



Internal Audit Pitfalls



Are you ready for an external audit any
given day.

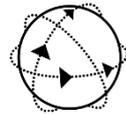
ASA 2023 Conference

Internal Audit Pitfalls

Agenda

- ❑ Introduction
- ❑ Why do we conduct internal audits?
- ❑ Why Internal audits fail to deliver effective results?
- ❑ What are the Common pitfalls ?
- ❑ 15 common pitfalls, their Causes, undesirable effects, & how to prevent and/or fix them
- ❑ Q & A

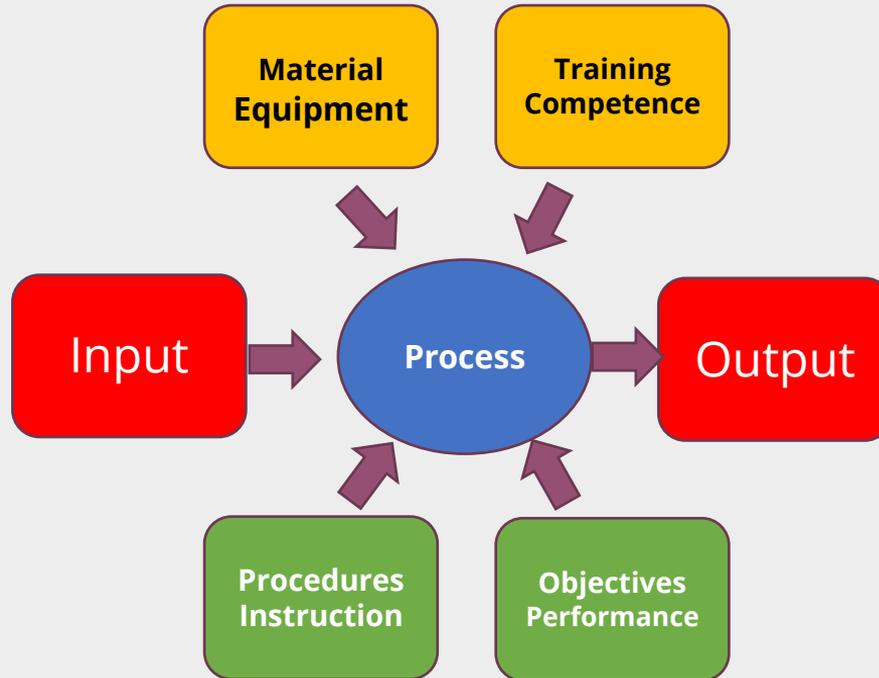
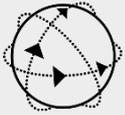
If not addressed pitfalls will lead to repeated system failure and embarrassment

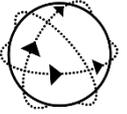


ACTIVITY

Identify the following diagram

Internal Audit Pitfalls

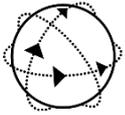




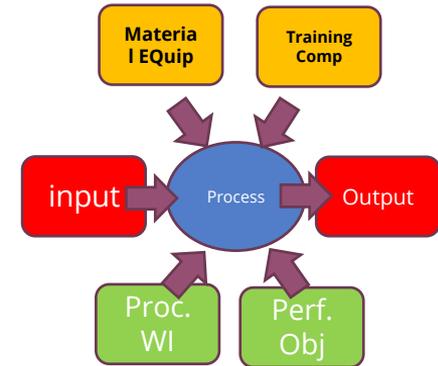
ACTIVITY

Pair the items listed in the Activity column with the correct category (s) in the Turtle diagram

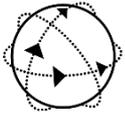
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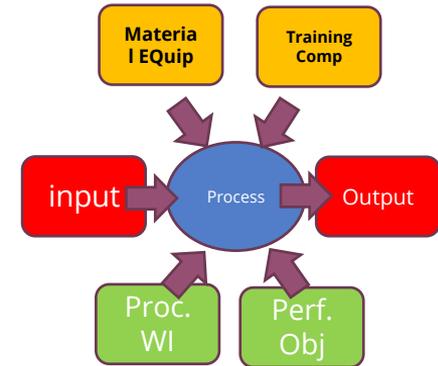
Activity	Category in Turtle Diagram
Poor Planning	
Lack of Continuous Improvement & Innovation -	
Resource constraints-	
Cumbersome paperwork	
Human factors	
Organizational awareness for audits-	
Lack of proper training	
Time constraints-	



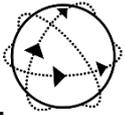
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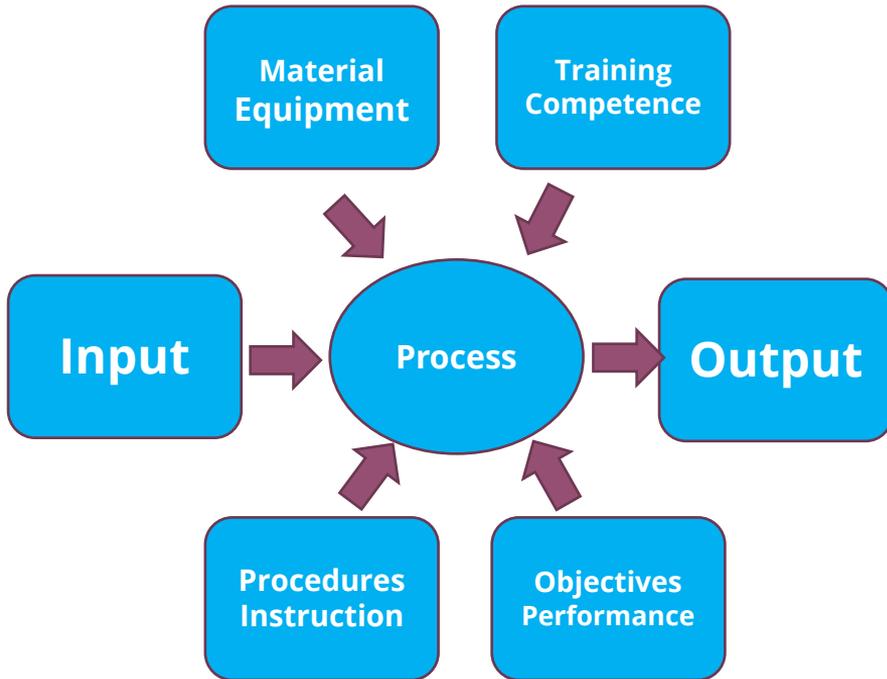
Activity	Category in Turtle Diagram
Poor communication	
inadequate Stakeholder engagement	
Audits can be very dry and boring	
Inefficient audit execution-	
Effectiveness Measures	
Neglecting RC & Systemic Issues	
Missing follow up loops	



Internal Audit Pitfalls



Turtle Diagram

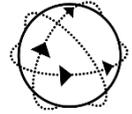


Why Internal audits fail to deliver effective results

1. Poor Planning - Input
2. Poor communication - Input Output
3. Time constraints-Input
4. Resource constraints- Material EQ- Input
5. Inadequate Stakeholder engagement - IPO
6. Lack of Ci & Innovation -Input Output
7. Audits can be very dry and boring -Process
8. Inefficient audit execution- Process Procedures
9. Effectiveness Measures - Perf. Objectives
10. Cumbersome paperwork - Proc WI
11. Human factors -Training Competence
12. Organizational awareness for audits- TC
13. Lack of proper training - Training Comp
14. Missing follow up loops- Output
15. Neglecting RC & Systemic Issues - Output

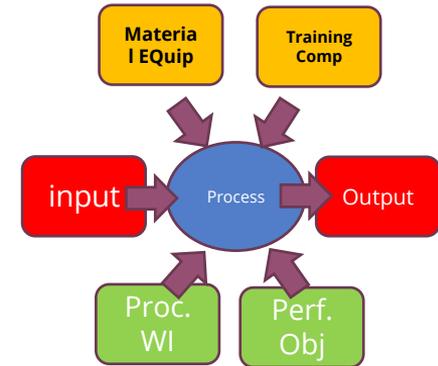
Turtle Diagram for each process helps avoid major internal audit pitfalls

Internal Audit Pitfalls



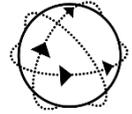
1. POOR PLANNING

Cause	Effect	Corrective Fix
No Audit Schedule	Audits not done on time	End of year set audit schedule for next year
Poor preparation	Unorganized audits	Follow 5 step audit prep process
Scope not clear	Ineffective audit	Define Audit Scope
Reference Base	Weak findings	Predefine Ref. Base
Previous audits	Continued gaps	Include all prev. audits
No checklist	Questions not ready	Prepare checklist
No turtle diagram for processes being audited	Weak questions for checklist	Create Turtle diagrams for each process being audited



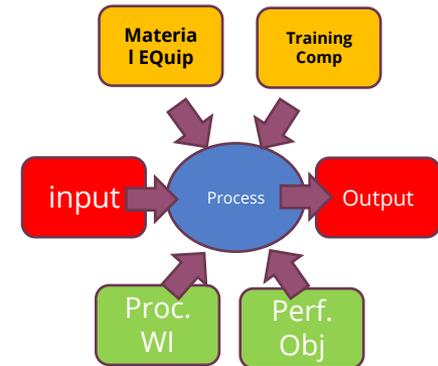
Be Proactive and Prepare in Advance

Internal Audit Pitfalls



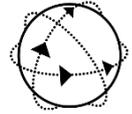
2. POOR COMMUNICATION

Cause	Effect	Corrective Fix
Poor Planning	No advance notice	Calendar invites
Not Prepared	Auditees not ready	Publish Schedule
Audits not prioritized, no visibility, Not reported in Management Review	Non-compliance to requirement	Include in Mgmt. Review Agenda Run Audit campaign



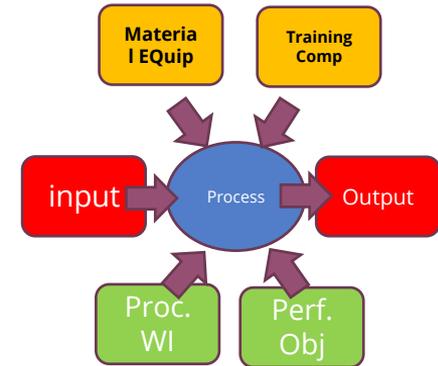
Get Management Support – Run Audit Campaign

Internal Audit Pitfalls



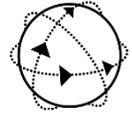
3. TIME CONSTRAINT

Cause	Effect	Corrective Fix
Poor Planning	Last minute audits	Schedule audits in advance, put in calendar invites
Poor communication	Superficial audit	Allocate time to get effective results
Cumbersome audit methods, docs	Incomplete, ineffective audits	Use lean methods, checklists based on turtle diagrams



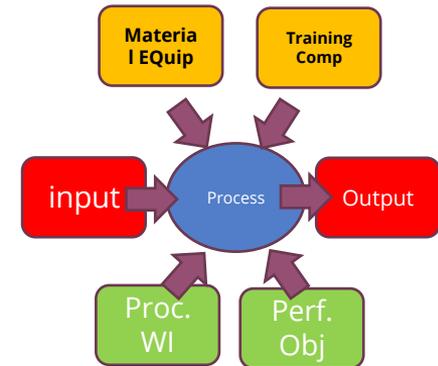
Plan - Communicate -Execute

Internal Audit Pitfalls



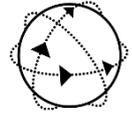
4. RESOURCE CONSTRAINTS

Cause	Effect	Corrective Fix
Prioritization	Audits not done	Allocate resources to complete audits
Personnel not trained to audit	Inadequate audits	Conduct training and refresher training
Auditor training not on Annual training plan	Unknowledgeable, rookies conducting audits	Top Management to prioritize audits in training plans



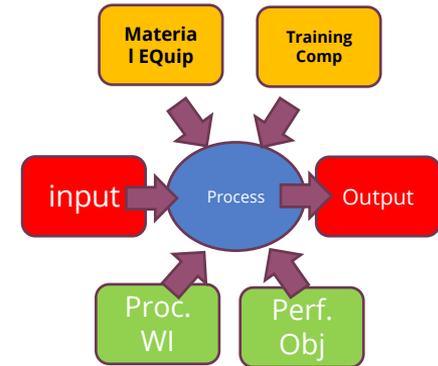
Make it Fun – Incentivize – Train Many Auditors

Internal Audit Pitfalls



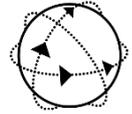
5. INADEQUATE STAKEHOLDER ENGAGEMENT

Cause	Effect	Corrective Fix
Prioritization	Stakeholders do not understand the importance	Audit Awareness training for top management
Poor Communication	Process owners do not buy in	QA/ Top Management to explain benefits for stakeholder buy in



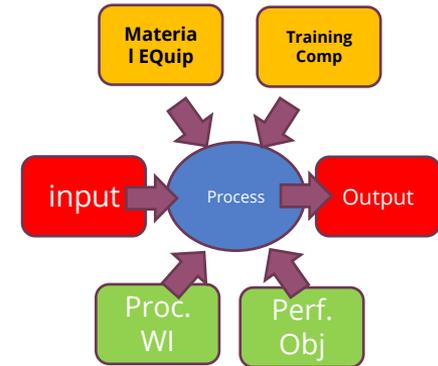
Specify Value for Stake holders- Get Buy in

Internal Audit Pitfalls



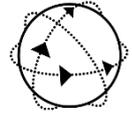
6. AUDITS CAN BE VERY DRY AND BORING

Cause	Effect	Corrective Fix
Lack of Motivation	Same 'O Same 'Old	Use Innovative approach with infectious energy
Lack of Awareness	Nervous auditee	Hold Audit Prep Sessions to set them up to succeed



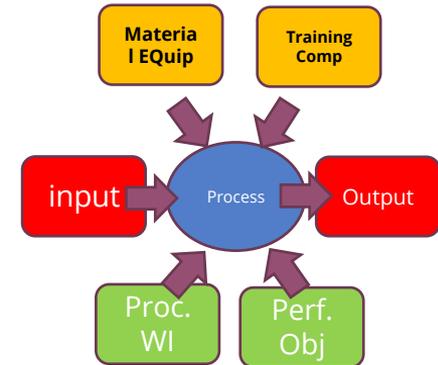
Make Audits Fun and Win - Win for all

Internal Audit Pitfalls



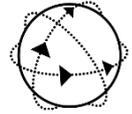
7. LACK OF CONTINUOUS IMPROVEMENT & INNOVATION

Cause	Effect	Corrective Fix
Reference base and checklist are weak	Superficial findings	Use Turtle diagram to create checklist and be the friendly auditor to draw out improvements and gaps
Planning not done correctly	Weak checklist	Ask leading & open ended questions



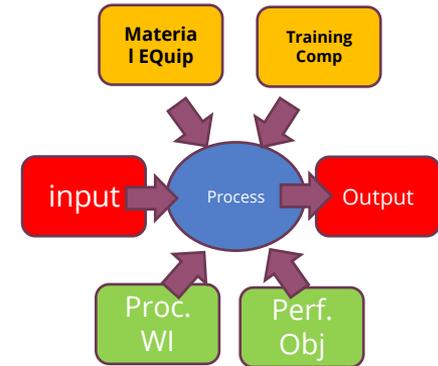
Best audits identify both Strengths & Weaknesses

Internal Audit Pitfalls



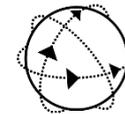
8. INEFFICIENT AUDIT EXECUTION

Cause	Effect	Corrective Fix
Poorly designed checklist	Misses out on risks & opportunities	Prepare checklist using turtle diagram
Auditors not trained in auditing techniques	Auditee frustration and mistrust in audit process	Conduct Refresher training in audit techniques and EQ
Weak checklist	Data not collected	Focus on collecting evidence



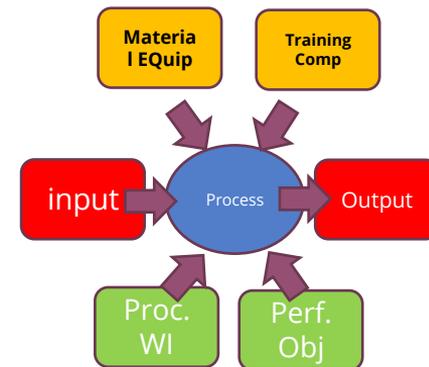
Thou shall show me the evidence!

Internal Audit Pitfalls



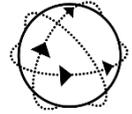
9. EFFECTIVENESS MEASURES

Cause	Effect	Corrective Fix
Planning did not use turtle diagram	Audits fail to provide objective data	Prepare checklist using turtle diagram
Processes do not have defined objectives	Inadequate audit – non-compliance to requirements	Have Measures to gauge audit effectiveness
Weak checklist	Data not collected	Audit Oversight using Process owners



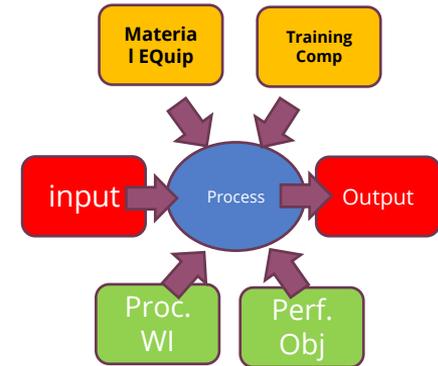
Evidence Based and Data Driven Audits

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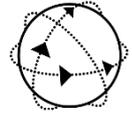
10. CUMBERSOME PAPERWORK

Cause	Effect	Corrective Fix
Old Obsolete audit forms	Takes too long to audit	Use the latest software based checklists where possible
Antiquated audit tools and methods	Inefficient and non value added audit	Automate and lean out documentation
access to audit documents not easy	Non availability of forms on demand	Have the documents stored in shared drive or the Key Skills Academy LMS portal



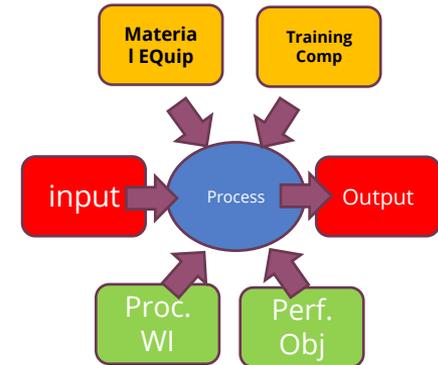
Incorporate ERP system docs to lean out & automate

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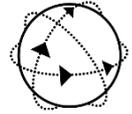
11. HUMAN FACTORS

Cause	Effect	Corrective Fix
Auditor Training not available on demand	Auditors not prepared to audit	Key skills Academy LMS to upload Auditor training and make it accountable and available on demand
Auditor comes across as interrogator !	Auditee feels they have not been fairly treated - Push back and non-cooperation	Brush up auditing techniques- Treat auditee fairly, make it friendly and fun. focus on evidence
Auditor was not professional	Non- cooperation from auditee	Auditing technique



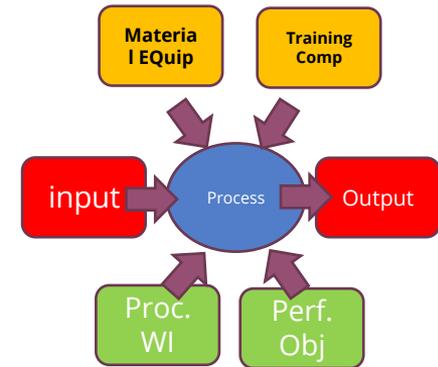
Auditor Attributes: Respect, Professionalism...

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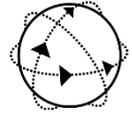
12. ORGANIZATIONAL AWARENESS FOR AUDITS

Cause	Effect	Corrective Fix
Lack of Management Support for audits	Personnel too busy performing routine production work – thereby putting org. at risk	Specify Value of Audits to the Management team
Lack of audit preparedness of personnel	Non-value added, audits	All employee training and audit prep



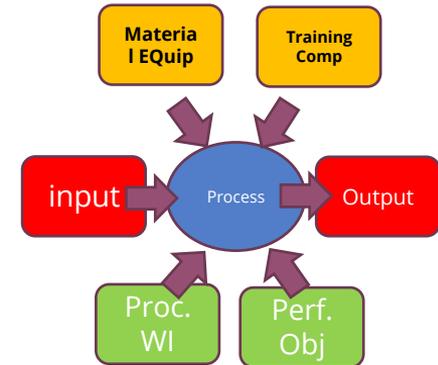
Audit Campaign – Preparedness Sessions

Internal Audit Pitfalls



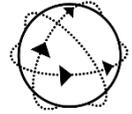
13. LACK OF PROPER TRAINING

Cause	Effect	Corrective Fix
Auditor refresher training not part of annual training plan	Untrained, unprofessional auditors - weak audit process	Make Auditor training at least annual
Auditors not familiar with forms	Weak audit reports	Make forms intuitive and easy for auditors



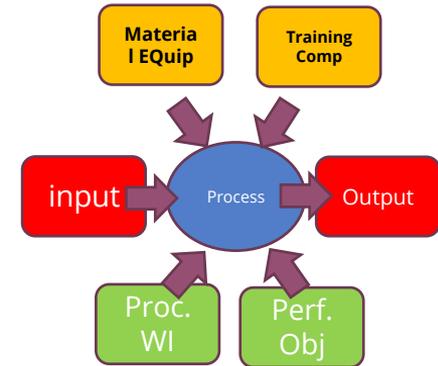
Keep up with the Continuous Education for Auditors

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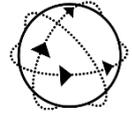
14. MISSING FOLLOW UP LOOPS

Cause	Effect	Corrective Fix
Follow up is not integrated in audit questions	Incomplete audit results - missing out on effectiveness check	Integrate previous findings and corrective actions as part of the checklist
CAR process not robust	Follow up on findings is not done	Make CAR Templates robust



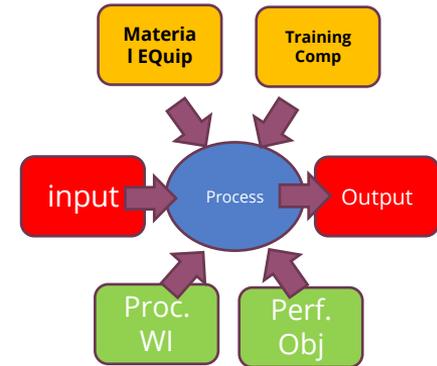
Follow up on previous findings

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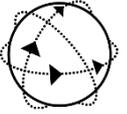


14. NEGLECTING ROOT CAUSE & SYSTEMIC ISSUES

Cause	Effect	Corrective Fix
Auditor mindset and checklist development method	Nit Picking on unimportant non systemic issues	Use "shalls" and turle diagram to create value-added checklist



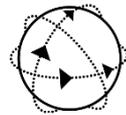
Value added audits focus on systemic issues



ACTIVITY

On a piece of paper list down all the pitfalls you see in your organization, the effects and proposed fix

Internal Audit Pitfalls



Audit Pitfalls in my organization

Pitfalls	Cause	Effect	Corrective Fix

Want to be Always Ready for Audits?
Identify Pitfalls, Review Cause, Effect & Put Preventive Fixes

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