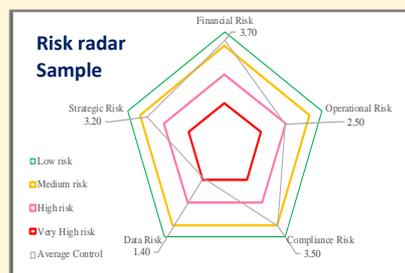


Preparation of Risk Based Internal Audit Manual

Storyline...

Bhutan Telecom limited (BTL) is a government owned telecommunications and Internet service provider in Bhutan. BTL has an Internal Audit Section (IAS) within the organisation. Given the nature of Telecom business, BTL has started formalising its Risk Management System. As part of this effort, there was a need to introduce 'Risk Based' Internal Audit in line with the organisation's policies, strategies, and objectives.

MaGC was appointed to prepare a Risk Based Internal Audit Manual (RBIAM) that would facilitate IAS to provide risk-based assurance in line with international standards and practices.



Once upon a time...

The IAS primarily performed revenue audit and followed traditional audit techniques and methods. Audit through the computer was very limited. IAS did not review the Risk Register or comment on Risk Management. Given the IAS resource shortage, extent of assurance provided by IAS was uncertain.

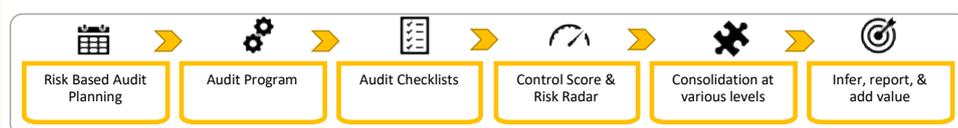
Moving on...

MaGC team held preliminary discussions with the IAS and Top Management to understand the context and scope of engagement. Detailed study of each business function was undertaken including interview with key decision makers, collection of policies and procedures, understanding the control environment, etc. Walkthrough to examine existing processes, procedures, documentation and reporting within IAS were performed. Based on these, the contents and audit areas were identified and agreed upon with BTL.

In order to incorporate risk based approach appropriately, a maturity assessment of the organisation was undertaken. Role of IA was tailored based on assessed risk maturity in line with IIA guidelines. The IIA standards were cross referenced throughout the RBIAM.

Audit checklists (for 26 audit areas) were prepared and circulated to IAS for comments. Checklists were designed as a template which allows scoring each internal control activity. The control score thus arrived was designed to be mapped to a Risk Radar thereby visually showing the risk levels for each risk classification (Strategic, Financial, Operational, Data Security, Compliance). Since the audits at BTL were location-wise, this allowed for risk assessment at a granular level (audit area in each location).

Detailed guidelines, processes, and procedures from Planning to Reporting were included convenient sections. Requisite procedures, document and report templates for IA monitoring and management were provided for use within IAS and for reporting to Audit Committee. Quality Assurance and Continual Improvement practices were embedded across the IAM and specifically explained in a Section.



On the acceptance of RBIAM, a five-day training was conducted to sensitise the key stakeholders on the RBIAM's contents. Enterprise Risk Management (ERM) was covered in a specific day-long session in which the Top Management participated. All training sessions included hands-on exercises (in spreadsheets/templates), case studies, and discussions as a beginning to audit through computers..

Finally...

RBIAM was highly appreciated by the Audit Committee and the Board of Directors. BTL was able to successfully apply risk-based approach from audit planning to reporting. The Control Scoring mechanism coupled with Risk Radar provided a very strong risk analytical tool. Training the Top Management on ERM helped in smooth implementation of RBIAM.