

Internal Audit Manual

Storyline...

The Client is a public listed company in Bhutan, leading in the business of financial services including Insurance, Annuity, and Credit products. Client's Internal Audit requirements are serviced by its in-house Internal Audit Department (IAD).

MaGC was engaged by the Client to develop a comprehensive IAM as part of streamlining its IA function.

Once upon a time...

Client's IA Charter envisaged a broad role for IA function, also, the country's corporate governance requirements demanded good quality IA assurance.

However, IAD was focussing on operations audit focussing on adherence to documentation procedures. Aspects such as financial accounting audit, financial statement audit, etc. were not undertaken. IAD did not follow structured processes, procedures, or specific auditing standards.

Client's Management appointed MaGC to prepare an Internal Audit Manual (IAM) that was expected to serve as a ready reference for IAD and help to improve the efficiency and effectiveness of internal audit. IAM was expected to cover audit activities across RICB that directly impact its financial statements.

Moving on...

MaGC team commenced the engagement with a preliminary study of the existing Internal Audit Charter, Internal Audit Organisation set up, Audit Calendar, Internal Audit Coverage, existing audit reports, and so on. During the study, the team collected samples of existing working paper files, and reviewed existing documents/reports. Based on this study, the contents of the IAM were prepared, brainstormed with Client's IA team, and finalised. This stage was followed by detailed fieldwork involving interviews with key Audit personnel regarding Audit agenda, Audit processes, documentation procedures, audit methods, tools used, and so on. Based on the discussion, the team started outlining the key Audit practices and checklists.



MaGC prepared the IAM with focus on equipping the IA department with requisite tools and techniques to effectively 'audit through the computer'. The IAM was prepared in adherence to IIA's IPPF Standards.

The chapters in the IAM were ordered in line with the actual audit process, namely, Organisation, Planning, Fieldwork, Tools & Procedures, Reporting, Follow-up, and overall IA Management. It was supported with

Annexes on the Audit Charter, Code of Ethics, Job Descriptions of various roles, Formats including spreadsheet template for planning & resource allocation, Report formats, etc.

MaGC developed a spreadsheet based IA tool that comprised of 50 checklists for different audit areas under IA's coverage – including checklists for operations, financial accounting, statutory compliance, and physical verification. Each checklist comprised of questions in respect of internal controls in the respective audit area. It enabled Auditors to score the extent of control in respect of each question. These scores get aggregated as audit-area level score and in turn aggregate as total Audit Control Score. The scoring mechanism was automated with dropdowns and colour coded.

Finally...

The IAM helped in standardizing processes within the IAD. IA Head was able to prepare objective Annual Plan and present to Audit Committee. It also helped the team to audit through the computer and ensure better coverage of risk areas. Working paper maintenance and reporting were standardized. Control scores in reports helped in quantifying effectiveness of internal controls and comparing across the organization and between periods. Overall, implementing IAM helped in improving the quality of IA and its assurance to the Audit Committee/Board. MaGC was subsequently appointed in a continuing assignment to train the IA team every quarter and to monitor the progress of the implementation of the IAM.