

# INTERNAL AUDIT MASTER CLASS

**Theme: The journey towards competence and professionalism**

**Quality Assurance**

**26<sup>th</sup> - 30<sup>th</sup> April 2021**

**CPA Charles Ndegwa**

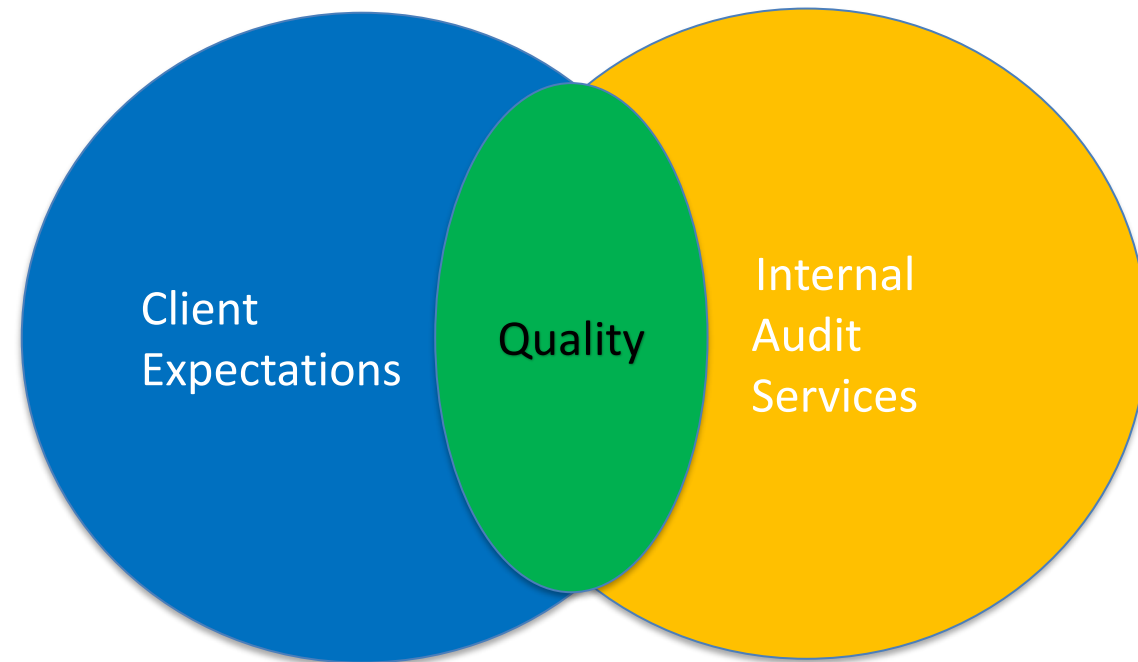
# Contents



1. Audit Client Feedback
2. Continuous Monitoring
3. Internal Quality Assessment
4. External Quality Assessment
5. Q&A



# What is Quality?



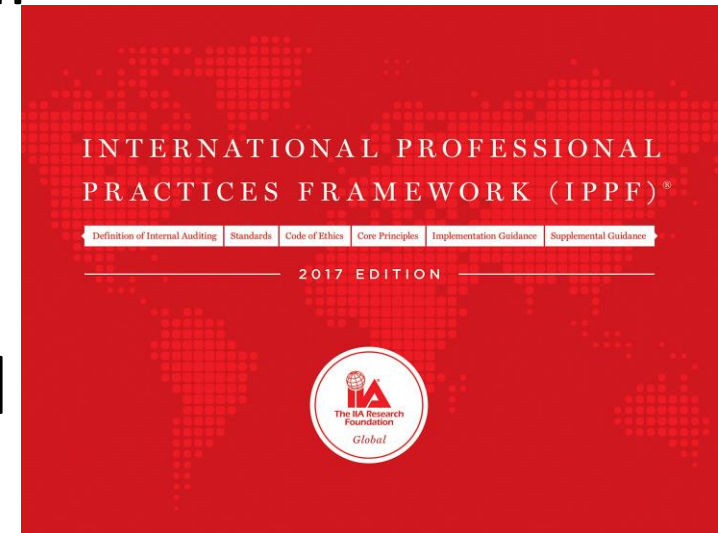
## Implication:

- Obtain client expectations
- Create awareness of the value internal audit provides

# Who Audits Internal Audit?



- Quality Assurance Review is the equivalent of an audit of the internal audit function
- Requirement to have a Quality Assurance Review:
- Professional Standards (IIA Standard 1300) - conformance
- Legislation (PFMR) – Assess compliance

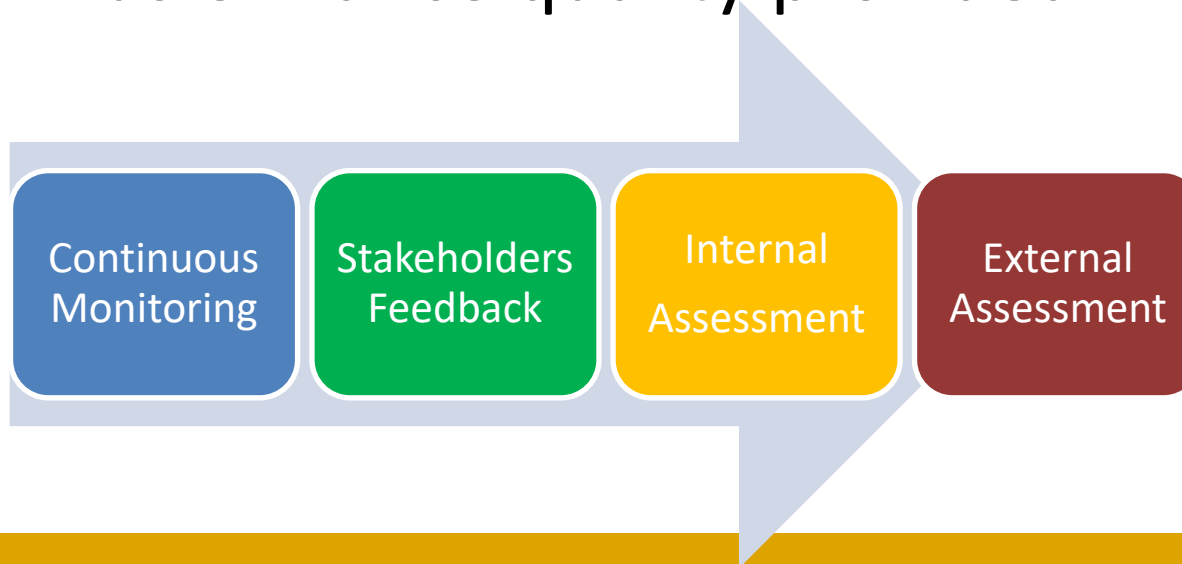


# Objectives and Components



Objective is to ultimately ensure:

- Conformance with the IIA Standards
- Compliance with applicable legal requirements
- Thus enhance quality provided



# Audit Clients Feedback



1. During the annual planning
2. During and after an engagement
3. Periodic survey of audit clients
4. Feedback on:
  - Value received
  - How Internal Audit can enhance the value added



# Continuous Monitoring



- Supervision - review and approval of engagement plans, audit programs, working papers, reports
- Survey client after each engagement
- Quality Assurance Role (person or section)
- Action plan to address identified gaps
- KPIs and implementation status reported to Management and Board



# Assessments



- Internal and External assessments
- External Assessments should be done:
- At least once every 5 years
- By an Accredited Quality Assessor
- Assessments have various components
- Stakeholders' feedback
- Pillars reviewed: Internal Audit's governance, Management, Human Capital and Processes



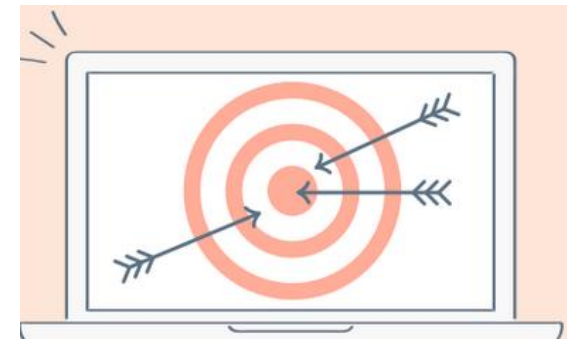


# Assessment Objectives



Assess:

- Application of the code of ethics (integrity, objectivity, confidentiality, competency)
- Conformance with the Standards
- Compliance with legal requirements
- Efficiency and effectiveness of Internal Audit
- Identify opportunities for improvement



# Opinion Criteria



Opinion	Description
Generally Conforms (GC)	Internal Audit structures, policies, procedures and practices comply with the requirements of individual Standards and Code of Ethics.
Partially Conforms (PC)	Internal Audit is making good-faith efforts to comply with the requirement of the individual Standards and Code of Ethics but falls short of achieving some major objectives.
Does Not Conform (DNC)	Internal Audit is not aware of or is not making good-faith efforts to comply with the requirements of the individual Standards and Code of Ethics.

# Stakeholders Feedback

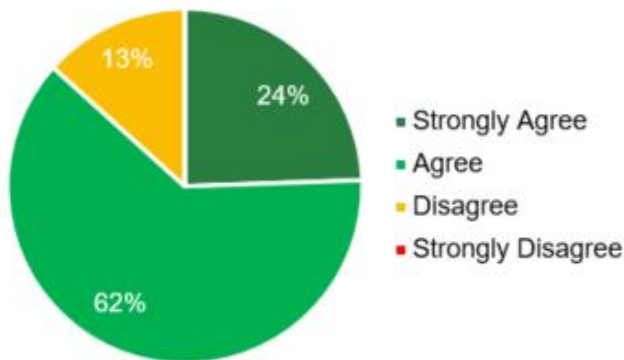
- Quality (ISO)
- Ethics & Integrity
- Information Systems Security
- Security & Investigations
- Health & Safety
- Information Systems Security



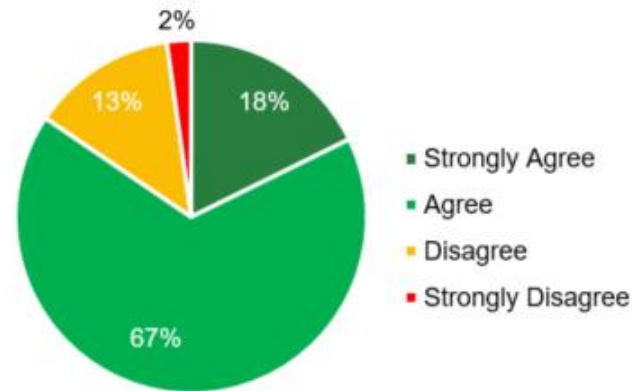
# Stakeholders Survey



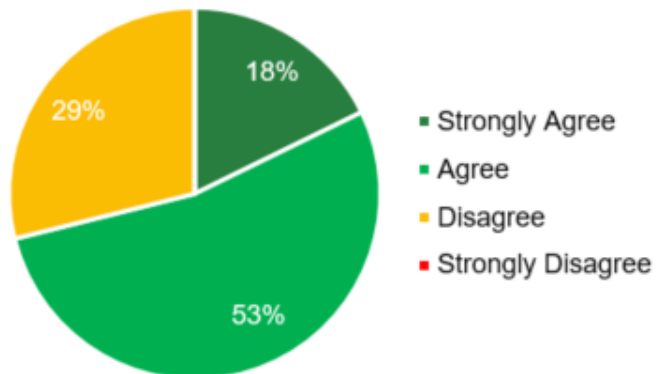
IAD is independent



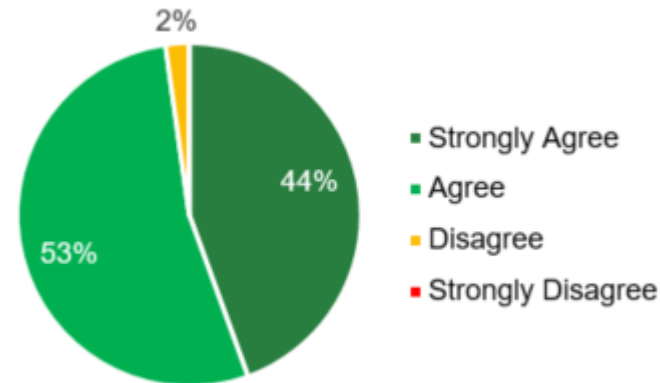
Cordial working with IAD



IAD demonstrates industry experience



IAD provides value addition



# Governance



Internal Audit Governance Rating			
Compliance (Legal)		Conformance (IPPF)	
<b>Governance Overall Compliance Rating</b>	<b>GC</b>	<b>Governance Overall Conformance Rating</b>	<b>GC</b>
PFMR s160-Mandate.	GC	Standard 1000-Purpose, Authority and Responsibility.	GC
PFMR s161-requirement to conform to IPPF.	GC	Standard 1100-Independence and Objectivity.	GC
PFMR s162 and s168-Independence.	GC	Code of Ethics.	GC
PFMR s169 – recognition of the legal and disciplinary liability of internal auditors due to non-compliance with the PFMA and PFMR.	PC		
Mwongozo 3.4-Audit Committee and Internal Audit.	GC		

# Internal Audit Management



Internal Audit Management Rating			
Compliance (Legal)		Conformance (IPPF)	
<b>IAD Management Overall Compliance Rating</b>	<b>GC</b>	<b>IAD Management Overall Conformance Rating</b>	<b>PC</b>
PFMR s170-Risk Based Audit Assessment Strategic Plan.	GC	Standard 2000: Managing the Internal Audit Activity.	PC
PFMR s166 (1) & (2)-Performance Appraisal (Annual Assessment of the Effectiveness of IAD).	GC	Standard 2100: Nature of Work.	GC
PFMR s160-Mandate (assurance on governance, risk management and financial & non-financial controls).	GC	Standard 2600: Management Acceptance of Risks.	PC
PFMR s166 (3)-Performance Appraisal (External assessment every 3-5 years).	PC	Standard 1300: Quality Assurance and Improvement Program.	PC

# Human Capital



Internal Audit Human Capital Rating			
Compliance (Legal)		Conformance (IPPF)	
<b>Human Capital Overall Compliance Rating</b>	<b>GC</b>	<b>Human Capital Overall Conformance Rating</b>	<b>GC</b>
PFMR s166(2)-Performance Appraisal (Annual Review of IAD Performance and Competency Level).	GC	Standard 1200: Proficiency and Due Professional Care.	GC
		Standard 2030: appropriate and sufficient human capital.	GC

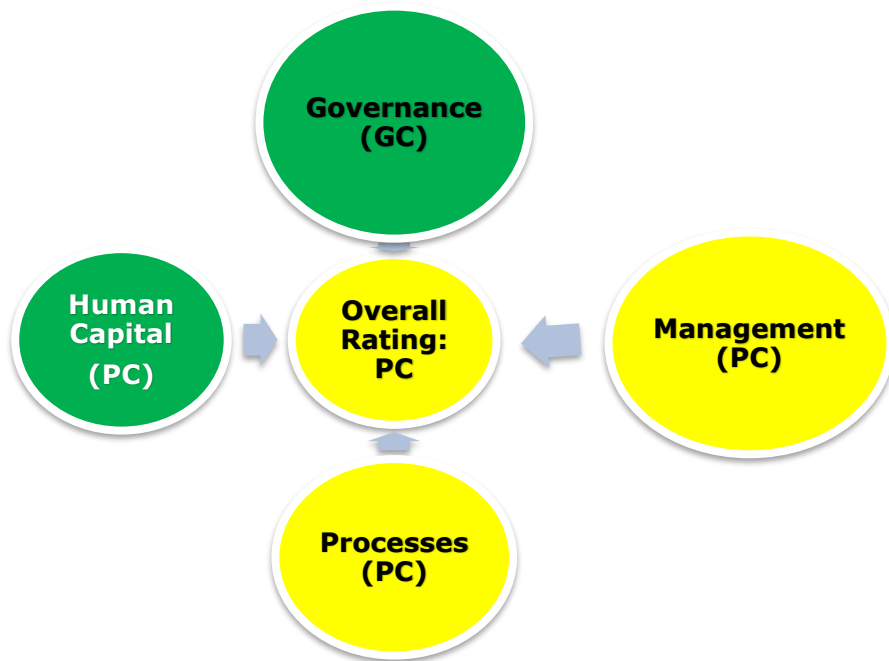
# Internal Audit Process



Internal Audit Process Rating			
Compliance (Legal)		Conformance (IPPF)	
<b>Process Overall Compliance Rating</b>	<b>GC</b>	<b>Process Overall Conformance Rating</b>	<b>PC</b>
PFMR s167-Reporting Material Breaches and Persistent Material Breaches.	GC	Standard 2200-Engagement Planning.	PC
PFMR s171-Communicating Results.	GC	Standard 2300-Performing the Engagement.	PC
PFMR s172-Enforcement of Internal Audit Recommendations.	GC	Standard 2400-Communicating Results.	PC
PFMR s173-Preparation and Submission of Quarterly and Annual Reports.	GC	Standard 2500-Monitoring Progress.	GC



# Overall Opinion



## Scale

Generally Conforms/Complies (GC)

Partially Conforms/Complies (PC)

Does Not Conform/Complies (DNC)

**Overall stakeholders satisfaction  
rating of 70%**

# EQA Reporting



Report periodically to  
Management and the Board

- QA Results
- Corrective Action Plan
- Implementation Status



# Poll Questions



From the following list of QA activities, select the ones (it could be more than one) that your internal audit function has, undertakes or has undertaken.

1. Formal client feedback after each engagement
2. Periodic audit clients surveys
3. Internal quality assessments
4. External quality assessments
5. Section or person with quality assurance role or designation

# Q&A

