



# 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

#### What a QAIP provides

- Conformance with the Code of Ethics, and the *Standards*.
- The adequacy of the internal audit activity's charter goals, objectives, policies, and procedures.
- The contribution to the organization's governance risk management, and control processes.
- Completeness of coverage of the entire audit universe
- Compliance with applicable laws, regulations, and government or industry standards
- The risks affecting the operation of the internal audit activity itself
- The effectiveness of continuous improvement activities and adoption of best practices.
- Whether internal audit activity adds value, improves the organization's operations, and contributes to the attainment of objectives.

#### The benefits

- 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)

## Day 2 The key aspects of the QAIP

### 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**

### **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?

### Exercise 7 – Performance measurement

## Day 3 The audit process in practice – QA challenges

### 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 8 – 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 9 – 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 10 – 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 11 – 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 12 – The audit report**

©Business Risk Management Ltd 2016