

Other Functions



Internal Audit



8 Internal Audit

Internal Audit Department (IAD) provides independent assurance on effectiveness of governance, risk management framework and internal control processes.

8.1 Overview

The role of internal audit in SBP BSC is to focus on examining and evaluating whether the Organization's framework of risk management, internal controls and governance processes is adequate and functioning properly. The Internal Audit Department's responsibilities also include, among others, advising and recommending the senior management on improving internal control and risk management systems.

8.2 Working Performance

During FY17, IAD carried out annual audits of nine departments at HOK and all the Field Offices of SBP BSC. Further, 63 audit engagements were performed by Audit Hubs located at Karachi and Lahore. IT Audits of different business applications and Business Continuity Plan (BCP) were also carried out during the year. The results of audit activities have led to further improvements in the internal control environment, which would go a long way towards supporting the SBP BSC in achieving its organizational objectives.

The observations made during audit engagements were rigorously followed up by the Review and Enforcement Division of IAD. The compliance of audit observations made in audit reports and briefs of respective HOK Departments and Field Offices have been meticulously ensured so that adequate response and regularization is accomplished in a minimum time period.

8.3 Developmental Initiatives

In line with IAD's Charter, the following developmental projects have been planned and proposed by the Department for FY18:

- (1) Development of an Organization-wide Risk Rating Framework.
- (2) Development of a Risk Assessment Framework for specialized auditable areas, such as Energy, Security, HR, Health & Safety etc.
- (3) Initiation of the Thematic / Process Audits.
- (4) Development of Audit Operations Manual.

Moreover, the Internal Audit and Compliance Department (IACD) of SBP will be conducting a peer review of IAD practices against standards prescribed by the Institute of Internal Auditing (IIA). The completion of this exercise would facilitate in identification and subsequent reduction of any gaps between IAD's processes and procedures with those of IIA standards. This peer review would pave the way for an even more meticulous and independent external evaluation.

With a view to improving efficiency and reducing the redundant workload of audit management activities, a joint initiative has been taken by IAD and IACD-SBP to introduce Audit Management Software so as to automate the working of audit.

Control Environment Assessment for all auditable functions of SBP BSC have been formulated that would enable the auditors to understand the underlying controls of various processes. They (auditors) would now be able to focus more on the comprehensive control evaluation of the audited areas rather than observation-hunting.

8.4 Risk-Based Annual Audit Plan

Before the beginning of FY17, a risk-based annual audit plan was prepared for audit activities, keeping in view the organizational goals and objectives. The plan was devised by taking into account the risk factors from the risk inventory as well as inclusion of thematic / process audits. Further, the work load analysis and assessment of internal controls, based on last year's audit reports of Field Offices and Departments, was also used in preparing the plan.

8.5 Performance of Audit Hubs

The function of Audit Hubs, set up in Karachi and Lahore, is based on a pre-defined high risk area specific scope that needs to be audited on periodic basis.

During FY17, the Audit Hubs conducted 63 short and targeted audits that helped in accomplishing effective monitoring of internal controls. Frequently observed weaknesses in controls, identified during audits, were highlighted in order to facilitate the management to focus on them.

8.6 Capacity Building of Internal Auditors

Enhancement of auditors' skill set and proficiency is one of the prime focus areas of IAD. Training programs, based on priority and requirement, were arranged throughout FY17. IAD personnel participated in 27 trainings during the year under review, which helped diversify skill set of the auditors, thereby enabling them to work efficiently in a variety of key areas. These capacity building initiatives also helped to inculcate latest audit techniques among officers of IAD, besides making improvements in audit practices in line with international best practices. Four specialized trainings relating to Energy Management Audit and Health & Safety Audit, were also conducted so as to enable the IAD staff to carry out audit review in such specialized areas.

8.7 Future Outlook

Looking forward, IAD has taken the initiative of adopting a more automated environment for its activities. The Department will shortly be implementing audit management software for this purpose. System requirements in this regard have already been formulated. Further, thematic / process audits are being embarked upon from this year as first of its kind activity, which will be included to the normal mix of audit assignments from the next year onwards.

IAD also plans to get its practices independently reviewed, initially by IACD and subsequently through an external third party, which will help in identifying the gaps with regard to international best practices and propose appropriate effective measures to plug those gaps.