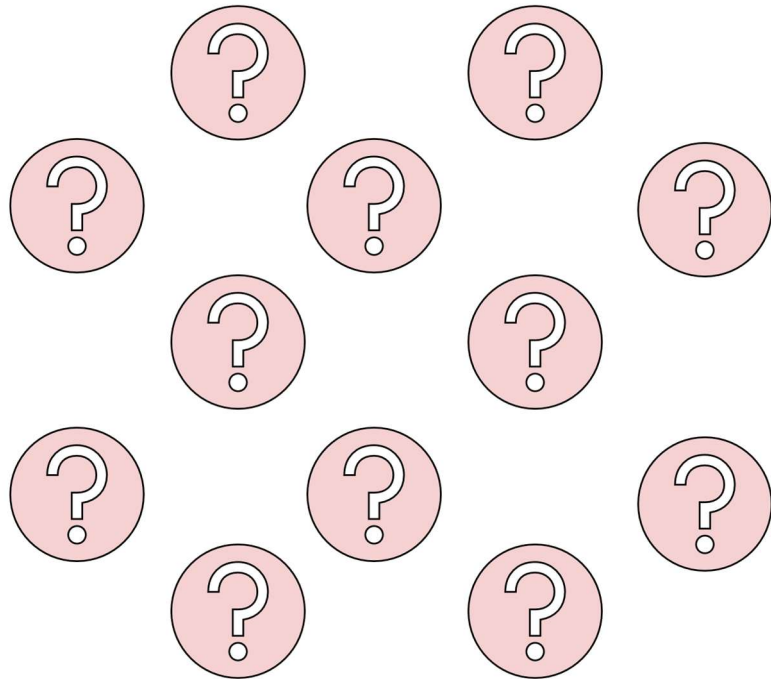


The Role of Internal Audit in Uncertain Times

February 2023

What is an internal audits purpose?



“Internal auditing is defined as an

independent, objective assurance and consulting activity

designed to

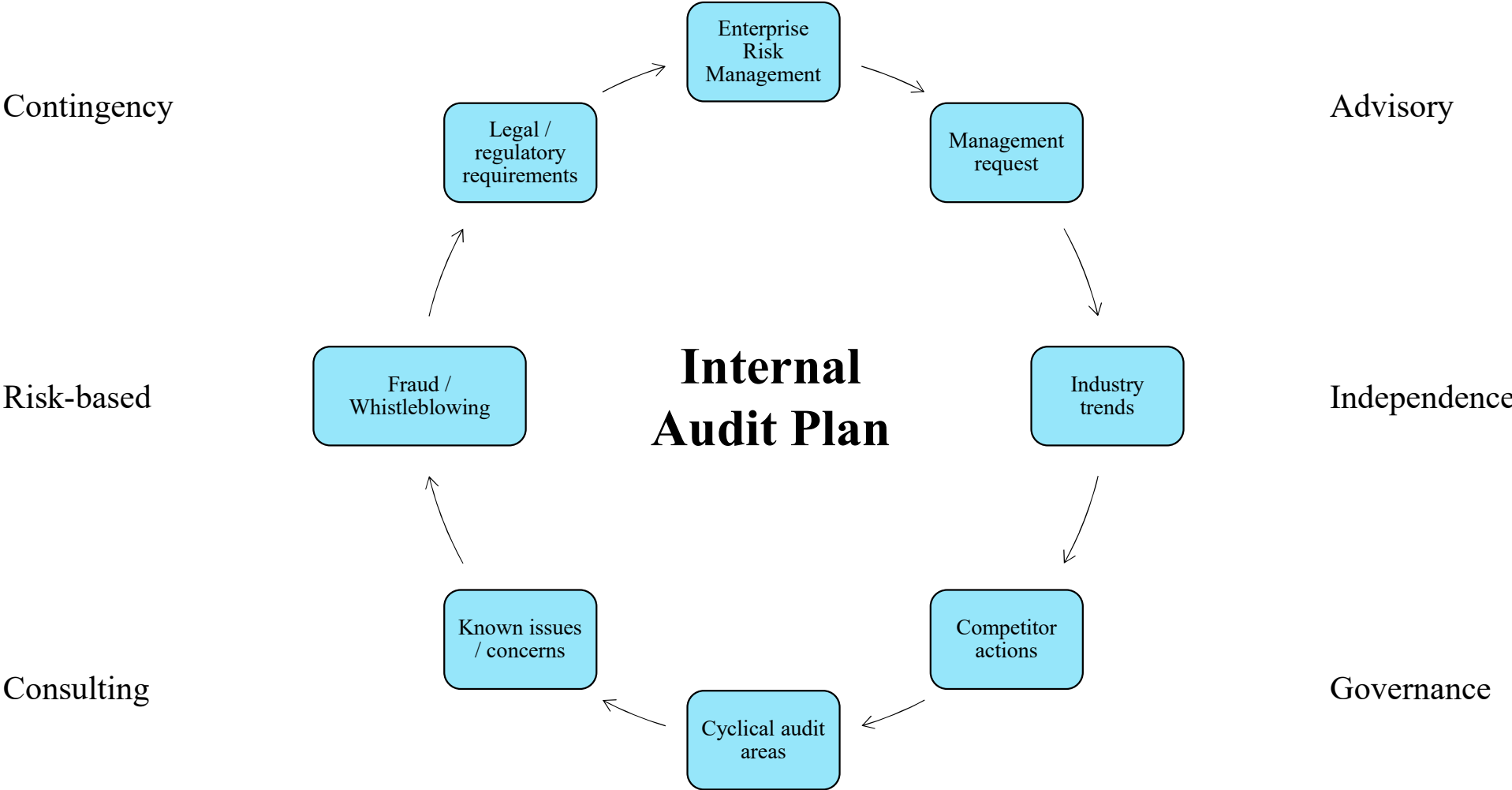
add value and improve

an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of

risk management, control, and governance processes,”

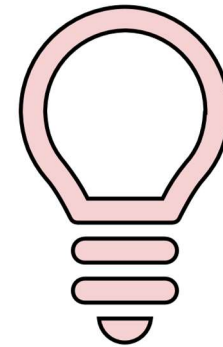
as defined by The Institute of Internal Auditors (IIA)

Designing a flexible internal audit plan



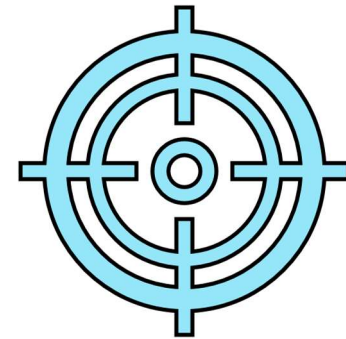
Audits themes for consideration in uncertain times

- Risk management
- Cash flow
- Cost saving
- Refinancing
- Restructures
- Data Protection and Cyber security
- Supply chain reliance



Enterprise Risk Management

- Risk methodology
- Risk identification – current and emerging risks
- Risk rating / prioritising
- Controls in place
 - Ownership and review / preparer and reviewer
 - Automated, semi-automated, manual
- Risk treatment / mitigation plan
- Risk reporting



Cash Flow and refinancing

Cash is king

- Assumptions
- Benchmarking
- Reforecast frequency
- Working capital
- Bad debts
- Covenants
- Debt / equity ratios



Restructure

- Governance
- Proposed plans
- Consultation periods
- Laws and regulations
- Internal and External Communications



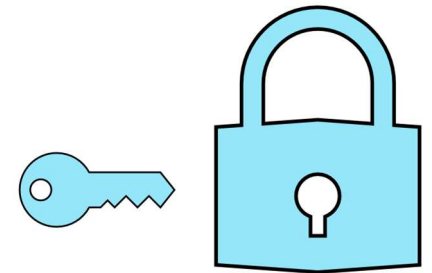
Cost Savings

- Meter readings
- Energy saving initiatives – ESG benefits
- Electric fleets – ESG benefits
- Office space vs shared space vs WFH
- Delivery routes
- Margins – Increased costs, increased prices
- Inhouse vs Outsource



Data Protection and Cyber Security

- Up-to-date documented policies and procedures, accessible to staff
- Access and superuser access (PAM)
- Password controls
- Multi-factor authentication (MFA) where possible
- Multiple layers of protection e.g. Firewalls and virus protection software
- Simulations to test employees - phishing
- Maturity roadmap
- Continuous monitoring



National Cyber Security Centre proposed 12 principles, designed to help you establish effective control and oversight of your supply chain.:

<https://www.ncsc.gov.uk/collection/supply-chain-security/principles-supply-chain-security/understand-the-risks>

Supply Chain Reliance

- Identify key suppliers
- Identify struggling suppliers
- Financial checks
- Supplier leverage
- Diversification
- Contingency plans
- Monitoring and assessment



Recap Key Points

- Emphasis on advisory and consultancy in strategic decision making; typically future-looking approach
- Review what committees internal audit are present on, the skillset internal audit represents, and how key information is communicated to your team
- Review the balance between audit vs Memo vs Fact finding
- Work closely with enterprise risk management to conduct audits which add value to the business
- Build contingency and placeholder time into Internal Audit plan to accommodate sudden changes in the market or management requests
- Update your charter where appropriate and have this signed off by the Audit Committee Chair