

Internal Auditing

END-OF-DEGREE PROJECT

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ABSTRACT: In the last years, the term Internal Audit has undergone an important evolution due to the complexity of the economic situation, the opening of subsidiaries all over the world, the larger dimension of companies and the introduction of new technologies in the processes of the companies.

On the occasion of growth in importance of internal audit in the companies, the aim of this end of degree project is to make an analysis of the evolution of the internal audit and its relationship with other relevant concepts. To do this, it will be conducted a conceptual framework where those concepts related to internal audit will be reviewed and finally it will be performed a practical case of internal audit in the Insurance Group.

KEY WORDS: Internal Audit, Internal Control, the Recruitment of Staff process, recommendations.

JEL codes: M42

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INTERNAL AUDITING

1. INTRODUCTION

According to the Institute of Internal Auditors (1990) definition, an Internal Audit is “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” This is one of the numerous definitions of Internal Audit that can be found and it is the current idea after its evolution and several variations over time.

What is an Internal Audit? Who carries it out? Which are the processes to carry it out? What is a Risk-based Internal Audit? These are some of the questions that will be clarified in this end-of-degree project. Also, it will perform an accurate analysis on the term Internal Audit, as well as its evolution over time.

The Internal Audit is one of the most important elements for the monitoring of the efficiency of the internal control system implemented by the company. One of the most important objectives of this article is the relation between the internal audit and other concepts, such as the internal control and the management of risks. To this end, the COSO and ERM concepts will be used.

The main objective of this end-of-degree project is to make an analysis of the term internal audit and observe the results obtained through the practical application of the term in a company.

The end-of-degree project is an academic work which includes different parts. First, it includes a theoretical evolution of the different perspectives and the importance of the concept Internal Audit since its beginning. But it also includes an empirical part where the knowledge of the issue is developed and is put it into practice. It was used a practical case based on the company in order to obtain reliable and meaningful results about its functioning.

This company, on which the case study is based, is a multinational group that mainly develops insurance, reinsurance and services activities. It is present in more than 45 countries, distributed over the five continents; for teaching purposes and in order to maintain his anonymity, this company will be called Insurance Group.

This academic work describes the development of a model that can be used by internal audit to perform this task. The objective of the Internal Audit in the Insurance Group is

to perform an evaluation based on a risk approach that provides security and consulting activity in order to maintain the effective internal control of the company.

The conclusions, drawn after performing the case study, are very relevant and they will be explained in detail. The company has a quite effective risk management system which is able to perform an effective risk analysis and timely treatment.

It has been exposed the relevant recommendations to be implemented if necessary by the company. In later Audit Reports will be revised the implementation of the recommendations made in this report.

This study is structured in four sections. After this introduction, it is provided a review of the theoretical framework. Section 3 shows a practical analysis of the internal audit process. It develops a case study by the Insurance Group. Section 4 summarizes and concludes the study.

2. CONCEPTUAL FRAMEWORK

The American Accounting Association (AAA, 1973) defines Auditing as “a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to interested users.”

There are different classifications related to the term Audit. The most common ones make a differentiation between the purpose of the audit and the origin of the auditors. On the one hand, we can highlight three kinds of audits depending on its purpose: Compliance Audit, Performance Audit and Financial Statement Audit. On the other hand, depending on the origin of the auditors, we can find two types of audits: External Audit and Internal Audit. Despite not being equal terms, there is a great similarity between the Internal Audit and Performance Audit and the other between the Financial Statement Audit and External Audit.

According to the Staffordshire University's (2009) definition, an External Audit is “a periodic examination of the books of account and records of an entity carried out by an independent third party (the auditor), to ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity”.

According to the Institute of Internal Auditors (IIA, 1990), an Internal Audit is “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives

by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Once the concepts are explained, it will be made a thorough analysis of the concept Internal Audit and the terms related to it, as explained below.

Many authors and institutions have defined the concept Internal Audit. As a consequence, there are many different definitions of this concept. Obviously, these definitions are not significantly different between them. The internal control system of the Company is the link between all these definitions.

There are many different definitions related to the concept “internal control”. Some of them are quite wide, while others are more specific.

According to the ICAC (1991), the internal control covers the organizational plan and a set of methods and procedures to ensure that the assets are adequately safeguarded, to maintain the reliability of the accounting records and to ensure the effectiveness of the entity's activity and to confirm compliance with the guidelines set by the leadership. As per Mautz and Sharaf (1971), the internal control is a concept used to encompass all the measures taken by the owners and directors of a company to manage and monitor their employees.

In 1987, Treadway Commission developed a report for all the organizations to try to gather together all the terminology, concepts and definitions about internal control to create a new common concept that could be useful as a point of reference. In response to this need, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) was created. They carried out an exhaustive study about internal control and its definition to be useful to the company's needs. This internal control definition appears in the so-called COSO Report, which was published in 1992 in the United States. This report will be the basis for the development of the project. (Rubio Reinoso and Martínez Martínez, 2006)

According to COSO (1992), the internal control is “a process, effected by an entity's board of directors, management and other personnel. This process is designed to provide reasonable assurance regarding the achievement of the following objectives”:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The COSO Report (1992) establishes five components that form the internal control. For the existence of an efficient internal control, these five elements must be implemented in the company.

The relation between the five components and the different areas and departments of the company make up the internal control. The way of establishing the five components will depend on the management style and the philosophy of the company, and depending on these factors, an efficient internal control will be created.

These components are the following:

- The Control Environment
- Risks assessment
- Control Activities
- Information and Communication
- Supervision

This is the concept of risk; the possibility of errors or frauds existing within the organisation that impact on it. That is why a new risk analysis system was carried out by the Treadway Commission. (Moeller and Witt, 1999).

The Committee of Sponsoring Organizations of the Treadway Commission, the same one which elaborated the COSO Report, introduced a new term, "Enterprise Risk Management" (ERM) (2004), and it solves doubts about the risk management definition.

According to Herrador Alcaide and San Segundo Ontín (2005), the ERM is a process to discover, identify and evaluate the individual risks of an area and the impact of the different risks of an organization. The ERM proposes eight components to control the risks:

- Internal environment
- Establishment of strategies and objectives of risk
- Identification of situations which would modify the risks
- Assessment of the impact of risks
- Responses to reduce the risks
- Control activities
- Information and communication
- Monitoring system

The risk management process is evaluated by the Internal Audit. Their Objective is to provide security for the company maintaining an effective internal control. The internal auditor has to plan its resources in a way that he obtains the maximum number of objectives with the limited sources available.

The Internal Audit has its origins in the 1920s, when the managers of the first large corporations recognized that the annual audits of Financial Statements carried out by external auditors weren't enough and the employee involvement was necessary to ensure accurate and proper financial records, thereby avoiding fraud. As a result of the market needs, the role of the internal auditors enhanced its importance and it also started to cover a more detailed analysis of the internal control and other kind of accounting information not taken into account in the annual audits. These demands can be specified in the following factors:

- 1- The growing complexity of the economic phenomena, which resulted in the changing dynamics of the methods and the management and business administration systems.
- 2- The large dimension of the companies, which requires the directors to focus their attention on the most important issues because of the limited time available to manage and examine all areas of the entity.
- 3- The opening of branches worldwide and therefore an increase in the delegation of functions and powers of these branches.
- 4- Communication at the international level.

The Internal Audit plays a role in the companies which has evolved significantly during the last years, going from having an accounting and financial approach to be orientated towards the critical business risks.

According to Institute of Chartered Accountants of India (2007) "during recent years, managements are increasingly getting risk focused. Expectations from internal auditors are hence shifting from providing an assurance on the adequacy and effectiveness of internal controls to an assurance on whether risks are being managed within acceptable limits as laid down by the Boards of Directors. This shift in assurance from a control based focus to a risk based focus requires that the internal audit activity be carried out by an experienced multidisciplinary team using risk-based internal audit methodology".

In the current Internal Audit process, we can distinguish the following stages in an empirical way:

I: Planning

II: Execution

III: Reporting

IV: Supervision

Some academic works as Carias, Estrada and Díaz (2011), Lubbe (2009) Sobel (2008) are a good example of company audits and this have been used as a guide for this work.

Following Del Pozo, Fernández, Tolmos (2012) it performs a full internal audit process in an Insurer Group, analysing in detail all stages until to give the relevant recommendations.

3. DEVELOPMENT OF THE CASE STUDY

In the following sections will be evaluated the operability of the various management areas shown in the organizational structure of the company. It should be noted that the operability refers to the way which operate all areas of the company.

The internal audit in the company will seek to identify and assess the risks that internal control has omitted or the ones which are being evaluated in an improper way.

When the auditor identifies risks not considered by the internal control, he must apply certain procedures which enable him to verify and document his work. Then the Top Management Team must be informed about the findings and make suggestions to improve the system of internal control (Carias Santos; Estrada Martínez y Díaz, 2011).

In the following sections will be established a methodology to be followed in the evaluation of risk by the internal audit units. It will be used the approach to internal control COSO (1992) that has been explained in detail in the conceptual framework and the guide of the internal audit based on the risk of the Institute of Chartered Accountants of India (2007).

The four stages of the internal audit that are carried out in one of many offices of the Insurance Group will be explained below.

3.1. Planning

In this section of the internal audit, the auditor receives the necessary information to be placed in the context of the entity and it defines the audit process in order to successfully achieve the objectives previously established.

The company, on which the case study is based, is a multinational group that mainly develops insurance, reinsurance and services activities. It is present in more than 45 countries, distributed over the five continents; for teaching purposes and in order to maintain his anonymity, this company will be called Insurance Group.

Due to the large size of this company and in order to simplify the work and compare it with other small and medium-sized companies, the work will focus on one of the numerous offices of the Insurance Group.

This company has defined a mission, vision, objectives, an adequate internal control, organizational structure and other kind of systems and measures tailored to the characteristics and dimensions of this Insurance Group. All of these values have allowed them to make clear their position as one of the most relevant international insurance companies.

Figure 1 shows the organizational structure of the Insurance Group. On its lower level, the marked box shows the structure of the office in which is focused this internal audit work.

FIGURE 1. ORGANIZATIONAL STRUCTURE

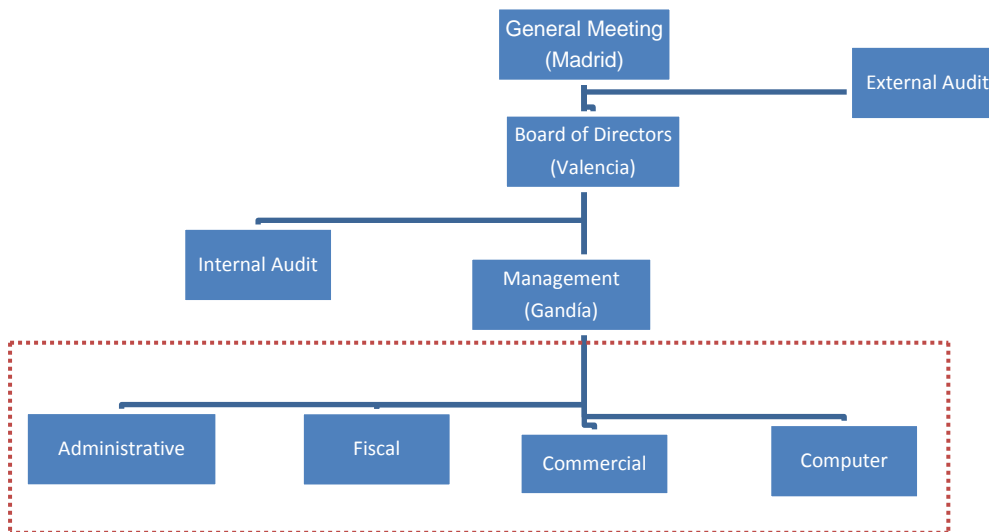


Figure1: Insurer Group

Source: Proper making

Table 1 shows the different values that the company has established and which serve as a reference framework for all employees.

TABLE 1. CORPORATIVE VALUES

<p>• <u>Mission</u></p> <p>"To be leaders in the home market and small and medium-sized enterprises"</p>
<p>• <u>View</u></p> <p>"With more than 1,195 offices around the country and the work carried out by its nearly 63,000 brokers, the Insurance Group is the largest independent company in the Spanish insurance market.</p> <p>It works daily to provide the best service standards and the best professional advice to its policyholders "</p>
<p>• <u>Objectives</u></p> <ul style="list-style-type: none">- To be the leading insurance company in Spain- To have the best team of professionals- Providing the best customer service- Increase the generation of shareholder value- Search rigorously customer loyalty- Keep your business in the coming years even though it is a difficult year as a consequence of the crisis and price competition

Table 1: Insurer Group

Source: Proper making

As mentioned above, the company has an internal control system.

At this stage of the process it should be carried out a preliminary assessment of the internal control in order to know its structure and understand its operation, as well as identifying and assessing the risks that have been omitted or improperly evaluated by the administration (Herrador and San Segundo, 2005).

At this planning stage, according to Spencer (2007), it is quite frequent the preliminary visit and gathering information to get a better general understanding of the entity and the environment.

These visits must be done with the staff in charge of the main areas of the office that will be responsible to respond to questionnaires prepared in order to make a preliminary assessment of the Internal Control.

Then it will develop two different types of questionnaires that have been made to the preliminary assessment of internal control, gather information and learn more detail the organization's environment

- **QUESTIONNAIRE OF INTERNAL CONTROL ENVIRONMENT**

The control environment is considered the foundation of any system of control.

If the control environment is not suitable, it is difficult to be sure of the performance of the other methods that the entity carries out.

The control environment is everything that is not specific to a particular business process but it influences all activities of the entity.

According Rio Del Toro et al, (2005) for the development and evaluation of the control environment there are seven components that identify it:

- **Integrity and ethical values**
- **Professional competence**
- **Control Committee**
- **Atmosphere of mutual trust**
- **Organizational Structure**
- **Assignment of authority and responsibility**
- **Policies and practices that relate to staff**

The heads of the main departments of the Insurance Group answered a questionnaire about the control environment in order to evaluate and identify potential areas for improvement in certain components.

The questionnaire for the internal control environment that appears in the annexes has the same questions and components as performed by Rio Del Toro et al, (2005) in their work of Internal Audit.

FIGURE 2. RESULTS OF THE QUESTIONNAIRE



Figure 2: Insurer Group

Source: Proper making

Figure 2 illustrates the results of the questionnaire, which shows that the Insurance Group has a very balanced Environment Control.

If further analysis is performed in order to obtain lines of improvement for the future, it exists a component with room for improvement which will serve to focus the internal audit to be performed: Policies and practices in staff.

The human resources policies are essential for the selection and permanence of skilled workers which allow to carry out the plans of the entity and thus the attainment of its objectives.

Annex 1 displays the internal control environment questionnaire.

- **RISK MANAGEMENT MATURITY QUESTIONNAIRE**

Usually, small and medium-sized enterprises have several restrictions that do not allow them to have the desired internal control systems and it is common not to have a management integrated computer system.

In these cases, the procedures and controls are often manual and not automatic, and therefore the probability of error or not detecting it increases by the mere fact that the human make mistakes.

The questionnaire answered by the head of the office which appears in the Annexes refers to the system of internal control that the company has established and their level of maturity:

After making the questionnaire, the following was concluded:

On the one hand the high level of maturity is managed. Its main characteristic is that the process of risk management is developed and communicated gradually according to the priorities in the organization's value chain. The risk limit or risk tolerance is defined.

In addition Internal Audit should pay special attention to weak controls resulting from the evaluation of risk management.

According the guide of the internal audit based on the risk of the Institute of Chartered Accountants of India (2007) this type of organisation represents a high level of understanding on the management of risk. A complete list of risks (risk register) is available for audit planning and the internal audit work would emphasize on whether risk management processes are working properly, responses to key risks and on the monitoring of controls.

Annex 2 displays the risk management maturity questionnaire.

In this first phase of Internal Audit are established the objectives to be achieved with the audit and in this way focus clearly the work to develop.

Following Hevia (1991), the objectives guide the execution of the work and shall be in accordance with the framework of the entity. Generally, the objectives should answer the following questions: What should be made? What is its basis? What is the purpose?

The objective of the Internal Audit in the Insurance Group is to perform an evaluation of the risk management processes to provide security for the company maintaining an effective internal control.

Another issue to be determined at the planning stage is the scope of the internal audit that will be carried out. It should be determined the following key aspects to know the scope of the internal audit:

Scope of application: the internal audit to develop is specific. It is applied to the office's administration department because it performs a greater number of processes and procedures.

In the department of administration there are many processes which make very difficult a complete audit. For this reason, this Internal Audit will focus on a specific process: **the Recruitment of Staff.**

The process of staff recruitment has been chosen to carry out the internal audit due to its importance in the achievement of the objectives set by the company. Also it has previously demonstrated through the questionnaire of internal control environment that it is the weakest area of the company.

These are the specific objectives of the recruitment of the staff process that the internal control of the company has established:

- a) To ensure that appropriately experienced and stable staff are recruited to meet the organization's business and operational objectives.
- b) To ensure that a structured, targeted, and cost-effective approach to recruitment is adopted.
- c) To ensure that all recruitment and appointments are suitably authorized.
- d) To ensure that recruitment activities comply with current legislation and regulations.
- e) To ensure that new employees are engaged in compliance with the prevailing remuneration and conditions policies.
- f) To ensure that all positions are suitably evaluated and that the key recruitment criteria are identified.
- g) To ensure that candidates are evaluated against the job specification and adequately screened to confirm their previous employment and educational record.
- h) To ensure that personnel and employment records are correctly established and accurately maintained in accordance with any applicable legislation.
- i) To ensure that valid and correct employment contracts are agreed, signed and retained.

Internal Audit duration: It was established that the duration of the internal audit should be about three months due to the characteristics of the company and the scope of the application.

In this way, the Internal Audit began in early February and it ended the last week of May with the presentation of the results.

Audit Team: the person who performs the internal audit may be related to the company but it is essential to ensure objectivity and impartiality in the audit process.

This person won't be from the same office or department of administration because it is not possible to audit oneself's work.

According to Aumatell (2012), another purpose of this planning phase is to prepare in collaboration with the audited, the audit action plan to ensure the possibility to perform the scheduled audit.

A key tool for this stage which serves as a reference during this audit is the schedule.

The schedule expresses the different programmed activities within the audit process and the time planned for each one of them.

Annex 3 displays the schedule of this internal audit.

3.2 Execution

As previously mentioned the internal auditor in most cases is an employee of the company or a person closely linked to it due to the fact that he must have some skills of all areas which will help him with the identification of events.

Once both previous phases are completed, it begins the fieldwork or execution phase, which is divided into different parts.

3.2.1 Risk identification

Following Labodavá (2004:572), risk is defined as “a combination of probability that some (dangerous) event will occur and the consequence of it if it actually occurs”.

Identifying events is to verify and analyze different situations, taking into consideration a range of factors both internal and external.

These factors are related to the activities and operations of the company and they determine the opportunities or risks for the company. (Almela Díez, 1987)

A timely identification of adverse events or risks has a positive impact on the company due to the correct treatment of these threats.

The auditor of the Insurance Group considers that the operational risks of the Administration department of the company may be related to the following factors:

- People
- Processes
- Technology
- External Elements

Different techniques which are helpful to collect relevant information are used for the identification of risks.

This information will be useful for the development of the audit process.

Some of these techniques include interviews, questionnaires, observation and inspection, flow chart, analytical procedures, participation in workshops or meetings (Carias Santos, Martinez Estrada, Diaz, 2011).

In this internal audit of the recruitment Staff process in the Insurance Group, the most common techniques are questionnaires and flow charts.

- **FLOW CHART**

It involves a schematic representation of a process. Flow charts allow to obtain a better understanding of how the different activities are performed within each area and it warns about unusual aspects in the operations of the company. It helps to discover the contingencies that can disrupt their development.

If the entity has defined a system of internal control, the auditor should review the flow chart of the recruitment process established by the administration

If there wasn't a flow chart, the auditor would have to develop it.

The flow chart, which can be seen in the annexes, was prepared by the auditor with the information received from the company. This flowchart shows more clearly the process of recruitment and serves to detect events.

One example of event detected at first glance in the flowchart is the existence of outsourced staff of the recruitment process in the company.

Annex 4 displays the flowchart of this staff recruitment process.

- **QUESTIONNAIRE ABOUT RECRUITMENT OF STAFF PROCESS**

It is a very useful technique to analyze a specific area or department within the company, as it dispels the doubts on the processes or ways of performing certain operations. Through the use of this technique, a wide range of situations can be analyzed focusing on both internal and external events.

Questions can be formulated in an open or closed way (Griffiths, 2006a).

These questionnaires were draft for the main responsible of the recruitment staff process of the Insurance Group.

The responsible for Recruitment process replied the questionnaire, so that the questions with negative response meant an indicator of events that could lead to a risk.

The purpose of drafting this way the questions was to facilitate its processing and analysis.

After obtaining this information, it is prepared a detailed inventory of possible events which, if happening, would have a negative impact on the company.

Following the questionnaires used by Lubbe (2009) in their internal audit, it has chosen a number of questions to develop our own questionnaire.

Annex 5 displays the questionnaire.

After performing the questionnaire and making a flowchart of the Recruitment process, the results were analyzed and the events were identified in the process.

These events could influence the achievement of the objectives set.

The events found are shown below:

- 1. There isn't correlation between the physical and digital information.**
- 2. There is outsourced staff within the recruitment process.**
- 3. There isn't a timely turnover of staff.**
- 4. Not making visible the labor supply.**
- 5. Not adequately checked the references of the candidates.**
- 6. There isn't a proper segregation of duties.**
- 7. There isn't an adequate monitoring of new employees.**
- 8. Interviews or tests conducted are quite similar.**
- 9. Questionnaires answered by the candidates don't match with their future job.**
- 10. The working conditions aren't shared (hours, fees, work to carry out ...) until the admission of the candidate.**

3.2.2 Analysis and risk assessment

Once the events have been identified, the auditor should evaluate whether internal control administration has identified the potential events cited above that could lead to risks.

It is part of the Internal Control, the fact that the direction analyzes which are the risks that can affect the entity, classify them, evaluate and establish the strategies to face them (Barquero, 2013).

It must be noted that the operational objectives that the department has established are congruent to the strategic objectives and these at the same time with the Mission and Vision Insurance Group.

The auditor should ensure that such events are being considered by management as part of events that could lead to risks.

It is important to understand the quantitative and qualitative techniques used for risk assessment as well as the different levels of risk established by the company.

On one side to estimate or measure the risk, 5 levels are defined according to the severity of the consequence of the impact and likelihood of occurrence.

Is noteworthy that for this classification, the auditor must know deeply the company and have enough experience in the organization.

In risk matrices, the measurement of the likelihood of an occurrence and the measurement of the potential dimension of the consequences of an occurrence are normally indicated in intervals on two scales from 1 to 5, but other scales are also used.

According to the Institute of Chartered Accountants of India (2007), these criteria could be applicable to a large number of firms.

Table 2 presents the ranking criteria for each risk variable

TABLE 2: RANKING CRITERIA

VALUATION OF RISK CONSEQUENCE		VALUATION OF PROBABILITY OF OCCURRENCE	
IMPACT	DESCRIPTION	PROBABILITY	DESCRIPTION
Catastrophic (5)	A catastrophic impact on the organization doubts that it could confront it.	Almost certain (5)	Risk whose probability of occurrence is very high.
Important (4)	Not allows the organization to scope as a whole, or in part, long-term objectives.	Probable (4)	Risk whose probability of occurrence is high.
Moderate (3)	Not allows the organization to meet its annual objectives.	Moderate (3)	Risk whose probability of occurrence is medium.
Small (2)	Not allows the organization to meet its quarterly goals.	Unlikely (2)	Risk whose probability of occurrence is low.

Negligible (1)	It does not affect the achievement of the objectives of the organization. It causes a minor inconvenience.
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Very unlikely (1)	Risk whose probability of occurrence is very low.
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Table 2: Insurer Group-

Source: The Institute of Chartered Accountants of India (2007).

Moreover, the auditor must know previously the different levels of risk that the company has established through internal control.

In Table 3 are shown the main concepts and levels that the company has established:

TABLE 3. LEVELS OF RISK

<ul style="list-style-type: none"> • Inherent Risk: It's the risk subjected to an activity or process before applying a technique of internal control.
<ul style="list-style-type: none"> • Residual Risk: The risk that is implicit in the operations or processes after the internal control of the company has taken the necessary actions.
<ul style="list-style-type: none"> • Risk Appetite: Number of risk that the company wants to assume to achieve their goals. Any risk that is located below this threshold is maintained at the desired levels.
<ul style="list-style-type: none"> • Risk tolerance: Maximum amount of risk that an organization is prepared to accept to achieve their goals. The risks which are placed above this level are considered unacceptable risks.
<ul style="list-style-type: none"> • Risk Capacity: maximum amount that an organization is able to support in the pursuit of goals. How much risk can assume a company without breaking?

Table 3: Insurer Group

Source: Proper making

Risks are explored, considering both likelihood of the risk occurrence and the risk consequence and judging their combination to assess the risk to which the entity is exposed.

Risks are typically measured using rating scales, which may be defined in quantitative and/or qualitative terms.

Focusing in qualitative methodologies, a tool often used in this stage is the risk matrix (Fernández Izquierdo; Muñoz Torres; Ferrero Ferreo, 2014).

In Figure 3, it can be seen a risk matrix with the different levels that the Risk Insurance Group has established.¹

FIGURE 3. RISK MATRIX





								 Level of desired risk
								 Level of tolerated risk
								 Level of unacceptable risk
								 Risk appetite
PROBABILITY OF THE RISK	Almost certain (5)	1 x 5 = 5	2 x 5 = 10	3 x 5 = 15	4 x 5 = 20	5 x 5 = 25		
	Probable (4)	1 x 4 = 4	2 x 4 = 8	3 x 4 = 12	4 x 4 = 16	5 x 4 = 20		
	Moderate (3)	1 x 3 = 3	2 x 3 = 6	3 x 3 = 9	4 x 3 = 12	5 x 3 = 15		
	Unlikely (2)	1 x 2 = 2	2 x 2 = 4	3 x 2 = 6	4 x 2 = 8	5 x 2 = 10		
	Very unlikely (1)	1 x 1 = 1	2 x 1 = 2	3 x 1 = 3	4 x 1 = 4	5 x 1 = 5		
		Negligible (1)	Small (2)	Moderate (3)	Important (4)	Catastrophic (5)		
	CONSEQUENCE OF THE RISK							

Figure 3: Insurer Group

Source: Proper making

Once the risks have been identified, and in order to conduct an evaluation, they should be analyzed and classified according to their probability of occurrence and magnitude of impact.

The results of the questionnaires are retrieved to analyze and evaluate the potential risks that could affect our company.

Table 4 details the events identified above. Their risks have been added there too.

Further risks are quantified from a dual perspective to determine a level of inherent risk.

¹ The Insurance Group has defined levels of risk, however, it hasn't been possible to obtain such information, and for the purposes of this paper we have used hypothetical levels.

TABLE 4. RISK IDENTIFIED

	Nº	Identification of the Event	Identification of the Risk		Evaluation of the Risk		
		Event	Clasificación	Risk	Proba bility	Impact	Inherent Risk
Recruitment of staff process	1	There isn't correlation between the physical and digital information.	Internal	Duplication or lack of information.	4	2	8
	2	There is outsourced staff within the recruitment process.	Internal	Outside staff don't follow the same lines of action that the company.	1	5	5
	3	There isn't a timely turnover of staff	Internal	Taking incorrect decisions by fraud or error.	2	3	6
	4	Not making visible the labor supply.	Internal	Not getting the candidate with the best skills for the job.	4	3	12
	5	Not adequately checked the references of the candidates.	Internal	Incorrect recruitment. Possibility of suffering scam or fraud.	2	5	10
	6	There isn't proper segregation of duties.	Internal	Lack of information. Possibility of fraud.	3	2	6
	7	There isn't adequately monitoring of new employees.	Internal	Recruitment of inadequate staff.	3	3	9
	8	Interviews or tests conducted are quite similar.	Internal	Duplication of information on some fields and lack of information on other.	4	2	8
	9	Questionnaires answered by the candidates don't match with their future job.	Internal	Personal unmotivated.	3	2	6
	10	The working conditions aren't shared (hours, fees, work to carry out ...) until the admission of the candidate	Internal	Not meeting the expectations of the candidates.	3	3	9

Table 4: Insurer Group

Source: Proper making

Figure 4 shows the risks situated in the risk matrix. It observes that the majority of these risks are located above the area of risk appetite that the company wishes to support.

The risks situated in the unacceptable risk area require special attention for their high impact on the company.

So the higher the inherent risk is, the greater attention the internal control should pay.

It should be recalled that in this part of the risk assessment, the strategies of internal control have not yet been implemented.

Figure 4 shows the risk matrix:

FIGURE 4. INHERENT RISKS IN THE RISK MATRIX

PROBABILITY OF THE RISK	Almost certain (5)	2	5				Nº	Numer of the risk in the table
	Probable (4)		1 8	4				
	Moderate (3)		6 9	7 10				
	Unlikely (2)			3				
	Very unlikely (1)							
		Negligible (1)	Small (2)	Moderate (3)	Important (4)	Catastrophic (5)		
CONSEQUENCE OF THE RISK								

Figure 4: Insurer Group

Source: Proper making

3.2.3 DEVELOPMENT STRATEGIES

Following Santos Carias, Martinez Estrada, Diaz; (2011) once are known which are the most significant risks and which are the less significant ones, the process requires the development of strategies to manage risk with serious consequences and a high probability of occurrence for the company.

This ensures that key risks are addressed, and that resources are directed to the main areas of concern and these have been identified through a structured methodology.

A decision must be taken on how to manage each of these risks. This decision can fall within the following options:

- **Tolerating the risk** and not take action to mitigate it.
- **Eliminating the risk**; not doing the activities which generate it.
- **Mitigating the risk** with the available tools.

- Sharing or transferring the risk

Control activities are the procedures found along any business process of an organization and which have been designed by the management to mitigate the risks identified.

Table 5 shows the activities or strategies conducted by the internal control with the identified risks. In addition, it indicates the level of residual risk of the risks after the implementation of strategies by the internal control.

TABLE 5. STRATEGIES APPLIED TO RISKS

Nº	Identification of the Risk			Internal Control		Evaluation of the Residual Risk		
	Event	Risk	Inherent Risk	Answer	Control Technique	Probability	Impact	Residual Risk
1	There isn't correlation between the physical and digital information.	Duplication or lack of information.	8	Mitigate	Monthly review of available information.	3	2	6
2	There is outsourced staff within the recruitment process.	Outside staff don't follow the same lines of action that the company.	5	Tolerate	---	1	5	5
3	There isn't a timely turnover of staff	Taking incorrect decisions by fraud or error.	6	Mitigate	Segregation of duties between people of department.	1	3	3
4	Not making visible the labor supply.	Not getting the candidate with the best skills for the job.	12	Mitigate	Publication in local media.	3	3	9
5	Not adequately checked the references of the candidates.	Incorrect recruitment. Possibility of suffering scam or fraud.	10	Mitigate	Request documentation in any type of academic certificate.	1	5	5
6	There isn't proper segregation of duties.	Lack of information. Possibility of fraud.	6	Tolerate	---	3	2	6
7	There isn't adequately monitoring of new employees.	Recruitment of inadequate staff.	9	Mitigate	Annual review by internal audit.	1	3	3
8	Interviews or tests conducted are quite similar.	Duplication of information on some fields and lack of information on other.	8	Tolerate	---	4	2	8
9	Questionnaires answered by the candidates don't match with their future job.	Personal unmotivated.	6	Mitigate	Availability of different types of questionnaires	2	2	4
10	The working conditions aren't shared (hours, fees, work to carry out ...) until the admission of the candidate	Not meeting the expectations of the candidates.	9	Mitigate	It communicates conditions before signing the employment contract	2	3	6

Table 5: Insurer Group

Source: Proper making

On the one hand, the response to the risks carried out by the internal control has been to mitigate or minimize them because, as observed, they are above the desired level of risk.

By risk mitigation, internal controls are crucial because the main objective is to reduce the inherent risk and maintain residual risk within the desired risk levels.

The difference between the inherent and residual risk, shows the performance of internal control to mitigate the risk.

There is a relation between the desired risk and the effective controls implemented.

On the other hand, as indicated in the later audit report, there is a tolerance and acceptance of other risks without their respective technical of internal control. This may be due to the fact that these risks haven't been identified by the internal control established in the company, or because the costs of establishing these control techniques are very high.

Figure 5 shows the residual risks in the risk matrix after the implementation of strategies by the internal control. It shows graphically the effects that these control techniques have had in the risks detected.

FIGURE 5. RISK MATRIX AFTER IMPLEMENT STRATEGY IN THE RISK.

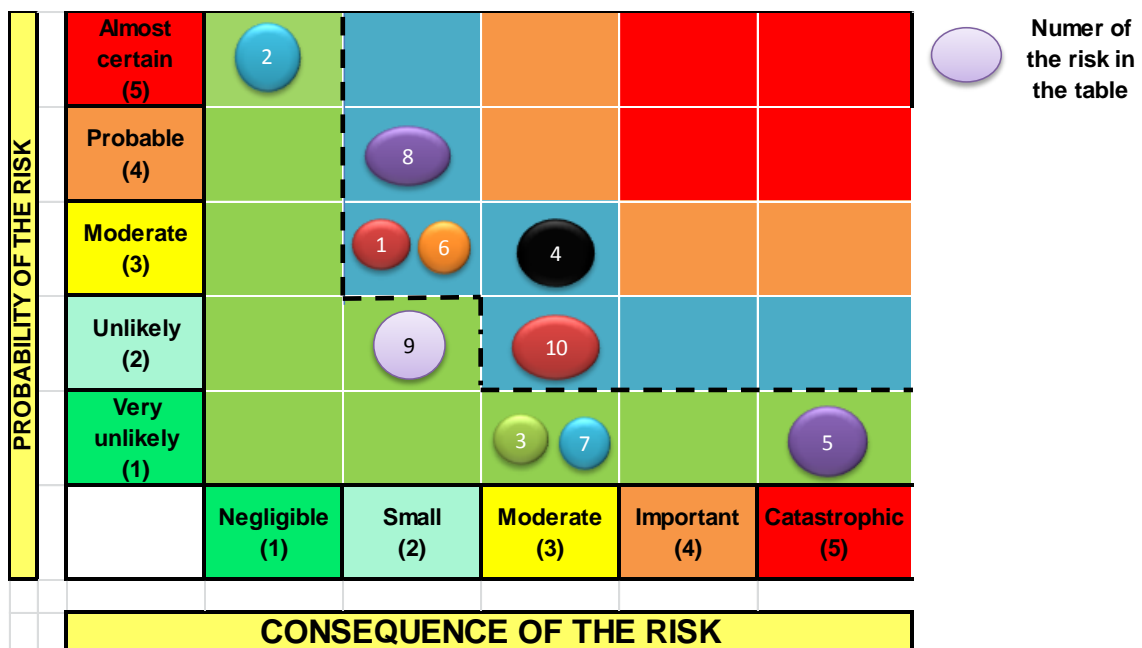


Figure 5: Insurer Group

Source: Proper making

Previously, it have been defined the maturity level of the internal control of the organization. It is a MANAGED level which involves an audit supervision role of the risk management system.

Annex 6 provides a detailed table of all the steps followed by the auditor. In this table appears a part called Audit Assurance in which the audit tests carried out by the auditor and the result of them are exposed.

Also it appears the auditor's opinion and recommendations to be implemented in the risks in which the techniques or controls aren't sufficiently important.

It's important to observe annex 6, where it appears the respective treatments and recommendations for risks individually.

Following Hevia (1989), responsibility for the implementation and execution of a risk management system corresponds to the management of the entity.

The company selects methods and procedures that it will establish to identify and assess risks, and it won't necessarily use techniques or methods that in practice are handled by the auditors.

3.3. Communication of the results

After completing all the previous phases, the internal auditor should notify the results of the work to the appropriate parties. It should be defined the objectives under which the exam and the scope were done. It also should include the conclusions of the work from the point of view of the auditor.

With the results obtained, it must be included the relevant recommendations to address the weaknesses that were identified.

Annex 7 displays the audit report of this audit internal.

3.4. Monitoring

After nonconformities and observations are issued, it will be necessary to take corrective actions.

The audited must inform corrective actions that it envisages adopting.

The objective of this stage is to ensure that corrective actions according to the agreements reached in the discussion phase are applied. Another key aspect of this stage is the questionnaire for feedback on the audit. It aims to get the answer of the audited on an official form about the audit service.

This section of the Internal Audit is outside the scope of this academic work due to the special characteristics of this internal audit.

4. CONCLUSION AND RECOMMENDATIONS

The aim of this Project has been to make a conceptual approach to this management function called Internal Audit, which is increasingly established in the large companies. First, it has been used the Audit concept. Then, it has been presented the differences between Internal Audit and External Audit. Once this terms have been distinguished, it have been analysed the origins and the evolution of the Internal Audit in the companies, as well as learning about its objectives, functions and importance in a good risk management. The importance of this literature review found in the COSO report (1992) must be highlighted. It tried to define a conceptual framework of the Internal Control which integrated the different definitions and concepts that were being used. Once the conceptual framework of the Internal Audit has been completed, it starts the implementation of the Internal Audit. For this part of the work it has been of crucial importance the guide elaborated by The Institute of Chartered Accountants of India (2007), given that the methodology used in the case study is based on the methodology in this guide.

The Company called Insurance Group and concretely the recruitment of staff process have been de main point of our Internal Audit. The previous steps studied in the conceptual framework have been followed until it has been possible to get the identification of 10 events.

After that, the auditor has evaluated these events and it have been analysed the strategies followed by the internal control established by the company.

Depending on different factors such as the residual risk, the inherent risk, the control technology, the response on the part of the internal control, it is defined the level of possible risks that the company could suffer.

After analysing all these factors by the auditor, the recommendations have been provided to mitigate those relevant corporate risks.

The company should make the decision about to implement or not these recommendations. They appear in Annex 6, which is an important table and it summarises the whole process carried out by the auditor.

As possible future improvement lines, this work finds the following ones:

- 1- It is suitable to carry out later audits to observe the degree of implementation of the recommendations.
- 2- Due to the special characteristics of this audit (limited staff, short space of time...) it was only possible to carry out the audit in a determined process. As a possible future line, it should be carried out the audit in other process: related to the preparation of payroll process, for example.
- 3- The evaluation of the risks has been executed in a dual mode, it means, using two variables like the risk impact and the likelihood of risk. This way of evaluating could be extended in later audits or combining it with other variables, as for example the time lap between the moment when the treatment is applied, until there is a visible improvement.

Due to the special nature of the work have been some limitations on the scope. It has not been able to access all the desired information therefore it has had to set some hypothesis.

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6. ANNEXES

Annex1. QUESTIONNAIRE OF INTERNAL CONTROL ENVIRONMENT

CONTROL ENVIRONMENT

1.Integrity and ethical values 3,7

1.1	The codes of behavior and other policies exist and they are in application.	4
1.2	The direction is a good example for the whole collective and it clearly indicates what is right and what is wrong.	4
1.3	Honesty and ethics prevail in the established policies while dealing with employees, customers, suppliers, insurers, competitors, investors, debtors and creditors in general, etc.	3
1.4	Corrective actions are taken in response to departures from the policies and procedures or to violations of the code of behavior. Such measures are transmitted internally to all staff of the organization.	4
1.5	Mechanisms to ensure proper processing of transactions are established.	4
1.6	There is commitment to fulfill the objectives of possible yields.	3

2.Professional competence 3,5

2.1	There are formal or informal job descriptions or other ways to describe the functions involving specific jobs.	4
2.2	Knowledge and required skills are analyzed to realise properly the work.	3

3.Control Committee 3,2

3.1	The Committee reviews the decisions made by management (eg strategic initiatives, major transactions), and it looks for explanations for past results (eg, budget variances).	4
3.2	Committees dependent on the Council are established in cases which are justified by the need to pay more detailed or direct attention to specific matters.	3
3.3	The members have enough knowledge, experience in the business of the entity and time to perform their functions properly.	4
3.4	Meetings are celebrated with the financial and/or countable people in charge, internal and external auditors with the necessary frequency and opportunity.	4
3.5	Information is provided to members of the Council or the Committee enough and appropriately in order to allow the monitoring of the objectives and strategies of management, financial position and operating results of the entity and the conditions of significant agreements.	3

3.6. The most sensitive information, research and significant and unusual events are promptly evaluated by the Council or the Committee of Control.	3
3.7. It is established the form to demonstrate that Superiors must lead by example.	2
3.8. The Council monitors the actions which are made as a result of its findings.	3

4. Ambience of mutual confidence	3,2
---	------------

4.1. The direction acts carefully and only acts after analyzing the risks and potential benefits of an operation that carries risks.	3
4.2. There is staff turnover in key functions, eg, operational, accounting, data processing, internal audit.	4
4.3. The direction has concern towards the data processing and accounting functions, as well as the reliability of the presentation of financial information.	3
4.4. The direction of the group often celebrates meetings with the subsidiaries	3
4.5. There are interaction between the principal administration and the operational one, particularly when they operate from remote geographically locations.	3

5. Organizational Structure	3,4
------------------------------------	------------

5.1. The organizational structure is appropriate and it has the capacity to provide the necessary flow of information to manage its activities.	3
5.2. The responsibilities and the expectations of the main directors are defined with respect to the activities of their areas of responsibility	3
5.3. The managers have the knowledge and the experience appropriate to cover the assigned responsibilities.	4
5.4. The organizational structure is modified when there are changes in circumstances that require it.	4
5.5. It has enough employees with leadership and supervisory capacity.	3

6. Allocation of authority and responsibility	3,5
--	------------

6.1. The responsibility is assigned and the authority is delegated to deal with organizational objectives, operational functions and regulation requirements, including the responsibility about the information systems and the authorizations to make changes.	3
6.2. The rules and procedures related to the control are the suitable for department heads and supervisors.	4
6.3. The entity has the necessary staff, knowledge and experience to carry out their mission.	4
6.4. There is correspondence with the delegation of authority in relation with the responsibilities assigned.	3

7. Staff policies and practices	3
--	----------

7.1. The policies and procedures for recruitment, training and promotion of workers have been defined	3
7.2. Workers are informed of their responsibilities.	3
7.3. Corrective actions taken in response to deviations in the policies and procedures approved are enough and appropriate	3
7.4. Staff policies are oriented towards the observation of the ethical and moral standards in the company	3
7.5. The verifications of the candidate records, referred to previous behavior or non-accepted activities by the entity, are enough and appropriate.	3
7.6. The criteria for worker retention, promotion criteria and techniques for gathering information related to the code of conduct or other guidelines for behavior are suitable	3

LEGEND
4 Points: Excellent, the entity complies 100%.
3 Points: Good. The entity complies 80%. There are some aspects to improve in the short term
2 Points: Regular. The entity complies 60%. There are some aspects to improve in the medium term.
1 Point: Deficient. The entity complies 40%. There are some aspects to improve in the large term
0 Point: Non-existent.
NOTE: If the question is "not applicable" is left blank.

RESULTS OF THE QUESTIONNAIRE



Annex 2. RISK MANAGEMENT MATURITY QUESTIONNAIRE

INDEX OF MATURITY RISK FOR AUDITORS

Questions	Answer
1. Are corporative objectives defined?	
2. Is a procedure for determining the risks defined and established ?	
3. Is it defined a system of risk assessment?	
4. Are all risks assessed based on the procedure established?	
5. Are risks managed through internal control systems?	
6. Are there control mechanisms that evaluate the correct operation of control systems?	
7. Are risks reviewed regularly by the organization?	
8. Has the organization defined risk appetite through a scoring system?	
9. Is the responsibility of workers in the identification, assessment and management of risks clearly included in their functions?	
10. Do managers ensure an effective risk management?	

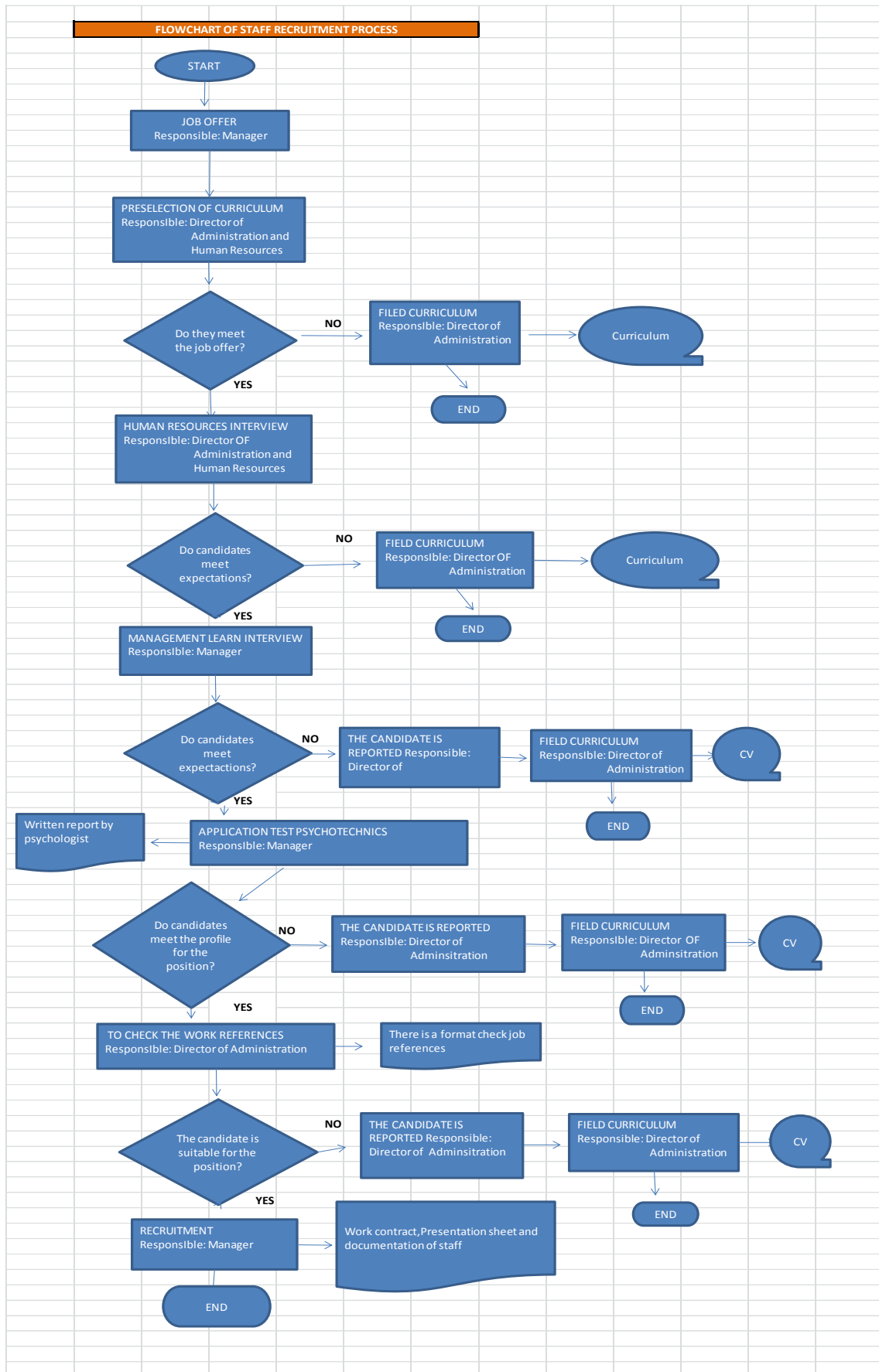
LEGEND	
	NO
	PARTIALLY
	YES

Annex 4. QUESTIONNAIRE ABOUT RECRUITMENT OF STAFF PROCESS

Company:		Insurer Group			
Process:		Staff Recruitment			
Responsible auditor:		Gonzalo Muñoz Montaner			
Interviewe :		Inmaculada Montaner Blanes			
Position :		Responsible for Staff Recruitment			
Date		10/02/2014			
Nº	Question	Yes	No	N/A	Comments
1	Do candidates know the working conditions?		x		Not completely
2	Is there management certain that all staff recruitment and appointments are warranted and authorised?	x			It appears in relevant documents
3	Is there a correlation between physical and digital information?		x		There are some mistakes
4	How does management monitor that all the prevailing employment and engagement legislation and regulations are being correctly observed?	x			There is a process to control the current legislation
5	Is there a diversification in the style and type of interviews?		x		
7	Are there personal and employment records adequately from unauthorised access and use?	x			
8	Is the Insurance Group responsible for any travel expenses of candidates?	x			Yes, the company pays the trips for the interviews in Madrid
9	Is there a process for checking references of the candidates?		x		Not completely

9	Is there a proper communication between aspirants and responsible?	x			
10	Are there policies of outsourced recruiting staff?			x	Psychologist is external to the company
11	Is there a policies and procedures manual for the Human Resources area?	x			
12	Are policies and procedures updated?	x			
13	Is there a complete segregation of duties in the recruitment process?		x		Partially
14	Is there a flow chart of the process?	x			
15	Is there an adequate monitoring of new employees?		x		
16	Does the direction watch the changes in the control structure?	x			
17	Is there turnover of staff in the recruitment process?		x		No, this staff turnover is periodically
18	Are there continuous training programs of staff?	x			
19	Are there own staff recruitment policies?	x			
20	Are there policies to prevent fraud?	x			

Annex 5. FLOWCHART OF STAFF RECRUITMENT



Annex 6. ASSURANCE AUDIT AND RECOMMENDATIONS

Nº	Identification of the Risk		Internal Control		Evaluation of the Risk	
	Event	Risk	Answer	Control Technique	Inherent Risk	Residual Risk
1	There isn't correlation between the physical and digital information.	Duplication or lack of information.	Mitigate	Monthly review of available information.	8	6
2	There is outsourced staff within the recruitment process.	External staff don't follow the same lines of action as the company.	Tolerate	----	5	5
3	There isn't a timely turnover of staff	Incorrect decision-making process by fraud or error.	Mitigate	Segregation of duties between people of department.	6	3
4	Not making visible the labor supply.	Not getting the candidate with the best skills for the job.	Mitigate	Publication in local media.	12	9
5	Not adequately checked the references of the candidates.	Incorrect recruitment of staff. Possibility of suffering scam or fraud.	Mitigate	Request documentation in any type of academic certificate.	10	5

Assurance Audit				
Audit Test	Date of the Test	The Result of the Test	Opinion	Recommendation
At the end of the month it was made a comparison between the CVs obtained in paper format and the ones inserted into the database.	27/02/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: --- To make revisions every fortnight --- To remove the paper format, and create a customized database so that all CVs were sent directly there.
It is performed a test about the procedure carried out by the external company staff.	03/03/2014	Favourable	ACCORDANCE	Controls aren't necessary, due to the risk is within our risk appetite area. If the costs were not too high, a recommendation would be: --- To include this external staff in our company.
One of the candidates is accompanied during the recruitment process to see if the flowchart information is true.	25/02/2014 - 14/03/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: ---- To perform a regular rotation of administrative staff in the recruitment process.
The number of applicants that come from locations higher than a ratio of 15km from our company is checked.	27/02/2014	Unfavourable	NON-COMPLIANCE	The controls don't mitigate risks to the level of risk appetite. It is recommended: --- The disclosure of the jobs at national or provincial level, through the use of an efficient communication system and the appropriate social networks.
It is checked that the references in the 5 CV's chosen at random are correct.	25/03/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: ---- To request the certificate and proof of the jobs in which candidates have previously worked.

Nº	Identification of the Risk		Internal Control		Evaluation of the Risk	
	Event	Risk	Answer	Control Technique	Inherent Risk	Residual Risk
6	There isn't proper segregation of duties.	Lack of information. Possibility of fraud.	Tolerate	---	6	6
7	There isn't adequately monitoring of new employees.	Recruitment of inadequate staff.	Mitigate	Annual review by internal audit.	9	3
8	Interviews or tests conducted are quite similar.	Duplication of information in some fields and lack of information in other ones.	Tolerate	---	8	8
9	Questionnaires answered by the candidates don't match with their future job.	Unmotivated staff.	Mitigate	Availability of different types of questionnaires	6	4
10	The working conditions aren't shared (hours, fees, work to carry out ...) until the admission of the candidate.	Not meeting the expectations of the candidates.	Mitigate	It communicates conditions before signing the employment contract	9	6

Assurance Audit				
Audit Test	Date of the Test	TheResult of the Test	Opinion	Recommendation
It is carried out a questionnaire for the employees related to the recruitment process.	3/04/2014	Favourable	ACCORDANCE	Controls aren't necessary, due to the risk is within our risk appetite area. If the costs were not too high, a recommendation would be: ---To segregate more the duties.
It is carried out a weekly monitoring of the last recruited employee.	07/04/2014-11/04/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: --- To assign a responsible to review periodically their tasks.
One of the candidates is accompanied during the interview stage.	25/02/2014-14/03/2014	Unfavourable	OBSERVATIONS	Despite being out of our appetite area this risk has no control that mitigates it. It is recommended: --- Preparing many different questions to vary the interviews.
It is checked if the questionnaires used for the candidates to different jobs are similar.	18/04/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: ---Adapt the questions taking into account the job offered.
It is noted the number of candidates who once admitted, regress in their decision to access to the job after knowing the conditions.	05/05/2014	Favourable	ACCORDANCE	The controls mitigate risks to the level of risk appetite. It is recommended to monitor the process and the technique as well as checking if it is not a waste of resources: ---Complete transparency; communicate from the beginning all the conditions.

Annex 7. THE AUDIT REPORT

INTERNAL AUDIT REPORT Nº 1

In order to arrange and to facilitate the reading of the formless present, the thematic classification of the same one is exhibited next:

1. PREVIOUS CLARIFICATIONS
2. TARGET OF AUDIT
3. SCOPE AND METHODOLOGY OF THE WORK
4. SCOPE LIMITATIONS
5. APPLIED PROCEDURES OF AUDIT
6. IMPLEMENTATION OF RECOMMENDATIONS
7. OPINION OF AUDITEE
8. OPINION OF THE AUDITOR

In order to provide detailed information of the responsible people of the audited sector , in Excel Annexes and Word Format appears appropriate justification to performed work and the conclusions in form of recommendations .

1. PREVIOUS CLARIFICATIONS

It is noted that for planning, programming and applied procedures are considered:

√ This was the first time that this Internal Audit was practiced in this company, so the analysis and work made started from the beginning, without any additional monitoring and verification of the previous report.

2. TARGET OF AUDIT

√ Assessment of processes of risk management to provide security to the company maintaining effective internal control.

3. SCOPE AND METHODOLOGY OF THE WORK

√ It will be used the approach to internal control COSO (1992) that has been explained in detail in the conceptual framework and the guide of the internal audit based on the risk of the Institute of Chartered Accountants of India (2007).

√ The scope of internal audit is specific, focusing on the Recruitment Staff process

√ The duration of the Internal Audit has been quarterly. Started in February and at the end of May the Audit Report was delivered.

√ Internal Audit is performed by Gonzalo Muñoz Montaner

4. SCOPE LIMITATIONS

√ It was not necessary to establish the degree of implementation of the recommendations previously made because it was the first time that the internal audit was performed

√ Only it has been carried out the audit of one process due to the special characteristics of this Internal Audit.

5. APPLIED PROCEDURES OF AUDIT

The procedures followed by the auditor are developed step by step, in the Word document. Below it appears a brief summary

√ Contextualizing of the company and gathering of all the needed information to carry out the Internal Audit

√ The appropriate techniques are carried out to achieve identification of the risks in the Recruitment Staff process

√ Assessment of identified risks

√ The recommendations to the audited process are made through Audit Report

6. IMPLEMENTATION OF RECOMMENDATIONS

The Advisory Audit Table (ANNEX VI) shows the different control techniques, audit tests performed and the proposed recommendations for each identified risk. Next, it appears a brief summary:

√ The fundamental criterion to formulate the recommendations is the high level of residual risk.

√ It is necessary to remember that the implementation of the recommendations made by the auditor depends on the direction of the company

√ In later audits will check the degree of implementation of the recommendations.

√ If the risk is within our appetite level, the implementation of the recommendation will depend on its cost.

7. OPINION OF AUDITEE

As a regular procedure, this Audit collects the opinion of auditee in relation to the observations made in the reports.

In this case due to the characteristics of the audited field and identified findings, the opinion will be issued after the evaluation of the content of this report.

The releases may be made within the period of 30 working days after to receive the report of internal audit

8. OPINION OF THE AUDITOR

The conclusions reached depend on the established objectives , the scope and methodology used, the limitations on the scope of the audit procedures applied, the observations and their implications and recommendations:

√ The company has a quite effective risk management which is able to perform an effective risk analysis and timely treatment.

√ The relevant recommendations to be implemented if necessary by the company have been exposed. In later Audit Reports will be referred to the implementation of the recommendations made in this report:

Castellon de laPlana, 27th May 2014.

