



BDO Malta

Internal Audit

Ensuring integrity,
driving success



Overview

Internal audit has evolved. It is no longer just a way to assess quality, but a strategy to drive value throughout the entire organisation.

In today's turbulent financial landscape, regulatory obligations imposed by national bodies are becoming increasingly likely to render businesses vulnerable to a wide array of jurisdictional and operational risks of varying magnitudes, amplifying the need to implement adequate risk mitigation policies and bolster their established internal control framework.

As global expansion continues, organisations are more vulnerable to complex, cross-border challenges, further highlighting the importance of implementing comprehensive risk management policies and reinforcing their internal governance structures.

Strengthening internal controls to address regulatory and operational risks

Identifying such a crucial requirement for all active firms within the international markets, BDO Malta strives to offer a multitude of qualitative internal audit solutions tailored to each of our clients' needs and requirements; be it tackling the challenges faced by firms operating in highly regulated industries to outlining and addressing the cross-dimensional risks hindering multinational corporations offering their services within a multitude of jurisdictions.

BDO's standard internal audit methodology is strategically set out over three distinct phases as follows:



1 The execution of the foundational internal audit activities

Primarily focused on our clients' corporate governance framework, such a phase constitutes the review, development and establishment of the required official charters and a high-level assessment of our clients' governance structures.



2 Formulation of the Audit Universe and Internal Audit Plan

Once the functional basics of the primary stage are conducted, BDO oversees the design and establishment of the audit universe and the plans required for optimal internal audit function.



3 Design and Execution of Individual Internal Audit Cycles

BDO's standard internal audit methodology is in full conformity with the Institute of Internal Auditor's published International Professional Practices Framework (IPPF) Standards.



Internal Audit for Banks and Financial Institutions

BDO Malta can provide substantial support to financial institutions and serve as the backbone of the institutions' internal control framework.

The restrictive and strictly regulated environment faced by banking and financial institutions worldwide is applying more pressure on Board of Directors to implement effective and robust internal control frameworks.

In a bid to mitigate such a high-risk environment and strengthen the holistic control frameworks being implemented, national legislature has evolved to incorporate the legal imposition of establishing autonomous internal audit functions that help in combating the turbulent risk scenarios faced by the industry on a day-to-day basis.

Enhancing internal control frameworks through independent oversight and support

Whilst it is important to highlight that the most common solution for banking and financial institutions is to appoint in-house internal auditors within their governance structures, interpretations of the role often involve an innovative mixture of co-sourcing whereby the appointed in-house internal auditors may be supplemented and supported by the outsourced elements and provide a truly dynamic approach to the assessment of the implemented internal control framework.

BDO Malta can provide substantial support to financial institutions and serve as the backbone of the institutions' internal control framework, whereby the applied governance structure may be supplemented with an additional oversight element that is able to provide an independent overview and assessment of the implemented controls.



Internal Audit for Insurance Entities

Internal audit activities within the insurance industry have to be centred around the multitude of operational risks which the undertakings face on a continuous basis.

The enacted Insurance Business Act (Chapter 403 of the Laws of Malta) specifically requires insurance and re-insurance undertakings to establish an internal audit function, thereby imposing an organisational set-up which includes the appointment of an independent and autonomous internal auditor.

Strengthening internal audit functions for the insurance industry

Being a very specific sector, internal audit activities within the insurance industry have to be even more centred around the multitude of operational risks which the undertakings face on a continuous basis, having the onus to implement the most robust version of internal controls applicable to safeguard the long-term continuity of the business model implemented.

In outlining this, internal audit practitioners require the experience and specific knowledge in identifying and addressing the inherent risks which often linger around such an industry, designing comprehensive procedures to adequately test each auditable process identified and highlight practical recommendations which align with the established corporate strategies. In comprehensively addressing their complex risk structures, insurance undertakings may look to fully outsource or partially co-source such a function to independent audit practitioners who may provide an overview of the risks involved whilst delineating the ideal internal control framework which may mitigate their effect on the undertakings' operational fulcrum.



Internal Audit for Investment Firms

In addressing their complex risk structures, investment firms may look to fully outsource or partially co-source their internal audit function.

Malta has established itself as an ideal location for various funds, fund managers, and asset servicing companies. With its flexible regulatory landscape and robust infrastructure, it has emerged as the go-to destination, particularly for growing funds and start-ups seeking a supportive ecosystem to thrive in.

As a member of the European Union, together with its supportive regulatory environment and well-established financial services sector, Malta provides outstanding opportunities for investment firms to expand operations and reach international markets. However, understanding the regulatory requirements and managing the risk landscape in Malta's investment services sector necessitates a detailed awareness of local rules and best practices.

Depending on the type of licence granted by the Malta Financial Services Authority (MFSA), the regulatory framework requires the establishment of an internal audit department. The internal audit function is a vital component of the overall governance and risk management framework, as it provides independent assurance to the board of directors and senior management on the effectiveness of internal controls and risk management processes.

Driving efficiency with outsourced solutions

To manage their complex risk structures holistically, investment firms may choose to wholly outsource or partially co-source their internal audit function to an external service provider such as BDO. This approach enables businesses to benefit from the specific expertise and experience of independent internal auditors while maintaining flexibility and scalability in responding to changing business needs and regulatory requirements. Furthermore, it enables these entities to improve operational efficiency and regulatory compliance without compromising on quality.

Empowering your journey

At BDO Malta, we understand that each institution is unique, with its own set of challenges and possibilities. Our collaborative approach and commitment to excellence enable investment firms to confidently manage the challenges of today's financial landscape. Join the ranks of established investment firms in Malta that have entrusted their internal audit needs to BDO Malta. Experience the difference of working with a partner who is dedicated to your success, every step of the way.



Internal Audit for Gaming Entities

Gaming organisations may engage BDO Malta as an internal audit specialist to ensure the integration of governance elements into their operations.

The Malta Gaming Authority licensing process requires the fulfilment of a number of pre-determined criteria and the establishment of organisational 'Key Functions' – a list of 9 to 15 key positions (depending on the license type sought) within the companies' governance structures that significantly aid in the establishment of optimal operative practices and safeguard their long-term capacity for stability.

This key position within the organisational structure is intended to act as the 'third line of defence' (behind the first and second lines in the form of the primary process owners and the supporting risk and regulatory functions), providing independent assurance on the overall robustness of the established internal control framework whilst highlighting areas for improvement.

Ensuring robust internal controls in gaming organisations through independent audit functions

The Internal audit function is in fact tasked with reporting directly to both the companies' established board of directors/ Audit Committees and the MGA itself in its regulatory oversight role.

It acts as the primary intermediary between the engaging entities and the Regulating Body itself on all matters related to internal controls and comprehensive risk regulation.

Such a function may be fully outsourced or partially co-sourced to specialised internal audit practitioners who hold an independent position within the companies' established organisational structures, thereby allowing for the full maximisation of the benefits that may be derived.



Quality & Compliance

Provision of independent and objective assurance on the implemented internal controls.

Even though many entities operate in relatively less regulated markets which at present do not directly impose the establishment of an internal audit function within their organisational set-up, many companies are becoming increasingly aware of the multitude of benefits that may be reaped from the appointment of an internal auditor tasked with the provision of independent and objective assurance on the implemented internal controls.

The internal audit function can provide a customised solution to the potential risks identified throughout the course of the internal audit procedures and attain a holistic overview of the internal control framework implemented.

Internal audit as a value-enhancing tool

Despite there being little to no regulatory enforcement in this aspect for unregulated business, the risks and challenges that they face are often greater than those faced by regulated entities.

Thus, many unregulated businesses are starting to consider the internal audit function as an unparalleled value-enhancing tool which helps strengthen their internal operational core and ultimately lead to significantly ameliorated procedures.



Gain new focus on your business with BDO Internal Audit

Our vision for internal audit

At BDO Malta, we believe that the internal audit function should adapt to your company's environment and reflect your strategy and long-term business objectives.

A well-functioning internal audit function will add value to your business in three ways:



Assurance provider

With our internal audit services, we can monitor your internal control and the effectiveness of your business processes. We also make sure that you are always compliant to changing laws, regulations and internal policies.



Value adding business partner

Our integrated internal audit approach provides you with valuable business insights and helps you improve the efficiency of your operations and the performance of your company.



Strategic advisor

BDO helps you turn your insights into foresight to give you a competitive advantage. We always try to involve internal audit in key strategic initiatives to consult with management from a process and control point of view.

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