



Technical Newsletter

Issue 4

2 December 2025

The Value of External Quality Assessment Review (EQAR) for Internal Audit (IA)

The days of internal audit practitioners playing the limited role of compliance checkers or 'watchdogs' is long gone. That is the yesteryear.

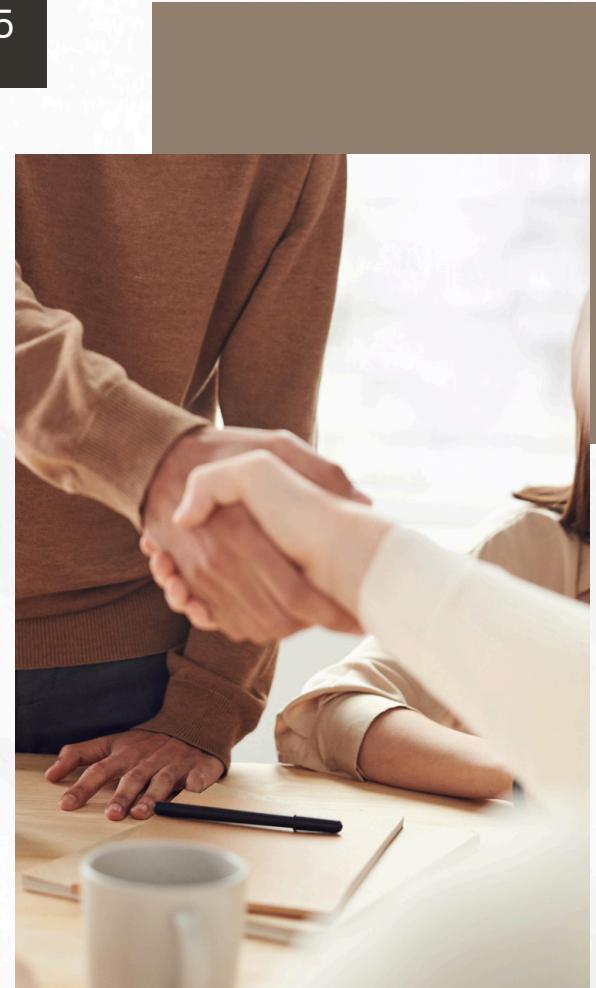
Today, in a rapidly evolving business environment, more is demanded and more is expected. In this context, the value of an EQAR to an organisation cannot be overemphasised.

An EQAR benchmarks the IA function against global internal auditing standards to ensure that it is up to the mark in discharging its duties. It is an important cog in the wheel as part of continuous improvement

As part of evolution, there is a discernible shift for IA to be a strategic partner. This requires providing substantive actionable insights to drive success and enhance performance.

IA is in the best position to deliver as it has a 'helicopter' view given its intimate knowledge of the entire range of an entity's operations.

By all counts, it is a tall order, though not insurmountable; it requires business acumen. Nonetheless, IA should step-up to deliver.





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Malaysia has a leg-up here. As early as 2008, IA was deemed a mandated function at public listed entities. It reflects the importance accorded to internal auditing.

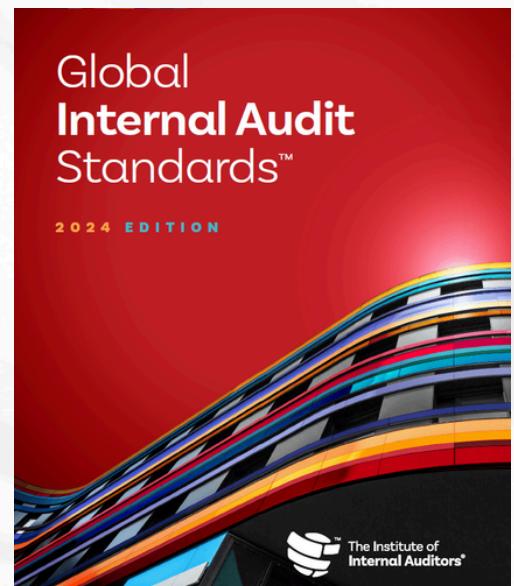
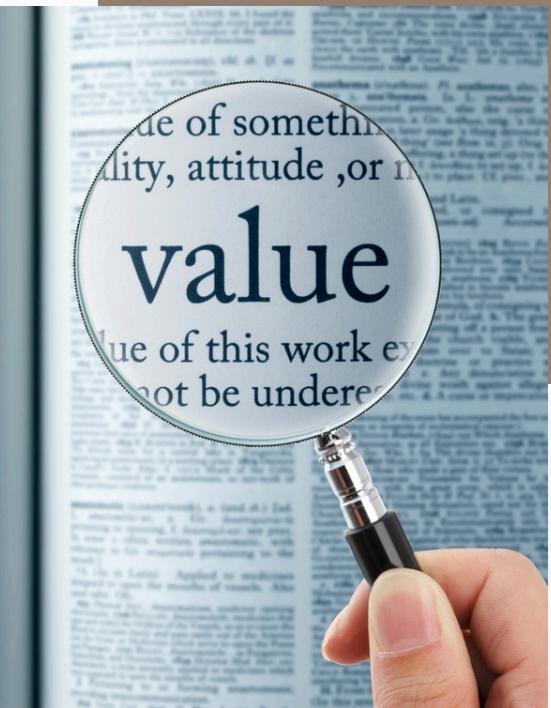
The latest update of the Malaysian Code on Corporate Governance (MCCG) 2021, has further amplified the role of the Board Audit Committee (BAC) in ensuring IA's effectiveness in contributing to good governance. An EQAR is indispensable to give comfort to the BAC.

Global Internal Audit Standards (GIAS) 2024

Trust has become one of the most valuable currencies in today's business world. Corporate scandals due largely to governance failures have eroded public confidence.

An unwavering commitment to governance, ethics, and transparency is now required to complement strong financials.

The GIAS, which forms part of the International Professional Practices framework (IPPF), recognises this reality by placing integrity, independence, and ethical responsibility at the heart of the internal audit profession.





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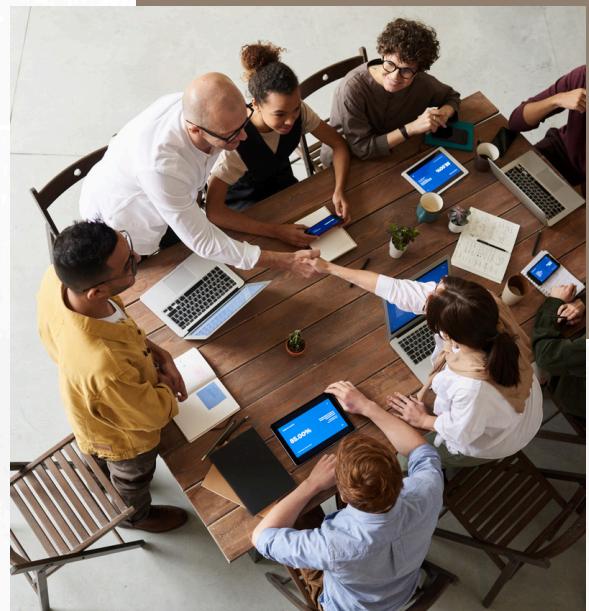
Expectations

The GIAS guides the worldwide professional practice of IA and serves as a basis for evaluating and elevating the quality of the function. At its heart are 15 Guiding Principles.

IA has the potential to be a powerful strategic partner. This encompasses a myriad of duties inextricably linked to

- Enhancing risk management practices,
- Fostering collaboration with stakeholders,
- Leveraging data analytics,
- Supporting strategic initiatives,
- Effectively communicating value, and
- Emphasising continuous improvement

To support such expectations, developing talent within the IA is a foregone conclusion. The better the quality of resources, the higher the quality of the deliverables.



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Role of EQAR

IA is, for all intents and purposes, the 'eyes and ears' of the BAC. It must be functioning as intended, lest it loses its credibility.

If IA is to be accorded its due respect and a 'seat at the table' as an equal partner, there is no compromising on adherence to the global standards.

To this end, an EQAR, which is required to be conducted at least once in five years, provides the health check on the effectiveness of the function.

The EQAR exercise is not to be taken lightly and the onus is on the BAC to ensure that it is conducted to benchmark against the Standards. Identified gaps can be remedied and best practices, as recommended, adopted to fortify the function.

Only then can IA deliver on its expectations as a strategic partner and continue to value add!



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Action Points for CAE and BAC – Enhancing the Value of EQAR for Internal Audit

| Focus Areas | Key Actions | Expected Outcomes | Indicative Timelines |
|-----------------------|--|--|----------------------|
| 1. Preparation | <ul style="list-style-type: none">Establish a 5-year EQAR plan aligned with Global Internal Audit Standards (GIAS 2024).Form an EQAR Working Group (IA team, process owners, external assessor).Conduct a self-assessment and readiness review.Compile supporting documentation and evidence. | <ul style="list-style-type: none">Structured and well-prepared EQAR process.Readiness for independent benchmarking. | Month 1–3 |



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Action Points for CAE and BAC – Enhancing the Value of EQAR for Internal Audit (Cont'd)

| Focus Areas | Key Actions | Expected Outcomes | Indicative Timelines |
|----------------------------|---|---|----------------------|
| 2. External Assessment | <ul style="list-style-type: none">Appoint qualified external assessor.Facilitate on-site/off-site assessment and stakeholder interviews. | <ul style="list-style-type: none">Objective benchmarking against global standards.Identification of strengths and improvement areas. | Month 4 |
| 3. Reporting & Action Plan | <ul style="list-style-type: none">Review EQAR findings and recommendations.Develop and approve an improvement roadmap.Present results and next steps to BAC and key stakeholders. | <ul style="list-style-type: none">Clear roadmap for continuous improvement.Enhanced IA credibility and governance assurance. | Month 5 |



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| Focus Areas | Key Actions | Expected Outcomes | Indicative Timelines |
|---|---|--|-----------------------|
| 4. Implementation & Monitoring | <ul style="list-style-type: none">Execute agreed improvement actions.Integrate EQAR outcomes into IA annual plan.Report progress to BAC periodically. | <ul style="list-style-type: none">Sustained conformance with international standards.Strengthened IA value, performance, and trust. | Month 6 onward |