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ΔΙΠΛΩΜΑΤΙΚΗ ΕΡΓΑΣΙΑ

**The role of Internal Audit in the prevention
and detection of Fraud**

ΟΝΟΜΑ ΦΟΙΤΗΤΗ

Οικονομάκης Νικόλαος

ΟΝΟΜΑ ΕΠΙΒΛΕΠΟΝΤΑ ΚΑΘΗΓΗΤΗ

Δημήτριος Καινούργιος

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Abstract

The constant increase of the fraud incidents negatively affects the performance of the organizations and forces the enterprises to be constantly preoccupied with the matter of fraud. Aware of the fact that an establishment of an effective fraud risk management program is required, organizations are increasingly basing the effectiveness of this program on Internal Audit. Although Internal Audit doesn't have the main responsibility for the prevention and detection of fraud, its incorporation with the fraud risk management program creates a new challenge for its role.

This Thesis aims to describe the role of Internal Audit in the battle of the organization against fraud risks and more specific the prevention and detection of fraud. Moreover, it intends to familiarize the reader with the concept of fraud and the motivations of a fraudster, as well as the Internal Audit function and its role in the organization.

The research was based on the analysis of the literature written in this field, as well as the established laws and regulations governing the Internal Audit's activities. A survey was also conducted with the use of questionnaires, with the results to be in line with the literature review.

Introduction

Fraud is a risk that no organization can fully mitigate. The organizations are aware of that, therefore they are making significant attempts to mitigate its negative consequences by establishing effective fraud risk management procedures. Additionally to establishing the authorities and the roles of the management and the audit committee as the primary responsible party in the fraud risk management procedures, organizations are increasingly relying on the Internal Audit capabilities.

The increased expectations from the Internal Audit function in the mitigation of fraud comes from the certainty that it is a function which, focused as it is on adding value to the organization, is familiar with all its internal activities and processes. It is true that through the right execution of its role and activities, Internal Audit can significantly contribute to the fraud prevention and detection in an organization. Professional regulations covering Internal Audit offer liability to the Internal Auditors for the prevention and detection of fraud incidents that the organization is exposed to, as well as the organization's way in which manages the fraud risks.

This Thesis aims to provide proof of the Internal Audit's value in prevention and detection of fraud within the organization. It also analyzes the concept of fraud and the motives of the fraudster. The Thesis examines important issues in the modern organizational governance, more specific it examines the existence and the type of the Internal Audit function and its effort to prevent and detect fraud. This study uses a variety of important data in order to evaluate the role of Internal Audit in the prevention and detection of fraud, which expands our understanding of the Internal Audit's value and importance in the battle against fraud.

The results of the survey which was conducted with the use of questionnaires shows that there is a significant positive view of the Internal Audit function from the participants of the survey. The result is not a surprise, since those organizations which have established an efficient Internal Audit function have increased the likelihood to prevent and detect fraud when it's occurring.

Chapter 1: Fraud

1.1 Introduction

This chapter is consisted by the definition of Fraud and the reasons for which an individual would commit fraud. It helps the reader understand more about the concept of fraud in an organization and the motives that drove the people to commit it.

1.2 Definition of fraud

Fraud encompasses a wide range of irregularities and illegal acts characterized by intentional deception or misrepresentation. The Institute of Internal Auditors' (IIA's) IPPF defines fraud as:

“Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.” (IPPF – Practice Guide,2009)

“Managing the Business Risk of Fraud: A Practical Guide,” sponsored by The IIA, the American Institute of Certified Public Accountants, and the Association of Certified Fraud Examiners, defines Fraud as:

“Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.”

The main characteristic of Fraud is intentional deception or misrepresentation. Certain actions are referred to as “fraud,” which may also be legally defined and/or commonly known as corruption.

(IPPF – Practice Guide,2009)

“In the broadest sense, fraud can encompass any crime for gain that uses deception as its principal modus operandus. More specifically, fraud is defined by Black’s Law Dictionary as:

A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment.

Consequently, fraud includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.”

(<http://www.acfe.com/fraud-101.aspx>)

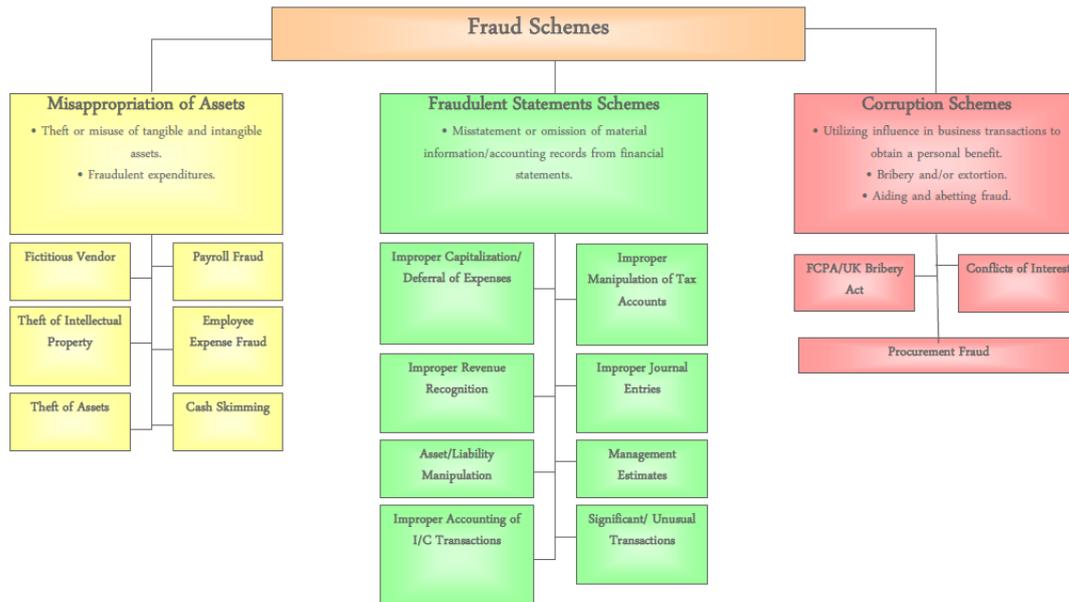


Figure 1. Dean Bunch, Ernst & Young Fraud Investigation & Dispute Services,2015

<http://www.ey.com/>

1.3 Reasons for Fraud

Research shows that fraudsters cannot be categorized based to their personal characteristics (e.g. psychological, demographics). In most cases, the profile of the person committing the fraud is no different than the profile of an honest working one.

(Fraud Examination 4th Edition,2011)

Most of the fraud cases started as minor incidents, but as long as these schemes remained undetected they continued growing bigger by the time. Fraudsters often view their initial action of stealing as an isolated and temporary incident that they will be able to fix before someone can notice. For example a person borrows money from his company without anyone knowing, since no one has noticed, he continues borrowing until he is in a position where his only option is to try and cover up the fact that he has embezzled corporate money. Eventually, as the scheme continues to grow, it will most likely be detected by a colleague, the manager or an internal auditor. The fraudster has exploited the inadequate controls of the company in order to benefit from it, resulting to the damage of the organization.

(IPPF – Practice Guide,2009)

Every single fraud scheme has its own characteristics; however below are the three most common among them:

- **Pressure or incentive** — Is the need the fraudster tries to satisfy with his action to commit fraud. Usually this need is a significant financial problem or pressure at work to meet specific targets.
- **Opportunity** — Is the ability to commit fraud without getting caught. Those who commit fraud do not want to get caught, therefore they must believe that their actions will remain undetected. Poor internal controls, weak management, the exploitation of one's position and authorities etc., create the opportunity for a fraudster to act.
- **Rationalization** — The ability of the fraudster to justify his actions. Rationalization involves the person committing the fraud to reconcile his illegal actions with the notions of trust and decency. For example the fraudster believes that committing the fraud is justified, since he is helping a friend or family member to let's say pay some expensive medical bills. Some other example is that they label the theft as borrowing since they are planning to return the stolen money at a later time.

(IPPF – Practice Guide,2009)



Figure 2. Dean Bunch, Ernst & Young Fraud Investigation & Dispute Services,2015

<http://www.ey.com/>

For a fraud risk management system to be effective we must first gain insight and analyze the fraudster's motives as well as recognize the threats the organization is exposed to. From the three main fraud characteristics (Pressure, Opportunity, Rationalization) opportunity is the one that an organization can most effectively mitigate. The main objective of an organization, in order to prevent its employees from committing fraud and also detect them in case it has already occurred, is to establish effective and sustainable internal controls and procedures.

(IPPF – Practice Guide,2009)

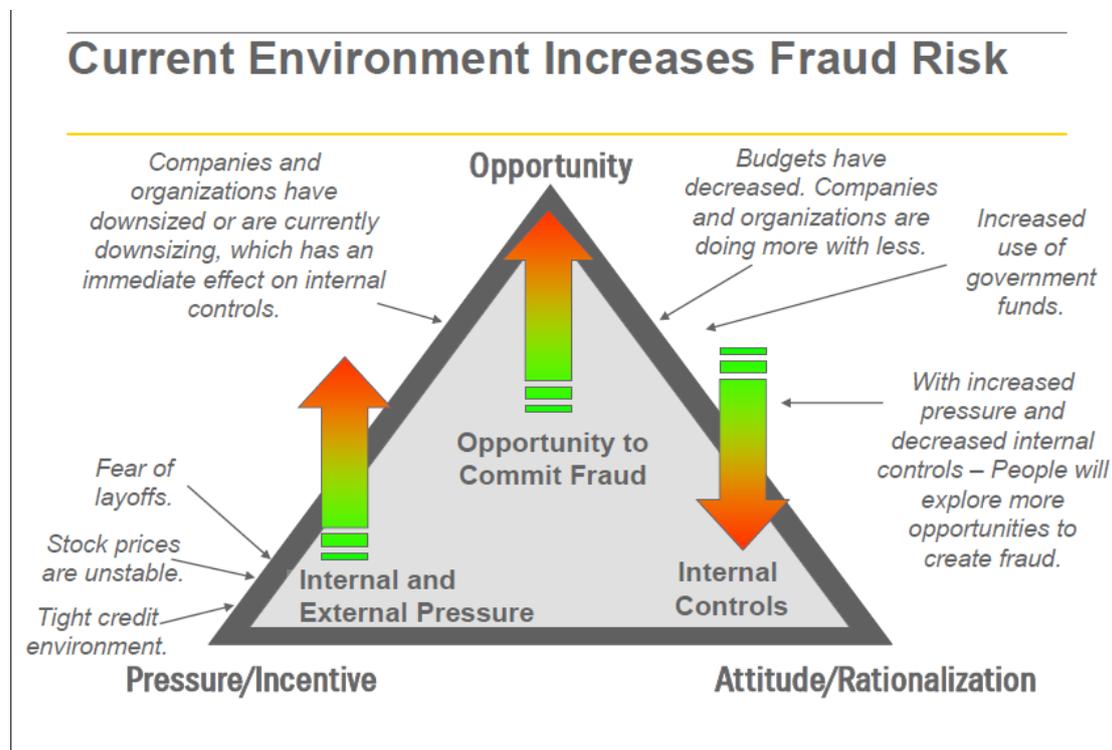


Figure 3. Dean Bunch, Ernst & Young Fraud Investigation & Dispute Services,2015

<http://www.ey.com/>

Chapter 2: Internal Audit

2.1 Introduction

In this chapter we refer at first to the definition of Internal Audit and to the Fraud Risk assessment in an organization. Then we analyze the responsibilities of Internal Audit in the prevention and detection of fraud and how can Internal Audit function actual and effectively assist this methods.

2.2 Definition of Internal Audit

According to the Definition of Internal Auditing in The IIA's International Professional Practices Framework (IPPF), “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

(IPPF-Standards & Guidance,2015)

“Furthermore, the IIA continues by stating that performed by professionals with an in-depth understanding of the business culture, systems, and processes, the internal audit activity provides assurance that internal controls in place are adequate to mitigate the risks, governance processes are effective and efficient, and organizational goals and objectives are met.”

(Internal Audit Practice Coursebook,2016)

Internal auditors gain a broad perspective of an organization due to the below:

- Evaluating emerging technologies.
- Assuring that controls in place are adequate to mitigate the risks.
- Examining global issues.
- Communicating information and opinions with clarity and accuracy.
- Analyzing opportunities.
- Assessing risks, controls, ethics, quality, economy, and efficiency.

This diversity is the reason internal auditors are such a valuable resource in an organization's executive management and board of directors for strengthening internal controls, organizational governance and also accomplishing overall objectives and goals.

(Internal Audit Practice Coursebook, 2016)

2.3 Assessing Fraud Risk

Risk assessment plays a decisive role in the development and maintenance of an effective fraud risk management program and control, according to professional standard-setters, regulators and law enforcement authorities. Companies are capable of identifying and assess fraud risks, while assessing the overall enterprise risk.

(Managing the Business Risk of Fraud: A Practical Guide,2008).

The establishment of a proper fraud risk management program should be considered as an important part of the larger enterprise risk management procedures and is rooted in the risk process which identifies where a fraud may occur and the identity of the fraudster behind it. Preventive and detective control processes should always take under consideration the fraud scheme and any potential individual within and outside the organization who could be the perpetrator of the scheme. If the scheme is illegal, preventive controls should with the help of detective controls be enhanced as collusion negates the control effectiveness of segregation of duties.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

“Fraud, by definition, entails intentional misconduct, designed to evade detection. As such, the fraud risk assessment team should engage in strategic reasoning to anticipate the behavior of a potential fraud perpetrator. Strategic reasoning, which is also important in designing fraud detection procedures that a perpetrator may not expect, requires a skeptical mindset and involves asking questions such as:

- How might a fraud perpetrator exploit weaknesses in the system of controls?
- How could a perpetrator override or circumvent controls?
- What could a perpetrator do to conceal the fraud?”

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Fraud risk assessment is composed by three main elements:

- **“Identify inherent fraud risk** — Gather information to obtain the population of fraud risks that could apply to the organization. Included in this process is the explicit consideration of all types of fraud schemes and scenarios; incentives, pressures, and opportunities to commit fraud; and IT fraud risks specific to the organization.
- **Assess likelihood and significance of inherent fraud risk** — Assess the relative likelihood and potential significance of identified fraud risks based on historical information, known fraud schemes, and interviews with staff, including business process owners.
- **Respond to reasonably likely and significant inherent and residual fraud risks** — Decide what the response should be to address the identified risks and perform a cost-benefit analysis of fraud risks over which the organization wants to implement controls or specific fraud detection procedures.” (Managing the Business Risk of Fraud: A Practical Guide,2008)

An effective risk assessment’s input should be composed by various sources and the risk assessment team should be composed by individuals throughout the organization with different position and knowledge and also include external resources which can add a new perspective to the team. This team could be consisted by:

- **Accounting and finance personnel.** They are familiar with internal controls and financial processes of the organization.
- **Nonfinancial business unit and operations personnel.** Their knowledge of the day to day operations and general awareness of the internal issues of the organization can prove extremely helpful.
- **Risk management personnel.** They can ensure the internal ERM program is followed by the fraud risk assessment processes.
- **Legal and compliance personnel.** The fraud risk assessment team could identify regulatory and criminal liabilities that might come up if a fraud was to occur.

- **Internal audit personnel.** Internal auditors will be familiar with the organization's internal functions. They will also be able to respond to any significant risk that preventive and detective controls cannot mitigate.
- **External personnel.** If the internal personnel are not enough, then external consultants with the appropriate knowledge and skills can provide assistance with their expertise.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

In the assessment of fraud risk should participate the senior management and business unit leaders, since they are accountable for the effectiveness and maintenance of the fraud risk management results of the organization.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Anti-Fraud Model

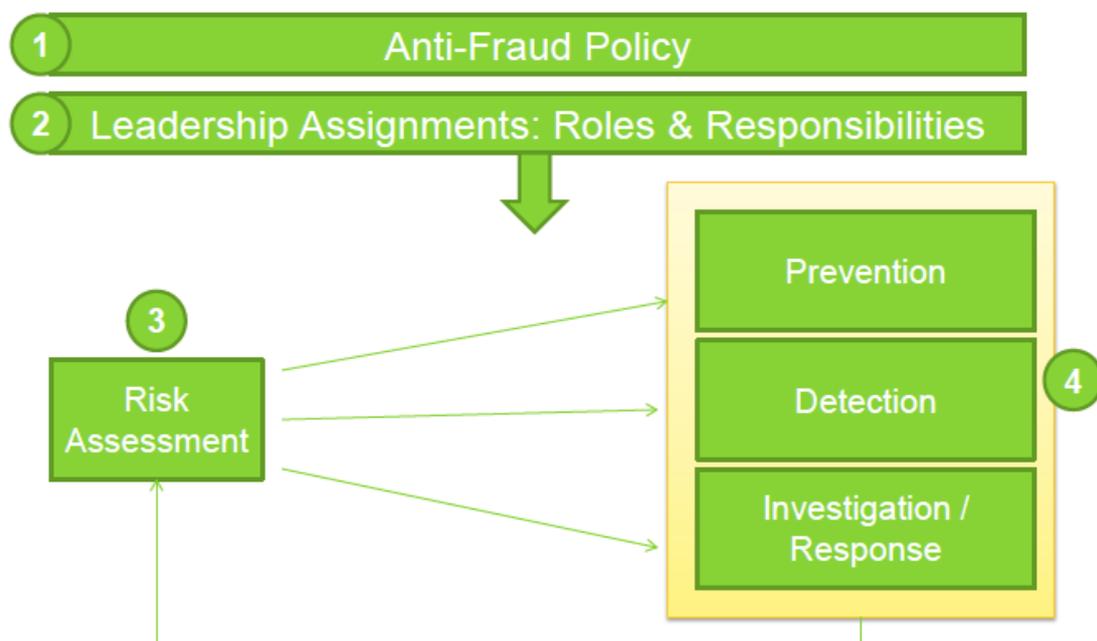


Figure 4. Fraud and Internal Audit: Current Views, Examples, and Resources, 2012

2.4 Responsibilities of Internal Audit in Fraud's Prevention and Detection

Despite the best efforts of those responsible for preventing fraud, one inevitable reality remains: “fraud happens.” It is of high importance that appropriate preventive and detective techniques should always be in place, because fraud can occur at any level of the organization. Fraud prevention and detection might seem to be related concepts, but they are not. More specific, fraud prevention involves policies, procedures, training and communication. The preventive measures are the first line of defense against fraud, although they cannot guarantee that fraud will not occur. On the other hand fraud detection involves programs and activities with main concern the identification of any fraud which has occurred or is still occurring.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

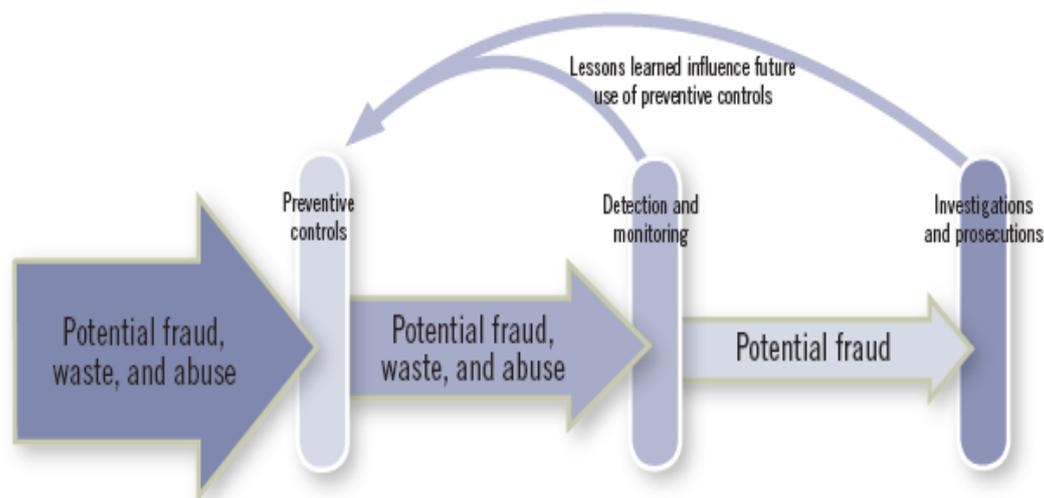


Figure 5. IPPF – Practice Guide,2009

Internal audit's main responsibility is to assist management by determining whether the internal controls of the organization are adequately, as well as to promote an adequate control environment. Internal audit is in a position where it can address fraud risk management programs and affect change, since it is an independent, centralized and objective function.

(Fraud and Internal Audit: Current Views, Examples, and Resources, 2012)

Components of an Anti-Fraud Program

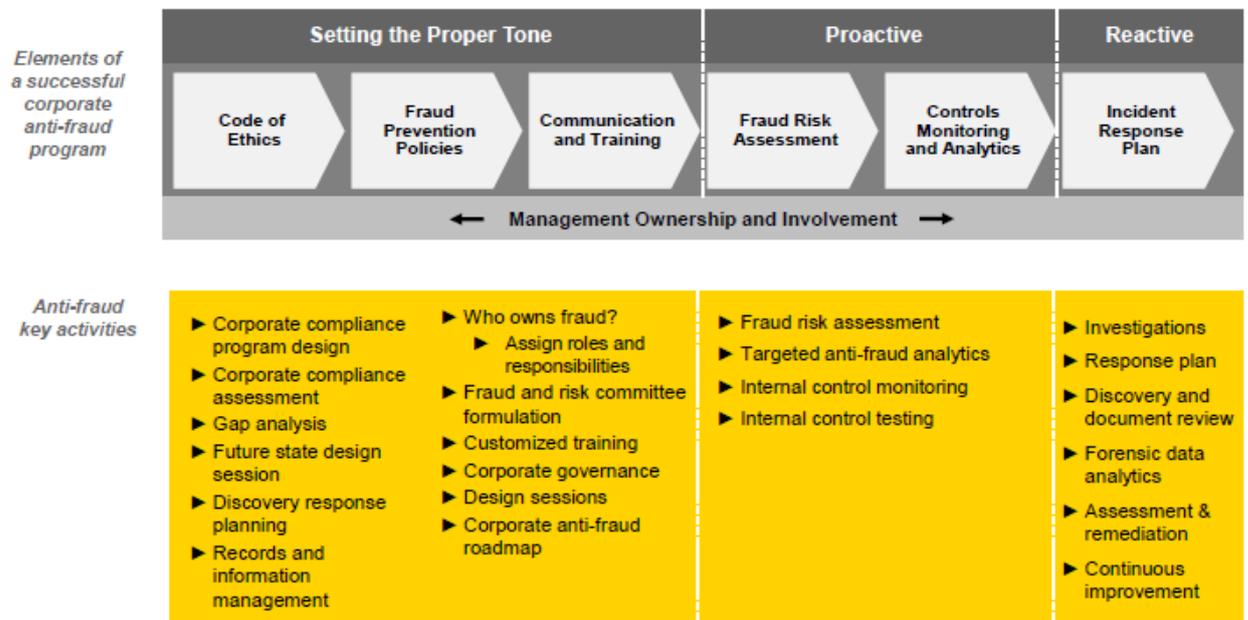


Figure 6. Dean Bunch, Ernst & Young Fraud Investigation & Dispute Services, 2015

<http://www.ey.com/>

2.4.1 Fraud Prevention

Making the personnel of an organization aware of the fraud risk management program and also the fraud types and misconducts that may occur is an important step to prevention. This step enforces the notion that all the established techniques in the fraud risk program are real and ready to be applied. The ongoing communication efforts could provide information on the potential disciplinary, criminal, and civil actions that the organization could take against the individual.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Prevention and deterrence are two concepts interrelated. When an organization has established effective and well-known to potential fraudsters preventive controls, then these controls serve also as deterrents to any individual who could be tempted to commit fraud. There is no greater deterrent than the fear of getting caught. Therefore when effective preventive controls are in place, they also work as strong deterrence controls.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Internal control procedures of an organization are designed to deal with inherent business risks. The risks of the organization can be identified in the risk assessment protocol and the associated with the risk controls are noted. Regardless the size or the area of activities of an organization, all its essential ERM components, concepts and principles are described in COSO's Enterprise Risk Management-Integrated Framework.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Not all of the organization's fraud risks can be addressed from the established internal controls. Although fraud risks are part of the business risks, they need specific controls in order to mitigate them, therefore the fraud risk assessment process of the organization is essential to fraud prevention. Implementing fraud preventive controls though is not enough, it is also important the organization to continuously assess and monitor their operational effectiveness in order to prevent fraud from occurring.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

“The Committee of Sponsoring Organizations of the Treadway Commission (COSO) presented a framework for assessing and improving internal control systems to fight fraud. COSO identified five components in its Internal Control-Integrated Framework: control environment, risk assessment, control activities, information and communication, and monitoring that may serve as the premise for the design of controls to fight fraud. The elements are deeply intertwined and overlapping in their nature and provide a natural interactive process to promote the type of environment in which fraud will not be tolerated at any level.”

(IPPF – Practice Guide,2009)

Control environment — For a fraud to be prevented an effective and strong control environment must include the below elements:

- Audit committee, executive management and board oversight.
- To set the appropriate tone at the top, fraud policy, ethics policy and code of conduct are required.
- For any fraud concern to be reported, whistleblower and ethics hotline program must be established.
- Guidelines for hiring and promotion.

Risk assessment — Consider fraud schemes and fraud risk factors by establishing a fraud risk assessment process.

- Appropriate personnel must be involved with the fraud risk assessment process.
- Fraud risk assessments must be performed on a regular basis.

Control activities — Procedure and policies for the processes of the organization, authority limits and segregation of incompatible duties included.

Information and communication — The importance of the organization's position on fraud risk and of the fraud risk's management program must be promoted so internally as externally via the corporate communications programs.

- Training of fraud awareness must be designed and delivered on a regular basis.
- Corporate policies and procedures must be comprehensible and followed by all the employees, therefore regular certification processes are required.

Monitoring — Antifraud controls must be regularly evaluated.

- The fraud risk management program must be independently evaluated by internal auditors or any other qualified group.
- Continuous monitoring and detection programs assisted by technology.

(IPPF – Practice Guide,2009)

2.4.2 Fraud Detection

One of the strongest deterrents for fraudsters is to have established effective and visible detective controls. When used combined with preventive controls, detective controls provide evidence that are worked as intended by preventive controls and identify fraud if that has occurred, which enhances organization's fraud risk management program. Detective controls are providing evidence of fraud occurrence, but they can prevent fraud from happening.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

In some cases, the type of detective an organization is implementing may depend on the identified fraud risks of the organization. For example, an organization which is operating in high risk countries in matters of corruption, it is possible that it will implement detective controls in order to identify any violations of the FCPA, e.g. periodic review of consulting fees and expense reports. In a same way, an organization with high frequency of subjective estimates may have to establish

detective controls for regular review of these activities from the internal auditors. Based on the identified fraud risks in the organization, additional detection controls may be required. Just as with the fraud prevention techniques, so too with the fraud detection techniques, it is important to continuously be monitored and assessed in order to help detect the fraud that has occurred or is still occurring.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

The fraud of risk cannot be entirely eliminated by the organizations. Individuals with the motive to commit fraud never stop to exist and there is always an opportunity for someone in an organization to try and override the protective controls. Therefore, the detection techniques in order to meet the constant changes in fraud risks, should be adaptable, flexible and continuously changing.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Although preventive controls are visible and noticeable by the employees and third parties of an organization, the detective techniques are by nature hard to notice. Therefore they operate in a business background on an everyday basis without being able to witness them. Techniques of this kind will usually:

- Occur during the daily course of business.
- Exploit external information in order to confirm any internal produced information.
- Communicate formally and automatically to the appropriate personnel any deficiencies and exceptions that have been identified.
- Properly use any result in order to modify and enhance the other controls.

(Managing the Business Risk of Fraud: A Practical Guide,2008)

Whistleblower hotline is a common technique among the organizations, where an employee can report any suspicious activity anonymously. The use of this feedback capitalizes on the fact that employees within the organization are willing to share any knowledge they have about organizational issues. A successful method for an organization to be informed for any existing fraud is to provide a variety of reporting methods to the employees and stakeholders, where they can report any concern they have regarding illegal actions. Some of these methods are:

- **Code of conduct confirmation** — Employees can be asked to report any known fraud violation, while they sign the annual code of conduct, which outlines their duties in the prevention and detection of fraud.

- **Whistleblower hotline** —A reporting system with the form of a telephone hotline, which guarantees the anonymity of the whistleblower.
- **Exit interviews** — Resigned or terminated employees can be interviewed while leaving the organization about fraud schemes that have come to their attention. Issues regarding management’s integrity can also be examined through their answers.
- **Proactive employee survey** — In order to gather information of fraud and unethical actions within the organization, routine surveys can be conducted to the employees.

(IPPF – Practice Guide,2009)

All of these fraud methods can be conducted using telephone interviews, emails, Web forms or even face-to-face meetings.

Other fraud detection techniques include:

- Random audits in high fraud risk areas, these audits are conducted by internal auditors, external auditors or management.
- Continuous monitoring of critical data, in order to identify unusual variances.

(IPPF – Practice Guide,2009)

2.5 Internal Audit’s active role

Although internal audit’s task is not the detection or prevention of corrupt processes directly, frequently internal auditors get to possess highly important information that are essential to the organization and constitute significant danger for the organization with negative consequences. This separates internal auditors from most of the rest organization’s members. The information may involve fraud schemes, criminal activities and misuse of jurisdictions, misconduct that jeopardizes the public safety or other misbehaviors. Organization’s reputation may receive negative impact, as well as its competitiveness, investments, profits, value of the market share and even its own viability. Internal auditors should transfer this information to the senior management and if that fails then to the board. This action shouldn’t be considered as whistleblowing but as standard internal audit process.

If internal auditors’ concerns are taken lightly, then they must consider the possibility to communicate this information out of the organization to a legal authority by public declaration or external whistleblowing.

Eventually Internal Auditors must make a professional decision regarding their responsibilities to their employer. In case they decide to communicate externally it needs to be due to a thorough opinion that the dangers are substantial, that they possess reliable evidence and that further legal action is necessary.

(Internal audit and whistleblowing, IIA, 2017)

Pressure on internal auditors and executive management is now higher than ever regarding corporate fraud and misconduct mitigation. Internal auditor's job certainty might be at risk if they fail to establish an antifraud process plan and fail to meet the stakeholders' objectives. The increased concern regarding fraud preventive processes is comprehended considering of what is at stake due to fraud.

The management of fraud for the companies has changed from compliance driven to proactive preventive approach. New regulations emphasize on COSO control framework.

Although senior management's responsibility for antifraud is direct, it is most likely operational responsibility for monitoring of fraud to be given to internal auditors. Any reported fraud and misconduct is typically investigated by internal audit.

The Internal auditors' role includes the following tasks:

- Assess fraud and reputational risks.
- Communicate the efforts of the organization to manage fraud to the audit committee.
- Merge antifraud controls to identified fraud risks.
- Monitor and evaluate the antifraud programs' effectiveness.
- Assist the management to establish an auditable antifraud program.
- Lead the efforts for remediation.
- Audit fraud schemes.
- Coordinate the investigations when fraud occurrence is suspected.

An effective antifraud plan is consisted by 10 steps for the internal auditor:

- Oversee the internal controls' effectiveness.
- Evaluate the effectiveness of the established antifraud programs and controls.
- Involve the audit committee and the management with the antifraud efforts in order to produce a positive tone at the top.
- Improve internal controls by learning from fraud occurrences and prevent them from happening again.
- Deliver fraud expertise within the audit function.
- Coordinate the evaluation of reputation risk.
- Connect the control procedures with the fraud for which are created to mitigate.
- Expect questions and prepare responses.
- Upgrade the audit plan to add fraud auditing.
- Create procedures for the transmission of alleged frauds.

Internal auditors that follow the above steps can most definitely add value to the organization. The fraud reduction in an organization increases profitability and manages to cover the costs for the antifraud programs.

(Internal Audit's Role: Fraud and Reputation Risks, 2004)

Chapter 3: Survey

3.1 Introduction

The purpose of this survey is to evaluate the importance of the Internal Audit function in an organization by examining the opinion of the participant employees in matters of fraud, compliance, risks, cost effectiveness, decision making etc.

3.2 Survey details

The questionnaires were sent to 274 employees worldwide via email and LinkedIn (with the use of Google form). The individuals were selected since they are working in functions of Internal Audit, Finance, Risk management and Compliance. The individuals who responded are 48 (18% out of all the questionnaires sent), 28 (58% out of those who responded) of them are located in Greece and 20 (42% out of those who responded) of them are located abroad.

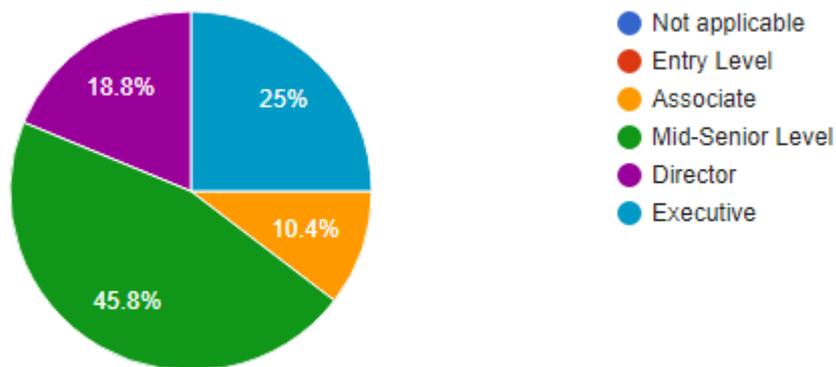
3.2.1 Responders' organizations detail

Out of the 20 employees that answered the questionnaire and are located abroad:

- 2 are located in Belgium
- 2 are located in Egypt
- 1 is located in Italy
- 1 is located in Kosovo
- 2 are located in Malta
- 1 is located in South Africa
- 1 is located in Switzerland
- 2 are located in United Arab Emirates
- 5 are located in United Kingdom
- 3 are located in United States of America

The experience level of the 48 responders is:

- 5 are Associates (10.4%)
- 22 are Mid-senior Level (45.8%)
- 9 are Directors (18.8%)
- 12 are Executives (25%)



Principal area of activity of the responders' organizations:

- 9 are working in a Government agency or department (18.8%)
- 18 are working in the Banking and Finance sector (37.5%)
- 1 is working in Commerce and Commercial services (2.1%)
- 1 is working in the Transport sector (2.1%)
- 4 are working in the Industry and Manufacturing sector (8.4%)
- 2 are working in the Insurance sector (4.2%)
- 1 is working in the Hospitality sector (2.1%)
- 5 are working in the Telecommunications sector (10.4%)
- 3 are working in the Technology sector (6.3%)
- 1 is working in the Gambling sector (2.1%)
- 1 is working in the Audit sector (2.1%)
- 1 is working in the Real Estate sector (2.1%)

- 1 is working in the Building Materials sector (2.1%)

Number of employees in the responders' organizations:

- 7 are working in organizations with less than 100 employees (14.6%)
- 8 are working in organizations with 101 to 500 employees (16.7%)
- 4 are working in organizations with 501 to 1000 employees (8.3%)
- 29 are working in organizations with over 1000 employees (60.4%)

Responders' organizations annual turnover (in Euro) for the current year:

- 1 responder's organization annual turnover is under 1 million (2.2%)
- 3 responders' organizations annual turnovers are 1 to 10 million (6.7%)
- 7 responders' organizations annual turnovers are 11 to 50 million (15.6%)
- 17 responders' organizations annual turnovers are over 50 million (37.8%)
- 17 responders' did not answer this question (37.8%)

3.2.2 Questionnaire details

The questionnaire which was sent for this survey is consisted of 22 questions. More specifically:

- 6 questions regarding details of the responders' organizations
- 7 questions in scale from 1-Strongly Agree to 5-Strongly Disagree
- 8 questions of Yes, No or Maybe
- 1 personal opinion question

The individuals that received the questionnaire were informed in my email about my Personal information and my MBA studies. I explained the reason I am conducting this survey and what I am aiming to learn from its results. It was highlighted several

times that the information provided were strictly private and confidential and would only be used for the purposes of my MBA thesis. At the end a small reference (approx. 62 words) about the responsibilities of Internal Audit was made.

The questionnaire starts with 6 questions regarding the employee and its organization. More specifically:

- Organization's Name
- Country of organization's origin
- Individual's experience level
- Principal area of activity of the organization
- Organization's number of employees
- Organization's annual turnover (in Euro) for the current year

Next comes the 7 questions were the responders must express their opinion and choose from scale 1-Strongly Agree to 5-Strongly Disagree the proper answer.

Question 1.1 is aiming to evaluate the degree in which the organization's risks are properly identified and include in the audit process.

Essential part of a well-established corporate governance practice for many years now is the need to properly manage the risks of an organization. Organizations are now under pressure to identify and manage the risks they are facing. The managing processes of the risk are playing an important role for the internal controls to remain effective. Internal Audit provides assurance to the organizations that the risks they are facing are properly managed.

(Risk based internal auditing, Chartered Institute of Internal Auditors, 2014)

“IIA defines risk based internal auditing (RBIA) as a methodology that links internal auditing to an organization's overall risk management framework. RBIA allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.”

(Risk based internal auditing, Chartered Institute of Internal Auditors, 2014)

Question 1.2 is aiming to understand how important the Internal Audit function in the organization for the responder is.

Internal Audit plays an important role to the assurance structure of the organizations, it is also a key component for the organization's corporate governance and plays an important part to the management's and accountability's improvement so financial as non-financial. Internal Audit is a crucial function which provides assurance to the Audit committee, the Board of directors and the executive officers that the organization is successfully governed.

(The Institute of Internal Auditors – Australia, 2014)

Question 1.3 examines how regular the organization revises its Internal Audit processes and risk procedures.

The policies and procedures of the Internal Audit function should always be up to date, as well as its effectiveness and performance measures. Due to the continuous development of the industries Internal Audit must constantly improve all of its functions.

(Guidance on Effective Internal Audit in the Financial Services Sector, Chartered Institute of Internal Auditors, 2017)

Question 1.4 examines whether the Internal Audit function assists the organization to reduce its costs.

Internal Audit must always remain alert for opportunities that would improve its efficiency. Such opportunities are:

- Maximize the use of technology in benefit of its processes.
- Ensure that its processes are cost proportionate to risk it is facing.
- Better management of the controls costs (focus on the right risk and utilize the appropriate audit techniques).

Internal Audit shouldn't be solely focused on reducing its cost within its own function. Part of its processes should also be to look how to drive cost efficiencies over the organization. An enhanced comprehension of the business objectives and processes would allow the Internal Audit function to identify these cost efficiencies.

(Unlocking the strategic value of Internal Audit, 2010)

Question 1.5 is evaluating the contribution of the organization's Internal Auditors to reduce of loss due to fraud schemes.

Tangible (e.g. inventory, cash) and intangible (e.g. customer information) assets of an organization can be embezzled by employees, customers etc. Internal Auditors must ensure that the assets are protected by their controls. The organization's fraud risk assessment processes must identify the risks the assets are facing and effectively handle them, in order to avoid any losses.

(Managing the Business Risk of Fraud: A Practical Guide, 2008)

Question 1.6 examines whether Internal Audit function of the organization is in compliance with the established policies, laws and regulations.

The activity of the Internal Audit function should evaluate its exposure to risks relating to the operations, governance and information systems regarding the compliance of its function with policies, regulations and law.

(International Standards for the Professional Practice of Internal Auditing, 2016)

Question 1.7 aims to understand how important the Internal Auditors' reports are for decision making by the management.

The independent Internal Audit function established in the organizations provides a constant review of the risk management's, control's and governance's processes effectiveness. Internal Audit achieves this by:

- Reporting to the management the important information it needs to know promptly.
- Improving risk management, control and governance processes.

- Providing independent and impartial assessment of the organization's operations.
- Providing information to the management regarding the effectiveness of risk management, control and governance processes.

(The Institute of Internal Auditors – Australia, 2014)

When the responders answer these 7 questions they will find 8 more questions of Yes, No or Sometimes where they are asked to answer questions about their organizations.

Question 2.1 is aiming to understand whether the antifraud controls' effectiveness are regularly evaluated.

The board of directors' own practices should define the tone for the fraud risk management. The board should also ensure that management's implemented policies encourage ethical behavior, including procedures for employees, customers and third parties to report occasion where the standards aren't met. A regular matter on the board's agenda must be the monitoring of the organization's fraud risk management effectiveness.

(Managing the Business Risk of Fraud: A Practical Guide, 2008)

Question 2.2 evaluates if the audit committee is informed about the fraud risks within the organization.

A main characteristic of the fraud risk oversight is to confirm if the organization has policies and controls for the prevention and detection of fraud. The audit committee has to comprehend the identified by the management fraud risks, how are they controlled and monitored and if there are any additional risks that must be considered.

(Staying on course-A guide for audit committees-EY, 2014)

Question 2.3 examines if all the fraud incidents are reported in time to the organization's audit committee.

The Audit Committee regarding fraud matters must be kept fully in the picture. As soon as a fraud scheme is suspected to be activated in the organization the appropriate corrective processes should take place the earliest possible.

(Guidelines for the Audit Committee's assessment and response to the Risk of Fraud-KPMG, 2016)

Question 2.4 is checking whether ongoing training of fraud awareness is executed in the organization.

Fraud risk management expectations and preventive controls effectiveness can be accomplished with the establishment of an ongoing awareness program. Through regular assessments, communication and effective training fraud and misconduct schemes awareness is developed. The fraud risk management program of the organization will help with the fraud awareness. Documents that assist fraud awareness must describe and define the concept of fraud and its risks. Examples of the fraud types that may occur must be provided and also identify potential fraudsters profiles.

(Managing the Business Risk of Fraud: A Practical Guide, 2008)

When awareness fraud programs are designed, it the management's responsibility to evaluate who should attend the programs, their length and frequency, the methods of education etc. The board's needs for fraud awareness should also be considered by the management team.

(Managing the Business Risk of Fraud: A Practical Guide, 2008)

Question 2.5 is aiming to understand if the fraud risk is properly considered in the planning and execution of the internal control structures.

Internal control processes are established in the organization in order to protect its assets, ensure the financial records' integrity and deter and detect fraud schemes and theft. An important component of internal controls is segregation of duties which can mitigate the risk of fraud from happening.

(Six Strategies for Fraud Prevention in your business, 2014)

Question 2.6 is evaluating if the established monitoring controls are able to identify fraud incidents when they occur.

The increase of technological advances is allowing the organizations to establish automated controls that assist with the prevention and detection of fraud. Technology has nowadays allowed the organizations to progress from static or periodic techniques of fraud monitoring (detection controls) to continual real time fraud monitoring processes, which could actually prevent fraud from occurring.

(GTAG- Fraud Prevention and Detection in an Automated World, 2009)

Question 2.7 evaluates whether there is a procedure for the employees to report fraud activities to legal authorities.

The concept of whistleblowing is an important safety process and should be part of the internal audit function. Establishing a whistleblowing procedure should not be seen as a failure. The Board should consider the whistleblowing effectiveness regularly as part of the internal control management. Internal audit plays an important role in aiding the board in this area.

Regulators in several sectors are acting as a channel for those who feel concerned to express their concerns for fraud internally. For example, Financial Conduct Authority has set comprehensive guidelines outlining the approach for responding to whistleblowers from organizations in the financial sector. When concerns are raised FCA has the authority to investigate matters of fraud in an organization that it regulates, without compromising the fact that the information came from a whistleblower.

(Whistleblowing and Corporate Governance-The role of internal audit in whistleblowing, 2014)

Question 2.8 checks if the audit committee is responsible for monitoring and communicating fraud risks at board and executive level.

Internal audit committee and the board are aiming to achieve the same goals. It is important for the organization that a strong working relationships exists between them, in order for the internal audit function to achieve its objectives and fulfill its

responsibilities to the board, the shareholders and the executive management. The audit committee often reports to the board, depending on the structure of the organization. A successful internal audit function provides assurance to the board and proposes upgrading options for the risk management, internal controls and governance of the organization.

(IPPF – Practice Guide Interaction with the Board, 2011)

The final question asks from the responders to express their opinions with a few words.

Question 3.1 Aims to understand the responder’s opinion regarding the perceived value the organization receives from its internal audit activities.

The pressure of competition demands from the organizations today to take the most they can from their resources and internal audit is one of the most crucial. Further to their responsibilities for assessing and suggesting internal controls, the skills of internal auditors in management of risk and their wide perspective of the organization locates them as an important resource for powerful corporate governance. Therefore senior managers and boards are depending on internal auditors for their advices and counsels from matters operation analysis and risk assessment to advice for corporate governance improvement. Furthermore internal auditors are challenged to apply their knowledge in even wider ways such as evaluation of emerging technologies, detection and deterrents of fraud, analysis of the efficiency of the policies and procedures and search for opportunities to reduce the organization’s expenses. There is no better function than internal audit when it comes to adding value to an organization.

(Internal Auditing: Adding value across the Board, 2017)

3.3 Survey answers

The results of the questionnaire are now presented as they have been answered by the participants.

We will start with 7 statements where the responders had to decide between 1-Strongly Agree to 5-Strongly Disagree.

Question 1.1

All risks are properly identified and included in the audit process.

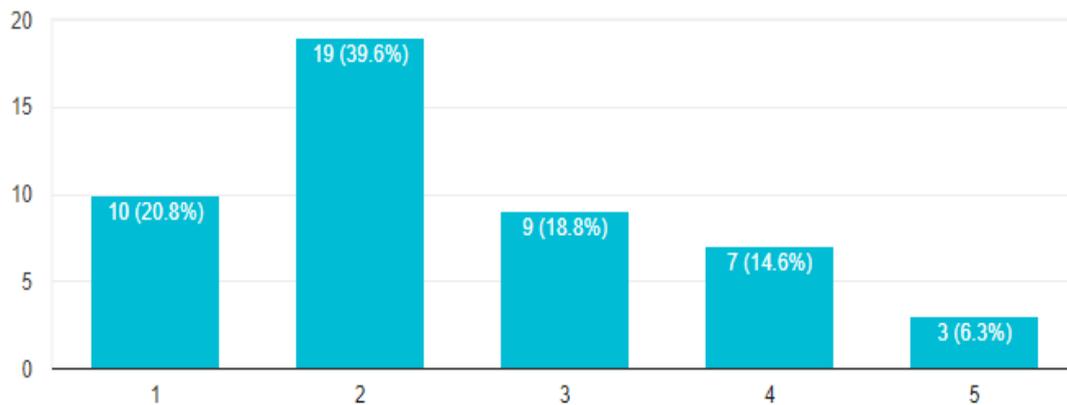


Figure 1.1.1: Column Chart of all the participants

Based on the responders' answers most of them (19 responders-39.6%) Agree that in their organizations most of the risks are properly identified and included in the audit process. 10 responders (20.8%) Strongly Agree with this statement, 9 responders (18.8%) answered that some of the risks are identified and included, 7 responders (14.6%) answered that few of the risks and 3 responders (6.3%) that none of the risks are identified and included in their organization's audit process.

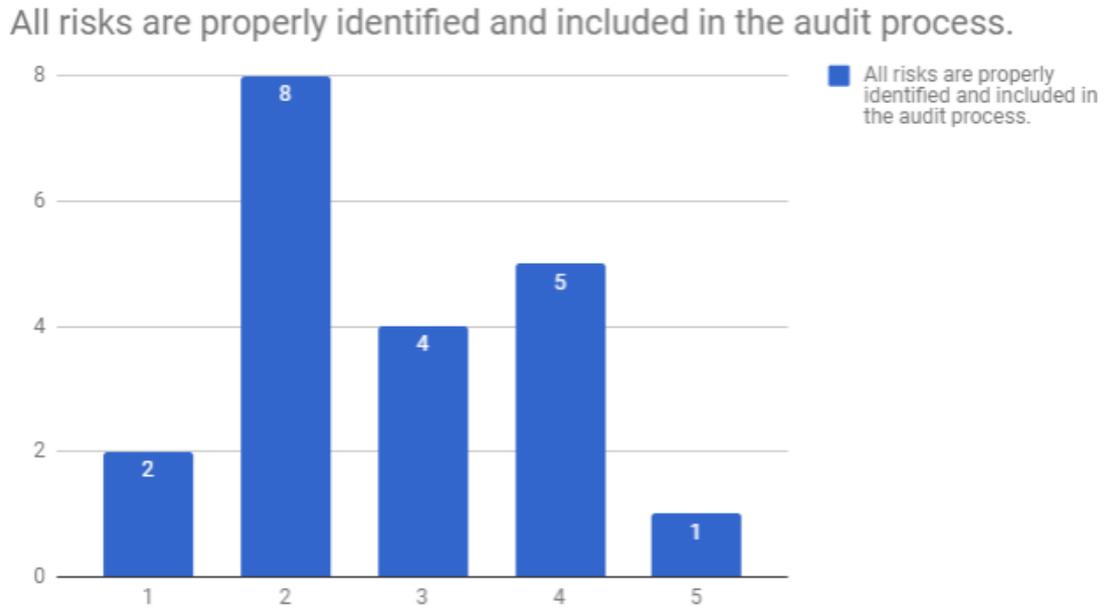


Figure 1.1.2: Column Chart of the 20 companies based abroad

There no significant differences in the answers of the Greece and abroad based companies.

Question 1.2

The operational internal audit function is recognized as important to the organization in that it adds value to the organization.

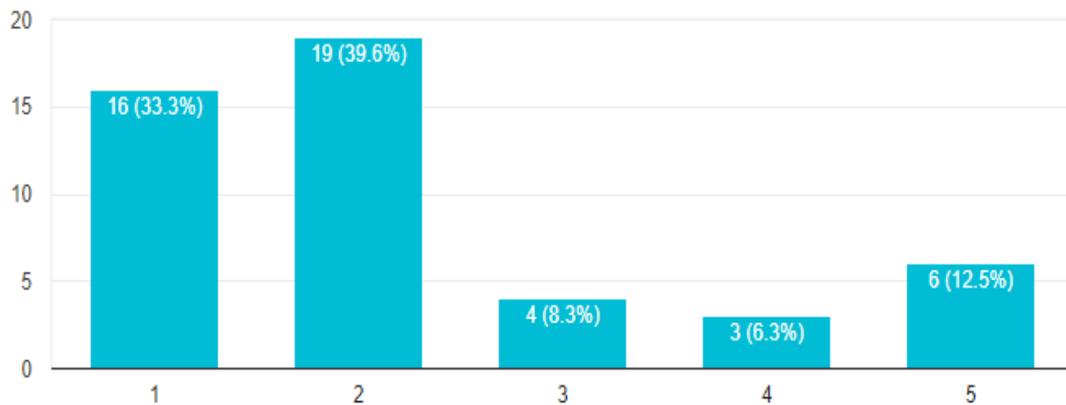


Figure 1.2.1: Column Chart of all the participants

From the answers its concluded that 16 responders (33.3%) strongly believe that the internal audit function adds value to their organization, 19 responders (39.6%) agree with this statement, 4 responders (8.3%) are undecided, 3 responders (6.3%) disagree and 6 responders (12.5%) strongly disagree with the notion that internal audit adds value to their organization.

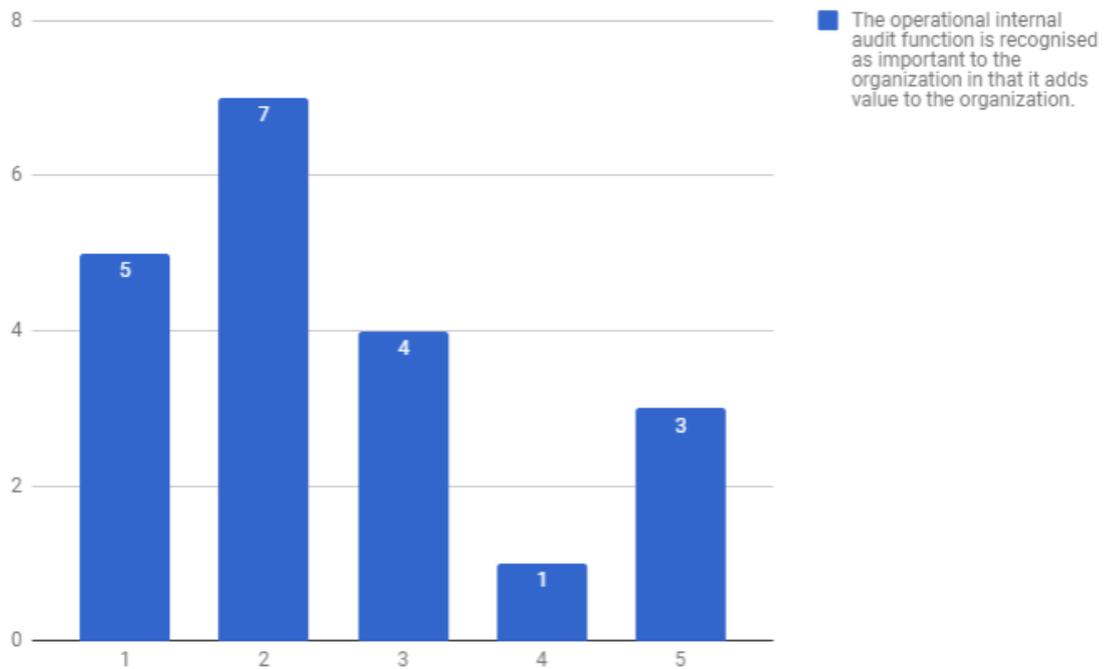


Figure 1.2.2: Column Chart of the 20 companies based abroad

We do not notice any difference in the answers of the Greece and abroad based companies.

Question 1.3

The risks the business faces and operational internal audit procedures are revised regularly to ensure that the organization does not face unidentified risks.

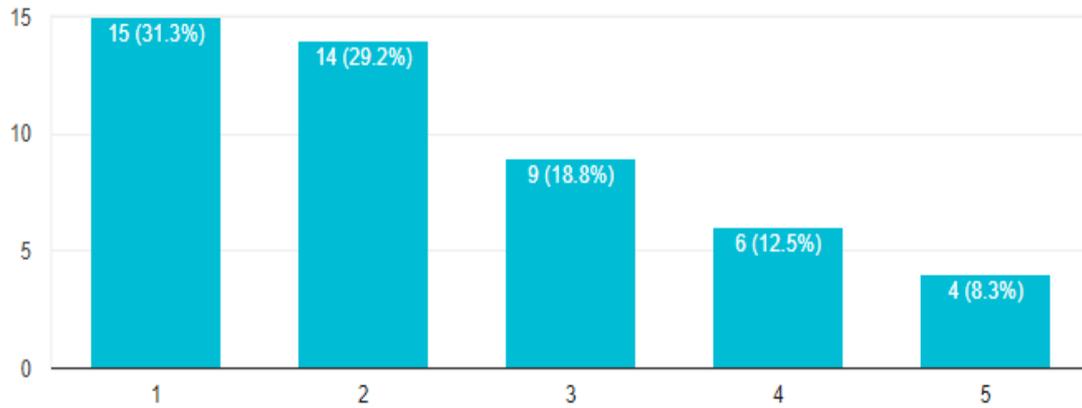


Figure 1.3.1: Column Chart of all the participants

Most of the responders (15 responders-31.3%) state that all the risks their organization faces and its operational audit procedures are regularly revised. Then with small difference 14 responders (29.2%) agree with this statement, 9 responders (18.8%) are undecided, while 6 responders (12.5%) disagree with the statement and 4 responders (8.3%) answer that the risks in their organizations are not revised as they should have been.

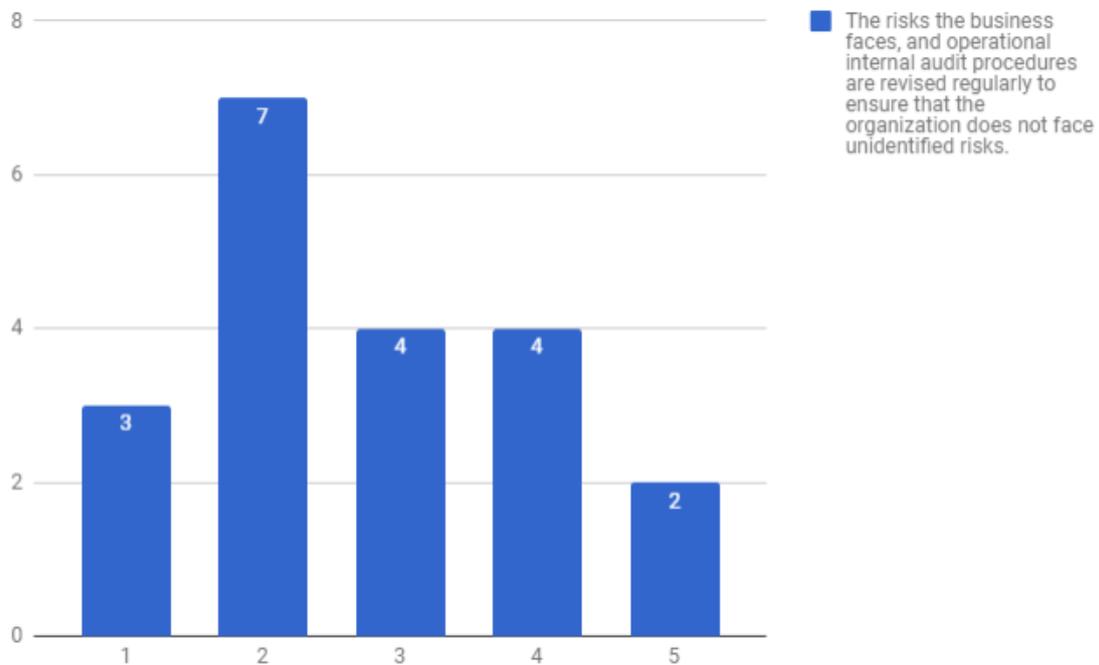


Figure 1.3.2: Column Chart of the 20 companies based abroad

We do not notice any difference in the answers of the Greece and abroad based companies.

Question 1.4

The operational internal audit function is cost effective to the organization.

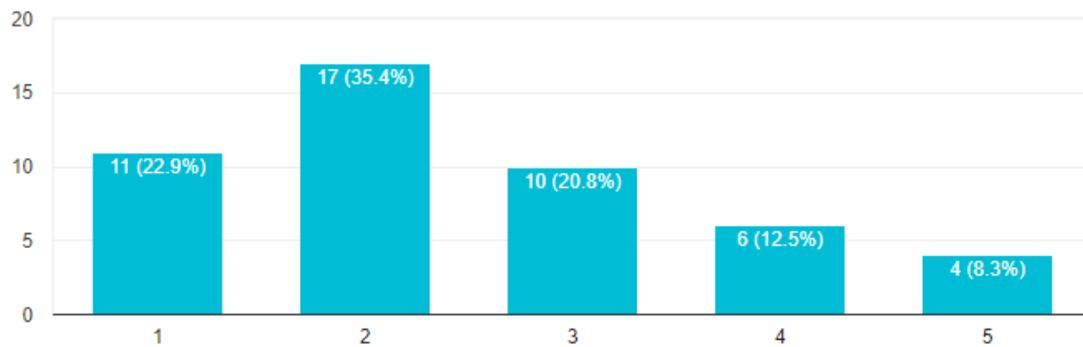


Figure 1.4.1: Column Chart of all the participants

Most of the responders (17 responders- 35.4%) agree with the statement that internal audit is cost effective, 11 responders (22.9%) strongly agree, 10 of the responders (20.8%) are undecided, 6 responders (12.5%) disagree and 4 responders (8.3%) strongly disagree with this statement.

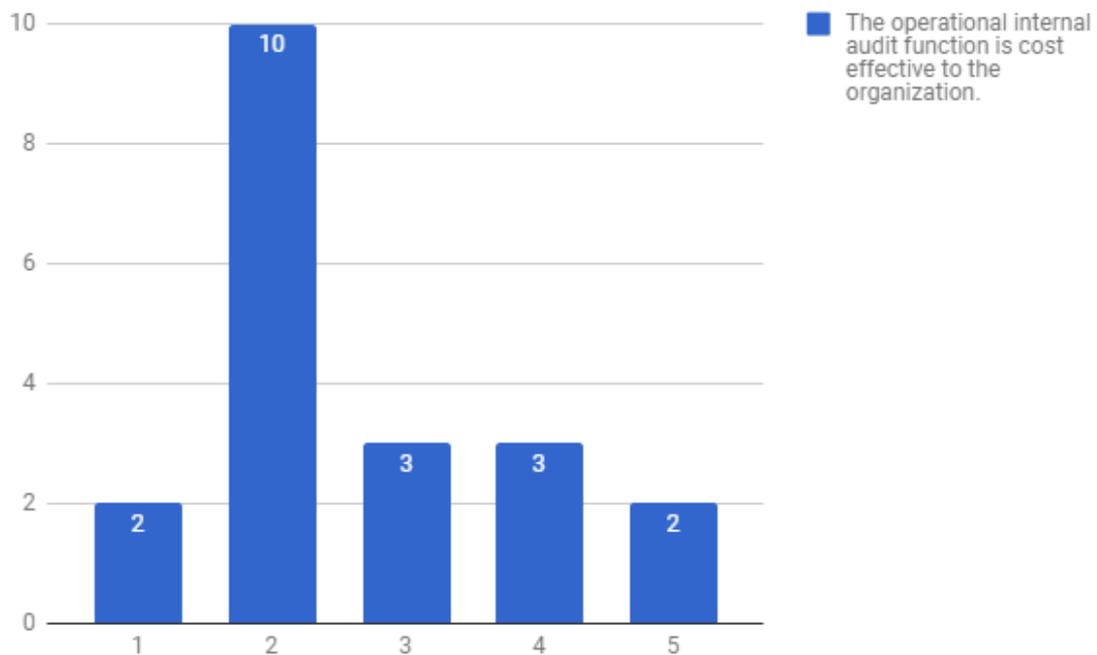


Figure 1.4.2: Column Chart of the 20 companies based abroad

The pattern of answers seems to be the same for the Greece and abroad based organizations.

Question 1.5

The operational internal auditor has assisted the organization to reduce the incident of loss through fraud.

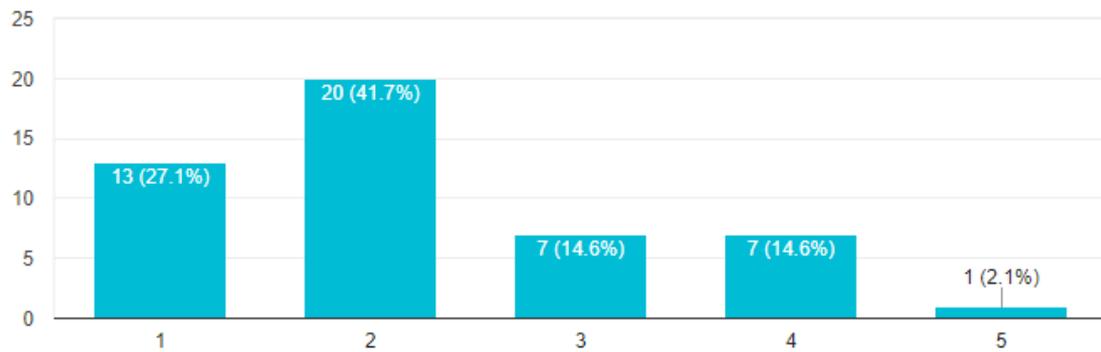


Figure 1.5.1: Column Chart of all the participants

13 responders (27.1%) strongly agree that the auditors have reduced the cost of loss through fraud in their organizations, 20 responders (41.7%) agree with this notion, 7 responders (14.6%) are undecided in the matter, 7 of the responders (14.6%) disagree and 1 responder (2.1%) strongly disagrees.

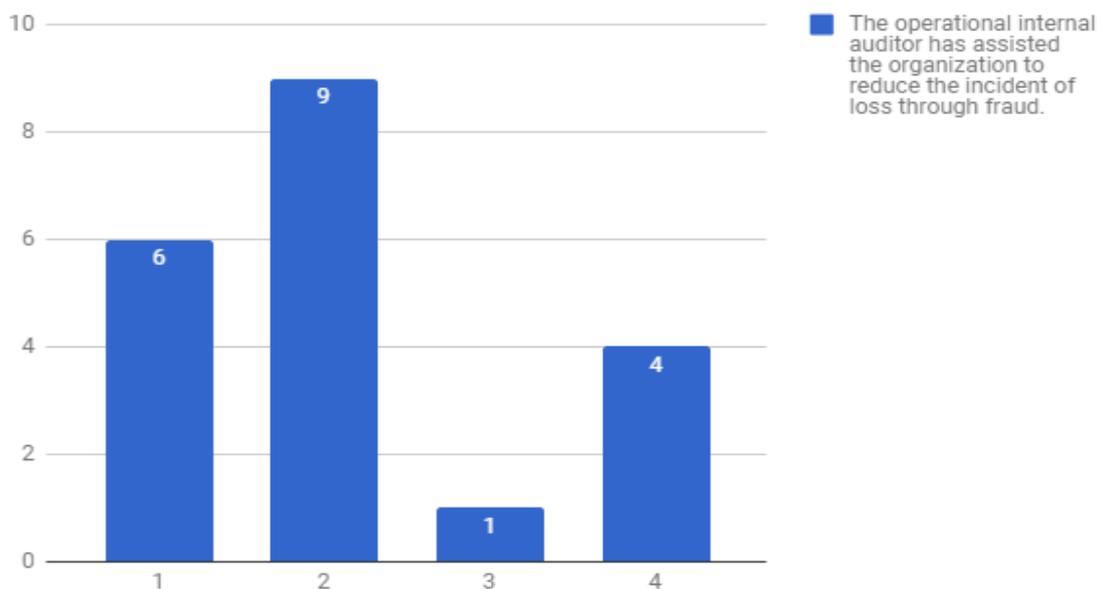


Figure 1.5.2: Column Chart of the 20 companies based abroad

The pattern of answers seems to be the same for the Greece and abroad based organizations.

Question 1.6

In my organization internal audit ensures activity performed is compliant with established policies, procedures, laws and regulations.

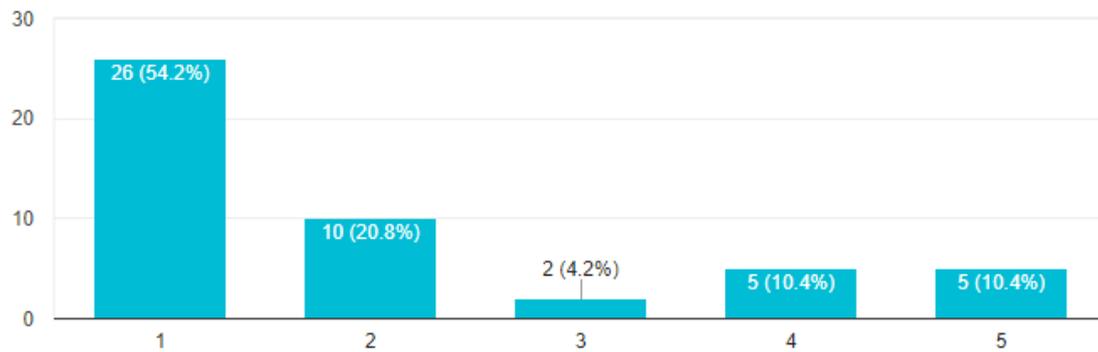


Figure 1.6.1: Column Chart of all the participants

The majority of the responders (26 responders-54.2%) strongly agree with the notion that internal audit ensures activity performed in their organizations is in compliance with the established policies, laws, procedures and regulations. 10 responders (20.8%) agree, 2 responders (4.2%) are undecided, 5 responders (10.4%) answered that they disagree and 5 responders (10.4%) strongly disagree with this statement.

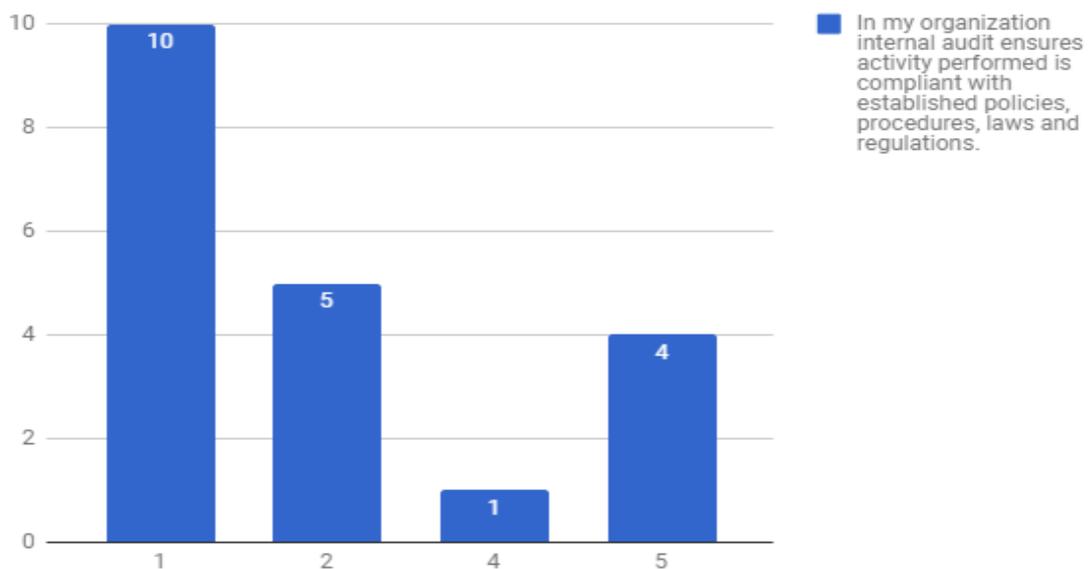


Figure 1.6.2: Column Chart of the 20 companies based abroad

Once again the Greece and abroad based participants answered in the same way.

Question 1.7

The internal auditor's reports are highly considered for decision making and internal controls by management.

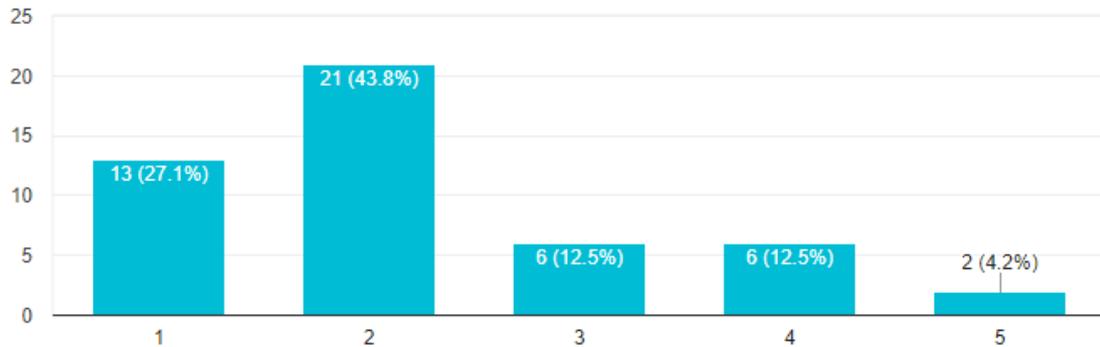


Figure 1.7.1: Column Chart of all the participants

13 of the responders (27.1%) strongly agree with this statement about their organizations, 21 responders (43.8%) agree, 6 responders (12.5%) are undecided, 6 responders (12.5%) answer that the internal auditor's reports are not considered by management. 2 responders (4.2%) strongly disagree with the initial statement.

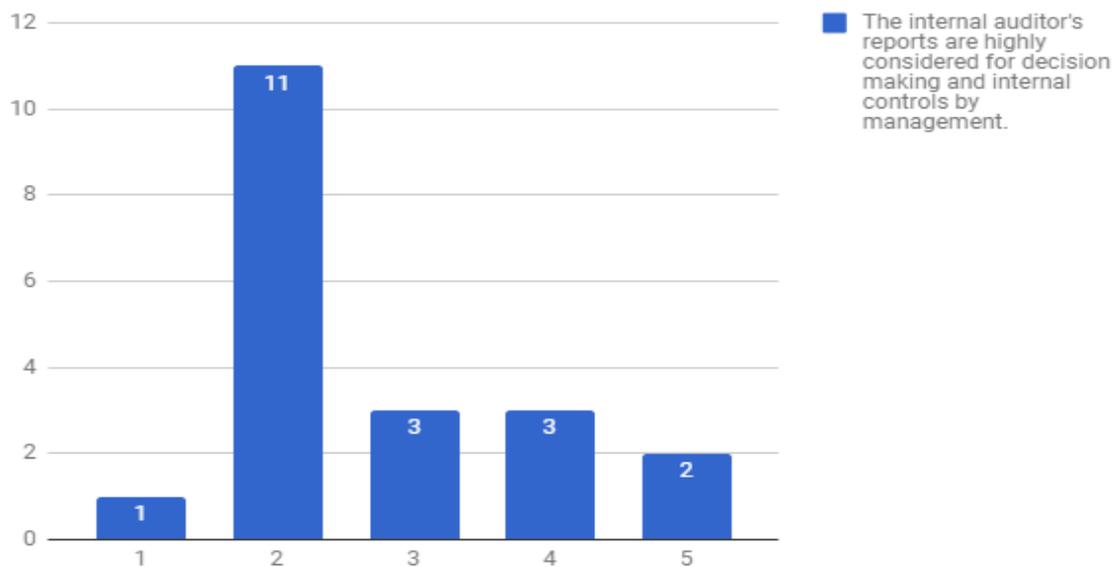


Figure 1.7.2: Column Chart of the 20 companies based abroad

There are significant differences between the answers of Greece and abroad based companies once again.

We continue with 8 questions where the responders choose the appropriate answer for their organizations among Yes, No and maybe.

Question 2.1

Does internal audit evaluate the effectiveness of antifraud measures on an ongoing basis?

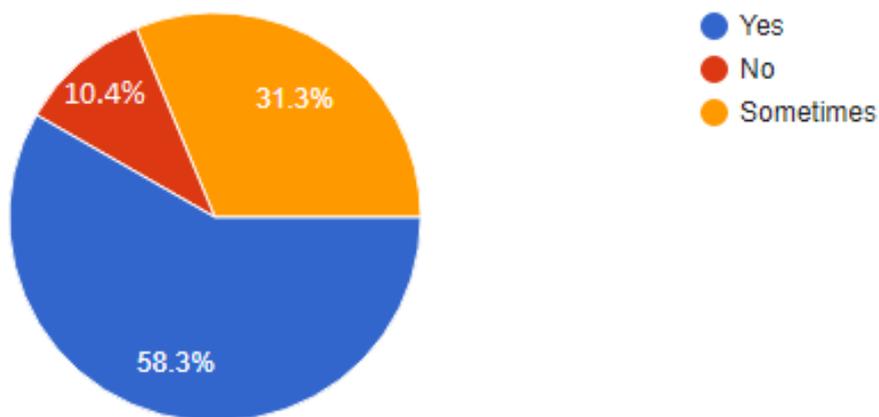


Figure 2.1.1: Pie Chart of all the participants

The majority of the responders (28 responders-58.3%) answered that in their organizations internal audit evaluates regularly the effectiveness of antifraud measures. 15 responders (31.3%) answered sometimes and 5 responders (10.4%) answered no.

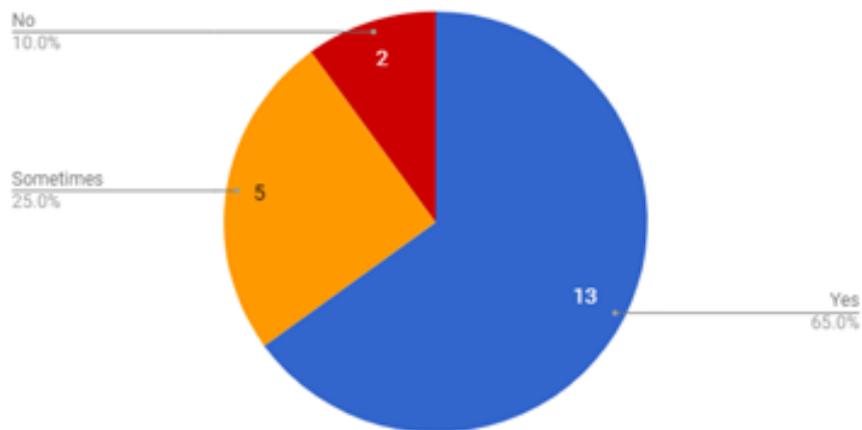


Figure 2.1.2: Pie Chart of the 20 companies based abroad

The percentages in both cases are the same.

Question 2.2

Is the audit committee alert to fraud risks within the organization?

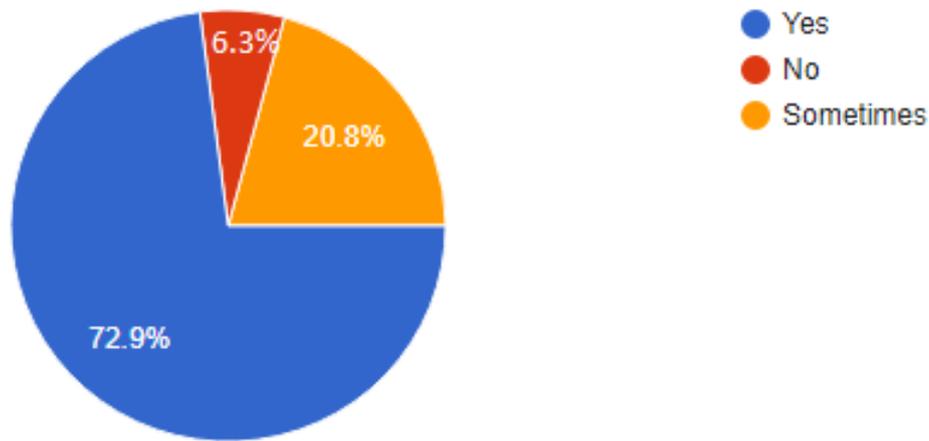


Figure 2.2.1: Pie Chart of all the participants

The vast majority answered yes (35 responders-72.9%) that in their organizations the audit committee is alert to fraud risks. 10 responded sometimes (20.8%) and 3 answered no (6.3%).

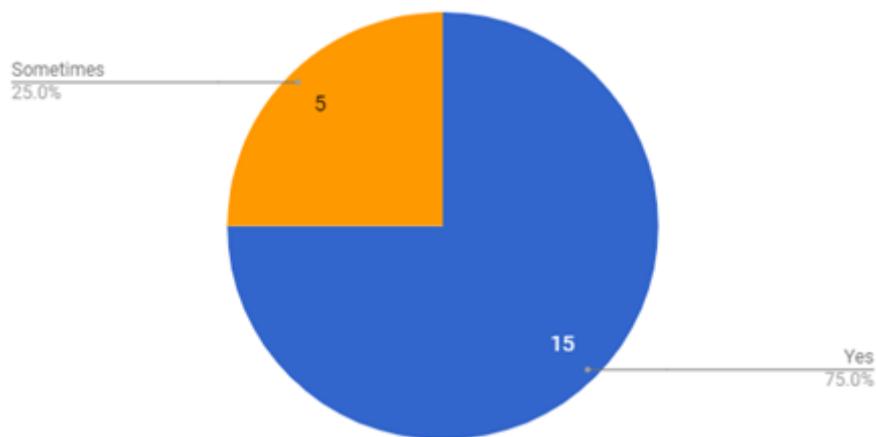


Figure 2.2.2: Pie Chart of the 20 companies based abroad

Greece and abroad based participants have the same answers.

Question 2.3

Do all fraud occurrences get reported to the audit committee?

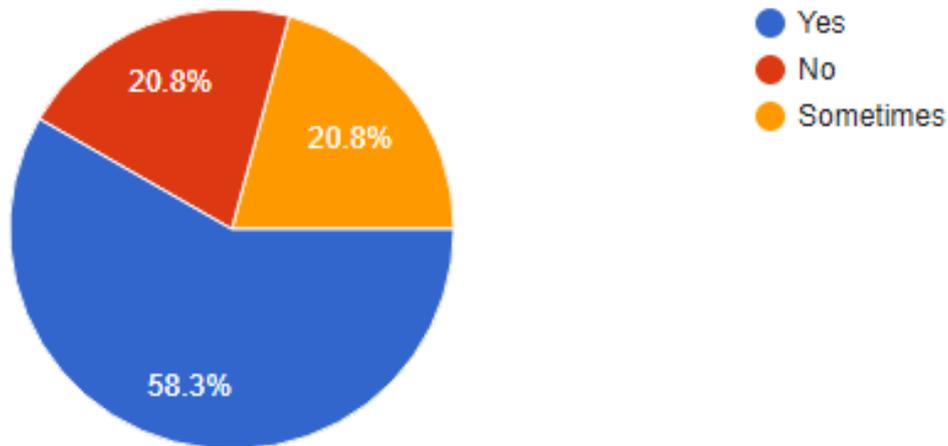


Figure 2.3.1: Pie Chart of all the participants

28 of the responders (58.3%) answered that fraud concerns in their organizations are reported to the audit committee, 10 responded (20.8%) sometimes and 10 responded (20.8%) that they are not reported.

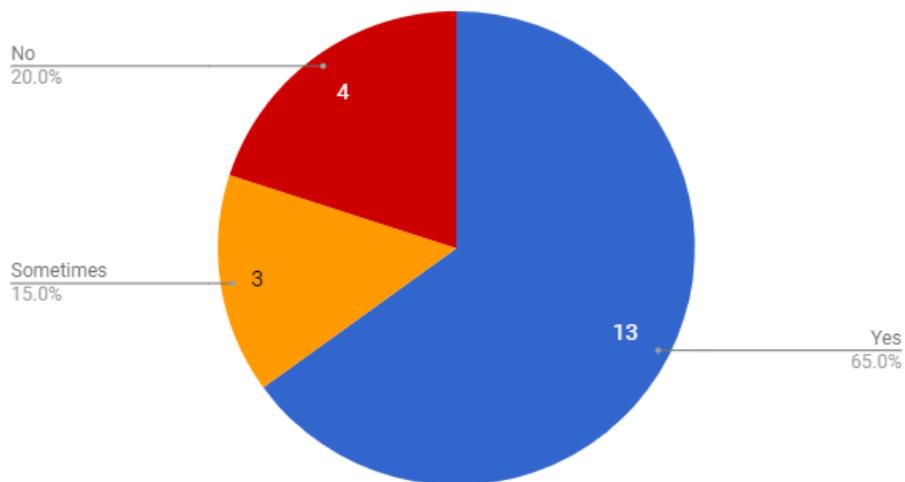


Figure 2.3.2: Pie Chart of the 20 companies based abroad

Same pattern in their answers for the Greece and abroad based participants.

Question 2.4

Is ongoing fraud awareness training carried out?

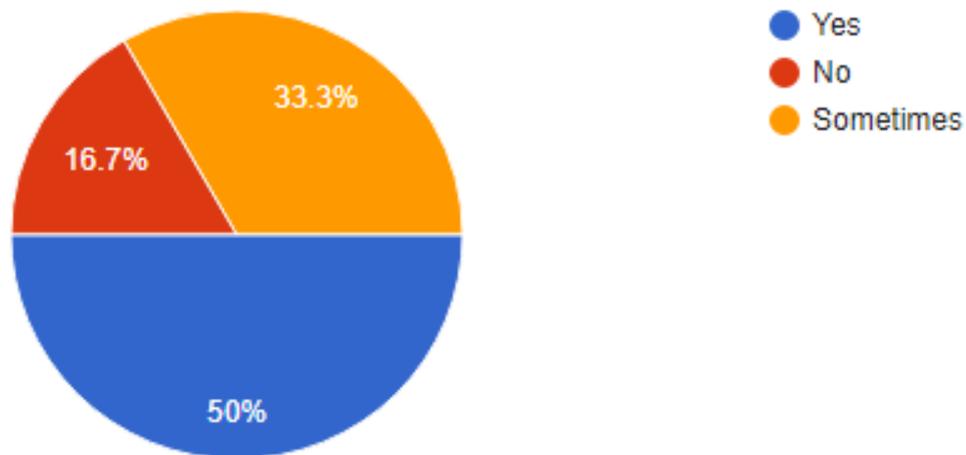


Figure 2.4.1: Pie Chart of all the participants

Half of the responders (24 responders-50%) answered that ongoing fraud awareness training is carried out to their organizations, 16 responders (33.3%) answered sometimes and 8 responders (16.7%) answered that no training is carried out in their organizations.

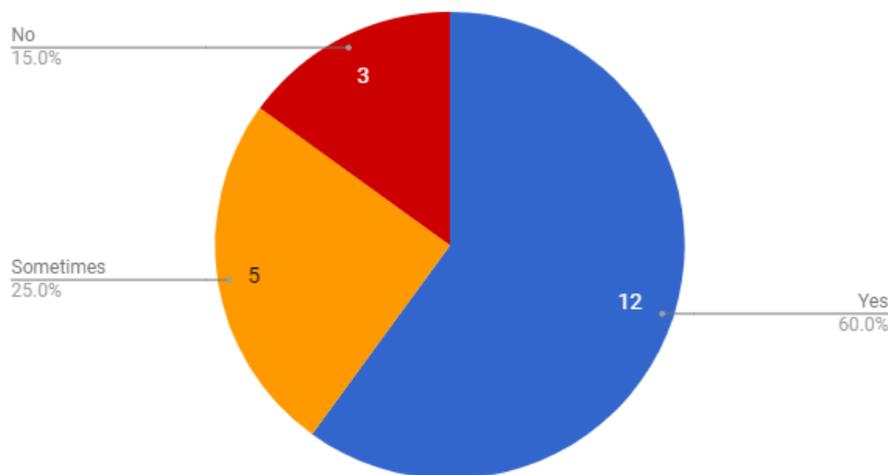


Figure 2.4.2: Pie Chart of the 20 companies based abroad

Same pattern in their answers for the Greece and abroad based participants.

Question 2.5

Is fraud considered in the design and implementation of internal control structures?

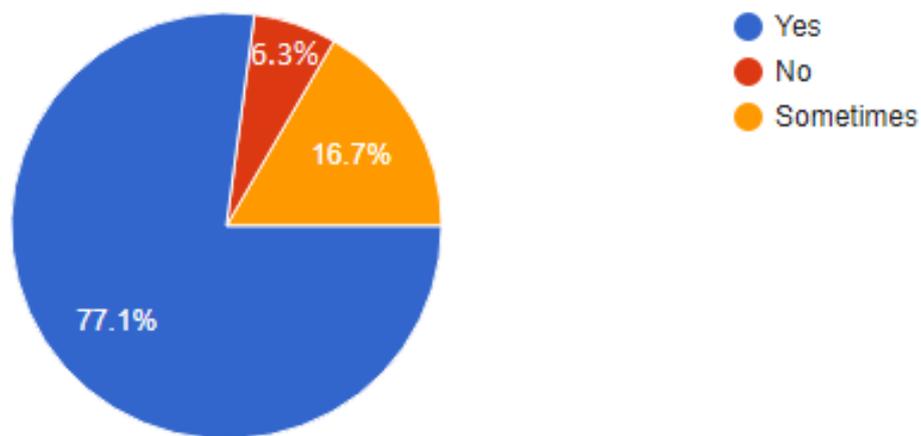


Figure 2.5.1: Pie Chart of all the participants

37 of the responders (77.1%) answered that fraud is considered in the design and implementation of internal audit controls structure, 8 answered (16.7%) sometimes and 3 answered (6.3%) that fraud is not considered.

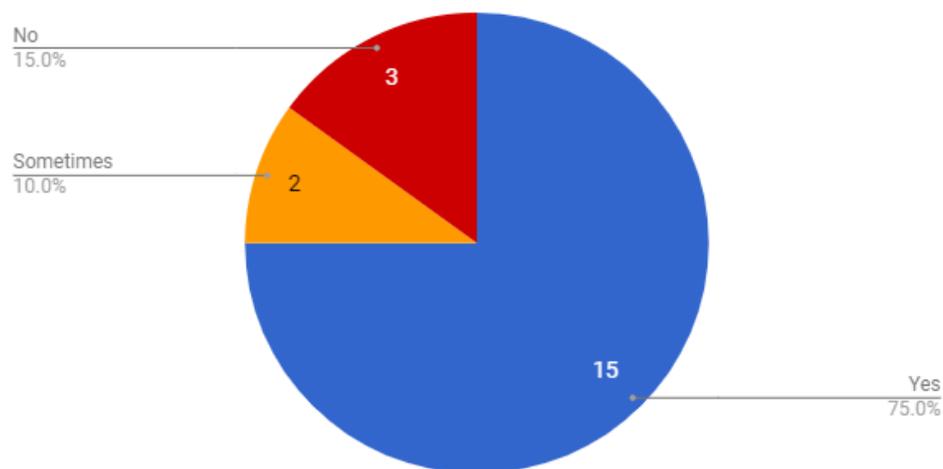


Figure 2.5.2: Pie Chart of the 20 companies based abroad

There is no significant difference in the answers of the Greece and abroad based participants.

Question 2.6

Are adequate monitoring controls in place and effective to identify red flags for fraud, should they occur?

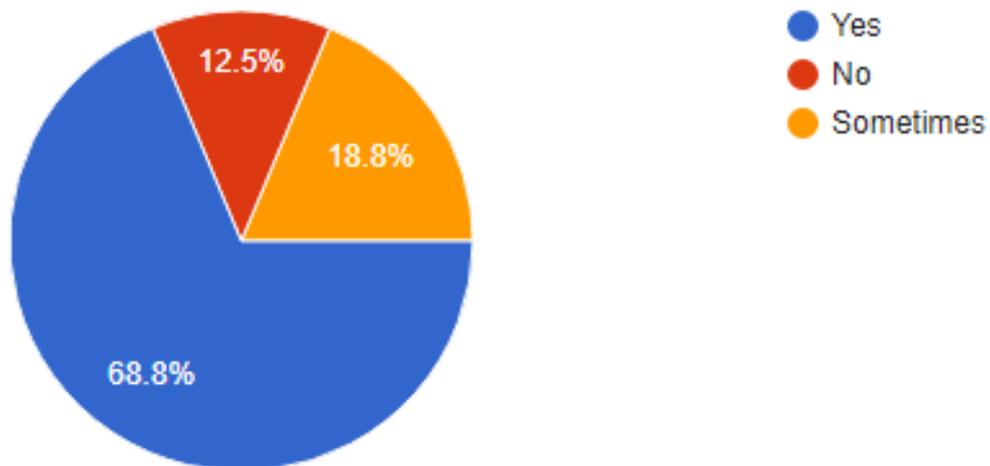


Figure 2.6.1: Pie Chart of all the participants

The majority of the responders (33 responders-68.8%) answered that adequate monitoring controls are in place in their organizations and effectively identify fraud when it is occurring, 9 answered (18.8%) sometimes and 6 answered (12.5%) that there are no adequate monitoring controls.

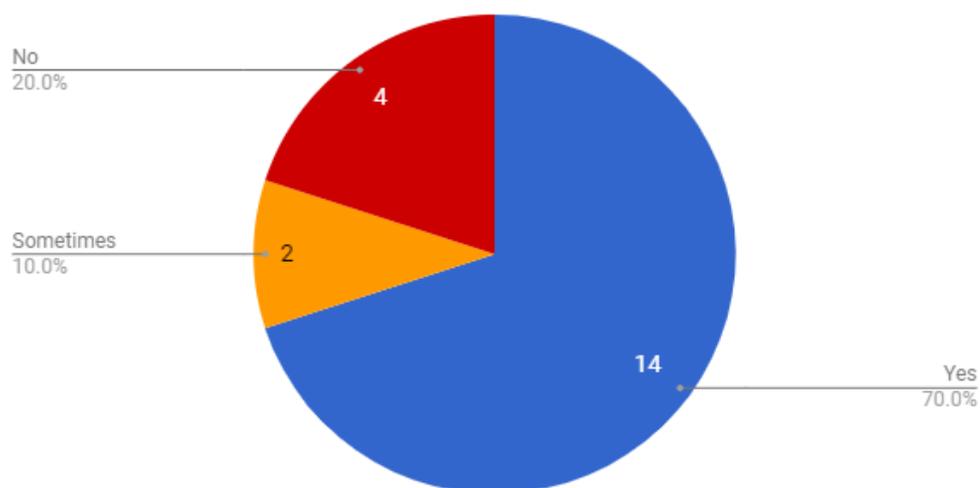


Figure 2.6.2: Pie Chart of the 20 companies based abroad

There is no significant difference in the answers of the Greece and abroad based participants.

Question 2.7

Is there a policy for reporting all fraud activities to legal authorities and pressing charges?

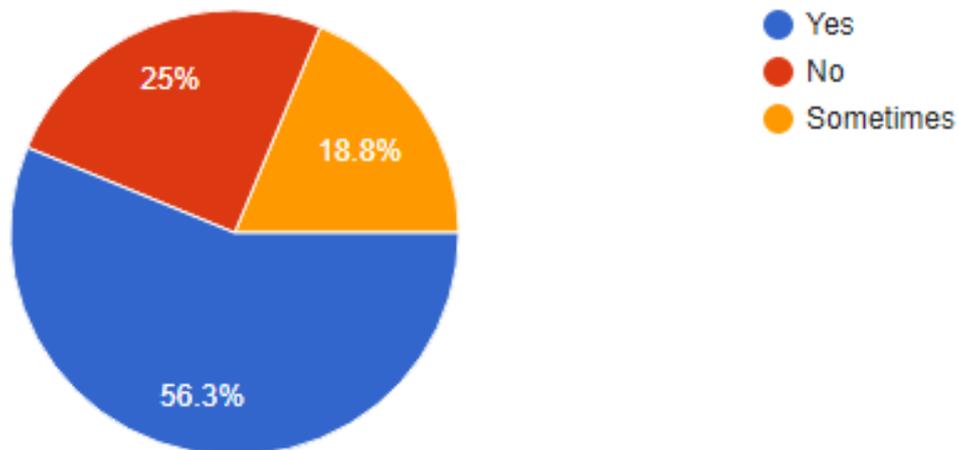


Figure 2.7.1: Pie Chart of all the participants

From those who answered 27 responders (56.3%) answered that there is a reporting policy in their organizations for those who want to report fraud in the legal authorities, 9 responded (18.8%) sometimes and 12 answered (25%) that there is no such policy in their organizations.

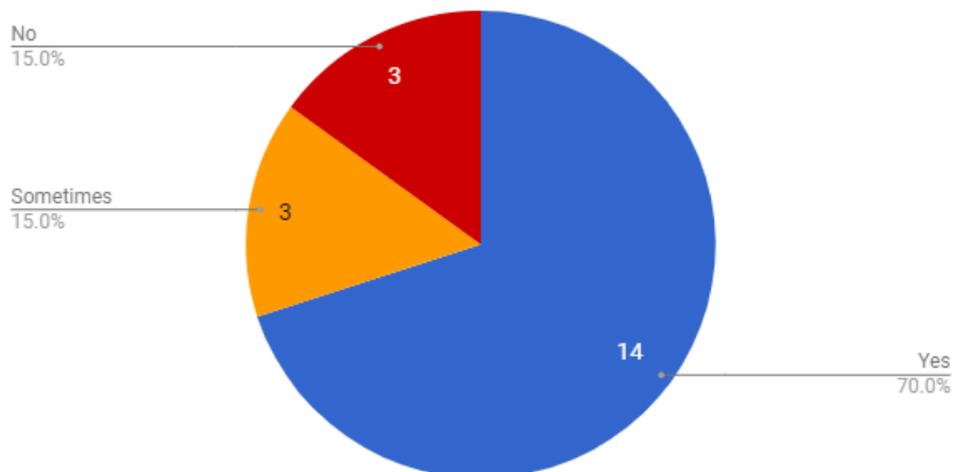


Figure 2.7.2: Pie Chart of the 20 companies based abroad

A significant difference is noticed between the Greece and abroad based participants who answered yes. Those based in Greece who answered yes were the 27% in contrast with those who are based abroad who answered yes by 70%. This means that

in Greece the policies for reporting fraud activities to legal authorities needs improvements.

Question 2.8

Does the audit committee take responsibility for monitoring and communicating fraud risks at board and executive level?

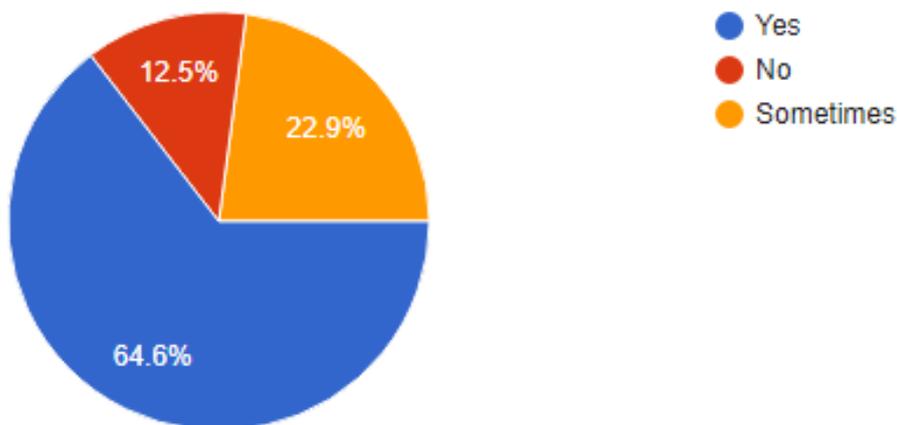


Figure 2.8.1: Pie Chart of all the participants

31 answered (64.6%) that the audit committee in their organizations takes responsibility for monitoring and communicating fraud risks at their board and executive level. 11 answered (22.9%) sometimes and 6 answered (12.5%) that the audit committee of their organizations does not have the responsibility.

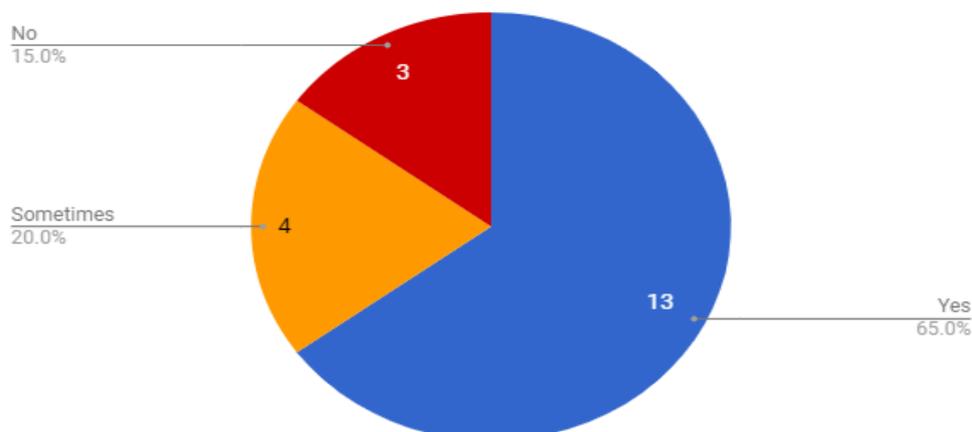


Figure 2.8.2: Pie Chart of the 20 companies based abroad

No significant difference is noticed in the answers between Greece and abroad based participants.

The final question asks from the participants to express their opinion with a few words.

Question 3.1

What perceived value does the organization receive from its internal audit activities?

1. Improve the effectiveness of risk management, control, and governance processes.
2. It provides an independent, objective opinion as to the quality of the business controls.
3. It helps my organization mitigate fraud risks.
4. Assess the risks on a periodical basis.
5. It provides assurance about the robustness of internal control environment.
6. Internal audit in my company decreases/ eliminates the negative feedback from the customer players. In such companies a fraud can significantly damage the company's reputation, which will result to reduction of sales as well as the money contribution for good causes in UK.
7. Improves our procedures and reduces their costs.
8. Internal audit process evaluates operational effectiveness and proposes improvements when necessary.
9. Promotes fraud awareness in all of our staff.
10. It helps us achieve our objectives.
11. Internal audit is a waste of management's time.
12. Professional assessment over the controls per department, service and product, perform efficiently and create an environment where the values of the organization can be applied.
13. It reduces significantly the internal fraud incidents, due to the preventive measures it has established.
14. Identifies, evaluates and monitors risks in our everyday transactions with our customers.
15. Internal audit cares only about cutting costs without considering that they affect the performance of the business.

16. All our employees feel more confident to use our internal procedures and processes since we have an efficient and trustworthy audit department which is constantly monitoring and enmeshing them.
17. Ensures the protection of the firm's reputation.
18. The internal audit controls are most of the time difficult to understand and moreover they are constantly changing therefore we cannot keep up with them.
19. Internal audit is of a major importance to all organizations and it adds value and protection to the organizations services.
20. Lots of employees feel harassed and untrustworthy due to the constant inspection from internal auditors.
21. To ensure relevant policies and procedures are implemented correctly and are being followed by all the staff.
22. Assurance and consulting services.
23. The cost of establishing an internal audit department is too high especially for a small company, therefore I don't believe that internal audit is essential for a company.
24. Protect brand name -protect customer -detect money laundering and financial crime -protect our organization.
25. Fairly high, though it is not necessarily pervasive throughout the company. Additionally, many employees consider it to be more of a support function. It is considered valuable, however dealt with at arm's length by many. Perhaps more direct involvement with other departments could be helpful in showing the importance of internal audit activities.
26. Minimizing risks.
27. Perceived contribution to governance, risk management and control processes by the internal audit activity, the board of directors, senior management, and other stakeholders.
28. Possibility to restructure/optimize procedures that are out of date and align better information system with day to day activities.
29. An integral part of our corporate culture. Therefore indispensable.
30. Protect organization from being used by financial crime activities such as money laundering, human trafficking.

31. Internal audit enhances by its involvement not only operational or financial areas, but strategic areas as well. It sometimes works as a culture change agent, it improves the communication between different people or departments and has an essential role in the development of a strong control environment.
32. Assurance for the effectiveness of the internal controls, compliance with any processes/procedures about fraud risk management, decline of fraud incidents.
33. It's the third line of defense, therefore very important for the operation of the company.
34. Mitigating compliance and operational risk.
35. It is enhancing all of the organization's operations and it's cost effective.
36. Our organization has effectively decreased the value of the internal audit function, as it is now an operational division under management with no independence.
37. Internal Audit is a trusted advisor.
38. Our job is to keep the bank and our customers safe. Internal Audit designs and delivers a risk-based audit plan to provide assurance on the bank's material risks and report on whether the bank is managing them effectively. Internal Audit engages with management to provide perspectives, help our colleagues to put the right controls in place and challenge so as to influence the building of a sustainable bank.
39. Internal Control strengthening.
40. In my opinion internal audit mechanism to the public sector should be applied in order to reduce the risk of frauds both for the employees and third parties that are closely involved to the public sector - governmental organizations.
41. Assurance that identified risks are mitigated to an acceptable level.
42. Helps organization accomplish its objectives.
43. The company is compliant with laws and regulations thanks to its internal audit processes.
44. All the procedures of the organization are filtered from the internal audit function.
45. Assists the board to understand the risks the organization is facing and suggests ways to mitigate them.
46. We have reduced our operating costs thanks to the suggestions of the internal audit department.

47. Internal audit is the shield against everyday risks for the company.

48. Informs the employees for any newly identified risk the company may have to face.

Although the majority of the participants' answers were positive over the Internal Audit adding value to the organization, 6 of the responders (answers 11, 15, 18, 20, 23, 36) believe that Internal Audit not only does not add value but it also creates problems for the organization and its employees.

3.3 Conclusions of the survey

This survey was conducted with the assist of the 48 participants around the world (28 from Greece and 20 from abroad). All of them are experienced individuals working in the sectors of Internal Audit, Finance, Risk management and Compliance.

Regarding the identification of the risks and their inclusion in the audit process the answers here are mostly positives but it is noticed that in the answers of the abroad based participants the opinions are divided, which arises issues regarding the efficiency of the internal audit processes in their organizations.

From the answers received it is clear that for the most of them Internal Audit is a value adding function which assist the organization with matters of e.g. Fraud, Risk management, Compliance, Controls efficiency. Although there is a 27.1% which doesn't believe or is not convinced that internal audit adds value.

The risks and internal audit procedures are revised regularly for most of the participants but once again there are a 20.8% of participants (10 participants 6 of which are based abroad) who disagree with this notion, which is a major malfunction for the organization and their battle against fraud schemes.

Most of the participants see internal audit as a cost-effective function 58.3% against 20.8% who disagree and 20.8% who are not so convinced.

It is clear from the responses that internal audit is an important function for the organization against fraud losses.

The Greek participants are positive, 21 out of 28 claimed that the policies, procedures, laws and regulations are followed by their organizations thanks to internal audit. A small sample of 5 out of 20 abroad based claims that their organizations aren't compliant with these.

Based on the answers the management of the organization considers highly of the internal audit reports for the making of a decision and the establishment of internal controls.

The regular evaluation of antifraud measures from internal seems to be important for the organizations since most of the participants answered that it is reviewed in an ongoing basis, more specifically 58.3% answered Yes and 31.3% sometimes.

It is encouraging that 72.9% answered that the audit committee is alert to fraud risks in the organization, this means that the organizations are well protected against fraud.

Although from the responds we understand that the companies have established antifraud measures, when a fraud does occur only 58.3% responded that the audit committee is informed regarding this event.

Fraud awareness training plays an important role for an organization who wants to be shield from fraud risks, although only 50% of the participants answered that training is carried out in a regular basis.

Fraud is of high importance for an organization, therefore it is considered in the design and implementation of the internal control structure, with the 77.1% of the participants to agree.

According to the 68.8% of the participants adequate monitoring controls which are in place to identify red flags for fraud when it occurs, while 18.8% answered sometimes.

It seems that there are no adequate policies for reporting fraud activities to legal authorities and press charges, since only 56.3% answered that such a policy exists in their organization. What is even more concerning is that in Greece only 27% answered positive, while the participants from abroad answered positive by 70%.

The audit committee is responsible for monitoring and communicating fraud risks at the board and executive level based on the answers of the 64.6% of the participants.

When participants were asked to express their opinion regarding the values an organization receives from its internal audit activities, the results showed how important the internal audit function is for the safety of the organization, the protection against fraud, the effectiveness in matters of cost, the advisory role for essential decisions, the risk management and pretty much every function of the organization. However, there were some (6 participants out of 48) who claimed that internal audit is not helping their organization but creates problems for the employees by e.g. confusing them with the constant changes in its regulations and the management by e.g. wasting valuable time with the audit reports.

In conclusion Internal Audit is a valuable tool for any organization but it has to be established efficiently, in order to assist with the organizational problems and not to create ones.

Conclusion

The subject of the Thesis is the key role Internal Audit has in the organization regarding the battle against fraud, with preventive and detective measures. The concepts of fraud and internal audit were analyzed, as well as the motivations of the fraudster and the active role of the internal audit in fraud risk management. A survey was conducted with the use of Google forms and it was sent worldwide via email and LinkedIn.

Fraud risk is one of the biggest concerns in an organization, since it can negatively affect its profitability and productivity, as well as its reputation. It is clear that even the most effective programs cannot assure that fraud incidents won't transpire, but much is expected from the internal audit function regarding this matter. It is only logical since internal audit by providing its activities towards the assurance of the improvement and effectiveness of the organization's processes, collaborates with every function of the organization, which allows internal audit to possess an ideal position in order to reduce the fraudulent activities within.

The importance of internal audit against fraud is also emphasized by the Institute of Internal Auditors (IIA), by defining the internal auditor's role through practical guides. However, the responsibilities and tasks of the internal auditor are not specified, which points to the conclusion that the effectiveness of the internal audit depends solely on the internal auditor's knowledge, responsibility and skills, as well as the support it receives from the organization. Regarding this, a well-established internal audit, with auditors who have professional skepticism and who constantly improve their knowledge on fraud are capable of reducing the fraud risk in the organization. It can be achieved by assisting the fraud risk management to improve the effectiveness and adequacy of its strategies and its preventive and detective processes for fraud, the search of potential fraud risks, by monitoring and identifying weaknesses in the system etc. Through the implementation of the previous activities internal audit can respond to the dangers of fraud risk and assist the organization to achieve its objectives.

The results of the survey come to the same conclusion with the literature review although there were couples of cases where the participants disagree with the adding value of the internal audit function, which must be result of a badly established internal audit program. Nonetheless internal audit is a vital function in the organization which adds value and assists the board to achieve its objectives.

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