First company in Saudi Arabia to invite world’ best external assessors (IIA Global) since 2014

Internal Audit Department experience in implementing the QAIP

Internal Audit Platform Webinars
6 March 2019

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Agenda

➢ International Internal Auditing Standards related to Quality Assurance and Improvement Program.

➢ Quality Assurance and Improvement Program’s Process.

➢ External Quality Assessment by the IIA Global step by step.

➢ Successful Internal Audit Practices In NADEC noted by IIA Global.

➢ Common Findings In other External Quality Assessments.

➢ Questions & Answers.
What is QAIP?

➢ An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity.

➢ A well-developed QAIP will ensure that IA is being audited like the auditees.

➢ Engagements should be undertaken in accordance with an established methodology that promotes quality and, by default, conformance with the Standards.
International Standards Pertaining to QAIP

1300 - Quality assurance and improvement program

1310 - Requirements of the QAIP

1311 - Internal Assessment

1312 - External Assessment

1320 - Reporting on the QAIP

1321 - Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

1322 - Disclosure of Nonconformance

QAIP
Brief Interpretation of standards pertaining to QAIP

1300 - Quality assurance and improvement program
The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. CAE should encourage Board Oversight in QAIP.

1310 - Requirements of the QAIP
The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessment
- Ongoing monitoring
- Periodic self-assessments or assessment by other person within organization with sufficient knowledge

1312 - External Assessment
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. CAE must discuss with Board:
- Form & frequency of External Assessment.
- The qualification & independence of External Assessor.
The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

When nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board. (full, partial, non-conformance effects)
QAIP’s Process

Quality Assurance and Improvement Program

Internal Assessment

On-going Monitoring
- Feedback Survey
- Performance Metrics
- Engagement Readiness
- Using Checklists

Periodic Self-Assessments

Self-Assessment

External Assessment

Full External Assessment

Self-Assessment with Independent Validation

Assessment by other persons in the Organization having sufficient knowledge
Steps Of NADEC’s IAD Regarding QAIP

- Conducting internal assessment periodically helped in preparation for EQA
- Providing IIA with the information pertaining to the Organization and IAD
- Taking the initiative and requesting to conduct the external assessment
- Appointing / Hiring world’s best external assessors (IIA Global)
- Assigning a team from the department to facilitate assessment procedures
External Assessments by the IIA Global - Step By Step

Before The Visit

1. Update the Internal Quality assessment
2. Send the Request for Proposals (RFPs), evaluate and propose to AC the best option based on cost and technical comparison
3. Get Global Audit Information Network (GAIN) report access
4. Obtain the Audit Committee approval
5. IIA send anonymous Survey to IA Staff and Auditees
6. Fill the appendices provided by the IIA Assessors, and provide all the supporting documents
External Assessments by the IIA Global - Step By Step

On-Site

Conduct Interviews with AC Chairman, CEO and Auditees

Review the department’s electronic working papers, including Risk assessment, internal audit strategic and annual audit plan

Review the IA charter, manual and IA KPI’s

Conduct interviews with Internal Audit Staff
External Assessments by the IIA Global - Step By Step

On-Site

- Review the Internal Audit Activity’s reports and Follow-Ups
- Review the training records and needs
- Review the AC MOM’s and Presentations
- Share with IA the anonymous survey’s results
External Assessments by the IIA Global - Step By Step

During IIA Global’s Visit

Exit Meeting

The conclusion

Team assigned to facilitate Assessors
Successful IA Practices In NADEC Noted By IIA Global

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Purpose, authority, and responsibility

The Internal Audit Charter is comprehensive and contains all the mandatory elements of the Standards

1111
Direct interaction with the Board

There is appropriate interaction between Internal Audit and the Audit Committee.

1311
Internal assessment

Internal Audit has a comprehensive internal quality assessment program IQA, TeamMate, Supervision, Review..

2320
Analysis and evaluation

Internal Audit has implemented a continuous auditing program
Successful IA Practices In NADEC Noted By IIA Global

1210 Proficiency

Internal Audit uses a competency framework to support proficiency within Internal Audit. 40+ training courses exceeding 500 hours

1220 Due professional care

Internal Audit staff apply appropriate skill and care. Certified staff, on site training, Guest auditor..

2060 Reporting to senior management and the Board

Internal Audit written reports to the Audit Committee are well done. Independence confirmation, resources, Matrix, Overall opinion, Plan progress..

2050 Coordination and Reliance

Preparing an Assurance Map that identifies the various assurance and consulting services.
Common Findings In Other External Quality Assessments

1. Lack of periodic review of the IA charter.
2. Failure to update the manual (policies and procedures) for IAD.
3. Not performing external quality assessment within five years.
4. Failure to fully comply with the audit observations elements (criteria, condition, effect and corrective action).
5. Use of phrase “Conforms with the Standards for the Professional Practice of Internal Auditing “without conformance to standards.”
Failure to maintain updated staff training record.

Failure to highlight good practices in the audit reports.

Failure to obtain the knowledge, skills, and other competencies needed to perform its responsibilities, including knowledge of key information technology risks and controls. SME

Lack of Documented Input in the risk assessment from the Audit Committee & Senior Management.

Chief Audit Executive assigned for roles beyond Internal Auditing without safeguards.
Absence of long term IA strategy and IA plan is not aligned with the organization’s strategic objectives.

11 Failure of implementing a formal staff rotational program. Induction program, inbound, outbound programs.

12 Failure to mention the Internal Audit additional role in providing a consulting activity in the charter.

13 The charter does not call for AC participation in the selection or removal of the CAE.

14 Failure to maintain a separate comprehensive risk assessment for IT related matters.

15 Absence of long term IA strategy and IA plan is not aligned with the organization’s strategic objectives.

Common Findings In Other External Quality Assessments
Any Questions?
THANK YOU