



# The 2006 European Conference of Internal Audit

Quality of Audit – the only way to success

Speaker : Elisabeth Styf (Member of the ECIIA Board )

# Quality of Audit – the only way to success



*As an effect of the scandals during the last 5 years*

- *Increased focus on corporate governance .....*
- *Legal – regulatory, SOX, Turnbull, Basel etc. or just far-sighted Boards (senior Management...)*
- *Internal Audit strengthen – increased requirements on quality*

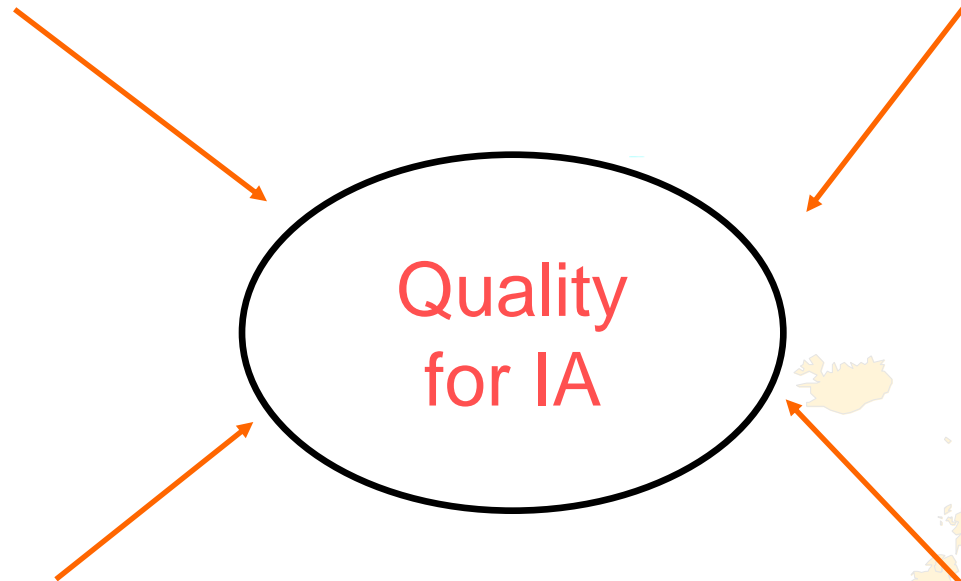
## *Purpose with Quality Assurance*

- Assess the *effectiveness* of an IA activity
- Assess conformance to the *Standards and Code of Ethics*
- Identify *opportunities*, offer *recommendations* for improvements

# Quality of Audit – the only way to success

Ensuring your practice is  
Continuous **improvement** oriented

Adherence to the **Code of  
Ethics**



Continued **professional  
Development**

In accordance  
with **the Standards**

## **Standard 1300**

*« Conducted in accordance with the standards for the professional Practice of Internal Auditing »*

*You must establish a quality assurance and improvement program that includes both ongoing and periodic internal QA's and undergo an external QA every five years*

.....you can delay obtaining a full external assessment and perform ***a Self Assessment with independent validation***

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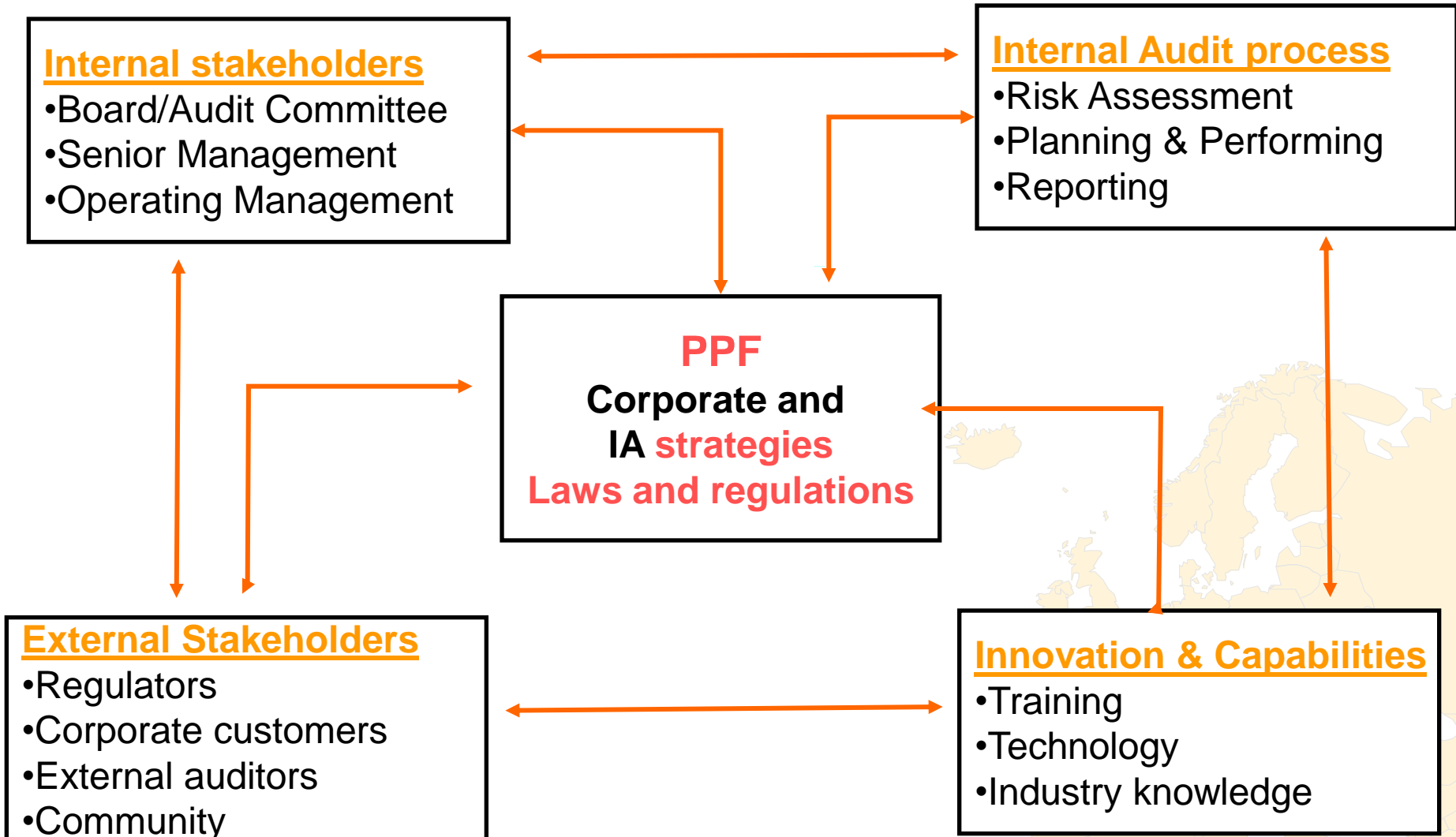


Continued **professional  
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# Quality of Audit – the only way to success

In accordance with the standards



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## Risk Assessment /Audit Planning

Does the audit activity assess the extent that the key risk areas are being addressed ?

## Planning and Performing the audit

- Appropriate audit plans that includes scope, objectives, timing and resources allocation
- Audit performed in accordance with established methodologies and working practice ?

## Communication & Reporting

Assess level of satisfaction

## Internal Audit process

- Risk Assessment
- Planning & Performing
- Communication & Reporting

# Quality of Audit – the only way to success

In accordance with the standards

***IIA emphasize with an updated standard 2100 –  
IA should assist the organization *in managing risks****

*Managements responsibility to create a professional risk management process ...which means ..to assessing and responding to all risks that affect the achievement of an organization's strategic and financial objectives*

*Example of risks*

- **Strategic-opportunities** e.g. not making crucial choices among potential strategies
- **Reputation /credibility risks** e.g. compliance with laws, regulations and ethical standards
- **Funding/liquidity risks** e.g. failure to deliver funds
- **Effectiveness risks** (IT, employees etc. )

# Quality of Audit – the only way to success

*Nowadays it is impossible to achieve a **complete and accurate picture** of the **past, present and future** regarding various uncertainties.*

- **fast moving environment** and **technological development**
- the organizations are mostly very dependent upon its **relations to other actors** in the environment as **inter-organizational** and **global relationship** are constantly increasing

# Quality of Audit – the only way to success

In Accordance with the standards

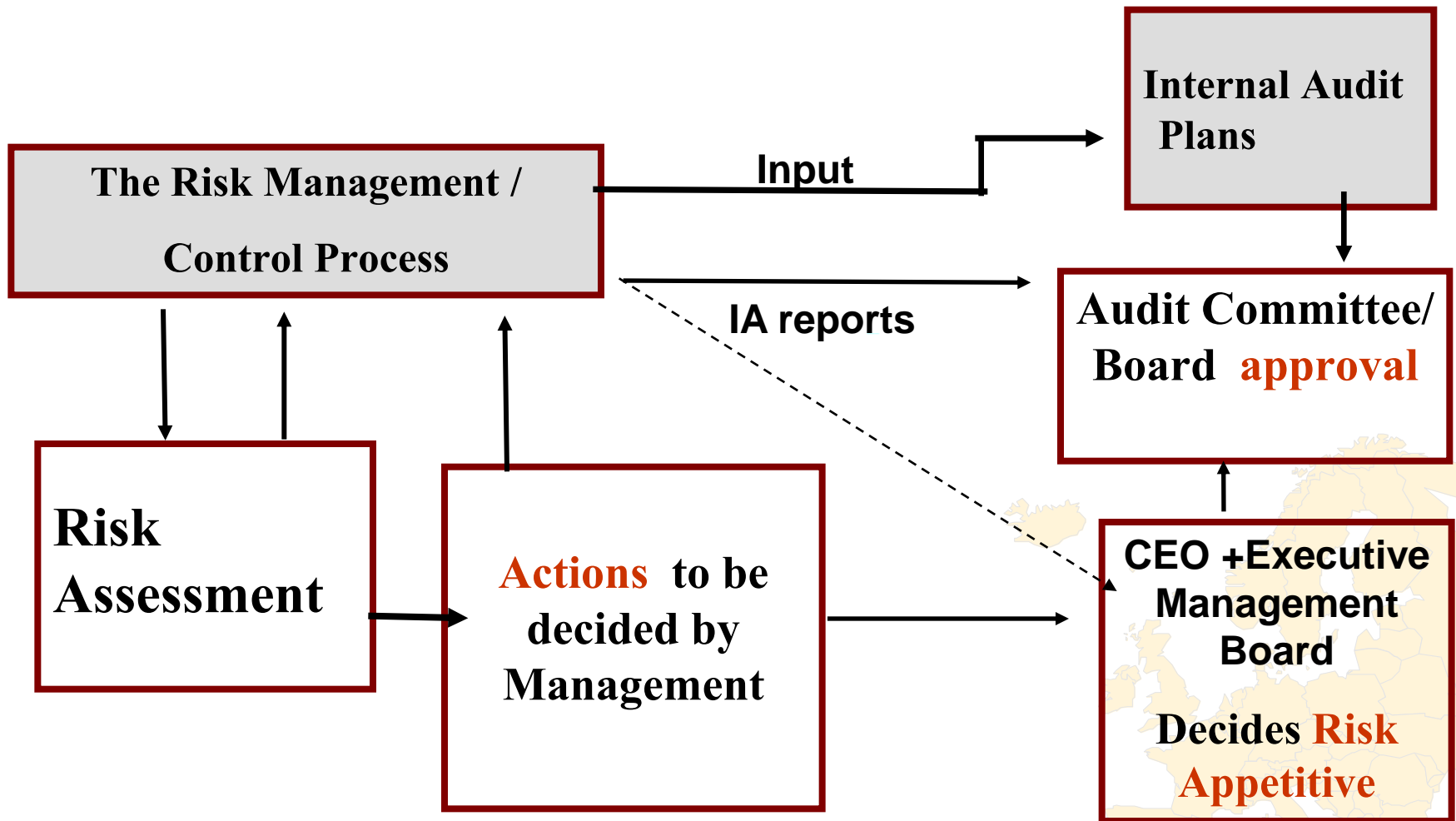
## *Internal Audit – strength*



Systematic, disciplined approach

- Available tools e.g. COSO-ERM framework
- Used to think – risks
  - when performing plans /scope identification
  - when evaluating the control objectives

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**IA should examine, evaluate, report and recommend improvements (PPF)**

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## Training

- Ensure that audit staff receives sufficient training
- Number of staff certified

## Use of technology

- Does relevant technology support audit testing and analyses ?

## Industry knowledge

- Have the staff sufficient knowledge of the industry, business operations and key functions ?

In accordance with the standards

## Innovation & Capabilities

- Training
- Technology
- Industry knowledge

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In accordance with the standards

## Internal stakeholders

- Board/Audit Committee
- Senior Management
- Operating Management

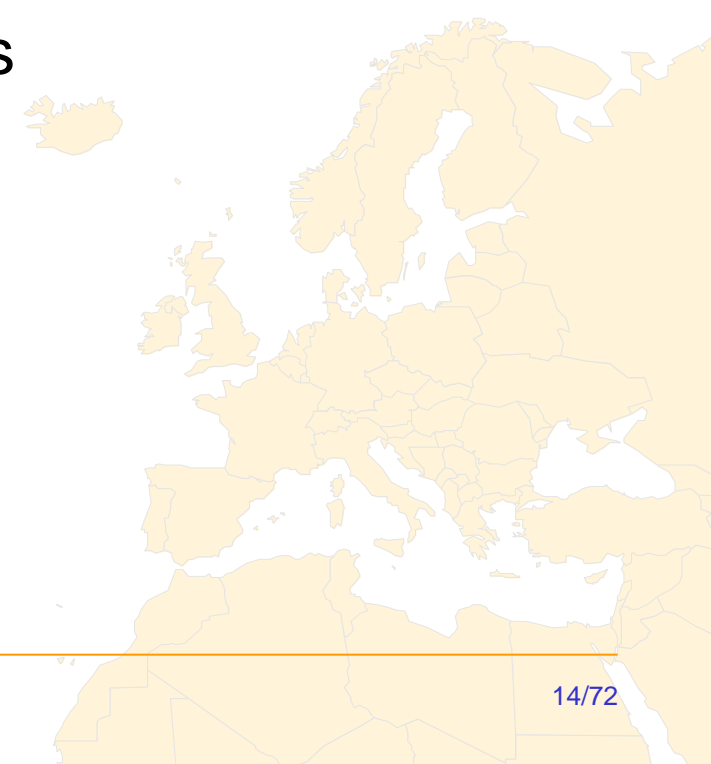


## External Stakeholders

- Regulators
- Corporate customers
- External auditors
- Community

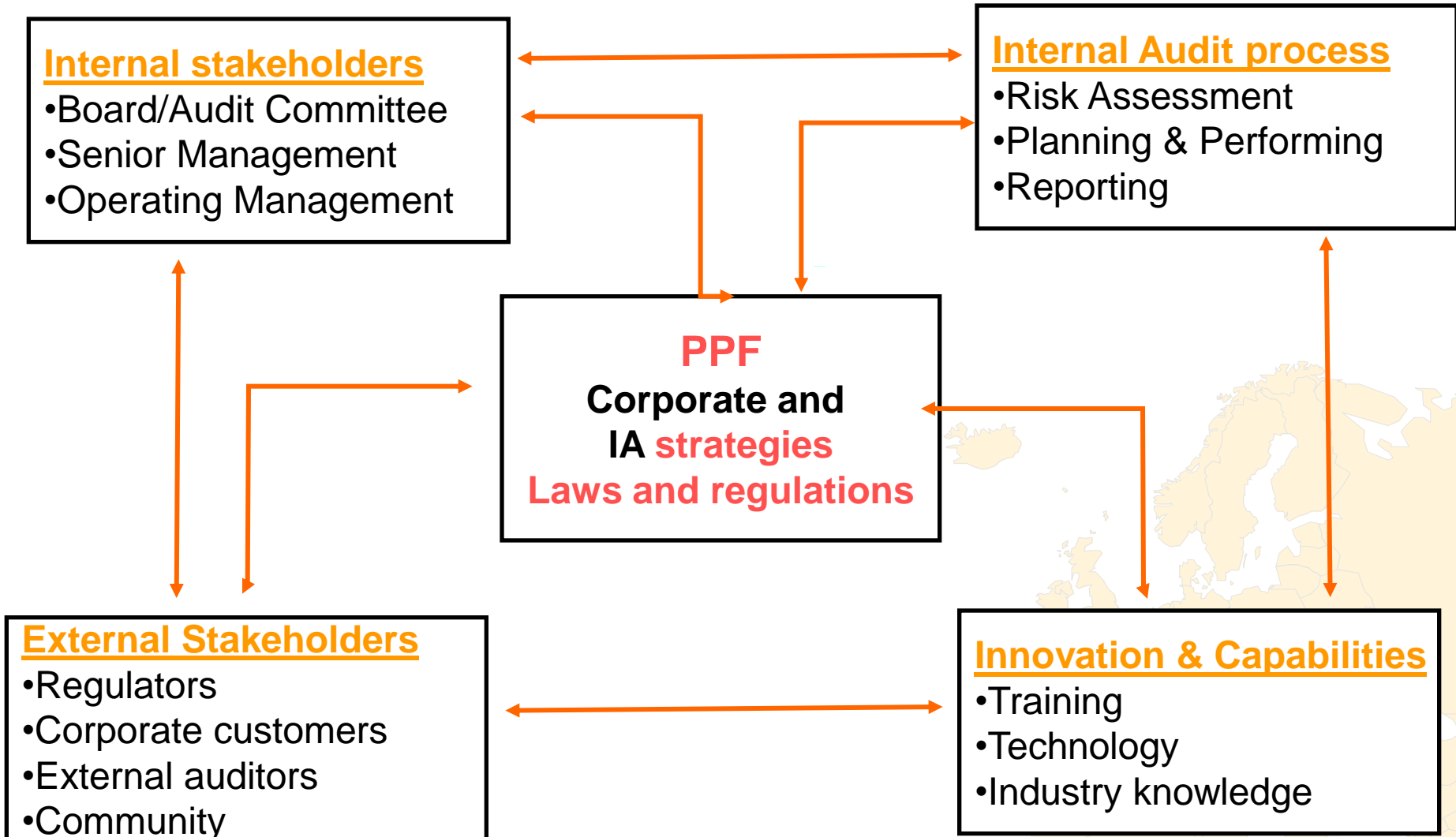
To identify all relevant stakeholders and what Service that are important to them

- Assess level of satisfaction
- Identify GAPS



# Quality of Audit – the only way to success

In accordance with the standards



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## Quality components

Ensuring your practice is  
Continuous **improvement**  
oriented



Continued **professional**  
**Development**

Identify **opportunities** and offer ideas for improvements :

- New regulations, laws and common practice
- Contiguous site visits – **communicate risks** with management
- Use all **available networks** colleagues, university etc.
- **Internal conferences** on improvement and efficiency **discussions** – use knowledge on from new employed staff

# Quality of Audit – the only way to success

Quality components

Adherence to the **Code of Ethics**



## Principles for IA (PPF)

- Integrity
- Objectivity
- Confidentiality
- Competence

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## External Quality Assurance process

- Select QA team
- Send out and review the self-study
- Preliminary visit to the organization
- Go through customer and staff surveys

- Review of IA activities (incl. improvement actions) and evaluate conformance to standards
- Interview selected members of the board (A.C.) Auditees etc.
- Consider relations to other monitoring functions

- Provide a summary of issues and recommendations
- Holding a closing conference with CAE
- Draft report – obtain comments and response to the recommendations
- Follow up conference

**Preparation work**

**On site visit**

**Reporting**

# Quality of Audit – the only way to success

## Communicating the result of the external assessment

In accordance with the standards

*Compliance or **non compliance**  
with the standard*

*Recommendations for  
improvement*

*To remember – the external  
assessment **requires sound  
business judgment, integrity  
and professional care !!!!***

**Action Plan incl.  
implementation  
dates**

**From CAE**

## *On going and Periodic Internal Assessment*

### **Periodic Assessment**

- *IA activity in accordance with its **charter***
- *Level of **audit effectiveness and efficiency***
- *Does the audit and consultant service **add value** to the organization*
- *Degree of IA activity's relating to **Standards***

*Provide recommendations for improvement*

***Prepare for an external review***

### **On going monitoring of quality assurance**

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## Self Assessment with Independent Validation

- Select QA team -
- Send out and review the self-study
- Preliminary visit to the organization
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- Interview selected members of the board (A.C.) Auditees etc.
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- Provide a summary of issues and recommendations
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In-house auditors  
***scope adapted to circumstances***

To be coordinated by Independent Validator who has to perform limited tests at least if IA ***in accordance with Standards***

Reporting both by CAE and the Validator to express ***if agree or disagree with the self assessment report***



**You are good but you have to prove it !**

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**Thank You**

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