

# Effective Governance and the Internal Audit Function

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# Welcome

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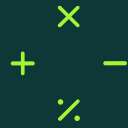


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# Agenda

**01**    **ROLE AND IMPORTANCE OF AN  
EFFECTIVE IA FUNCTION**

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**02**    **KEY COMPONENTS OF AN  
EFFECTIVE IA FUNCTION**

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**03**    **CORPORATE GOVERNANCE**

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**04**    **Q&A**



# Definition of Internal Audit

According to the [Definition of Internal Auditing](#) in The IIA's [International Professional Practices Framework \(IPPF\)](#), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



# Role of Internal Audit

The role of an internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



# Role of Internal Audit (Cont.)

Remember that the internal audit function should be independent from the activities it audits and should report to the highest level of management, often directly to the board of directors or audit committee.



# Importance of an Effective Internal Audit Function in Banking

- Risk management
- Internal control evaluation
- Fraud detection and prevention
- Compliance



# Importance of an Effective Internal Audit Function in Banking (Cont.)

- Operational improvement
- Governance
- Objectivity
- Confidence





# Key Components of an Effective Internal Audit Function

- Tone at the top
- Competent team
- Risk-based Audit Plan
- Clear Audit Charter
- Effective communication /Seat at the Table / Regular Communication
- Quality Assurance and Improvement Program (QAIP) and Quality Assurance Review (QAR)
- Role of technology in internal audit



# Key Components of an Effective Internal Audit Function

- Role of technology in internal audit
- Independence and objectivity
- Strong Support from Executive Management
- Training and Development and Update on Regulatory Changes and Industry Trends
- Program for Follow-Up on Audit Findings



# Key Components of an Effective Internal Audit Function

- Independence Considerations
  - Reporting Structure
  - Involvement in Operations
  - Personal Relationships
  - Rotation of Assignments
  - Compensation Structure
  - Access to Information
  - Resource Constraints



# Key Components of an Effective Internal Audit Function (Cont.)

## Challenges in implementing an effective internal audit function

- Resistance from management
- Maintaining independence
- Keeping up with technological changes
- Costs



# Corporate Governance

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# Corporate Governance Key Components

- Board of directors
- Shareholders
- Executive management
- Code of conduct and ethics
- Risk management




# Corporate Governance

## Key Components (Cont.)

- Internal controls
- Transparency and disclosure
- Accountability
- Stakeholder engagement





How does corporate  
governance enhance or  
assist the internal audit  
function?



# Corporate Governance > Internal Audit

Corporate Governance	Internal Audit
Tone at the top	Promotes expectation of transparency and accountability
Oversight	Establishes internal audit's role in protecting stakeholders and safeguarding assets
Culture of Compliance	Supports internal audit's role to assess operational controls
Manage Risk	Allows for internal audit's input on risk decisions



How does internal audit  
enhance or assist the  
corporate governance  
strategy?



# Internal Audit > Corporate Governance

<b>Internal Audit</b>	<b>Corporate Governance</b>
Assessment of Policies, Controls, and Procedures	Provides assurance to management and board of operational effectiveness
Control Gaps and Deficiencies	Identifies opportunities for risk management control improvements and mitigates risks to safeguarding assets
Identify Fraud, Waste, and Abuse	Promotes ethical behavior and adherence to Code of Conduct
Operational Process Improvements	Helps foster long-term growth across the organization
Formal Reporting with Responses	Improves engagement between stakeholders



What can the board do to  
➤ ensure the effectiveness of  
internal audit?

# Key Actions

- Appoint qualified chief audit executive or audit director
- Establish and approve a formal audit charter
- Be engaged in the audit process
- Ensure adequate resources are provided
- Promote collaboration
- Periodic independent assessments



What are you finding has worked well with

- overseeing and maintaining an effective internal audit function?

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# Questions?

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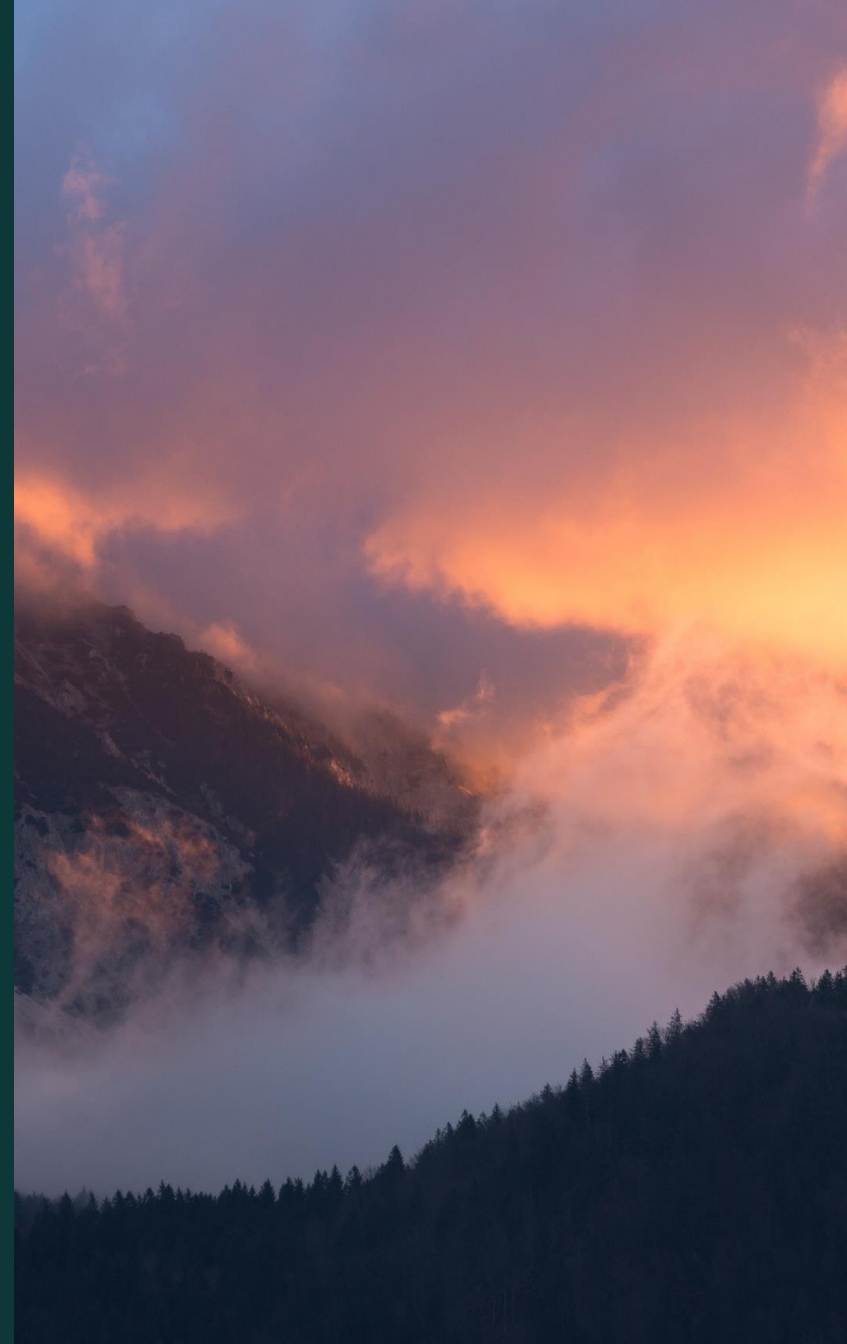
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Thank you!



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