NBI Internal Audit Methodology

Audit and Risk Committee

* All significant findings
* Management action plans and due date

Process owner reporting

* Identified risks
* All findings identified during field work (including medium and low risks)
* Process improvements noted
* Follow-up items from previous reports
* Management action plans

Issue resolution and follow-up

* Follow-up on issue resolution
* Monitor and assess management’s progress against agreed-upon action plans
* Adequacy of actual actions taken
* Timeliness of issue resolution
* Report the progress to senior management and the Audit and Risk Committee
* Escalate unresolved issues

Follow-up

Reporting

Execution

Planning

Information gathering

Execution

* Notification of process owner and kick-off meeting
* Project planning
* Process description and audit programme creation
* Testing and documenting

Plan development

* Determine processes and projects
* Utilise risk assessment results
* Determine resources and timing
* Develop and draft the plan
* Obtain audit Committee approval
* Maintain and update plan

Overview of the Organisation

* Gather and analyse industry information
* Identify strategies, objectives and processes
* Determine legislative requirements

Enterprise Risk Assessment

* Identify high risk areas
* Analyse and evaluate the risk information
* Determine areas to be audited

Internal Audit Execution

1. Notification of process owner and Kick-off meeting
* Review of high-level audit objectives and scope.
* Audit process and time line.
* Communications, reporting, and follow-up activities.
* Discussion of business objectives, risks, and key activities
1. Testing and documenting
* Create working papers based on the audit programme
* Determine the population, testing quantity and the source documents to be used.
* Test the design and operating effectiveness of internal controls, including financial, operational and compliance
1. Process description and audit programme
* Document the process by conducting interviews and reviewing procedure documents
* Perform walkthrough of the processes
* Identify risk areas and control gaps.
* Develop procedures to test the key controls identified during the process description
* Control gaps are tested to determine the to determine the magnitude of the risk
1. Project planning
* Define the scope and allocate time.
* Determine if additional resources or training is required.
* Implement monitoring tools to manage the project
1. Testing and documenting (continued)
* Perform manual control testing through observation, inquiry, re-performance, inspection and knowledge assessment
* Perform substantive testing when the controls are determined to be ineffective to assist with evaluating the extent or impact of the ineffective control
* The use of CAAT may be involved. Create working papers based on the audit programme

 Supporting documentation:

* Exception based documentation is kept on file and if no exception is noted then one copy of an item tested. If an exception is noted then a copy of the exception as well as one of the items tested without an exception is kept on file.
* All supporting documentation is maintained
* Supporting documentation is reviewed in in conjunction with the working papers.
1. Confirm and report findings
* A finding is noted when the results of internal controls testing denotes that the control is either missing or not working as expected.
These findings are all documented in the working papers.
* Performance improvement observations (POI) are areas that can be improved but do not involve a control weakness or an area that falls outside the scope of the internal audit project.
* The details of the findings should be confirmed and validated with the process owner before reporting.
* All findings will be documented in audit report and tie back to the summary of findings document.
* A close out meeting should be held with the process owner and any other key contacts for the project.
* The draft report will be presented and discussed during this meeting.
* Minutes of the meeting will be kept on file.
* The objective is to clearly communicate and finalise findings with the process owner and obtain acceptance and support for the reporting items and the recommendations.
1. Review of reports
* All reports are reviewed by the senior auditor, the internal audit manager and the head of internal audit before they are presented to the Audit and Risk Committee.
* Before the reports are reported to the Audit and Risk Committee they are reviewed by the process owner and the head of division.
* During the meeting with the process owner and the head of division can they request any working papers and supporting documentation.
* Disagreements between the Internal Auditor and the process owner and head of division that are not resolved will be discussed at the Audit and Risk Committee.

Special Assignments