



Quality Assuring the Internal Audit function

Why you should attend

- The Institute of Internal Audit standards require that the chief audit executive develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- The quality assurance and improvement program must include both internal and external assessments.
- You need to have an external QA assessment of your internal audit function at least once every 5 years – ideally more frequently.
- Have you had an external QA review – if not you need to prepare for one.
- If you have had a QA review you will need to know how to deal with the opportunities identified
- Would you like to know how your function compares to worldwide best practice standards
- QA must cover all aspects of the internal audit process and be linked directly into the IIA standards. This course provides direct links to all the appropriate standards – the standard numbers are cross referenced in the agenda
- This 2 day workshop provides everything you need to ensure that you can meet all these aspects and demonstrate added value to your business

Who should attend?

- Heads of Internal Audit and Internal Audit Managers
- Senior auditors

Highlights

- A 52 page QA checklist will be provided to all delegates
- New IIA practice guide (Quality assurance and improvement programmes)
- A QA report template will be provided
- QA case studies will be used and extensive research

Day 1 The need for quality assurance

The ideas behind quality assurance

- **Who audits the auditors?**
- **What is quality?**
- **Quality management principles**
 - **Customer – and increasingly stakeholder – focus**
 - **Leadership**
 - **People**
 - **Processes and systems**
 - **Fact-based decision making**
 - **Continuous or continual learning**
 - **Quality is about using learning to create innovation**
 - **Partnerships with others**
- **What is quality assurance?**
- **The key aspects of QAIP (Quality Assurance and Improvement programme)**
- **What does quality mean for IA?**
- **Conformance or compliance?**
- **Who is responsible for quality?**

Exercise 1 – Quality Assuring the function – key challenges

The benefits of a QAIP

- **Demonstrate excellence**
- **Meet Board and Audit Committee challenges**
- **Identify opportunities to enhance the processes**
- **Recognise progress made**
- **Ensure best practice is being followed**
- **The process is :-**
 - **Non – threatening**
 - **Provides easy comparisons**
 - **Provides specific goals**
 - **Identifies development needs**
 - **Provides insight re trends**
 - **Covers all aspects of the service**

Exercise 2 – Demonstrating the benefits

The requirements (1300)

- **The chief audit executive must develop and maintain a QAIP that covers all aspects of the internal audit activity.**
- **Demonstrate a culture of continuous improvement**
- **Meeting stakeholder expectations**
- **The QAIP must include both internal and external assessments (1310)**

- Internal assessments must include assessments by others within the organisation (1311)
- External assessments (1312) must be completed :-
 - At least once every 5 years
 - By a qualified independent reviewer from outside the organisation
 - The CAE must discuss the need for more frequent reviews
 - The results must be given to the Board (1320)
- Reflect the QAIP process in the audit charter
- State confirmation with the International standards in the charter (1321)

Definition of internal auditing

- Does the IA activity meet the requirements of the definition?
- Does IA focus on the things that matter to the organisation?.
- Do the opinions and recommendations that internal audit provide help the organisation?
- Are they valued by stakeholders?

Code of Ethics

- A high profile within the organisation.
- A reputation for honesty, fair dealing and truthfulness – behaves with integrity.
- Resilience and determination
- High standards for doing their job and maintains these in practice.
- Involvement in reviewing and developing ethical behaviour in the organisation.

Exercise 3 – Meeting the requirements of the code of ethics

Purpose Authority and responsibility (1000)

- Audit Charter in place
- Reviewed recently
- Issued widely
- Role adequately covered
- Authority explained
- Independence stressed
- Reporting line appropriate
- Covers CAE responsibility to the Board and Audit Committee
- Management's responsibilities incorporated
- Both the code of ethics and the IIA standards been formally adopted
- Nature of assurance and consulting services defined

Exercise 4 – The Audit charter

Independence and objectivity (1100)

- Organisational independence (1110)
- No restriction on IA activity

- IA does not have responsibility for the management of operations within the organisation
- Free from interference
- Reporting line defined to ensure independence
- Assurance that the collaborative approach adopted by modern IA functions does not compromise its independence
- Evaluation between the balance the compliance, assurance and consulting aspects of the role
- Direct interaction with the Board (1111)
- Individual objectivity (1120)
- Evaluation of objectivity - lack of bias in reports, raising difficult issues etc
- Impairments to objectivity (1130)

Exercise 5 – Exercise in applying objectivity

Day 2 The audit process in practice – QA challenges

Proficiency and due professional care (1200)

- Job Descriptions
- Leadership of the function
- Succession and development of expertise for the business
- Effectiveness of training plan
- Soft skills training
- Presentation and facilitation skills
- Links with local management - use of functional experts
- Breadth of experience
- Performance achieved overall by team
- Secondments
- Resource management - ensuring adequate resources
- Audit methodology
- Audit Manual
- Continuous professional development

Exercise 6 – The people issues

Managing the Internal Audit activity (2000)

- Adds value to the organisation
- Performance measures – examples
- Is performance monitored?
- How often?
- Is performance improving?

Planning (2010)

- CAE must establish risk based plans
- Based on documented risk assessment
- Taking into account views of stakeholders
- Consulting assignments – where RM can be enhanced
- Approach adopted - model used and effectiveness
- How the level of assurance required is determined
- The Audit Universe
- Prioritising audits
- Breadth of coverage
- Marketing the function

Exercise 7 – Strategic planning

Plan in progress

- Justification of changes – Board approval required (2020)
- Resource management (2030)
- Policies and procedures (2040)
- Coordinating the work with other assurance providers (2050)
- Reporting progress (2060)
- Requirements where IA function is outsourced (2070)

Governance (2110)

- Ethics
- IT Governance
- Strategic objectives
- Laws and regulations
- Audit Committee relationships

Exercise 8 – Meeting the governance challenges

Risk Management (2120)

- IA must evaluate the effectiveness and contribute to the improvement of RM
- IA may gather information from multiple assignments to do so
- The need to focus audit attention towards the most significant risks
- IA needs to identify risk exposures
- IA must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.
- The need for much higher levels of assurance than ever before
- What level of assurance can really be provided?
- What should be the audit role in relation to identification and managing of risks
- IA must evaluate the adequacy and effectiveness of controls in responding to risks (2130)

Exercise 9 – RM challenges

Engagement planning (2200)

- **Planning considerations (2201)**
- **Engagement objectives (2210)**
 - **Preliminary risk assessment**
 - **Control assessment**
 - **Consulting engagements**
- **Resource allocation (2230)**
- **Work programmes (2240)**
 - **Analytical review / Trend analysis**
 - **Sources of Information**
 - **Research**
 - **Audit testing**
 - **Methods of testing**
 - **Use of CAAT's**
- **Documenting information (2330)**
- **Organisation of audit file**
- **Clearance meetings**
- **Audit classification**

Exercise 10 – Assignment planning

Communicating results (2400)

- **Criteria for communicating (2410)**
- **Audit Opinions**
- **Commenting on satisfactory performance**
- **The need to be accurate, objective, clear, concise, constructive, complete, and timely**
- **The results**
- **Brevity - number of pages**
- **Brevity - paragraphs and sentences**
- **Clarity**
- **Graphics and charts**
- **Major issues reported on- minor issues taken off line**
- **Recommendations 100% practical**
- **Timeliness**
- **Lack of Jargon**
- **Cost/ benefits**
- **Agreed actions rather than recommendations**
- **Action plans**
- **Executive summary**
- **Risk orientation**
- **Avoidance of unnecessary phrases**
- **Review process**

Exercise 11 – The audit report