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Internal Audit Portfolio

1. SOP Development Flowchart

Scenario: SOP for a Hypothetical Procurement Process

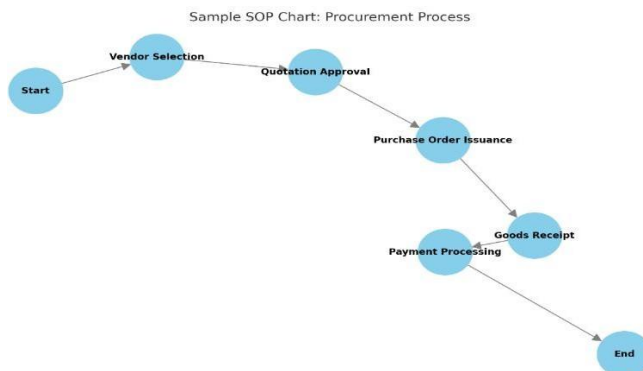
Key Steps:

- **Vendor Selection:** Procurement team uses the vendor database.
- **Quotation Approval:** Manager reviews using an approval checklist.
- **Purchase Order Issuance:** Procurement team processes orders via ERP system.
- **Goods Receipt:** Storekeeper verifies delivery notes in the ERP.
- **Payment Processing:** Finance team handles invoices and payment vouchers.

Impact:

- Segregation of duties reduces fraud risk.
- Automation opportunities identified to improve efficiency.

Visual Aid:



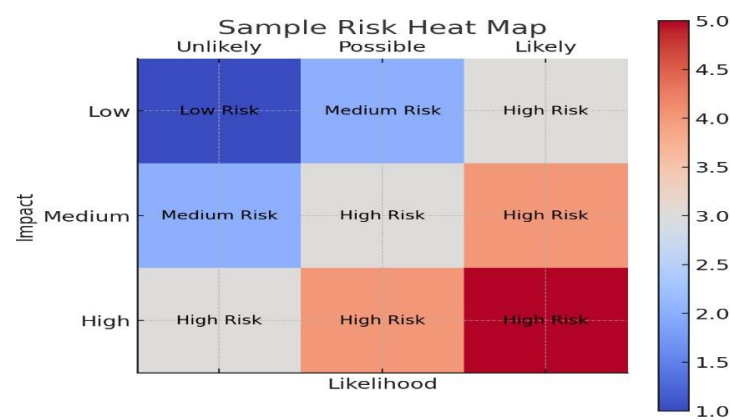
2. Risk Assessment Matrix

Scenario: Risk Assessment for HR Operations

Key Risks Identified:

- **Non-compliance with labor laws** (High): Mitigated by regular training.
- **Employee data security breaches** (High): Addressed through password policies and IT audits.
- **Delay in payroll processing** (Medium): Solved by automating payroll systems.

Visual Aid: Risk Heat Map



Visual Aid: Sample Finding presentation in a Risk Management Report

TOP RISKS
Group of potential risks identified are:/ risk category

1. XX – Operational Risk
2. XX- Financial Risk
3. XX- Regulatory Risk
4. XX – Strategic Risk

Risk	Risk Category	Likelihood	Impact	Risk Severity	Risk Owner	Risk Mitigation
XX		XX	XX	High, Medium, low	XX	• XX • XX
XX		XX	XX	XX	XX	• XX • XX
XX		XX	XX	XX	XX	• XX • XX

3. Sample Audit Finding (Report)

Scenario: Audit of *Inventory Management Process*.

Heading Issue:

Inventory Management

Criteria:

Inventory records should be regularly reconciled with physical stock to ensure accuracy and prevent discrepancies.

Finding:

Inventory records are not reconciled with physical stock, leading to discrepancies.

Root Cause:

Lack of regular inventory audits and ineffective processes for updating records after stock movements or adjustments.

Effect:

This could result in financial losses due to theft, mismanagement, or overstocking.

Recommendation:

Implement monthly physical stock counts and reconcile discrepancies within two working days.

Management Response:

Agreed. Monthly stock counts to begin next quarter with training for staff.

Visual Aid: Sample Finding presentation in an Internal Audit Report

1.→DETAILED-RESULTS-AND-MANAGEMENT-ACTION-PLANS¶

I.Department-Audited¶

A.→Finding¶

Finding-Rating¶

High¶

Medium¶

Low¶

¶

Criteria-¶

XX¶

Finding¶

XX¶

Root-cause¶

XX¶

Effect¶

XX¶

Recommendation¶

XX¶

Management-comment-¶

• → XX¶

Responsible-person/Process-Owner-¶

XX¶

Action-plan-due-date¶

XX¶

4. Internal Control Testing Summary

Scenario: Accounts Payable Process

Objective: Ensure payments are authorized and comply with procurement policies.

Key Findings:

- 92% compliance across 25 sampled invoices.
- Two cases of missing approvals identified.

Recommendation: Strengthen training on approval policies.

Impact: Enhanced compliance and reduced errors.

5. Sample Internal Audit Working Paper

Title: Procurement Process Audit

Objective: Evaluate efficiency, compliance, and controls in procurement.

Scope: Vendor selection, contract management, and purchase approvals (Jan 2024 - June 2024).

Key Risks Identified:

- Unauthorized vendor selection.
- Delayed approvals causing inefficiencies.
- Non-compliance with procurement policies.

Recommendations:

- Implement a vendor evaluation checklist.
- Automate approval workflows.
- Train staff on compliance requirements.

Impact: Streamlined processes and reduced operational risks.

Supporting Documents: Vendor evaluation samples, approval timeline analysis, and interview notes.

6. Audit Plan

Auditable Area	Risk Level	Audit Objective	Timeline	Resources
Procurement Process	High	Assess compliance with policies and efficiency.	Q1	2 Auditors
Inventory Management	Medium	Evaluate accuracy of records and controls.	Q2	3 Auditors
Sales Process	Low	Ensure revenue recognition accuracy.	Q4	1 Auditor
Financial Reporting & General Ledger	Medium	Verify financial data accuracy and integrity, and assess financial reporting internal controls.	Q3	3 Auditors

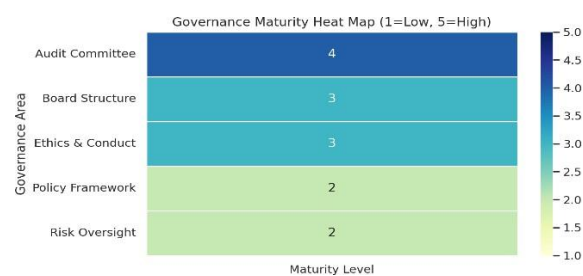
7. Corporate Governance Maturity Assessment

Scenario: To undertake corporate governance-focused internal audit was undertaken to assess the strength and maturity of governance practices within the organization. This was part of a broader effort to enhance board oversight, ethics, and risk governance.

Objective:

- To conduct interviews with board members and reviewed governance documentation, including board charters, committee minutes, and ethics policies.
- Benchmark the client’s Corporate Governance practices against a standard 5-level governance maturity model.
- Assessed five key governance areas:

Visual Aid: Maturity levels across key Corporate Governance components.



This heat map provides a snapshot of the maturity level of key corporate governance practices, evaluated across five core areas: **Board Structure, Audit Committee Function, Policy Framework, Ethics & Conduct, and Risk Oversight.**

Each area is assessed on a scale from 1 (Initial) to 5 (Optimized):

- Initial (1): No formalized practice
- Repeatable (2): Inconsistent and informal practice
- Defined (3): Documented policies exist but may lack full implementation
- Managed (4): Practices are monitored and enforced consistently
- Optimized (5): Practices are integrated and continuously improved

Observations and Recommendations Table:

Governance Area	Maturity Level	Key Observation	Recommendation
Audit Committee	4 – Managed	Committee meets regularly, roles documented	Maintain and review charter annually
Risk Oversight	2 – Repeatable	No formal risk monitoring by the board	Introduce board-level risk dashboard and KPIs

Impact: Improved board oversight, enhanced accountability, and strengthened alignment with governance best practices through structured policy enforcement and risk oversight.

Supporting Documents: Corporate Governance Maturity Heat Map, governance review checklist, and board oversight gap analysis.

8. Environmental, Social and Governance (ESG) Assessment

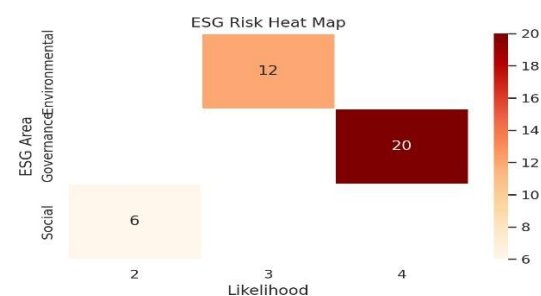
Scenario: ESG Risk Assessment for a Logistics and Distribution Company

Objective: Identify and visualize key ESG risks that may affect the organization’s sustainability, compliance, and reputation.

Approach:

- Defined ESG scope: Environmental (waste, emissions), Social (labor practices, DEI), and Governance (anti-bribery, transparency)
- Assessed the **likelihood** and **impact** of ESG-related risks using a 5x5 risk matrix
- Plotted the results on a heat map to help management prioritize mitigation efforts

Visual Aid: ESG Risk Heat Map



Key Risks Identified:

- **Lack of waste management or energy-efficient practices (Environmental – High):** No recycling or carbon tracking mechanisms; recommend introducing sustainability KPIs.
- **Inadequate employee welfare programs (Social – Medium):** No formal wellness policy or feedback channels; suggest HR implement structured welfare initiatives.
- **Weak anti-bribery controls and absence of whistleblowing mechanism (Governance – High):** No formal policy or anonymous reporting tool; recommend rollout of anti-corruption training and whistleblower hotline

Recommendations:

- Formalize an ESG governance framework with defined responsibilities across departments
- Develop and implement environmental policies, including waste management and energy use tracking
- Establish a structured employee welfare program, with feedback channels and health initiatives

Impact: Strengthened ESG compliance, enhanced stakeholder trust, and reduced reputational and operational risk across environmental, social, and governance areas.

Supporting Documents: ESG Risk Heat Map, ESG risk matrix scoring, and sample ESG audit observations.

9. AI AuditPath – AI-Assisted Internal Audit Prototype

Scenario: To undertake corporate governance-focused internal audit was undertaken to assess the strength and maturity of governance practices within the organization. This was part of a broader effort to enhance board oversight, ethics, and risk governance.

Key Features

- Executive audit dashboard
- Risk and control register
- Audit testing workpapers
- Action tracking and findings management
- Draft audit reporting interface
- AI-assisted finding development using the Five Cs methodology

Demonstrated Outcome: Using sample audit testing information, the prototype generated structured audit findings covering Condition, Criteria, Root Cause, Effect, and Recommendation, while highlighting areas requiring auditor review and validation.

Current Status: Working proof-of-concept prototype developed as an independent innovation project and currently under continued enhancement.

