Benefits of IIA membership for Students

- Concessional fee post IIA membership. 62% Reduction in CIA Application fees. 50% reduction in CIA Part 2 and 3 fees with Mandatory Guidance on CIA exams.
- Auditors are in high demand, and having the designation that the CIA exam provides is a major bonus when looking for jobs. Blogs and other social media channels such as LinkedIn, Facebook and Twitter give up to date with the current developments on the professional developments.
- Your Career Compass is the newest IIA publication to support the career growth of our members through tools and resources.
- Inbuilt online Book store for all references. Books available at a discount of 85% providing indicative of a significant level of competence and career advantages in internal audit position.
- Complimentary Downloads for reference and records specialty webinars and self-study courses provide easy access to advance knowledge.
- Entitled for serving as a volunteer leader in the local chapter. IIA also provides various training opportunities for free or at discounted prices.
- Advice and resources geared to those looking for, or expanding on, careers in the internal audit profession is easily accessible.

Benefits of IIA membership for Professionals

- Professional Networking at IIA seminars and conferences. Helps to find out how the company’s internal audit shop is doing. One can compare one’s internal audit department easily and affordably in terms of size, experience, departmental staffing and costs, operational and performance measures, and other metrics with Gain Benchmarking tool.
- Discounted trainings on Risk based Internal Audits and Auditing standards for the on roll employees and department teams with Certifications.
- Enables to make a repository of the Internal Audit guidelines and mechanism.
- Encourage the existing employees to appear for CIA online exam with a minimum completion time of 1 year.
- Especially for Chief Audit Executives, the IIA has designed a CAE Suite with information and resources for audit leaders.
- The IIA Research Foundation as a research arm of the IIA which provides support through the research conducted annually by thought leaders in the profession.
- As an IIA member you can realize savings on services provided by IIA partners such as GEICO Auto Insurance, Budget Rent-a-Car, Red Roof Inn, Office Depot and others.

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- As an IIA member you can realize savings on services provided by IIA partners such as GEICO Auto Insurance, Budget Rent-a-Car, Red Roof Inn, Office Depot and others.
It gives me great pride and pleasure in introducing the inaugural printed version of the “Internal Audit Quarterly” magazine. When we started this few years back, it was intended to be a platform to share information about the profession, IIA and chapter activities. Over a period of time, this has increased in popularity and the previous edition in November had 13 pages. This time we, the editorial board, decided to come with a print version and upgrade it to a full-fledged magazine. The national conference is the perfect event to launch this magazine, in the presence of global leaders of IIA, stalwarts of the Internal Audit profession and leaders of the future.

The internal audit profession is going through a period of major disruption. Technology, Analytics, Robotics, Automation and Artificial Intelligence are just some of the few disrupters we know of today. As internal auditors, we need to embrace it, adapt to it and leverage it to take the profession forward. Like they say, it’s not the most intelligent nor the strongest that survives, but the one most adaptable to change.

In this edition, we cover several interesting topics like Artificial Intelligence for the Enterprise Governance, IND AS and also a book review. We hope you enjoy reading this as much as how we enjoyed bringing this to you all.

I would like to thank Mr. Deepak Wadhawan who was instrumental in creating the Quarterly and releasing this till last year when I took over. I would also like to thank my fellow members of the editorial board - KV, Satish & Sid, who have played a big role in bringing this edition to life.

It is a great honour bestowed upon me to be the editor of this prestigious magazine. Your feedback would make this scale greater heights and feel free to reach out to me on publications@iiaindia.org with your comments and thoughts.

Joly Joseph (Joe)
CA, CIA, CISA
President’s Communique

Dear Members Internal Auditing Professionals & Friends,

As we begin the New Year 2019, I would like to extend my warm greetings on the auspicious occasion of Lohri, Makar Sankranti and Pongal. Every January, India comes together to celebrate these festivals with gaiety and fervor.

January is always a good time for reflections & resolutions for Internal Auditors! Richard Chambers, in his latest blog, has suggested five resolutions for Internal Auditors reflecting the rapid and almost continuous change that the profession is experiencing. He urges internal auditors to be aware, attuned, agile, innovative, courageous, and committed. For details, please access [https://iaonline.theiia.org/blogs/chambers/2019/Pages/5-Internal-Auditor-Resolutions-for-2019.aspx](https://iaonline.theiia.org/blogs/chambers/2019/Pages/5-Internal-Auditor-Resolutions-for-2019.aspx)

Team IIA India is gearing up for an action packed 2019 starting with IIA India’s National Conference which is also IIA Bombay’s Annual Conference. This mega annual event is expected to bring together more than 300 participants from all over India and abroad. The conference will be graced by the Global Chairman-Mouri San, Global President & CEO – Richard Chambers & other influential speakers having vast and varied experience in the field. I look forward to meeting you at the National Conference on 21st & 22nd January, 2019. I am also pleased to inform you that Conferences have been scheduled at each of the 6 Chapters of IIA India in the very first quarter of 2019. IIA India encourages internal auditors, accountants, non-auditors, board members as well as Board/Audit Committee members to actively participate in this “must-attend” conference to learn and untangle the myths, misperception over the facts and realities of the internal auditing world. I call upon every internal auditor from all sectors to attend such events; it’s work, learning and fun.

Through the tireless work of part-time volunteer leaders, Team IIA India is progressing on the four IIA India Goals of membership, professionalism, advocacy and sustainability through the National Committees of the Council through the respective Chapters guided by the Executive Committee of the National Council ably supported by the CEO & the support Team. I would like to compliment the Publications Committee for launching the inaugural print version of ‘Internal Audit Quarterly’ (Quarterly Magazine from IIA India) at the 2019 IIA India National Conference.

Before I end, just wanted to wish all A very happy REPUBLIC DAY to all of you! Let us look forward to 2019 with optimism to enable all of us in the internal audit profession to expand our abilities and enhance our service to our stakeholders.

Sincerely,

S Bhaskar
President IIA – India (18-19)
Dear IIA Members

Greetings and Happy New Year 2019.

The January 2019 edition of the News Letter has been upgraded as the Magazine. Henceforth, this will be a Quarterly Magazine. The Editor Shri Joly Joseph has done a great job in making this an interesting and useful reading material. The hard copy of this edition will be distributed to all the delegates of the National Conference to be held on 21st & 22nd January 2019 at Mumbai.

As mentioned earlier, we are bringing out a Guidance Book on “Role of Internal Audit in Fraud Risk Management”.

We will also bring out more Guidance Books in the days to come on useful topics for the Internal Audit community in India. I request our members and readers to offer suggestions on useful topics so that we can consider them for publishing Guidance Books.

I request you to give your feedback after reading this edition. Any constructive criticism will serve a good purpose for improving the content and quality of the Magazine.

Happy Reading!!

Vidyadaran K
Chairman, Publications Committee
(kvtharan@gmail.com)
7  AI and considerations for Enterprise Governance

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28  Internal Audit Jobs - January 2019
Hype or the new reality?

There is much hype and buzz around the words “Artificial Intelligence” or “AI” but beyond the noise and hype is there a deeply rooted reality that we cannot afford to ignore?

So what is Artificial Intelligence? Simply put, AI is the ability of computer systems to perform intelligent tasks commonly associated with human intelligence. For achieving this, computers must first overcome a number of computing challenges such as speech recognition, the ability to understand normally spoken sentences (natural language processing), the ability to recognize objects from images (image recognition), the ability to learn from experiences and data (machine learning) and the ability to draw inferences (cognitive computing). These things, which come naturally for human beings are indeed very complex challenges for computers. However, all this is changing with the rapid advances in technology.

Today’s consumers demand that every experience provides immediate value on multiple levels. They require a competitive, friendly, quick and personalized user experience. They swear allegiance to no brand and are ready to jump ship to the first competitor that can offer them what they want, when they need it, and at the level of service, they feel they deserve.

Tech giants, such as Amazon or Netflix, have set the bar high for intuitive personalized user experiences. Many industries are rethinking their own customer service approach to match this new standard and meet the expectations of modern consumers.
It is increasingly evident that the future success or failure of businesses will hinge on their ability to provide personalized user experiences. Businesses are amassing rich customer data in order to optimize customer experience and differentiate from their competition. There is a shift in mind-set, from focussing on what they want to offer, to prioritizing what creates immediate value for the customer. In addition, they are willing to allocate the necessary resources to drive this goal. To this purpose, they use artificial intelligence (AI) to achieve brand differentiation.

AI will have a transformative impact on several industries although the impact will be felt sooner for some than the others. Paving the way for AI, many customer-facing businesses, especially those with electronic service channels, have started embracing machine learning (ML) and natural language processing (NLP) to reduce labour costs and increase productivity. In the near future, AI is touted to revolutionize service offerings by becoming an omnipotent artificial brain behind the scenes to improve customer interaction and increase personalization.

Applications of AI

While AI is still in its infancy, the technology has the potential to transform customer experience by enhancing the interaction with the customer, rather than replacing humans with bots. Here are some insights regarding applications of AI (and of other related technologies) that can create immediate value for the customer:

1. Simplify processes

Allow customers to execute simple transactions through user-friendly tools that leverage their data. In this way, they will see how access to their data creates direct, personal value.

2. Offer customers personalization and optimization of experience based on live data

AI can replace annoying surveys through real-time data mining and by interacting with customers in real time, eliminating the need for the survey feedback loop. As a transformative technology, AI empowers automated assistants that provide updated, real-time customer interactions.

3. Offer recommendations to motivate customer behaviour

Savvy businesses can partner with other organizations to establish trusted relationships and create a holistic experience for their customers. This includes using customer data to help them achieve their short- and long-term goals. For example, a financial institution can create tools to help customers: 1) keep on top of day-to-day financial tasks to answer immediate questions quickly (e.g. a financial calendar that can keep track of a customer's account balance until payday and send bill payment reminders, etc.); and 2) think through long-term financial planning. This can create transformative opportunities to cross-sell and up-sell to the customer.

4. Use AI or related technologies (e.g. ML, NLP) to enhance rather than replace human interaction

AI can enhance the customer experience even when it is not customer facing. For example, call centers can follow 2 paths for interaction with customers: (1) they can be fully automated and chatbots can simply answer calls; or (2) they can use a mix of human and artificial intelligence, where chatbots can aid human call center representatives interact with customers effectively. So far, the second has proved more effective than the first.

Turnover and training are well-known challenges for call centers. Customers can feel dissatisfied with a call center representative that does not have an answer to their query; the representative can feel that, despite best effort, he/she does not have access to the right information to answer the query. AI can help with this issue, not necessarily by replacing representatives and human interaction, but rather by facilitating speed and access to information to help representatives create an outstanding customer experience. This can be particularly effective with new hires that have to get up to speed fast.

5. Get the right channel. Go where the customer is likely to be

Customers expect personal experiences that make their lives easier. For example, customers spend most of their time on their cell phones and have started using virtual voice-enabled assistance more and more. Businesses need to meet the customers where they are to offer convenience and ease of use. This insight should guide
investment in new tools. Conversational assistants/virtual assistants can be used for day-to-day transactions and allow customers to explore additional products and services, policies and other information.

6. Think through infrastructure challenges that limit the customer experience

When planning investments in AI tools, businesses need to think proactively about current infrastructure challenges and future infrastructure advances. Delivering differentiation through technology depends on the capacity of the technological infrastructure to support the tool. At the high end of the technology infrastructure spectrum, 5G capabilities may enable the Internet of things (IoT) new data sources. Are organizations prepared to collect and leverage this new data? At the low end, many Indian citizens barely connect to broadband because of the areas in which they live. Are they untapped customers? What tools/channels work for them, as they are dependent on the limited availability of infrastructure now and in the future?

7. The Back Office

Another key area where AI is transforming the way we do business is with the back office. While businesses are increasingly leveraging AI for transactional tasks, they are finding that AI is actually reorienting their back-office hiring strategies. In many cases, instead of using AI as a means of reducing headcount the focus has been on finding and retaining additional, highly skilled personnel to work in areas where customer interactions cannot be automated or where more critical thinking and problem-solving is commanded. Also, managing and maintaining these AI systems requires expertise.

While it is tempting to think about the impact of AI in reducing man-power, office space, and related costs, it is prudent to also think on the increasing skill profile of the future workforce, talent retention and related costs.

Building Blocks for AI adoption

Now that we have looked at some of the key application areas of AI in an organizational context, let us address some of the building blocks for an intelligent organizational approach to AI.

AI Strategy

Each organization’s AI strategy will be unique based on its approach to capitalizing on the opportunities that AI provides. The AI strategy is often an obvious extension of the organization’s overall digital or big data strategy. Organizations with a well-developed and implemented digital/big-data strategy are one-step ahead in AI.

AI Governance

As per the AI Auditing framework published by the Institute of Internal Auditors (the IIA), “AI governance refers to the structures, processes, and procedures implemented to direct, manage, and monitor the AI activities of the organization in pursuit of achieving the organization’s objectives”.

The level of formality and structure for an organization’s AI governance will vary based on the specific characteristics of that organization. Regardless of the specific approach, however, AI governance establishes accountability and oversight, helps to ensure that those responsible have the necessary skills and expertise to effectively monitor AI, and helps to ensure the organization’s values are reflected in its AI activities. This last point should not be overlooked or given little attention.

AI activities must result in decisions and actions that are in line with the ethical, social, and legal responsibilities of the organization.

AI Technology

To unlock the transformative potential of AI, it is imperative to build a solid technological foundation that will make use of new customer data in meaningful ways. At this critical point, the question arises as to how to
evaluate and select the appropriate tools and how to find a manageable pace of adoption. This reinforces the importance of the people strategy in relation to AI. It is imperative that organizations think early about whether they have the right skills and on how to bridge gaps.

From a technology perspective, adequate focus needs to be on data architecture, infrastructure, and overall data quality. The completeness, accuracy, and reliability of the data on which AI algorithms are built are critical. Unfortunately, it is not unusual for organizations to have a poorly defined, incoherent structure to their data. Often, systems do not communicate with each other or do so through complicated add-ons or customizations. How this data is brought together, synthesized, and validated is crucial.

**AI Projects**

While it is very important to have a medium- to a long-term vision for AI, it is only in pieces that the vision can be realized. Unlike a big bang approach, an organization cannot achieve AI transformation overnight. Different applications and use cases are likely to require different tools and algorithms. For example, a chatbot for a service provider’s IT helpdesk, cannot be directly ported to handle the same company’s customer call center.

It is important to breakdown the overall AI strategy into much smaller projects, which are easier to manage, quicker to deliver and be appropriately resourced.

With AI, businesses need to be open to discovering new and, possibly, unexpected business needs. The spirit of innovation embraces the understanding that not all initiatives will pan out. Sometimes pilots are technological successes with few immediate benefits. However, a well-executed AI strategy can ensure that every experiment is a stepping-stone.

**Measuring Performance of AI**

As organizations integrate AI into their activities, performance metrics should be defined to tie AI activities to business objectives and clearly illustrate whether AI is effectively supporting the achievement of those objectives. Management must actively monitor the performance of its AI activities.

**Reemphasizing Cyber Resilience**

Cybersecurity threats continue to define our times. With the adoption and evolution of advanced technologies such as AI, organizations need to reemphasize cyber resilience capabilities. Cyber resilience includes being able to prevent, respond to and recover from cyber-attacks. Cyber resilience need not be perceived as a separate initiative for AI but must form part of the overall information security and cyber risk management framework of the organization.

**Closing thoughts**

While a handful of organizations in the technology, automotive, manufacturing, financial services, and utilities industries seem to be leading the AI revolution, it is hard to imagine an organization that will not be impacted by AI. Just like web-presence, electronic commerce and cloud computing were a focus of select industries in their early stages, ultimately all organizations adopted aspects of these technologies. If your organization is not working on an AI strategy, rest assured that your competitors are.

“Internal audit is adept at evaluating and understanding the risks and opportunities related to the ability of an organization to meet its objectives. Leveraging this experience, internal audit can help an organization evaluate, understand, and communicate the degree to which artificial intelligence will have an effect (negative or positive) on the organization’s ability to create value in the short, medium, or long term.”

“The internal auditing profession cannot be left behind in what may be the next digital frontier — artificial intelligence. To prepare, internal auditors must understand AI basics, the roles that internal audit can and should play, and AI risks and opportunities. To meet these challenges, internal auditors should leverage the Framework to deliver systematic, disciplined methods to evaluate and improve the effectiveness of risk management, control, and governance processes related to AI.” - GLOBAL PERSPECTIVES AND INSIGHTS

**Bibliography:**
- Institute of Internal Auditors, Global perspectives and insights - artificial intelligence – considerations for the Profession of Internal Auditing (publication by the IIA).
Foreword

The Ministry of Corporate Affairs (MCA) in its notification dated 16 February 2015 announced the applicability of the single most monumental change in Indian financial reporting. This change ushered in the application of Indian Accounting Standards (Ind AS), a new set of accounting framework, in line with International Financial Reporting Standards (IFRS). An accounting framework in line with the globally accepted, applied and adhered IFRS framework, has spelt international acceptability and translatability for Indian financial statements. A seamless flow of capital will be a strong undercurrent of this progressive initiative of the MCA. Besides the major accounting changes mandated open up a new area which internal audit professionals need to be cognizant of.

Ind AS – The story so far

India Inc. has responded positively in adopting the new Ind AS. The adoption process has been a threefold prescription for corporate entities governed by the MCA. A voluntary adoption of Ind AS was permissible to reporting entities 1 April 2015 onwards.
The first phase of mandatory Ind AS implementation saw all companies, listed, unlisted and in the process of being listed, with a Net Worth of INR 5 Billion adopting the new standards for reporting periods commencing 1 April 2016 onwards. The holding, subsidiary, joint venture and associate companies of the reporting entity too were required to adopt Ind AS which ensured business groups as a whole transitioned to Ind AS. The second phase of mandatory Ind AS implementation saw all companies, listed and in the process of being listed, and unlisted companies with a Net Worth of INR 2.5 Billion or more along with their holding, subsidiary, joint venture and associate companies adopting Ind AS. The first and second phase collectively saw all “large companies”, along with their group companies adopt Ind AS.

Companies who are not required to adopt Ind AS as per the MCA road map will continue to report as per Indian GAAP. Hence, unlisted companies with a net worth lower than INR 2.5 billion and companies who are not group entities of Ind AS compliant companies will continue adhering to IGAAP. The Institute of Chartered Accountants of India (ICAI) is conscious of two accounting frameworks i.e. IGAAP and Ind AS being simultaneously functional in India. Diversity in accounting frameworks leads to non-uniform precedents and multiple interpretational dimensions. Moreover, some practical issues in accounting such as land leases, and financial instrument accounting find no or limited guidance under IGAAP and higher literatures in the form of IFRS have always been relied upon to base conclusive decisions and form opinions. For a growing economy like India, which is a favourable destination for foreign direct investment having a dual accounting framework can hamper the ease of doing business. Hence, in conscientious conjunction with MCA, ICAI has started amending the erstwhile accounting standards under IGAAP. These amended standards will be in line with Ind AS. Hence, although there may be two frameworks that continue to exist, IGAAP and Ind AS shall substantively speak the very same accounting dialect. Under initiative so far, 7 accounting standards have been effectively announced from 31 March 2016. These new accounting standards viz (AS 2 Inventories, AS 4 Contingencies and events occurring after the balance sheet date, AS 10 Property, plant and equipment, AS 13 Investments, AS 14 Accounting for amalgamations, AS 21 Consolidated financial statements, AS 29 Provisions, contingent liabilities and contingent assets) are the first attempt of sorts to ensure uniformity in accounting despite there being two accounting frameworks. As of today, the following accounting standards are at an exposure draft stage to ensure their synonymous with their Ind AS counter parts:

a. Borrowing costs
b. Intangible assets
c. Related party disclosures
d. Long term interest in associates and joint ventures
e. Employee benefits
f. Investment property

A change in the financial reporting framework rings in bells of alarm to the overall compliance and governance mechanism of an organization. Operational growth is always welcome by an organization but operational change impacting administrative systems is quite un-favoured as well as un-savoured. The transition to Ind AS has seen the following key accounting areas being impacted:

a. Asset accounting
b. Group reporting and consolidation
c. Financial instruments
d. Fair value reporting

For the year ended 31 March, 2016 the total profit after tax (PAT) as per IGAAP of companies required to adopt IND AS stood at INR 2,405.6411 Billion while the PAT as per Ind AS of these companies fell to INR 2,383.851 Billion. Crux areas of impact in this difference were:

a. Revenue
b. Property, plant and equipment and related de-commissioning liabilities
c. Financial instruments
d. Foreign exchange
e. Consolidation and business combinations
f. Employee benefits
Implementing organizations have chosen favourable first time adoption exemptions, the impact across heads of the balance sheet and profit and loss has been significant. GAAP experts opined that there are not too many areas of difference between AS 7 and 9, the IGAAP standards on revenue, and Ind AS 11 and 18, the Ind AS on revenue. However, revenue as an area has contributed to a whopping INR 162.45 billion worth of difference between PAT as per AS and PAT as per Ind AS. The reasons for this whopping impact can be summarized as under:

**For internal audit professionals, the key process checks centred around revenue recognition shall have to be re-visited to ensure compliance with the new standard as well as a control mechanism over the primary revenue generating activities of the organization. Ind AS 115 shall have a far reaching impact all the way from the top-line up to the EPS.**

a. Revenue increase due to:

- Change in accounting treatment from agent to principal basis,
- Application of specific covenants of Ind AS 11.

b. Revenue decrease due to:

- Change in method of accounting for investments in joint venture from proportionate consolidation method to equity method.
- Change in treatment of discounts and sale promotion expenses
- Deferral of revenue

Quantum of impact on other areas can be understood by referring to the ICAI report on the following link: https://resource.cdn.icai.org/50820indas40481b.pdf

### The New Big 3

While, it could be said that India Inc. transition to Ind AS has been smooth with implementation hiccups arising and being addressed, many more changes in accounting prescriptions are expected to happen. With India converging to IFRS by the medium of Ind AS, it shall be imperative that all the developments in IFRS that can be adapted to an Indian scenario be made applicable by ICAI and MCA. A deeply impactful change announced by the International Accounting Standard Board (IASB), governing body of IFRS, was the announcement of three new IFRS namely:

- a. IFRS 15 – Revenue from Contracts with Customers
- b. IFRS 16 – Leases
- c. IFRS 17 – Insurance Contracts

These standards are the result of a long standing exercise of convergence between US GAAP and IFRS, an exercise that has been carried out by the IASB and Financial Accounting Standards Board (FASB), the governing body of US GAAP.

Resultantly, India too has adopted these standards in the form of:

- a. Ind AS 115 – Revenue from Contracts with Customers – effectively applicable from accounting periods beginning on or after 1 April 2018.
- b. Ind AS 116 – Leases –likely to be effectively applicable from accounting periods beginning on or after 1 April 2019.

The ICAI has ensured the India adopts IFRS simultaneously with the rest of the world. Ind AS 115 has effectively introduced Indian accounting to the 5-steps revenue recognition model. Under this model, the basis, timing and quantum of recognizing revenue has undergone a paradigm shift. The adoption of Ind AS 115 has begun with contract analysis of existing business arrangements. India, unlike the West, does not have formally drafted contracts which could facilitate the implementation of the 5-stage model.

Quantum of impact on other areas can be understood by referring to the ICAI report on the following link: https://resource.cdn.icai.org/50820indas40481b.pdf

With a bulk majority of contracts being verbal and customary in nature, Ind AS 115 being applied across has its share of challenges. For internal audit professionals, the key process checks centred around revenue recognition shall have to be re-visited to ensure compliance with the new standard as well as a control mechanism over the primary revenue generating activities of the organization. Ind AS 115 shall have a far reaching impact all the way from the top-line up to the EPS.

The IASB and FASB have had a long standing deadlock in the area of lease accounting. IFRS 16 is a tangible
derivative of a consensus between the IASB and FASB. The new Lease standard in the form of Ind AS 116 which India will adopt shall pave the exit of the existing Ind AS 17. Ind AS 116 shall re-invent the building blocks of accounting for an operating lease. Under the new framework, operating leases shall now feature in the balance sheet represented by a “Right to use” asset. There shall be a corresponding liability for present value of lease rentals payable, that would be credited to ensure the accounting balance. With Ind AS 116 in force, rent expenses will no longer form part of the statement of profit and loss, instead interest and depreciation expenses will be recognised. Financial metrics across telecom, retail, civil aviation, power generation, sub-leasing, etc. in the form of EBITDA, proprietary ratio, debt-service coverage ratios, etc. shall be greatly impacted.

c. Ind AS 117 – Insurance.

The adoption of Ind AS by the Insurance sector has been a matter of great deliberation globally. The Ind AS applicability to insurance companies was deferred to 1 April 2020 instead of 1 April 2018 by the IRDAI which is way ahead of the implementation date as set out by IASB for IFRS 17 from January 2022. The IRDAI vide circular IRDA/F&A/CIR/ACTS/262/12/2016 dated 30 December 2018 mandates quarterly pro forma Ind AS financial statements from insurance companies. Insurance companies are allowed early adoption of Ind AS only for limited purpose of consolidation by the parent company. Hence, the early adoption of Ind AS 117 is ruled out for standalone insurance companies. Globally IFRS 17 is expected to add value in the reporting of insurance figures through a separation in the presentation of income from underwriting and investment.

Ind AS and banking

1 April 2018 has seen large NBFCs with net worth of 5 billion or more implement Ind AS under RBI directive. Banks will have to gear-up for Ind AS from 1 April 2019 onwards. The crux area for both banks and NBFCs shall be an impact on capital due to the effective credit loss model to be followed under Ind AS. The biggest area of impact for banks shall be the gargantuan task of ensuring that banking software are attuned to Ind AS. This exercise shall have to be performed to the micro-level of branches across various geographies of the country. This rigour shall invite the community of internal auditors to address the control gaps and lapses that may arise.

In Retrospect

The transition to the IND AS, more than a technical exercise, is a business transformation process that goes beyond the debit and credit of transactions. Besides its effect on financials and disclosures, it will have a substantial impact on every aspect of the organisation including its Systems and Processes, Business Practices, Internal Controls, IT and Human Resource Management. A review needs to be conducted to assess how major accounting changes would affect a company, its financials, its processes and internal control structure.

The internal auditor needs to review the processes which needs re-engineering and re-alignment to meet the requirements of the Indian Accounting standards and whether Internal Controls are redesigned effectively and efficiently to address the new risks associated with the new processes. Accordingly, necessary accounting and IT changes needs to undertaken. The Internal Auditor should also ensure that the client has a well-defined action plan for the conversion to the new set of standards. Various aspects such as Scope, objective, staff training and learning, timelines, cost effectiveness and fixing of KPIs should be evaluated. Also, the internal auditor needs to test the new design and implementation of internal controls to ensure that controls are working effectively as intended.

Ind AS consultants providing comprehensive solutions shall be an icing on the multi layered India Inc. cake. Businesses shall go through the time-based rigmarole of the upcoming elections. This shall in turn lead to a pronouncement on new policies in business and reporting. It can only be expected that the government at the centre handles the “coming of age” issues that shall be required in the interpretation and implementation of Ind AS with sensitivity. Knowledge sharing and solutions can ensure a seamless transition into this new age reform that corporate India has arrived upon.
Like the speed of risk, the end of 2018 is approaching very rapidly. That means many of you are putting the finishing touches on your 2019 annual internal audit plan. I am sure that your process has been exhaustive, and you are preparing to present a plan for your audit committee that will reflect the risk-based priorities appropriate for your organization. However, before the ink dries on your plan, I thought you might find it useful to take an early look at the priorities your peers are planning to address in the year ahead.

Risk defines the world of the internal auditor. Ultimately, risk is what shapes our audit plans, directs our stakeholders, and determines our success or failure. That is why we spend so much time and effort helping our organizations identify, understand, and mitigate or leverage risks. Understanding the unique mix of risks our organizations face, and the risk appetites of our stakeholders, is crucial to internal audit adding value.

A number of organizations produce annual reports that attempt to peer at the horizon to identify risks in the coming year. Sometimes, it is easy to predict what those risks will be, as some major ones are long term, if not perpetual. The challenge is to identify or anticipate unexpected, emerging, or atypical risks that may mature in the coming weeks or months, in hopes of preparing to gird against them or use them to benefit the organization.

Two recently published reports, one from Gartner Inc. and the other from the European Confederation of Institutes of Internal Auditing (ECIIA), identify a familiar foe as the top risk for 2019: cybersecurity. Over the years, this challenge to organizations has
consistently climbed up the risk hierarchy in annual reports. It also has opened our eyes to other risk categories, as our understanding of cyber becomes more sophisticated and our approaches to managing it mature.

Indeed, the focus on cybersecurity has helped us to understand that technology and data are inextricably intertwined, and it has increased our awareness of risk related to data governance and data privacy. It has driven us to be more cognizant of risks related to third-party relationships, IT governance, and culture.

For example, four of the top five risks in the Gartner report arguably stem from our focus on cybersecurity – cybersecurity preparedness, data privacy, data governance, and third-party risk. Risk in Focus 2019, the report developed and produced by the ECIIA, groups cybersecurity, IT governance, and third-party risks into one category. Another category in the ECIIA report is data protection and strategies in a post-GDPR world.

Data and technology also are central to risk discussions on digitalization, automation, and artificial intelligence. These discussions neatly demonstrate the challenge of balancing risk and opportunity. As the ECIIA report points out:

“The cost and efficiency benefits of automation and other digital processes can be transformative, if harnessed to their full potential. But organizations must also consider the risk associated with such transformation.”

Data collected since 2016 by The IIA in its annual Pulse of Internal Audit surveys reflect the same focus on cyber. The percentage of North American chief audit executives (CAEs) who rated cyber as a top risk to their organizations grew from 60 percent to 68 percent between 2016 and 2018. Over the same period, the percentage of CAEs rating IT as a top risk grew from 39 percent to 53 percent, and third-party relationships showed modest growth as well.

The Gartner report, which surveyed 144 CAEs, found two-thirds of respondents said they had experienced either a third-party-related disruption in the past two years or lacked sufficient knowledge of third-party activities to identify a disruption.

What is known is that third-party risks are growing more complex as digitalization, data sharing, and weak oversight of third-party relationships threaten to expose organizations to reputational harm.

It is easy to fixate on data- and technology-driven risks, but others certainly exist, as the two risk reports agree. Gartner identifies ethics and integrity as a risk that has evolved from culture risks identified in its 2018 report. The ECIIA report also identifies workplace culture as a risk.

In 2018, the #MeToo movement redefined how organizations see risks associated with sexual harassment and inequality in the workplace. While those two areas were known risk categories, the explosion of serious allegations against high-profile entertainment industry executives and the subsequent reputational damage to their organizations have significantly raised this risk level. The significant role of social media cannot be overstated. Here again, technology is influencing how we view risk.

The Cambridge Analytica scandal provides another example. Facebook and its iconic founder, Mark Zuckerberg, suffered significant reputational damage for allowing the British company to mine personal information of millions of the service’s users. It also raised awareness of the ethical responsibilities associated with data protection and privacy that now is viewed as a significant risk in both the Gartner and ECIIA reports.

As we look toward 2019, the risk landscape will likely focus on cybersecurity, data governance and privacy, third-party risk, and the evolving hazards associated with technology’s impact on organizational ethics, culture, and integrity.

As you prepare your internal audit plans for the coming year, you should ensure that you have considered all of the risks facing your organization and discuss them with your audit committees and executive management. The list is by no means comprehensive or necessarily applicable to all organizations. However, it does provide a useful benchmark as you contemplate what may lie ahead in 2019.
2019 IIA India National Conference &
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Theme: Emphasize the Basics; Elevate the Standards

21st – 22nd January, 2019,
Hotel Sahara Star, Santacruz, Mumbai, India

invite the Internal Auditor fraternity to have a vibrant discussion.

The 2019 Annual Conference provides an excellent opportunity to not only the delegates in thought leadership discussions but also to various partners to interact with various decision makers across India.

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IIA VALUE PROPOSITION

Benefits of IIA membership for Corporates

- Professional Networking at IIA seminars and conferences.
- Access to best in class global practices in internal audit and risk management.
- Audit quality assurance services and bench marking
- Encourages existing employees to appear for CIA/CRMA/QIAL online exams and certification at concessional rates.
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- Trainings on Risk based Internal Audits, Internal Controls and Auditing standards for the on roll employees.
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- Provides contemporary thought leadership on matters of professional interest.
- The IIA Research Foundation, a research arm of the IIA, provides support through research conducted and publications available on relevant areas of internal audit practice.

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Vision - IIA India

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IIA India Activities

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- Educating internal audit professionals and other relevant audiences on best practices in internal auditing.
- Bringing together internal auditors from all countries to share information and experiences.

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- Additional CIA certification for CA's/ ICWA's/ MBA's enhances global career opportunities.
- Blogs and other social media channels such as LinkedIn give up to date information with the current developments in the profession.

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- Bringing together internal auditors from all countries to share information and experiences.

- Inbuilt online Book store for all references. Books available, at a discount of 85%, providing indicative of a significant level of competence and career advantages in internal audit position.
- Your career compass is the newest IIA publication to support the career growth of our members through tools and resources including job openings.
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- Volunteering provides multiple opportunities for added experience and quicker upward mobility.
- Discounted training opportunities for volunteers.
- Easy accessible advice and resources geared to those looking for, or expanding on, careers in the internal audit profession.
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- Lend your expertise by speaking at conferences, writing articles, contributing to research, teaching other professionals at an IIA seminar, or developing courses.
- Equip professionals to work in a variety of environments that enhance the individual's credentials.
- World class training inputs with material from IIA Inc. and access to best in class practices.
- Your Career Compass is the newest IIA publication to support the career growth of IIA members.
Trusted Advisors

Key attributes of outstanding Internal Auditors

Internal Audit professionals need no introduction to Richard Chambers, president and CEO of IIA Global. Richard is recognised as a true advocate and champion for the profession and is highly regarded around the world, cited annually by internal audit, accounting and board organizations for his insight and influence. He has built his career on leadership experience in the public and private sectors, including with major U.S. government agencies and as a senior manager with a Big 4 firm. I was intrigued by his first book, “Lessons Learnt on The Audit Trail,” and reviewed it in 2016.

His second book, “Trusted Advisors: Key Attributes of Outstanding Internal Auditors,” expounds on key traits of the most effective internal auditors and how those attributes position them to be trusted advisors to the organisations and managements they serve. He explains that “becoming a trusted advisor involves not just what you know (risk, control, and governance expertise), but also how you get things done (relationship acumen). Excellence requires a balance of technical and soft skills. Most of all it takes passion”.*

As interesting as the contents is the approach adopted by Richard in authoring the book. He used his analytical and experiential qualities to come up with more than a dozen attributes of outstanding Internal Auditors. He then surveyed global leaders in the IA profession. It is from their feedback that he developed 9 key attributes identified in his book. These inputs also allow him to share with us the experiences of world class internal auditors who responded to his survey. As a result, “Trusted Advisors” enlightens with us the learnings of several global leaders in the sphere of IA; in addition to what he has to share.

These 9 attributes are not just applicable to Internal Auditors but to business leaders as well; which makes eminent sense. If you wish to be considered as a “Trusted Advisor” to business leaders in an organisation, it is necessary that you possess the same qualities that they do.

Chambers creates an inverted Pyramid of attributes, which are broadly categorised into Personal, Relational and Professional. These are clearly depicted in tabular fashion (as below) in the beginning of the book and dealt with in the same order.

Personal Attributes: It is these personal attributes/values, many of which we imbibe from our parents, teachers and mentors, that make one stand out from the crowd. The qualities of ethical resilience, results focus, intellectual curiosity and open mindedness (especially when combined with the “Personal Attributes” of independence and objectivity detailed by the IPPF) allow internal auditors to function on an ideal personal platform. Some of these attributes, with relevant quotes from the book, are outlined below.

Ethical Resilience: “If we think of ethics as a way we

*Note:-I have taken the reviewer's liberty of quoting liberally from the book; not necessarily in sequential order. Such quotes are in “inverted commas”.

Book Review by Nikhel Kochhar, CEO, The IIA India
As the joke goes, the “introverted internal auditor looks at his own shoes while talking to clients” whilst the “extroverted” internal auditor looks at the client’s shoes while talking with him. This ability to communicate, engage with and relate to people is what sets outstanding internal auditors apart from the run of the mill auditors. “Internal auditors who were eloquent in conversation and on paper were far more effective at achieving results and winning the respect and trust of those they audit.”

Chambers says ‘In my view, trusted advisors are approachable. But, more than that, they also do the approaching……if we go out and cultivate relationships through ongoing communication, people will ultimately seek us out.’

Another important communication skill involves the art of persuasion…. phrase your recommendations in ways that incentivize listeners to embrace them, because doing so will make them more successful.” He quotes Richard Brilliant who says “it doesn’t matter how good your technical skills are if you are unable to effectively communicate and persuade.”

Results Focus: “Outstanding internal auditors care more about outcomes than outputs. An internal auditor’s mission is not truly complete until management acknowledges the recommendations and implements them………………when the results are aligned with and support an organization’s strategic objectives”. An auditee is quoted as saying “I know I have problems. I need someone to come in and tell me how to fix them.”

IQ, EQ, CQ

We all know about IQ and most of us have heard of EQ or emotional quotient (which is so critical for empathy). However, Chambers brings in the concept of CQ or the Curiosity Quotient, where the internal auditor does not think twice about repeatedly ask questions, even if some of them are causing discomfort to the auditee.

Similarly, on Intellectual Curiosity he says “Questioning enables internal auditors to uncover truths. Don’t shrink from getting to the bottom of issues” - an oblique reference to the 5 Why approach. This reminds me of the song from the Indian movie Amar Prem: Yeh kyahua, kaisehua, kabhua………………until (the Auditee?) says O chhodo, ye nasocho – an example which most participants’ enjoy relating to in my training sessions.

The 2nd set of “Relational Attributes” amplifies the importance of communication, motivation, interpersonal relationships and leadership skills. Internal auditors are notorious for being introverted and as the joke goes the “introverted internal auditor looks at his own shoes while talking to clients” whilst the “extroverted” internal auditor looks at the client's shoes while talking with him. This ability to communicate, engage with and relate to people is what sets outstanding internal auditors apart from the run of the mill auditors. “Internal auditors who were eloquent in conversation and on paper were far more effective at achieving results and winning the respect and trust of those they audit.”

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Strong relationships: “it is the (ability to build) strong relationships with clients and other stakeholders where outstanding trusted advisors differentiate themselves.” This requires positivity, diplomacy, empathy as well as the ability to question assumptions.

“In the long run, success depends on a balanced mix of relationship building and the ability to identify risks—and then using the results as a basis for creating value.”
The need for psychological maturity is also highlighted by Chambers. “Outstanding internal auditors have to bring a bit of psychology to the table—a topic that is likely not covered in standard auditing curriculum. They need to understand what motivates people and what their priorities are today.” A fact many aggressive auditors would do well to note.

“Inspirational leaders.......... are dripping with charisma—a trait Psychology Today defines as the ability to attract, charm, and influence people, often evidenced by confidence, exuberance, optimism, a ready smile, expressive body language, and a friendly, passionate voice.’

**Creative Thinking:** “it enables dealing quickly and effectively with change and supports the integration of diverse sources of knowledge, brings clarity to complex issues, and promotes creativity......as a guide to belief and action.”

**Making the most of the book**

A cursory reading of the 9 attributes listed may bring out the jaded response of “Come On - I know all this”. My question to you is how many of us have faced an ethical dilemma in our professional work(e.g. “please remove this para from your report”)? and come out of it with our heads held high?

Truly appreciating the value of the book may require you to be brutally honest with yourself. Only when you acknowledge your shortcomings can you work on improving yourself; and it will take effort, honesty and bravery.

“First, we should be assessing our skills today as a basis for setting ourselves up for success in the future.

Second, we need to recognize that the attributes covered in this book will undoubtedly evolve over time. As a profession evolves, the skills needed to excel in it evolve as well.”

I have devoted the least time on the “Professional Attributes” because I feel that many of us (especially senior internal auditors) have gotten to a certain level because of our technical expertise. To that extent it is a given. No doubt, it is the capability of thinking out of the box (critical thinking) that allows us to come up with “fit for purpose” solutions based on our clients’ requirements.

“We all know the problems. Practical & acceptable solutions are what sets us apart and can earn us the title of ‘Trusted Advisors’.”

As Chambers' concludes: “Very few (trusted advisors) excel in every one of those attributes (even Superman has his kryptonite), but they do demonstrate mastery in a majority of them.” The path is clear. Traversing it is entirely up to us.

Do we have a seat at the Table?

(Top Management Commitment to Internal Audit)

M any of us know Helen Keller who was an American author, political activist, and lecturer. She was the first person who was dumb, deaf and blind to earn a Harvard University BA degree. In her famous autobiography widely published after her death in June 1968 Helen Keller says that her greatest darkness came from her inability to speak, rather than her inability to see or hear.

Quote ‘Humans are born with a voice, to sing out the contents of their head and heart to others. This is a precious gift. Many humans, in many ways feel powerless because they are silenced, because nobody hears or understands what they are saying. This is what leads to the demand that every voice be heard, that everyone have a seat at the table. To have a seat at the table is to carry our share, be part of the team, ready to carry our load and come up to the standards of others around the table’. Unquote

What do we mean by 'having a seat at the table'?

According to Macmillan Dictionary the phrase having a seat at the table means "a position as a member of a group that makes decisions". It follows that once given a seat at the table, the member's voice will be
Internal Audit has now been a recognized global profession for more than 75 years. During this period, key principles have been enshrined in the IIA Professional Practices Framework (IPPF) the one and only global standards for the professional practice of internal auditing. The new IPPF 2017 has brought out significant changes on the role of internal audit.

The New IPPF 2017

1. Chief audit executives are expected to take on roles and responsibilities beyond internal auditing without compromising on their objectivity and independence. Having a seat at the table therefore implies that the Internal Auditor is expected to look at issues and problems of other members at the table, such as the marketing manager, operations manager or even the supply chain managers. Internal auditors are expected to get involved and play a proactive role and not a passive role.

2. The updated Core Principles in IPPF 2017 include among other requirements that internal auditors have to align their audit programs with the strategies, objectives and risks of the organization and is expected to be “insightful, proactive, and future-focused”. Internal auditing during early days was considered to be an extension of the accounting function involving post-mortem examination of the books of accounts and in many areas it duplicated the work of external auditors. Today internal auditing has more to do with managing the organization than managing accounts.

3. IPPF 2017 says that Internal Auditors have to promote organizational improvement. This could include expanding the audit universe to include emerging business issues and challenges and acquiring new skills and competencies to address emerging issues. IPPF standard 2100.A1 deals with audit planning states that "The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.” This can be done only if the internal auditor has a seat at the table. The audit universe and audit plan are to be in close sync with the organization’s goals, objectives and strategies.

4. IPPF Standard 2120.A1 states that the internal audit

Do Internal Auditors deserve a seat at the table?

All of us are familiar with the IIA’s definition of Internal Auditing: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

I consider the phrase "add value and improve an organization's operations" as the most important part of this definition. To me an internal auditor who is unable to "add value and improve an organization's operations" does not deserve a seat at the table. Other members at the table who are from senior management expect internal audit to advise them on matters relating to strategic risks, operational risks including technology risks, governance issues and enhancing the control effectiveness on a continuing basis since the risk scenario keeps changing on a continuing basis. Therefore Internal auditor's seat at the table is really a HOT SEAT.
activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the [1] Achievement of the organization's strategic objectives, [2] Reliability and integrity of financial and operational information and [3] effectiveness and efficiency of operations and programs. The Interpretation to this standard further states: The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. This would again involve a close interaction with other members at the table.

5. It is almost impossible to do a meaningful analysis of business risks and controls and a study of ERM practices without adequate business knowledge of the organization. To achieve this there should be a continuous communication between CAE, the board, and senior management. This is possible only if the internal auditor has a seat at the table where important strategic decisions are made.

**Bridging the huge knowledge and skills gap**

Internal auditors are finding it almost impossible to actively participate and carry out the responsibilities in view of a glaring knowledge and skills gap in internal audit department. In many cases, audit plans based on audit universe are being compromised due to the huge knowledge and skills gap. Every business today is getting prepared for a technology driven business processes including Artificial Intelligence, Machine Learning, Block Chain and Cloud computing. In a few years from now, no audit program can be executed without knowledge and skills pertaining to the above.

Even today, many internal auditors operate in their own comfort zone; example: concentrate more on routine compliance risks whereas major business risks are in strategic and operational areas like marketing, manufacturing, SCM etc.

Dr. James Roth PhD, CIA, CCSA President of Audit Trends says that today internal auditors should possess a
- A deep knowledge of the organization, including its culture, key players, and competitive environment.
- The courage to innovate in ways stakeholders don’t expect and may not think they want.
- A broad knowledge of those practices the profession, in general, considers value added.
- The creativity to adapt innovations to the organization in ways that yield surprising results and exceed stakeholders' expectations

We have been saying that internal auditing is multi-disciplinary function. But this is not reflected in the HR policy of many companies, notably in recruitment, placement and training. Despite the fact that internal auditing has moved far away from routine accounting and finance areas, even today many organisations continue to prefer accountants for internal audit work whereas the emerging role of internal audit requires multi-disciplinary skills especially technology and general management skills.

I quote Standard 1210 of IPPF dealing with professional proficiency: "Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. The Interpretation to this Standard further adds: Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations. My understanding of other professional organizations is professional bodies from other disciplines like ISACA, Information Technology, Management Schools and even an engineering degree depending on the scope of the audit program. The scope of audit should never be compromised for want of audit skills."
auditors a huge opportunity to discuss audit findings with other senior management which is more effective than a formal written report. It also provides an opportunity to ensure that audit findings are promptly implemented.

Interpersonal relationships

Having a seat at the table involves Interpersonal relationships on the job and this requires a high degree of HR skills to wield influence more effectively. Internal auditors can increase the likelihood of identifying opportunities for organizational improvement by enhancing their "soft skills" such as interpersonal relationships with senior management. Besides the knowledge that internal auditors bring to the table, they should listen and observe what others are saying and doing, and don't be afraid to challenge ideas or have your ideas challenged.

In conclusion I wish to quote Richard Chambers, President and CEO, IIA Global:

"Having a seat at the table is an admirable goal, but first it's important to examine why you want to be there. Too often, internal auditors treat getting to the table merely as a sign of success. This is a mistake. We must be there for the right reasons, not because we hope that being with senior executives will make others view us as senior executives. A seat at the table is a means not an end and if you don't prepare for it you may damage, rather than enhance, your career. It’s also a mistake to view a seat at the table as a source of audit leads. If you leave your first management meeting with plans for an immediate audit of the operating unit discussed at the meeting, you may not be invited to the next one. You need to add value, not prevent others from talking freely" - Richard Chambers

About the author:

Mr P R Loganathan is presently Managing Director of CISMA Consultants Private Ltd. He is also the co-founder of IIA Madras Chapter and has held various positions in IIA at the Chapter, National and Global level. He was on the IIA Global Board as Region of India Director and was also a member of the International Relations Committee of IIA Global. Presently he is on the Board of Governors of Madras Chapter.
The ease of doing business
Facets of Internal Audit

Dr Vinayshil Gautam FRAS (London)
(Founder Director, IIM-K; 1st Head Management Dept IIT-D; 1st Hony. Dean KPMG Academy; Ex Sr MD, Protiviti (I) Member Pvt.Ltd)
Chairman, DK International Foundation, Delhi

Socialist model of governance had many strengths and some serious conceptual flaws. This the different communities of governance, across the world, have discovered across the last three to four decades, often at their own cost. The biggest error they made was over rating the role of state in collective action. Illustratively, it cannot be the exclusive, overall preserve of the state, say, of ensuring ‘ease of business’.

Proper business knowledge, advice and indeed structuring needs focussed attention whose source has to be some institutional set up. This has to be done through competent educational system, skill formation, professional bodies and indeed the, media. The institutional list can be added to.

Hence, if there are bumps in smooth transaction of business, one need to ask in whose domain does the solution fall.

Given below is a report from the field of a small to mid-sized company which had good international linkages, outstanding credential of leadership, sensitive business sense, good financial base, to start with. For convenience one can refer it as ABC. It had some unique experience in handling finance and accounts. Because of the absence of a better domain which could respond to their needs, this write up has captioned it as the internal audit requirement of the firm. The Management of this firm, indeed, also turned to components of the internal audit processes to navigate their way.

The trouble seemed to be that the internal auditors did not see themselves as strategic stakeholders of firm. Their approach was typically from a compliance perspective, alone.

When the internal auditor does not see himself as part of a company’s efficiency, a lot of information is
communicated piecemeal, or not at all. An exclusive self-image as compliance advisor impedes the one of being a knowledge partner. It is natural, therefore, that there is little, if any focus on facilitating procedural efficiencies.

Enterprise ABC outsourced their financial reporting to a CA recommended by the financial administrator. It seemed a reasonable move given that it was a company that did not have the range to acquire a full time CFO. General close procedures, cash, investments, accounts receivable, accounts payable, prepaid expenses, current assets, fixed assets, etc. were maintained in-house and shared. But areas like accumulated depreciation and amortization, goodwill, intangible assets, accounts payable, accrued expenses, capital lease obligation, other current liabilities, and equity were outsourced for quarterly reports.

A perusal of a year's advice and reports received by this firm showed there was little perspective or advice the CA had given to help bring coherence to what was essentially operating in a post-facto data collation mode. The internal audit firm, so hired, seemed oblivious to the special requirements of the business. This kind of situation was evidently the anathema to creating an atmosphere of 'ease of doing businesses'. And by the same token, this could not be an area to be remitted to government in encouraging 'ease of business'.

Intrapreneurship suffered most because the advice the firm received gave little to no information or insight on managing various revenue streams from major international clients.

International accounting and compliance was a nightmare. Either there was little information or experience in-house or did the firm chose a wrong audit partner?

As a result the firm ended up paying, twice the amount under certain statutory heads it needed to have paid in some cases.

This impacted the bottom line heavily.

HR and Payroll was among the more misinformed units of the firm. Incentives/programs that could protect or benefit the firm and its employees were simply not communicated. Or if they were, it was after the data has been filed.

The tale of woe did not end there and the consequences were also predictable.

Further, the CA/auditor gave no information on the legal and tax-filing costs with sufficient lead time, to help the firm to prepare. The entity ended up hiring an entire legal team (the team's costs/court fees/time invested galloped). A separate CA had to be fired for GST filing and change of records, over and above the usual compliance requirements. In actual effect the proprietors ended up paying 47% of their income in 2017 and 2018 to court fees and taxes.

Even in cases of simple employment, on matters touching working conditions or experiences of resignation or termination for one reason or another, in a corporate situation, one can go to a web site say “The Glass Door” to flag the experience. There are for as of appeal in case of health care inadequacy. This is true of many sectors. One can more often than not, find a forum or method of airing the inadequacies of service.

In terms of internal audit inadequacy, there is no appeal! This not only reduces the chances of redressal, but also that this a great gap in bringing about a systemic and incremental improvement in the service quality and expertise of the profession.

An implied responsibility of the audit profession is to strengthen the information competence of the client. Most successful audit firms root their reputation also on this attribute.

In the case under review no education or resources were ever shared to empower the client. Controls and processes turned out to be punitive- reactive to a schizophrenic Indian tax code.

We all have an implicit responsibility to create and facilitate a business friendly eco-system on every front, not the least for small firms and start-ups.

In the meanwhile, to complete the narrative on the firm’s experience quoted above: the predictable happened. The firm is currently going through a leadership transition and a change in the equity structure.
Sometime back, I was transferred from Gurgaon to Chennai by my company. As, I was to relocate in the middle of the academic session and due to other family compulsions, I decided not to disturb family and relocate alone.

Company provides facility of moving belongings through designated transporters to avoid any difficulty or harassment to the employees. But as I was to move alone, so thought to use above facility, when my family will be joining me after end of current academic year.

I am man of few needs, so decided to carry things which I need, along with me as luggage, when I join at Chennai for the first time, to save cost and time. Four briefcases were taken out to fill with essential stuff, which I might need for my living at my new location. Most of my needs were met with one hand bang and large brief case. However, two more bigger briefcases were left, which my wife have brought as her luggage, when she first came to live with me after marriage, carrying her stuff. You can very well imagine, these would be good enough to hold lot of things. Packing these two additional bags, I packed stuff, which by any standard, I would have done without.

Even after stuffing, whatever additionally I needed, a lot of space was left out. So, I packed GST Manual, few other essential books, foot mat, pillow, yoga mat, exercise rollers etc.

With all this paraphernalia, I departed from home at around 4 AM to catch my early morning 6 AM #AirIndia
flight to Chennai. I hired Uber or Ola, I don't remember, because none of the guys ever created any fuss with 4 bags of luggage that I was able to easily pull. Individually these were not heavy, this statement is not because of my exercise and weight lifting regime but what the machines reflected at check in counter of #AirIndia. All four bags put together were 41 kgs.

There I came to know, I was permitted to carry only 20 kg as check-in luggage and I will have to pay for the balance weight of 21 kg. I had some inkling that I will be charged, but not to shock of the life which I was about to get. I had thought, my ticketcosted company something around Rs 4800, so any additional baggage charge would be nominal amount, which I will pay and carry along with me my luggage.

So, when the lady at the counter, as ever smiling asked me that I will have to pay additional charges, I without blinking asked for the amount. She said, it would be roughly be around Rs. Twelve thousand, at the rate of Rs. 500 per kg plus taxes. Her words came as bullets straight into my heart, ripping it apart with immense pain and agony.

However, like a Bollywood or Hollywood hero, I mustered all my courage and countered but in a meek voice losing all my confidence, “Ma'am! how could it be, when my own ticket is just for Rs. Four thousand and eight hundred and I am weighing over 68 kgs, requiring much larger space and attention for covering same distance and you are saying, I must pay Rs. Twelve thousand for just 21 kgs.”Nothing prevailed, and I was told its #AirIndia policy and rates are far lesser than other airlines.

With no options at my disposal as to leave baggage anywhere or to call someone at this juncture to take back the luggage (don't even think off, I should have asked my wife to take back luggage – this is her time to go to her school, where she is a primary teacher, she would have preferred to dump me to the court for divorce rather than coming here and taking back the luggage. Even my mobile phone would have burst out of fear of connecting with my wife's mobile at this time of the day.'') Humor apart, time was too short for anyone to come and take back the stuff.

As lady at the counter asked to pay cash at another counter. I searched all my pockets to find requisite amount and in low voice muttered about not having enough cash. I thought, this might generate some mercy on her part and she might waive the charges, but curse to our prime minister's demonetization and digital payment initiative (however personally, I have loved and advocated demonetization but please no debate on the topic, this is my very personal choice and view), she again with cunning smile said, I can make payment through debit or credit card.

At the payment counter, not yet fully accepted the defeat, I gave my #americanexpress card, which 95 % of the vendors refuse to take. But here at payment counter, my religious counterpart smiling Sikh, took it with ease and swapped for the payment. Payments were processed with ultimate dagger in my heart for such a daylight robbery.

Finally, I reached Chennai without any further fuss from anyone about my luggage. When I opened my bags, value of every item had instantly multiplied with a rate of Rs. 500 per kg. Some items, like foot mat which didn't cost originally more than Rs. 200, were sitting pretty at around Rs. Six to Seven hundred. A new realization had dawned upon me about role of these items in my life. I was enriched, and these items had become nothing short of memorabilia for me for the rest of my life.

(The views expressed constitute the ideas & opinions of the author and the author alone; they can't in any case represent the views and opinions of the author's employers, supervisors, nor do they represent the view of organizations, businesses or institutions the author is, or has been a part thereof.)

About the Author

Author of this article is B.Com. (Hons), MBA, Charter Accountant, DISA, CIA and EPGPM from IIM Kashipur (Awarded Silver Medal for academic excellence) with around 16 years of experience in Internal Audit and Risk management. He has worked with reputed groups like TATA, RPG, Dalmia Bharat and presently working with Ashok Leyland Limited. Author can be reached at narinder@icai.org.
## Internal Audit Jobs - January 2019

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<td>State Head - Internal Audit - Pan India</td>
<td>Spandana Sphoorty Financial Limited</td>
<td>5-10 yrs</td>
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<td><a href="https://bit.ly/2Fcd8B78">https://bit.ly/2Fcd8B78</a></td>
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<td>Manager/am-internal Audit</td>
<td>GSS HR Solutions Private Limited hiring for Leading Consulting firm</td>
<td>5-9 yrs</td>
<td>Chennai</td>
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<td>Manager Internal Audit</td>
<td>Kinesis Human Resource Pvt Ltd</td>
<td>2-6 yrs</td>
<td>Delhi NCR</td>
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<td>CHRISTY FRIEDGRAM INDUSTRY</td>
<td>0-2 yrs</td>
<td>Bangalore</td>
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<td>Deputy Manager - Internal Audit</td>
<td>Chartered Club</td>
<td>4-9 yrs</td>
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<td>6-10 yrs</td>
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<td>Manager - Internal Audit</td>
<td>Columbia Asia Hospital's Private Limited</td>
<td>3-6 yrs</td>
<td>Bangalore</td>
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<td>Deputy Manager - Internal Audit</td>
<td>Teamlease Services limited</td>
<td>4-9 yrs</td>
<td>Mumbai</td>
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<td>Manager - Internal Audit</td>
<td>TalentAhead India Pvt. Ltd.</td>
<td>3-5 yrs</td>
<td>Bangalore</td>
<td><a href="https://bit.ly/2QwKjP1">https://bit.ly/2QwKjP1</a></td>
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<td>Manager Internal Audit</td>
<td>Compass India Support Services Pvt. Ltd</td>
<td>3-7 yrs</td>
<td>Gurgoan</td>
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<tr>
<td>Manager - Internal Audit</td>
<td>Protiviti India Member Private limited</td>
<td>7-10 yrs</td>
<td>Bahrain</td>
<td><a href="https://bit.ly/2U2z7Lm">https://bit.ly/2U2z7Lm</a></td>
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<td>Manager, Internal Audit</td>
<td>OLAM AGRO INDIA PVT. LTD.</td>
<td>2-6 yrs</td>
<td>Libreville, Gabon</td>
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<td>6-10 yrs</td>
<td>Pune</td>
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<td>ERM Placement Services (P) Ltd.</td>
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<td>Hyderabad</td>
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<td>Manager - Internal Audit</td>
<td>Spectral Consultants</td>
<td>5-8 yrs</td>
<td>Anywhere in India</td>
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<td>MANAGER INTERNAL AUDIT</td>
<td>BCS Consulting Pvt Ltd.</td>
<td>8-13 yrs</td>
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<td>Patna</td>
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<td>4-6 yrs</td>
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<th>Location</th>
<th>Bitly</th>
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<tr>
<td>Associate Manager/ Manager- Internal Audit</td>
<td>Skill Ventory</td>
<td>4-7 yrs</td>
<td>Ahmedabad</td>
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<td>Manager Internal Audit</td>
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<td>3-5 yrs</td>
<td>Thane</td>
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<td>Audit Manager/ Manager Internal Audit</td>
<td>RESOURCE ACCESS MANAGEMENT SOLUTIONS PVT LTD</td>
<td>8-12 yrs</td>
<td>Bangalore</td>
<td><a href="https://bit.ly/2TyEnXD">https://bit.ly/2TyEnXD</a></td>
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<td>: Internal Audit Manager</td>
<td>Godrej &amp; Boyce</td>
<td>4-7 yrs</td>
<td>Mumbai</td>
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<td>Manager/ Assistant Manager - Internal Audit</td>
<td>TCI Express Ltd</td>
<td>7-11 yrs</td>
<td>Gurgaon</td>
<td><a href="https://bit.ly/2FedxjH">https://bit.ly/2FedxjH</a></td>
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<td>Risk Advisory Service/Internal Audit</td>
<td>BDO India LLP</td>
<td>0-2 yrs</td>
<td>Pune</td>
<td><a href="https://bit.ly/2QfFtISJ">https://bit.ly/2QfFtISJ</a></td>
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<td>Manager/ Senior Manager</td>
<td>SilverPeople</td>
<td>8-12 yrs</td>
<td>Delhi NCR</td>
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<tr>
<td>Advisory - Risk - Internal Audit - SOX/ IFC</td>
<td>EYGBS (INDIA) LLP</td>
<td>1-6 yrs</td>
<td>Kochi, Trivandrum</td>
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<td>Deputy Manager - Internal Audit</td>
<td>Narayana Hrudayalaya Ltd</td>
<td>0-1 yrs</td>
<td>Bangalore</td>
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<td>Manager Internal Audit</td>
<td>Midland Credit Management India Private Limited</td>
<td>5-8 yrs</td>
<td>Delhi NCR</td>
<td><a href="https://bit.ly/2FiNQzb">https://bit.ly/2FiNQzb</a></td>
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<td>Deputy Manager - Business Risk Advisory - Internal Audit</td>
<td>Protiviti India Member Private limited</td>
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<td>Internal Audit</td>
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<td>1-6 yrs</td>
<td>Gurgaon</td>
<td><a href="https://bit.ly/2QqZ3K5">https://bit.ly/2QqZ3K5</a></td>
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<td>Internal Audit with a Big4- India Practice</td>
<td>Anlage Infotech (I) Pvt. Ltd.</td>
<td>1-6 yrs</td>
<td>Bengalure</td>
<td><a href="https://bit.ly/2CTcDYu">https://bit.ly/2CTcDYu</a></td>
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<td>Associate Director - Internal Audit</td>
<td>Corporate Access</td>
<td>7-10 yrs</td>
<td>Delhi</td>
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<td>Internal Auditor</td>
<td>Shivalik Mercantile Co-operative Bank Ltd.</td>
<td>2-7 yrs</td>
<td>Noida</td>
<td><a href="https://bit.ly/2RbmTUG">https://bit.ly/2RbmTUG</a></td>
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<tr>
<td>Deputy Manager/ Manager- Audit &amp; Taxation</td>
<td>Chaithanya Projects Pvt. Ltd.</td>
<td>6-11 yrs</td>
<td>Bangalore</td>
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<td>Manager - Audit</td>
<td>M.K. Aggarwal &amp; Co.</td>
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<td>Delhi</td>
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