

INTERNAL AUDIT SERVICE



Revised Corporate Governance Code

With accounting periods beginning on or after 1 January 2016, listed companies in Hong Kong are required to follow the requirements as stipulated in the revised Corporate Governance Code and Corporate Governance Report (the “Revised Corporate Governance Code”) which has been updated to put greater emphasis on risk management and integrate risk management with internal controls, such that:

- the Board is responsible for evaluating and determining the nature and extent of the risks the business is willing to take in achieving its strategic objectives;
- management is responsible in the design, implementation and monitoring of the effectiveness of risk management and internal control systems; and
- an internal audit function should be established to conduct an independent assessment of the systems developed by management.

Your challenges

As governance and regulatory compliance continues to be complex business challenges for listed companies, the new requirements challenge the boards to greater levels of transparency, objectivity and professionalism. Boards and senior management are being placed under unprecedented pressure to stay on top of current and emerging risks. Increased accountability and potential exposure to liability means directors need to ensure that corporate governance standards are adhered and robust risk management and internal control systems are in place.

Internal audit has emerged as a key mean of giving boards the confidence to deal with the demands of a dynamic marketplace. Whether you need to establish an internal audit function, would like to evaluate future options for your current function, or would merely like to enrich existing skill sets and enhance internal audit capabilities, we can support you through our advisory, outsourcing or co-sourcing solutions.

Our risk-based internal auditing

We adopt a risk-based internal audit methodology that links internal audit to the organisation’s overall risk management framework and provides assurance to the board that the risk management processes are managing its risks effectively, in relation to the risk appetite.

The implementation of risk-based internal auditing involves three phases as shown in Chart 1.

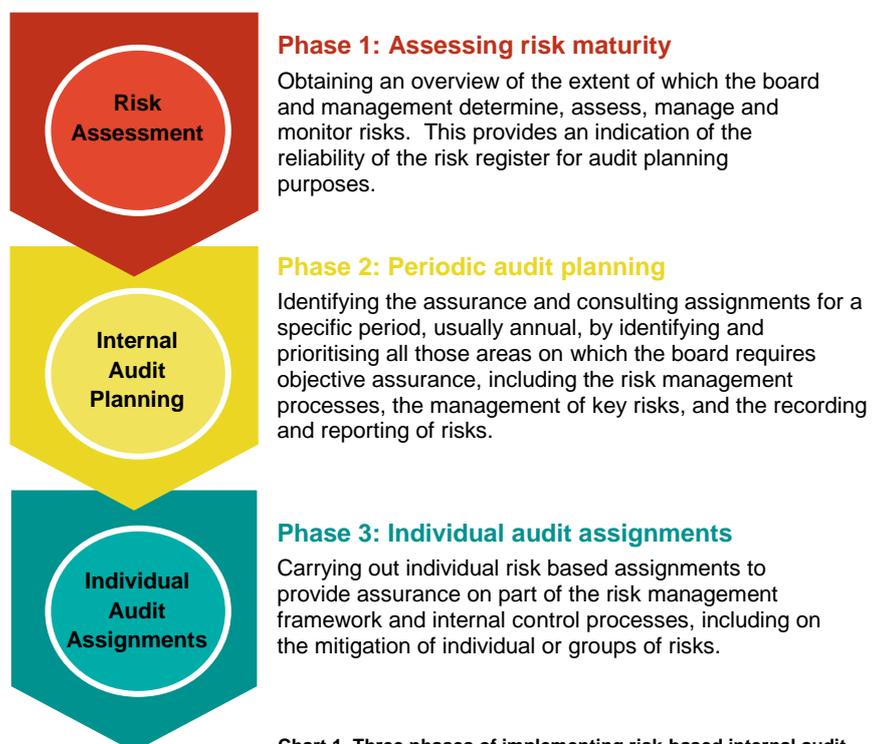


Chart 1. Three phases of implementing risk-based internal audit

How we can help

Our internal audit practice works with the board of directors, management, internal audit department and audit committee to develop a quality internal audit function that delivers strategic business assurance, identifies business opportunities and enhances organisational value.

| Risk management and internal control advisory services | Internal audit outsourcing services | Internal audit co-sourcing services |
|---|--|---|
| <ul style="list-style-type: none"> Design and implement a strong internal control framework through a principles-based approach that provides flexibility and allows for judgment in designing, implementing and conducting internal controls. Conduct a risk assessment to identify, assess and prioritise risks such that risk levels are managed within defined tolerance threshold without being over controlled or forgoing desirable opportunities. Develop a risk-based internal audit plan based on the risk assessment result. Establish internal control policy manual that covers key controls in entity-level, financial, operational and compliance aspects. | <ul style="list-style-type: none"> Act as an internal audit function and coordinate with the organisation's governance, risk and compliance programme. Provide broader skill sets and deeper industry specialisation, transfer knowledge and capabilities to the organisation. Supply intellectual capital, offering proactive insights and recommendations on leading practices. Offer short- and long-term cost flexibility and scalability. | <ul style="list-style-type: none"> Co-sourcing with our specialists, to deliver complex internal audit assignments and transfer our knowledge and expertise to in-house internal audit team. Provide opportunities to tap into specific skill sets, industry knowledge and global resources on "as needed" basis, achieving a level of flexibility which can be critical in effectively dealing with a range of operational issues. |

Why work with us

- Our team includes professionals who have extensive experiences in working with internal audit projects. We are familiar with the rules and keep up closely with relevant changes. This enables us to apply them in practice accurately.
- We have an assembled team of practitioners whose knowledge include both operational and governance expertise necessary for internal audit or advisory projects.
- We focus on the risks that matter to your organisation, both current and emerging.
- We have a proven internal audit methodology and a suite of innovative tools and techniques.
- We are independent, objective and aligned to your business needs.
- We can provide relevant and valuable insights and opportunities based on our experience and extensive knowledge and networks inside and outside the business.

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