

Audit, Assurance, Fraud Awareness, and Ethics

Audit and Assurance

- **Audit:** Systematic, independent examination of data, statements, records, operations, and performances for a stated purpose.
- **Assurance:** Independent professional service to improve information quality for better decision-making.
- **Audit is a type of assurance service.**

Understanding Assurance:

- Three parties: data owner, independent practitioner, stakeholders.
- Subject matter and standard criteria.
- Evidence collection and professional reporting.
- Assurance services deal with past data.

Rationale for Audits

- Governance tool to assure management and stakeholders.
- Continuous improvement of financial and administrative systems.
- Identify policy gaps and risks.
- Establish financial integrity.

Types of Audits

- **Statutory Audits:** Required by law (Income Tax Act, Societies Registration Act).
- **Donor Audits:** Assurance to donors on fund utilisation.
- **Internal Audits:** Assurance to management on compliance and asset protection.

Things about Audits

- Audits are a badge of honour and an opportunity for improvement.
- Self-audit regularly to stay ready.
- Audits build stakeholder trust.
- Cooperate fully and be transparent with auditors.

Why We Dislike Audits

- Disrupt routine work.
- Require time and documentation.
- Identify mistakes.
- Possible misunderstandings.

Dealing with Audits - Before Audit

- Organise documents systematically.
- Obtain Scope of Work if possible.
- Prepare required data.
- Appoint a knowledgeable point person.
- Arrange a proper workplace for auditors.

Dealing with Audits - When Audit Starts

- Hold an opening meeting.
- Clarify audit requirements.
- Plan field trips if needed.
- Set schedules for clarifications.

Dealing with Audits - During Audit

- Provide timely clarifications.
- Request draft observations early.

Dealing with Audits - After Audit

- Conduct a closing meeting.
- Discuss and understand observations.
- Prepare and implement an action plan.
- Periodically review action points.

Audit Understanding Points

- Orient auditors properly.
- Systems evolve; gaps should not be harshly judged.

Fraud Awareness

What Constitutes Fraud?

- Act or omission causing harm.
- Intent to deceive.

Types of Fraud:

- **Corruption:** Conflict of interest, rigged bids, unnecessary procurement.
- **Asset Misappropriation:** Theft, skimming, fraudulent payments.
- **Financial Statement Fraud:** Over/undervaluing assets, timing differences, fictitious revenues.

Fraud Red Flags:

- Behavioural issues (arrogance, slowness, secrecy).
- Dominating employees.
- Close ties with vendors.
- Disorderly accounting.
- Orphan funds.
- Too good to be true deals.

Ethics, Accountability and Transparency

Ethics

- Doing the right thing the right way.
- Can and should be taught.
- Organizations must have a written Code of Ethics.
- Train employees and stakeholders on ethical behaviour.

Coverage of Ethics

- Business ethics guide decisions on governance, discrimination, bribery, and responsibility.

Common Ethical Violations

- Discrimination, harassment, unethical accounting, health and safety negligence, nepotism, favouritism.

Common Ethical Dilemmas

- Hiding fraud.
- Misrepresenting products.
- Misuse of official resources.
- Accepting unauthorised gifts.
- Dealing with related vendors.

Transparency

- Be open, honest, and straightforward.

Examples of Transparency:

- Disclose plans early.
- Make salaries public.
- Keep promises.
- Bring your authentic self to work.

Accountability

- Accept responsibility for ethical conduct.

- Accountability extends to all stakeholders.
- Judged based on performance.

Examples of Accountability:

- Setting clear employee expectations.
- Managing client funds responsibly.
- Taking ownership of mistakes.

Responding to Financial Problems

- Stay calm.
- Verify facts.
- Evaluate options carefully.
- Communicate honestly.
- Seek external help if needed.
- Brainstorm creative solutions.

Interdependence Among Functions

- Financial management links governance, planning, programs, evaluation, and overall leadership.

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