

YOUNG INTERNAL AUDITORS SUMMIT
Future Leaders Adapting to New Landscape



**KEY STEPS TO SUCCESSFUL AND
VALUE-ADDING AUDIT ENGAGEMENT**

By: SHIELA P. ALARCIO
MONDE NISSIN CORPORATION

POLL SURVEY NO. 1

1. How long have you been part of Internal Audit team?
 - a. Less than a year (<1 year)
 - b. 1 year to less than 3 years (1>3 years)
 - c. 3 years to less than 5 years (3>5 years)
 - d. More than 5 years (5> years)
 - e. Not applicable.

4 STEPS OF THE AUDIT PROCESS



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.



2300

- **Performing the Engagement**
- Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.



2400

- **Communicating Results**
- Internal auditors must communicate the results of engagements.



2500

- **Monitoring Progress**
- The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.



KEY STEPS TO SUCCESSFUL AND VALUE-ADDING AUDIT ENGAGEMENT

SUCCESSFUL

- “accomplishing an aim or purpose”

VALUE-ADDING

- “increases the **value** of something” or “extra value created over and above the original”



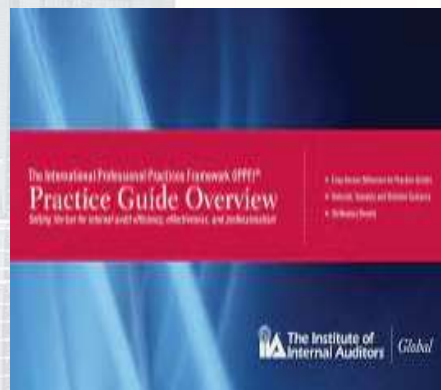


THE BIG QUESTION

**WHAT DO WE NEED TO DO
FOR OUR AUDIT
ENGAGEMENT TO BE
SUCCESSFUL AND VALUE-
ADDING?**



1. KNOW OUR PURPOSE FOR EACH ENGAGEMENT



- ✓ Attain the set audit objectives
 - Assess the effectiveness and efficiency of controls
 - Verify compliance with laws and regulations, if applicable
 - Identify process improvements
- ✓ Comply with the requirements of ISPPIA in conducting the audit
- ✓ Complete the engagement within the timeline and budget
- ✓ Satisfactory survey/feedback from the auditees
- ✓ Recommendations accepted and implemented

FOLLOWING THE STANDARDS WILL HELP US COMPLETE THE ENGAGEMENT SUCCESSFULLY...

...BUT IS IT VALUE-ADDING?

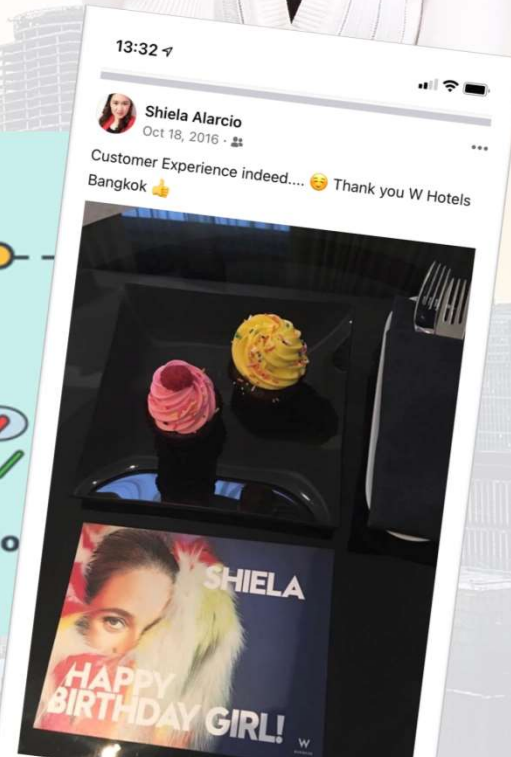


VALUE-ADDED as defined

- ✓ What the customer wants
- ✓ What the customer is willing to pay



CUSTOMER EXPERIENCE





2. ENGAGE OUR STAKEHOLDERS



Provide **Assurance** on:

- Governance
- Risk Management
- Legal/Regulatory Compliance
- Financial Reporting

Provide **Assurance/Support** on:

- Regulatory Compliance
- Process Effectiveness and Efficiency
- Benchmarking and Sharing of Best Practices

Provide **Support** on:

- Regulatory Compliance
- Financial Reporting

Provide:

- Advice on Control Design and Mitigating risks
- Support for process improvements via advisory work

Provide:

- Support, Guidance, Coaching and Mentoring to enable professional growth and development



3. YEARN TO MAKE A CHANGE

Triad of value that Internal Audit stakeholders now want and need *

ASSURE

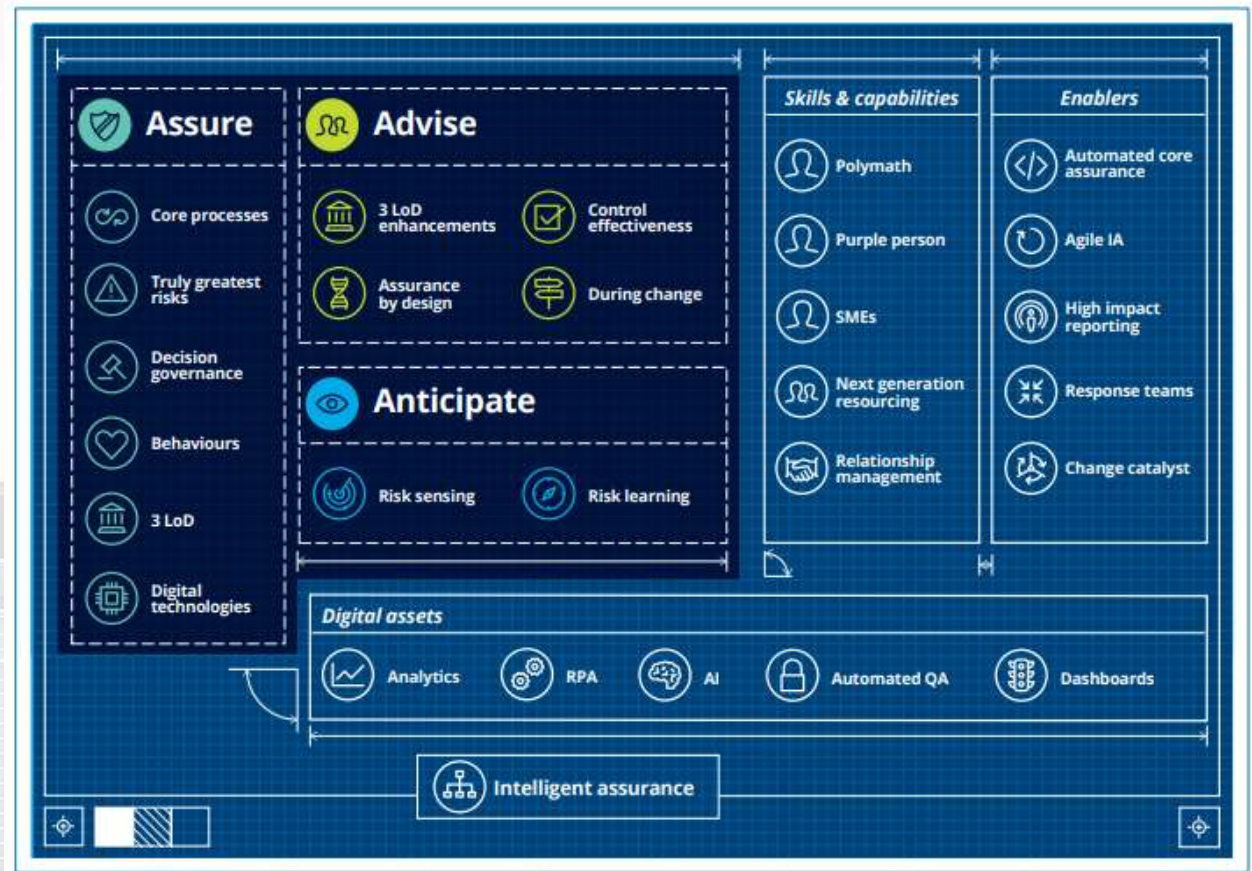
- The “Core” but not the limit of Internal Audit

ADVISE

- Maximizing value to stakeholders

ANTICIPATE

- Delivering forward-looking insights



*Internal Audit 3.0 by Deloitte

Changes in Internal Auditing

	HISTORIC	MAINSTREAM	CUTTING-EDGE
FOCUS	Audit entities based on rotational plan	Prioritize audit entities based on risk	Focus on strategic, business and process risk
PERSPECTIVE	Historic	Historic	Future
STYLE	Corporate Police	“Father knows best”	Consultant and advisor
MANDATE	Compliance with policies and procedures	Assurance on Financial Control; compliance	Business Assurance
RISK FOCUS	Financial	Financial Plus	Enterprise Risk
TOOL KIT	Compliance work programs	Audit work programs for key processes; controls	Risk frameworks, self-assessments
TECHNOLOGY	None	Automated work papers	Automated testing and continuous monitoring



IF WE WANT TO BE A CATALYST OF CHANGE, WE NEED TO CHANGE OUR WAYS...



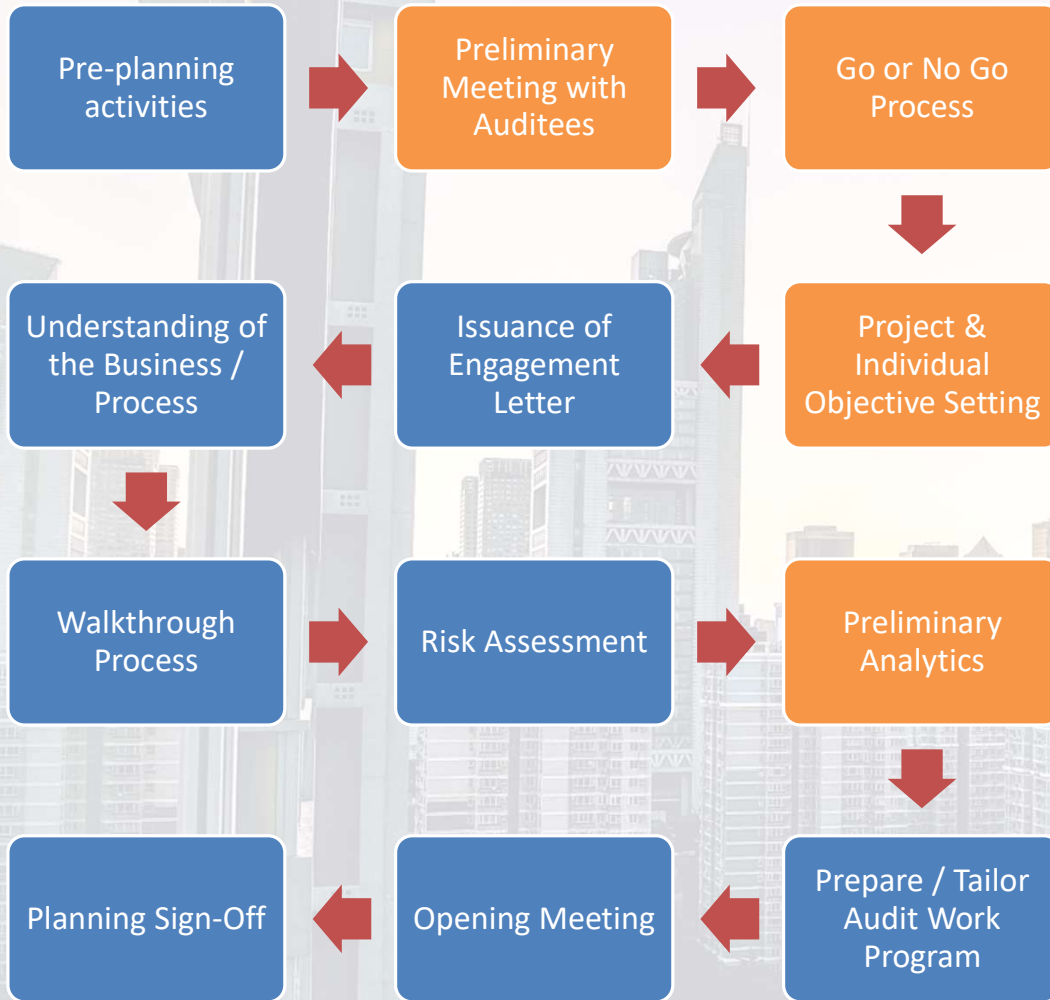
POLL SURVEY NO. 2

2. In a normal course of an audit engagement, what phase of the audit does the team spend most of its time?

- a. Planning**
- b. Fieldwork**
- c. Reporting**
- d. Issue Follow-up**
- e. We don't track our time**



4. SYNTHESIZE QUALITY AUDIT PLANNING

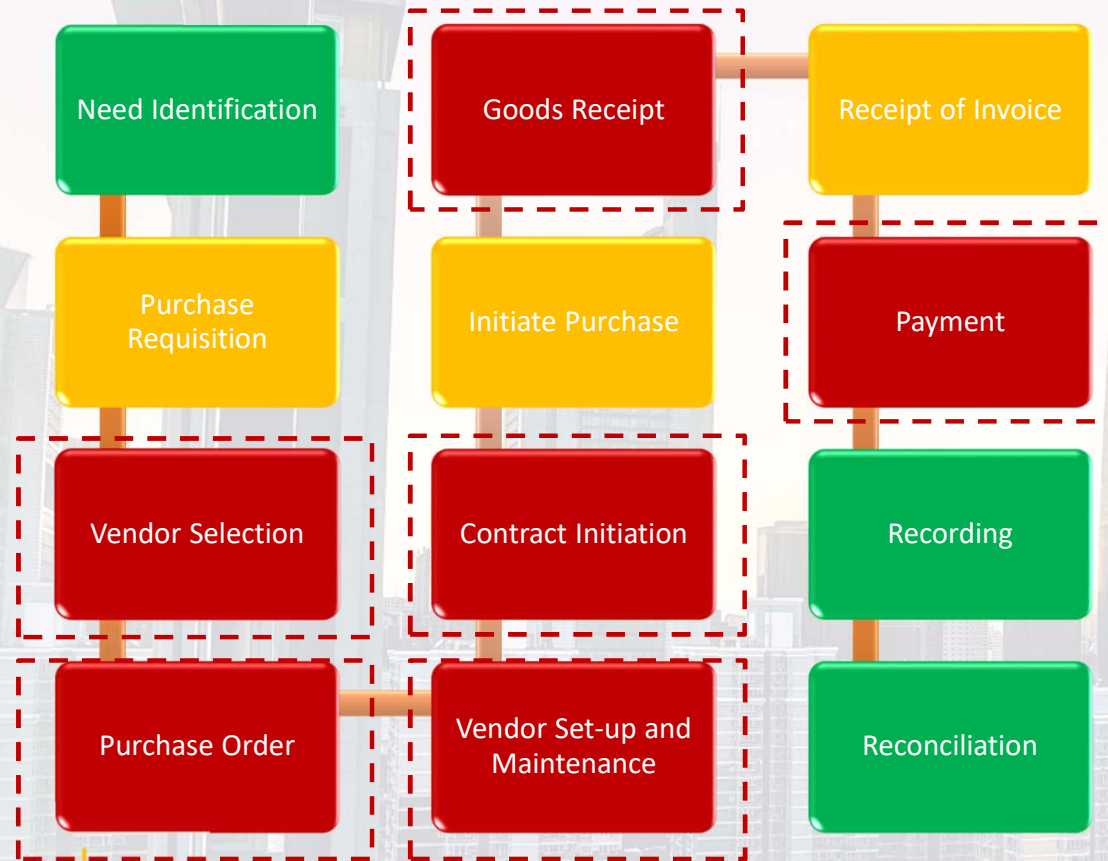


40:30:30





5. TRANSCEND OUR AUDIT EXECUTION



Some Tips for Audit Execution:

- ✓ Apply Data Analytics when feasible.
 - It covers 100% of the population
 - Can provide better insights
- ✓ Know when to Dig Deeper.
- ✓ Verify Quality of Control rather than the Form
- ✓ Challenge how process is being done
- ✓ Identify possible redundant controls
- ✓ Perform benchmarking to identify best practices
- ✓ Share observations to stakeholders as we note them



“A well-developed audit program will allow us to focus our efforts and activities where there are likely to have the most significant impact on value added”



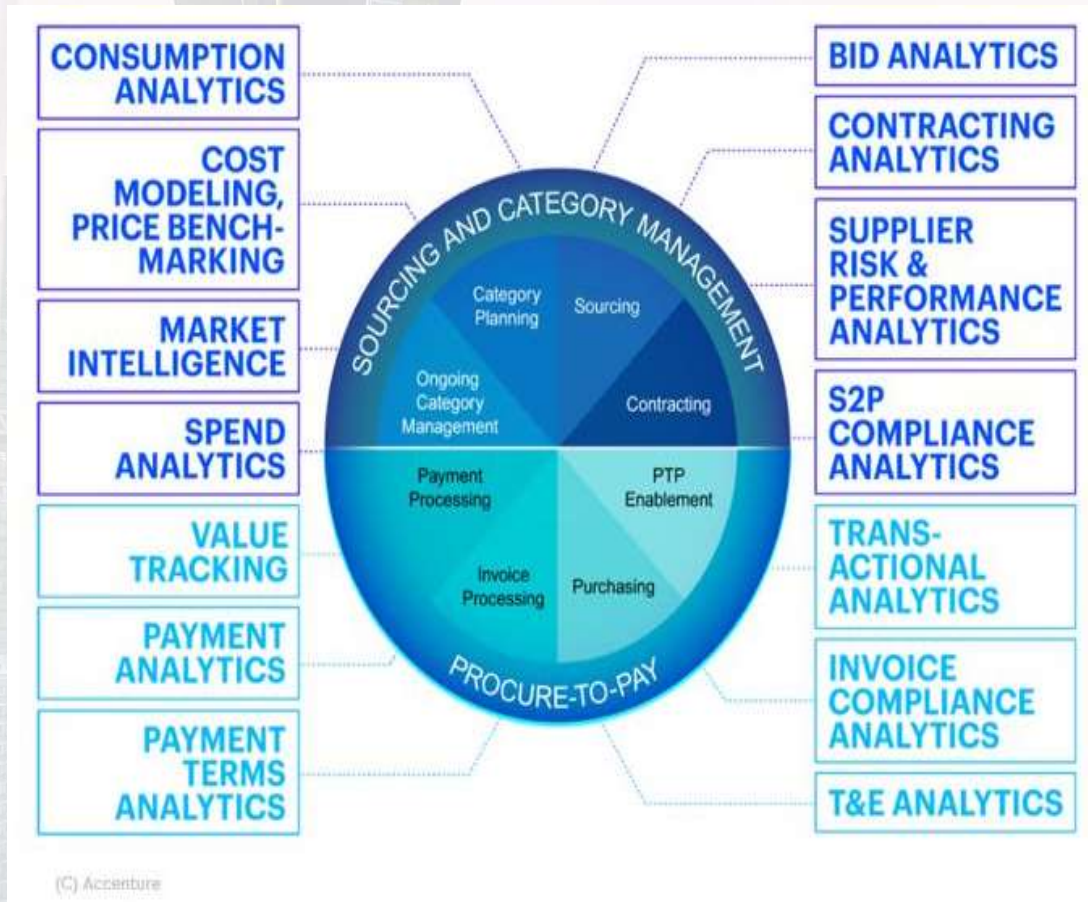
POLL SURVEY NO. 3

3. Does your team perform data analytics as part of audit procedures?

- a. Yes, always**
- b. Yes, sometimes**
- c. No**



5. TRANSCEND OUR AUDIT EXECUTION *(continued)*



Insights you can Derive from Data Analytics:

- ✓ Purchase Orders without Purchase Requisitions
- ✓ After-the-fact Purchase Orders (PO created after receipt of Sales Invoice)
- ✓ Long-outstanding Open Purchase Orders
- ✓ Data Integrity Issues on Vendor Master File
 - Vendors with incomplete details (e.g. TIN, Address, Contact Person, etc.)
 - Maintenance of Multiple Vendors or Sole Vendor
 - Duplicate Vendors
- ✓ Invoices without Good Receipts
- ✓ Vendors without contracts
- ✓ Expired Contracts
- ✓ Delayed Payments
- ✓ Duplicate payments
- ✓ Possible Segregation of Duties Issue



5. EVALUATE RISKS VS REWARDS



SOME GUIDANCE

-  *Determine if the effort and resources expended to find an improvement are worth the potential benefits.*
-  *Spending too much time looking for improvements or added controls may actually be harming the organization by wasting resources that could be applied to more critical areas.*
-  *In crafting Recommendations, consider...*
COST vs **BENEFIT**
We need to recognize where adding value ends and increased costs take over.



6. PERFORM FUNCTION EFFICIENTLY AND EFFECTIVELY

Audit Engagement Team



Engagement Auditor

- Timely execution
- Real-time documentation
- Exercise good professional judgment
- Know when to engage subject matter experts
- Be resourceful
- Know when to seek proper guidance

Project Lead

- Overall Project Management
- Good Upward Management
- Ensure Audit Steps are performed based on Internal Audit methodology
- Perform Quality Procedures for Audit Engagement

Engagement Reviewer

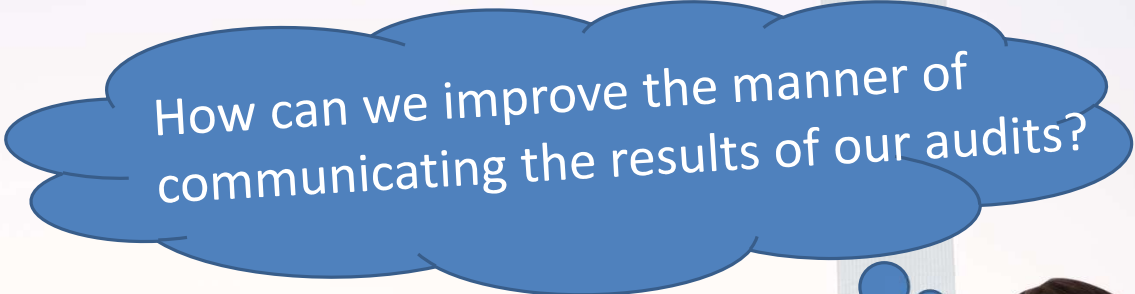
- Timely review of working papers and report (Review by Interview)
- Provide timely guidance
- Share relevant information allowing the team to connect the dots
- Be a good coach and not just direct



“We add value simply by performing our role and functions effectively and efficiently”



7. STRATIFY MATTERS OF IMPORTANCE DURING REPORTING



How can we improve the manner of communicating the results of our audits?



SOME ADVERSE FEEDBACK FROM OUR AUDIT CLIENTS:

“The report tells us what we already know.”

“The report makes it sound worse than it is.”

“There is no recognition of good work in the report; only negative by exception commentary.”

“The report is too long and too wordy.”

“The report does not give an overall conclusion or opinion; what am I to make of that?”

“The internal auditors inflate the seriousness of risk ratings.”





7. STRATIFY MATTERS OF IMPORTANCE DURING REPORTING *(continued)*

GOOD PRACTICES FOR INTERNAL AUDIT REPORTS*

- ✓ Be a format that invites the reader to read the report.
- ✓ Include a report dashboard that tells the story of the audit in one page.
- ✓ Use as few words as possible, with audit-style terms and jargon removed.
- ✓ Include a focusing question – ‘Why did we do this audit?’
- ✓ Include the value proposition from the audit to show what value was added.
- ✓ Provide a clear conclusion for each audit objective.
- ✓ Use tabular formats, especially for detailed observations and agreed actions.
- ✓ Include tables, graphs, diagrams and photographs.
- ✓ Include a table of contents, and a glossary of terms and acronyms.
- ✓ Include positive commentary on satisfactory performance and what is being done well.



“We need to take into account the needs, wants, and resources of our stakeholders”



“Audit reports should be easy for readers to navigate, and if appropriate, it should stratify information into categories of importance”

*White Paper from IIA – Australia (2020)

Project No. – Project Title

Executive Summary Dashboard

SAMPLE ONE PAGE EXECUTIVE SUMMARY

Scope and Objectives:

[Objective of performing the review]

Value Proposition:

[What was the value from this review]

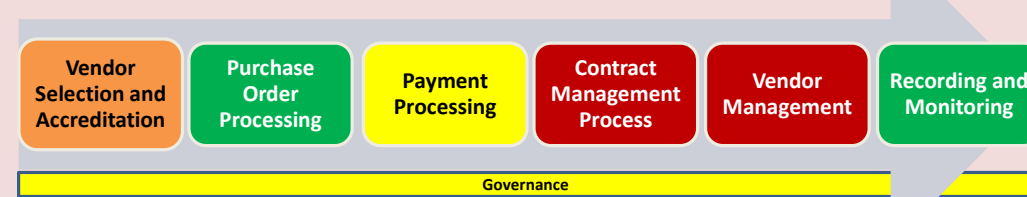
Link to strategic objectives:

[How the audit directly related to the organization strategic objectives and risks]

Acknowledgment and Good Practices Observed:

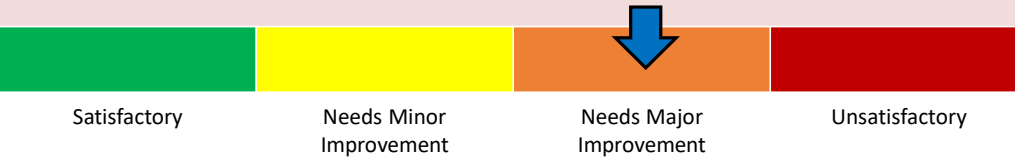
[Any positive observations Internal Audit would like to highlight]

Process Risk Heatmap:

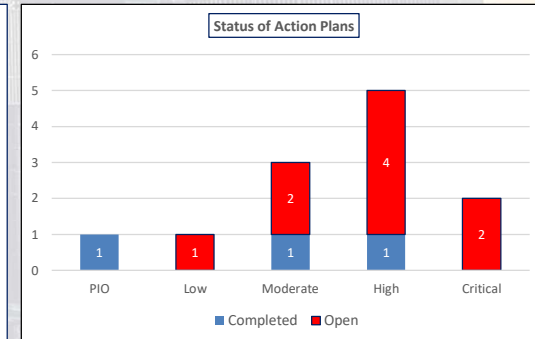
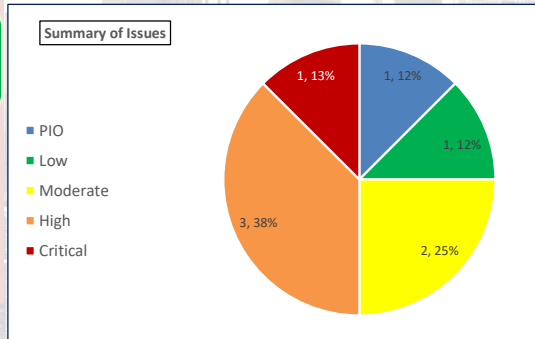


Conclusion or Overall Assessment:

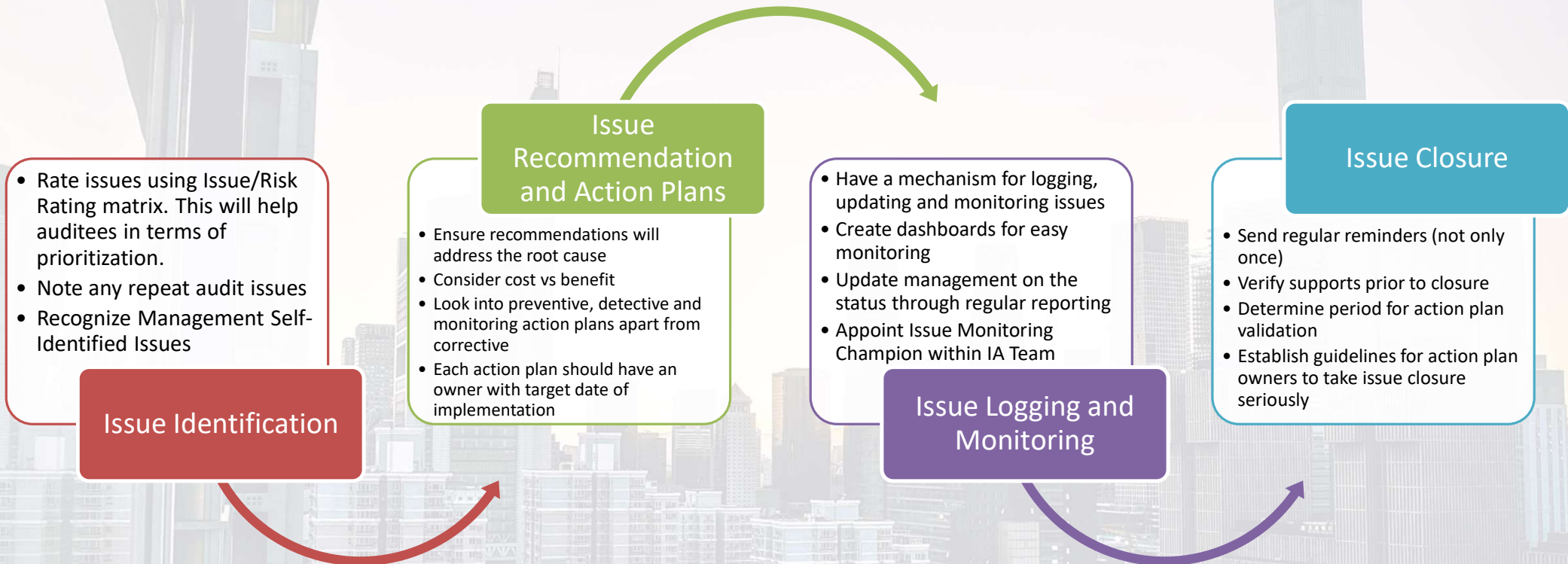
[Brief sentence as to the overall assessment and include overall rating, if applicable]



Audit Observations per Area Covered		Issue No.	Issue Rating	No. of Agreed Actions	Slide No
Area 1 / Subprocess					
	Issue / Observations	X		x	
	Issue / Observations	x		x	
Area 2 / Subprocess					
	Issue / Observations	X		x	
	Issue / Observations	x		x	
Area 3/ Subprocess					
	Issue / Observations	X		x	
	Issue / Observations	x		x	



ISSUE HANDLING AND MONITORING



VALUE-ADDING IA is an AGILE IA

Be responsive versus confined to a plan

Employ Collaborative approach – take the journey with our clients

Adapt Proactive approach by doing the right projects and the right depth/focus

Gain trust through continuous communication with all stakeholders

Inform decisions with transparency and alignment

Learn that One size does not fit all – Customized project focused on value and risk

Embrace value or outcome driven project

Impact over thoroughness

Always Challenge the Status Quo





KEY STEPS TO SUCCESSFUL AND VALUE-ADDING AUDIT ENGAGEMENT

In Summary:

Know Our Purpose for Each Engagement

Engage Our Stakeholders

Yearn to Make a Change

Synthesize Quality Audit Planning

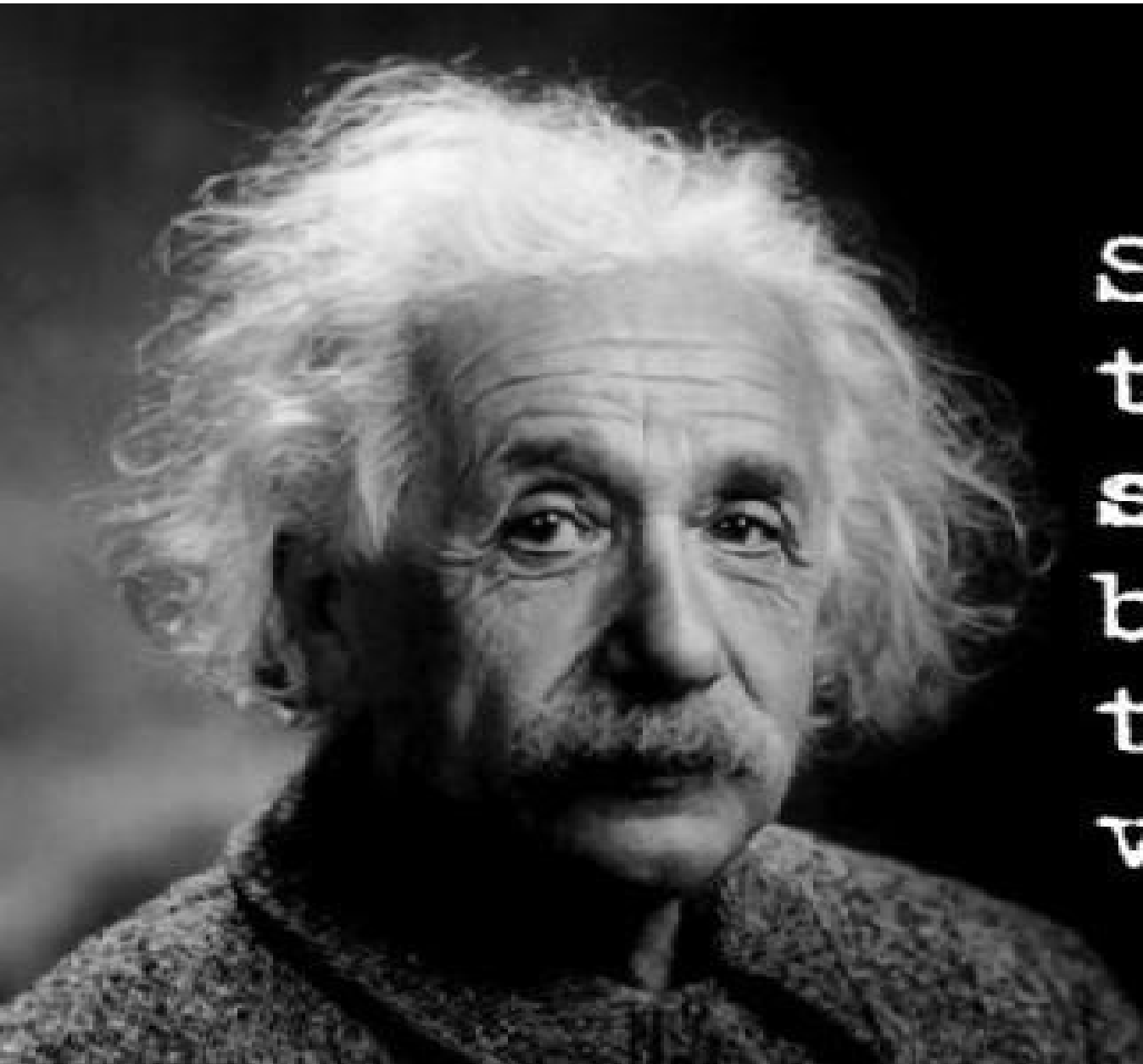
Transcend Audit Execution

Evaluate Risks vs Rewards

Perform Function Effectively and Efficiently

Stratify Matters of Importance During Reporting





Strive not
to be a
success,
but rather
to be of
value.

- *Albert Einstein*
www.quotesworthrepeating.com



Thank You!

Contact Information:

SHIELA P. ALARCIO

Chief Internal Audit Executive

Monde Nissin Corporation

0908-8994151

shiela.alarcio@mondennissin.com

Disclaimer:

The opinions expressed in this presentation are solely those of the presenter and not necessarily those of Monde Nissin Corporation.

The presenter does not guarantee the accuracy or reliability of the information provided herein. This presentation is intended for educational and experience sharing purposes only and do not replace independent professional judgment.

The presentation may not be used for any other purpose without the prior written consent of the Presenter.

Thank you all for your kind attention. Feel free to reach-out for any questions or clarifications. 😊