

Deloitte.



Internal Audit - Your Agent and Catalyst For Growth

British Chamber | Family Business Workshop Series

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Introduction

Who's With You And Our Approach To This Discussion



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Role	Risk Advisory Myanmar, Corporate Governance, Risk Management, and Internal Audit Leader
Cross-Border Work Experience	Malaysia, Thailand, Vietnam, Singapore, Indonesia, and Myanmar
Professional Accolades	<ul style="list-style-type: none">• Association of Chartered Certified Accountants (ACCA)• Chartered Member of the Institute of Internal Auditors (IIA)• MSc Strategic Project Management (University of Heriot Watt)



Roles of Financial and Internal Auditors



Potentials Of High Performing Internal Audit Functions



International Perspectives and Trends



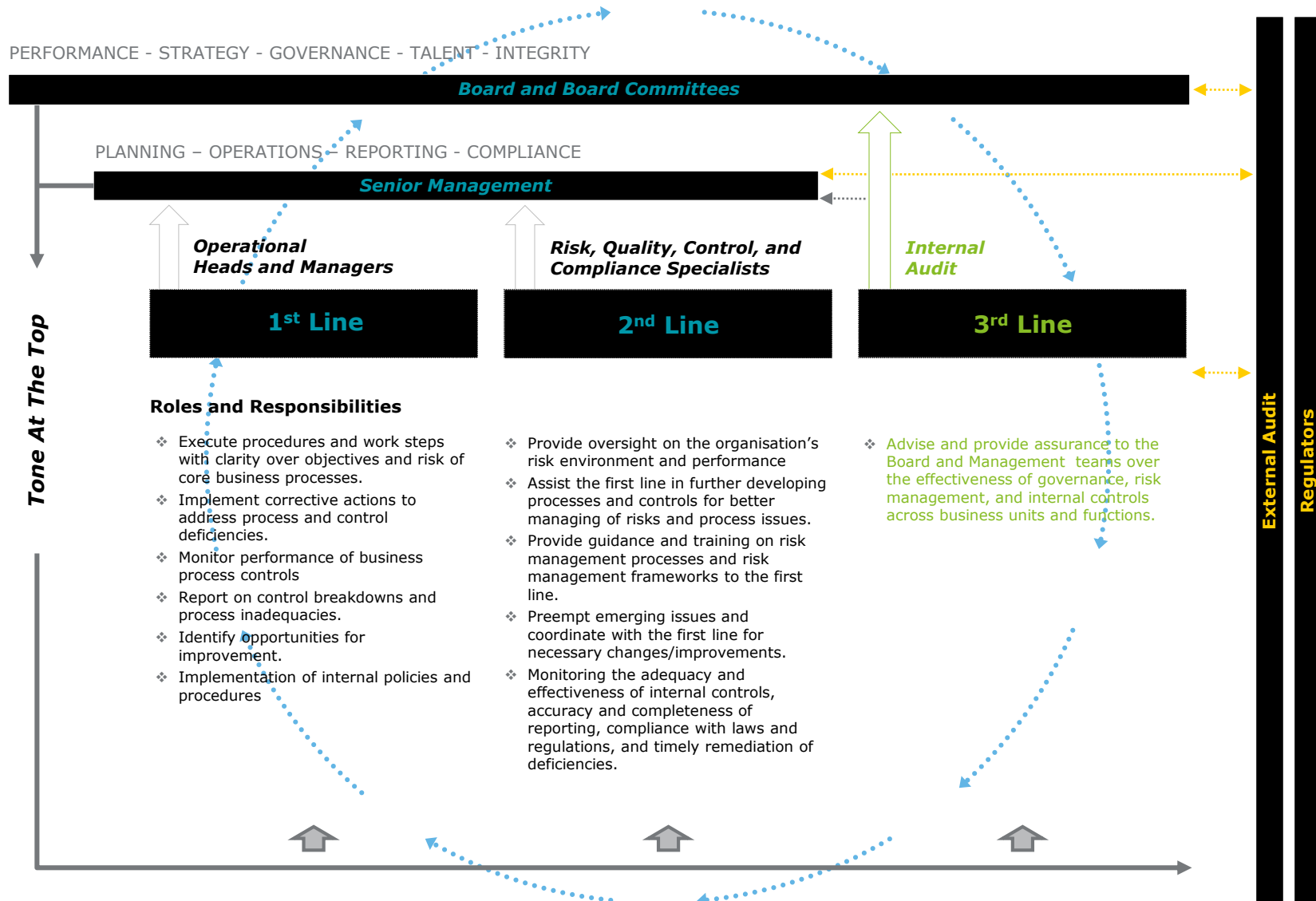
Complexities and Questions To Ask

Audit and Their Roles

Financial And External Auditors

Audit

Three Lines Model



Audit

Financial and Internal Auditors Compared



Testing

Carry out testing routines that involves examining and analyzing many transactions.



Internal Control Systems

Concerned with authenticated procedures and the effectiveness of organization's systems of internal control including the information systems.



Standards

Adopts professional discipline and operate in accordance with professional standards.



Cooperation

Both Internal and External Audit seek active co-operation, as they are inter-dependable.



Reporting

Prepares formal audit reports on their activities.



Mandatory Application

Statutory to listed companies only **VS** Statutory to all business entities.



Conducted By

Employees of the organization, usually an internal auditing department and external party in cases of "outsource/co-source" **VS** Independent third-party auditors licensed by regulator.



Appointed By & Reporting To

Board of directors **VS** Shareholders



Objective

Advise the BOD with regard to risk management and internal controls; compliance to regulatory requirements; business strategic objectives **VS** Provide reasonable assurance that financial information are true and fair.



Scope Of Audit

Covering all organizational units **VS** Limited to financial unit.

Internal Audit

Potentials Of High Performing Internal Audit Functions

Internal Audit

High Performing Functions: Dear Internal Audit, Could You Please?

Dear Internal Audit, could you please:

- 1. Advise us over the potential acquisition in Company ABC we are considering? On paper they seem to be what we are looking for but operationally, there could be major matters of surprise.*
- 2. Review and provide your independent assessment over the CTOs decision to fully-overhaul our ERP systems. Systems to our knowledge were working fine, could you please confirm this for us?*
- 3. Confirm with us that Management have put into place the right monitoring and execution programmes for ensuring our sustainability agenda is accomplished.*
- 4. Assist Management in the organisation restructuring process, your insights over business process controls, people, and systems will be valued.*



Internal Audit

Conventional VS Modern Internal Audit

CONVENTIONAL

- Plan-based auditing
- Value protection role (defensive)
- Audit role only

- Routine audit based on plans
- Sample completion and findings hungry auditors
- Non-collaborative approach

- Accounts receivables and payables monitoring
- Assets safeguarding
- Vendor onboarding

- Financial Accountant
- Managerial Accountant
- Financial Auditor



Role



Tools/Techniques



Focus Area



Skill Composition

MODERN

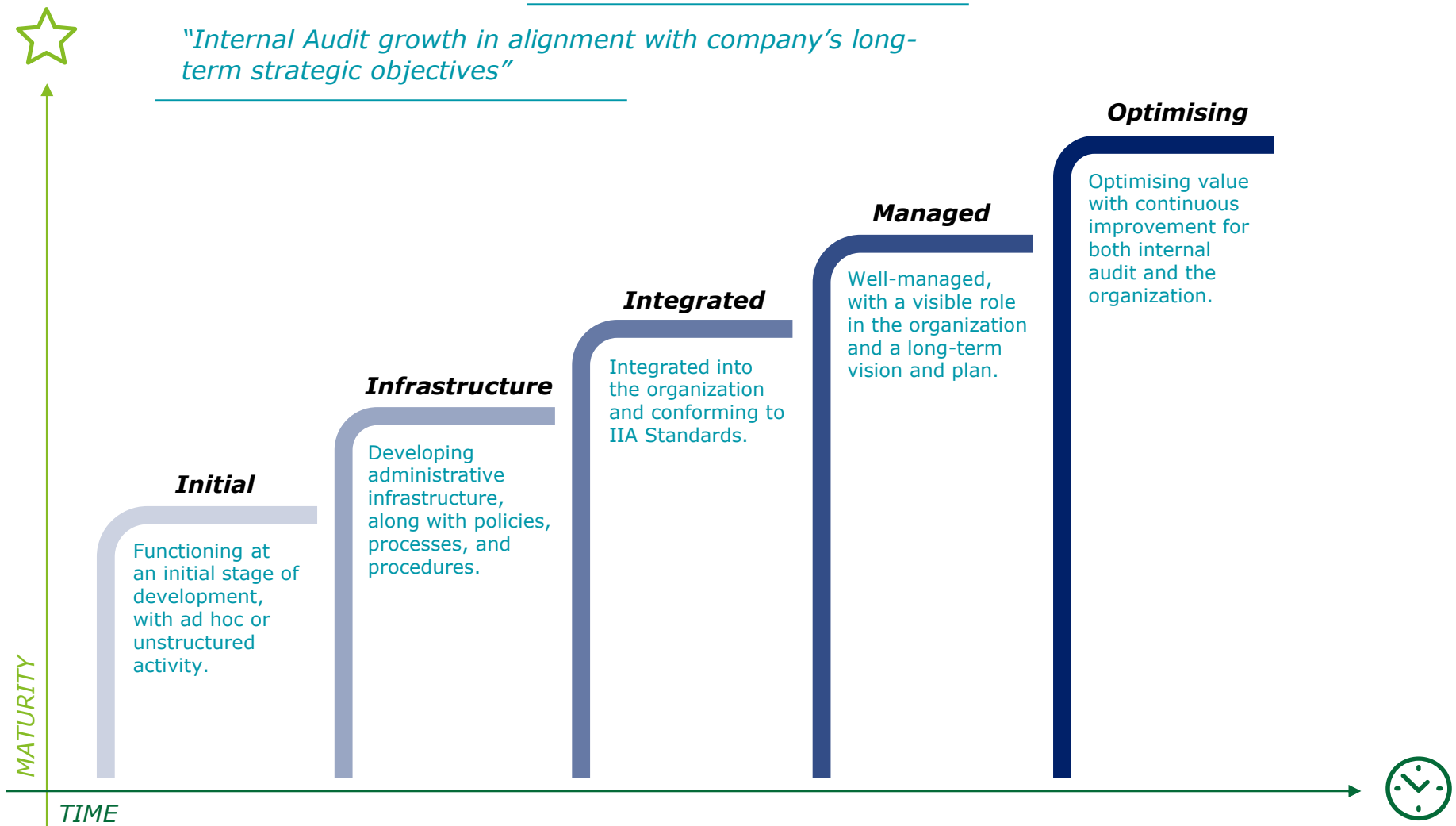
- Live environment based auditing
- Value protection and creation (offensive and defensive)
- Audit and advisory role

- Big Data – Risk based auditing
- Agile Internal Audit
- Predictive Analysis

- Accounts receivables and payables monitoring and advise on improvement opportunities
- Assets procurement and safeguarding
- Vendor onboarding and performance management
- Crisis Management and Sustainability Assurance
- IT/Cyber Audit

- Financial Accountant
- Managerial Accountant
- Financial Auditor
- Information Technology Auditor
- Non-Financial and Non-Audit Professionals

Internal Audit Maturity Model



Internal Audit

Definitions And Key Milestones

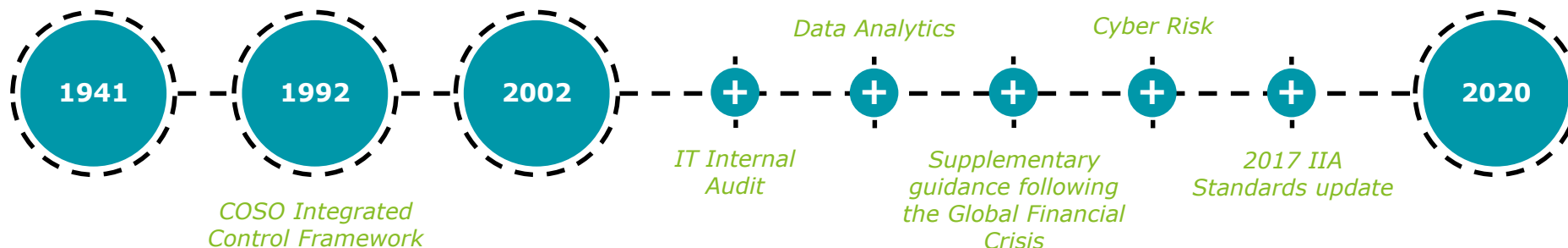
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

- The Institute of Internal Auditors (IIA) -

Internal auditing is the independent and objective evaluation of an organisation's internal controls to effectively manage risk within its risk appetite.

- Association of Chartered Certified Accountants (ACCA) -

The birth of modern internal auditing with the establishment of the IIA



Internal Audit

International Perspectives and Trends

Internal Audit

Introduction to Survey

Deloitte's 2018 Global Chief Audit Executive Survey

- *More than 1,100 IA Leaders*
- *40 countries*

Responses

- *Identify key challenges, strategies and trends of internal audit worldwide.*

Objective

- *Key challenges facing Internal Audit include a shortage of new skills, while analytics is the highest priority.*
- *Internal Audit innovation is linked to stronger impact and influence.*
- *Resourcing models are evolving faster.*
- *Advanced analytics is seeing greater adoption.*
- *Cyber risk assessments are conducted by only about half of Internal Audit groups.*

Key Findings

2020 NORTH AMERICAN INTERNAL AUDIT SURVEY

- *More than 600 IA Leaders*
- *United States, Canada and few other countries*

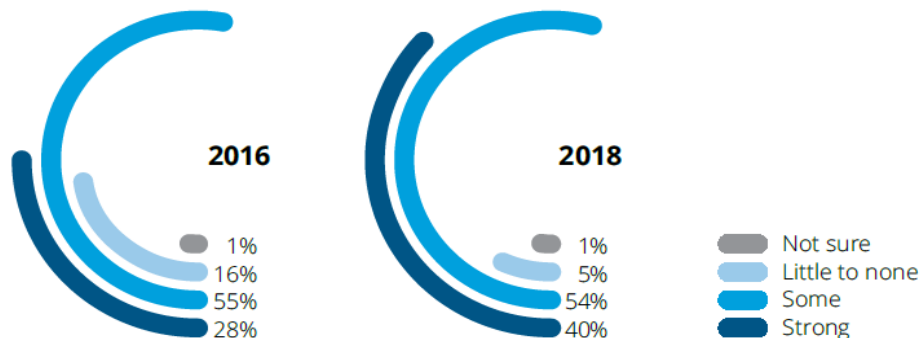
- *Identify key risk, audit plan allocation and sourcing trends.*

- *Cybersecurity and third party relationship are noted as the most significant risks.*
- *Many internal audit plans did not allocate any resources to certain key risk areas such as, cybersecurity, sustainability, and third-party relationships.*
- *A significant majority of CAEs rate their internal audit functions as mature enough to support strategic risk-management, long-term planning, and continuous improvement.*

Internal Audit

Findings From Global Internal Audit Survey

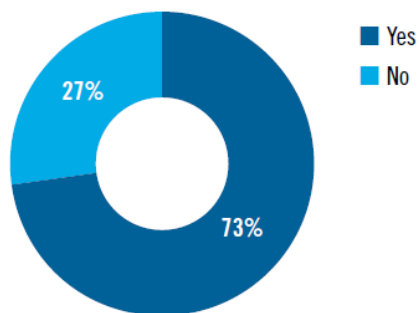
Organisation stakeholders trust over capability of its IA function:



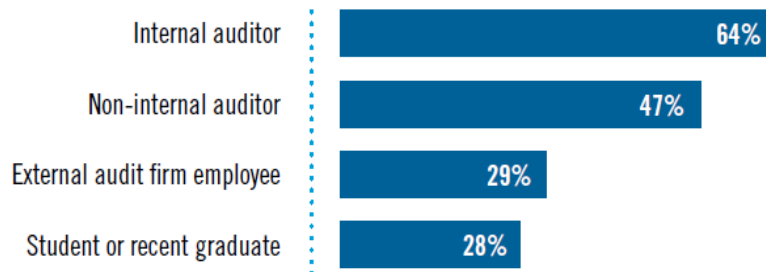
"Although 40% of respondents globally have strong trust in IA's capabilities, in Myanmar, IA is yet to be seen as a significant function within an organisation"

Source: Deloitte's 2018 Global Chief Audit Executive Survey

Hired Internal Audit Staff in the Past 12 Months:



Sources of new personnel:



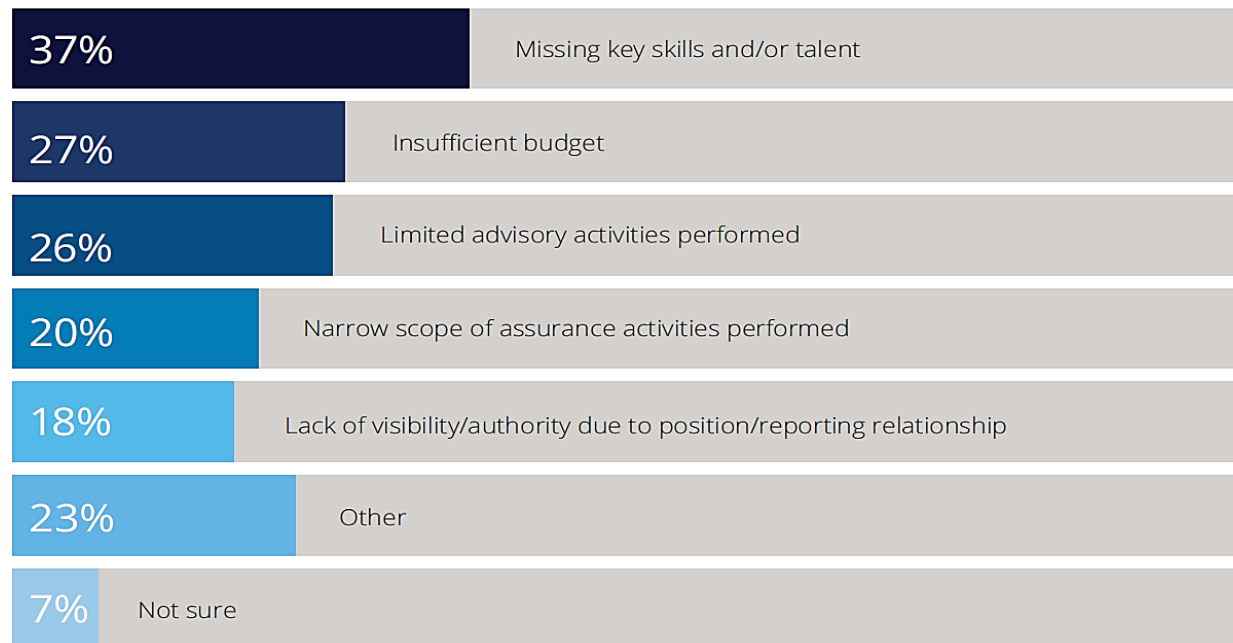
"Out of the new hires of Internal Audit staff in past 12 months, 47% are non-internal auditors"

Source: North America Global Internal Audit Survey 2020

Internal Audit

Findings From Global Internal Audit Survey

Key challenges faced by the IA function in making an impact:

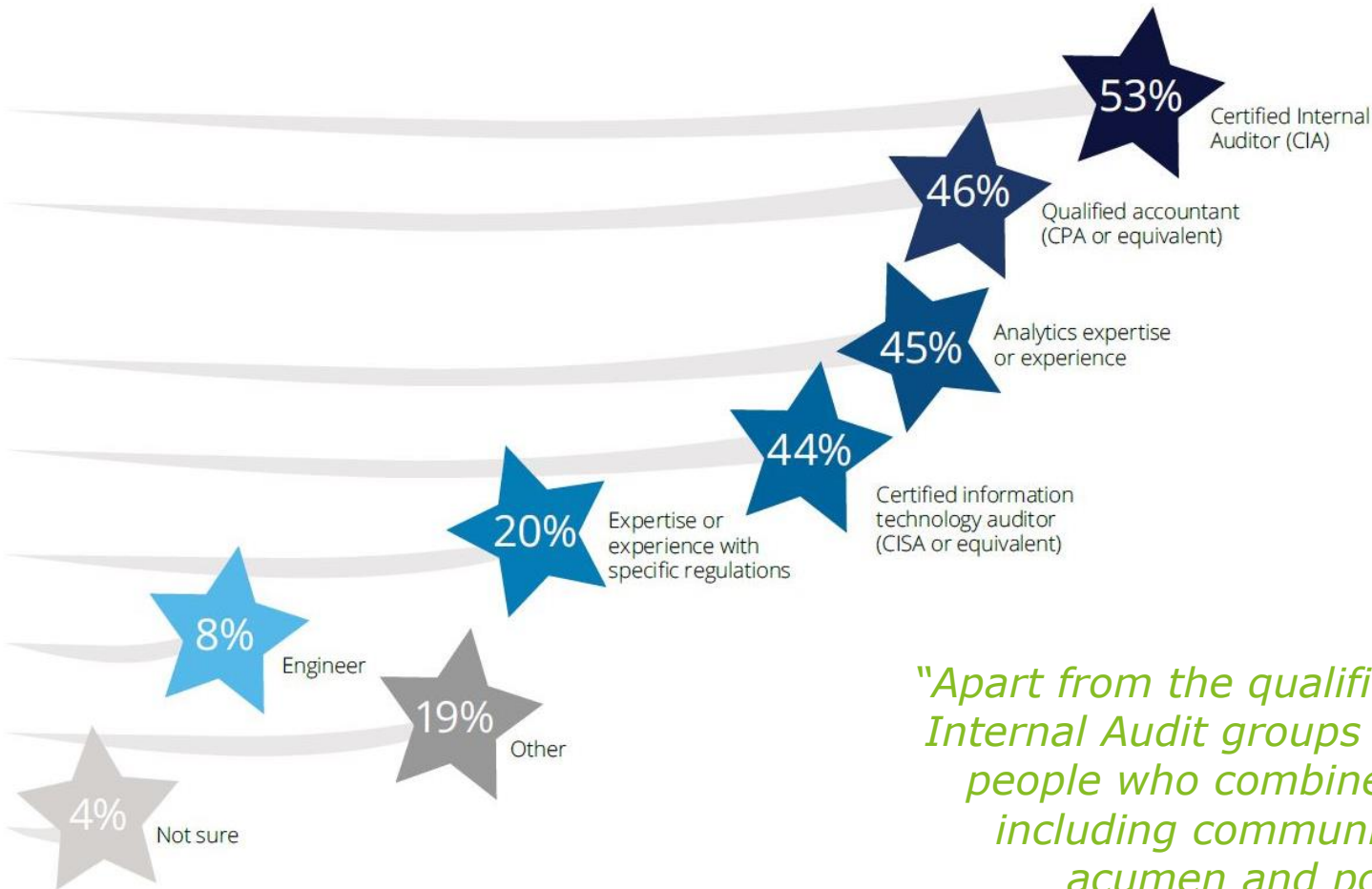


"Missing of key skills and/or talent is also seen as a key challenge in Myanmar besides Management not having clear understanding over IA roles and responsibilities"

Internal Audit

Findings From Global Internal Audit Survey

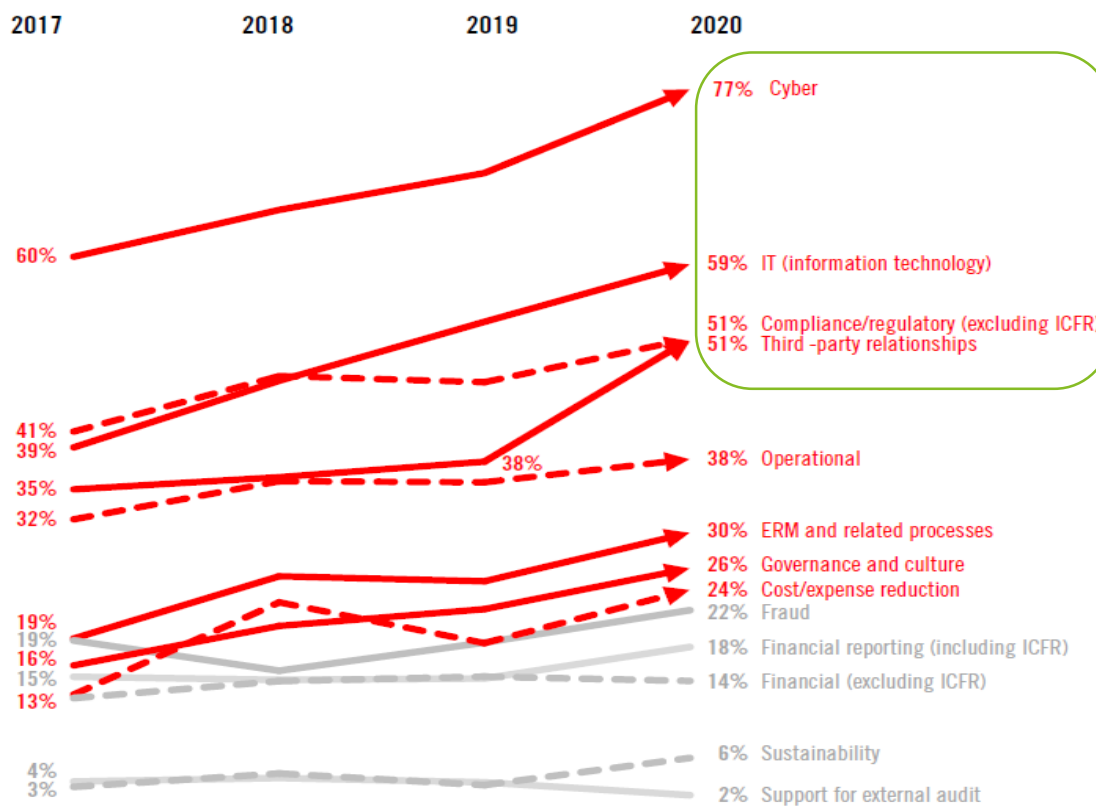
Competencies and/or qualifications most sought out by the Internal Audit function:



"Apart from the qualifications listed above, Internal Audit groups are also seeking for people who combine diverse skill sets including communication, business acumen and political sense"

Internal Audit Findings From Global Internal Audit Survey

Areas Assessed as High/Very High Risk:

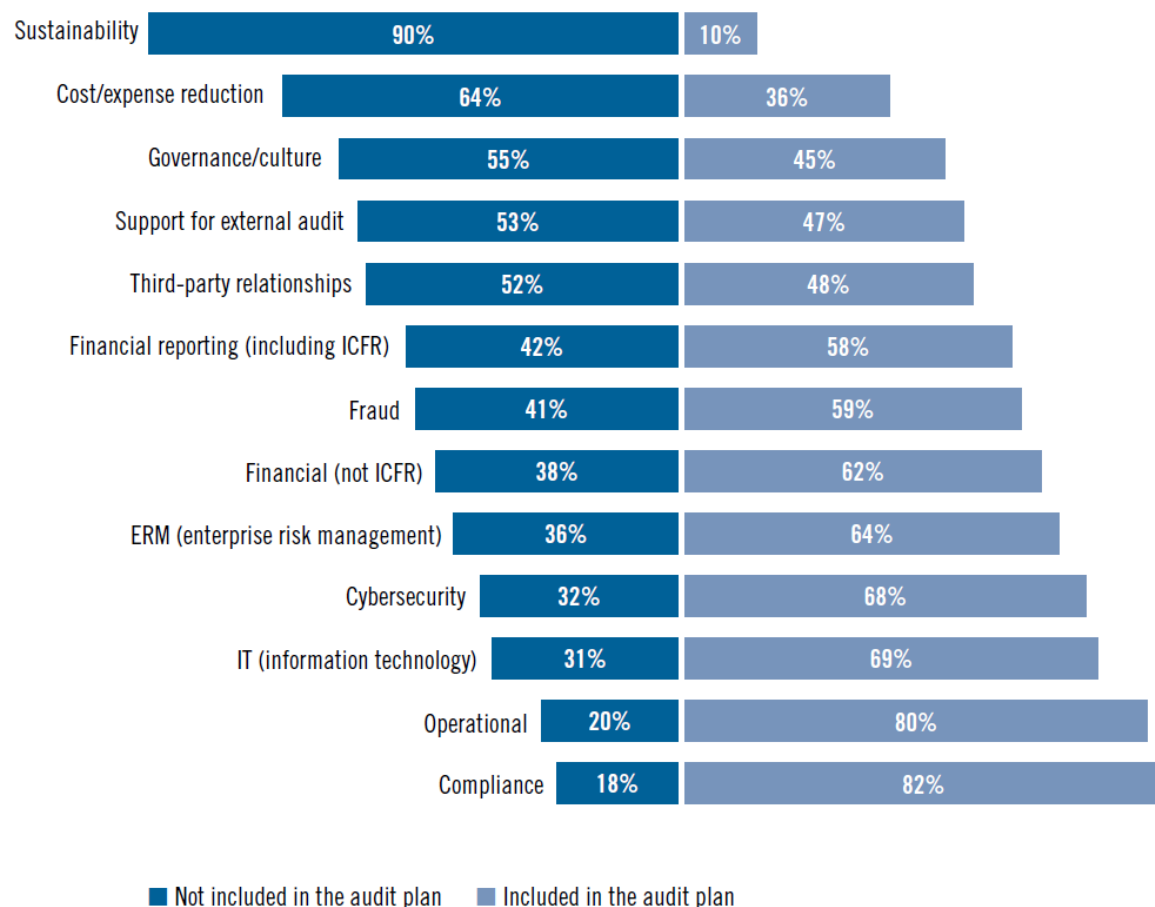


Note: Multiple Pulse surveys. Question: How would you describe the level of risk in your organization in the following risk areas? ICFR = internal controls for financial reporting. Response rates were 529 for 2017, 630 for 2018, 507 for 2019, 626 for 2020.

- Trending up (5 percentage points up or more)
- Elevated (trending up overall but not consistently)
- Neutral (less than 5 percentage point change)
- Trending down (5 percentage points down or more)

Internal Audit Findings From Global Internal Audit Survey

Risk Coverage in Audit Plans:



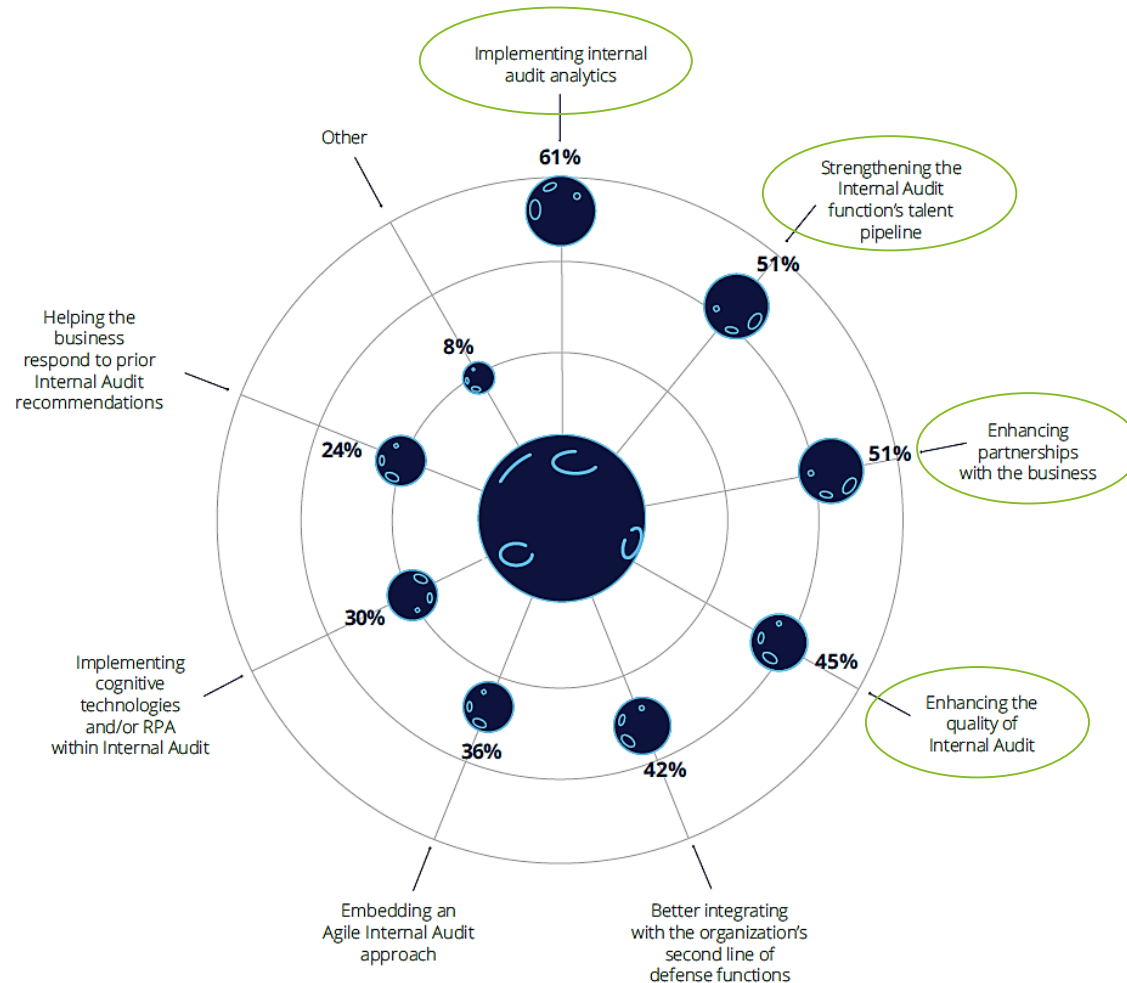
"Only 10% of survey respondents said they devote any part of their audit plan to sustainability, which is one of the fastest growing areas of investor interest in recent years"

"Potentially significant risks relating to sustainability include, sustainability reporting errors, resource depletion, and loss of long-term value"

Internal Audit

Findings From Global Internal Audit Survey

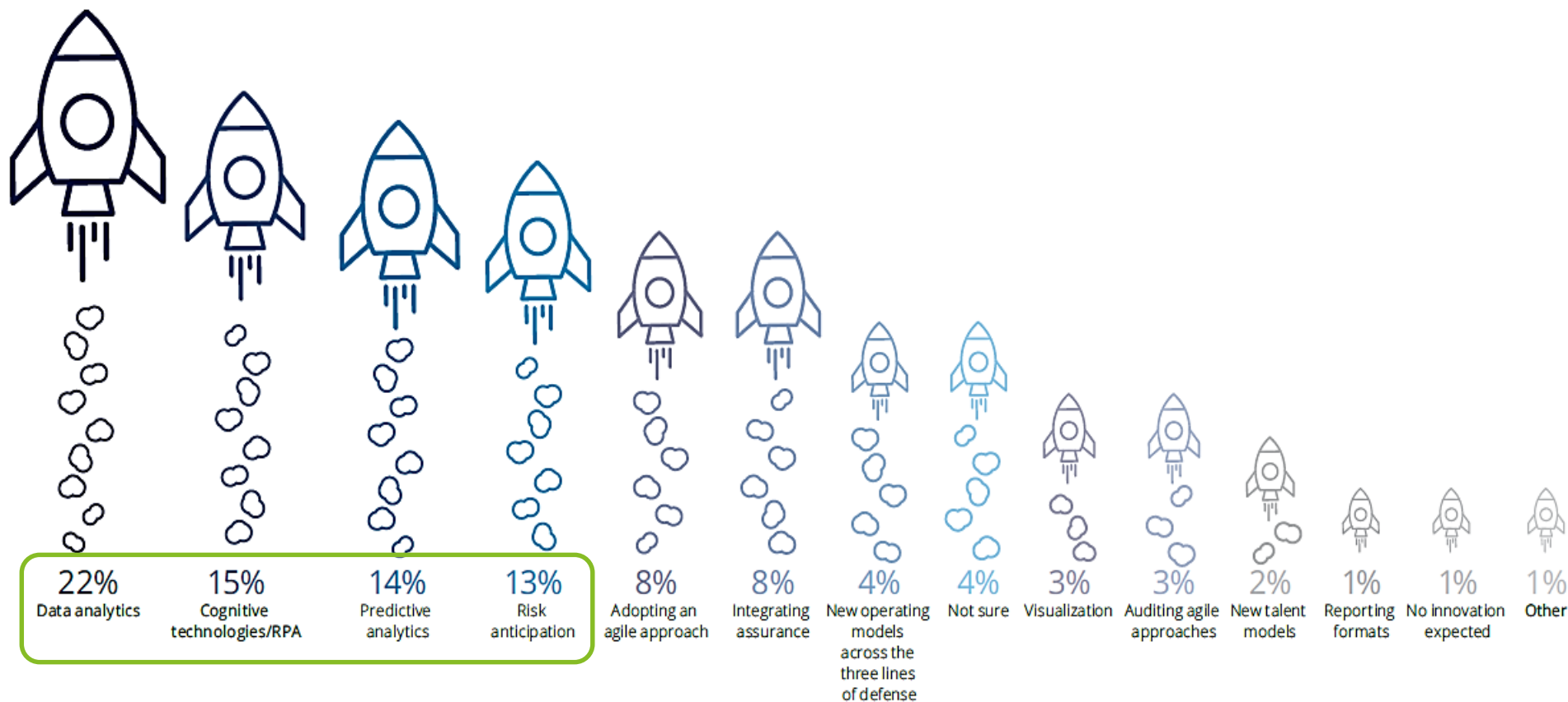
Key strategic priorities for the next 3-5 years:



Internal Audit

Findings From Global Internal Audit Survey

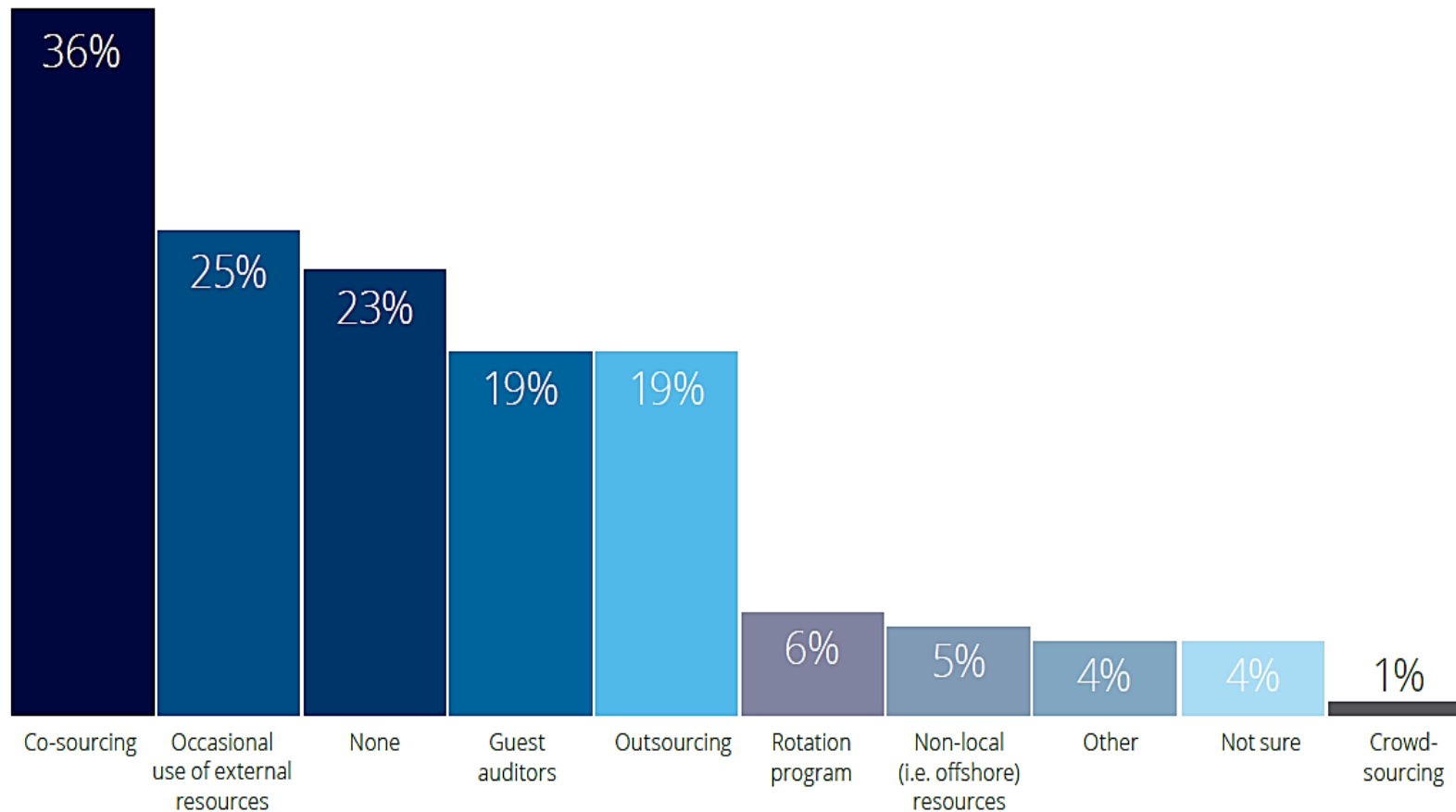
IA developments in the coming 3-5 years:



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Findings From Global Internal Audit Survey

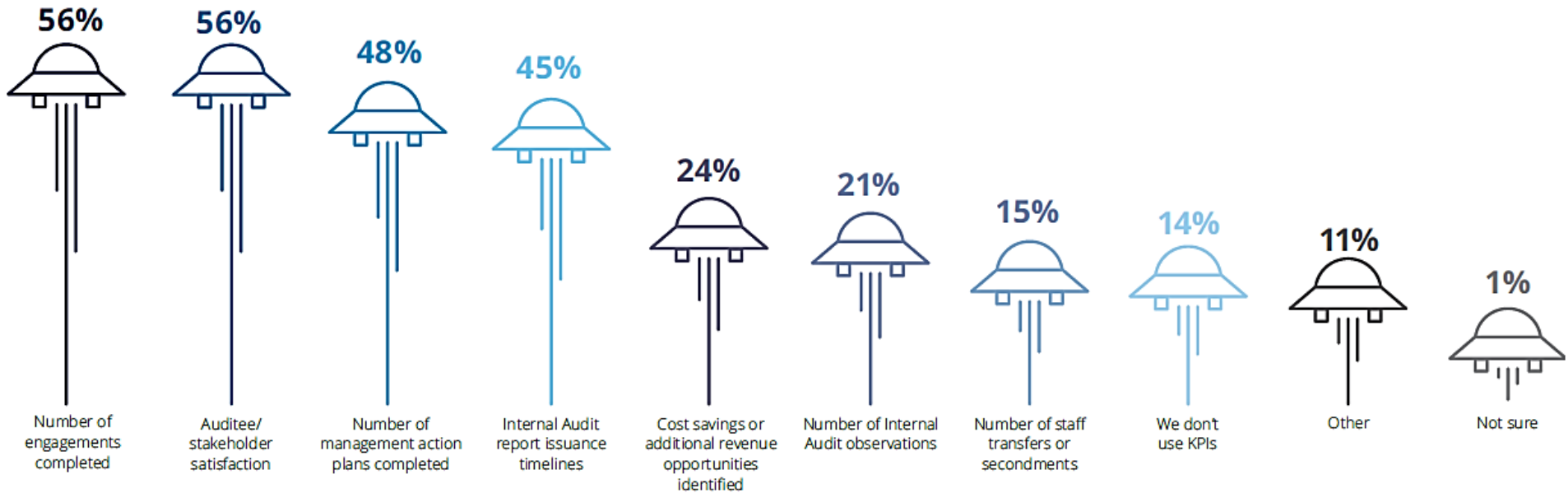
Alternative resourcing models used by the IA function:



Internal Audit

Findings From Global Internal Audit Survey

KPIs used to measure the success and impact of IA to the organisation:



Internal Audit

Complexities and Questions To Ask

Internal Audit Complexities (Myanmar)

1 *Position and authority of Internal Audit not formally established within the organisation.*

2 *Boards not understanding or having right expectations over Internal Audit*

3 *Management and Internal Audit not sharing professional working relationships*

4 *Internal Audit lack the right foundational skills (technical and soft skills)*



Internal Audit

Questions To Ask

- 1** *How are my Audits helping the business?*
- 2** *Are the factors considered appropriate, is my Audit Plan even relevant?*
- 3** *Do I understand what the organisation is pursuing and the risks they are prepared to accept?*
- 4** *Is my Audit team equipped with the right persons?*
- 5** *How should the function be in order to be more relevant to the organisation?*



Questions?