

What the New Standards Mean to Quality Assessments?



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WEBINAR



Today's Speaker

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Thank you for joining us!

- **Why The Standards Matter?**
- **The new Global Internal Audit Standards for Quality.**
- **Tips for Successful Implementation of the Standards for Quality.**
- **Common Observations of Quality Assessment Reviews.**



Why the Standards Matter?



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- A platform where all internal auditors meet on common ground.
- Define the profession.
- The component of the IIA Professional Practices Framework that governs the profession.
- A known roadmap to support the effective delivery of professional internal audit services.



Why Standards are Important?



- Peace of mind for customers and confidence they're getting a quality product.
- They lay the ground work, but are not the ultimate goal.
- They are the bar that every auditor should comply with.
- Broad perspective on what you're supposed to be doing.
- Help audit to be viewed as adding value.
- Help improve the dialogue about the profession.



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Appreciating the Standards



- The Standards give you a reference guide for how to conduct yourself.
- They are a steady resource when the variables are constantly changing.
- The Standards cohesively organise the elements necessary to practice IA the way it should be.



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The New Global Internal Audit Standards for Quality



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- **5 Domains**
- **15 Principles**
- **52 Standards**
 - REQUIREMENTS
 - CONSIDERATIONS FOR IMPLEMENTATION
 - EXAMPLES OF EVIDENCE OF CONFORMANCE
- **Additional features:**
- Fundamentals
- Glossary
- Applying the Global Internal Audit Standards in the Public Sector



5 Domains, 15 Principles

Domain I: Purpose of Internal Auditing

II. Ethics and Professionalism

1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

III. Governing the Internal Audit Function

6. Authorised by the Board
7. Positioned Independently
8. Overseen by the Board

IV. Managing the Internal Audit Function

9. Plan Strategically
10. Manage Resources
11. Communicate Effectively
12. Enhance Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans

8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

The board oversees the internal audit function to ensure the function's effectiveness.

Board oversight is essential to enable the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate.

Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement programme, including the board's direct review of the results of the external quality assessment.



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- The CAE must discuss with the board and senior management the frequency and scope of quality assessments and any action plans and corrective actions for the internal audit function.
- Aspects that will be considered for conformance, such as the internal audit function's contribution to the organisation's governance, risk, and control processes; productivity and cost efficiency; and relationships with stakeholders.
- QAIP documentation must be maintained to demonstrate an effective process.



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- Coordinate with the board and senior management on the timing (i.e., more frequently than five years if desired or required) and scope of the EQA, such as the review and approval by the board.
- Ensure the qualifications of the assessment team by considering assessors' knowledge of the Standards, previous external quality assessment experience, and whether they have taken an IIA recommended quality assessment training. Also, note the new requirement that one member of the assessment team must hold the Certified Internal Auditor® (CIA®) credential.
- The assessor must report the results of the EQA directly to the board.



Domain IV. MANAGING THE INTERNAL AUDIT FUNCTION

PRINCIPLE 12 – ENHANCES QUALITY



12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

Quality is a combined measure of conformance with the Global Internal Audit Standards and the achievement of the internal audit function's performance objectives. Therefore, a quality assurance and improvement programme is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The programme includes internal and external assessments.

The chief audit executive is responsible for ensuring that the internal audit function continuously improves. This requires the development of criteria and measures to assess the performance of internal audit engagements, the internal auditors, and the internal audit function. These measures form the basis for evaluating the progress toward performance objectives.



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- Establish documentation for monitoring day-to-day audit activities incorporated into routine policies and practices.
- Periodic self-assessments are a more comprehensive method to assess conformance with all the Standards addressed and should also evaluate performance through such means as: support for achievement of internal audit objectives, supervision effectiveness, and stakeholder feedback.
- Communication of the results to the board and senior management.



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12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

- Input must be solicited from the board and senior management.
- Performance metrics (both qualitative and quantitative) should be tailored to the organisation's requirements by considering: the internal audit charter, the internal audit strategic plan, and specific objectives that can be monitored. One size does not fit all!
- Action plans for issues and improvement opportunities should be tracked by the CAE and communicated to the board and senior management.



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12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

- The CAE or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programme are complete, and confirm audit workpapers adequately support findings, conclusions, and recommendations.
- To assure quality, the CAE must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies.
- To develop competencies, the CAE must provide internal auditors with feedback about the performance and opportunities for improvement.



Tips for Successful Implementation of the Standards for Quality



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Source:

Applying the International Professional Practices Framework (IPPF) (4th Edition)

Urton Anderson, Ph.D., CIA, CRMA

Andrew J. Dahle, CIA, CRMA, CPA

The IIA Research Foundation

Adapted for the Global Internal Audit Standards

1. Align with Key Stakeholders.

- Build strong relationships with the audit committee and key Stakeholders.
- Ensure charter reflects their Expectations.
- Promote key relationships.
- 1000 and 1100 /D I; D III – P6,P7,P8

2. Get and Develop the Right Resources.

- Have the right resources linked to risk.
- Attract and develop high quality resources.
- Do not fear using sourcing to get the needed resources.
- 1200 /D IV - P10



3. Continue to improve.

- Proactive internal quality assessment and improvement programme.
- Fully embrace the spirit and the letter of the external quality Standards.
- Have practices to allow execution and delivery of quality work.
- 1300, 2200, 2300 /D III-8.3, 8.4; D IV – P12

4. Deliver value.

- Understand what value means to your key stakeholders.
- Plan to deliver value in every engagement.
- In everyday internal audit operations, measure yourself and your team on the actions that result in value.
- Communicate the value delivered back to the key stakeholders.
- 2000 /D IV



5. Manage internal audit strategically.

- Involvement in key strategic initiatives.
- A “seat at the table”.
- Addressing the organisation’s key strategic and emerging risks.
- Don’t let major risks go uncovered; find a way to fix them before they get too big.
- 2000 / D IV – P9

6. Proactively assess your organisation’s risk management and governance processes.

- Help the organisation understand its governance processes and their maturity.
- Engage and leverage first and second lines of defense.
- Have a positive impact on the organisation in fast-evolving areas.
- 2100 / D V



7. Strive for excellence.

- Embrace innovation in the internal audit process.
- Seek out leading IA practices to benefit your organisation.
- Use the power of technology, develop and leverage knowledge management.
- 2200, 2300 /D IV; D V: 13.2, P14

8. Make your words count.

- Communicate with impact (key perception point for stakeholders).
- Educate key stakeholders on important areas of risk and on actions needed to address issues.
- Develop an ongoing communications process with management to keep current on changing business and risk issues.
- Develop systemic and trending information that would be valued by stakeholders.
- 2000 and 2400 / D IV - P11; D V - P15



9. Get resolution.

- Ensure management is attentive to audit issues and that top management and the audit committee are kept aware of management's corrective actions.
- Follow-up to make sure issues are resolved.
- Don't get caught in recycling past issues that are never adequately addressed.
- 2500 / D V - P15

10. Tell it like it is.

- When you believe the organisation is facing unacceptable risk or certain actions are just not right, speak out.
- Use good judgment on what are real issues but make it clear that internal auditing has a voice and is willing to use it.
- 2600 /D IV - 11.5



Common Observations from Quality Assessment Reviews



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Domain II:

Ethics and Professionalism

- Compliance and/or lack of awareness with recent changes to the IIA Standards such performance focus.

Domain III:

Governing Internal Function the Audit

- Inadequate IA sponsorship.
- CAE reporting relationship not clearly defined.
- Department structure issues.
 - i) Reporting line.
 - ii) Alignment with organisation.
- Insufficient reporting to the Audit Committee.
- EQA not Performed at least once every five years.



Domain IV:

Managing Internal Function the Audit

- Lack of knowledge of the business and IT.
- Define and execute an internal audit strategic plan.
- Department charter misaligned with Audit Committee charter.
- No formal up-to-date IA policies and procedures manual.
- Not being risk based.
 - i) Linkage of risk assessment to plan.
 - ii) External input to risk assessment.
- Ineffective resource planning and development.
- Enhance annual internal assessment to evaluate the maturity of the effectiveness of the IA department.
- No periodic (annual) internal assessments.
- Inadequate performance metrics.



Domain V:

Performing Internal Audit Services

- Infrequent management interaction.
- No or limited use of technology to support risk assessment, planning, and engagement execution.
- Insufficient supervisory approval (and/or quality assurance process) of the audit programme prior to fieldwork, the audit plan and completed work papers.
- Audit report findings not rated or prioritised.
- Lack of formal client post-engagement feedback.
- Lack of a formal IA follow-up process.
- Recommendation to implement control self-assessment techniques during the planning phase of all audits.



Check the IIA Quality Services Webpage

INSIGHTS to Quality

Warren Hersh, Director, IIA Quality Services



Internal Audit Quality 2024 and Beyond



INSIGHTS to Quality

By Warren Hersh

Achieving Quality With the Proposed Global Internal Audit Standards

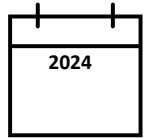


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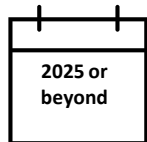
Options for Planning EQAs

based on the January 2024 issuance of the Global Internal Audit Standards and the effective date of 2025.



If the EQA is due in 2024:

- The quality assessment should be conducted as scheduled in conformance with the current IPPF.
- A gap assessment should be considered in 2024 in addition to the current EQA to prepare for the transition.



If the EQA is due in 2025 or beyond:

- The quality assessment can be accelerated into 2024 to allow for the assessment to be conducted in conformance with the current IPPF.
- A readiness assessment can be conducted in 2024 to identify any gaps for the implementation of the Global Internal Audit Standards.

IIA Malaysia Gap Assessment & EQA Readiness Assessment Services

- *Make an appointment at technical@iiam.com.my*

IIA Malaysia Courses

- *Ethically Mastering the Global Internal Audit Standards (8 CPD points, in-person on April 4, 2024)*
- *Navigating the Global Internal Audit Standards (16 CPD points, in-person on 22nd & 23rd April 2024)*

Check Professional Development on iiam.com.my website for more details on offering dates.

IIA Malaysia Conference

- *Audit Committee (in-person on September 5, 2024)*
- *Navigating the Global Internal Audit Standards (in-person on 30th September & 1st October 2024)*

Check Professional Development on iiam.com.my website for more details on offering dates.





Q & A



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Thank you!



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