



Association of Chief Audit Executives of Banks in Nigeria

Design+printbyProwess08039221516

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Eagle Eye

A Quarterly Publication of the Association of Chief Audit Executives of Banks in Nigeria (ACAEBIN) Q4, 2018



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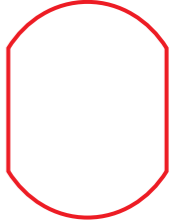
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Editorial

Following the hugely positive reviews that greeted the last edition of our magazine that had Treasury Audit as the feature article, it was only natural that we followed up with a sequel that addresses another critical audit area that challenges most auditors: Trade Services. Our lead article this quarter is an in-depth expose on the dynamics of the Trade Services function and the auditor's responsibilities.

Auditors are required, in the course of their duties to obtain sufficient appropriate audit evidence. In this edition is an interesting and expansive article that authoritatively delves into this important topic. Both experienced and junior auditors will find the article informative and rewarding.

As auditors, we have oversight responsibilities on the activities in our financial institutions. However, the Audit Committees also have oversight on the internal audit function. In the must read article titled 'An Oversight over our Oversight' culled from the Institute of Internal Auditors, the writer argues that sometimes audit committees struggle to focus on the most important issues because CAEs give them information overload. He contends that 'there are times when synthesizing results and signalling the most critical issues will not only save time, it will also make audit committee meetings more effective'. The article further

posits that 'Information does not always equal insight. Even if internal audit communicates essential information about risks and controls with crystal-clear synopses that are free of nonessential detail, there still might be times when the big picture is unclear'. Our reports, according to the author should address the critical questions of "Is the organization and its individual business units well-controlled? Are risks well-managed overall?"

In our Nigerian environment, the Internal Audit function is often saddled with the responsibility of fraud management. However, the focus over the years have been on how to proactively combat the incidence of fraud, detect it early where it rears its ugly head, prosecute the fraudster(s), and dimension the impact on the institution and the fraudster. Scant attention, if any is given to the effects of fraud on friends, family and other associates. In this human angle story, we bring to the fore, the ripple effects of fraud on all parties which again underscores the negative consequences associated with fraud. We also have our regular columns on health and wellness and words on marble.

We sign off on this edition with a plea to our readers to remain safety and security conscious in our individual and corporate capacities during the yuletide. Lastly, by the time we go to press again, Nigeria would have held the 2019 elections. This is wishing Nigeria successful and rancour free elections.

Merry Christmas in advance even as we look forward to an exciting 2019.

Prince Akamadu
Chairman, Research and Publication.

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- Emeka Owoh (Standard Chartered Bank Nig. Ltd.)
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- Cyril Osheku (Sterling Bank Plc)
- Joshua Ohioma (Development Bank of Nig)
- Yemi Ogunfeyimi (Bank of Industry)
- Olalemi Benjamin (Unity Bank Plc)
- Patrick OKAFOR Sec. ACAEBIN



TRADE SERVICES IN NIGERIA BANKS-AUDIT PERSPECTIVE



Definition of International Trade?

International Trade is the exchange of goods, capital and services across international border or territories.

Why International Trade?

- Unavailability/insufficiency of certain goods and services
- Enhancing Balance of trade and payments
- Quality and standard
- Inadequate supply

Who can participate in International Trade?

Individuals, Organizations, Companies, Government Parastatals

Where is the market for International Trade?

The market does not have physical location instead it is a connection of demilitarized network of international banks facilitated by SWIFT (Society for Worldwide Interbank Financial Telecommunication).

Although emerging blockchain technology may significantly change auditing of international trade, accounting professionals will continue to have an important role in the audit and may see new opportunities related to blockchain, according to a newly released audit and assurance alert.

Blockchain technology forms the foundation for an internet-based peer-to-peer network that uses computer-powered cryptography to facilitate exchanges of value. Computers on the network, known as nodes, simultaneously verify and record transactions, allowing parties that do not know one another to complete transactions without the traditional trusted intermediary, such as a bank or credit card network. This technology, originally created for bitcoin but since developed for many other cryptocurrencies and uses, including smart contracts, has the potential to disrupt numerous industries and a threat to long, trusted and SWIFT platform

How does International Trade operate?

- It operates through financial institutions across borders which bring the importer and exporter together in financial dealings.
- Payment is undertaken by international network of correspondent banks

Regulatory Framework in Nigeria

- Foreign Exchange Market (FEM) Operations Manual issued by the Central Bank of Nigeria (CBN)
- CBN Circulars issued from time to time on Trade Guidelines (www.cenbank.org)



Happy Birthday Celebrations



Daniel OLATOMIDE
CAE, Bank of Agriculture



Yinka TIAMIYU
CAE, Access Bank Plc



Uduak N. UDOH
CAE, First Bank of Nig. Ltd.



Segun FADAHUNSI
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Aina Amah
CAE, Providus Ltd.



BENJAMIN Olalemi
CAE, Unity Bank Plc.



Dr. David ISIAFWE
CAE, Union Bank of Nigeria Plc.

Quotable Quotes

- ◆ **The supreme quality of leadership is integrity.** *Dwight D. Eisenhower*
- ◆ **What worries you, masters you.** *John Locke*
- ◆ **Know thy self, know thy enemy. A thousand battles, a thousand victories.** *Sun Tzu*
- ◆ **I am the captain of my soul.** *Nelson Mandel*
- ◆ **Making your mark on the world is hard. If it were easy, everybody would do it. But it's not. It takes patience, it takes commitment and it comes with plenty of failure along the way.** *Barack Obama (44th President of the United States from 2009 to 2017)*
- ◆ **The greater our knowledge increases, the more our ignorance unfolds.** *John F. Kennedy*
- ◆ **There are risks and costs to action. But they are far less than the long-range risks of comfortable inaction.** *John F. Kennedy*
- ◆ **The time to repair the roof is when the sun is shining.** *John F. Kennedy*
- ◆ **Victory has a hundred fathers and defeat is an orphan.** *John F. Kennedy*
- ◆ **Man is still the most extraordinary computer of all.** *John F. Kennedy*
- ◆ **Change is the law of life. And those who look only to the past or present are certain to miss the future.** *John F. Kennedy*
- ◆ **The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things.** *Ronald Reagan*
- ◆ **Continuous effort – not strength or intelligence – is the key to unlocking our potential.** *Winston Churchill*
- ◆ **Don't follow the crowd, let the crowd follow you.** *Margaret Thatcher*
- ◆ **Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish.**
Sam Walton (Wal-Mart)
- ◆ **If you knew how much work went into it, you wouldn't call it genius.** *Michelangelo*
- ◆ **If we did the things we are capable of, we would astound ourselves.** *Thomas Edison*
- ◆ **Many of life's failures are people who did not realize how close they were to success when they gave up.** *Thomas Edison*
- ◆ **If you have built castles in the air, your work need not be lost; that is where they should be. Now put the foundations under them.** *Henry David Thoreau*
- ◆ **The future belongs to those who believe in the beauty of their dreams.**
Eleanor Roosevelt



SUMMARY OF TRADE ACTIVITIES

- ✦ Documentation in accordance with Regulatory Authority
- ✦ Funds/Domiciliary Transfer
- ✦ Invisible Transactions
- ✦ Visible Transactions
- ✦ Utilization of Foreign Exchange

TRADE FORMS

- ✦ Form 'M': For Imports (visible goods)
- ✦ Form 'A': For Invisible Payments
- ✦ Form "NXP": For Commercial Exports
- ✦ Form "NCX": For Non-Commercial Exports
- ✦ Form "Q": For SME Imports

The audit Objectives on Fund Transfer -DOM Transfer

- To ascertain commission taking from customer account are in agreement to Guide to banks charges.
- To ascertain that the account is not being used for Money Laundering, check daily limit of \$10,000.00

- To ensure Regulatory disclosure is being compiled with. Check return on \$10,000 above to appropriate regulatory authority.
- To ensure customer instructions are being adhered to: beneficiary name and amount transmitted through SWIFT are in order with customer's instruction.

Audit Process Flow for Auditing of Funds Transfer -Dom Transfer

- Obtain the list of Funds Transfer during the audit period
- Ascertain the charges taken from various customers and ensure they are in agreement with guide to banks charges
- Review list of customers that were granted concession rate by management
- Extract list of accounts that violates guide to bank charges for under or over charge.
- Recommend for recovery where appropriate

Personal/Business Travel Allowance

The following conditions shall henceforth be apply for sales of PTA

- ⊙ The applicant shall be eighteen (18) years and above
- ⊙ Applicants/beneficiaries shall be holders of Nigeria passport
- ⊙ Applicants shall be account holder in a chosen bank
- ⊙ PTA shall only apply to a journey of not less than five (5) hours flight time
- ⊙ The flight must originate from Nigeria
- ⊙ Sale of PTA shall be for travel to be undertaken not more than 14 days from the day of purchase of the PTA
- ⊙ Applicants shall present a verifiable BVNs to their bankers
- ⊙ Customers travelling outside Nigeria can buy Foreign Currency in Dollars from any Deposit Money Bank (DMB)
- ⊙ \$4,000 for PTA per quarter
- ⊙ \$5,000 for BTA per quarter

PTA/BTA are to be sold to both customers and Non-customers of the bank

For the Non-customers:

- ⊙ Confirm international passports (evidence should be attached)
- ⊙ Confirm BVN
- ⊙ Original form A /Unity Bank PTA form
- ⊙ Thro and fro flight tickets
- ⊙ Applicant and Beneficiary should not be below 18 years
- ⊙ Country of travel should 5hrs and above
- ⊙ Non-customer should be clearly stated on the BTA/PTA forms.

Documents required for PTA/BTA

- ⊙ Valid passport with relevant visa
- ⊙ International Return Ticket
- ⊙ Certificate of incorporation (BTA)
- ⊙ Customer's letter stating purpose of visit (for BTA)
- ⊙ PTA/BTA request form
- ⊙ Original Form A

Among the documents CBN will examine on their visit are as follows:-

- ⊙ Form 'A'
- ⊙ Valid Passport with relevant visa
- ⊙ International return ticket
- ⊙ Customer's instruction
- ⊙ BVN

The audit Objectives on PTA/BTA Audit.

- ⊙ To ascertain compliance with regulatory pronouncement
- ⊙ To ascertain that all the necessary documentations are in place
- ⊙ To ascertain that the International Passport of the beneficiary was duly stamped and amount of currency sold boldly written at appropriate page on the passport to eliminate unauthorized purchases.
- ⊙ To ascertain no charges placed on customers account for PTA/BTA as prescribed by CBN.

AUDIT CHALLENGES FOR BTA/PTA REVIEW

- ⊙ High tendencies and possibilities for subscribers and operators to collaborate and use the following fake documents to buy PTA / BTA that may earn the Bank penalty from the Regulators. The observed fakeness may be one or all of the following:
 - ⊙ Expired Passport and VISA.
 - ⊙ Invalid Tickets.
 - ⊙ Advanced Departure date does not fall within the PTA /BTA allocation scheduled date.

Therefore, audit review should device a means of checking fake International Passport, Air Tickets and Fake Visa

Dynamics of Invisible

- Invisible trade transactions refer to payments for services or remittance of allowances/fees
- Form 'A'

Form A' is required for all Invisible transactions.



Many of those opportunities lie within the internal audit function itself, but feedback from the internal audit function's stakeholders is also essential.

"My opinion is that while the audit committee members may be assessing internal audit performance as 'needs improvement,' they should be looking in the mirror," writes former CAE and author Norman Marks. "Internal audit reports to them; if it is not performing to their satisfaction, they are either failing to communicate expectations clearly, not demanding the necessary improvements, not providing the critical support they need when management is pulling them in a different direction, not taking actions (such as replacing the CAE) to effect change, or all of the above."

The Executive Session

Audit Committee Executive session with the CAE (but without the presence of management) often provide important opportunities for sharing information and improving internal audit performance. Rather than asking the CAE whether or not there is a need for an executive session, the session should be a regular agenda item, preferably at each in-person audit Committee meeting, because regular session:

- Strengthen auditor independence – and the appearance of independence.
- Enhance oversight and improve communication.
- Reduce the appearance that the CAE "requested" a special session, potentially

averting a conflict or misunderstanding with management.

Because executive sessions facilitate candid discussion, they can be particularly effective for surfacing issues related to working relationships, auditor independence, and the ethical environment. If your Audit Committee has not discussed each of these issues in a recent

Executive session following are some questions that can be used to get the conversation started.

Working Relationships

- ◆ Has management provided full cooperation, both during audits and relative to recommendations?
- ◆ Does management provide adequate administrative support?
- ◆ Are you satisfied with the level of support provided by/to the external auditors and other assurance providers?

Auditor Independence

- Do you have sufficient organizational independence to achieve your objectives?
- Are you free from undue influence in the audit selection process?
- Do you have any scope limitations?
- Have changes been made to internal audit reports that might dilute the message?

Ethical Environment

- * What are your primary concerns about the company's ethical culture?
- * Are you aware of any actions inconsistent with our values that have not been reported?
- * Is there anything that troubles you about the organization?
- * Are there any specific areas where you believe organizational culture needs to be improved?

Cull from Tone at the Top

What methods do you use to enhance understanding of the business by audit staff?

4. We need you to bring us an independent view - not to be a "mouthpiece" for management.

According to the 2016–2017 National Association of Corporate Directors Public Company Governance Survey, many board members have

In some organizations, management is uncomfortable with an independent internal audit function that provides different perspectives on the effectiveness of risk management and internal controls.

That is why this is another area in which performance feedback from the audit committee can be indispensable. Obviously internal audit should not be encouraged to go out of their way to contradict



significant concerns regarding the quality of information received from management. About half of respondents "noted a glaring need for improvement in the quality of information provided by management."

The CAE is a part of the management team, and there are times when it might seem like a good idea to show a united front with management. But one of the primary strengths of internal auditing is its independence, and if the audit committee has doubts about information received from management, a second opinion can be invaluable. Management is almost always capable of speaking for itself, so CAEs can best add value by being transparent and candid, even when their opinions differ from those of management.

management. But occasionally, there are times when it might be more productive for the CAE to concentrate more on audit results and less on representing management's point of view.

The Performance Disconnect

There is no doubt about the value that can be created by a fully resourced, professionally staffed internal audit function. But, dismayingly, recent surveys by KPMG and PwC indicate that about half of internal audit's key stakeholders (board members and senior executives) believe their own internal audit function is not delivering the value it should. That is a significant disconnect, so it is important to consider opportunities for improvement.



Trade Services Products

Invisible Payment:

- ✓ Mortgage
- ✓ Software License
- ✓ Remittance of Dividend
- ✓ Education outside Nigeria
- ✓ Personal Home Remittance
- ✓ License (Patent, Trademark, Know-How)
- ✓ Personal Travel Allowance/Business Travel Allowance
- ✓ Conference/Seminar & Training Courses (Organized locally/abroad)
- ✓ Advertisement Outside Nigeria (Through Local Agent/Without Local Agent)
- ✓ External Loan: Inflow of fund or equipment/machinery or raw material
- ✓ Direct Foreign Capital Investment: Inflow of fund or equipment/raw material
- ✓ Capital Importation Certificate (CCI)
- ✓ Repayment of Loan
- ✓ Medical Bills

SAMPLES OF INVISIBLE DOCUMENTATIONS

School fees payment

Education outside Nigeria (Primary, Secondary fees are not accepted) ONLY undergraduate and Post graduate studies abroad as per CBN 2018 revised manual)

- Remittance shall be made directly to the School's account
- Applications shall be for not more than \$15,000 or its equivalent per term or semester

Documentations Requirement

- Duly Completed Form A
- Letter of Admission/Course Programme
- School bill for the current period
- Copy of 1st Degree certificate if PG Course
- Date page of International Passport
- Means of identification for the applicant
- BVN

Personal Home Remittance

- Duly Completed Form A
- Certified Tax Deduction Card
- Copies of Relevant pages of International Passport
- Resident Permit for the period applied for
- Evidence of Payment of Salary into the current account
- Letter from Employer confirming the employee status
- BVN

Medical Payments

- (Child Delivery not covered except on reference)
- Duly Completed Form A
- A letter of reference from a specialist doctor, or a specialist hospital, in Nigeria
- Travel Letter issued by the overseas specialist doctor stating the cost of treatment, maintenance, etc
- Documents including valid passport, visa and air ticket

Consultancy Fee

- Duly completed original Form 'A'
- Certificate issued by NOTAP approving the consultancy service agreement (*National Office for Technology Acquisition and Promotion*)

Correspondence Courses, Membership Subscription and Examination Fees (Individuals)

- Duly completed form 'A'
- Demand/Debit Note
- Evidence of membership and/or enrolment

Other miscellaneous payments as stated in CBN manual

ABBREVIATIONS

- PTA-Personal Travel Allowance
- BTA-Business Travel Allowance
- DMB-Deposits Money Banks

References: CBN exchange control Manual & Internal Audit Report on Trade Services.

By: *Fakorede Jelili Olalekan*
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To be continued

Ripple effects of fraud



Fraud also affects fraudsters' families and friends in concentric circles

We often focus on a fraud's perpetrator, the conditions that allowed the fraud, plus the victim business and its owners. In this case, the authors cover the bases but also discuss the forgotten aspect: how the fraud affects so many more who live in the concentric circles around the fraudster.

James Brighton was running a successful trucking business in Monroe, Louisiana, when he was approached by Bob and Larry Hymel, two brothers who owned Zoom Transport, a much larger but similar operation in Lafayette. (All names and places have been changed.) The brothers offered James a job as company president. Promised perks included a low six-figure salary and a company car. And if Brighton met two years of revenue and growth goals, the company would reward him with 5 percent of stock each year with a cap of 25 percent. When Zoom hired Brighton it owned 90 trucks, and had \$12.5 million in revenue and 100 shares of outstanding stock.

Mona, Brighton's wife, was thrilled about his new job. The couple built a \$450,000 house and settled into Lafayette society. She decorated the new home with, among other things, high-end antiques (including a \$30,000 armoire), five \$6,000 couches, two \$4,000 dining tables, eight \$800 chairs, dozens of \$800 lamps, 24 place settings of china and silver, and a \$17,000 rug.

The yard needed an in-ground \$60,000 swimming pool and \$40,000 plum trees. She drove around town in her top-of-the-line Mercedes. And Brighton bought a boat for fishing in the Gulf of Mexico to put some occasional distance from his wife and his son, Sean.

Brighton seemed to be a good fit for the Zoom Transport job. In his first year, he hit all the Hymels' targets. Despite some raised eyebrows, he requested and received a red Corvette as his company car plus a generous raise.

After his second year of meeting and exceeding the Hymels' goals, he received five shares of company stock per his contract. Five percent of 100 outstanding shares, of course, was five shares. However, immediately after the Hymels gave Brighton his shares, they issued 9,900 more shares to themselves, which made Brighton's share of the business essentially worthless.

Brighton wasn't pleased and asked the brothers to rectify the situation by changing his contract terms from "shares" to "percentage ownership interest." The brothers seemed to be too busy to correct what they termed a "small error" in the contract. But they hadn't realized they'd created a perfect storm for fraud.

The brothers — absentee owners who rarely

Chambers has worked with numerous audit committee members in an advisory capacity, and he points out that there are several things audit committees have frequently said to him that they hadn't said to their own internal auditors. In some cases, they might have been trying to spare the CAE's feelings. But in each case, these were messages that the CAE should have received.

1. You send us too much information.

Unfortunately some audit executives seem to believe that audit committees grade by volume. It is essential for internal audit to keep the committee informed, but even the most important messages can become lost in the flood of details that emerge during internal audits.

"I have seen well-intentioned CAEs send as many as 40 internal audit reports a year to their overwhelmed audit committee members," says Chambers. "Beyond that, I have seen internal audit reports running more than 200 pages that were distributed unabridged to their audit committee members. Is it any wonder that audit committees feel overwhelmed with paper?"

Audit committees should never need to struggle to focus on the most important issues. Nobody wants to admit they can't keep up, but committee members have multiple responsibilities and limited time.

The audit committee doesn't necessarily have the same information requirements as the managers who need to address audit issues, so the committee must let internal audit know how they feel about the amount of information and level of detail provided by internal audit. There are times when synthesizing results and signaling the most critical issues will not only save time, it will also make audit committee meetings more effective.

2. We don't always get the full picture because you don't "connect the dots."

Information does not always equal insight. Even if internal audit communicates essential information about risks and controls with crystal-clear synopses that are free of nonessential detail, there still might be times when the big picture is unclear. Is the organization and its individual business units well-controlled? Are risks well-managed overall?

According to Chambers, every internal audit report should provide context that answers the essential "So what?" question. If that context is not provided succinctly by the internal auditors, the committee may need to communicate the need for the

information. Otherwise, the committee might end up spending a lot of time asking questions such as, "Why are you telling me this? Why is it important?" And, "What are the potential consequences?"

Audit committees must also be prepared to ask for opinions and ratings if they are needed but are not being provided. Ratings systems can be controversial, and management and the audit committee may or may not agree on the need for specific ratings, so it's up to the committee to ensure their requirements are understood.

3. We want you to focus on more than just financial controls, but we're not sure you have the skills.

A 2017 survey from KPMG's Audit Committee Institute found that 82 percent of audit committee members believe internal audit's role/responsibilities should extend beyond the adequacy of financial reporting and controls to include other major risks and challenges facing the company. Unfortunately, only half of surveyed audit committee members stated that they believed their own internal audit function had the skills and resources to be effective in the roles they envisioned.

It's a significant disconnect. According to Chambers, often the only question asked about internal audit's resources is: "Are they adequate?" He believes audit committee members need more information. "I would want to know whether the resources are adequate to address the company's key risks," he says. "One means of answering that question is to understand what is not getting done. If there are key risks that are not being addressed due to internal audit's resource constraints, the audit committee should know what they are and be comfortable with the fact that they will not have assurance from internal audit that the risks are being addressed adequately by management."

If you are not sure that the internal audit function has the requisite skills and resources to address your organization's risks effectively, it's time to find out. You might discover that there are significant opportunities for performance enhancement simply by asking questions such as:

What are the top five risks that internal audit is not addressing due to a lack of resources or skills?

What strategies are you using to ensure internal audit has the correct mix of skills for addressing our specific risks?



An Oversight in Our Oversight

When it comes to improving internal audit performance, the things that audit committee chairs hesitate to say are often the things that audit executives most need to hear.

For most audit committee members, it's easy to talk about risks and controls. Discussing sensitive subjects such as fraud and theft are a normal part of the job. But even for the most experienced audit committee members, some subjects are problematic, and, surprisingly, some of the most challenging subjects seem to involve feedback about internal audit performance.

"Relationships between audit committees and their chief audit executives (CAEs) are often complicated by personal dynamics and the awkwardness that comes with constructive feedback," says Institute of Internal Auditors President and CEO Richard Chambers, CIA, QIAL, CGAP, CCSA, CRMA. "As a result, I often find that audit committees are uncomfortable pointing out to the CAE what internal audit could do better. Instead, they leave it to management to deliver the news, and the translation isn't always pure."

Whose Job Is It?

It's no wonder that many audit committee chairs tend to want to defer internal audit performance feedback to someone in management. Most CAEs

report to the audit committee functionally, but to the CEO or another executive administratively, and it's not always clear who should be responsible for pointing out opportunities for improvement. Administrative and functional reporting lines for CAEs are often blurred, and responsibilities regarding performance management are not necessarily specified.

It's tempting to defer feedback responsibility to management, but a failure to provide ongoing performance feedback to internal audit may be one of the biggest potential "oversights in our oversight." Recent studies of matrix management organizations indicate that when dual reporting lines are implemented, performance is improved when regular feedback is received from both reporting lines. Because the audit committee's needs are different from those of management, having regular, future-focused check-ins and giving frequent feedback can greatly enhance internal audit effectiveness.

What We Don't Want to Say

Regardless of how hard we work at fostering an atmosphere of openness and honesty, we are not always comfortable telling people everything that is on our minds. But when it comes to improving internal audit performance, the things that audit committee chairs hesitate to say are often the things that audit executives most need to hear.

visited the company offices — often told Brighton to sign their names to Zoom Transport business documents. Brighton had full access with no oversight to all accounting systems and records. Internal controls really didn't exist.

The only other employee with access to accounts was the controller, Tom Limon, who'd worked for Zoom Transport for many years. When Brighton came on as president, he realized that Limon was substantially underpaid, so he gradually increased his salary to reflect his growing responsibilities at the expanding company. This gesture of goodwill bought Limon's loyalty to Brighton rather than to the owners.

But you promised ...

As time passed, Brighton worked hard but felt the brothers weren't paying him what they'd originally promised him. He felt he was working hard to grow the company, and he was hitting the target numbers, so the company owed him much more.



Brighton had full access with no oversight to all accounting systems and records. Internal controls really didn't exist.

Thus, rationalization and opportunity plus the pressure of his wife's spending habits collided, and Brighton succumbed to the circumstances. He began writing checks to cash and to himself. He transferred the money to an account not connected with his household so his wife wouldn't find out. He paid personal expenses from the new account. Limon made balancing entries in the books as "Loans to James," didn't question Brighton about the movement of the funds and didn't raise any red flags to the Hymel brothers.

As the thefts grew, Brighton realized he needed to find a way to conceal the misappropriations. So, he tried to get the Hymel brothers to consider selling the company and began talks with several companies about possibly buying Zoom Transport. Brighton had increased Zoom's truck count to 225, trailer count to 400 and revenue to \$24 million — a two-year growth averaging 25 percent per year. But the economy was beginning to slow, and the company was facing cash flow problems.

Brighton used one company suitor's good-faith advance payment to hide some of his cash shortfall. Two of the potential purchasing companies performed limited due diligence but didn't discover any missing funds. Both companies felt that the Hymels were asking too much for Zoom. In the end, the Hymels decided they liked the changes they were seeing at Zoom and said they really didn't want to sell.

The brothers might not have detected the theft if they hadn't investigated a \$350,000 insurance settlement Zoom had received in error. The insurance company deposited the check, but when it ordered a stop pay, some of Zoom's checks for truck payments bounced. The Hymels asked Limon why the payments hadn't cleared. "Ask James," he said. They then asked him why he never said anything about what was going on. "You guys never did anything for me," Limon said.

Detection and confrontation

The brothers confronted Brighton who confessed he'd been taking money from the company. They immediately fired him and took away the Corvette. He had to ask an employee for a ride home.

Even though the total theft wasn't substantial (the original charges claimed \$770,000, but the actual theft amount was approximately \$450,000), Zoom Transport closed its doors because the fraud simply exacerbated a business cash-flow problem. The company was paying six-figure salaries to Brighton, both Hymel brothers and the brothers' father — although he never actually worked at the company.

In addition to the salary payment, the brothers paid rent on the trucking facility to their father who owned the property. However, the \$30,000 monthly rental was substantially inflated from what would've been paid in an arm's-length transaction. Bob Hymel's wife was also drawing a salary, but she was a ghost employee. Financing costs from increasing the fleet size were hefty. When the insurance company revoked the

erroneous payment, Zoom Transport didn't have enough funds to cover ongoing expenses even though Brighton was no longer receiving a salary nor stealing money for personal use.

Forgery, money laundering, embezzlement

Brighton was also charged with check forgery because he'd routinely signed the Hymels' names to company checks.

Brighton was charged with money laundering and embezzlement based on his use of a company check to buy an antique French armoire. Zoom didn't have multiple checking accounts, and some of the funds in the company account on which he wrote the check were for employee withholding taxes. Thus, Brighton was stealing tax dollars.

The Hymel brothers accused Brighton of signing equipment financing contracts and other documents without their authorization. They presented a memo to the court that had directed Brighton to no longer sign on their behalf. However, it was strange that the memo appeared out of nowhere after years of the brothers not contesting any of Brighton's signatures.

When the court reviewed the memo it determined that the paper's watermark date was after the memo's date. The court decided that the brothers had concocted the memo to assign additional blame to Brighton.

Brighton pleaded guilty and was sentenced to 37 months in prison; he served his full sentence with three of those months in a halfway house. He was also ordered to pay \$435,000 of restitution, a major portion of which — \$200,000 — came from an increase in value from the sale of the Lafayette house. His and his wife's purchases (home, boat, furnishings, clothing, etc.) totaled more than the amount he'd stolen because he'd steal enough to cover down payments and monthly payments but not enough to buy all of the things he wanted outright.

Fraud's impact is pervasive

While the fraud amount of this case isn't huge, and the case's components aren't necessarily unusual, some elements make the Zoom Transport story notable. First, unless a fraudster is a sociopath, committing fraud is a stressful endeavor, which

generates external behavioral clues for family members and friends that something's out of the ordinary. Brighton's son, Sean, described how his extrovert father became sullen and withdrawn, got angry over insignificant things and began binge drinking. Sean said he couldn't understand how his father was paying for the lifestyle the family was leading. We imagine his



mother — an accountant — must have known her husband was committing fraud. She ignored Sean's suggestion to at least visit the office to observe the business scenario.

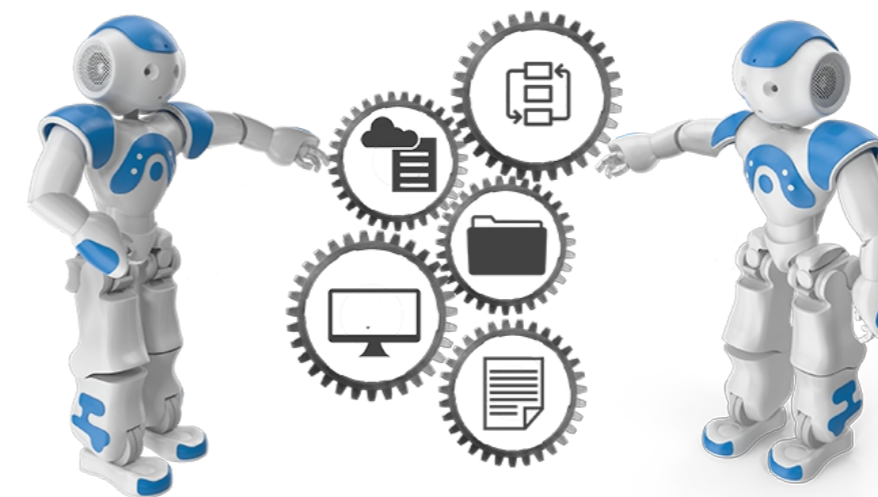
Second, when a fraudster is caught, his innocent family suffers. Several days after Zoom fired Brighton, he borrowed Sean's car, drove to a grocery store parking lot, called 911, and told the police he had a gun and was considering suicide. Brighton didn't kill himself, but grief counselors showed up at the Brighton home to explain what was happening and offer support to Mona and Sean. But then the counselors left, and the family had to pick up the pieces of their lives.

Brighton was taken to a mental health facility and put on suicide watch. Sean visited and found his dad eating cereal out of a plastic bag with a spoon because the facility believed he might use a sharper utensil to harm himself.

Denial became the mental health net for this family. Brighton was "away" or "sick." It's just too hard to admit that a family member is a criminal in prison.

After the first few visits to the prison, Mona filed for divorce, packed her bags and flew home to her mom in Florida, leaving Sean and his new wife, Liza, with the mess. James and Mona divorced after 25 years of marriage. They don't speak or have any contact with each other. (Mona is still in denial. Even 10 years into a new marriage, she has never told her husband that Brighton had been in jail. She still takes

Consider synergies of the risk and control work stream — recognize that content within a process, risk and control work stream can be pivoted to serve as an internal audit work plan to evaluate the RPA implementation.



Determine the new role of people — recognize that roles and responsibilities will be altered as a result of RPA implementations, yet oversight and monitoring are critical to foster control and sustainability.

CONCLUSION

To provide constructive, timely feedback and challenge regarding the risk and control considerations of an RPA implementation, it is critical to strike a balance between passive and obtrusive engagement. The majority of implementations today do not possess a dedicated risk and control work stream as part of the

broader project team. The integration of this focused risk and control mindset throughout the process would serve as a dynamic preparedness health check in advance of the inevitable external review and overall stakeholder inquisitiveness.

Risk and control compliance should not be sacrificed during the automation journey. These disciplines are not mutually exclusive, but rather they should coexist in harmony. As organizations continue to progress their automation agendas, the following actions should be considered:

- Regulators will take considerable interest with regard to the handling of people risk management, particularly since robotics may alienate or create angst among employees and their future responsibilities and employment.
- Internal audit to focus on the logic inspections of robotics, similar to model risk management re-performance efforts, query analysis and data mapping during report validations, and configuration assessments of application controls.
- Cyber criminals will seek new entry points into organizations via robotics and, hence, an elevated focus on network security, platform resiliency and ethical attack-and-penetration efforts to proactively identify vulnerabilities within the robotics.
- Executives will desire risk profiling and health checks of individual robotics to assess if overreliance is placed on the robotics and whether their initial intended purposes have morphed, particularly where human intervention may be warranted from a decision making perspective.
- New employment opportunities will exist that bring together automation and risk management competencies, and likely will be filled by transfers from internal innovation centers or external hires.
- Evaluate degree of preparedness documentation required for external-party review (e.g., rationalization, robotic playbooks, robot inventories, flowcharts, and risk and control matrices)
- Develop templates and enablers to capture relevant risk and control documentation on an ongoing basis, including performance of a risk-based degree of design and operating effectiveness testing
- Determine necessary skills uplift (e.g., training and development) or hiring required to support risk and control work streams.

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orphan and dangling robots, vendor upgrades, system integrations, capacity and performance monitoring, and forward compatibility considerations require attention to preserve the original intentions of the robot and manage the perceived brittleness of the application and RPA dependencies

Cybersecurity and resiliency — As robotics become mainstream, these new entrants to the IT environment represent additional vectors for compromise. Abuse of privileged access, mismanaged access entitlements and disclosure of sensitive data are valid concerns. Additionally, platform security vulnerabilities, privacy implications and denial of service may yield ramifications that impact the RPA integrity, reliability and downstream business processes.

Methodology and documentation — Granted that agile development methodologies encourage improved iterative communication and coordination between key stakeholders, adherence to documentation standards should be a staple of this approach to support the risk and control mindset. Although business functionalities may be delivered more timely and accurately, the traceability of artifacts related to RPA decisions often is absent, and even an afterthought.

Risk Classification by RPA Operating Model Component

Model/Risk	High	Medium	Low
STRATEGY/GOVERNANCE	Implementation Road Map	Methodology	Program risk management
PROCESS LIFE CYCLE	Process Selection and Criteria	Interdependency management	System development life cycle
VALUE MEASUREMENT	Performance Metrics	Benefit realization	Performance monitoring
ALIGNMENT/CHANGE	Executive Management Support	Training and Awareness	Resource Optimization
TECHNOLOGY	Platform resilience	Vendor management	Business Continuity
ENTERPRISE INTEGRATION	Cybersecurity	Compatibility	Risk and Control Integration

WAY FORWARD

RPA has already revolutionized organizations from a people, process and technology standpoint. To avoid the introduction of a potentially systematic risk within an organization, RPA implementation teams should:

Enhance internal audit reviews — articulate and document framework used for implementation, methodology adopted and recognition of process, risk and control considerations.

Create and preserve artifacts — create document repositories and connections to existing governance, risk and control (GRC) platforms that are linked to processes, risks and controls to demonstrate framework adherence and evidence traceability.

Anticipate production disruptions following deployment — establish handling procedures for timely resolution of issues identified to minimize the impacts on connected operations.

Embed risk and control involvement — entertain the inclusion of a dedicated work stream to proactively foster risk and control consciousness, including participation in a seat-at-the-table capacity during agile development working sessions.

Assess consistency of control process, risk and control inventories — determine overlaps and disparities with the organization's technology risk and control inventory.

Plan accordingly for delayed deployments — recognize that stage gates (and, therefore, buffers) may need to be incorporated into timelines to manage risk and control implications during agile development efforts.

Challenge the audience and degree of progress and risk reporting — understand the desire for reporting about benefit realization, concentration risk, control adherence and resulting people risk management.

antidepressants.)

Brighton was charged with money laundering and embezzlement based on his use of a company check to buy an antique French armoire.

Third, the mess included professional ramifications. Prospective employers didn't consider Sean for several well-paying positions in the financial industry because his father still owed substantial restitution on the fraud charges — a potential pressure point for Sean. Liza believes that she needs to be upfront about her father-in-law's fraud when she applies for jobs in state government accounting offices.

Sean's finances also suffered because James had forged Sean's name on credit card applications, and Sean had to pay back some of the charges because he couldn't prove he hadn't made the purchases.

Fourth, money transactions among family members became a conundrum. As much as someone might want to help a family member who's facing fraud charges, loaning them money probably isn't the best idea. James's mother-in-law paid approximately \$70,000 in legal fees for his defense. His mother, a part-time waitress and school bus driver, loaned him \$5,000. Neither has seen, nor likely will ever see, their money again. And Sean and Liza (as well as some other family members) sent money to Brighton for phone cards, snacks and other small items. However, when relatives sent too much cash, the courts confiscated it and applied it to Brighton's restitution.

Heavy stone in the water

We're all aware of the potentially explosive reaction when pressure, opportunity and rationalization collide as they did in the Zoom Transport case. However, behind this classic fraud story we see how a fraudster's behavior affects a family.

Brighton, freed from prison, works as a salesperson at a company owned by his son who says his father has an amazing "you can just trust him" kind of vibe that appeals to customers but also still makes him susceptible to fraud. Of course, Sean knows the limits he has to place on his father's activities. At work, Brighton is never allowed access to money and has no

authority to sign any business documents.

Much of Brighton's paycheck is garnished for restitution payments. The father-son relationship has changed — and not always for the better — because much of the damage can never be undone. Sean feels that he can't trust his father and must critically examine everything that he says for potential lies.

Sean has become the authority figure in the relationship. He tries to keep Brighton's life on the straight and narrow even to the point of monitoring his father's financial transactions. Because of his father's fraud and the conditions that allowed it, Sean manages



his own business with much more awareness of fraud risks and ramifications than Zoom Transport ever did.

Lessons learned the hard way

Three well-worn but important takeaways: 1) Be acutely aware of the need for implementing internal controls (especially segregation of duties), 2) Monitor and address red flags of concern as soon as they appear and 3) Adapt to changing circumstances regardless of how negative or positive they are.

Here's a fourth critical and often forgotten takeaway: The commission of fraud is like the toss of a stone into the water. The big splash might occur at the spot where the stone sank, but the ripple effects spread out far and wide to the perpetrator's family and friends and to the employees of the defunct victim organization. And those effects might be long-lasting. In the Zoom Transport case, almost 20 years later, the players still are addressing restitution and relationship issues.

Culled from iia.org.



APPROPRIATE AND SUFFICIENT AUDIT EVIDENCE

Audit Evidence is defined in the Auditor's Dictionary, by David O'Regan, as "information that supports or refutes an audit objective".

Sawyer's Guide for Internal Auditors states that Audit Evidence is "the information internal auditors obtain through observing conditions, interviewing people, and examining records."

International Standards on Auditing (ISA) 500, Audit Evidence, states that the objective of the auditor is to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. This standard states that audit procedures such as inspection, observation, external confirmation, recalculation, analytical procedures, and enquiry can be used to gather sufficient appropriate audit evidence that will be used to support an auditor's opinion and report.

The sufficiency and appropriateness of audit evidence

An audit evidence should be sufficient and appropriate.

Sufficiency is the measure of the quantity of audit evidence as there should be enough evidence to support an auditor's findings. The quantity of audit evidence required in an audit engagement is affected by the auditor's assessment of the risks (the higher the assessed risks, the more audit evidence is likely to be required).

However, obtaining more audit evidence, may not equals a quality audit engagement. In order to determine the sufficiency of audit evidence, the following questions should be asked:

- Is there enough evidence to convince a reasonable person of the validity of the findings?
- Is the audit evidence factual, adequate, and convincing?
- Would a layperson come to the same conclusion as the auditor, using your judgment and still be objective.



AUDIT EVIDENCE

Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. Relevant information supports observations and recommendations and is consistent with the objectives for the engagement. Relevant information should have a logical, sensible relationship with the associated audit finding.

There is also guidance available to help auditors assess the relative reliability of various different types of evidence. The general rules are as follows:

- Evidence generated by the auditor is more reliable than evidence generated by the auditee.
- External evidence is more reliable than internally generated evidence.
- Written evidence is more reliable than verbal

awareness and training

5. **Technology:** enables RPA efforts by maintaining the overall platform and providing the necessary support for applications.
6. **Enterprise Integration:** leverages the existing functions and capabilities within the enterprise to enable RPA, while establishing a point of integration for key control functions.

EMERGING RISK OF RPA

As financial services industry continue to entertain curiosity and concern surrounding RPA across organizations, the question is no longer "if," but rather "why," "when," "how many," "where" and "how fast" robotics have been deployed. Boards, executives' committees and regulators keep demanding from internal audit departments the efficient coverage over RPA risk leveraging on technology to reduce cost and streamline processes. This request is very crucial due to the fact that robotic deployment may be a new vehicle that presents both traditional risk and also introduces new, unforeseen risks. Regardless of an employee's role within an organization, it is widely appreciated that regulatory, financial and reputational risk management are simply "good business." Automation agenda is quite exciting and groundbreaking but yet they require an effective challenge from a risk management perspective to proactively protect organizations. As robots extract, aggregate, transform and upload data, risk and control considerations become paramount discussion topic. Minimally, from a risk and control perspective, organizations are tackling the following representative apprehensions with their RPA journey.



Rationalization — Although organizational direction may be communicated with regard to RPA, anxieties exist regarding the improper usage and deployment of robotics. RPA sometimes may rightly serve in a bridge capacity, but situations have occurred whereby RPA is not the appropriate technology and was solely selected due to a speed-to-market goal. As a result, the advantages of flexibility and convenience have been a curse, and led to knowingly circumventing extensive queues within development teams and cumbersome technology controls.

Maintenance and operations — Similar to an employee, robots require guidance to perform the activities desired. Although robots are configured as of a point in time based upon defined business requirements, broader architecture and system changes can severely affect the expected performance. Modified data field mappings,

EVOLUTION OF RPA AND TRADITIONAL OPERATING MODEL

More recently, the financial services industry has embraced automation as a disruptive force that challenges the current state of daily business operations, while simultaneously aligning with organizational drivers which include cost, productivity and efficiency. Although the magnitude of automation ranges from basic workflow to cognitive intelligence (inclusive of natural language generation & processing, machine learning and artificial intelligence), organizations have been investing heavily in robotic process automation (RPA) of recent times. This technology allows organizations to automate high-volume, deterministic, system-based tasks by introducing a virtual workforce of “robots.” The business units that comprise the first line of defense (specifically, the e-commerce and operations functions) have been the earliest adopters of this advancement. They evaluated their existing processes to identify, prioritize, develop and, ultimately, deploy robotics that may alleviate mundane tasks and pain points. Business units have capitalized on the speed and nimbleness of deploying RPA in partnership with and, at times, autonomously from IT Units.

Four Classes of Automation trend

- 1. Enterprise Resource Planning (ERP)**
Data Integration: Integrated data to provide a consistent information foundation
- 2. Business Process Management (BPM)**
Predictive analytics: Software solutions using predictive models (e.g., compliance risk models)
Data Visualization: Software placing data in a visual context (e.g., GRC dashboards)
- 3. Robotics**
Robotic Process Automation: Rules-based systems that mimic human behavior to automate parts of repeatable processes.
- 4. Cognitive Intelligence**
Natural Language Generation: Applications that accept structured data inputs to generate seemingly unstructured narratives: Applications that process unstructured data (e.g., text) and allow querying and generation of structured data
Natural Language Processing: Applications that process unstructured data (e.g., text) and allow querying and generation of structured data.
Machine Learning: Applications that are able to improve predictability and operation based on data they receive over time.
Artificial Intelligence: Applications that are able to mimic human behavior, such as visual perception, speech recognition, decision-making, and translation between languages.

As the appetite, quantity and complexity of robots begin to proliferate following adoption across the three lines of defense, organizations recognize the necessity to establish program governance from the onset to enforce consistency, accountability and standardization. The creation of a scalable operating model is a vital undertaking to balance strategy formalization, business enablement, technology integration, and communication and coordination. The decision whether to embrace a centralized operating model is a function of an organization's culture, but most traditional RPA operating models consist of the following six components.

Six Components of RPA Operating Model

- 1. Strategy and Governance:** defines the overall vision and standards for RPA at the enterprise level
- 2. Process Life Cycle:** consists of the identification, prioritization, development and ongoing maintenance of RPA instances.
- 3. Value Measurement:** defines the manner by which RPA is measured from the perspective of performance and impact
- 4. Alignment and Change:** promotes an RPA journey that is inclusive of impacted resources through

evidence.

How do internal auditors gather audit evidence?

Internal auditors use different audit procedures to gather audit evidence. A summary of the usual ones are listed below:

Audit Procedures	
Inspection of documents, assets	Inspection of documents gives evidence of existence, completeness, ownership. Also, documents are inspected to confirm authorization. Physical verification of assets to confirm its existence.
Observation	The internal auditor can observe a procedure being performed (for example, attendance of a stocktake by auditors). This will provide audit evidence about the performance of a process or procedure.
Enquiries	The internal auditor obtains information from staff in order to aid the audit \ assignment. The internal auditor will have to consider the knowledge, objectivity, experience and responsibility of the individual to be interrogated; The internal auditor should ask clear and concise questions by using open or closed questions appropriately; the internal auditor should listen actively and effectively while maintaining a sceptical mind-set; and the internal auditor should evaluate the interviewee's responses and other audit procedures performed, and ask follow-up questions.
External confirmation	Seeking confirmation from another source of details in client's accounting records, for example, confirmation from bank of bank balances.
Computations or recalculation	The internal auditors checks arithmetic accuracy of calculations, for example, recalculating claims for excess charges from customers, recalculating interest expense, recalculating depreciations amounts, casting an account balance, etc.
Re-Performance	It is the auditor's independent execution of procedures or controls that were originally performed as part of the entity's internal controls.
Analytical procedures	The auditor will compare sets of data in order to identify trends and understand the relationships between the sets of data. For example, the auditor will compare the bank's gross profit margin with that of the industry average and investigate any significant differences between them.

Professional Skepticism

The question of if sufficient appropriate audit evidence has been obtained in order for the auditor to reach a reasonable conclusions on the audit engagement is a matter of professional judgment. The auditor should critically assess audit evidence and be alert for contradictory evidence that may undermine the sufficiency and appropriateness of evidence obtained.

How to preserve the Audit Evidence gathered?

The auditor must appropriately document all work done. This must contain sufficient information to enable an experienced internal auditor, without previous connection with the audit engagement to understand the nature of the control tested, the terms of the work completed, the conclusions reached, and the reasoning behind these

conclusions.

The documentation of the design and performance of audit procedures may take place by using free form working papers. The working papers should also describe how the audit tests were performed and should provide a list of the actual deviations found and conclusions reached.

Working papers / Essentials of Good Working Papers

ISA 230 Audit Documentation clearly states that the working paper should be clearly referenced so that it can be filed appropriately and found easily when required at a later date.

The essentials of good working papers are as follows:

1. Working papers should contain all necessary information so that they may be of maximum use especially as documentary evidence when the auditor has to defend himself against the charges of negligence, etc. leveled against him.
2. They should be properly organized and arranged so that one may not experience difficulty in locating a particular document.
3. They must contain accurate information so that they can be reliable.
4. They should contain the facts, which are of self-explanatory.
5. The facts given in working papers should be readily apparent to the reader.
6. The audit working paper should be properly preserved and filed. These files should be serially numbered and indexed so that they may be made available when required.

It should be noted that the working papers are the auditor's property, not the auditee's. They should be filed appropriately and archived for reference purposes.

Difficulties faced by the internal auditor in gathering and preserving audit evidence

• Lack of cooperation from the auditees:

Gathering of information is a skill which the internal auditor should possess. However the auditor will be faced with challenges from the auditees not cooperating in disclosing relevant information.

According to Mihret and Grant (2017), "the whole process of internal audit evidence-gathering, undertaken with the cooperation of the auditee, presumes auditees' self-knowledge [and] because the effectiveness of internal auditing as a surveillance mechanism depends on whether the auditee has knowledge of when audits are to be conducted" the authors propose that "Auditees will tend to be suspicious of the role of internal auditing and thus be minimalist in their cooperation with (or support of) internal auditors because auditing may be perceived as a surveillance tool with a disruptive impact on the regular activities of the organization" (p.707). We argue that if for example, there is scope limitation or internal audit recommendations are not implemented, this will serve to demotivate internal auditors in executing their mandate, going forward....

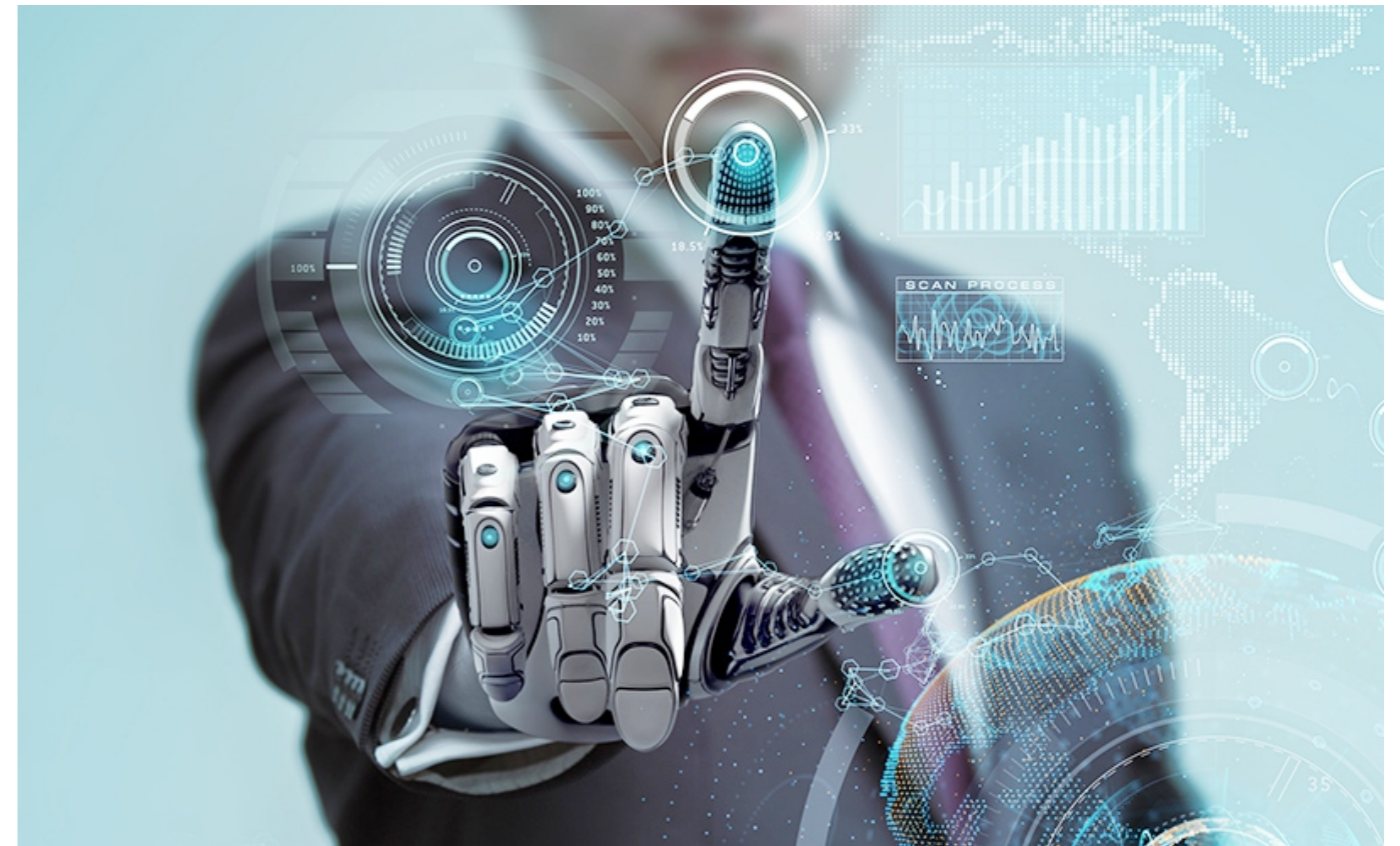
• Inadequate skills of the auditor:

The internal auditor should also possess skills such as communications skill, negotiation skills, critical thinking, IT skills, continuous professional development, persuasion and collaboration skills, all these skills will assist the auditors in gathering evidence so the auditors should sharpen and expand their skills.

• Poor Archiving system:

The internal auditor needs to understand the importance of obtaining and keeping working papers, which is his property and not that of the auditee. The internal auditor may be faced with the constraints of how and where to archive working papers. The Bank should make available lockable storage cabinets that is accessible to only a few select people. For an added level of protection, the lockable storage cabinets should be in a locked room that cannot be easily accessed.

By Pamela Okoro, Heritage Bank Plc



AUDIT PERSPECTIVE ON ROBOTIC PROCOESS AUTOMATION (RPA) EMERGING RISKS

INTRODUCTION

Robotic Process Automation (RPA) being a form of digital labor involves the use of software robots to automate processes. These robots require little IT expertise and can be quickly trained and deployed to automate manual tasks. Unlike human, who may skip a process step, or inconsistent in the way they process a transaction, a software robot performs the task in a standard manner, free of bias or any variation, thus ensuring a high level of accuracy. But RPA can also introduce risks if appropriate controls are not in place and monitored. For instance, because RPA action is consistent, any error becomes a systemic and widespread issue across that business process and data set. Similarly, if there is a business process change but the robot has not been modified to reflect such change, it may fail to perform or introduce inaccuracy. Another potential risk could arise if someone gains unauthorized access to the robot with unscrupulous intent to conduct unauthorized processing.

As far as Internal Audit function is concern, the emergence of Robotic Process Automation (RPA) comes with both opportunities and responsibilities in financial industry and other sectors of economy. It provides auditors with the opportunity of being a value adding partner to other functional and business unit leaders through collaboration on ways to enhance the control environment as business processes are redesigned and automated using RPA. On the other hand, Internal audit professionals also have the responsibility to understand risks introduced by RPA and ensure that controls are well designed and operating effectively to mitigate those risks. Hence, new testing methodology for automated processes have to be efficiently developed by Internal Auditors in proactive manner. As an advantage to Internal Audit function, the emergence of RPA offers the automation opportunity relating to testing of controls and other departmental tasks thereby expanding internal audit's capacity and freeing auditors to focus on more value-added activity.



The Potential Impacts of Blockchain on the Auditing Profession

Blockchain is a distributed transactional database in which transactions and related details are recorded and verified through consensus algorithms. Once a transaction is recorded, it cannot be changed or cancelled. Thus, blockchain offers features—transparency, security, immutability, accuracy and traceability—that are key features in auditing. Its use will have several kinds of impacts on the auditing profession.

The audit profession will be more IT-oriented, and its main objective might no longer be to ensure the regularity and sincerity of an organization's financial statements, but instead to review the information systems and, in particular, to ensure that blockchain technology is properly deployed. Auditors might even have to certify the blockchain itself.

Thus, financial and IT auditors will need more in-depth technical and technological knowledge and, at the same time, auditing firms will have to hire more IT auditors and other types of profiles to fully benefit from the various technologies that are currently being developed (i.e., blockchain, big data capabilities, data visualization).

At the same time, the auditing standards will have to evolve since, currently, there are no audit standards describing how to conduct an audit of blockchain, whereas some financial auditors already face the challenge of auditing enterprises active on

blockchain or organizations that have set up blockchain platforms to execute some of their business processes.

Finally, thanks to its characteristics, the use of blockchain makes it possible to automate audit tests, or at least to facilitate them, thus reducing the length and cost of audits. Some audit-related tasks that are time consuming and do not require specific technical expertise and are currently performed by junior auditors will disappear. As such, audit firms will hire fewer junior auditors for the benefit of more experienced professionals. Those experienced professionals will use new technologies such as blockchain and their professional judgment to go beyond the pass/fail evaluation of the traditional financial audit report to make more sophisticated analyses, provide better insights and forward-looking recommendations to their clients and, thus, become their strategic business partners. This situation might, however, represent an ethical challenge for the profession, as Certified Public Accountants (CPAs) are currently not authorized by the US-based Public Accounting Oversight Board and limited by other national bodies in the kind of advisory services they can provide to their audit clients.

Culled from isaca.org.

Wellness

Studies Say That Honey Is Not Good For You

Honey has been used for longer than anyone can remember. The ancient Greeks believed that honey inspired poetry and wisdom on humans left on earth by the gods.

Recently, because of the craze for healthy living, it has been praised as a healthy choice than sugar and professed as the remedy for almost everything including sore throats, infections and fertility.

People clamour for honey especially raw unadulterated honey straight from the beehive. The market, of course, has thrived as people who boast to have the real one smile to the bank.

But studies have shown that honey is being overestimated.

As the concern for obesity and the effects continue to plague people, the intake of sugar has been reduced and honey substituted.

But honey has more calories than sugar although it has more minerals, they happen to be trace amounts that do not have real benefits.

Honey's reputation as a medicine is not

entirely untrue. Manuka and Malaysian Tualang honey are known to contain antibacterial properties and one of the byproducts of enzymes in honey is hydrogen peroxide which is an effective germ killer. But it is unclear if other types of honey-like home grown honey have the same effectiveness.

Scientific research was done years ago to determine if honey was the liquid gold that will help to tackle infertility.

It was discovered that although honey may contain antioxidants that protect the cells against damaging cells due to ageing, they concluded that it was not a rigorous study.

But after that study's publication in 2011, Dr Natalie Rasgon of the Stanford School of Medicine, who studies estrogen and cognition in women said, "Assuming potential efficacy of honey, there is no pre-existing knowledge of a mechanism.

"I can't understand how they can compare honey to estrogen. Honey is not even a supplement."

Proactive Ways of Staying Healthy

Take control of your health by being proactive in your daily activities. Don't wait till you're falling sick rather up your game by being deliberate about your general lifestyle. Switching up your lifestyle will help you to stay healthy.

Below are the helpful proactive measures to stay healthy:

Maintain a healthy weight

To maintain a healthy weight you have to add more activities and movement into your daily routine. Measure your weight on a scale to see if you are overweight or underweight. Based on the result, make the necessary adjustments to your lifestyle.

Exercise regularly

Daily body work out helps to improve general fitness and health. Try to include walking, dancing and more movement into your general lifestyle. Ensure you create time to exercise at least three times a week.

Eat a balanced diet

Try to incorporate fruits or vegetables into your daily nutrition. Eating healthy will help to keep you out of the hospital and build your resistance to diseases.

Reduce alcohol consumption

Cut back on your alcohol intake to help improve your health. During parties, instead of consuming alcoholic drinks instead drink non-alcoholic beverages.

Protect your skin from the sun

Excess exposure to the sun can lead to skin cancer. Protect your skin from the harsh sun rays by dressing appropriately, using sunscreen and using an umbrella when outdoors.

Protect yourself from Sexually Transmitted Infections (STI)

Take control of your sexual health by avoiding unprotected sex with multiple partners. Staying in a monogamous relationship or using protection is one of the many methods of protecting yourself from sexually transmitted diseases or sexually transmitted infection.

Regular check up

Visit the hospital at least twice a year for the check-up. Most diseases are easier to manage and treat if detected early.

40th General Meeting

Held at Lagos Continental Hotel
September 20th, 2018.

Hosted by

