



New Development Bank (NDB)

Overview of NDB Internal Audit Department, Methodologies and Standards

November 11, 2024



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EVOLUTION OF NDB
AND IAD



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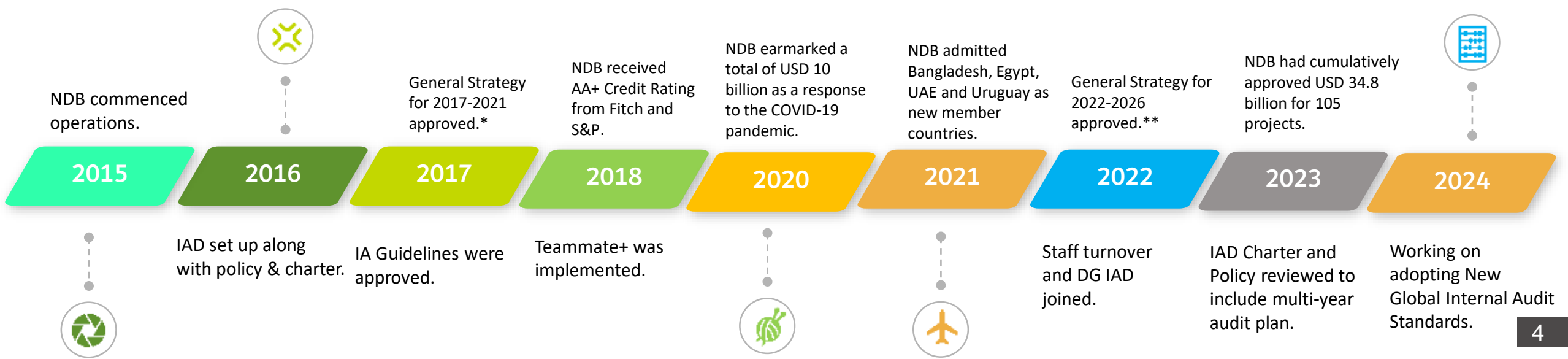
NEW GLOBAL INTERNAL
AUDIT STANDARDS



CY2025 OUTLOOK

Evolution of NDB and IAD

Evolution of NDB and IAD



Positioning of IAD

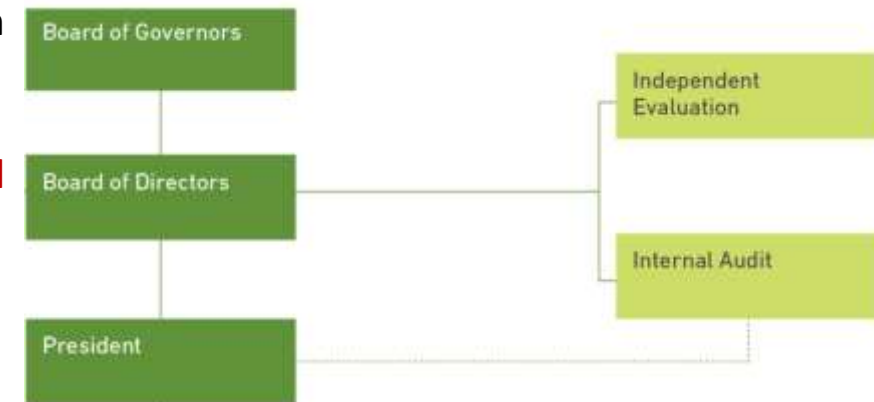
Overview of the Internal Audit Department

Mandate

- The Bank's Internal Audit Department (IAD) is an **independent and objective assurance function** that aims to assist the NDB to accomplish its strategic and operational objectives by adopting **a systematic and disciplined** approach to **evaluate and improve** the effectiveness of the Bank's risk management, internal control and governance processes.
- IAD's mission is to provide an independent and objective assurance on the **adequacy and effectiveness** of internal controls, risk management, governance processes and to **suggest recommendations and improvements**.
- IAD provides the Audit, Risk and Compliance Committee (ARC) of the Board of Directors (BoD) and Management with **assurance, advice** and **information** concerning the **activities reviewed**, thereby promoting an effective control environment.

Key Responsibilities

- Developing and implementing the internal audit strategy which is a plan of action designed to achieve a long-term or overall objective of internal audit function.
- Implementing the Internal Audit Department Charter, Policy and Guidelines.
- Conduct the **annual risk assessment** and prepare the **multi-year risk-based internal audit plan** for the Bank.
- **Executing the multi-year risk-based audit plan** on the processes/departments, **reporting** to the Audit, Risk and Compliance (ARC) Committee and **communicating the findings** to the stakeholders.
- **Monitoring the remedial actions** taken by the management and reporting to ARC.
- Periodically **monitoring** the Bank's control and risk environment to ensure the relevance of the audit plan.



Three Lines of Defense Framework*

- Traditional model adopted by Financial Institutions targeting Risk Prevention
- Framework for risk management structure



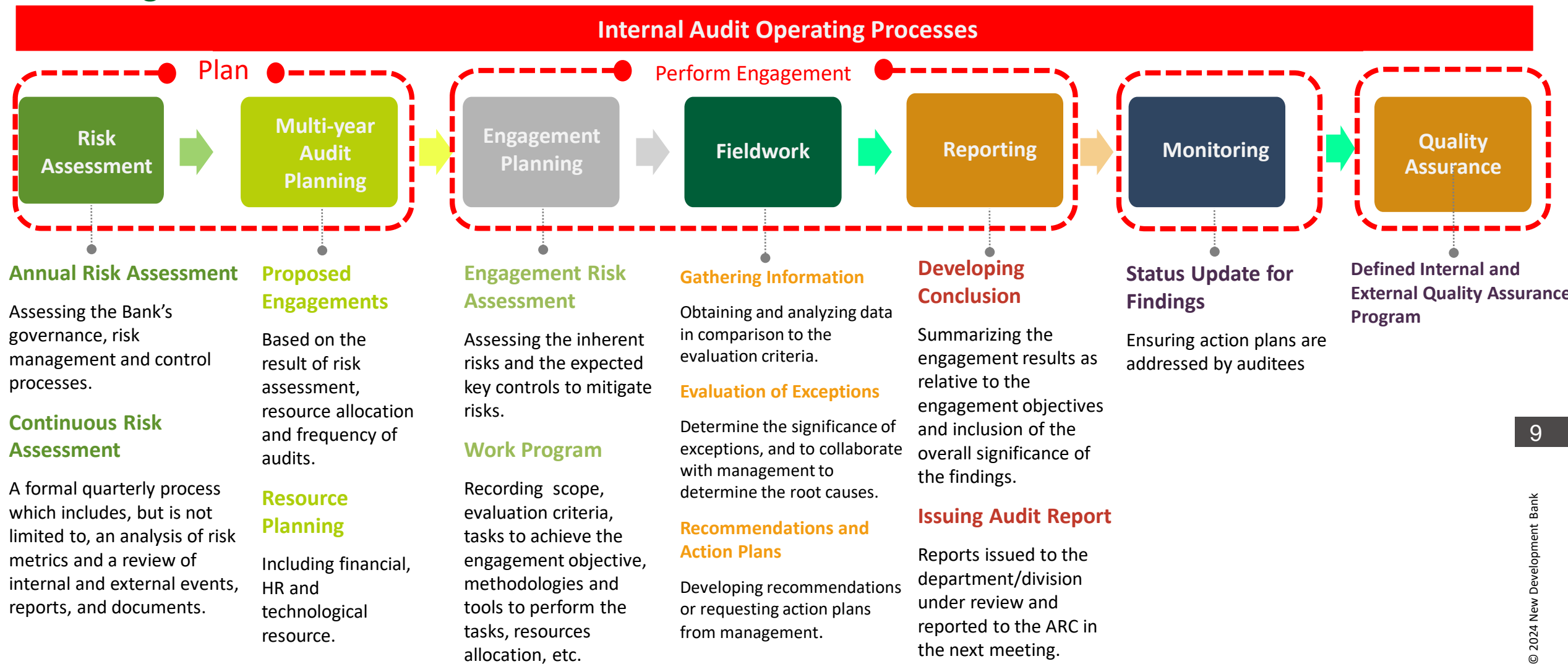
* Please refer to Enterprise Risk Management and Risk Appetite Framework.

IAD Processes

Lifecycle of Internal Audit



The stages of Internal Audit are as follows:

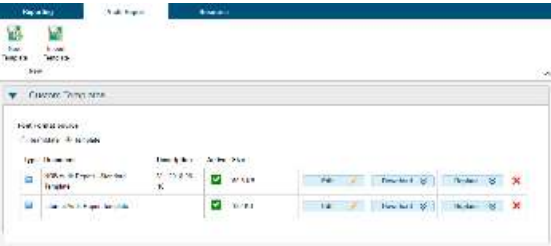


IAD Developments

New Methodologies and Technology

Report Automation

Using audit software to automate report generation.



Data Analytics

Exploring data analytical tools to analyze the obtained data and information.

```
# loading in the dataset sample as "pd"
import pandas as pd

# loading in the log file
git_log = pd.read_csv(
    "datasets/git_log.csv",
    names=["timestamp", "author"],
    header=None,
    sep=";",
    encoding="latin-1",
)

# printing out the first 5 rows
print(git_log.head())
```



And More...

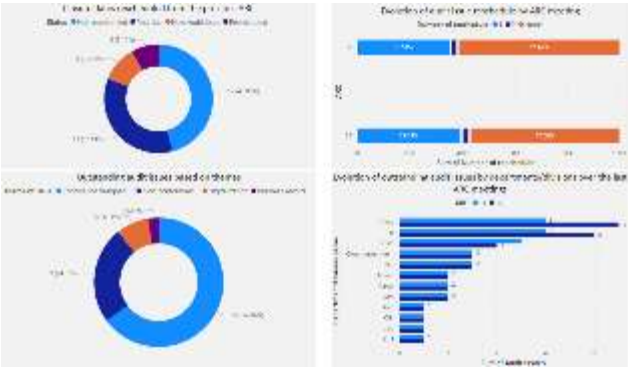
Combined Assurance

Coordinating with internal and external assurance service providers and consider relying upon their work.

Assurance	First line of defence - Management			Second line of defence - Risk and legal based assurance			Third line of defence - Independent assurance		
	Internal audit	Risk review	Internal control	Legal	Risk	Compliance	External audit	Internal audit	External audit
Strategy									
Planning									
Sustainability									
Growth									
Operations									
Treasury									
Products and services									
Finance									

Finding Progress Visualization

Using digital tools to track the progress of findings and facilitate periodic status update.



Benefits

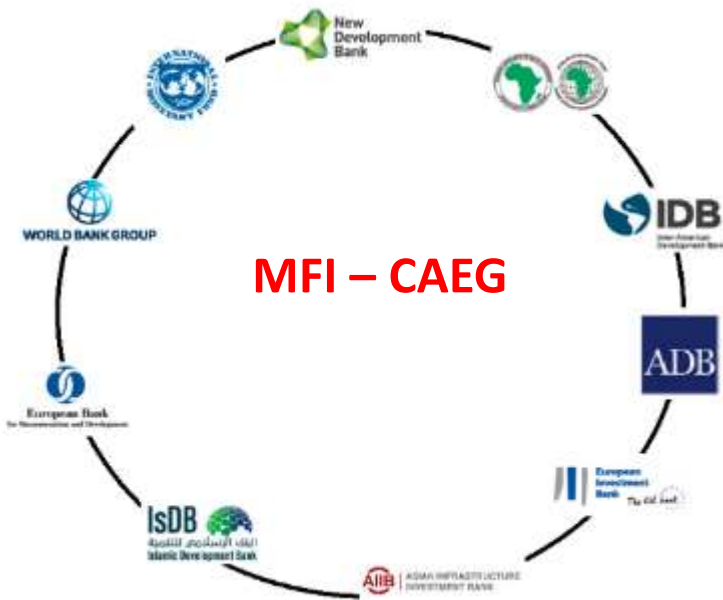
- Improve efficiency
- Enhance accuracy and quality
- Real-time information
- Improve collaboration
- Scalability
- Cost saving in the long run

Challenges

- Implementation cost: financial, time, resource
- Learning curve and adaptation
- Integration
- Data security
- Compliance
- Ongoing maintenance and support

Active Member of Internal Audit Networks

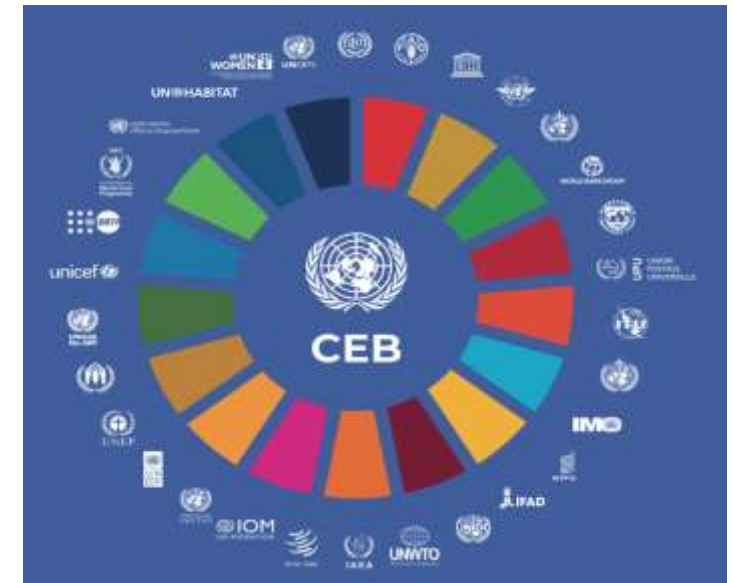
Multilateral Financial Institutions Chief Audit Executive (**MFI-CAE**) Group



Active Working Groups:

- Information Technology Audit (ITAG)
- Quality Assurance Audit Group (QAAG)
- Operations and ESG Group

UN Representatives of Internal Audit Services (**UN-RIAS**)



Capacity Building in IAD:

- IIA Trainings & Conferences
- Knowledge sharing with MFI Groups
- Extending stakeholder relations with the **National Audit Offices**
- Collaboration for training and research with **Nanjing Audit University & Nelson Mandela University**

New Global Internal Audit Standards

New Global Internal Audit Standards

- The Institute of Internal Auditors' Global Internal Audit Standards released the new Global Internal Audit Standards on January 9, 2024. These standards are set to come into effect on January 9, 2025.
- Compared to the previous framework of the International Professional Practices Framework (IPPF), the new standards are organized into five distinct domains, demonstrating a clear alignment between the underlying principles and the standards themselves.
- The standards has 3 elements: mandatory requirements, considerations for implementation, examples of evidence of conformance.
- This new structure is clearer, more concise, and user-friendly.

Benefits to implement: Better stakeholder alignment, more effective auditing of important risks, increased efficiency and risk coverage and additional insights and value to the business, combined assurance, methodology and advisory, support for foresight, clarify R&R, professional guideline for upcoming risks.



5 Domains, 15 Principles

Domain I: Purpose of Internal Auditing

Domain II: Ethics and Professionalism

1. Demonstrate integrity	2. Maintain objectivity	3. Demonstrate competency	4. Exercise due professional care	5. Maintain confidentiality
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III. Governing the internal audit function

IV. Managing the internal audit function

V. Performing internal audit services

6. Authorized by the Board	9. Plan strategically	13. Plan engagement effectively
7. Positioned independently	10. Manage resources	14. Conduct engagement work
8. Overseen by the Board	11. Communicate effectively	15. Communicate engagement conclusions and monitor action plans
	12. Enhance quality	

CY2025 outlook

CY2025 outlook

IAD expects the next calendar year will be critical for the consolidation of the **function's strategic positioning**. In addition to the assurance audits approved for execution during 2025 calendar year, IAD has the intention to act on the following areas of **development**.

IAD plans to continue supporting the **collaborative** work with other departments and external institutions, as a venue for increasing **risk awareness**, keeping itself relevant as provider of **timely, accurate and relevant assurance** to the Board of Directors, the Senior Management and all the Bank's stakeholders.





Thank You

**INTERNAL
AUDIT
DEPARTMENT**



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