Understanding Internal Audit, Evaluating Opportunities and growing practice

PREFACE

Summary

- **BOARD's scope:** Identify, formulate, review & update/ revise SIAs & Guidance notes.

- *SIA's are a set of minimum requirements that apply to all members of the ICAI while performing internal audit (IA) of any entity or body corporate*

- *OBJECTIVE of SIAs: to ensure a consistent approach and quality in the discharge of their professional duties*

- **SIAs are mandatory for members performing IA's u/s 138 of Companies Act, all other companies after one year from date of SIA; and (both) after notification by ICAI (not yet notified by council)**
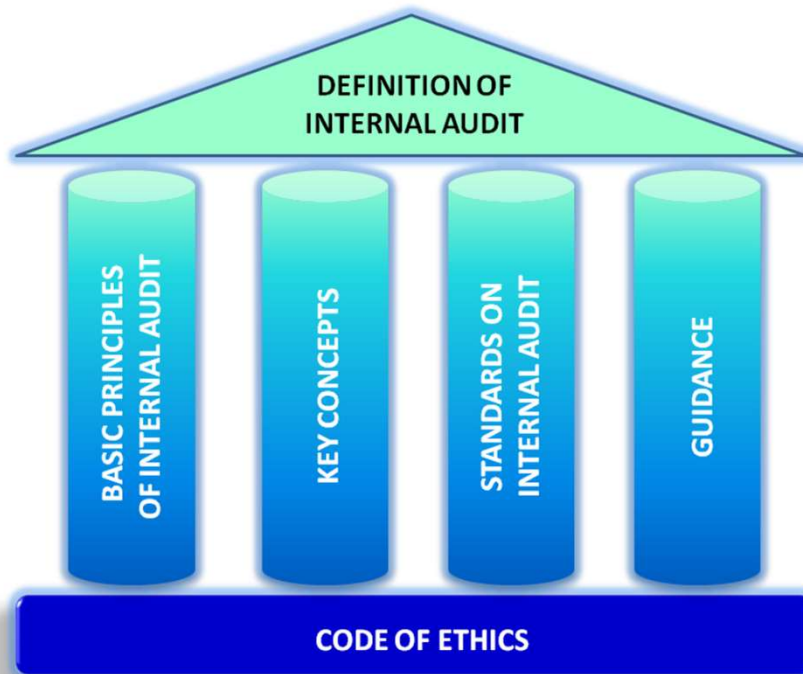
SIA's

- **SIAs:** To be Principle Based, Professional judgement-'Substance Over Form'

- **SIA content:** Introduction, Objective, Requirements, Explanations, Effective Date

- **Series of New SIAs:** <u>100</u>= Key Concepts, <u>200</u>=IA Management, <u>300-400</u>=Conduct of Assignments, <u>500</u>= Specialized areas, <u>600</u>=QC, <u>700</u>=Other   *(overrides earlier SIAs)*

DEFINITION OF INTERNAL AUDIT

BASIC PRINCIPLES OF INTERNAL AUDIT

KEY CONCEPTS

STANDARDS ON INTERNAL AUDIT

GUIDANCE

CODE OF ETHICS

CODE OF ETHICS:
CA Act, ICAI-Code of Ethics & ICAI Pronouncements

Internal audit provides <u>independent</u> assurance on the effectiveness of <u>internal controls and risk management</u> processes to enhance <u>governance</u> and achieve <u>organizational objectives</u>

BASIC PRINCIPLES OF IA   (Covered in Next Slide)

1. INDEPENDENCE
2. INTEGRITY AND OBJECTIVITY
3. DUE PROFESSIONAL CARE
4. CONFIDENTIALITY
5. SKILLS AND COMPETENCE
6. RISK BASED AUDIT
7. SYSTEMS AND PROCESS FOCUS
8. PARTICIPATION IN DECISION MAKING
9. SENSITIVE TO MULTIPLE STAKEHOLDER INTERESTS
10. QUALITY AND CONTINUOUS IMPROVEMENT

KEY CONCEPTS (SIA-100 Series)

1. NATURE OF ASSURANCE (SIA:110)
2. INTERNAL CONTROLS (SIA:120)
3. RISK MANAGEMENT (SIA:130)
4. GOVERNANCE PROCESS (SIA:140)
5. COMPLIANCES WITH LAWS (150)

SIA's

19 SIA's

GUIDANCE

Various Guidance Notes, Technical Guides

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BASIC PRINCIPLES OF INTERNAL AUDIT

All internal audits shall be performed based on these basic principles, and <u>departures from these principles shall be appropriately disclosed in internal audit report</u> or other similar communication.

Sr.	Principle	Details
1	INDEPENDENCE	Free of Influence, In Mind & Appearance, resist undue pressure & interference Right positioning in Org. Structure, Powers given, inform limitations in a limited operations role
2	INTEGRITY & OBJECTIVITY	Honest, Truthful, Fair. <u>Objective</u>-Fact & evidence-based working & conclusions free of
3	DUE PROFESSIONAL CARE	Diligence. Due Care to be taken in: Scoping, Risk identification, materiality, skills. Does not guarantee infallibility, does not require to go beyond scope.
4	CONFIDENTIALITY	Need to know-Need to do basis. Distribute reports only to approved list.
5	SKILLS AND COMPETENCE	Should have sound knowledge, strong inter-personal skills, experience, professional expertise to give desired outcome. Or obtain / procure such skills. Should not affect independence & desired audit objectives.
6	RISK BASED AUDIT	To Identify important High-risk areas. To Prioritize. Aligns to Org. Objectives/ strategy, helps resource management

Why Principles: Establish '*Credibility*'; Outline '*Essentials*'; *Quality Outcome*; In-line with Set *Objectives*

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BASIC PRINCIPLES OF INTERNAL AUDIT

Sr.	Principle	Details
7	SYSTEMS & PROCESS FOCUS	Its more sustainable i.e. help error prevention. Shift from Detection to Prevention. Requires shift of focus from People to Process & automation.
8	PARTICIPATION IN DECISION MAKING	Avoid passing Judgements / decisions, just present facts / evidences. Focus on Quality and effectiveness of decision making & improvements in the same.
9	SENSITIVE TO MULTIPLE STAKEHOLDER INTERESTS	Evaluate and present implications on various stakeholders Remain Objective & present a balanced view in case of conflicts
10	QUALITY & CONTINUOUS IMPROVEMENT	Accurate facts, validate findings Self assessments, multi-level review mechanism, adhere to all aspects of ICAI pronouncements

Why Principles: Establish '*Credibility*'; Outline '*Essentials*'; *Quality Outcome*; In-line with Set *Objectives*

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What are various <u>Series</u> / <u>Categories</u> of SIAs ?

100 :   **Key Concepts**   **(5 SIAs)**
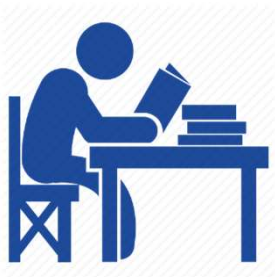
200 :   IA Management   (5 SIAs)

300-400 :   **Conduct of Assignments**   **(7 SIAs)**

500 :   Specialized areas   (2 SIAs)

600 :   **Quality Control**   **(Nil)**

700 :   Other   (Nil)

19 SIAs

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SIA 110 - NATURE OF ASSURANCE

*Applies to those assignments performed by internal auditors **where an opinion is required**, and it clarifies the **minimum requirements** to be in place before an audit opinion report can be issued.*

[Can be applied for Reasonable Assurance or Limited Assurance assignment] (any change in nature of assignment to be documented)

SIA does NOT apply to:-

a. Each observation carries sperate rating
b. If other SIA is to be applied
c. Statutory non-compliance reports
d. Consulting, operations/ technical reviews, due diligence etc. where no opinion is required

Components of Assurance:-
(Engagement Letter should specify)

1. 3 Parties: Internal Auditor, An Auditee and Assurance User;

2. 3 key elements: a Subject Matter, a Pre-defined criteria, and a Conclusive Outcome;

3. A written Assurance Report which expresses an opinion in a standard format
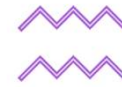
Subject Matter should be:-
(Engagement Letter should specify)

1. Identifiable
2. Measurable v/s. criterion
3. Evidenced

✓ To Apply Professional Judgement
✓ Consensus with Auditee required

Pre-defined Criterion should be
(Engagement Letter should specify)

1. Formal (Ind-AS)
2. Framework (COSO)
3. Mandate (Statutes)
4. Informal (Internal benchmarks)

1. Relevant
2. Complete / Sufficient
3. Reliable
4. Comprehensive
5. Measurable

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SIA 120 – INTERNAL CONTROLS

Internal Controls are <u>systemic and procedural steps</u> adopted by an organization to <u>mitigate risks</u>, primarily in the areas of <u>financial accounting</u> and <u>reporting</u>, <u>operational processing</u> and <u>compliance</u> with laws and regulations

PURPOSE OF SIA IS TO	SIA guidance
Define Internal Controls	<u>Control activities</u>: review, approval, physical count, segregation of duty <u>Types:</u> Manual, Automated, Mix, Preventive, Detective, Corrective, Financials, Operational, Application, ITGC, Entity level, Process level etc.
Explain the responsibilities of **management**	<u>Companies Act S.134</u>, <u>Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014</u>: Overall responsibility of IC's, IFC's is on **Board of Directors** <u>LODR 17(8)</u>: Establishing and maintaining IFC - **CEO & CFO**
Explain the responsibilities **auditors**	Included Internal control reviews in Scope, Fulfil Audit Mandate/s, review Risk Assessment done, follow the SIAs.

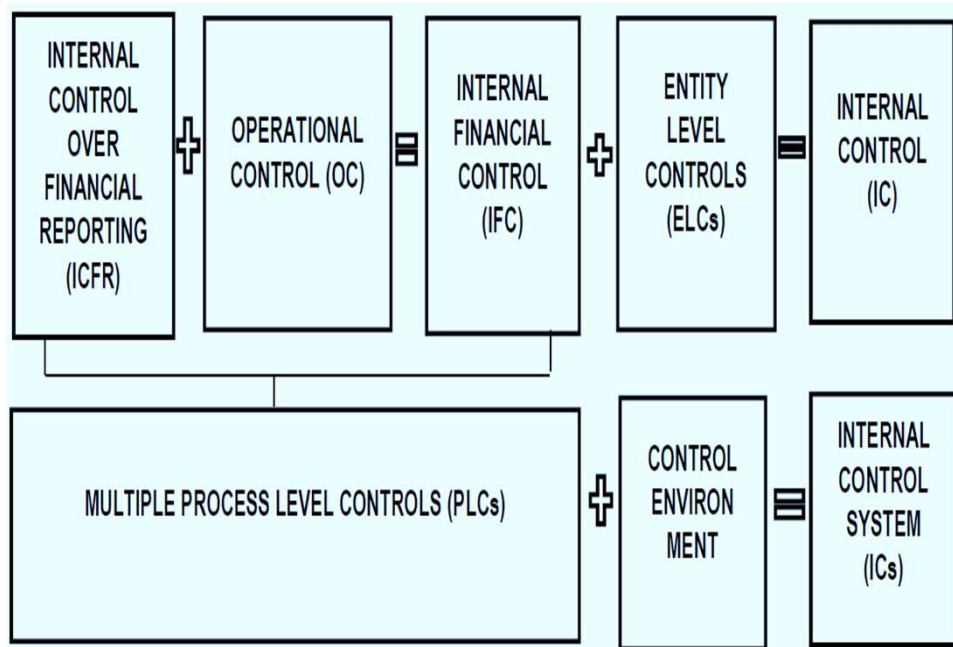*INTERNAL CONTROL OTHER DEFINITIONS REFER:-*
- **SA 315** Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment
- **Guidance Note** on Audit of Internal Financial Controls over Financial Reporting
- **Section 134 (5) (e)** of Companies Act, 2013 Directors' Responsibility Statement

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SIA 120 – INTERNAL CONTROLS

Internal Controls System is a broader term: -

V/S

Internal Controls Frameworks : -

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) + OPERATIONAL CONTROL (OC) = INTERNAL FINANCIAL CONTROL (IFC) + ENTITY LEVEL CONTROLS (ELCs) = INTERNAL CONTROL (IC)

MULTIPLE PROCESS LEVEL CONTROLS (PLCs) + CONTROL ENVIRONMENT = INTERNAL CONTROL SYSTEM (ICs)

- **(SA) 315**, "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment"

- **COSO** (Committee of Sponsoring Organizations) Internal Control – Integrated Framework

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Risk Management is a process with a series of steps, taken on a continuous basis to identify the threats and vulnerabilities, assess them for severity and likelihood, monitor risks, prioritize them for action and to minimize their possible negative impact through mitigation actions.
The process also encompasses the monitoring and reporting of the status of these risks

PURPOSE OF SIA IS TO	SIA guidance
Risk Management Framework (ERM)	Objectives: Strategy, Leadership, Direction, Set culture, Structure, Systems, processes., Integrate into Organization, set tolerance, database, skills, oversight, communication
Explain the responsibilities of **management, Risk Management dept. management**	Companies Act S.134 (3)(n) & Sch.VI-Code for Independent Directors & LODR 17(9): **Board of Directors report are required to evaluate** Companies Act Section 177 (4) (vii): Duty of the **Audit Committee** to evaluate
Explain the responsibilities **auditors**	Conduct Risk Based unless specifically excluded, prioritization of scope based on risk levels, review Risk Assessment done for planning, follow the SIAs. Use: COSO, ISO 31000 etc. , CEO-CFO-IC certification, Self compliance certificates

Risk Categories: Financial, technological, strategic, reputation, statutory / regulatory, EHS etc.

SIA 140 – GOVERNANCE

Governance ensures that everyone is aligned to the best interest of the organization, and <u>does what they are supposed to do, to help achieve organizational objectives</u>

Well accepted underpinnings of good governance:
• Integrity and Accountability
• Trust and Equity
• Transparency and Justice

PURPOSE OF SIA IS TO	SIA guidance
Explain how Governance Activity enhances org. abilities in: - (Also, part of ELC)	Strategy, Leadership, Direction, Set culture, Sensitive to multiple stake holders, collaborative decisions, Structure to resources & its development, prevent undue concentration of power, risk-based prioritization, judicious oversight of business & individual performance, transparent communication to all especially to TCWG
Explain the responsibilities of **management:**	<u>Companies Act S.166, Sch.VI-Code for Independent Directors & LODR Sch II:</u> Duties of Directors LODR has exhaustive list in Sch. II relating to Corporate Governance.
Explain the responsibilities **auditors**	To provide independent assurance regarding the framework unless specifically excluded, follow the SIAs, do not take any operational responsibilities.

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SIA 140 – GOVERNANCE

To Check if organization has implemented various ==enabling mechanisms==, such as: -

1. Shared organization **vision, mission, objectives, goals and targets**

2. Established a **code of conduct** or **ethics** and a **whistle blower mechanism**

3. **Open communication and discussion** with various stakeholders (internal and external)

4. Formed active and functioning **governing bodies** with defined agendas

5. Shared **organisation design and structure** with clearly defined roles and responsibilities of each position

6. **Delegated power and authority** through a formal document, duly approved by the Board

7. Deployed risk-based systems and processes, where possible with technology as a foundation

8. Conduct **regular training programs** to develop staff awareness and competency in the area of good governance

9. Continuously track business performance against budgets and goals

10. Undertake active communication and periodic **reporting of governance to TCWG**

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SIA 150 – COMPLIANCE WITH LAWS AND REGULATIONS

Compliance is following laws in letter & Spirit.
Contravention may result into fines, penalties, closure, and/or litigation

Compliance framework refers to the whole structure, systems and processes put in place to organise the various compliance activities and to integrate them seamlessly into the organization

PURPOSE OF SIA IS TO	SIA guidance
Explain how Compliance Activities enhances org. abilities in: - (Also, part of ELC)	Strategy, Leadership, Direction, Set culture, maintain comprehensive database of compliance requirements, Structure to resources, expertise & competence & its development, risk-based prioritization, monitoring & oversight, reporting to TCWG
Explain the responsibilities of **management:**	Companies Act S.134(5), Sch.VI-Code for Independent Directors & LODR Ch. II, III & IV: Responsibility is of Directors, CEO-CFO Certificate. Companies Act S.205: Functions of Company Secretary
Explain the responsibilities **auditors**	To provide independent assurance regarding the framework unless specifically excluded (or technically not feasible), include compliance aspects in audit procedures, follow the SIAs, do not take any operational responsibilities.

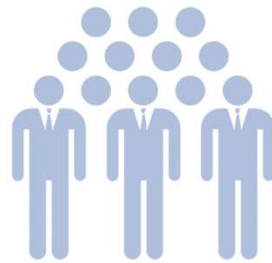CA Murtuza Kachwala

SIA 150 – COMPLIANCE WITH LAWS AND REGULATIONS

To Check if organization has implemented various enabling mechanisms, such as: -

1. Issued compliance policies and implemented supporting procedures

2. Set the right "tone at the top" with supporting messages/ activities

3. Identified all laws and regulations applicable to the entity (created a database of compliances), risk assessed;

4. Designed compliance structure, appointed compliance officers and assigned each compliance to a specific "compliance owners"

5. Regularly conduct training programs for compliance officers and owners, covering knowledge and competency

6. Implemented robust compliance systems, deploying technology (where possible), to monitor their progress

7. Continuously tracks performance

8. Established timely communication and periodic reporting systems and protocols, including issuance of self-assessment and compliance certificates

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SIA 210 – MANAGING THE INTERNAL AUDIT FUNCTION

TEAM: CIA + Members + External experts
[Plan, Acquire, Engage, Review performance, training & development]

ACTIVITIES OF IA TEAM: -
- Overall Plan
- Scope
- Methodology
- Execution
- Monitor
- Reporting
- Quality evaluation
- Improvement programs

RESPONSIBILITIES: -
- Mandate is fulfilled
- Adequate skills, expertise & competence
- Systematic, disciplined, time bound & professional execution
- Evidence & documentation
- SIA & ICAI pronouncements are followed

REQUIREMENTS / DOCUMENTS
- Well documented IA process
- Resourcing plan
- Progress monitoring reports
- Formal Quality plan

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SIA 220 – CONDUCTING OVERALL INTERNAL AUDIT PLANNING

- ✓ Planned at start of period / year
- ✓ Required under Companies (Accounts) Rule 13(2) by BOD
- ✓ Presented to BOD, ACM etc. by CIA
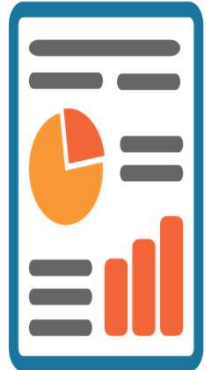
KEY ELEMENTS: -
1. Entire Organization, businesses, locations, legal entities, 3rd parties etc.
2. Risk assessment
3. Periodicity

OBJECTIVES of Plan:-
1. Aligned to Charter & organization objectives
2. Confirm with TCWG the scope, methodology, depth, timelines
3. HR & other resource planning
4. SIA & ICAI pronouncements

REQUIREMENTS / DOCUMENTS
- Planning process document
- Knowledge of entity document
- Audit Universe, Risk Assessment document
- Technology deployment plan
- Progress monitoring reports
- Summary of various meetings
- Approved IA plan & Resources plan & allocation, Plan change document

SIA 230 – OBJECTIVES OF INTERNAL AUDIT (IA)

ELEMENTS: -

Objectives should be:

➢ Consistent with IA definition
➢ Depends on Size, Structure, complexities of Org. Subject matter.
➢ Usually decided by BOD, ACM, Owner, management
➢ Confirming formation of IA function
➢ Providing clarity to all stakeholders
➢ Added in Charter / Engagement letter

THE OBJECTIVES of IA (SA 610): -

✓ Monitoring of internal controls
✓ Examination of financial and operating information
✓ Review of operating activities
✓ Review of compliance with laws and regulations
✓ Risk management (Assess, Monitor)
✓ Governance (Assess, Monitor)

CHARTER / ENGAGEMENT LETTER: -

- Objectives, Mission, Vision of Internal Audit Function
- Authority, Roles & Responsibilities, Independence, Accountability
- Scope, Exclusions, Methodology, Timing, Report format, reporting structure,
- Limitations, confidentiality
- QC, SIA conformance
- Distribution lists, Approvers
- Working paper ownership
- Resource plan, Fees, Budget

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SIA 240 - USING THE WORK OF AN EXPERT

Considerations for employing an Expert: -
- ✓ Independence, Objectivity
- ✓ Competence, Expertise, Experience, Quality Standards
- ✓ Outcome should be credible, reliable

All should be part of engagement letter

ENSURING INDEPENDENCE & OBJECTIVITY: -
- IA should only appoint & supervise
- External better than Internal
- Relationship of expert with Company
- Personal / Financial interests

(take declarations wherever required)

EVALUATING OUTCOME
- ✓ REVIEW REPORT / FINDINGS
- ✓ EXTENT & THOROUGHNESS OF PROCEDURES
- ✓ MISSING INFORMATION / ACCESS
- ✓ REVIEW WORK PAPERS
- ✓ HARMONY & CONGRUENCE

Internal Auditor (IA) to Ensure: -
1. Get approval from management / get authority
2. Evaluation of qualifications, credentials, background check
3. Participation in defining scope, approach, work activities etc.
4. Evaluate outcome and be responsible for it.
5. No ongoing / pending Disciplinary proceedings

DEFINING SCOPE / PARTICIPATION BY IA
- Audit objectives, enlist technical procedures planned
- Inclusions, Exclusions in subject matter
- Requirements, Limitations, Assumptions
- Extent of access to required systems, locations, records and company personnel
- Confidentiality, Ownership of workings

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SIA 250 - COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

"Those Charged with Governance (TCWG)" refers to either an individual, or a body of individuals, or a separate legal entity with **the responsibility for overseeing the strategic direction and accountability** of the organization.

IA SHOULD ENSURE: -
- ✓ Continuous communication
- ✓ In a process driven manner
- ✓ Establish certain Essentials to communicate regularly
  (make it part of Charter / engagement letter)

Communication should be: -
- Independent
- Definite (Form, Content, Who & how)
- Effective
- Timely
- Sensitive matters (management override, fraud indicators, delays, non-co-operation, unreasonable hurdles)

WHAT TO COMMUNICATE
- **Plan v/s. Actual** – scope, resources, cost, schedule
- Risk Assessment outcomes
- Significant observations & action plan
- Previous action / implementation status

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SIA 310 PLANNING THE INTERNAL AUDIT

➢ Subset of Overall IA Plan
➢ More specific (location, process)
➢ Usually take Short time
➢ Outcome: IA Assignment Plan

OBJECTIVES OF PLANNING:-
- Alignment with Overall IA plan
- Sound basis for Assurance
- Adequate time & Resources
- Efficient & Effective execution
- Conformance with SIAs

AUDIT PLAN – 1 :-
- Scope, Objective, reason for area
- Knowledge of Business / unit, Tech.
- Past / Known Issues, other reports
- Meeting with Stakeholder & Inputs
- Risk & Control Document
- Approach, Methodology

AUDIT PLAN – 2 : -
- Skills & Resources required
- Technology / Tools required
- Specific Audit Procedures
- Final IA Plan & its approval

REQUIREMENTS / DOCUMENTS
- Planning process document
- Requirements of evidences with all above characteristics should be part of IA program

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SIA 320_INTERNAL AUDIT EVIDENCE

"Internal Audit Evidence" refers to all the information used by the Internal Auditor in arriving at the conclusions on which the auditor's opinion is based.

CHARACTERISTICS OF EVIDENCE:-
- *The evidence collected must stand on its own and not require any follow-up clarification or additional information to arrive at the same conclusion*
- Can be underlying documents or audit procedures / workings

Should be: -
- *Sufficient (quantity)*
- *Appropriate (quality / relevance)*
- *Reliable (source-internal / external)*
- *Consistency (between sources)*

COLLECTION & RECORDING: -
- Should be reproduceable (copied & independently reviewed)
- Authentic (untampered)
- Source is evidenced

REQUIREMENTS / DOCUMENTS
- Written policy & process on audit evidence
- Requirements of evidences with all above characteristics should be part of IA program

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SIA 330_INTERNAL AUDIT DOCUMENTATION

"Internal Audit Documentation" (working papers) refers to the written record (electronic or otherwise) of the internal audit procedures performed, the relevant audit evidence obtained, and conclusions reached by the Internal Auditor

Objectives of Audit Documentation: -
1. Validate / support the audit findings
2. Aid in the supervision and review
3. Establish conformance with SIAs

The internal audit documentation must stand on its own and not require any follow-up clarifications or additional information to arrive at the same conclusions

Should be / contain: -
- Record nature, timing, extent of audit activities & be reviewed
- Purpose, Source, performer, reviewer. Arranged logically.
- *Reproduceable* (copied & independently reviewed)
- *Complete & Sufficient* (quantity)

- *To be completed before issue of report / opinion or within 60 days of release*
- Ownership & Custody with IA.
- Retained as per legal requirements.

Includes: -
- Electronic, hard copies
- Notes, minutes of meetings, letters of confirmation, representation, checklists, correspondence
- Contracts, bills – evidences
- Professional judgement required

REQUIREMENTS / DOCUMENTS
- Written policy & process on audit documentation
- Work paper files for each audit assignment, reviewed and approved with cross reference to the Internal Audit Program

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SIA 350 REVIEW AND SUPERVISION OF AUDIT

"Review" refers to the examination of audit plan and procedures, collection of audit evidence, conclusions drawn therefrom and documenting the working papers *(at End)*

"Supervision" refers to the oversight of the audit activities and the provision of overall guidance for the achievement of audit objectives *(Ongoing)*

Review: -
- Objectives, plan, program, work allocation
- Sampling, evidence, expert, quality, findings
- Complexity, Draft, Final report, follow ups

Supervision: -
- Priority & sequence
- Documentation, findings
- Reviewers feedback

Objectives:-
- Revisit audit & resource plan
- Evaluate audit procedures

Other Considerations: -
- Periodicity & Extent needs planning and depends on nature, complexity, automation & competency of staff
- To Ensure requirements of Audit Documentation, Audit Evidence, using work of expert etc. are fulfilled
- At least one up-level review
- Can be delegated if staff has requisite capabilities, Assess timeliness
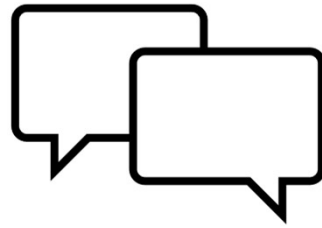
REQUIREMENTS / DOCUMENTS
- Written policy & process on review & supervision
- Requirements of evidences with all above characteristics should be part of IA program

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MANAGEMENT = Executives

COMMUNICATION = verbal, written, electronic etc.

OBJECTIVES:-

- Ensure <u>consensus</u> with management for scope, approach, objectives, timing.
- <u>Inform</u>, <u>persuade</u> and <u>act</u> on matters important for audit. Resolve conflicts.
- Agree on <u>process</u>, <u>protocols</u> etc.

PROCESS & PROTOCOL: -

- **Mode** (verbal, written, Elec.)
- **Channel** (VC, email, phone, written)
- **Timelines** (emergency, weekly etc.)
- **Content** (status, findings, hurdles)
- **Participants** (operational, HODs)

REQUIREMENTS / DOCUMENTS

- Written policy & process on communication with management as part of IA Manual
- Requirements of communication should be cross referenced to IA program

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SIA 370_REPORTING RESULTS

- <u>Report to</u>: TCWG & distributed as per authorized list
- <u>At End of audit</u> / as mandated
- Highlight <u>effectiveness</u> of Internal Controls & Risk Management

(SIA doesn't cover: Periodic & Assurance reports)

Other Considerations:-
- *No final report to be given unless written <u>draft report</u> has been shared*
- Should be shared within reasonable <u>time</u> post completion of audit
- Mention conduct was in accordance with <u>SIAs</u>
- Assurance reports-ref. SIA 380

CONTENT & FORMAT (PPT, PDF etc.)**:-**
- Scope, Objectives, approach,
- Extent of procedures, sampling, statistics, omissions
- Executive summary
- Detail report, Risk, Root cause, implications, recommendations
- Action plan, due dates
- Declarations, Disclaimers, Sign

REQUIREMENTS / DOCUMENTS
- Copies of Draft & Final signed reports (UDIN)
- Management action plans

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SIA 390_ MONITORING AND REPORTING OF PRIOR AUDIT ISSUES

- IA responsible to <u>check</u> Action Taken
- Management Responsible for Action
- Report to TCWG for status & open issues / escalate in case of delays or changes in Action plan

MONITORING:-
- To check after given <u>due date</u>
- <u>Confirm</u> before re-checking
- Reasons for <u>postponing</u> required in writing
- <u>Auto-alert system</u> can be also implemented
- If remains open after escalation get written response that management accepts the risk

CLOSURE IF: -
- <u>Critical issues</u>: Re-audit to confirm risk is mitigated
- <u>Medium risk</u>: documentation-based closure is acceptable
- <u>Low risk</u>: written note is ok
- Documentation for all above to be maintained

REQUIREMENTS / DOCUMENTS
- Written policy & process on monitoring, escalation, closure
- Various evidences, responses, status reports to be maintained

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SIA 520_ INTERNAL AUDITING IN AN INFORMATION TECHNOLOGY ENVIRONMENT (ITE)

I.T.E = IT Infrastructure including Hardware, IT Architecture, OS, Network, Storage systems, Application software's, Data, Interfaces, ERPs, CRM, Dealer & Channel management, E-comm., RPA etc. (managed by Company)

Nature of Risks are Different in ITE
IA to check IT controls, Same objectives

REQUIREMENTS:-
- Understanding Business & ITE
- Skills / Experts for various areas (DISA, ERP, CBS, OS, Databases, Networks, AI, ML, RPA, Audit Tools etc.)
- Risk Assessment, Audit Approach
- IT Audit planning

AUDIT AREAS-
IT Strategy, Governance, Oversight, ITGC, Automated controls, System reports, IT Ops, Cyber, GRC, DRP, BCP, Self development, UATs

AUDIT EXECUTION:-
- Test of Design
- Implementation & operating effectiveness testing
- Identify & Report control gaps, operating deficiencies, Violation of procedures & Laws

HOW
- System Configurations, Walkthroughs, Inspections
- Interviews (incl. users)
- Use of Various special tools
- Data Analytics
- VAPT, Ethical Hacking

AUDIT EXECUTION:-
- Test of Design
- Implementation & operating effectiveness
- Identify & Report control gaps, operating deficiencies, Violation of procedures & Laws

REQUIREMENTS / DOCUMENTS
- Documented: ITE understanding, Risk Assessment, Approach, Audit Plan, Work papers, Reports etc.

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SIA 530_ THIRD PARTY SERVICE PROVIDER (TPSP)

TPSP through Third Party Audit & Assurance (TPAA) Report can provide assurance of control environment & risk management
(Agreement should provide for it)

IA review:-
- Review pre-post due diligence done
- Understand scope of TPSP activities
- Evaluate TPAA report (Apply SIA 240)
- Based on above identify risks & plan independent audit (if provided in agreement)

TPSP Independent Audit Scope: -
- ELCs, ITGC, Application controls, Process Controls
- Performance monitoring controls
- Procedures to monitor service, control design, implementation & operating effectiveness

Elements to test in TPSP arrangements: -
- Comprehensive TPSP database exists ?
- Business criticality of TPSPs, ranking
- Objectivity in selection & appointment
- Roles & Responsibilities of user entity officials, ethical dealings ?
- Independent Legal review done ?
- SLAs agreed, monitored ?
- Systems & Controls secure & available ?
- Oversight mechanisms defined ? Exercised ?

REQUIREMENTS / DOCUMENTS
- Written policy & process on audit evidence
- Requirements of evidences with all above characteristics should be part of IA program

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Thank you *for being a lovely audience, learning together is always a pleasure….*

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