

A close-up photograph of a person in a dark blue suit and a light blue striped tie. The person is holding a black folder with white documents inside. They are also holding a magnifying glass with a gold frame and a wooden handle, which is positioned over the documents. The background is dark and out of focus.

# An Integrated Approach to Internal Auditing

# Qualities of Top Internal Auditors

As the pace of change continues to increase, organizations of all sizes and shapes struggle to adapt, and meet stakeholders' expectations and increase their profitability. For today's organization, the typical challenges include more number of challengers and increased competition, innovative and disruptive technologies that are constantly changing the way business is done, inflated and sometimes unrealistic expectations from the workforce and external stakeholders which include global economy and political changes. Although these factors multiply the risk factor manifold, companies cannot become complacent. In most scenarios, what worked 4 to 5 years ago, or even last year may no longer work. Companies need to adapt accordingly, by becoming agile and efficient in the way they conduct business activities. This requires the Internal Audit department of a company to add tangible value apart from providing the required assurance.



## Topics to be Covered



**Effective Internal Audit Practices**



**Tackling Fraud & Corruption**



**Communication Skills for Internal Auditors**

### 1. Effective Internal Audit Practices

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### Challenges Faced by The Investment Risk Management Function

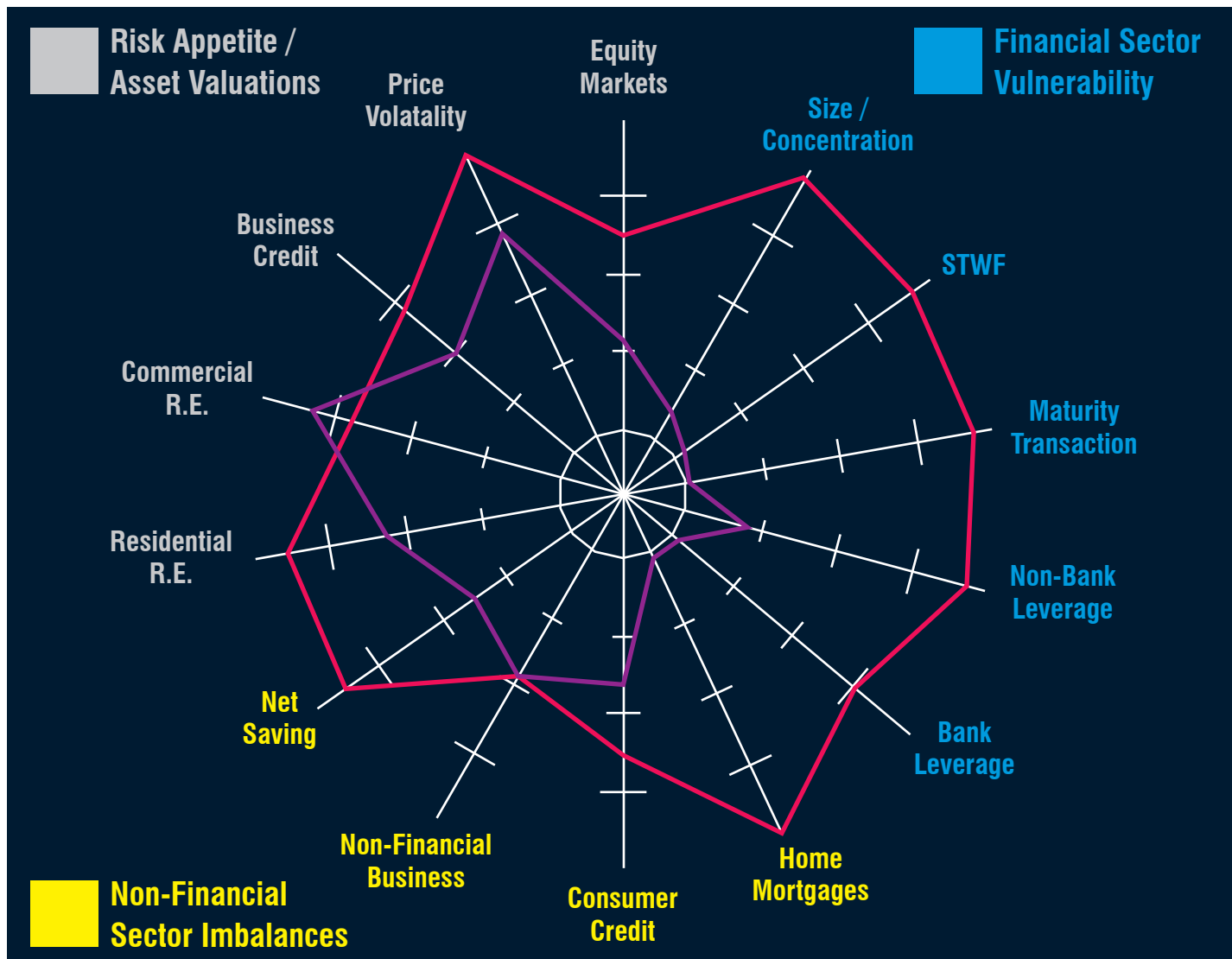
**24%**  
Risk Governance

**48%**  
Regulatory Compliance

**42%**  
Data Management & Availability

**41%**  
Third-Party Service Provider Oversight

# A. Risk Management



The below table clearly mentions the responsibilities of the Internal Audit team after the risk management has been planned.

Risk Management	Internal Audit Team
1. Construct a top-notch Risk management structure	1. Audit the efficacy and potency of the Risk Management system
2. Execute the Risk Management structure that has been developed	2. Audit whether the Risk Management structure is functioning properly or not
3. Guide the management team on how to fuse the Risk Management structure so developed, with the business operations	3. Internal Audit team should readily take up roles as mentioned in the Risk Management plan
4. Educate on how and what to assign for risks and measures for their controls	4. Audit whether the assigned managers are capable enough to fulfil the assigned roles
5. Counsel the board and clarify any doubt that the management team has with respect to the interpretation of the Risk Management information including, facts, and figures	5. Reassure the management board about the credibility of the submitted risk management plan
6. Grant appropriate risk management status and performance information to the risk committee and Board Audit	6. Furnishes an independent view on the reliability and credibility of the risk management information submitted to the Risk Committee and Board Audit
7. Manoeuvre risk management matters by acting as a mentor	7. Provides assurance on management’s capability and performance in risk management by acting as an independent reviewer

## B. Risk Mitigation

Internal Auditing is an independent consulting activity. It provides objective assurance to the board on the effectiveness of risk management, and that major business risks and internal control framework are managed appropriately. Let's discuss a few benefits of Risk Management Practices:



## Role of An Internal Auditor

### Core Internal Audit Roles in Regard to ERM

1. Giving assurance on the risk management processes
2. Giving assurance that risks are correctly evaluated
3. Evaluating risk management processes
4. Evaluating the reporting of key risks
5. Reviewing the management of key risks

### Legitimate Internal Audit Roles With Safeguards

1. Facilitating identification & evaluation of risks
2. Coaching management in responding to risks
3. Co-ordinating erm activities
4. Consolidated reporting on risks
5. Maintaining & developing the erm framework
6. Championing establishment of erm
7. Developing rm strategy for board approval

### Roles Internal Audit Should Not Undertake

1. Setting the risk appetite
2. Imposing risk management processes
3. Management assurance on risks
4. Taking decisions on risk responses
5. Implementing risk responses on management behalf
6. Accountability for risk management

## Key Risks Issues & Control Measures

Control Activity	Control Category	Type of Control	Point of Specific Attention
Physical access to dealing room is approved by management	Physical access, supporting Authorization and Segregation of duties	Preventative control Automated, reliance on GITC	Access during leave or out of office hours
Access to systems is restricted to approved individuals	Logical access, supporting Authorization and Segregation of duties	Preventative control Automated, reliance on GITC	Access review based on incompatible roles & responsibilities; specifically when changing roles; access during leave
Roles & responsibilities are appropriately segregated across different functional areas to ensure independence & integrity of controls	Segregation of duties	Preventative control	Front Office is segregated from Finance, Risk and Back Office functions
Front office supervision & oversight of dealer activity	Supervision	Detective control Manual control	Typically only through interview and observation; often difficult to evidence
Approval of counterparties, limits & changes to static data	Segregation of duties Documentation to substantiate contracts, rights and obligations	Preventative control Auto-Manual control	Focus on proper authentication of changes instructed by authorized parties; instructions should not come from front office, particularly for confirmation or settlements static data
Creation and approval of specific books & portfolios for each type of business / product	Authorization	Prerequisite for a detective control	Dummy books, accounting and reconciliation switched on

## 2. Tackling Fraud & Corruption

Conducting a fraud risk is one of the most important functions of an internal auditor. It helps to identify how vulnerable is an organization to both, internal and external fraud. It also takes into account the organization's specific risk appetite. An internal auditor also needs to combat the expectation gap, needs to build a tandem between words and deeds, needs to define policies and procedures against bribery, corruption, and last but not the least, needs to put a strong whistleblowing policy in place. The info graphic below, depicts steps that can be used to effectively manage fraud:

To Convey The Expectations of The Board of Directors, A Written Policy (or Policies) Should be in Place

To Identify Specific Potential Schemes That The Company Needs to Mitigate, Fraud Risk Exposure Should be Assessed Periodically

Detection & Prevention Techniques Should be Established Where Feasible, to Reduce The Possible Impact on The Organization

A Coordinated Approach to Investigation & Corrective Action Should Be in Place, to Ensure That Corrective Action is Exercised at Once

After getting a brief understanding how fraud management is carried out, let's focus on a particular kind of fraud audit i.e., forensic audit investigation. The info graphic explains how such a fraud should be dealt with.



### b. Gathering Evidence



### 3. Communication Skills For Internal Auditors

Communication is very important for promoting Internal Audit, your team and yourself. Internal auditors should know how to demonstrate their worth to senior executives. They must know the main communication needs of an internal auditor, what makes a good communicator, and different personality types and preferred communication styles. Moreover, how to get a message across, developing a facilitation mind-set, understanding the facilitation continuum, report writing, powerful wording are some of the attributes that an internal auditor should learn.

An internal auditor should keep in mind of the following things to assert his/her ideas on others.



**CONCLUSION:** Today, there exist myriad programmes on Internal Audit but unfortunately, most of them are devoid of tools, which can train auditors on how to deliver competitive advantage to a company, and how they can develop an Audit strategy that is perfectly aligned to the business strategy. In our 3 day workshop, Gregory Coleman, will teach you how to sail your way through the nitty-gritties of Internal Audit, by covering topical areas like ethical behaviour, fraud and forensic auditing as well as other areas that challenge internal auditors. The course will also spend time on developing 'soft skills' that all business professionals, but particularly Internal auditors, need to improve upon, covering all effective communication in all its forms, both at individual and at departmental level. We urge you not to miss this opportunity, and take-home expert Internal Auditing skills and increase the productivity to higher level.



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for More Details Contact [parag.visaria@questonthefrontier.com](mailto:parag.visaria@questonthefrontier.com)