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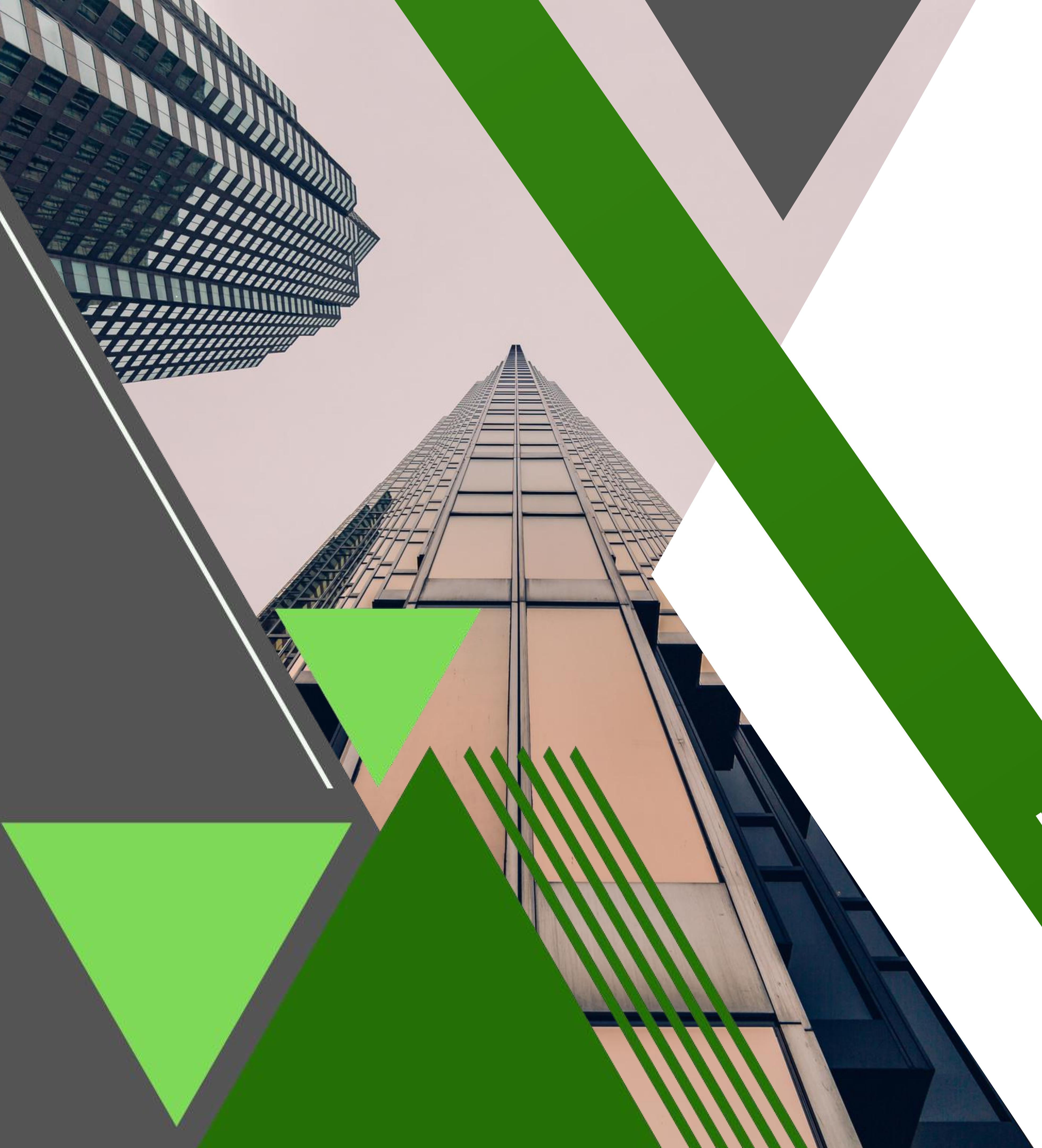


Risk Management/

Internal Audit Best Practices in The Humanitarian Sector

The Concept of Risk

According to the **COSO** (Committee of Sponsoring Organizations of the Treadwa
Commission) framework, risk is defined as

*"The possibility that an event will occur and adversely affect the achievement o
objectives*

In this definition, risk represents the uncertainty surrounding the occurrence of events that coul
hinder an organization's ability to meet its goals and objectives. The COSO framework emphasize
that risk is not only about negative outcomes (downside risk) but also encompasses uncertainty i
achieving positive results (upside risk

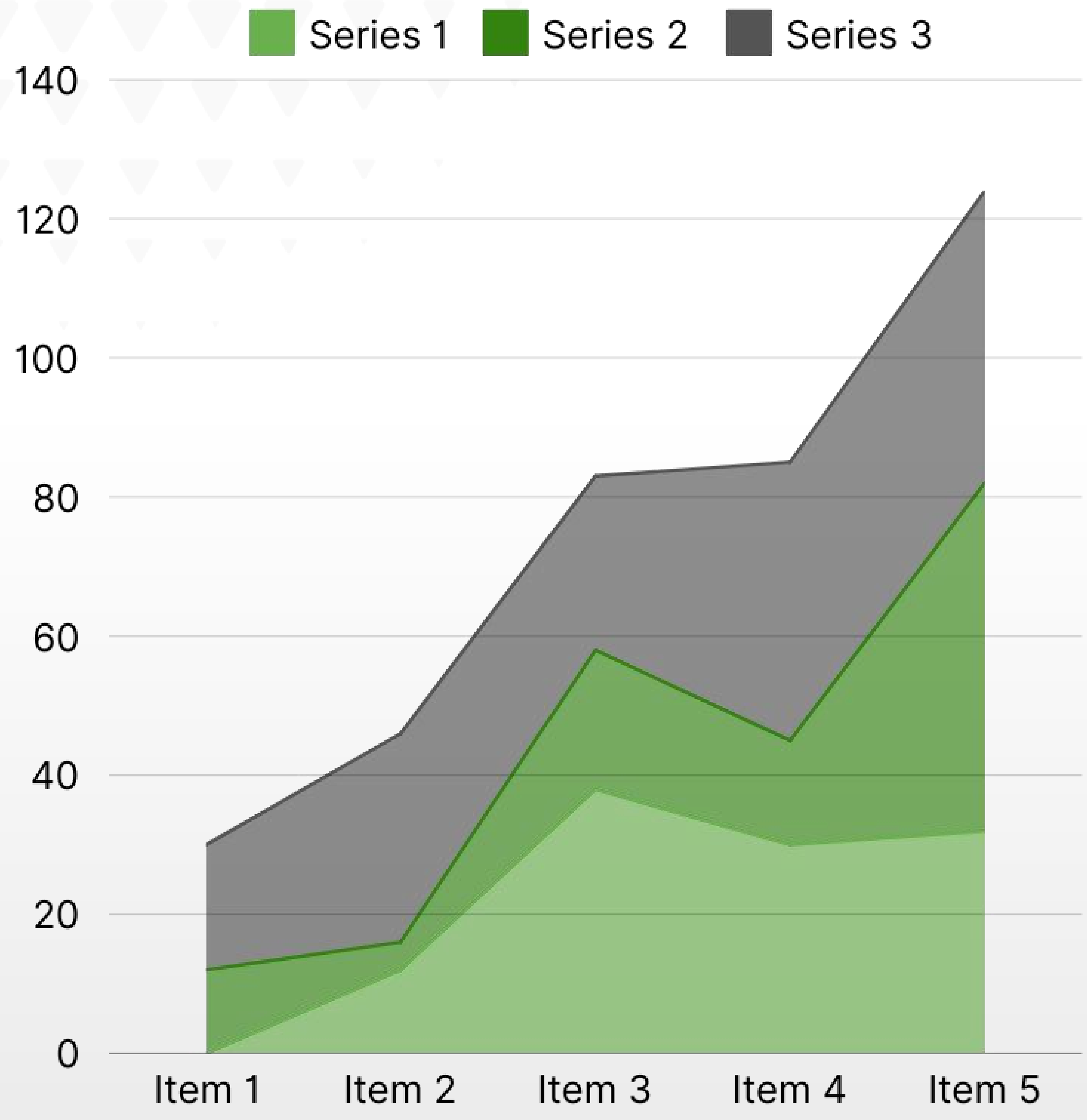
Enterprize Risk Management(ERM)

COSO ERM framework offers a holistic approach to risk
ement that integrates risk into an organization’s strategy
erformance. It helps organizations navigate uncertainties,
ize on opportunities, and mitigate threats in a structured,
pactive manner. By embedding risk management into
ernance, operations, and decision-making processes,
izations are better equipped to achieve their objectives,
even in complex and volatile environments..

Risk Exposure in the Humanitarian Space

In the humanitarian sector, organizations are exposed to a variety of risks due to the often volatile, complex, and unpredictable environments in which they operate. These risks can affect the safety of personnel, the success of operations, financial stability, reputation, and ultimately the ability to deliver aid to those in need.

Common Risks in The Humanitarian Sector



Security Risk

Humanitarian workers and assets are often deployed in conflict zones, unstable regions, or areas with high crime rates, where security risks are particularly high.This exposes them to physical thret, kidnapping etc

Operational Risk

Operational risks arise from the complexities and challenges associated with delivering humanitarian assistance in difficult environments. This includes vehicle breakdown, supply chain disruptions, access restrictions etc

Financial Risk

Because of dependency n donor funding, NGOs are usually exposed to the challenge of business continuity flowing from inability to secure donor funding and negative exchange rate volatility

Compliance Risk

Humanitarian organizations must navigate a complex legal landscape that includes international humanitarian law, local laws, and donor compliance requirements.

How to Manage the Risks

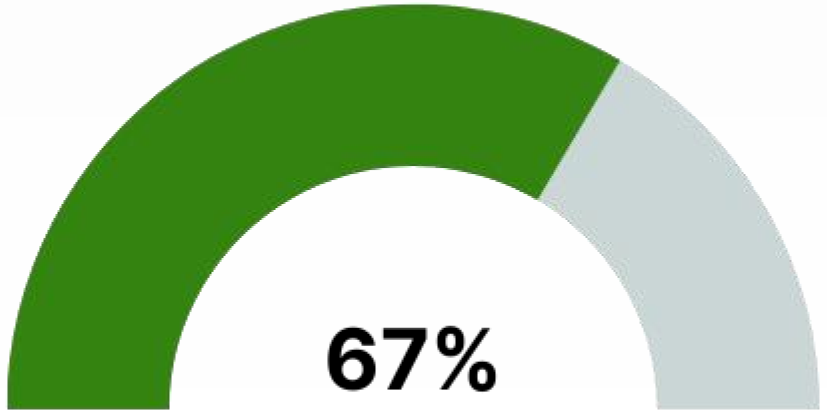
While we acknowledge that these risks may not all be mitigated, its impac in the event of occurence can be reduced considerably using the following the TARA risk management model thus:

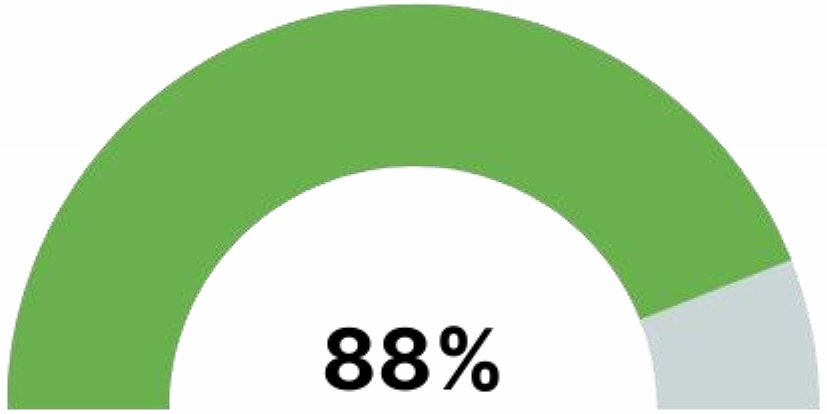
1	Transfer the Risk	Manage Operational, health and financial risks by Outsourcing and taking insurance cover where applicable
2	Avoid the Risk	Avoid risks by Providing thorough training on security, compliance, cultural sensitivity, and organizational policies before deployment. Regular refresher courses and scenario-based training can help staff prepare for different environments.
3	Reduce the Risk	To reduce a risk means to take proactive steps to minimize its impact or likelihood. Risk reduction often involves implementing controls, improving processes, or taking protective actions that make the risk more manageable.
4	Accept the Risk	To accept the risk means to acknowledge it without taking immediate action. This typically happens when the risk is deemed insignificant or manageable, and the organization is prepared to deal with the consequences should the risk materialize.

Internal Audit Best Practices

Internal audit best practices are guidelines and strategies that help internal auditors maximize their effectiveness in assessing an organization's internal controls, risk management processes, and governance structures. These best practices ensure audits are ***thorough, efficient, and add value*** to the organization.

The Global Institute of Internal Auditors (IIA) has released its 2024 Global Internal Audit Standards, which will take effect on January 9, 2025.These standards are designed to strengthen the role of internal audit by emphasizing governance, performance management, and strategic alignment across various sectors, including humanitarian organizations.





...Internal Audit Best Practices

Adopt a Risk-Based Approach

Perform a comprehensive risk assessment at the start of the audit to prioritize audit efforts based on the significance of risks, and update the assessment regularly to reflect changes in the risk landscape.

Independence and Objectivity

Ensure the audit team is organizationally independent, reporting directly to the audit committee or board or the MD in the case of National NGOs, and not involved in day-to-day operations they audit.

Develop a Strong Reporting Framework

Use a consistent reporting format that highlights key findings, risks, and recommendations, and include follow-up mechanisms to track the implementation of audit recommendations.

Operational Principles of Internal Audit

1

2

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4

5

Integrity

Internal auditors must demonstrate honesty and integrity in all their activities. They must ensure that their professional and personal conduct adheres to high ethical standards and promotes trust.

Objectivity

Internal auditors must maintain an unbiased attitude and avoid conflicts of interest. They should not be involved in activities or relationships that might impair their ability to perform their duties objectively.

Confidentiality

Auditors should respect the confidentiality of the information they handle. They should not disclose any sensitive information without proper authority, except where there is a legal or professional obligation to do so.

Independence

Auditors must maintain independence from the activities they audit. This principle ensures that internal audit is not influenced by those involved in the processes being reviewed and that audits are conducted impartially.

Professionalism

Internal auditors must apply care and diligence during their work, ensuring that their assessments and conclusions are based on sufficient, relevant evidence. They should also be prudent in recommending improvements.

Thank You For Your Attention

+2349166661459

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Q&A Session