

Roles and Responsibilities Related to Fraud

Information courtesy of *Managing the Business Risk of Fraud: A Practical Guide*, a joint project of the Institute of Internal Auditors, the American Institute of Certified Public Accountants and the Association of Certified Fraud Examiners. While written to address the needs of private-sector businesses, these roles can easily be applied to government entities.

Fraud risk management must be an active task and each member of an organization has a role to play. When developing a fraud risk management program, an organization should document the roles and responsibilities at all levels in order to ensure personnel understand how their activities support an overall effort to prevent and detect fraud.

Board of Directors

An organization's board of directors should insist that good governance principles are followed and ensure management designs an effective fraud risk management program.

- Maintain oversight of the fraud risk management program, including monitoring management's reports on fraud risks, policies and procedures.
- Set the appropriate tone by emphasizing the importance of fraud risk management during hiring and evaluations.
- Provide external auditors with evidence of active involvement in fraud risk management, including the board's concerns about fraud risks.

Audit Committee

An audit committee, or a similar oversight body, should take a proactive approach to fraud risk management through active oversight over fraud risk assessment and utilization of internal auditors, or other designated individuals, to monitor fraud risks.

- Understand how both internal and external audit strategies can best be utilized to address the risk of fraud.
- Meet regularly with the designated management and financial personnel to discuss assessment of the fraud risk management program.
- Maintain open and honest communication with external auditors, including disclosing any knowledge of suspected fraud within the organization.

Management

Management ultimately has the responsibility to design, implement and maintain the organization's fraud risk management program.

- Establish and maintain an organization culture that emphasizes that fraud will not be tolerated and corrective action will be timely and decisive.
- Implement internal controls to manage fraud risk and regularly evaluate their effectiveness.
- Report to the board of directors, on a regular basis, on the effectiveness of the fraud risk management program, revisions that have been made and actual fraud that has been reported.

Staff

All members of an organization's staff play a role within a properly designed internal control framework. However, it is up to employees to understand how their position is designed to manage the organization's risk of fraud.

- Have a basic understanding of fraud and what red flags may indicate fraud has occurred.
- Read and understand the organization's policies and procedures, including fraud risk management, code of conduct and whistleblower policy.
- Report suspicions of fraud and cooperate in investigations.

Internal Auditing

An internal auditor can provide objective assurance that fraud controls are effective and sufficient.

- Perform regular engagements to evaluate the design and operation of fraud risk controls.
- Operate independently and exercise professional skepticism when reviewing the organization's activities.
- Report potential fraudulent activity according to the fraud risk management program and professional and legal standards.

For a free copy of *Managing the Business Risk of Fraud: A Practical Guide*, please visit the Institute of Internal Auditors' Web site at www.theiaa.org/