PULSE OF INTERNAL AUDIT IN INDIA

Welcome to this issue of The IIA India Quarterly a collection of member thoughts & views, global insights and updates on the Internal Audit Profession (IAP) at the chapter, national & global level.

Since the last issue, notable developments include signing of MOU between UAE, IAA & IIA India for promoting closer relations and cooperation on common interests. Also a MOU between IIA India Bombay Chapter and Bombay Chartered Accountants Society (BCAS) to promote events on internal audit, internal control and risks with mutual support was signed.

The 2017 IIA India National awards ceremony took place at Chennai (during the Annual Conference) and with many leading entities participating the level and quality of the competition was high. This experience helped us draw up initial views on the Pulse of Internal Audit in India. While the common perception that many internal audit departments appear to have challenges in meeting the minimum requirement expected of internal auditing may not have changed, we discovered entities that are at the cutting edge of effective internal auditing.

This issue has thought-provoking articles as Farah Araj on the changes in the International Standards, S.Bhaskar's growth strategy of internal audit at Tata Capital, Mahadev Kulkarni's discussion on the impact on internal control environment due to ERP customisation, Subhashis Nath's journey as a serial entrepreneur in assurance services, Sean Lloyn's book review. Also Vishwanadh Kuchi, co-author of our recent publication titled Internal Auditor's role in relation to IFC Reporting in India, shares his views. There are lots of other interesting readings too. Do write in your comments to help us serve you better.

Sincerely,

Deepak Wadhawan FCA, CPA, CIA
Editor, The IIA India Quarterly
ceooffice.iiaindia@gmail.com
New Delhi, March 31, 2017
Dear IIA India Members

Greetings of the season !!

Mega National Conference The month of February was an active month for IIA India. We conducted our mega National Conference on 3rd and 4th February in Chennai. It was a thundering success with record attendance of more than 350 participants. The conference was inaugurated by none other than our own International President and CEO Mr. Richard Chambers. We had a galaxy of speakers, key note addresses, panel discussions and what not. We received excellent feedback from all the participants on all counts; on technical aspects of the conference, admin and organisational aspects too. We have given Participation Certificates to all the attendees.

IIA Global Council Meet As the President of IIA India, I attended the IIA Global Council meeting along with IIA India Secretary Mr. R Ramarao on 19th to 22nd February at Rome, Italy. In this meeting, 84 Countries were participated from around the Globe. The deliberations centred around strategic planning for the next 5 years for IIA Global and also discussions on Stakeholders' Expectations from IIA and how to meet them in an effective and timely manner. Based on the discussions held in this Global Council, the policies of IIA will be formulated.

IIA India Goes Digital - Members' Online Portal Another very important development that is worth noting is the IIA India Members Portal. This digitisation initiative was started some months back and this is being handled by a Committee managed by Mr. Sumant Chadha, IPP of IIA India ably assisted by the Co-Chairman of the Committee Mr. Giridhar Janardana who is the IPP of Madras Chapter. It is a complex project which is going to be completed shortly. You will receive a separate communication on the Online Portal's features from the team soon. Once it is through, members can make use of the portal for various online transactions at the ease of a click of mouse sitting at your desk.

Chapters Annual Conferences Two of our Chapters namely Bombay and Calcutta have also organised their Annual Conferences in February and March respectively. Both the events were well attended and were technically rich in content. A report on the same will appear elsewhere in this publication for your perusal.

Advocacy Measures with CGA & SEBI Our Advocacy Committee ably handled by its Chairman Mr. Nikhel Kochchar, IPP of Delhi Chapter and our vibrant CEO Mr. Deepak Wadhawan, has acquired the distinction of signing an MOU with the prestigious CGA (Controller General of Accounts), Ministry of Finance, Government of India a few months back and they have started serving the members of CGA through which IIA India has got more visibility in Central Government departments. When our Global President was in India for our National Conference we utilised the occasion to have a meeting with the whole-time Director of SEBI (Securities Exchange Board of India) at Mumbai and started an effective advocacy to serve the requirements of SEBI and its stakeholders in the days to come. I am sure that this initiative will also culminate in an MOU with SEBI and render IA services to them for mutual benefits.

Member Get Member Initiative Our Membership Development & Services Committee will shortly launch the captioned scheme to increase our membership strength which is one of our focus areas. Do participate in this initiative enthusiastically and win prizes.

Wish you all a growth oriented new Financial Year 2017-18 !!

K Vidyadharan
President, IIA India
Internal auditors have been confronted with a range of questions on their role and involvement in implementing compliance with the reporting requirements relating to Internal Financial Controls (IFC) under the Companies Act, 2013 and its rules. While sufficient guidance is available as to the role of statutory auditors, technical literature is scanty to clarify the rule position on the role of Internal Auditors. In this context, the Professional Development Committee of IIA India had taken the initiative to provide appropriate assistance in the form of a publication under the co-authorship of Mr. PK Ranganathan, Mr. Viswanadh Kuchi and Mr. D. Krishna Chaitanya along with a review committee with representatives from all Chapters and the President, Mr. K. Vidyadharan as the Project Director.

The authors carry blended experience across industries in different countries worldwide where similar regulations have been in place. They have seamlessly brought this knowledge together and deliberated on the relevant topics from different user group perspectives to include service providers supporting management during implementing/maintaining IFC, auditors with certification responsibilities, management vested with the responsibility of implementing/maintaining IFC, etc.

Adequate details are provided in the publication while maintaining brevity (to hold the readers' interest). Necessary references are provided at the end of the publication. Where relevant, the publication cross-references to the IIA's International Standards for the Professional Practice of Internal Auditing (The Standards). For example, the publication correlates the IPPF's requirement of establishing risk-based plans and while doing so the need for considering non-compliance of internal financial controls as a risk to the organisation (along with all other risks). This process is further emphasised by saying that internal audit should do a yearly risk assessment and results discussed with the audit committee (to ensure relevance and sustainability).

According to The Standards, internal audit should be in a position to provide assurance and consulting without impairing objectivity and independence. Further, the Companies Act 2013 promotes risk management and governance processes within an organisation. Keeping these mandatory requirements in mind, the need to keep audit committee up to date on the role and activities of internal audit to support the company's efforts to comply with Section 134 and Rule 8 of the said Act are discussed, along with suggesting useful safeguards (dos and don'ts) for the IA function while discharging consulting roles. To elaborate, the publication suggests that, instances where independence or objectivity would be impaired in a role assumed by an internal auditor should be discussed with the audit committee prior to assuming this role. The publication further suggests that, the resource implications, as well as any impact on both current and future audit plans because of devoting resources to assisting in compliance efforts, should be discussed with the audit committee for appropriate course of action.

The authors believe that internal audit is well equipped to meet the challenge of good governance and transparency of internal control effectiveness and efficiency. The publication concludes by saying 'While the Management is responsible for developing the processes needed to ensure the company is in compliance with the Act, internal audit's role should ideally be one of support through consulting and assurance'.

For copies of the publication, contact your local chapter or send mail to contact@iiaindia.org
Background and Context
Tata Capital (TCL) has now completed nine years of operations and has emerged as one of the leading players in the NBFC space in India. The financial services sector is highly regulated and TCL and its subsidiaries are regulated by authorities such as Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the National Housing Bank (NHB), the Monetary Authority of Singapore (MAS) and the Financial Conduct Authority (FCA), UK.

Tata Capital recently became the third company in the diversified Tata Group to have Generally Conformed to the International Professional Practices Framework (IPPF) and was certified through an External Quality Review Process. This certainly provided a lot of comfort to multiple stakeholders of Tata Capital viz. the Board, Audit Committee, the MD and CEO, Statutory Auditors and Regulators.

In only eight years, Tata Capital was able to achieve this commendable task and it all started on a quiet afternoon on March 21, 2008, just after the first audit committee for Tata Capital concluded and the internal audit function was officially recognised through its Charter and Policies. Since the beginning the CAE, Mr. S Bhaskar, had a vision of a strong internal audit in the company. Mr. Bhaskar deftly charted out a path of glory for this newly born department and aimed for some significant initiatives in times to come. The challenges were many, but there were also a lot of opportunities and a very strong support of the Board and the CEO.

The Journey towards Excellence
The road map journey towards excellence was drawn by the Chief Audit Executive along with the MD & CEO, the Audit Committee of the Board and the Internal Audit Team. The journey was achieved through a systematic deployment of the best and promising practices and by embracing the IPPF since the very beginning. Following were the key stepping stones in its journey towards excellence:

1. Adoption of Three Lines of Defence Model
2. Alignment of Interests of Multiple Stakeholders
3. Creating a strong operating model
4. Talent Development
5. Digitizing the Internal Audit Process
6. Positioning Internal Audit as a “Change Catalyst” Role
7. Internal, External and Global Recognition of the Internal Audit Practice

Adoption of the Three Lines of Defence Model
In line with the Basel Committee guidelines and the IIA recommendations, Tata Capital adopted the three lines of defence model for effective Governance and Control. The business units were defined as the first line of defence. They undertake risks within assigned limits of risk exposure, are responsible and accountable for identifying, assessing, and controlling the risks of their business. The second line of defence consisted of functions such as risk management, compliance, legal, human resources, Ethics, finance, operations, and technology. The third line of defence is the internal audit function that independently assesses the adequacy and effectiveness of the processes created by the first and second lines of defence and provides assurance on these processes. At Tata Capital, the responsibility for risk management and internal control does not transfer from one line of defence to the next line.

Alignment of Interests of Multiple Stakeholders
In order to take into account the expectations of various stakeholders, following governance
mechanism was established.
- Separate and focussed Audit Committees were convened to discuss the internal audit matters.
- Separate private meetings / sessions were scheduled with the Audit Committee before the Audit Committee.
- Pre-Audit Committee Meetings were held to discuss all the key matters and were chaired by the MD & CEO.
- Statutory Auditors were provided real time access to the internal audit reports.

Creation of Strong Operating Model
In order to create a world class internal audit department, following key activities were performed
1. Audits were planned Risk Based and several “Surprise Audits” were planned without forewarning.
2. Quality Assurance and Improvement Programme was formed and deployed for reviewing working papers.
3. Rating and Opinion methodology was developed, based on severity and impact for providing overall assurance
4. Integrated reporting of Internal Financial Controls and Assurance was established for complying with Companies Act 2013.

Talent Management and Development
In order to ensure a sustainable structure, the company worked on following initiatives
1. Identify and retain core audit talent and make them responsible for Centres of Excellence
2. All core members of the team possessed least one internal audit / System audit certification.
3. Medium Term Stints of professionals from Line functions were completed in internal audit.
4. Management, CA, Graduate and Industrial Trainees were trained to keep healthy bench strength.
5. Some Good performers were placed back into line functions to promote strong control culture.
6. Quarterly knowledge meets Daily Email Quizzes and participation in seminars and conferences and other knowledge based activities were conducted.

Digitizing the Internal Audit Process
The digitization journey of Tata Capital constituted of three main pillars viz.
1. Teammate for automating end to end audit process.
2. Usage of IDEA – A Data Analytics Tool for performing routine audit tests
3. Creating a knowledge repository through e-DMS, an internal document management system.

“Change Catalyst” Role of Internal Audit
Since the beginning, the internal audit performed the role of “Change Catalyst” in the company and following were some of its salient examples
1. Implementation of over 15000 actionable items since inception
2. Instrumental in implementation of widely accepted frameworks such as the COSO framework
3. Reviewing effectiveness of the risk management procedures (Second line of Defence)
4. Reviewing the Contingency planning process
5. Reviewing the Outsourcing arrangements
6. Oversight on the Fraud Risk

Recognition of the Internal Audit Practice at Tata Capital
Internal audit practice at Tata Capital was recognised by internal as well as external bodies. Some of the most prominent recognitions were as follows.
- Tata Capital Internal Audit was certified as “Generally Conforms” to the IPPF in the External Quality Assessment.
- Within the group, the company's internal practices were appreciated in Group level publication – EDGE
- Globally the practices also featured in the Danish Accounting Journal viz. “Revision & Regnskabsvaesen”.
- Tata Capital Internal Audit featured in the CCH Publication as “One of the top 14 leading internal audit practices”.
- The internal audit practices were appreciated by the Group Excellence Team viz. Tata Business Excellence Model as one of the promising practices
- Tata Capital is well represented at the Professional Bodies and the CAE of Tata Capital serves as an honorary Audit Committee member on the Board of United Nations Office of Project Services (UNOPS).

To sum up, the Critical Success Factors for the illustrious Tata Capital Journey were as follows:
1. High level of empowerment from the Audit committee of the Board, MD & CEO and the senior management in helping the team drive its Charter.
2. Strong review mechanisms at the Pre-audit
committee levels, direct review by the Chairman of the audit committee and regular audit committees have ensured that internal audit presentations are topical and relevant.

3. Competent Resources. Qualified and Professionally certified staff has been key in creating a quality focussed internal audit division.

4. Complete independence and objectivity extended to internal audit. Internal audit has complete access to all records and systems and no direct or indirect operational responsibilities and targets.

5. Adoption of leading tools such as Teammate and IDEA has ensured that internal audit practices are comparable with the best in the world.

Standard auditing methodology has provided uniformity to internal audit deliverables across diverse businesses and entities.

Quality Assurance Services

The Institute of Internal Auditors India (IIA India) today announced a new service for its Corporate members to provide External Quality Assessments of their Internal Audit Activity. This would be a paid service based on a formal request for these services. The International Standards for the Professional Practice of Internal Auditing (Standards) requires an external assessment to be conducted at least once every five years by an qualified independent assessor or assessment team from outside the organisation. This can be performed either as an independent External Quality Review or by a Self-Assessment with independent validation. The principal objectives of the quality assessment are to assess the internal audit activity's conformance to the Standards, evaluate the effectiveness in carrying out its mission and offer advice and recommendations for improvement.

IIA India recently completed in January 2017 the first External Quality Assessment for International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) under the Self-Assessment with independent validation method. IIA India nominated S. Bhaskar, ACA, AMP (Wharton), Senior Vice President, IIA India and Deepak Wadhawan FCA,CPA,CIA Chief Executive, IIA India to conduct the validation.

Sincerely,

IIA India Team

(29.1.17)
ERP system implementation is one of the most transformative investment for any organization with long term impact. By integrating various systems and processes, the organization productivity is expected to move to the next orbit. It is normally insisted that the organization should avoid or minimize customization to ERP to get advantages of the functionality in built. Customization brings about intense discussions within the organization. In general, people tend to interpret “customization” in different ways that adds to more discussion. The most common understanding being any development activity outside the ERP supplied software not managed through configurations is considered as exception. There are also views and counterviews on the process of customization and about how much is the right level of customization. ERP customization has following its own merits / demerits as depicted below:

Purpose of customization:

- **Business Functionality:** Organizations may want to add on any functionality that may not be provided by standard ERP or procuring additional modules from ERP vendors may not be required.
- **Regulatory Compliance:** All ERP s do have country specific parameters built into their feature. However, regulatory bodies and governments announce certain schemes, plans, checks and balances that need not be compliant to the ERP design at least in the interim phase.
- **Operational** - There could be numerous instances, unique challenges in the operational domains that compel the users to demand for customization.
- **Structural** - In the modern world, organizational structures are complex, dynamic decision making authorities change and job rotations/ job splitting is common. This is primarily taken care of well-defined configurations. However, there could be factors within the organization due to which specific requirements may require customization.
- **Technical** - These could be internal to technical teams. Though ERP have well defined mechanisms to handle such requirements, organization may have carried out customization in this area.

There are ample number of surveys and internal discussions as to what is considered as 'acceptable level of customization'. Irrespective of the decisions taken by the management/ technology teams, the risks of customization are universal and all customizations pose challenges to the Audit team.

It should be noted that Auditor may or may not have control on the customization carried out by development teams. However, they certainly need to understand its impact on organizational control environment. However, they need to understand purpose, types, mode of customizations and the risks that arise out of the same.

<table>
<thead>
<tr>
<th>Case Against ERP customization</th>
<th>Case For ERP customization</th>
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<tbody>
<tr>
<td>Requires deep understanding of underlying technology</td>
<td>Personalized experiences is the need of the end users/ management</td>
</tr>
<tr>
<td>Creates difficulties in probable upgrades to next version</td>
<td>By definition, every organization needs to create its distinct identity through differentiated processes.</td>
</tr>
<tr>
<td>The organization is unwilling to explore best practices.</td>
<td>ERP process could be cumbersome to follow for various operation reasons.</td>
</tr>
<tr>
<td>Advantages of integrated solutions may be lost.</td>
<td>Organizational dynamics and technology changes are too rapid and heterogeneous platforms are the realities.</td>
</tr>
<tr>
<td>Tends to become person/ developer dependent.</td>
<td></td>
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</table>

Such analysis helps the Auditors to get insight into customization. As per the scope of the assignment and skill levels available, Auditors may evaluate
whether the customization is justified, minimized and whether all possible alternates have been explored with effort benefit analysis.

**Types of Customization:**

- **Changes in User Interface** - These adapt design of screens/dialogues to give personalized experience. Operational efficiency, effective utilization, off-line updates.
- **Workflows** - Enable users to select the steps in business process and give sequence of activities. These are configurable items, but organizations may have reasons to customize the same.
- **Functionality extensions/Integration with other applications/technologies/Modifications of existing functionality** are various types of customization.

Customizations are carried out by different means. This includes development through coding, enhancements through permissible procedures, building interfaces and other development utilities. Changes carried out under urgency, production support need to be scrutinized more closely.

Auditors need to understand this appropriately and this helps Auditors to plan the Audit work and do better effort estimates.

**Risks arising out of Customization:**

- **Improper customization or untested customization may result into erroneous calculation, incorrect reports, improper data decision points.**
- **Customized programs also involve management of authorizations and authorization objects.** Even for mid-size organizations do have complexities with respect to managing authorization. Customizing programs add to the authorization risks.
- **Unwanted customization or customization carried out when standard routes are available may result into over-engineering.** There are also chances that results in non-utilization of systems, especially if customization is user-specific and user has left the organization. The organization may have overrun on the costs compared to benefits.
- **Coding practices if not standardized or followed can create inefficiencies in the system.** Developers may sometimes carry out partial activity under urgency and may leave access control, security and other checks untested. Such source codes accidently or deliberately by developers can create backdoors that open huge opportunity to manipulate the system data.
- **Improper housekeeping of system creates unwanted administrative overheads that may not surface.** Unwanted tables, reports, objects can also provide opportunities for an administrator with malicious intention an opportunity to misuse the same.
- **Sensitive/Classified data exposure is one of the critical risks that may remain ignored appropriate priority is not allocated to this activity.**

The customization risks can be partially mitigated through proper governance related to change management process. Vulnerability assessments, source code reviews, documentation are other means to control the same.

Substantive testing is required if Auditor sees possibility of technology risk getting translated into financial risk, regulatory risk or worst case, fraud risks. Approval based controls, internal calculations, statutory submissions, financial postings need to be seen at deeper level. If necessary, Auditors should take help of functional/technical experts in this domain.

**Control building through customization**

Normally, customization to ERP is considered unhealthy from control environment perspective. However, a good and well thought through customization can actually help the organizations of better control environment by several means.

- **By consolidating data generated at diverse points, can actually reduce dispersion of data.** This also helps in reducing duplication / inconsistency of data and reconciliation overheads.
- **Mid to large organizations especially operating in multi-industry / multi-location environment do have process variances for niche conditions.** Understanding and mapping the processes on customized software can help standardization of processes or reduce variances.
- **In today’s technology driven dynamic organizations, there exist multiple application systems / mobile applications.** It is desired that they have better integration with core ERP system as migrating to higher versions can be time consuming, costly. The upgrades also may not be required if the requirement changes are niche, specific and affects only few set processes.
- **Complex system Validations/approvals can be better handled through customization.**
- **Ancillary systems can be integrated with ERP through customized interfaces.**
- **Efficiency of data entry can be enhanced by providing off-line interfaces.**

To classify customization as 'good' and 'bad' from control perspective is not matter of subjective opinion, but needs detailed evaluation.
In all cases, Auditors need to insist on documentations, control change management process, valid test plans, user sign offs, audit trail management and establishing complete accountability of transactions as well as system activities.

Conclusion:
Understanding ERP control environment requires closer understanding of specific developments. This includes the purpose, nature, impact and risk implications on case to case basis. Customization to ERP is very often dealt subjectively in organizational environment depending on interpretation of various interest groups. Auditors need to study the exact impact of customization on control environment on case to case basis and see an aggregated effect on control environment. Substantive testing need to be carried in identified areas to have better assurance. Multi-disciplinary approach may be required to form any opinion.

Madhav Kulkarni

The IIA Standards Exploring the Past and Looking to the Future

By Farah Araj, CPA, CIA, CFE, QIAL
IIA United Arab Emirates
Opinions expressed in this article belong solely to the author, and do not necessarily represent the views of the IIA or International Internal Auditing Standards Board. To comment on this article, feel free to email the author at farah.araj@gmail.com

We explore the main changes to the Standards that became effective from 1 January 2017 and look back almost 10 years to examine how the Standards have evolved.

Introduction
The standards our profession applies have always fascinated me. The last time I wrote an article analyzing the main changes to the IIA's International Standards for the Professional Practice of Internal Auditing (the “Standards”) was close to 10 years ago and related to the update effective to the 1 January 2009. This was a significant update which introduced 6 new standards which (among other elements) mandated direct interaction with the Board (or equivalent such as the Audit Committee) and required that internal auditors evaluate specific business processes such as IT governance and fraud risk management. Through these changes the Standards were evolving to keep up with the times and the risks that were impacting the corporations we serve.

Since 1 January 2009, have the Standards kept up with changes to our profession and views on what is internal audit best practice? Let's examine this more closely.

A Summary of Major Changes Since 2009
Tables 1 and 2 broadly show my personal perspective of the main changes to the Standards that have taken place from 1 January 2009 to 1 January 2017:

<table>
<thead>
<tr>
<th>Main Standard Series</th>
<th>Substantial vs. Routine Change</th>
<th>Description of Most Significant Change(s)</th>
</tr>
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<tbody>
<tr>
<td>1000 Purpose, Authority, and Responsibility</td>
<td>Routine</td>
<td>• Limited changes to improve clarity and to align the text to the Core Principles.</td>
</tr>
</tbody>
</table>
| 1100 Independence and Objectivity | Substantial | • Clarifying what constitutes functional reporting.  
• Requiring safeguards when internal audit carries out non-audit roles. |
| 1200 Proficiency and Due Professional Care | Routine | • Limited changes to improve clarity and to align the text to the Core Principles. |
| 1300 Quality Assurance and Improvement Program | Substantial | • Introduction of self-assessments with independent external validation.  
• Clarifying reporting requirements relating to the quality assurance and improvement program. |

Table 1: Attribute Standards
From the analysis it is somewhat safe to say that the Standards are changing slowly and have not undergone a drastic revamp since 2009. This may be considered as a positive factor in promoting conformance since the results from the IIA Global Internal Audit Survey show that India’s (South Asia) conformance with each of the main Standards is at 70% or more with the exception of Standard 1300 Quality Assurance and Improvement Program (where both internal and external assessments are perceived as a barrier to conformance). It is this meticulous, conservative and well thought approach to introducing changes which has been a factor in helping Indian internal audit departments achieve better than average conformance levels with most of the Standards.

Main Changes Effective 1 January 2017

We can see the same approach being used during the latest revision of the Standards. Listed below are my thoughts on the top 3 changes effective 1 January 2017 & their potential impact on internal audit departments:

- **New Standard, 1112 – Chief Audit Executive Roles Beyond Internal Auditing:** Requires safeguards to be put in place when the Chief Audit Executive (CAE) has responsibilities in addition to his/her internal audit responsibilities (e.g. ERM, compliance, etc). Safeguards include having the board/audit committee monitor the independence of the CAE and using a third party to audit the areas where the CAE has additional responsibility (e.g. hiring a third party to audit ERM and compliance). The CAE would need to make sure that the board/audit committee is aware of this requirement and the associated costs.

- **Updated Standard, 2000 – Managing the Internal Audit Activity:** To be effective, internal audit needs to consider trends and emerging issues that could impact the organization. These trends and emerging issues could be internal (e.g. relating to organizational performance, employee retention), or external (e.g. industry, geographic or regulatory issues). This means that the internal audit team needs to stay connected to the businesses and have a solid understanding of its external environment and risks. At organizations with mature ERM functions would most likely capture emerging risks and risk trends across the organization. This can be supplemented through structured periodic meetings/calls with selected members of management to get an update on business developments. Finally, the CAE should consider whether the internal audit plan needs to be updated based any trends or emerging issues that have been identified.

- **Updated Standard, 2050– Coordination and Reliance:** Updated to encourage internal audit to not only coordinate with other assurance providers but to rely on their work where possible. In a way, this move internal
audit closer to the application of an integrated/combined assurance model. Internal audit would need to actively understand (among other things) who are the various assurance providers within an organization, the assurance activities they conduct, and the level of assurance provided, before deciding if reliance can be placed on their work.

Do you think much effort would be needed to conform to these changes? It's unlikely, however one should not look at the Standards in isolation but they should now be looked at in the context of the International Professional Practices Framework (IPPF) as a whole and in particular the introduction of the Core Principles for the Professional Practice of Internal Auditing (“Core Principles”) in 2015.

What Should the Future Hold?
With the introduction of the Core Principles one would have expected a drastic update to take place to the Standards. While I won't go into the details of the 10 Core Principles, I strongly believe that they are an excellent articulation of what an effective internal audit department should look like.

There are two Core Principles which stand out to me personally:

1. Aligns with the strategies, objectives, and risks of the organization.
2. Is insightful, proactive, and future-focused.

When the IIA released the 2017 update to the Standards, one the reasons for the change was stated as alignment to the Core Principles and in particular the two listed above. While the current revision improved alignment to the Core Principles, we still have a long way to go. Ask yourself:

If I comply with the Standards would my department be “Aligned with the strategies, objectives, and risks of the organization”? Can this be achieved without strategic internal audit planning?

If I comply with the Standards would my department be “insightful, proactive, and future-focused”? Can this be achieved with a risk assessment carried out only once a year?

In my opinion, the future of the Standards needs to be a true alignment to the Core Principles similar to the way other governance, risk and control standards/frameworks are organized. The Standards should stem directly from the Core Principles! This would need a complete overhaul of the Standards whose structure has not changed for more than a decade. If we don't evolve the Standards, we run the risk that they won't be aligned to stakeholder expectations and best practices. I keep hearing from the Big4 or CAEs at multinational corporations that the Standards are not a best practice and that their teams comply with them only because they have to. It pains me to hear that.

Conclusion
Regardless of what I or others think of the pace of change, the Standards are here to stay. Their existence is a source of pride to our profession and conformance to them increases the confidence of our stakeholders in the internal audit department and its members. We therefore must protect and guard these Standards and ensure they keep up with the times and risks that are impacting the corporations we serve. We must be brave and raise the bar on what is considered the bare minimum.

Similarly, if the Standards fall behind stakeholder expectations and general views of best practices, we run the risk of becoming an obsolete profession. It is the duty of every internal auditor to do their part to prevent this from happening. I would encourage you to discuss potential improvements to the Standards with your IIA Institute leadership. Let them lobby for a globally consultation on how to improve the Standards and the alignment with the Core Principles. The change won't come overnight since a meticulous, conservative and well thought approach will still be needed to properly manage the transformation.

As we look back at the changes that have taken place and wonder what the future holds, one thing is for certain: our profession is here to stay and we all have a role in using and promoting the Standards which embody what internal audit really is.

1 Looking to the Future for Internal Audit Standards (IIARF, 2016)
2 https://na.theiia.org/standards-guidance/Pages/2016-Standards-Exposure.aspx
I would strongly recommend this book as a text book for study for all CEO's and Entrepreneurs who have a vision to grow their companies into strong and stable ones to withstand the various storms that any business enterprise will have to face in their existence. The author has beautifully summarized the essence of the book when he states “The fastest cars require the best safety features”. The head of the company is required to completely focus on the objectives of the company because in the end he/she will be responsible for its performance. He must have the assurance that he has been provided with a best team and the best operational resources.

An effective corporate defense program (CDM) can help provide the required level of comfort to drive the organization forward with sufficient confidence to enable them to focus on delivering value in short, medium and long term. An effective CDM represents a prudent, logical, and common sense approach to develop a robust and resilient organization. CDM supports the organization in creating value over time for its stakeholders and appropriately preserve it. CDM can help improve decision making at all levels and lead to enhanced profitability. It facilitates closer interaction, cooperation and sharing of information across all corporate defense functions.

CDM is concerned with employing an effective corporate defense program to support the organization in the realization of its vision, in the accomplishment of its mission, and in successfully executing its strategy. It is concerned with helping the organization to attain long term sustainability, and in assisting it in the achievement of its strategic, tactical, and operational objectives. CDM is concerned with the holistic view in order to promote a healthy culture and help ensure that the organization's strategy incorporates a healthy balance between its focus on value creation and its focus on value preservation. It is concerned with ensuring that the organization's value preservation obligations to its stake holders are addressed via a formal structured corporate defense program, and the related corporate defense strategy is in close alignment with the organization's business strategy. It is concerned with adding value and ensuring that the organization challenges itself to optimize the potential benefits to be derived from its corporate defense efforts and to maximize the return on its corporate defense investment.

I have quoted the author extensively to show how he has emphasized the importance of CDM for any organization. The difference between successful and unsuccessful organizations is the ability to consistently create and preserve value over time. He has brilliantly structured the book in which one can not only understand CDM but also how to manage it. He has converted the art of CDM into a science by structuring every step involved in the process.

He begins to align the CDM at the macro level with the corporate strategy, its mission and vision statement. The concept of value addition and value preservation for its shareholders within the corporate is to be delivered in the short, medium and long term. This can happen when this concept of value addition is introduced at every level of operations. A complete environment within the company must be created so that all are aligned towards the same goal. Further this concept must be reviewed periodically and corrective actions taken where necessary. An oversight of the CDM program is required at every level be it Operational line Management, Tactical Oversight or Independent Internal Assurance.

The book further gives a direction in CDM on understanding the concept, applying the philosophy and ensuring its delivery to professional standards of ethics, experience, knowledge, best practices, education and training with maintenance of competency. It is a guide to build an effective corporate defense program as a key to success.

I would fail in my duty if I do not mention here that the name of the book could have been short and catchy e.g. Corporate Defense Management. The content is excellent but the point size could have been larger so that we seniors could read more comfortably.
So what was your background and what made you become a Chartered Accountant?

I was an Economics graduate from Sri Venkateswara College, New Delhi where I was an active member of the Cultural Society and was hired by Arthur Anderson (AA). While at AA, I pursued and completed my Chartered Accountancy. The firm folded up in 2002, post which I relocated to the Global Centre of Excellence of Business Risk Services of E&Y in Cleveland, USA.

What made you decide to set up AXIS Risk Consulting? The business model of AXIS Risk Consulting is global audits, how did this idea come about?

While at AA and then EY, I had pioneered the concept of “India team servicing customers across the globe”; this included servicing customers in Asia-Pacific, Europe and even the US. Firstly, it was very evident that Indian risk consultants were highly respected globally in this space. Secondly, English as global language was a big advantage and thirdly, existing operating models of most global risk consulting service firms operate in a country profit pool model and for them the globe could never be the canvas. Whereas when I set up AXIS in 2004, I was very clear about being a premier risk consulting firm with its India centric team servicing the globe. In a span of 12 years, we are a 550 plus team.

What motivated AXIS to partner with GENPACT?

AXIS Risk Consulting was an independent JV with Ambit RSM. We were fortunate to have a host of young and talented professionals who believed in our dream. Joining a startup, they had every right to expect to have a fast-track career as compared to their peers. It would have been unfair on our part not to give them this opportunity.

Given the choices we had, GENPACT was the best bet with a very strong Finance & Accounting penetration. This gave us the opportunity to have access to the decision makers in the finance function - the CFOs, Global Controllers, and Sox and Internal Audit Heads.

We knew that this deal would lead the promoters of Axis back to employment but we also knew that the GENPACT leadership would let us pursue our vision and objectives, while retaining the entrepreneurial environment. We felt this was the right fit as we didn't want to deviate from our stated objective of global customer servicing.

So in hindsight was it the right fit?

Yes, it has been an excellent fit and we have been able to retain talent. It's been nine years and many of our original team members are with us. Many of our senior leaders today are from those early days. As an entrepreneur it does become difficult at times to say what is good for you as an individual and what is right for a host of people in the organization. Back in 2007, it was for us to take a view on what was right for the organization and the people. It may not be the obvious choice but we chose to do it. The only thing we lost was being pure entrepreneurs.

You also set up the Global Risk Management Institute (GRMI), what motivated you to set it up?

Once the entrepreneurial tag bites you, it's one of those things you can never get out of your system. I wanted to pursue entrepreneurship one more time; and had the zeal to do something that you are passionate about.

I have always been passionate about learning and development and was the training leader from the business for Risk Consulting back in Andersen and till recently have been leading training initiatives at Axis.
When you discuss talent management in the risk domain, it does not take too long to realise that in the current scenario all three stakeholders in the ecosystem will crib, the customer who says that you have sent raw talent, employers who feel they need to spend the first year and a half training people and thirdly the employee who feels, that he/she does not get adequately trained but is expected to do everything right.

So if all three are unhappy, there is a need for a solution and this was slowly crystalizing in my mind. I realized the gap for structured training in the risk management domain.

The senior leaders I reached out to, within & outside India be it one of my mentors Tom Bussa, former Global Business Services Leader at EY or the CEO of IIA, or the COSO Chairman to mention a few all have been forthcoming and supportive to my vision of developing a premier risk management education institute and creating a pool of trained risk professionals in India. If you look at GRMI’s Board of Directors, Strategy Board, Board of Governors and the Academic Council we have 25 plus luminaries out there, not one of them has required more than one conversation to convince the fact that they would like to be a part of this endeavor.

So you had intent and were persistent in that intent…..

Yes. It has taken me all of two years to put together this idea and take it off the ground. It has taken persistence and conviction. A lot of people said it would be tough to pull off especially in the academic field but one person who has been a pillar of support is Prof. Madhu Vij from the Faculty of Management Studies (FMS). The reason why I wasn't dissuaded by the criticism was that when I set up AXIS Risk Consulting with intent to serve global geographies, every single individual I spoke to, other than my mother, said it was the most dumb idea. So I was prepared to take criticism. We met some universities to partner with and they said it was not possible due to regulatory restrictions. This was disappointing but it taught me that if you want to do something, you will do it irrespective of the obstacles that come your way. So we set up GRMI as a private institute. If I had gone down the path of saying how do I get affiliation etc. we would not have started yet.

So what does an entrepreneur need…..?

Belief, vision, persistence and the ability to take risks.

Setting up an Education Institute is a big risk. Students and parents are not very welcoming of unknown institutes and the trust factor becomes significantly important. There is a lot of scepticism in their mind with such entities, so we had to work aggressively to overcome the same. The reason why we didn't go to investors was because our focus wasn't volumes. We believe in quality and even if we start with just 10 students, our objective is that each of those 10 students walks out with two job offers on hand. As an entrepreneur, you need to know what do you care for, do you care for achieving the long term objective or do you care for short term money.

And I am not trying to suggest entrepreneurs are not meant to make money. I am a firm believer that money will flow through if you do rest of the things right. Part of it comes from my growing up in a family with government service background. After a certain stage, for me money loses relevance other than the fact that it can get resources in place. My belief is to stick to what is your core value proposition and pursue your vision, but not solely to make money.

When we started AXIS Risk Consulting, we followed the same principles. We had the option of being a body shopping agency which in those days was a lucrative business. I put my foot down saying we should own the project, where the manager is ours, and the deliverable is under the banner of AXIS.

So AXIS defined itself fairly early as to who we were and who we weren't. Similarly, it is important for an entrepreneur to know who he/she wants to be known for. The reason I kept the word Global in GRMI is because I am clear that one day, we will see companies from the US, Europe, Asia-Pacific come to the National Capital Region to hire. I am certain that our learning standards would be globally acceptable for which we are making sure that we are spotless on quality from day one.

IIA-India and GRMI have signed an MoU together, could share some thoughts on that.

IIA-India is engaging with the Indian assurance & risk community and that is why I was motivated to collaborate. There are two significant parts to this collaboration. Firstly, we hope to raise awareness about significance of risk management as a domain and do joint risk management workshops. We could do joint events in colleges as associate partners and actively engage with a larger talent pool and increase foot print. Secondly, we hope to give course credits to students and members who have completed IIA certifications and are willing to pursue courses at
What sort attitude should young professionals have with regard to work?

Firstly, there is nothing that substitutes content. If you do not understand your subject inside out, you will fail. Look at it this way, for someone to succeed in a sales role, he or she needs to know not only the product well but also its weaknesses and then be able to market & sell the product. In the same way, risk professionals need to know their client's processes, the factors affecting them and probably much more. So like I said, content precedes everything and it adds to your confidence.

People would ask me during the early AXIS days, why should a client in the US seek advice from a 35 year old all the way from India when the client can speak to a 55 year old, global partner sitting in the same building and who has probably attended the same university as them. My response was and still is, that if you know your content well, you will come across as credible enough for the prospective client to listen to you. That is the power of content.

Secondly, it's very important to work on communication and presentation skills. It's not just about speaking well but also about writing well. This skill set can be improved and I have seen people go through a dramatic change. How many young professionals train themselves by standing in front of the mirror to see how confident they look while they are speaking? It's back to the basics that we were taught at school. On the other hand, I remember some would even go to the extent of memorizing their speech. The logic being that when most of us speak, in our mind we are worried about the next word. The worry shows and leaves a weak impact when we deliver the content. The moment one is prepared about what one has to say, one is relaxed and can also listen carefully to the questions asked.

Thirdly, exhibit energy and passion without overdoing it. Very simply put, if you don't enjoy what you do, you won't be successful. Young professionals must be able tell themselves, I know why I am here. It's extremely important to have pride in what you do. The fun quotient is a must. One spends between 60 to 80% of their waking hours with people whom they work with. The reason attrition is so high is because companies don't make friendly and vibrant work places. Employers need to ask the question to themselves, 'Does the guy feel happy in office?' How many people get up in the morning and say, 'I have to go to work because I cannot stay away from my friends and colleagues'? But bear in mind this is a two way street.

As an entrepreneur, I would hate if I cannot set up an organization where everyone who works is happy and mind you, happiness has nothing to do with compensation. Break the hierarchy - that is my take on what a good organization should be.

Over and above these, some of the traits like punctuality, commitment and credibility that build trust are always best to learn young.

How important is a mentor in one’s professional career?

The presence of a mentor makes a huge difference. I have been fortunate to have great mentors across the various phases of my career and each one of them has made a difference. What I have consistently witnessed across my mentors is their quality of respecting people. Their guidance, concern and encouragement and I try to practice the same at AXIS Risk Consulting and GRMI.

What do you feel is the future of the Internal Audit profession?

I would say it is all in the hands of those in the profession. Do our internal audit professionals generate value? To be honest and if I was generous, about 20% to 30% of professionals create value and therefore it is imperative for them to keep pushing harder. They are the ones who keep asking the tough questions, 'why am I not part of the leadership and strategy?', 'why am I not being consulted when you present to the board?'. I firmly believe that if you bring value to the organization, the management will listen to you. It is a uphill task, however the environment today is getting conducive for advise on risks. There is so much more focus now on risks and controls than ever before. Companies are forced to look at these aspects and it is up to us to make the most of it. You can crib with all your might that the world is unfair to us (Internal Auditors) but the world is unfair till you allow them to make you feel that way. And that is what the competitive world is all about. Those who have it in them, make sure that they make the world be fair to them.

Having said that, it is also important to ask - are we attracting the right talent? Do people realize the power of this profession in India? Outside of a few MNCs in India, how many recognize that the internal
audit profession can make a difference. The problem currently is that few leaders give importance, focus and limelight to this function. It's also a chain reaction; the leaders will give limelight if they see a good set of Internal Audit leaders make their presence felt.

Do you feel the profession can become redundant with technology?

The profession can never be redundant, however the professionals can if they are not prepared to embrace technology. Unfortunately, large part of our professionals are not and they run the risk of being left behind.

Any message you would like to share to professionals and entrepreneurs alike?

Yes, I would say innovative ideas are good but make sure that they bring about a difference. Stick to the solutions; don't just be in it for the money. Make sure it's the right time for you to start something of your own and until then pick up the skills you think you would need.

IIA India Activity Round Up

2017 IIA India National Conference on Internal Audit

The two day IIA India National Conference on Internal Audit was organised by IIA India, Madras Chapter at Chennai on Feb 3-4, 2017 with Mr. Richard Chambers, President & CEO, IIA Global as the Chief Guest. Some of the luminaries included Mr. R. Seshasayee, Chairman, Infosys, Mr. P.R. Ramesh, Chairman, Deloitte, Mr. Denny Beran, Past Chairman, IIA Global, Mr. Ranjit Singh, Chairman, Asian Confederation of The Institute of Internal Auditors (ACIIA). The conference theme was Staying Ahead-Staying Relevant. There were three tracks, viz. emerging practices, forensics & fraud management and rapid risk response where leading speakers shared their views and attended by 350+ delegates. There were a host of prominent brands as sponsors and the platinum sponsor to the conference was Axis Risk Consulting. The conference was well covered in the media and coincided with the 40 yrs. anniversary of the IIA India Madras Chapter. There was a classical program in the evening. The conference photographs are uploaded on IIA India website www.iiaindia.org

2017 IIA India Annual Awards for Excellence in Internal Auditing

The 2017 IIA Annual Awards was presented to the winners at a glittering ceremony during the annual conference on Feb 3, 2017 by Mr. Richard Chambers, President & CEO, IIA Global. The awardees for excellence in internal auditing were Mr. Nazareth Mario, Mahindra & Mahindra for the Internal Auditor of the Year Award, Tata Power for the Innovation in Internal Audit Award which was accepted by Ms. Smriti Parikh & Mr. Parshuram Date on behalf of their company and Tata Consultancy Services was awarded the Agile Technology application in Internal Audit Award which was accepted by Mr Sanjay Sharma on behalf of TCS. The Award Sponsor was Global Risk Management Institute, Gurugram
Annual Conference of IIA India, Calcutta Chapter

The 25th Annual Conference of IIA India- Calcutta Chapter was organised on 17th March 2017 at Lalit Great Eastern Hotel Kolkata on the theme “Invigorating Internal Audit for the Digital World” Welcome address & Introduction of theme was given by Mr. Sanjoy K Gupta, President, and IIA India -Calcutta Chapter. The inaugural session was addressed by Chief Guest Mr. Subhasish Nath, Executive Director, Axis Risk Consulting and the key note address was by Ms. Mamta Binani, Immediate Past President, ICSI. The conference had three technical sessions and one panel discussion. Some of the key speakers for the conference were Mr. P. R. Ramesh Chairman, Deloitte India, Mr. Subbodh Agarwal, Past President, ICAI, Mr. S. Bhaskar, Chief Internal Auditor, Tata Capital Limited & Snr.Vice President, IIA India, Dr. Debashis Mitra, Vice President, IIA India and various other dignitaries. The conference was well attended from industry and profession.

IIA India, Bombay Chapter Activities

BCAS Chamber Fireside chat: Bombay Chapter had the privilege to host IIA Global President & CEO Richard Chambers in whose presence the signing of the historic MOU between IIA India Bombay Chapter and Bombay Chartered Accountants Society took place on 30th January 2017. The objective of the MOU is to promote events on internal audit, internal control and risks with mutual support. Mr Chambers subsequently made a presentation on Internal Audit 2017: Global Trends and Outlook and shared his views in a fireside chat with Ms. Nandita Parekh of BCAS, which was live webcasted to a larger audience.

IIA Bombay Chapter Conference: IIA Bombay Chapter held their conference on 15th and 16th February at Hotel Westin on “Audit Never Sleeps”, the theme of the current IIA Global Chairman, Angela Witzany. Speakers presented/ discussed relevant topics as Auditing strategically to bring credibility, Time for introspection, Walking the talk, Social Media - Why should it be on your audit plan, Storytelling with data, Future of finance & its Implications on internal audit, Demystifying demonetization - impact on Indian business, Frauditing, Future of work and GST. The conference was attended by 150 + delegates, video and photographs are uploaded on www.iiabombaychapter.com

IIA Vadodara training: A two-day workshop was organized by IIA Vadodara on 28-January-2017 and 11-February-2017 on Audit Report Writing and Audit Committee Presentations respectively. It was a very innovative workshop with effective interaction rather than a one way teaching. Whatever was learnt by the participants in the first part of the workshop was replicated in the form of a demo ACM, on the second day. There were over 30 delegates who impressed the faculty with their enthusiasm. The feedback and picture gallery are presented on IIA Vadodara website: www.iiavac.org.

IIA India, Delhi Chapter Activities

Half day public training programs

IIA Delhi Chapter organized two training programs on Internal Audit Report Writing and IFC, details of which are as under

a. Internal Audit Report Writing: This half day popular training program was organized on Saturday 07.12.2017 at YMCA Tourist Hostel, New Delhi. The trainers were Mr. Sidheshwar Bhalla and Ms. Megha Suneja. The program witnessed overwhelming response from large Indian consulting firms, industry & other participants.

b. Internal Financial Control: This half day training program was organized on Saturday 07.01.2017 at YMCA Tourist Hostel, 2nd Floor, Jai Singh Road, New Delhi. The program was delivered by Mr. Sidheshwar Bhalla and Ms. Megha Suneja. The program witnessed overwhelming response from large Indian consulting firms, industry & other participants.

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participants - both from consulting and industry.

During the next quarter three training programs are planned, viz. Internal Control & Risk based Internal Audit on 15.4.17 while the dates for SAP and GST training would be announced shortly.

Corporate training - IIA Delhi organised a two day training program on Audit Report Writing for the corporate audit team of Aditya Birla Group and the trainers were Mr. Nikhel Kochhar, IPP, IIA India Delhi Chapter and Mr. Sumant Chadha, IPP, IIA India.

IIA India Member Services activities
CAE Roundtable with SAP as sponsor took place at Bengaluru on Dec, 6 2016.

Training using IIA Global Training Material took place at Bengaluru on Dec 7, 2016 on COSO & IFC. A two-day course Audit Managers Tools & Techniques was launched during February 2017 and trainings took place at Delhi on Feb 11 -12, 2017 and Bengaluru on Feb 24-25, 2017.

Free Saturday Webinar covered a review of some select CBOK Reports (Common Body of Knowledge Reports) during the quarter. On March 19, 2017, the first IPPF series webinar was conducted on International Standards for The Professional Practice of Internal Auditing.

Quality Assessment Review of the internal audit activity in an entity with international operations was carried out and the report submitted during Dec 2017.

Associate Partner Program activities include participation in ERM Leadership Summit India (Organiser: Inventicon) on Jan 19-20, 2017 and Growing cashless & digital economy on Feb 20, 2017 (Organiser: ASSOCHAM)

IIA UAE Conference from April 18-20,2017 at Abu Dhabi, UAE
IIA India has an MOU with UAE Internal Auditors Association (UAE IAA), to cooperate on several fields related to technical issues, exchange of experiences, collaboration of activities, promote networking, etc. In line with this MOU we are informing IIA India members that the 18th Regional Annual Conference is taking place from 18TH – 20th April at Jumeriah At Etihad, Abu Dhabi of UAE IAA. The web link for the Conference is iiauae.org/conference-detail.htm?16.

Pay your membership fees ONLINE
Your IIA membership fees can now be paid online. https://iiaindia.org/iia-renewal-plans

Job Opening:
There are 135 current openings for Internal Auditors with work experience ranging from 0-20 years experience. These are posted on IIA India web site courtesy naukri.com and the link is https://www.iiaindia.org/internal-audit-jobs-march-2017

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