Derivatives Audit Advisory



In the third quarter of 2020, Abelian Partners collaborated with an insurance company's internal audit team as a strategic advisor. The Abelian approach included a team of derivatives professionals with experience in hedging programs at financial institutions.

Engagement Scope: The Abelian approach included providing initial guidance on audit scope, reviewing transaction testing, and providing overall strategic perspective to the audit work being performed. Further, the team was available throughout the project for questions and consultation to review individual issues on an ad hoc basis.

Scope and Methodology: Abelian has developed a project-management style based on Agile Project Management that allows for rapid progress and first-class client experience over short-scoped projects. This project included 6 weeks of engagement with 3 short phases. The first phase included pre-audit work, where Abelian partnered with the client on audit planning including discussing scope, providing feedback on testing procedures, and playing a role in initial interview. Abelian also joined initial staff interviews as needed by the internal audit team. During the second

phase, Abelian answered questions and reviewed work as the internal audit team conducted transaction testing and detailed position review. Abelian also provided ad hoc analysis and written reports as additional work to scope. Finally, the Abelian team would consult on the testing work performed and the initial analysis by the audit team. The consulting focus would be to provide feedback on the derivatives strategies employed, as well as the adequacy of the processes and reporting. The overall goal was to assist the audit team as it worked towards initial conclusions, providing strategic perspective on the adequacy of the derivatives program to senior management.

Results: As a result, Abelian was able to provide a written capstone memo as a summary on the nature of the audit and the consulting expertise provided to the audit team. Additional ad hoc analysis was provided throughout the project as determined by the client process.