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Internal Audit Portfolio

1. SOP Development Flowchart

Scenario: SOP for a Hypothetical Procurement Process

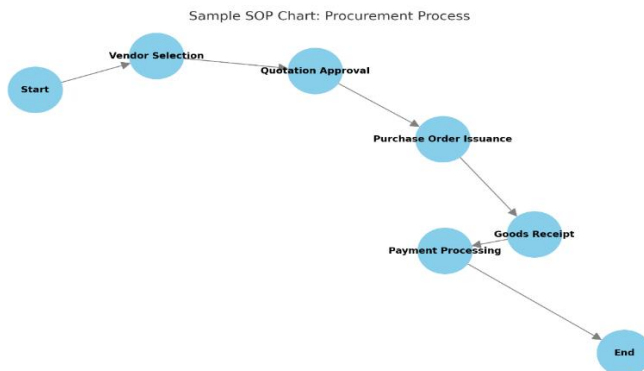
Key Steps:

- **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:



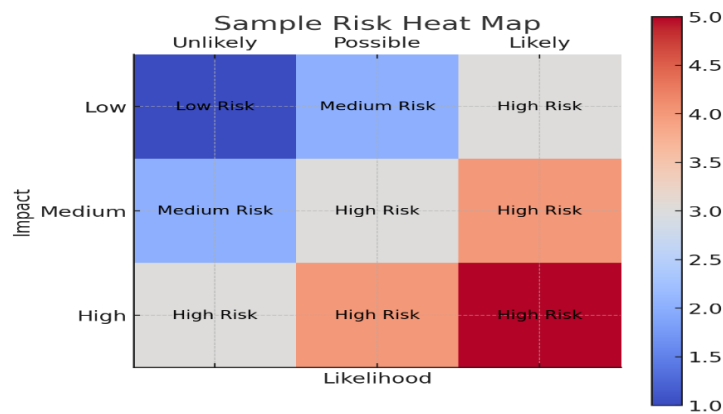
2. Risk Assessment Matrix

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

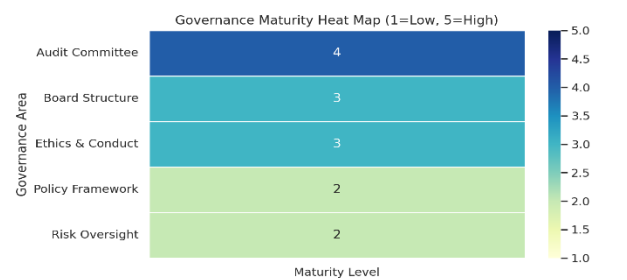
7. Corporate Governance Maturity Assessment

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

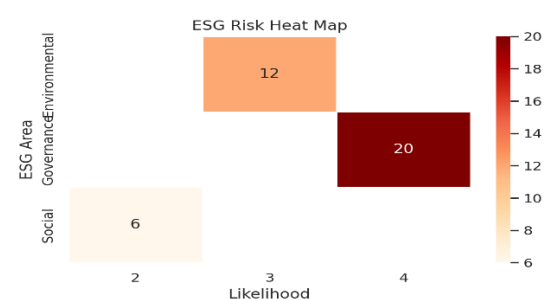
Scenario: ESG Risk Assessment for a Logistics and Distribution Company

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. Governance, Risk & Compliance (GRC) Review

Scenario: GRC Control Framework Evaluation for a Regional Logistics Group in the UAE

Objective: To assess the effectiveness of the organization’s governance structures, enterprise risk management practices, and regulatory compliance controls as part of a holistic GRC review.

Approach:

- Reviewed governance documentation: board charters, risk policies, and ethics code
- Evaluated risk registers, risk appetite statements, and mitigation plans
- Conducted compliance testing on data privacy, vendor screening, and anti-money laundering (AML) procedures
- Benchmarked the GRC maturity level using a 3-tier model: Basic – Developing – Integrated

Visual Aid: GRC Framework Summary Table & Risk-Control Matrix:

Component	Key Activities	Maturity Level
Governance	Board oversight, ethics policy enforcement, strategic alignment	Developing
Risk	Risk identification, risk register updates, KRI monitoring	Basic
Compliance	AML testing, regulatory tracking, staff compliance training	Developing

Key GRC Issues Identified:

- **Governance – Developing:** Policies existed but lacked consistent board review or ownership tracking
- **Risk – Basic:** Risk register outdated; no defined risk appetite or regular risk workshops
- **Compliance – Developing:** Incomplete documentation of AML procedures and limited evidence of staff compliance training

Impact: Strengthened oversight, improved risk visibility, and enhanced regulatory compliance posture in line with UAE business expectations.

Supporting Documents: GRC framework summary, compliance checklist, and risk register sample.

