



Thought Leadership on Internal Audit and Risk Management

Insights from Our Recent Round Table Conference in September 2024

Introduction

The round table event on Internal Audit and Risk Management brought together thought leaders across various sectors to discuss pivotal themes shaping the future of auditing. This document delves into key areas of focus: Human Capital and Diversity Risks, Fraud Risk Management, AI Integration in Auditing, Ethical Considerations in AI Implementation, and The Role of Internal Audit in the AI Era. Additionally, it emphasizes the importance of Continuous Learning and Knowledge Sharing within organizations.

Human Capital and Diversity Risks

Increasing Importance of Talent Management and Diversity

Human capital and diversity have emerged as critical elements in sustaining organizational growth and innovation. The event underscored the rising significance of talent management strategies that not only attract but also retain diverse talent pools. Embracing diversity is no longer an option but a business imperative that drives better decision-making and fosters a more innovative environment.

Need for the Right Culture and Flexible Working Regimes

Creating an inclusive culture that supports flexible working regimes is essential for modern organizations. The discussion highlighted that fostering a supportive work culture and offering flexibility can lead to enhanced employee satisfaction and productivity. This cultural shift is necessary to meet the evolving expectations of the workforce, particularly in a post-pandemic era.

Inclusion of These Risks in Audit Plans is Still Limited

Despite their importance, the inclusion of human capital and diversity risks in audit plans remains limited. Many audit functions are yet to fully integrate these risks into their audit universe. The panelists emphasized the need for auditors to expand their scope and incorporate these elements to provide a holistic evaluation of risk.

Importance of Considering the Entire Employee Lifecycle in the Audit Universe

The discussion also highlighted the importance of considering the entire employee lifecycle within the audit universe. From recruitment and onboarding to development and exit, each stage presents unique risks that need thorough assessment. Auditors should ensure that their audit plans encompass all phases of the employee journey to mitigate potential risks effectively.

Fraud Risk Management

Hard Controls are Necessary but Not Sufficient

While hard controls, such as policies, procedures, and reporting mechanisms, are essential, they are not sufficient on their own to manage fraud risks. The event stressed that these controls must be complemented by a robust organizational culture that promotes ethical behavior and vigilance. Fraud triangle (Opportunity, Pressure and Rational) was discussed and the importance of additional two dimension (Attitude/Arrogance and Competency) and the robustness of the framework to assess and address the fraud risk.

Senior Management's Role in Verifying Fraud Risk Control

Senior management plays a crucial role in verifying and reinforcing fraud risk controls. Their active involvement is paramount in setting the tone at the top and ensuring that fraud prevention measures are effectively implemented. The leadership must lead by example and foster an environment where ethical conduct is valued and upheld.

Internal Audit's Crucial Function in Combating Risks

Internal audit functions are pivotal in combating fraud risks. By performing independent assessments and providing insights, auditors help organizations identify vulnerabilities and implement corrective actions. The presence of an effective internal audit team acts as a deterrent to fraudulent activities, promoting a culture of accountability.

Necessity of Whistleblowing Functions or Hotlines

The necessity of whistleblowing functions or hotlines was a key point of discussion. These mechanisms provide employees with safe channels to report suspicious activities without fear of retaliation. Implementing and maintaining effective whistleblowing programs can significantly enhance an organization's ability to detect and address fraud early.

AI Integration in Auditing

Automation of Repetitive Tasks, Increasing Efficiency

AI integration in auditing offers the potential to automate repetitive tasks, thus increasing efficiency and allowing auditors to focus on more strategic activities. The ability of AI to handle routine processes with speed and accuracy can significantly streamline audit workflows.

Processing Vast Amounts of Data Quickly

An advantage of AI in auditing is its capacity to process vast amounts of data quickly. This capability enables auditors to analyze large datasets, identify patterns, and uncover insights that might be missed through traditional methods. AI-driven data analysis enhances the thoroughness and accuracy of audits.

Use of Predictive AI for Future Trends and Anomaly Detection

Predictive AI tools can forecast future trends and detect anomalies, providing auditors with forward-looking insights. By leveraging predictive analytics, auditors can proactively identify potential risks and take preventive measures before issues escalate. This proactive approach marks a shift from traditional reactive auditing methods.

Augmenting Human Capabilities, Not Replacing Them

The integration of AI in auditing is aimed at augmenting human capabilities rather than replacing them. AI serves as a powerful tool that complements the auditor's expertise and judgment. The event emphasized the importance of maintaining a balance between technological adoption and the irreplaceable value of human insight.

Ethical Considerations in AI Implementation

Importance of Ethical Frameworks and Organizational Values

Implementing AI ethically requires robust frameworks and a commitment to organizational values. The discussion highlighted the need for organizations to establish clear ethical guidelines that govern AI use, ensuring that technology is deployed in a manner that aligns with core values and principles.

Viewing AI Implementation as a Journey, Not a Sprint

AI implementation should be viewed as a continuous journey rather than a one-time sprint. Ongoing assessment, adaptation, and improvement are essential to navigate the complexities of AI. Organizations must remain agile and responsive to new developments and challenges in the AI landscape.

Continuous Assessment and Reflection on AI Strategy

Continuous assessment and reflection on AI strategy are crucial for responsible AI use. Regular evaluations help organizations identify potential ethical issues, measure the impact of AI deployments, and make necessary adjustments. This iterative process ensures that AI initiatives remain aligned with ethical standards.

Emphasis on Transparency in AI Usage and Decision-Making

Transparency in AI usage and decision-making is imperative. Organizations must ensure that AI-driven decisions are explainable and transparent to stakeholders. Clear communication about how AI tools are used and the rationale behind their outputs fosters trust and accountability.

Responsible Use of Sensitive Data and Privacy Protection

Responsible use of sensitive data and privacy protection are paramount in AI implementation. The event underscored the importance of safeguarding personal information and adhering to data privacy regulations. Ethical AI practices demand rigorous data protection measures to maintain stakeholder trust.

The Role of Internal Audit in the AI Era

Balancing Technology Adoption with Maintaining Ethical Standards

In the AI era, internal audit functions must balance technology adoption with maintaining ethical standards. Auditors play a key role in ensuring that AI deployments are ethical, transparent, and aligned with organizational values. This balance is critical to harnessing the benefits of AI while mitigating potential risks.

Enhancing Value to Stakeholders through Effective Risk Management

Internal audit functions enhance value to stakeholders through effective risk management. By leveraging AI tools, auditors can provide deeper insights, improve risk assessments, and contribute to informed decision-making. This added value strengthens stakeholder confidence and supports organizational objectives.

Promoting Innovation While Ensuring Responsible Practices

Promoting innovation while ensuring responsible practices is a key challenge for internal auditors. The event highlighted the need for a forward-thinking approach that embraces technological advancements without compromising ethical standards. Auditors must champion innovation while safeguarding integrity and accountability.

Continuous Learning and Knowledge Sharing

Importance of Applying Insights within Organizations

Continuous learning and knowledge sharing are vital for organizational growth. The round table emphasized the significance of applying insights gained from audits and risk assessments to drive improvements. Organizations should foster a culture of learning that encourages the dissemination and application of knowledge.

Aim for Smart Decisions and Lasting Value

The ultimate goal is to make smart decisions that create lasting value. The insights from the round table event provide a roadmap for internal auditors and risk managers to navigate the complexities of their roles effectively. By aligning strategies with core values and ethical principles, organizations can achieve sustainable success.

Questions and Analysis

To gather more insight into stakeholder perspectives, we posed several questions during the conference. Below, we present the results:

1. What do you consider the most significant emerging risk in your sector?



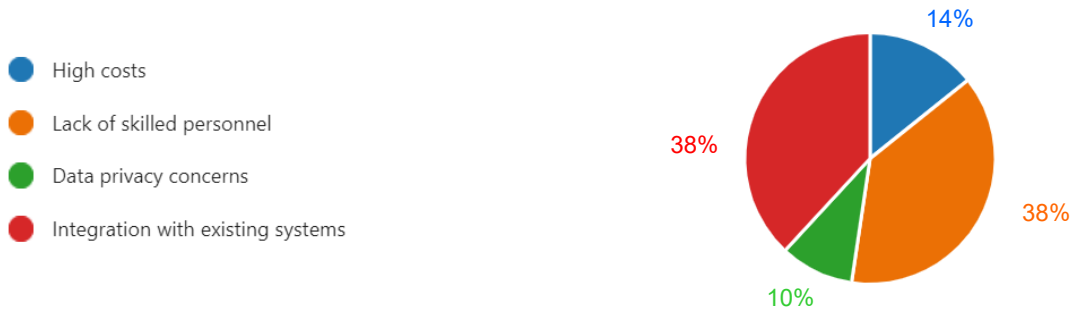
2. Which technological tool do you find most effective for risk management?



3. How important is ethical consideration in AI adoption in your organization?



4. What is the biggest challenge in AI implementation for your business?



5. In your opinion, what will be the future direction for AI regulation?



Conclusion

The round table event on Internal Audit and Risk Management offered valuable perspectives on emerging trends and challenges. By addressing human capital and diversity risks, enhancing fraud risk management, integrating AI, and upholding ethical standards, internal auditors can play a transformative role in their organizations. Continuous learning and knowledge sharing further support the journey towards excellence in audit and risk management. Together, these elements form a comprehensive approach to navigating the future of internal auditing.

We hope this document provides valuable insights and stimulates further dialogue on this critical issue. We look forward to continued collaboration and shared learning in our quest for audit excellence. Thank you for your attention and participation in this important discussion.

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Engage with us



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