



## INTERNAL AUDIT | EXTERNAL QUALITY ASSESSMENT

Irrespective of the size, complexity and structure of the organisation for which Internal Audit (“IA”) is conducted, having an effective IA function is paramount to add value and address the objectives of the organisation.

To accomplish an effective IA function, conformance with the IIA’s (“International Internal Audit”) International Standards for the Professional Practice of Internal Auditing (Standards) is essential.

The Standards require the development of a Quality Assurance and Improvement Program (“QA&I” - Standard 1300). The purpose of this program is to enable the evaluation of the IA activity for conformance with the Standards and Code of Ethics, as well as assessing the efficiency and effectiveness of the IA activity through the identification of opportunities for improvement. The QA&I program requires the performance of both internal and external assessments.

### DEFINING THE IA ACTIVITY

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

### STRESSING THE NEED FOR QUALITY IN IA

“In today’s environment the need for a quality, independent internal audit function is more critical than ever before. In addition, there is greater pressure from management for the internal audit function to provide value to the entity. The Quality Assurance Review process allows an internal audit function to measure itself against organisation policies, stakeholder expectations, and industry best practices.

The IIA’s Standards for the Professional Practice of Internal Auditing (Standards) require that internal auditing functions should have both internal and external quality assessments.”

*The IIA - QAR readiness*

### QUALITY ASSURANCE REVIEW PROCESS



### INTERNAL VS. EXTERNAL ASSESSMENTS

Internal Assessments comprise of the internal policies and procedures used to manage the IA quality, including day-to-day supervision, periodic assessments and reviews.

On the other hand, External Assessments (“EA”) are conducted by a qualified, independent assessor or assessment team from outside the organisation. According to the IIA standards, an EA must be conducted every five years to conclude as to the conformance with the Code of Ethics and the Standards, as well as to evaluate operational and/or strategic areas.

## FREQUENTLY OCCURRING FINDINGS AS OBSERVED BY THE IIA QA TEAMS

- There is a perception on the part of clients that the IA Activity Staff does not possess the desired level of business knowledge;
- The internal audit activity should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities, including knowledge of key information technology risks and controls;
- The IA Activity uses the Standards to generally define the Profession's audit quality, but has not set up a formalised quality assurance and improvement program, as called for In Standard 1300;
- IA Activity does not have a formal, documented risk assessment model for audit planning;
- A set of working paper standards needs to be developed and formally defined in the IA activity policies and procedures. A review of working papers indicated the quality varied between audit staff; and
- A review of work papers disclosed that the audit report for 80% were issued later than scheduled.

## A QUALIFIED ASSESSOR OR ASSESSMENT TEAM

The assessor or team must demonstrate competencies in the following two main areas to qualify for the execution of the EQA:

1. The professional practice of internal audit; and
2. The external assessment process.

## OUR QUALIFICATIONS

1. Our team has in depth knowledge and experience in the provision of internal audit services for financial serviced organisations covering Brokers, Asset Managers, Investment Managers and Funds. The team has extensive exposure in the performance of ad hoc/specialised as well as recurring/standardised reviews;
2. Our internal audit specialists have practical experience and knowledge on how to plan, execute and deliver a value adding EQA review. Knowledge and experience were gained by evaluating IA functions of multinational investment/asset management firms.

## A QUICK CHECK TO DETERMINE YOUR NEED FOR AN EQA REVIEW

	YES	NO	NOT SURE
Have you performed an EQA review or any other evaluation of your internal audit function over the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you happy with the quality and performance of your IA function?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you satisfied of your annual IA plan process and that it correctly reflects your organisation's up to date risk universe?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you confident that IA findings are correctly identified, tracked, reported and resolved in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are your IA reviews compliant with the IIA standards and Code of Ethics?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have your IA reviews been executed in accordance with the annual IA plan by adequately covering the relevant risks of your organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is your IA report's structure and content compliant with the latest regulatory requirements and Standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you confident with the experience and knowledge your internal auditors possess to meet your organisations objectives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Based on the above replies, will an EQA review have no value to your organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If your replies are anything other than "Yes"s, then you should consider the performance of an EQA review.