

IIA Poland Annual Conference

Three lines of defense. Anachronism or an efficient security system in turbulent environment.

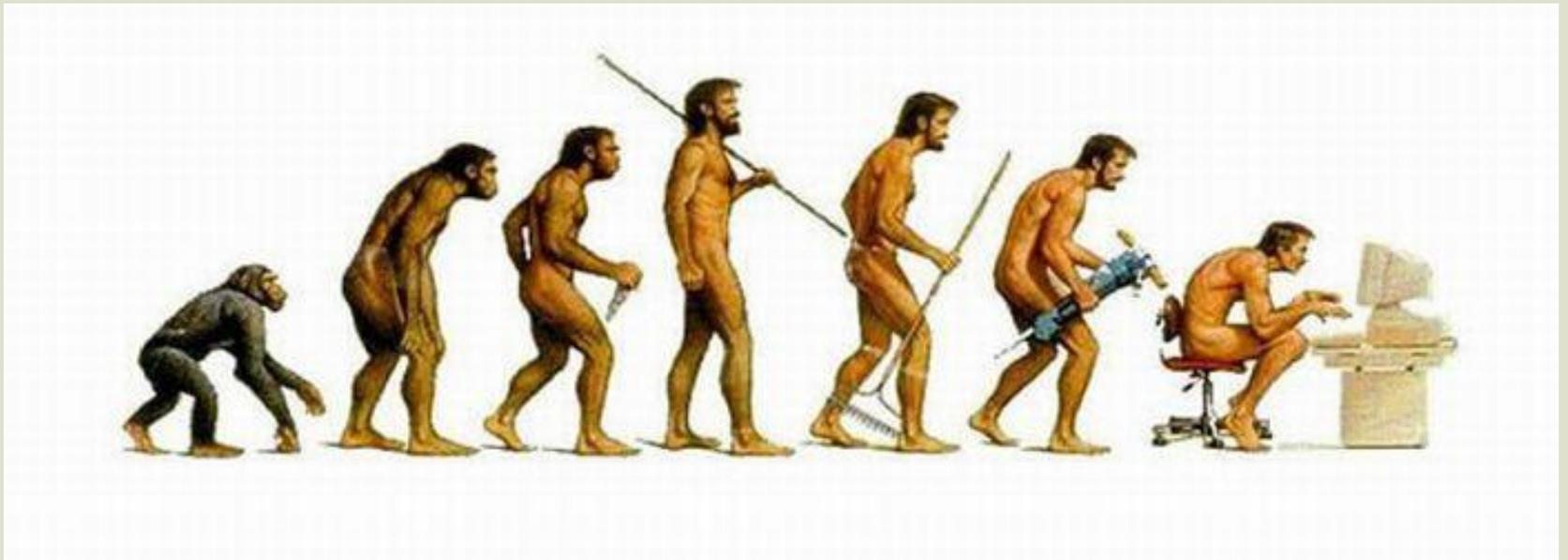
on June 16th 2016

Challenges and Problems while Implementing Good Practices and Governance Standards in Ukraine

Ms. Nataliia Chabanova – The IIA Ukraine Board Member, the Deputy Head of IT Risk Inspection and Methodology Division – the Head of Quality Review Team of Internal and External Audit in Banks, Banking Inspection Department of the National Bank of Ukraine

AUTOMATIZATION

EVOLUTION OF INTERNAL AUDITING



PARABLE

We have one mouth and two ears, so we should listen to more than we talk. But a pair of eyes located above the ears, so we need to see, not to believe rumors. Above all this is the brain, so we must think first, before you can hear an excerpt and rumors pour everything through the mouth.

AUTOMATIZATION

WHICH AREAS OF INTERNAL AUDIT ARE AUTOMATED?

Exhibit 3 Internal Audit Use of Tools and Techniques (Regional Differences)

Note: Blue text indicates responses that are significantly higher than the global average, and red text indicates responses that are significantly lower than the global average.	Latin America & Caribbean	South Asia	Europe	North America	Middle East & North Africa	Sub-Saharan Africa	East Asia & Pacific	Global Average
Electronic workpapers	80%	76%	78%	77%	71%	64%	58%	72%
An automated tool to monitor and track audit remediation and follow-up	62%	57%	60%	53%	51%	41%	41%	52%
An automated tool to manage the information collected by internal audit	61%	56%	49%	49%	50%	42%	42%	49%
An automated tool for data analytics	62%	67%	49%	56%	55%	48%	47%	53%
A software or a tool for data mining	56%	63%	53%	58%	56%	48%	46%	53%
Flowchart or process mapping software	68%	65%	51%	52%	51%	42%	46%	52%
A software or a tool for internal audit risk assessment	57%	62%	52%	47%	54%	48%	44%	50%
Computer-assisted audit technique (CAAT)	59%	60%	38%	48%	51%	48%	48%	48%
An automated tool for internal audit planning and scheduling	56%	54%	47%	42%	52%	44%	43%	46%
Continuous/real-time auditing	54%	61%	38%	35%	45%	39%	50%	44%
Internal quality assessments using an automated tool	45%	52%	34%	29%	41%	34%	37%	36%

Note: Q95: What is the extent of activity for your internal audit department related to the use of the following information technology (IT) tools and techniques? The exhibit shows respondents who chose "3-Moderate" or "4-Extensive." Blue text indicates significantly above global average. Red text indicates significantly below global average. n = 9,848 to 10,315.

Source: CBOK 2015

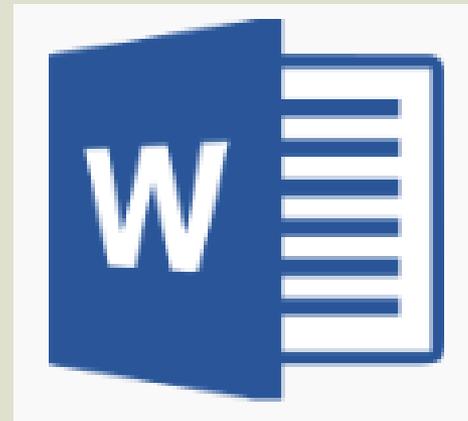
AUTOMATIZATION

THE SOLUTION of INTERNAL AUDIT AUTOMATIZATION

Company	Solution	Country	Year	IA	GRC
ACL	ACL GRC	Canada	1987	X	
CMO Software	CMO Audit Management Solution	England	1998		X
EMC	RSA Archer Audit Management	US	1984		X
Enablon	Enablon Audit Management	France	2000		X
IBM	OpenPages	US	1996		X
Ideagen	Pentana	England	2002	X	
Magique Galileo Software	Galileo Audit Management	England	1997	X	
Mega	Internal Audit Management	France	1991		X
MetricStream	Internal Audit Management Software Solution	US	1999		X
Morgan Kai	MKinsight	England	2005	X	
Nasdaq OMX	BWise	US	1994		X
ProcessGene	Internal Audit Software	Israel	2004		X
Protiviti	Governance Portal	US	2002		X
Rivo Software	Audit and Inspection Management	England	2003		X
Sword	Achiever Plus	France	2000		X
Thomson Reuters	AutoAudit	US	1995	X	
Thomson Reuters	eGRC: Audit Manager	US	2005		X
Wolters Kluwer Audit, Risk & Compliance	TeamMate	US	1994		X

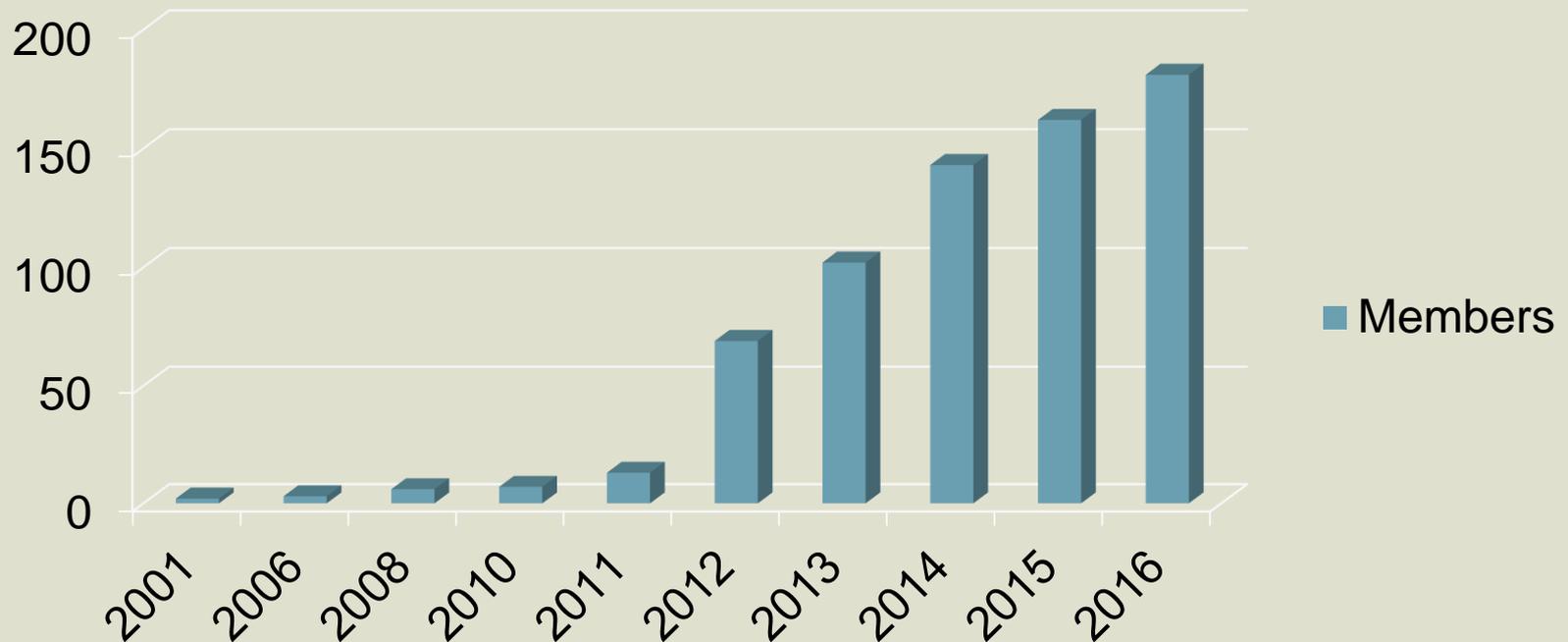
AUTOMATIZATION

WHICH SOLUTION TAKES THE FIRST PLACE?



MEMBERS of The IIA UKRAINE

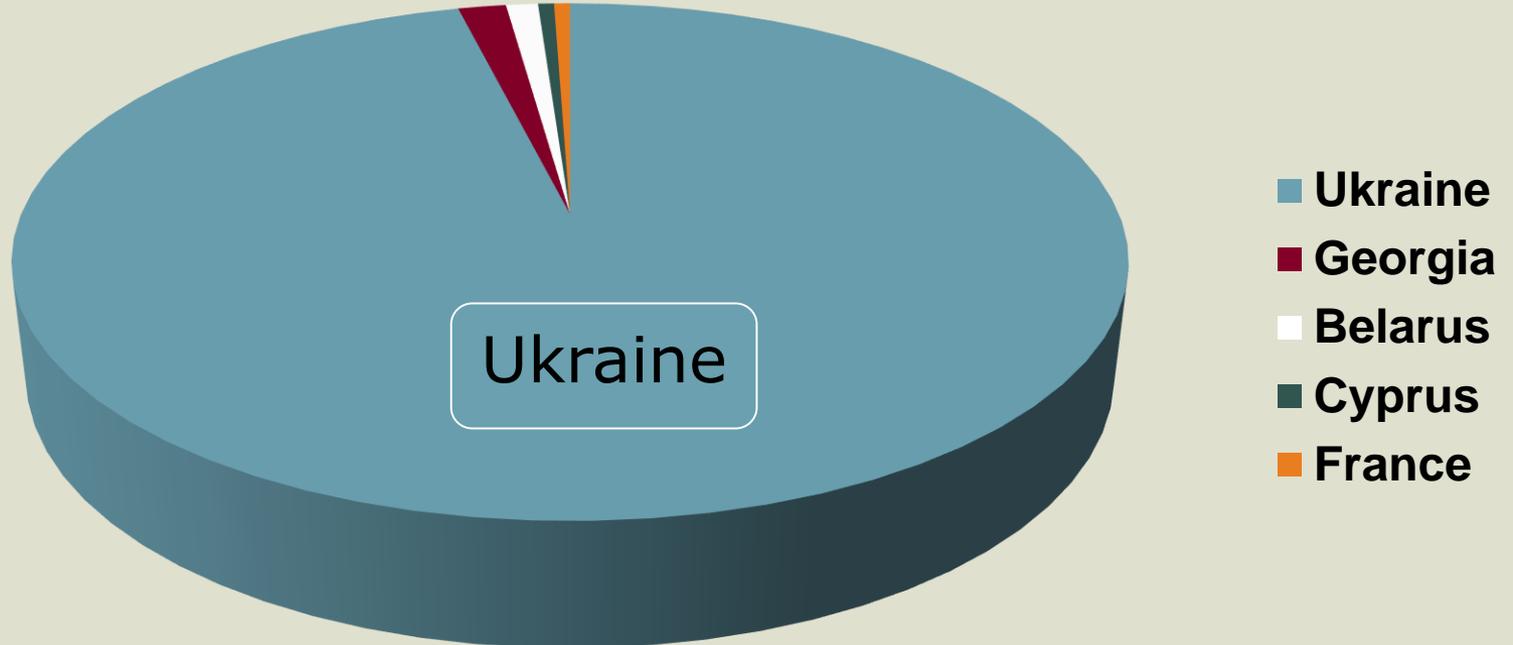
Dynamics of Members Number per Year



Source: The Data Base of The IIA Ukraine

MEMBERS of The IIA UKRAINE

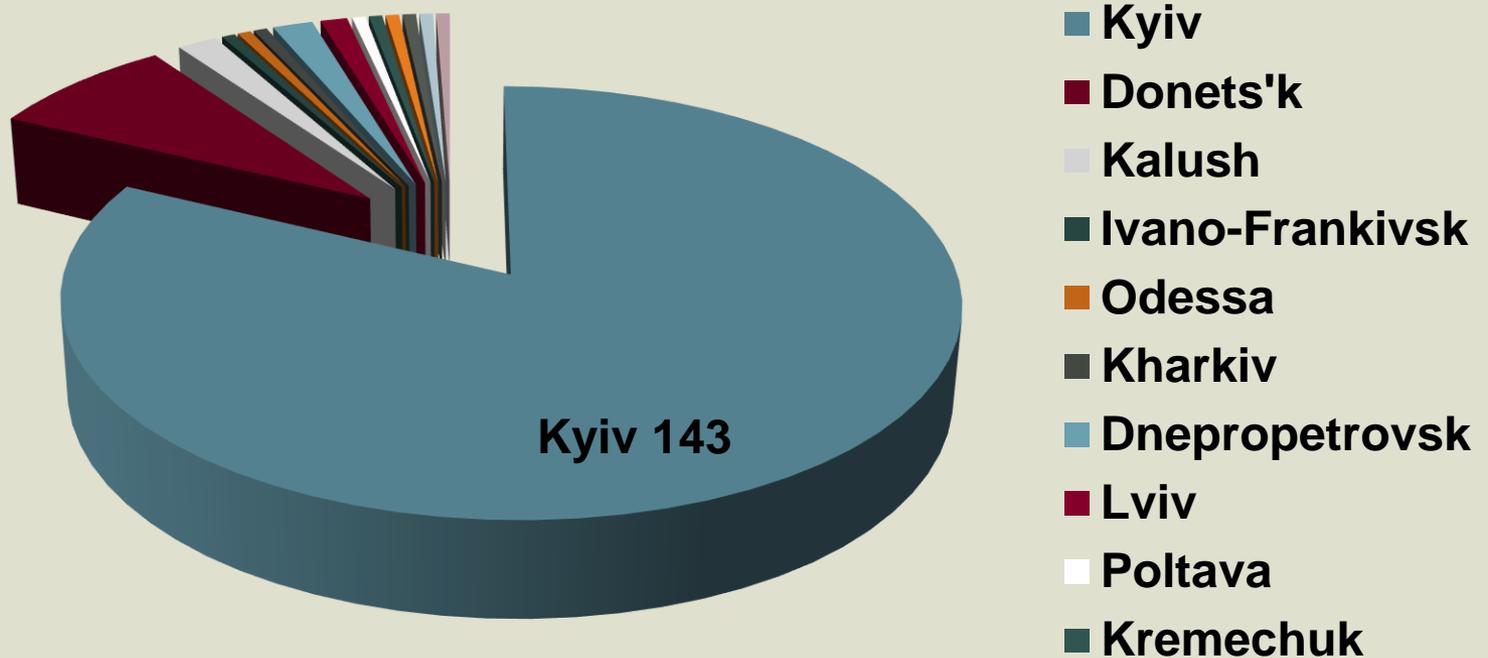
Members by Country as of 01/06/2016



Source: The Data Base of The IIA Ukraine

MEMBERS of The IIA UKRAINE

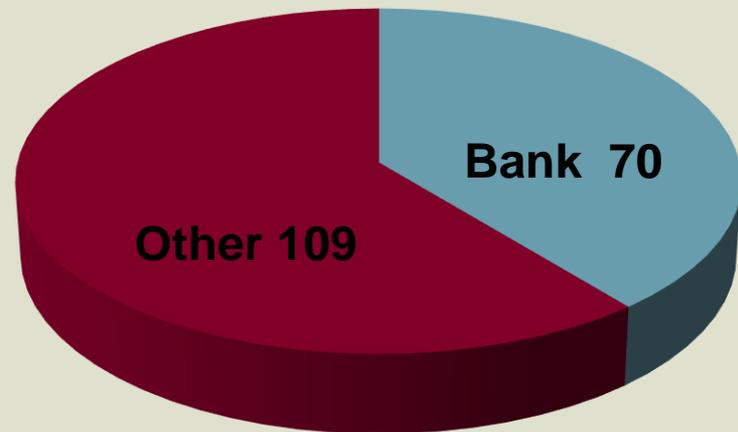
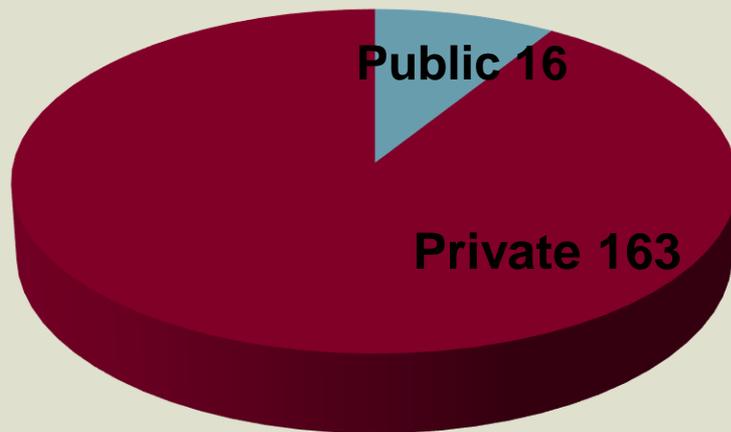
Members by City as of 01/06/2016



Source: The Data Base of The IIA Ukraine

MEMBERS of The IIA UKRAINE

Members by Industry as of 01/06/2016



Source: The Data Base of The IIA Ukraine

CHALLENGES – Public Non-banking Sector of Ukraine

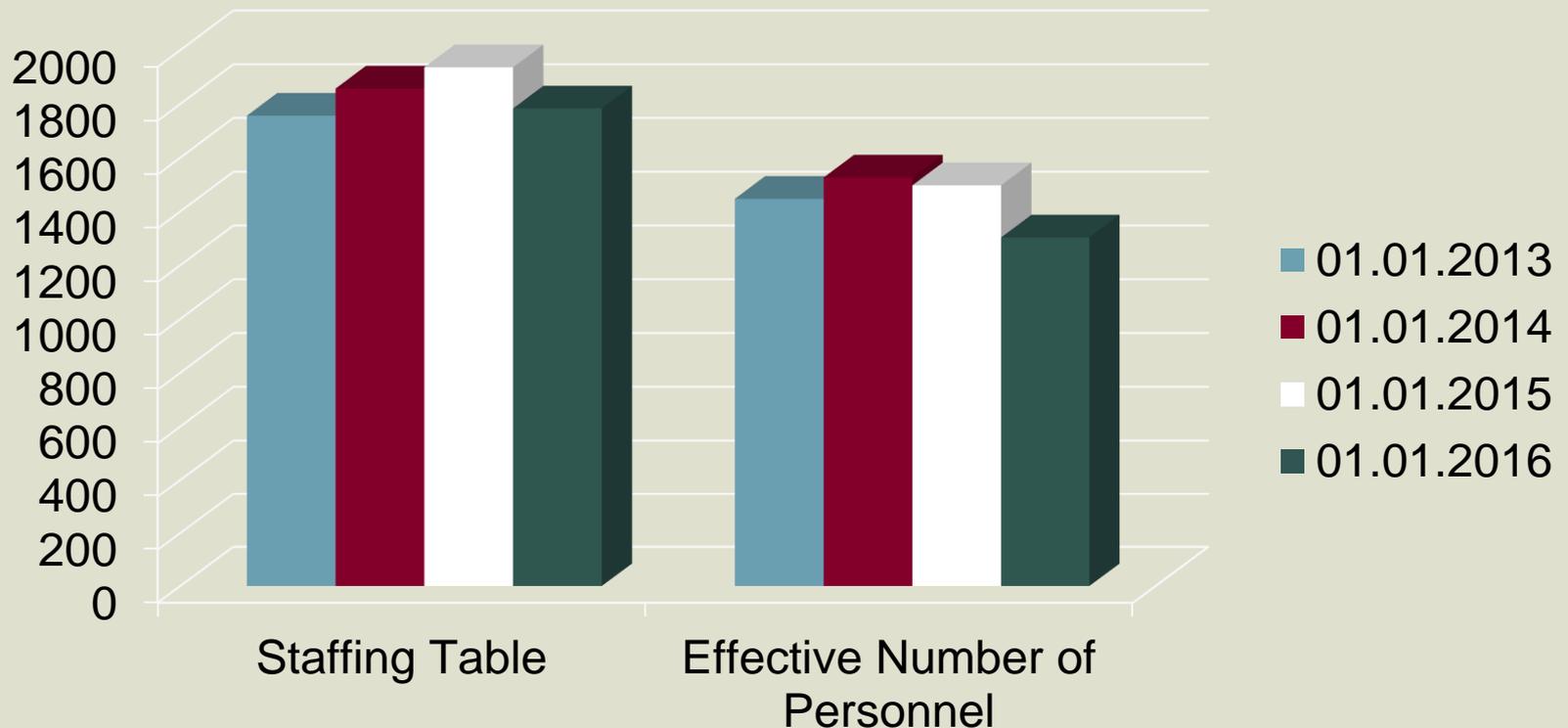
The internal auditors are also in the state organizations of non-banking sector.

According to data from the report of the State Financial Inspection of Ukraine as of 01/01/2016 regarding the internal control implementation in Public sector of Ukraine

the internal audit units are organized in 77 out of 88 offices with staffing - 1 783 and the effective number of personal – 1 203.

CHALLENGES – Public Non-banking Sector of Ukraine

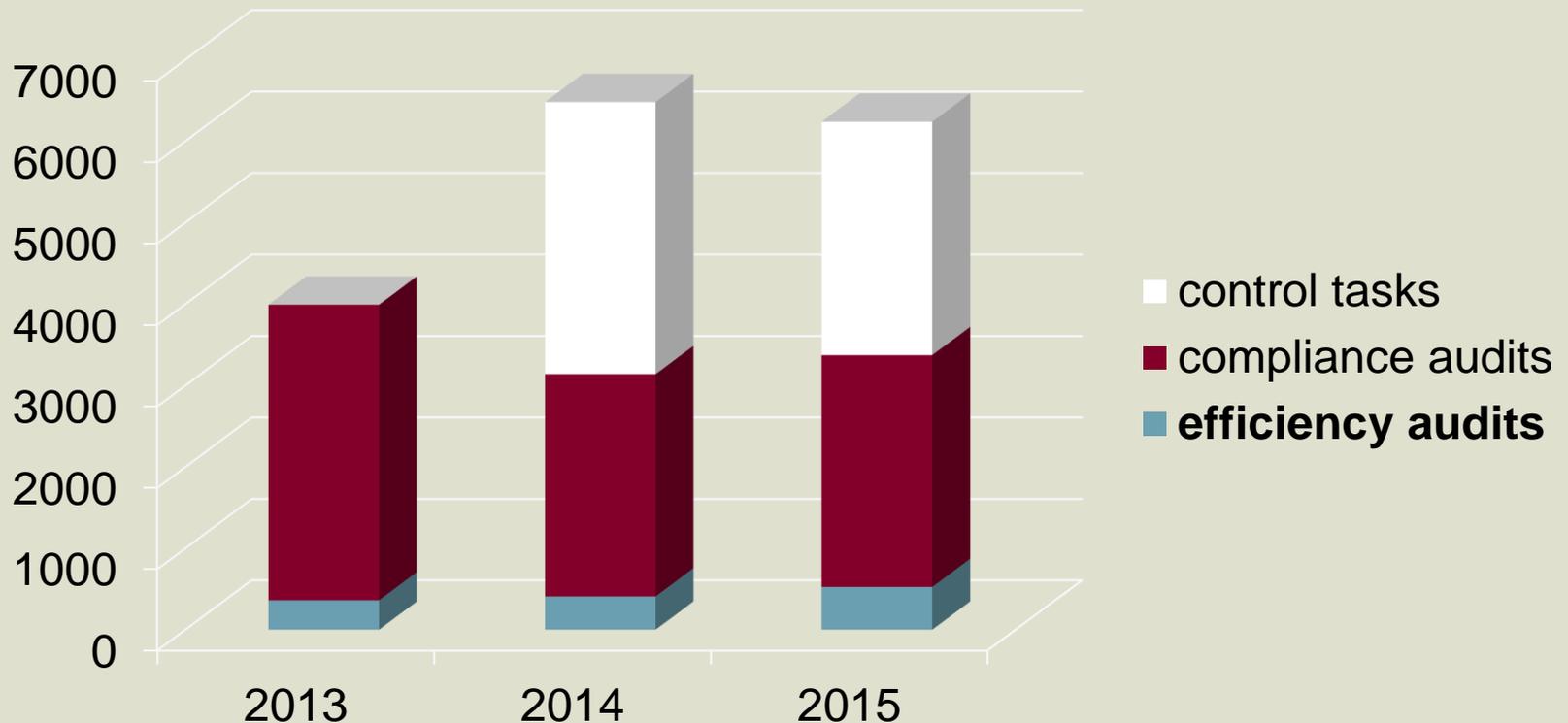
Internal Auditors Dynamics of State Organizations of Non-banking Sector in Ukraine for 2013-2016



Source: <http://dkrs.kmu.gov.ua/kru/doccatalog/document?id=122171>

CHALLENGES – Public Non-banking Sector of Ukraine

Dynamics of balance between the efficiency audit, compliance audit and control tasks



Source: <http://dkrs.kmu.gov.ua/kru/doccatalog/document?id=122171>

Legal Framework and Regulation



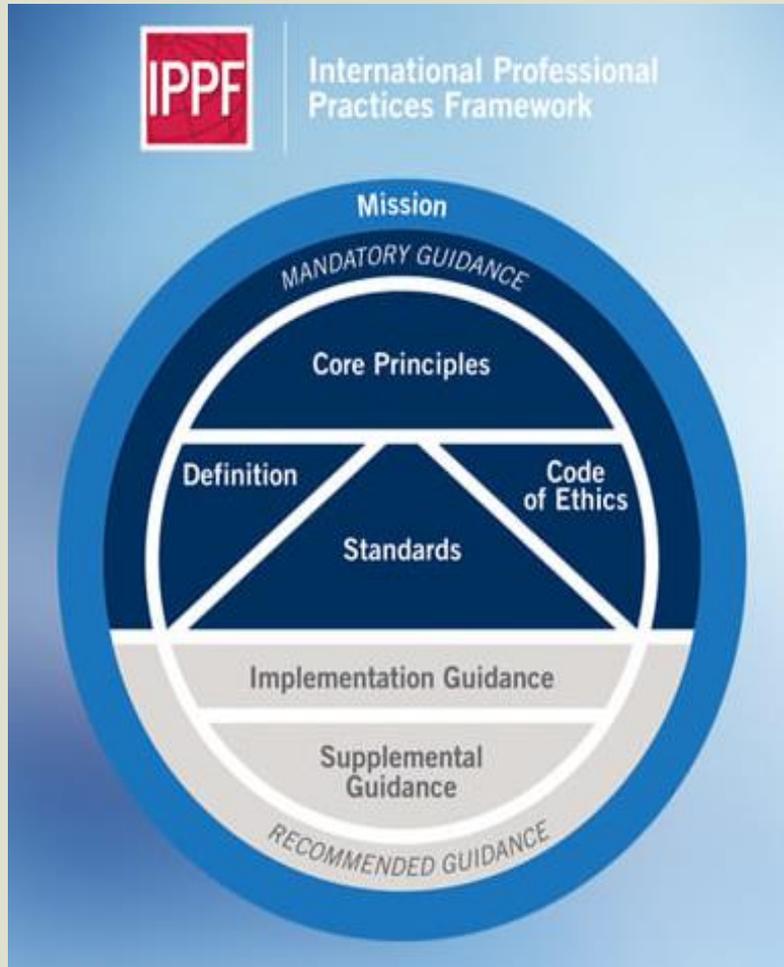
International Standards of Internal Audit was translated, adopted and established in Y2013.

Legal Framework and Regulation

International Professional Practice Framework was translated, adopted and established in Y2014.



Legal Framework and Regulation



Keep the International Professional Standards and the International Professional Practice Framework in compliance with the last established version by The Global IIA

RISK OF ADVICING

Helping people is needed to be careful. The first time you will be grateful and will be called the best, the second time – all will accept it for granted, but if you will not help the third time – they will announce you a scoundrel and a traitor.

Legal Framework and Regulation

Law of Ukraine on Banks and Banking

the amendments to determine the features of corporate governance in banks of Ukraine were approved as of 04.07.2014 **taking into account requirements of the Basel Committee on Corporate Governance:**

- segregation of duties between the management and control
- functions and responsibilities of Shareholders, Supervision Board and Management Board
- the requirements to management of the bank
- Risk management
- Internal Audit and its directly reporting to Supervision Board

Legal Framework and Regulation

Guidelines of Internal Controls in Ukrainian Banks approved by Decree No. 867 of the Management Board of the National Bank of Ukraine dated December 29, 2014

POSITION PAPERS

This Regulation has been developed in pursuance of the Law of Ukrainian on Banks and Banking **taking into account requirements of the Framework for Evaluation of Internal Control Systems issued by the Basel Committee on Banking Supervision** and customary international principles and standards to improve ensuring and implementation of internal controls in Ukrainian Banks and efficient functioning and applying of internal control systems for enhanced stability and safety of banks' operation and protection of depositors' and creditors' interests.

Legal Framework and Regulation

Regulation on Internal Audit approved by Decree No. 311 of the Management Board of the National Bank of Ukraine dated May 10, 2016 (first version was issued 1998)

This Regulation has been amended in pursuance of the Law of Ukrainian on Banks and Banking taking into account the requirements of the **Basel Committee on Banking Supervision on internal audit issues and the International Professional Standards of Internal Audit.**

The main benefits:

- ✓ more independency and more responsibilities;
- ✓ have to be in compliance with the International Professional Standards of Internal Audit;
- ✓ Quality Assessment have to be conducted: internal – once a year and external not less than 5 years.

Legal Framework and Regulation

The following challenges for IIA Ukraine there is to prepare legal ground for Internal Audit and Audit Committee, i.e.:

- to continue carrying forward of the Draft Law on Internal Audit.
- to amend the respective Laws and the Regulations in part of Audit Committee placement in modern Corporate Governance, i.e. to change the Revision Committee for the Audit Committee and to add the respective requirements regarding responsibilities, reporting and ext.

EDUCATION and CERTIFICATION

Education and Certification: results for 2014-2015



1. The seminar was conducted «CIA Presentation: Practical advice for preparing for exams CIA »
2. The learning materials and the step by step instructions for registration and passing of CIA exams were updated at the website of IIA Ukraine.
3. Assistance for members in resolving their problem situations with the CIA registration.
4. Supporting the library page on the website of IIA Ukraine and informing the members about available educational materials for new publications by e-mail.
5. **The introduction of online libraries with examples of applications audit, audit report, internal audit charter and other materials.**

EDUCATION and CERTIFICATION

Education and Certification: plans for 2016

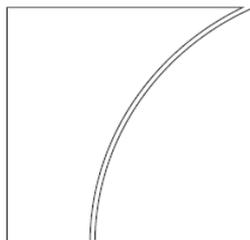
1. Training to obtain the professional certificate **CGAP**



2. Round tables to exchange ideas, knowledge and professional practices.
3. Professional online discussion forum at the website and in the social networks to support online registration for examinations.
4. Informing members on new additions to the library of publications by the Institute website and e-mail.
5. Publication of articles and information materials on educational programs at the Institute's website and in professional publications.
6. Initiating and coordinating of the cooperation with the Institute of Internal Auditors Republic of Poland.

FOUR LINES OF DEFENSE

Financial Stability Institute



Occasional Paper No 11

The “four lines of defence model” for financial institutions

Taking the three-lines-of-defence model further to
reflect specific governance features of regulated
financial institutions

Isabella Amdorfer
Bank for International Settlements

Andrea Minto
Utrecht University

December 2015



BANK FOR INTERNATIONAL SETTLEMENTS

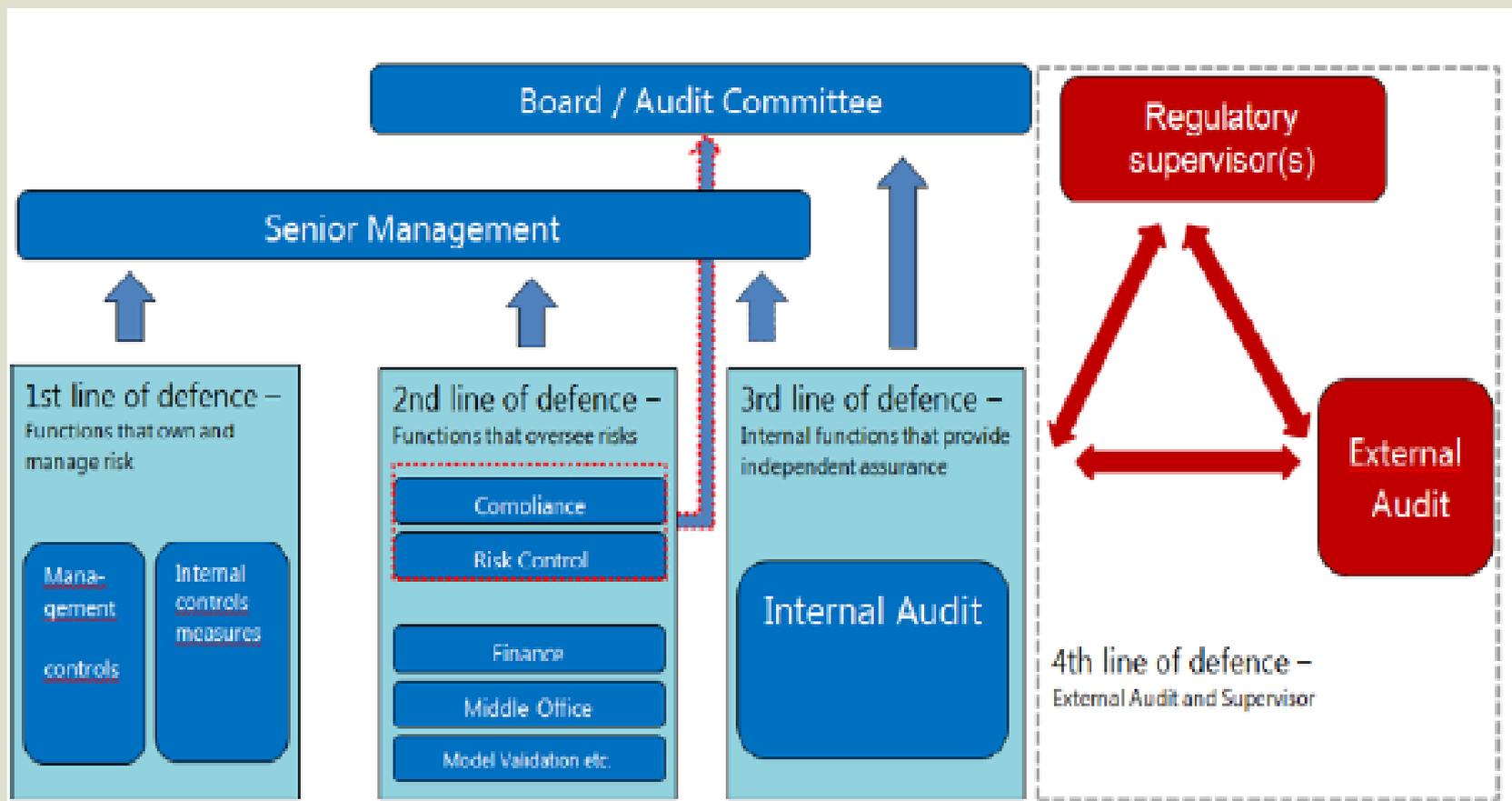
FOUR LINES OF DEFENSE

The Three Lines of Defense Model



Graph 1: The Three Lines of Defense Model (IIA (2013))

FOUR LINES OF DEFENSE



Graph 2: Four-lines-of-defence model for financial institutions

Thank you for attention!



Questions!

