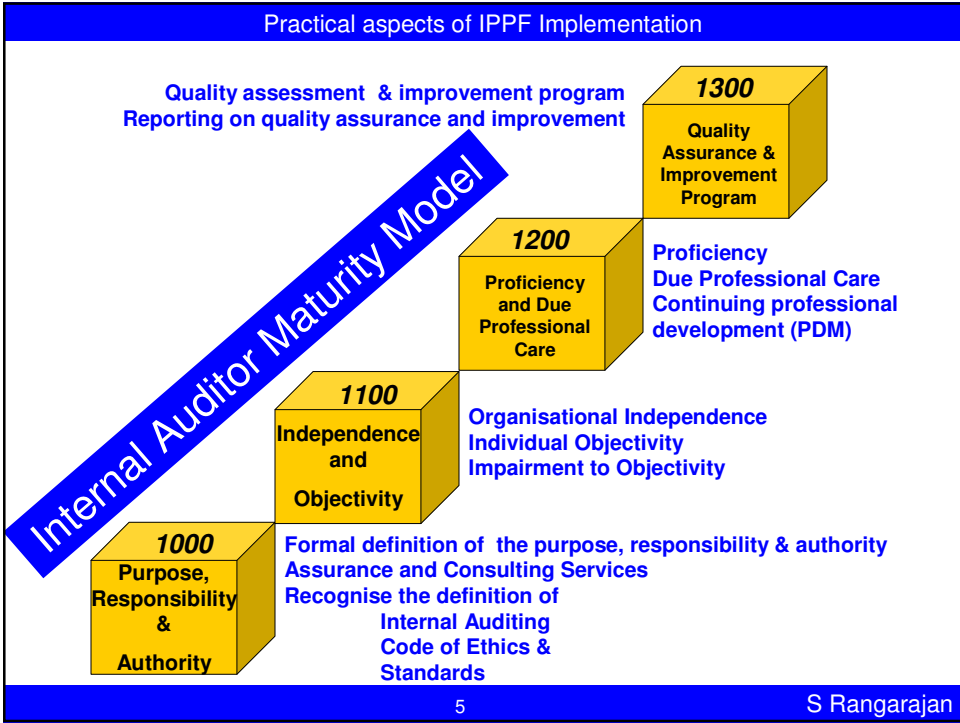
Plastic and rubber components

Corrosion inhibitors

Raymond

The Complete Man





Independence

Organisational independence

Reporting that would allow independence

Direct interaction with the board

Individual objectivity

Impairment to independence

Proficiency and Due professional care

Proficiency

seek external advise where required
knowledge to evaluate risk
information technology risk
what in case of consultancy engagements

Our team

External assistance sought

Technical audit

IT audits

Compliance audit

Proficiency and Due professional care

Due professional care – consider
extent of work for getting the objective
look at complexity, materiality
effectiveness of governance, risk and controls
possibility of fraud, errors

Analyse previous audits
Evaluate the current environment
Business / system complexities

Quality Assurance

To include both internal and external assessment

Internal to be ongoing and periodical

At the end of each audit and

Annual assessment

Internal Questionnaires for Survey

External – an emerging concept for internal audits

Similar to peer reviews

independent peer review – once in five years

Managing the Internal Audit Activity

Planning

Communication and Approval

Nature of Work

Resource management

Performing the engagement

Reporting to Senior management and Board

Engagement Planning

Planning considerations

Nature of operations and size and complexity of the business

Engagement objectives and scope

Business complexity, spread

Previous audits

Inputs from the Audit Committee

Inputs from Senior Management

Inputs from External Auditor

Engagement Work program

Non standard and tailor made

Practical aspects of IPPF Implementation			
Audit Universe	Site 1	Site 2	Site 3
Assets			
Capex - post completion audits	✓		✓
Cash and Bank	✓	✓	✓
Receivable review	✓	✓	
Loans and advances	✓		
Stores	✓	✓	✓
Compliance			
Factories Act, ESI, PF, PCB	✓	✓	✓
TDS	✓	✓	✓
Excise - Cenvat and Service Tax	✓	✓	✓
Sales tax	✓	✓	✓
Income			
Sales	✓	✓	✓
Expenses			
Repairs and maintenance	✓		
Purchase and Payables	✓		
Payroll	✓	✓	✓
Insurance	✓		
Operations			
Material account reconciliation		✓	✓
Scrap	✓	✓	
Sub-contractor operations	✓		

Practical aspects of IPPF Implementation	
Communication and approval	
Details presented to the audit committees	
Prioritisation and frequencies agreed	
Audit plan approved by Audit committee	
Ad hoc audits	
BOM audit	
Payroll	
New systems validation	

Nature of Work

Governance

Participate in policy making

Risk Management

Role of facilitator and not assessor

Control Assurance

Resource Management

Composition of our strength

Rotation of staff into operations

Seek assistance from technical team

Performing the engagement

Identifying information

SAP conversant
Drilling the entire population

Analysing information

Documentation

Primarily system and soft unless it is very essential to be hard

Performing the engagement

Engagement supervision

Communicating results

Draft reports
Interim reports
Final reports
Executive summary
Presenting to the management team – NSM/AM/AAs

Practical aspects of IPPF Implementation

Categorisation of audit observations

CATEGORISATION	FINANCIAL IMPACT	NON FINANCIAL CONSIDERATIONS	Recommended resolution – as early as possible but definitely not later than
High	Irrespective	<u>Present and potential</u> Statutory/Legal Implications/criminal proceedings	Immediate but not later than 7 days
	> Rs 25 Lakhs	Misstatement of financial information, damage to reputation, repeat audit finding, significant group policy violation and control weaknesses	15 days
Medium	> Rs 10 Lakhs upto Rs 25 Lakhs	Lack of business unit policy and procedures, misstatement of financial information, control weaknesses that could lead to above	30 days
Low	< Rs 10 Lakhs	Control weakness that may not be significant & suggestions for improvement	45 days

S Rangarajan

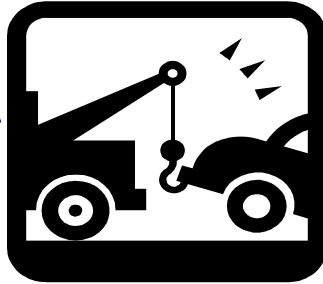
Practical aspects of IPPF Implementation

Rating on internal controls

Rating	Remark	Indicative Environment
1	Non existent	No system and No control
2	Not satisfactory	System is not adequate – control weakness
3	Needs substantial improvement	Systems and controls exist but not effective
4	Good	Systems and controls are effective and can be improved
5	Excellent	Systems and controls operating effectively

S Rangarajan

**Position
yourself
here**



**And not
here**



The journey was begun long back

**With turbulences
in the environment**



We have a long way to go

More mature and confident we are

We are better equipped

Have a great day

Thanks for the opportunity

sr.rangarajan@scl.co.in
rangeetha@gmail.com