

A hand holding a smartphone horizontally. The phone's screen displays a glowing yellow shopping cart icon. The background is a dark blue digital space with a city skyline silhouette at the bottom, glowing blue lines, and floating particles. A yellow rectangular box is overlaid on the right side of the image, containing the text.

**Internal Audit & Consulting  
Proposal For Mobile Multi Brand  
Retail Store**

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# Executive Summary

*#1 Internal Audit practice*

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**#1**

Internal audit practice  
In the Mobile retail sector



Diverse skillsets suited to your requirement

>>20 professionals with relevant experience.

Subject matter experts in the fields of retail processes, Cyber Security, IT controls, analytics etc.

**#1**

Risk and Consulting

# Internal Audit leadership and In-depth Industry Experience & Insight

The smartphone market in India reached 160.70 million units in terms of shipment in 2021. It is expected to reach 253.28 million units in 2027, expanding at a compound annual growth rate (CAGR) of 7.97% during the 2022–2027 forecast period. In 2022, the industry revenue of the smartphone sector in India reached 3.4 trillion Indian rupees. It was a significant increase from 2020.

**What`s New for 2023?** mobile retailers have an excellent opportunity to expand their customer base and reach a global audience.

## future of mobile industry-

Consumer demand for a mobile friendly experience will continue to grow as the smartphone becomes more pervasive in our lives.

## 5G Technology

The rollout of 5G technology has brought a massive impact on the world of mobile app technology.

## Expanding into Smart Accessories:

Diversifying the product range to include smart accessories like smart watches, fitness trackers, and wireless ear buds.

**Why is competition important in retail mobile-enhanced customer satisfaction and loyalty.**



**Competing with the online mobile market as a retail business requires a strategic approach and a focus on your strengths and unique advantages.**



**Real-time reporting: Customer Insights, Supply Chain Management, Operational Efficiency, E-commerce etc.**



**How can mobile be part of sustainability- Refurbished mobile phones in retail have become increasingly popular for both consumers and businesses.**



**Mobile repair business can be a profitable venture, considering the increasing reliance on smartphones.**



**It's essential for retailers to stay up-to-date with the latest regulations and seek legal advice like Consumer Protection, Product Safety, Competition Laws etc.**



# How the Retail Mobile Trend is Changing



# Audit Team & Governance Structure

We have proposed a governance structure to proactively update key stakeholders on progress of work, key outcomes and potential bottlenecks.

	Touch Points and frequency	Objective	Auditee Participants	Auditor Participants
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>▶ Executive Update Meeting (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Approval of audit plan, risk coverage and value charter</li> <li>▶ Status of implementation plan</li> <li>▶ Assurance on control environment</li> <li>▶ Feedback and course correction</li> </ul>	<ul style="list-style-type: none"> <li>▶ Directors/Partners</li> <li>▶ Leadership team members</li> </ul>	<ul style="list-style-type: none"> <li>▶ Engagement Partner</li> <li>▶ Engagement Manager</li> <li>▶ Engagement Associate</li> <li>▶ Engagement Director</li> </ul>
<b>Executive committee</b>	<ul style="list-style-type: none"> <li>▶ Quarterly Executive Committee Meeting (Steer Co.)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Discussion on coverage, audit plan &amp; action plans</li> <li>▶ Discuss status of work on IA / key outcomes</li> <li>▶ Discuss functional control dashboards</li> <li>▶ Validation and discussion on issues prior to AC</li> </ul>	<ul style="list-style-type: none"> <li>▶ CEO, CFO, Other CXOs/IA Lead</li> </ul>	<ul style="list-style-type: none"> <li>▶ Engagement Manager</li> <li>▶ Engagement Director</li> </ul>
<b>Functional heads</b>	<ul style="list-style-type: none"> <li>▶ Periodic meetings with functional heads</li> </ul>	<ul style="list-style-type: none"> <li>▶ Discuss controls performance in the process</li> <li>▶ Discuss material audit findings</li> <li>▶ Address conflicts, if any</li> <li>▶ Discuss key process changes to be incorporated in policies and progress of work</li> </ul>	<ul style="list-style-type: none"> <li>▶ Respective functional heads</li> </ul>	<ul style="list-style-type: none"> <li>▶ Engagement Manager</li> <li>▶ Engagement Director</li> </ul>
<b>Process Level</b>	<ul style="list-style-type: none"> <li>▶ Closing Meeting</li> </ul>	<ul style="list-style-type: none"> <li>▶ Agreement on all issues and related facts</li> <li>▶ Agreement on action plan and timelines</li> <li>▶ Agreement on key process changes to be included in policies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Process owners from respective function being audited</li> </ul>	<ul style="list-style-type: none"> <li>▶ Engagement Manager</li> <li>▶ Engagement Executive</li> </ul>

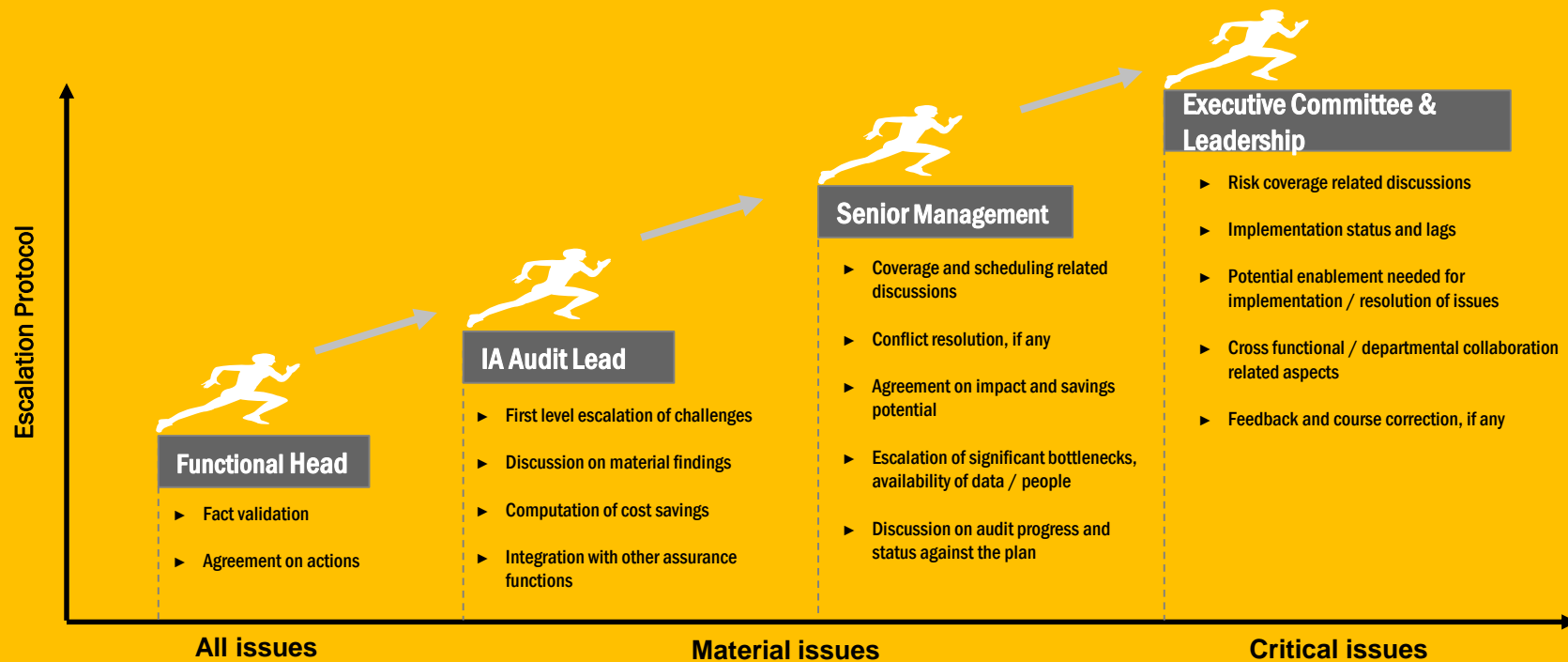
# Audit Team & Governance Structure (Cont.)

## Governance and Project Management

Large engagements of this size and scale are likely to face various challenges, like changing expectations from the stakeholders, differences of opinion and lack of agreement with the business process owners, lack of adequate support from the business, non-adherence to the defined schedule timeline and plans, etc.

To ensure we have an end to end agreement on all the critical issues being flagged by audit and at the same time we take cognizance of the stretched bandwidth of key stakeholders, we propose a layered structure of involving various stakeholders across the organization.

We propose formation of a specific Executive Committee comprising on functional / business vertical leadership along with the relevant extended team to discuss on the way forward and also to enable implementation of recommended practices. We will work back with you to assist in formation of this committee by suggesting the recommended participants, structure and charter, frequency of meetings, agenda, etc



# Our key Strengths and Assurance

## KEY STRENGTHS

- ▶ Clients acknowledged track record of Partners/ Directors
- ▶ Focused approach towards value additions in each assignment
- ▶ Strong understanding of Management & Business perspective
- ▶ Balanced — practical recommendations for enhancing control environment
- ▶ Benchmarking of best practices with the dynamic knowledge base

## ASSURANCE

- ▶ IA plan covering **critical risks**
- ▶ **Independent & objective** view based on stress testing
  - ▶ **IFC**
  - ▶ **Compliance**
  - ▶ **Anti-fraud** controls
  - ▶ **Application** controls
- ▶ Control weaknesses **remediated**
- ▶ Enhanced focus on value additions

## EXECUTION

- ▶ Communicate and agree on the audit plan With process Owner and Key Client Contact
- ▶ Prepare data requirement list and intimate process owners in advance
- ▶ Closely work with audit coordinator to ensure completeness and focused audit
- ▶ Instant guidance & support from Experts (SMEs) available in other service verticals
- ▶ Appreciation of Business Issues through active guidance from Partner in Charge

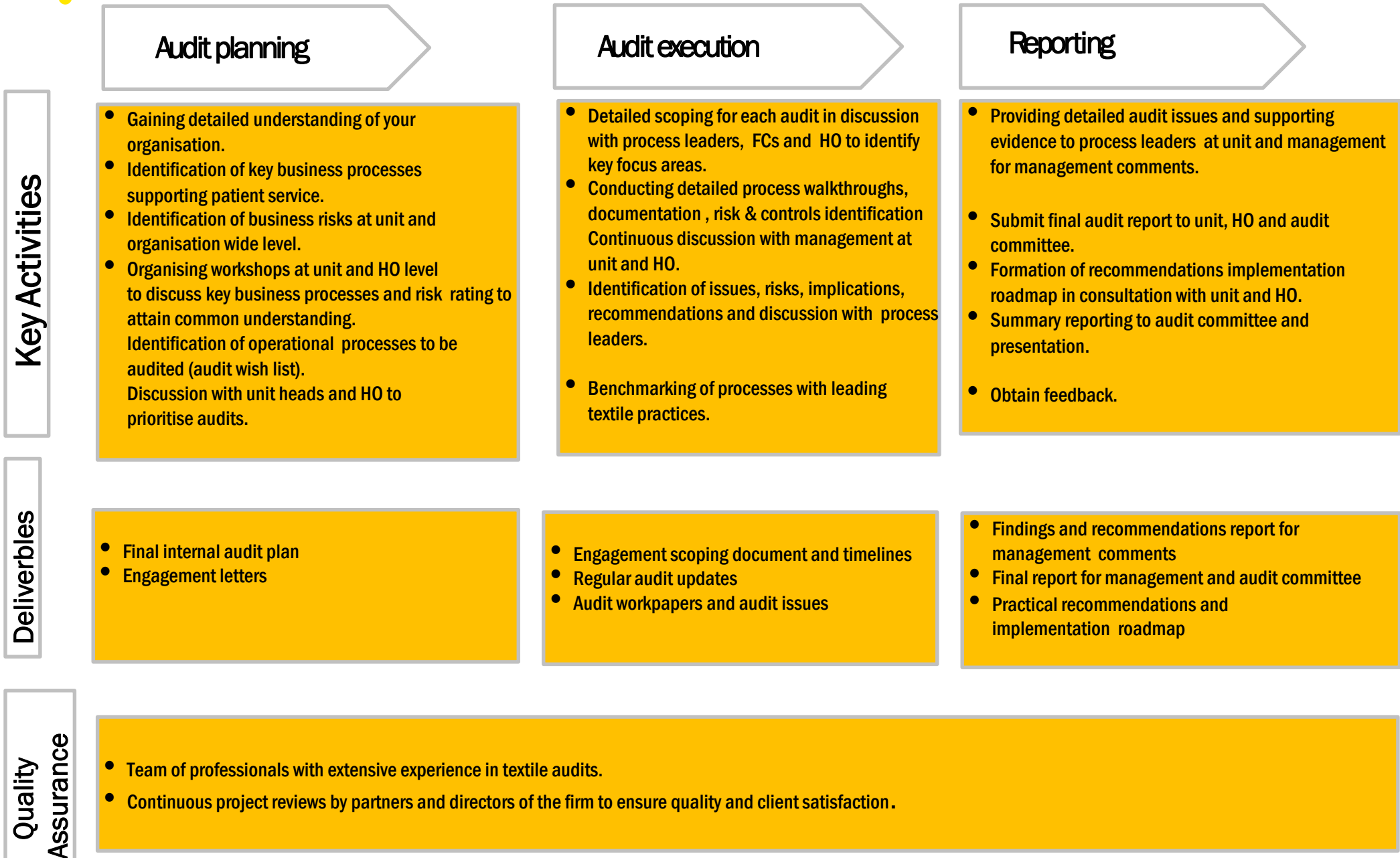
## TALENT

- ▶ **Independent**  
MKM's Partner with 10+ years (PERSON) of experience will lead your IA
- ▶ **Sector focused**  
Professionals with expertise in your sector will deliver audits
- ▶ **Specialists**  
Multi skilled resources for special audits requiring domain knowledge
- ▶ **Coordinated**  
Establish a core team which will normally not change .



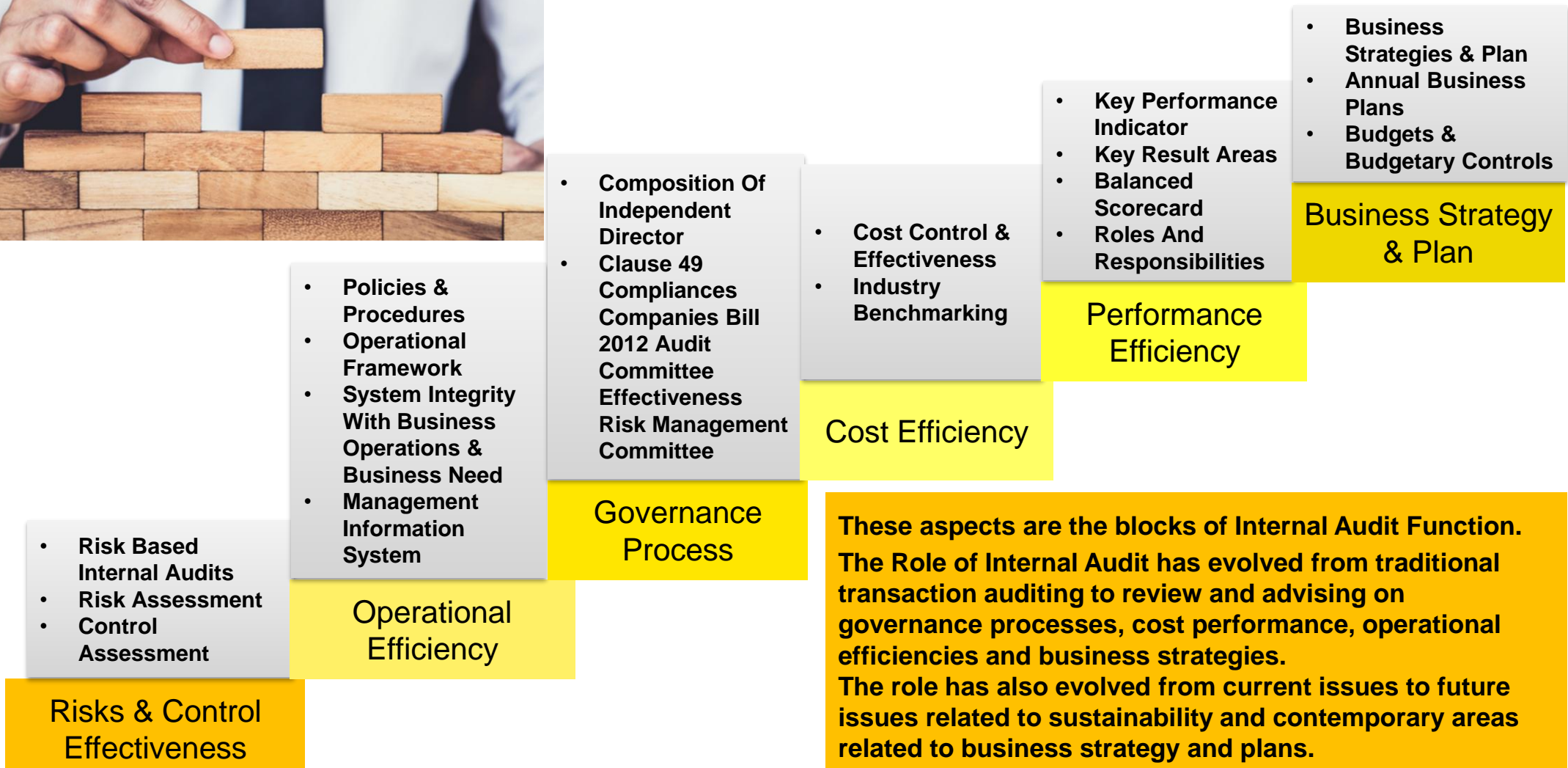


# Internal Audit methodology



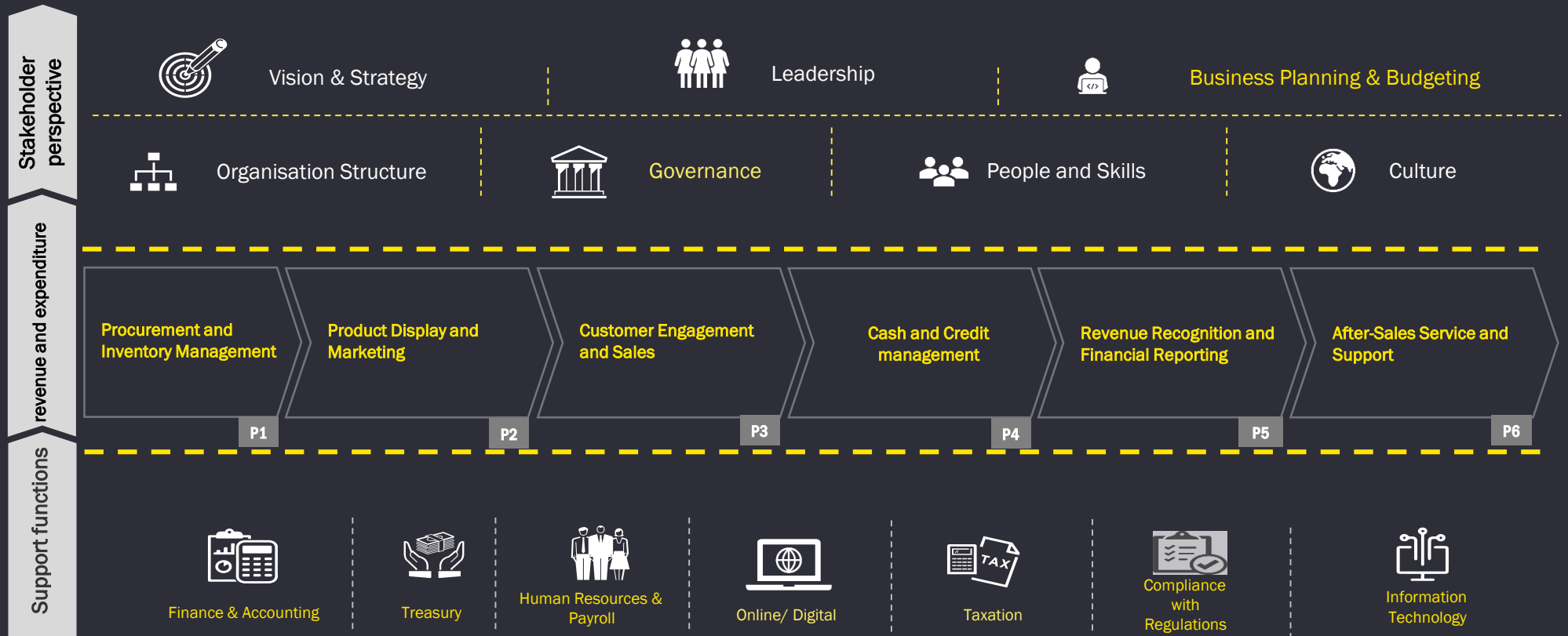


# Risk Based Audit- Building Blocks



**These aspects are the blocks of Internal Audit Function. The Role of Internal Audit has evolved from traditional transaction auditing to review and advising on governance processes, cost performance, operational efficiencies and business strategies. The role has also evolved from current issues to future issues related to sustainability and contemporary areas related to business strategy and plans.**

# Business Landscape



Emerging Risks

Contract and Third party Risk | Compliance management | Digital Risk | Cyber Security | Master Data management | Online/Social media monitoring

All areas marked with yellow font, can be covered as part of IA scope, based on management priority

# Key Issues noticed in Mobile Retail Industry

- **Not having proper Competition Analysis.**
- **Issues in Return or Exchange Transactions**
- **Absence of management controls and approvals**
- **Supply Chain Disruptions**
- **Lack of written SOP in Place**
- **Online Competition and E-commerce**
- **Sustainability and Environmental Concerns**
- **No customer record analysis and feedback system**
- **Not creating purchase order in software at the time of giving order**
- **Lacking of budgeting, forecasting**
- **Inappropriate leverage management, asset management**
- **Item wise profitability, Store wise profitability not maintained properly**
- **Missing Anti - fraud measures**

- **Regulatory non-compliances**
- **Inappropriate data used for reporting to management**
- **Lack of knowledge of change in applicable laws**
- **Not able to take benefits of schemes of government due to lack of awareness**
- **Improper Vendor Master Data Management (MDM)**
- **Not maintaining the sales order in software.**
- **Not maintaining the proper system of Non returnable goods.**
- **Pricing and Discount Controls**
- **Improper recording/non recording of Accessories sales**
- **Incorrect Data Entry( discrepancies between IMEI v/s actual sales transactions)**
- **Rapid Product Lifecycle**
- **Employee Training and Retention**
- **Missing Salesman incentive, Loyalty points to customers**
- **Non compliances of GST-related concerns (ITC, RCM, E-Way Bill, GST Audit)**



# Audit scope

## Audit Scope: The internal audit fieldwork took place at Locations



Sales, Cash and credit management, Revenue Recognition



Procure To pay, Open POs, Payment delays, debit note



Inventory management



Regulatory and Statutory Compliance



Expenses and Overhead, Internal Controls, Business Risks



Special Considerations: warranty liabilities, compliance with industry-specific regulations.



Human Resource & Payroll



Finance & Accounts and Information and technology

## Audit Objective

The objectives of our internal audit were to:

- ▶ Gain an Financial Statements Accuracy
- ▶ Understanding of the current state of activities
- ▶ Verification of Revenue Recognition
- ▶ Risk Assessment
- ▶ Compliance with Regulations
- ▶ Report control deficiencies along with recommendation for improvement in systems, processes and procedures

# Proposed Audit Procedure– Thematic reviews

*Indicative*

Area	Indicative Focus Area (Thematic Reviews)
Business review	<ul style="list-style-type: none"> <li>• Sales planning and budgeting</li> <li>• Customer Segmentation</li> <li>• Sales incentives, marketing team</li> <li>• Review of selection of SKU for online sale</li> <li>• Review of customer complaint and sales return</li> </ul>
BU deep-dive	<ul style="list-style-type: none"> <li>• Customer on-boarding and agreements</li> <li>• Sales planning</li> <li>• Pricing process and master maintenance</li> <li>• Warranty Provisions</li> <li>• Discounts and commissions</li> <li>• Cash and Bank Reconciliation</li> <li>• Lead conversion and monitoring</li> <li>• Product contribution monitoring/ ROI</li> <li>• Expenses and Overhead</li> <li>• Sales orders creation and monitoring process</li> <li>• Collection Process</li> <li>• Write offs and provisioning of doubtful debts</li> <li>• Invoicing and Revenue recognition accuracy</li> <li>• Customer complaints and returns handling</li> </ul>
Employee/ Salesforce expense review review	<ul style="list-style-type: none"> <li>• Review of reimbursement policy and allowable expenses</li> <li>• Employee Benefits and Payroll</li> </ul>

# Proposed Audit Procedure– Standard reviews (1/2)

Area	Indicative Focus Area
Procurement and Inventory Management	<ul style="list-style-type: none"> <li>• Review of procurement/ Commercial Policy</li> <li>• Review of vendor identification and selection process process</li> <li>• Review of vendor master maintenance and update</li> <li>• Review of process of purchase Requirement (PR) &amp; Procurement Planning</li> <li>• Supplier Selection and Evaluation</li> <li>• Procurement Process Documentation</li> <li>• Review of aging of open invoices / GRIR account</li> <li>• Review of vendor evaluation / SLA &amp; KPI monitoring monitoring</li> <li>• Review of recording and reconciliation of payables</li> <li>• Review of processing of payment liabilities and advances advances</li> <li>• Price and Cost Analysis</li> <li>• Supplier Relationships and Performance</li> <li>• Ethical Standards and Sustainability</li> <li>• Cost Savings and Value Optimization</li> </ul>

Area	Indicative Focus Area
Customer Engagement and Sales	<ul style="list-style-type: none"> <li>• Customer on-boarding and agreements</li> <li>• Inventory Check and Allocation</li> <li>• Pricing process and master maintenance</li> <li>• Discounts and commissions</li> <li>• Product contribution monitoring/ ROI</li> <li>• Collection Process</li> <li>• Write offs and provisioning of doubtful debts</li> <li>• Invoicing and Revenue recognition accuracy</li> <li>• Customer complaints and returns handling</li> </ul>
HR and Payroll	<ul style="list-style-type: none"> <li>• Manpower planning, recruitment, onboarding and separation separation</li> <li>• Employee joining documentation review</li> <li>• Employee Master Management</li> <li>• Payroll processing</li> <li>• Compliances to HR and Payroll Policies</li> <li>• Payroll Master Management</li> <li>• Attendance and leave management process</li> <li>• Employee separation / exit process</li> <li>• Employee training and development</li> <li>• Performance appraisal and bonus</li> </ul>

# Proposed Audit Procedure– Standard reviews (2/2)

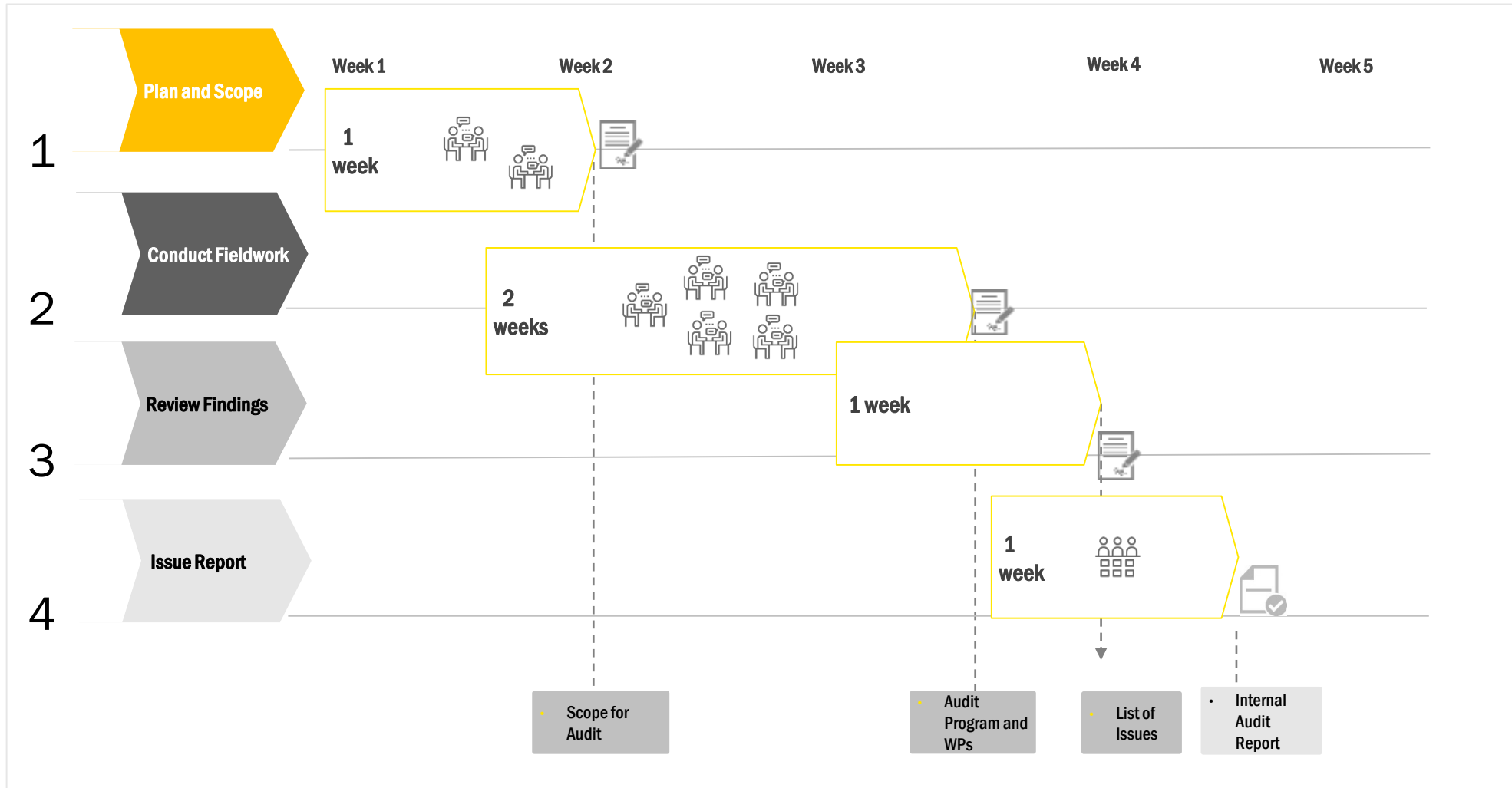
Area	Indicative Focus Area	Area	Indicative Focus Area
Inventory Management	<ul style="list-style-type: none"> <li>• Material Master Management</li> <li>• Inventory Count and Accuracy</li> <li>• Physical controls for inventory verification</li> <li>• Inventory valuation</li> <li>• Review of spares inventory management</li> <li>• Inventory level management (incl. monitoring of slow, non moving non moving ,obsolete inventory)</li> <li>• Review of obsolete / damaged stock write off and disposal disposal process</li> </ul>	Finance & Accounts Accounts	<ul style="list-style-type: none"> <li>• Booking of Expenses</li> <li>• Monthly Closure Process</li> <li>• Documentation Control</li> <li>• GL Masters - Creation and Modification</li> <li>• GL scrutiny (Selected GLs)</li> <li>• Provisions and Accruals</li> <li>• Manual JV</li> <li>• Spreadsheet Controls</li> <li>• Month end close process</li> <li>• Financial statement preparation and finalization process process</li> <li>• Petty cash management</li> </ul>
Statutory Compliances	<ul style="list-style-type: none"> <li>• Review of compliance tool, if deployed</li> <li>• Non compliances of GST-related concerns (ITC, RCM, E-Way RCM, E-Way Bill)</li> <li>• Review the process of defining Compliance Responsibility</li> </ul>	Product Display Display and Marketing	<ul style="list-style-type: none"> <li>• Review of policies and brand manuals</li> <li>• Budgetary Compliance</li> <li>• Adherence to Advertising Guidelines</li> <li>• Review of promotion strategies of product</li> <li>• Review of ROI (return on investment)</li> <li>• Review of expenditures on special events and promotions</li> </ul>





# Our Timelines

We will be conducting one visit to each office in the locations within the scope. The effort required to conduct the individual internal audit reviews, in terms of time and resources, will be determined following the risk assessment exercise covering all offices and locations, depending on the size of operations of each office, the risks identified for each office, and the number of areas in scope based on the assessed risks. The visit timeline ranges between 3 to 4 weeks. On average, the timelines to deliver an individual internal audit review is reflected below.



**Note 1:** The finalisation of the internal audit report, inclusive of management action plans, might extend to week 5.

**Note 2:** We will support you with presenting the final reports to the Audit Committee.

**Note 3:** We will be conducting regular follow-up on the status of agreed action plans.

**Thank you !**