




Risk Management: The Internal Auditor's Perspective


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MFIA
Malta Forum for Internal Auditors

Definition of Risk Management and Internal Audit

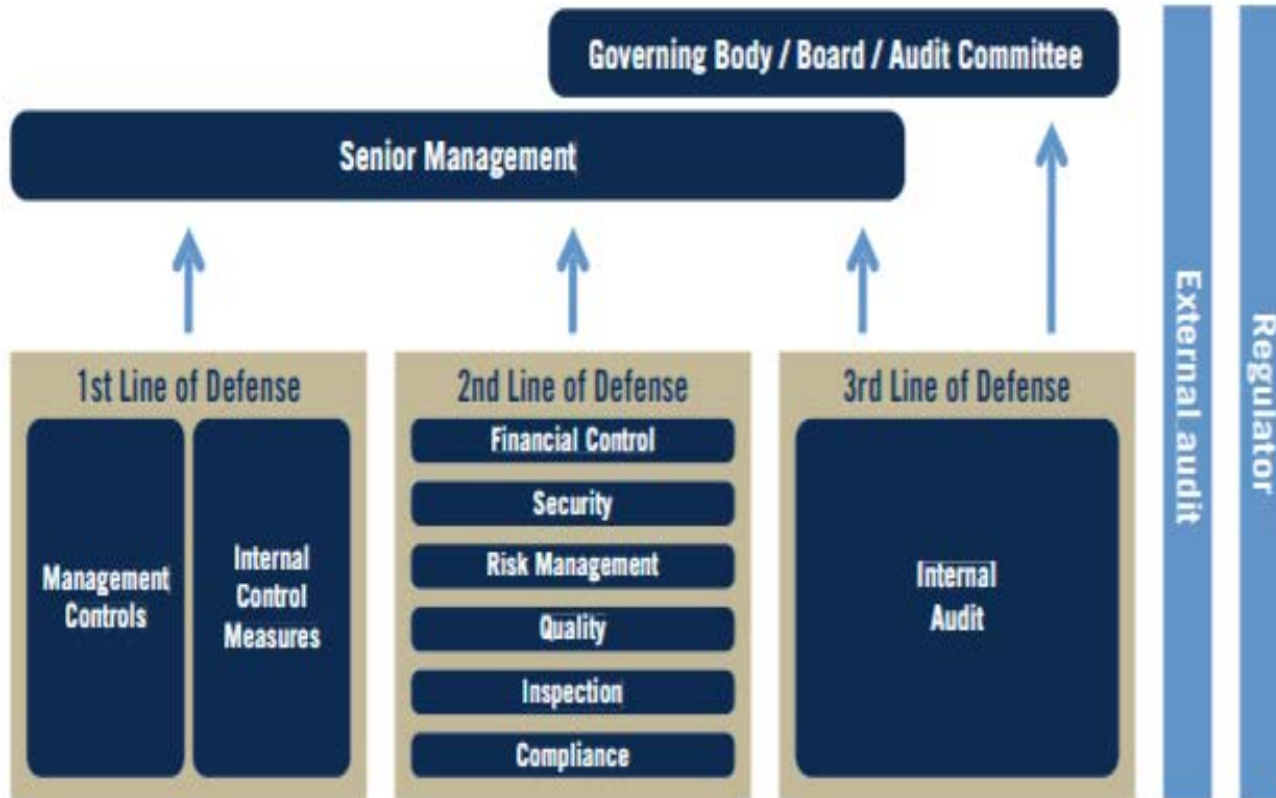


Risk Management is focused on anticipating what might not go to plan and putting in place actions to reduce uncertainty to a tolerable level.



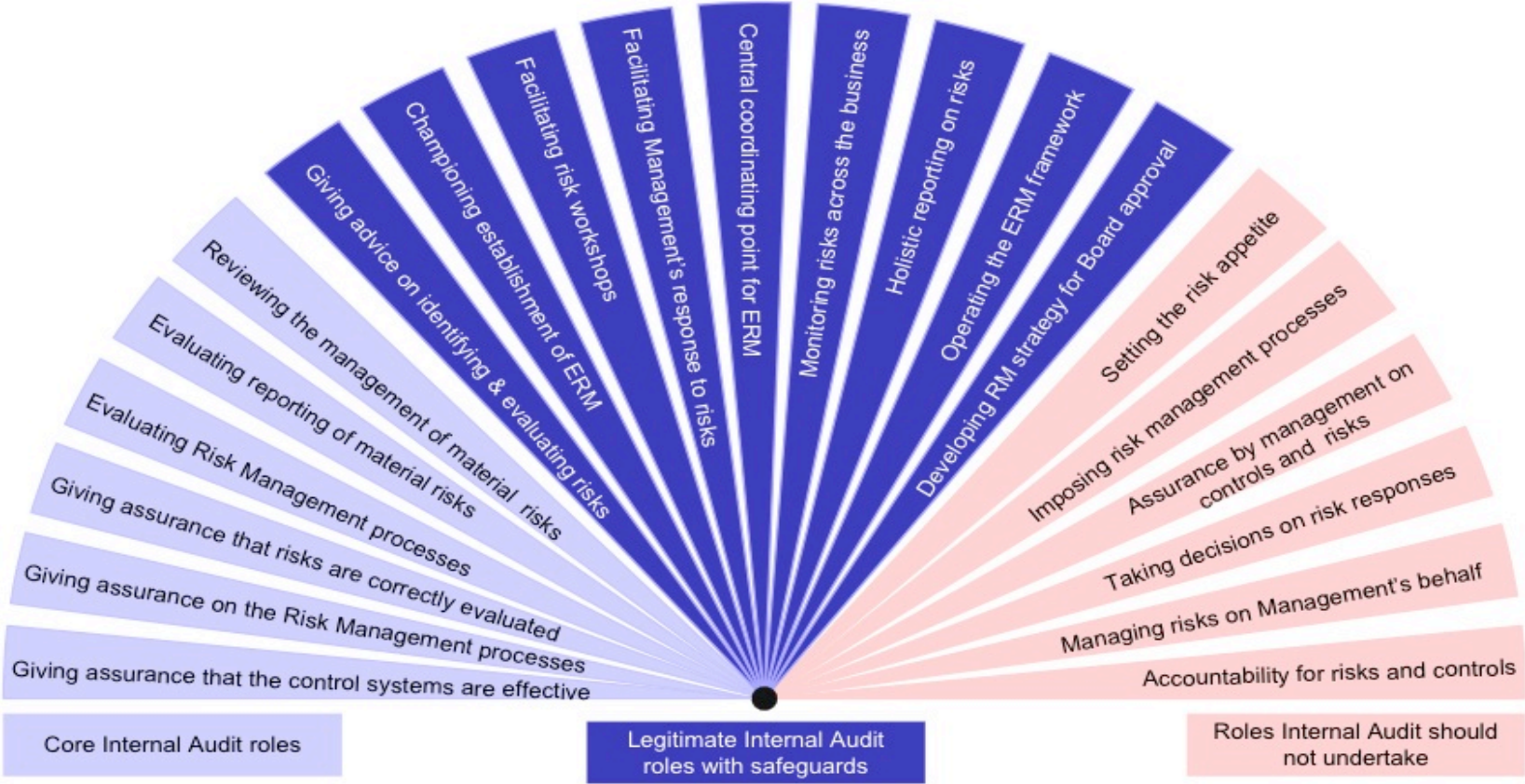
The role of **Internal Audit** is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

The Three lines of Defence Model

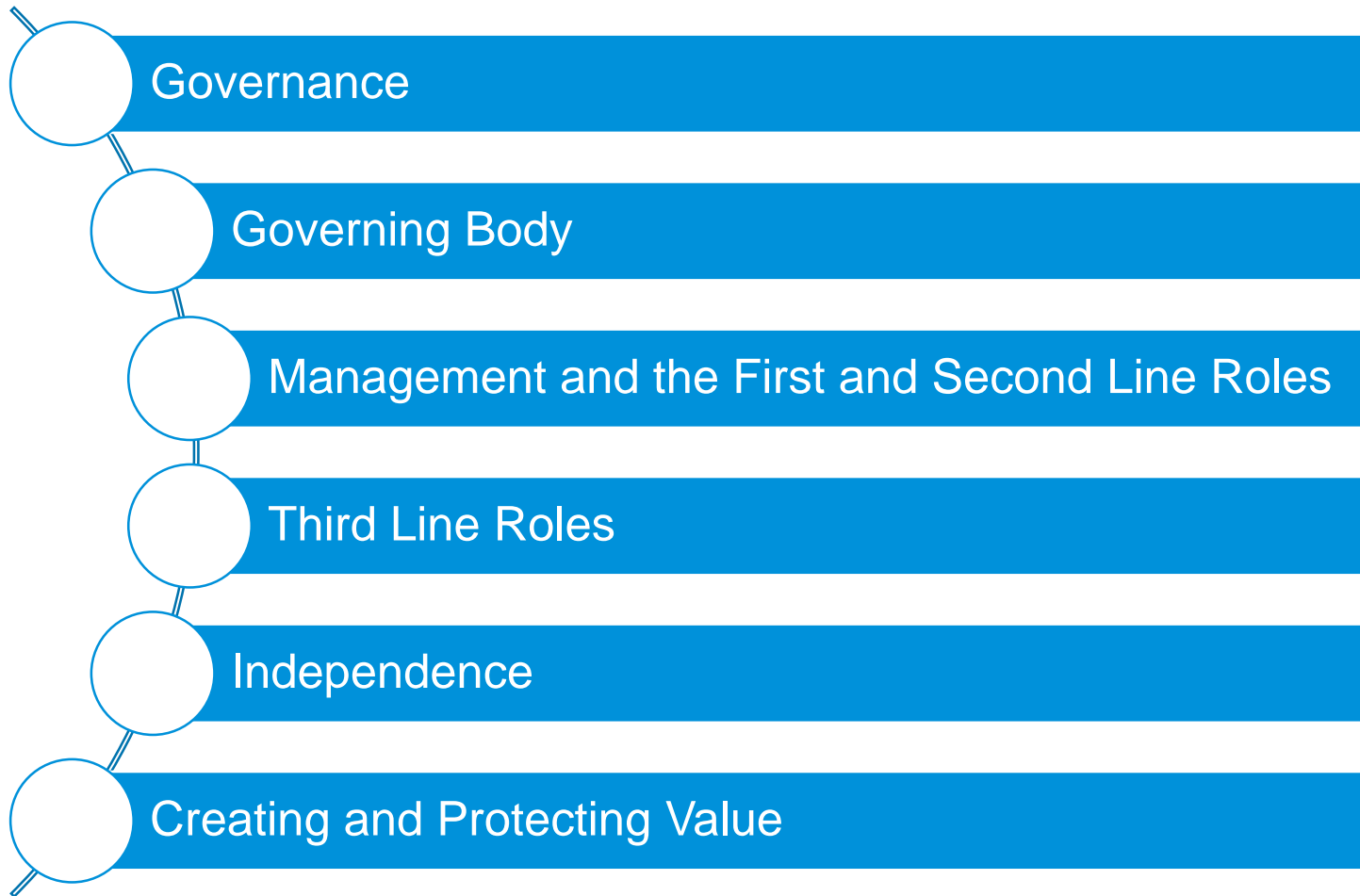


Co-ordinating the three lines of defence is key.

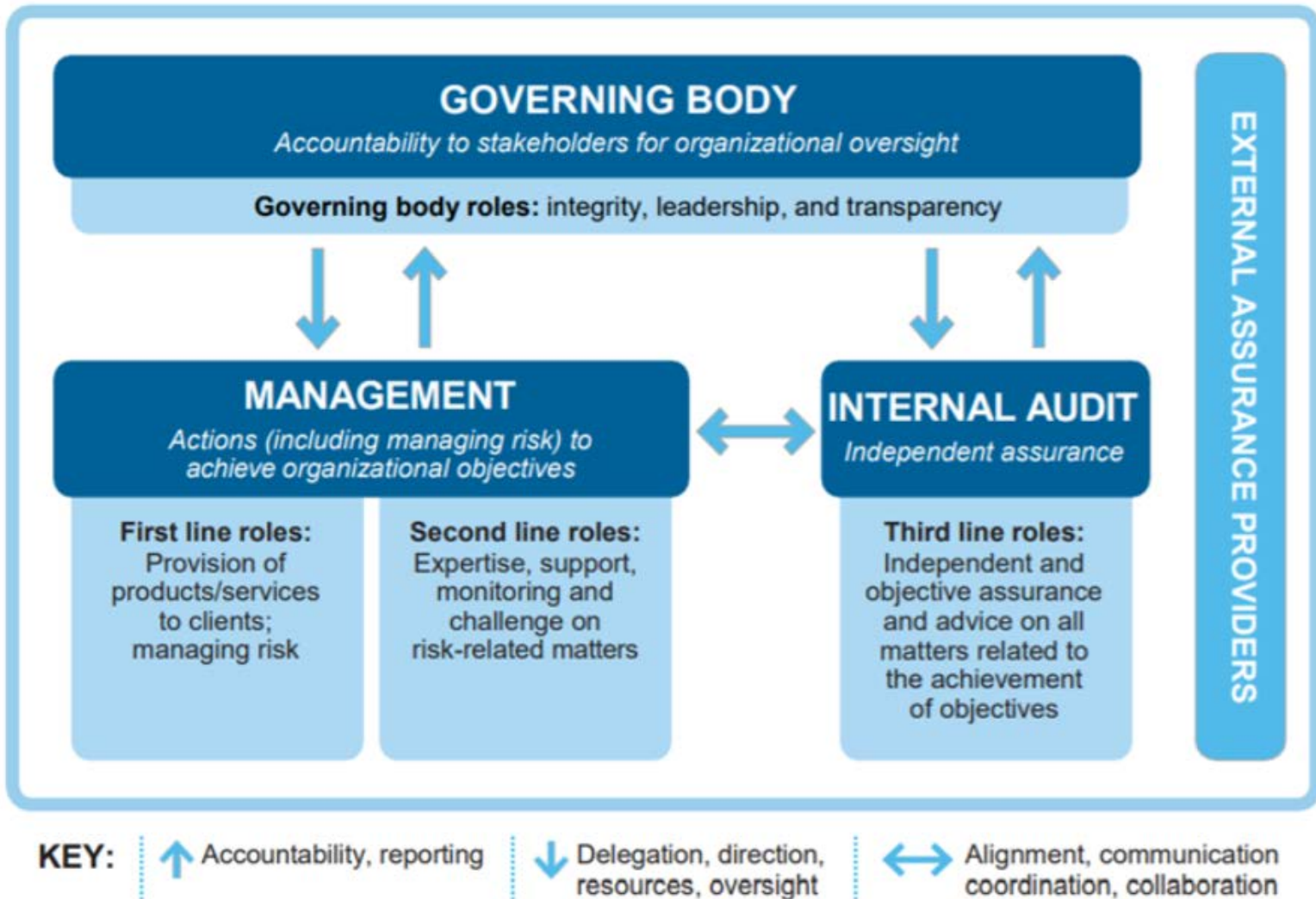
Relationship between RM and IA



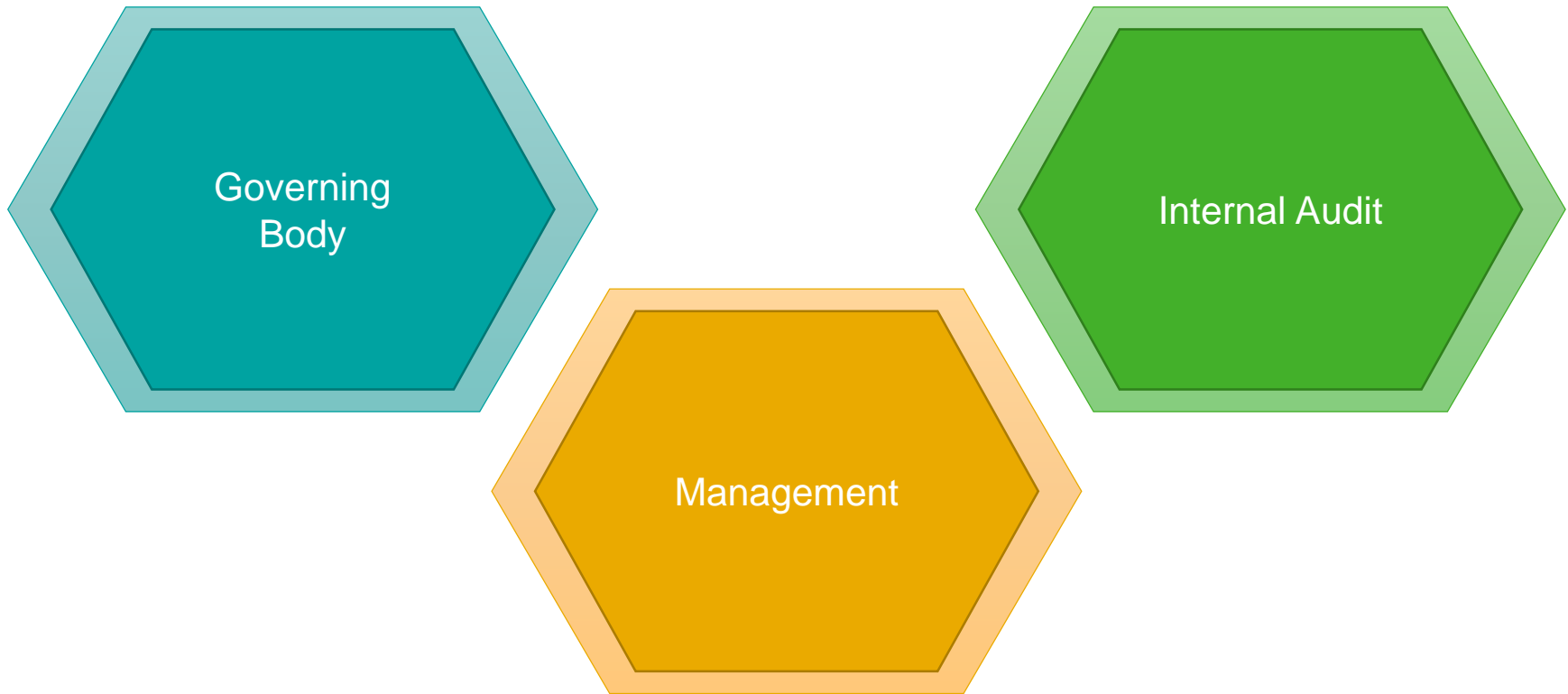
The Three Lines Model: 6 Principles



The Three Lines Model: Set up



The Three Lines Model: Roles



Emphasis of the new model is on the relationships among the core roles.

The Three Lines Model: Relationship among core roles

Governing Body and Management

Governing Body sets direction and delegates responsibility of achieving objectives to management.

Management reports to the Governing Body on planned, actual and expected outcomes as well as risks and the management of the risks.

Management and internal Audit

Internal audit is independent from management.

Communication is required to ensure that the work of the IA is aligned with the strategic and operational needs of the entity.

Internal Audit and Governing Body

Internal Audit is accountable to the Governing Body. The IA reports its findings to the Governing Body

The Governing Body is responsible for oversight of IA. It ensures that IA is independent and the Governing body also approves and resources the audit.

Auditing Risk Management

Objectives

- Is the Company's Risk Appetite Statement and Risk Tolerance Limits being adhered to?
- Is the Board involved in the Risk Management processes? Is there adequate and regular reporting to the Board?
- Are the risks identified being managed in line with the Risk Management Policy?
- What procedures are in place for the identification, evaluation and quantification of risks?

The scope is to consider the adequacy and effectiveness of the company's key controls around the RMF.

