

ROLE OF AUDITORS & ACCOUNTANTS IN RISK MANAGEMENT

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Understand the internal audit role



- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
- It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (*).
- (*) Formal definition from the Institute of Internal Auditors (IIA)

Risk Management



- Risk Management is a structured, consistent and continuous process for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of an entity's objectives.

Responsibilities of audit and risk committee



- The Audit and Risk Committee discharges its responsibilities in accordance with the Audit and Risk Committee Charter (which is in line with the Public Finance Management Act). It is responsible for, amongst others, the review of:
 - Effectiveness of internal control system;
 - Effectiveness of Internal Audit function;
 - Risk areas to be covered in the scope of internal and external audits;
 - Adequacy, reliability and accuracy of financial and performance information; and
 - Monitoring compliance with applicable laws and regulations.

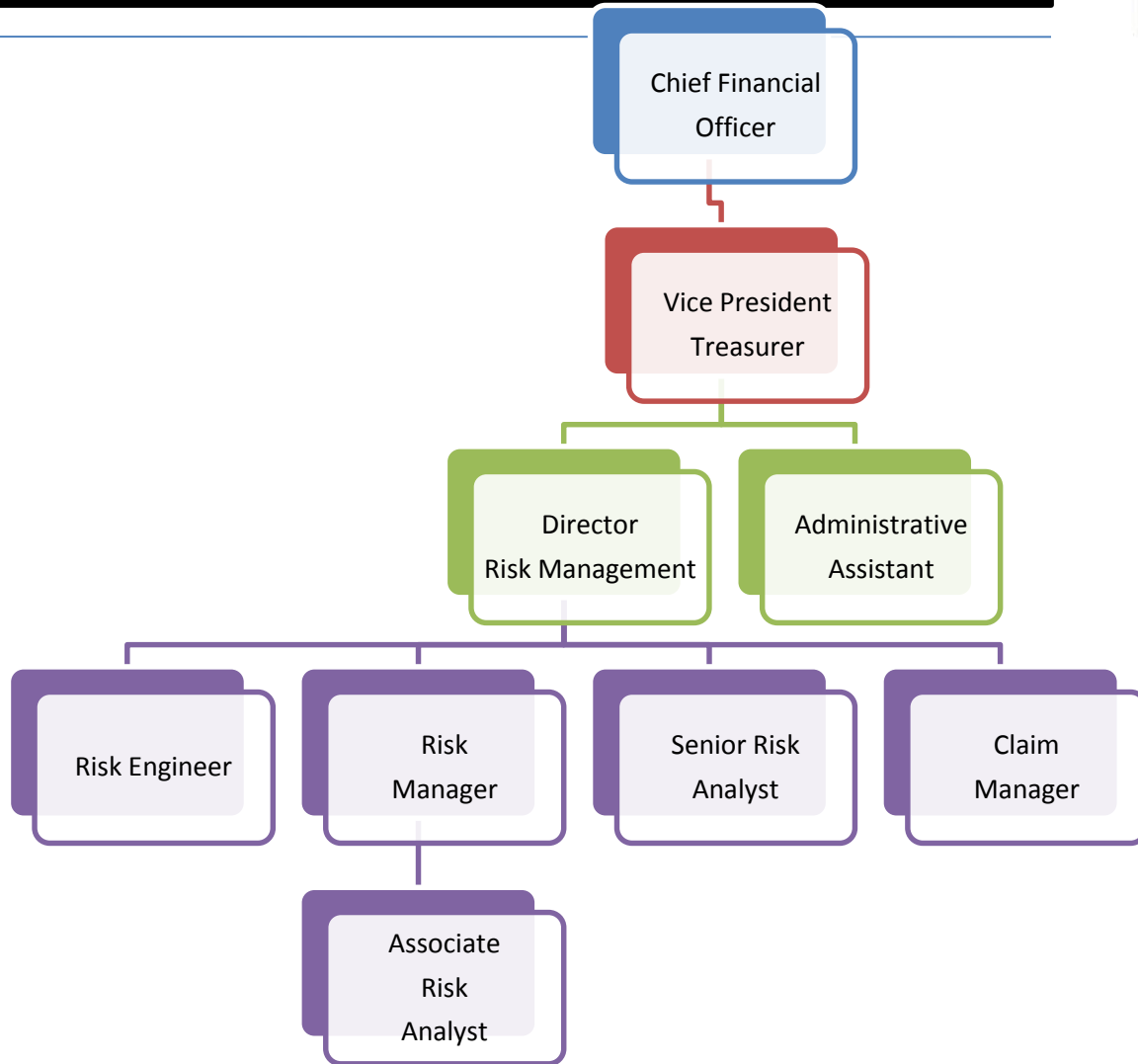
Audit and risk committee activities undertaken



The Audit and Risk Committee:

- Review all significant findings from internal and external audit reports, management comments and agreed action plans;
- Approve risk management policies and procedures and monitored the implementation risk mitigation strategies;
- Approve the combined assurance plan;
- Approve the compliance framework and continues to maintain oversight over the status of compliance with legislation and regulations;
- Review the audited Annual Financial Statements, Report on Performance Against Predetermined Objectives and Annual Report; and

Risk management structure



Enterprise risk management process



- Enterprise Risk Management is a strategic activity within Whirlpool.
- Our ERM process ensures that:
 - Risks are appropriately identified.
 - Risks are assessed at the senior management, business, and functional unit level.
 - Risk mitigation is owned by business unit leaders.
- Oversight:
 - Ultimate responsibility for managing risks rests with the Chief Executive.
 - Board of Directors oversees the overall risk management process through its Audit Committee.
- The success of risk management is determined by:
 - Identifying the right risks and events driving them.
 - Quantifying and ranking risks.
 - Developing risk management plans which reduce the impact of and help the company prepare for risk events.

Figure 1

Evolution of Risk Management



Risk Analysis



Risk Assessment

Identification

Measurement

Prioritization

Risk Management

Control It

Share or
Transfer It

Diversify or
Avoid It

Risk Monitoring

Process
Level

Activity
Level

Entity Level

IPPF Standards



- International Professional Practices Framework
- The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.
- The IA needs to ascertain whether:
- Organizational objectives support and align with the organization's mission;

IPPF Standards



- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organization's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

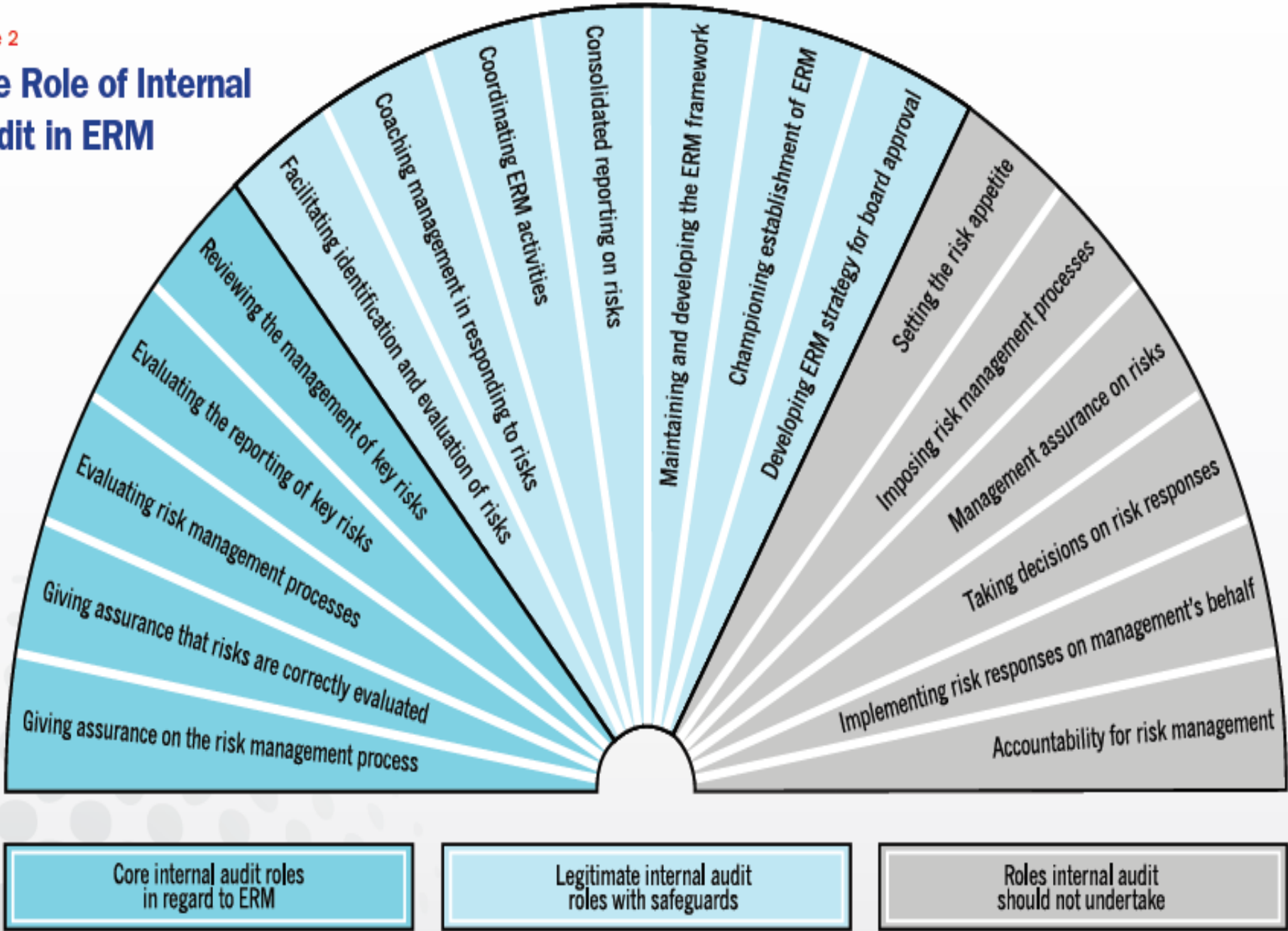
Assurances provided by Internal auditors



- Risk management processes, both their design and how well they are working;
- Management of those risks classified as 'key', including the effectiveness of the controls and other responses to them.
- Reliable and appropriate assessment of risks and reporting of risk and control status.

Figure 2

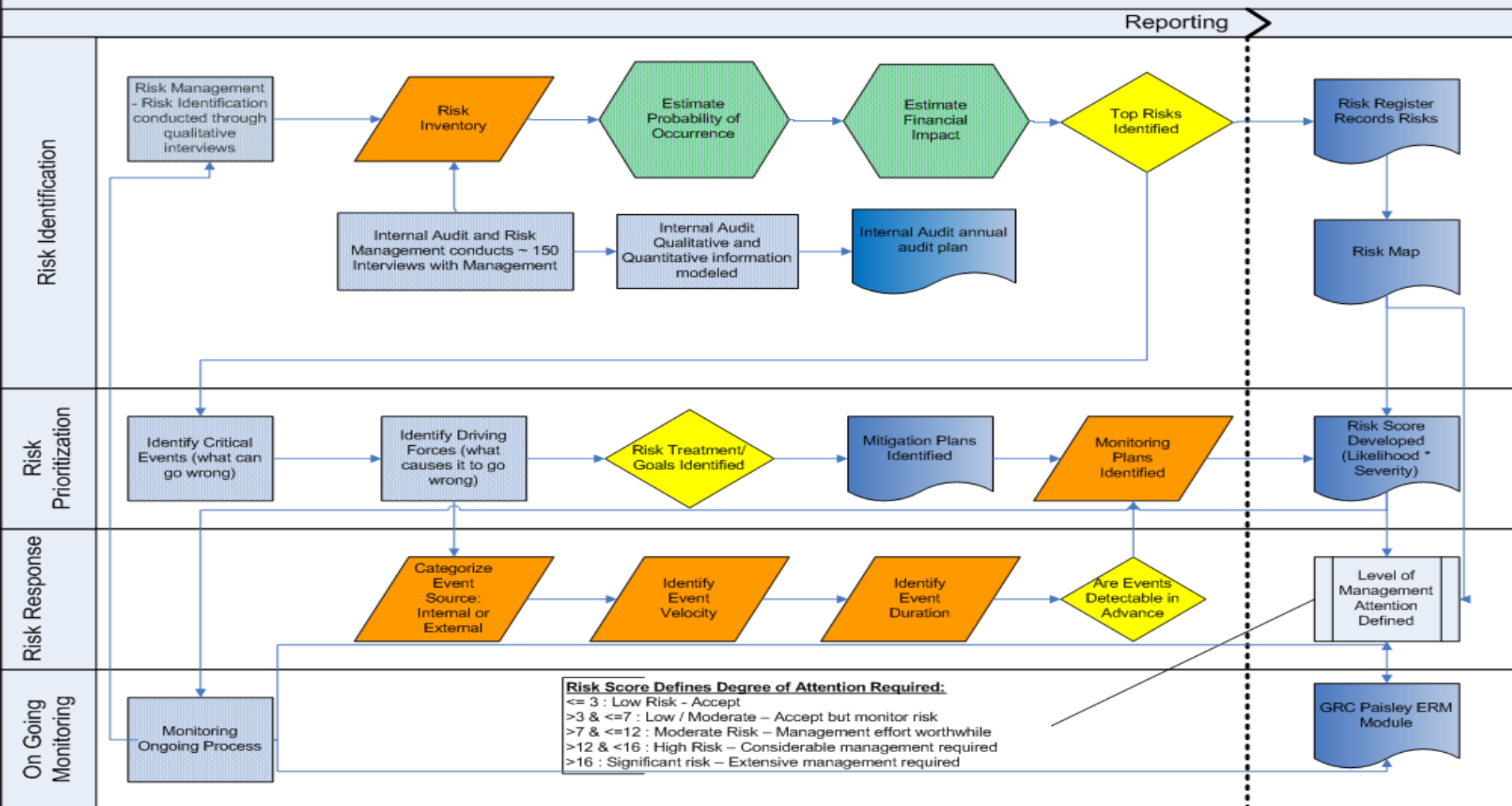
The Role of Internal Audit in ERM



Annual risk assessment process is used by both Internal Audit and Risk Management



RISK MODELING PROCESS



A QUICK RECAP



Please select the answer that provides the most appropriate response to the question

1. Internal Auditing is really about:

- a. Reporting on risk management systems
- b. helping management address risk
- c. Both a and b

2. Internal audit would want to:

- a. Spot as many errors as possible
- b. Promote better controls
- c. Establish more controls

3. The systems based approach focuses the audit on:

- a. Errors
- b. Risk and controls
- c. Staff incompetence

4. Unannounced audits are based on the policy of:

- a. The audit deterrent
- b. Risk management
- c. Risk based auditing

5. The expectation gap can exist between:

- a. CEO and the board
- b. Management and the internal auditor
- c. The chief auditor and audit staff

POSSIBLE ANSWERS



Give yourself 20 marks for each correct answer

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Interactive Session



*Thank
you*

