Internal Audit for DIFC and ADGM Firms

A short practical guide for DFSA and FSRA regulated entities

Internal audit is one of the clearest ways a regulated firm can demonstrate that controls work in practice. It moves beyond well drafted policies to show consistent day to day operation, early identification of issues and remediation that is both implemented and evidenced.

In both the DIFC and ADGM, internal audit plays a central role in supporting effective governance, providing senior management and the Board with an independent view of whether the firm is operating within regulatory expectations and managing risks before they become issues.

What Internal Audit Delivers

Internal audit provides independent assurance that:

- key controls are appropriately designed and operating consistently
- risk management and compliance frameworks work in practice, not just on paper
- critical operational and reporting processes are reliable
- issues are identified, escalated and remediated with clear evidence of closure

Clear roles are essential: Management owns controls and remediation. Internal audit independently tests and reports.

What Regulators Expect to See

Across DIFC and ADGM, effective internal audit arrangements typically demonstrate:

- **independence** – the ability to challenge, escalate and report without constraint
- **access** – timely access to staff, records and system evidence
- **structure** – a clear charter, risk based audit plan, reporting and issue tracking
- **follow through** – remediation actions with accountable owners, defined timelines and evidence based closure

Quick Self-Assessment

Can your firm demonstrate:

- a clear internal audit charter and plan
- audit coverage aligned to real business risks

- a central log of issues with evidenced closure
- reporting into governance forums

If not, internal audit becomes significantly harder to rely on as scrutiny increases.

Regulatory Focus: DIFC and ADGM

- **DIFC (DFSA):** internal audit is expected to be clearly independent, properly structured, and able to evidence that day to day practice aligns with the documented control framework.
- **ADGM (FSRA):** the same foundations apply, with additional emphasis on how the firm actually operates in practice, particularly where technology, data and outsourcing are key drivers of the risk profile.

In both centres, the practical expectation is the same:

Internal audit should focus on areas that could realistically cause regulatory or client harm and be able to evidence its conclusions.

AML Effectiveness Reviews

For DFSA and FSRA regulated firms, AML frameworks are expected to be reviewed for effectiveness, not simply completeness. Internal audit or an independent reviewer should evidence review of: **CDD file testing**

Are customer risk ratings supported by evidence? Are beneficial ownership checks properly documented? Is enhanced due diligence applied consistently? Is ongoing monitoring performed as intended?

Internal Reporting to the MLRO

Are internal notifications meaningful, consistent and analysed for themes that should inform improved procedures or targeted training?

Management Engagement with the MLRO

Is there evidence of regular oversight, challenge, decision making and follow through on issues raised?

Where this cannot be demonstrated, supervisors often view it as a governance weakness, not solely an AML control issue.

What Good Looks Like

Effective internal audit arrangements typically demonstrate that:

- audit coverage reflects the firm’s actual operating model, including technology and key third party dependencies where relevant
- testing is evidence led and includes exceptions, overrides and edge cases
- reporting is clear, prioritised and linked to real regulatory, operational, client or reputational impact
- follow up is disciplined, with remediation supported by proof rather than assertions

How Waystone Supports

Waystone supports DIFC and ADGM regulated firms with internal audit solutions tailored to the firm's size, structure and risk profile. This can include:

- acting as a fully outsourced internal audit function
- co sourcing support for in house teams
- targeted independent reviews in areas that commonly attract supervisory attention, including AML effectiveness, outsourcing oversight, technology controls and operational resilience

Our approach is practical and evidence led, helping firms demonstrate that controls operate effectively in day to day business and withstand regulatory scrutiny.

To discuss how your internal audit framework aligns with DIFC and ADGM expectations, contact our Middle East team.

Contact Us →