Dear Q&A

I am the internal audit director for an organisation. We don't have a specific anti-fraud capability which has previously been performed in an ad hoc way.

Recently a fairly serious fraud was uncovered in the organisation after a whistleblower report. This caused a lot of embarrassment and some reputation damage, especially as we are connected with law and order.

The chief executive officer has asked me to now take responsibility for fraud control and investigations. This will include a fraud risk assessment, fraud control plan and associated policy and procedures.

I am in two minds about this, especially from an internal audit independence perspective, but will have to do as I have been instructed. We are a fairly small organisation and there isn't really anyone else suitable to do it.

What are some things I should consider?

Answer

Please refer page 19 of the recently issued update of IIA-Australia's publication 'Internal Audit in Australia 2nd edition'. This covers (a) internal audit's role with fraud (b) who oversights investigations.

http://iia.org.au/sf_docs/default-source/quality/internalauditinaustralia.pdf?sfvrsn=2&submission=398357332

As for where (a) fraud control (b) investigations should sit within an organisation, not every organisation has the luxury of sufficient size or budget to have a dedicated person or section for every governance or assurance activity.

In many smaller organisations, the head of internal audit may also be responsible for activities such as fraud control and investigations. This can work effectively but needs safeguards around independence included in the internal audit charter.

Investigations are generally (a) code of conduct violations (b) fraud or corruption related. Unless they have received special training, internal auditors generally don't have the necessary skills to perform investigations. Larger organisations may have their own investigators on staff, while smaller organisations generally contract professional investigators from outside the organisation when required.

Need an answer? Send your questions through to IAassist@iia.org.au

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