

Audit Complementarity

A CORPORATE MANAGEMENT
PERSPECTIVE

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Who?



How?

No big corporation can function without having a proper system of internal control and risk assessment.

Study it and use it when possible.

Internal audit review continuously the system of internal control.

External audit can review independently the system of internal control and use what internal audit has already done.

Regulators can understand such system and ensure that external audit has done the proper testing of it, and can understand through it, if the company has good Corporate Governance.

Where to start?

Ensure the company has a good Governance Risk and Compliance (GRC) framework in place.

GRC Framework

Its all interconnected



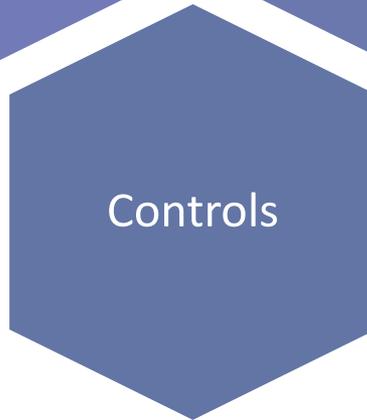
What are you trying to achieve?

What might thwart our efforts?



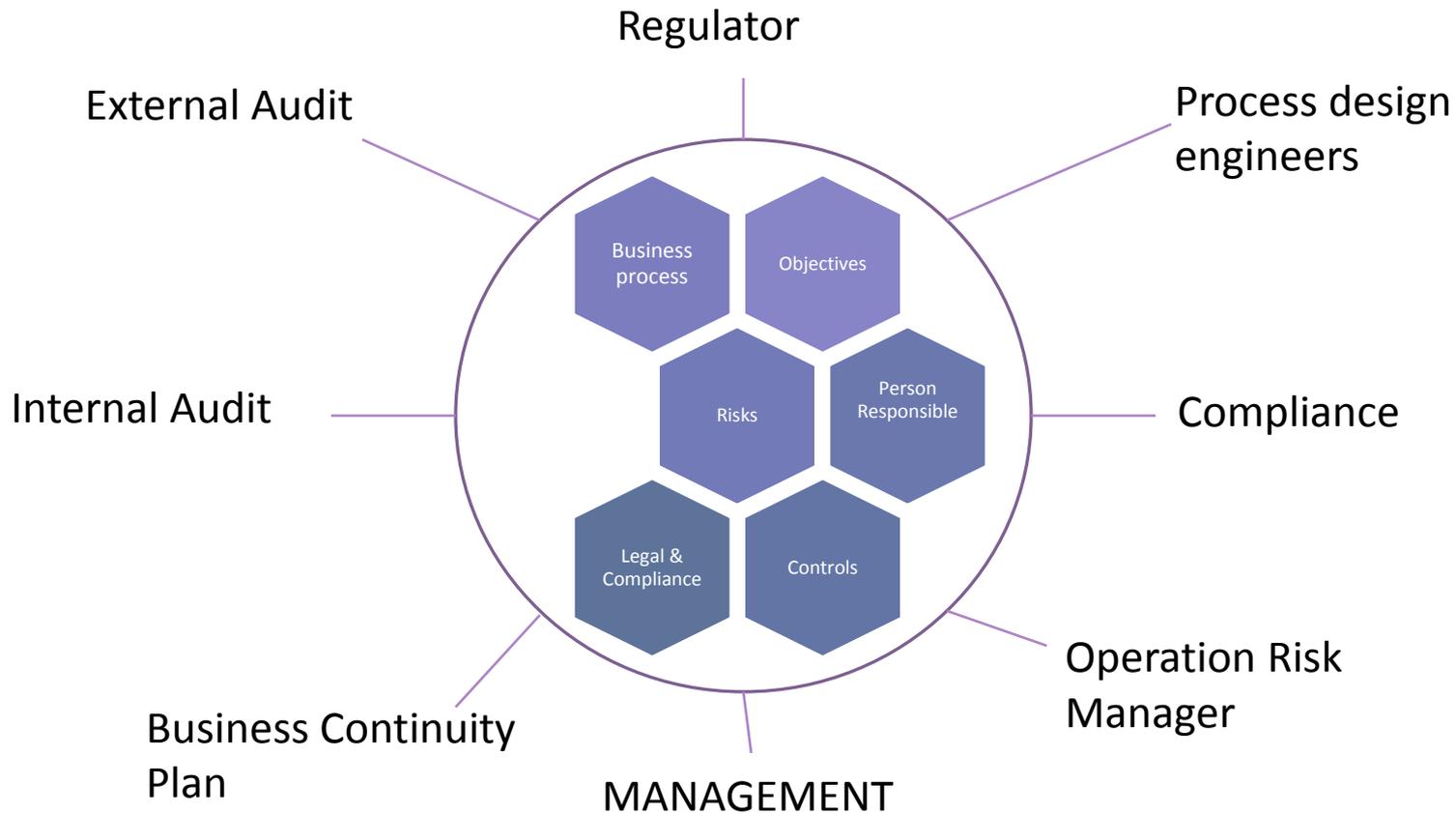
Who is responsible for controlling?

What are the legal or compliance constraints?

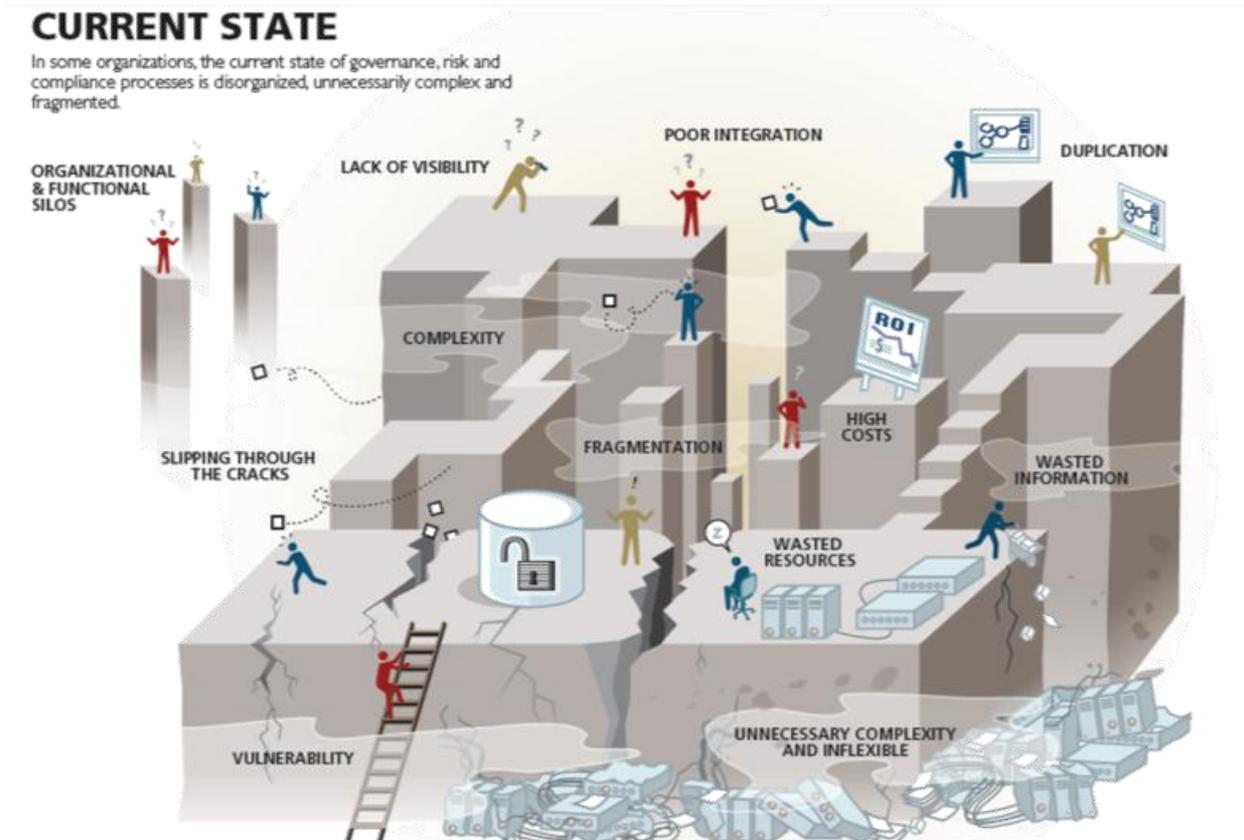


How can we manage risk?

Who can use the GRC framework?



Governance, Risk and Compliance in most organizations are fragmented and are getting too complex for a single party to comprehend fully

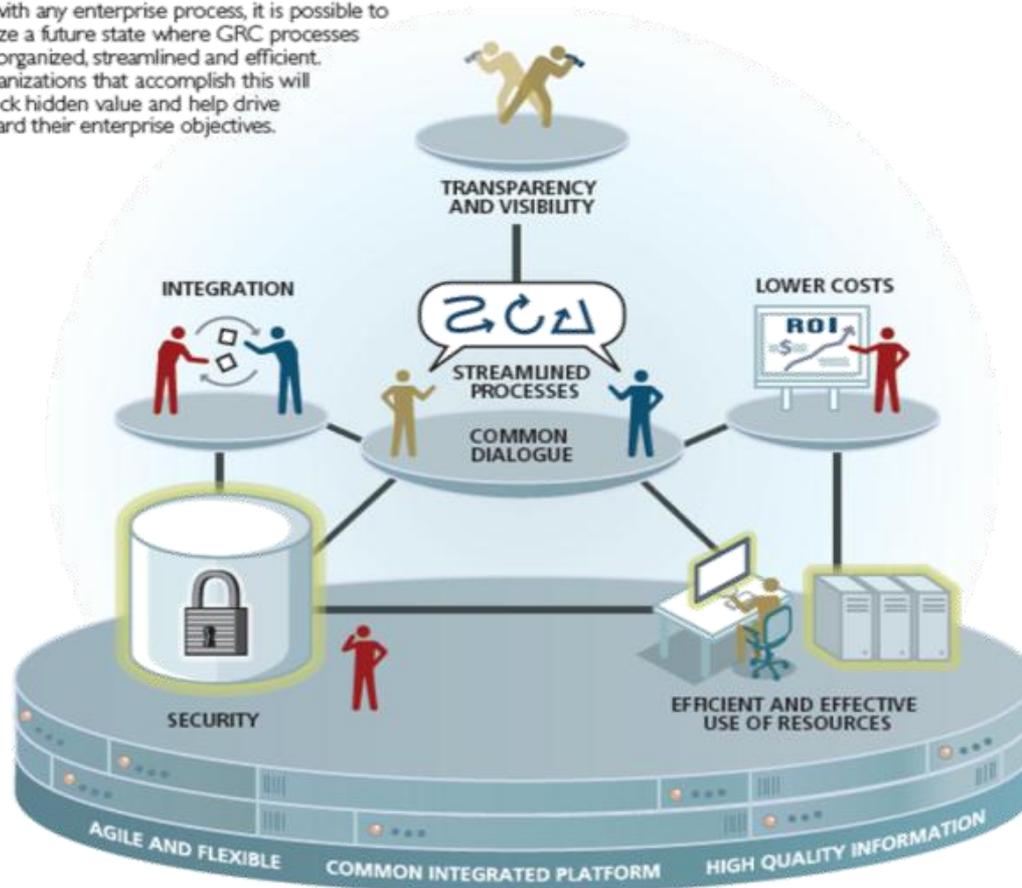


Source: OECG

An integrated approach is needed- and all stakeholders should use it

FUTURE STATE

As with any enterprise process, it is possible to realize a future state where GRC processes are organized, streamlined and efficient. Organizations that accomplish this will unlock hidden value and help drive toward their enterprise objectives.



Audit fees are being challenged in difficult economic times

External audit must find more efficient ways of conducting audit by studying the risk and control framework of an organization and conducting test of controls rather than substantive testing.

External audit can use the work of internal auditors, who conduct test of controls year round, and as a result make sound recommendation for the internal audit scope of work to enhance their effectiveness.

By studying the risk and internal control system, external audit can make a lot of value added recommendations to improve the governance of the organization.

Through this approach, the External audit will obtain an eagle eye view on the organization and identify uncontrolled risks where they can focus their year end substantive testing.

Collaborate and use what exists – avoid duplication

External audit should use the good control and risk framework that management has designed and put in place.

Regulators should ensure that external auditors have done a proper review of the companies control framework.