

THE INTERNAL AUDIT MASTERCLASS

(26th to 30th April 2021)

SESSION 4: FUNTIONAL PLANNING

Facilitator: Gladys Byegon

Session Objectives



By the end of the session the participants are expected **to contribute to enhancing functional planning** of their respective Internal Audit functions as regards:

- ✓ **IA Policies and Procedures**
- ✓ **Coordination with other assurance providers**

Presentation Agenda



- 1. Introduction**
- 2. Recap of IPPF**
- 3. Key elements of IA Policies and procedures**
- 4. Combined assurance framework**
- 5. Activity**
- 6. Conclusion**

Introduction



Recall :

Key contributors for effectiveness of Internal Audit Functions:

☐ **People**

☐ **Positioning**

☐ **Policies & Procedures**

Recap of the IPPF (2017)



The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by The IIA. ***Effective January 1, 2017.***



Add: The Mission of Internal Audit

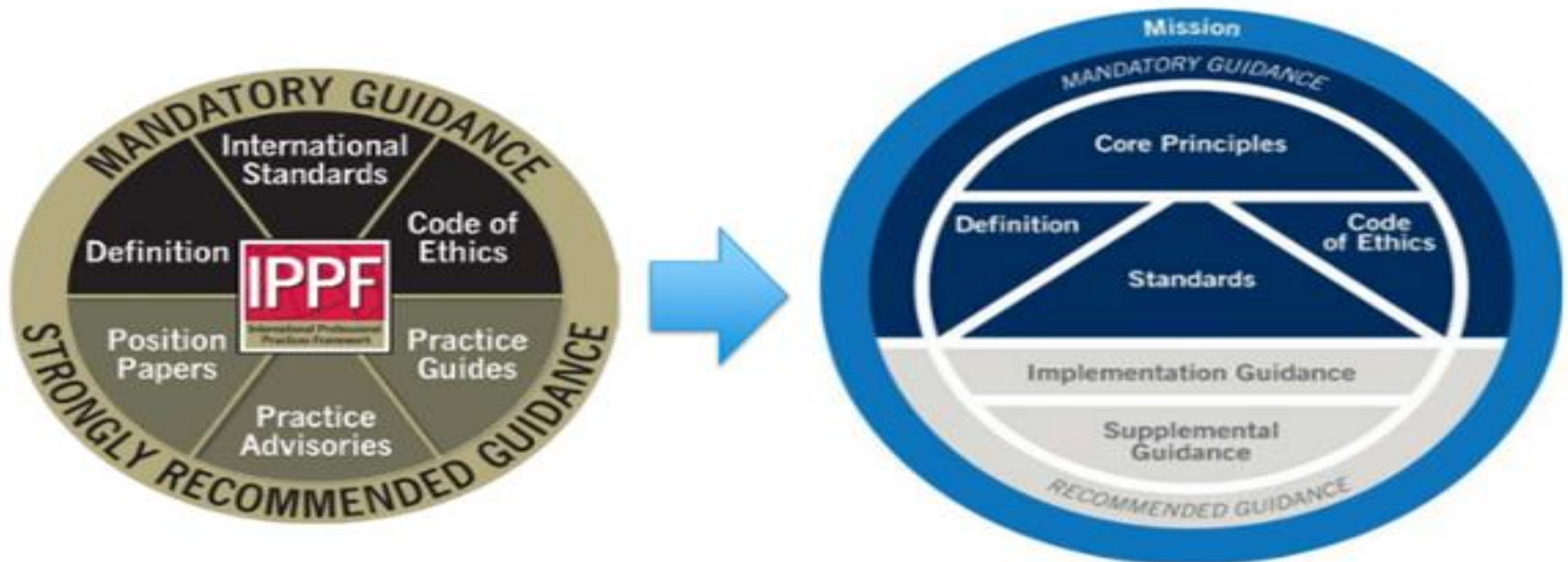
"To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight."



Recap of the IPPF (2017) cont..



From the Previous IPPF ... To the New IPPF



IA Policies & Procedures



Std 2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

*The form and content of policies and procedures are dependent upon the **size** and **structure** of the internal audit activity and the **complexity** of its work.*

IA Policies & Procedures cont..



Key elements of IA Policies and Procedures

- a) **Policy**: Operationalization of various aspects of IPPF; Government Policy and best practices and administrative activities of IA
- b) **Procedures**: Assurance, Advisory, other responsibilities assigned to IA



Combined Assurance Framework



Defn (IIA):

Combined assurance is the **process of internal, and potentially external parties**, working together and combine activities to reach the goal of communicating information to management.

Combined Assurance Framework



CAEs to **evaluate IA** current status as regards:

- ❖ Conformance with the Standards;
- ❖ Communication and coordination;
- ❖ Reporting
- ❖ Second line of defense functions.

Discussion

❑ Examples of Internal & External Assurance providers besides IA??

Combined Assurance Framework



Std 2050 – Coordination and Reliance

The CAE should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure:

- ✓ **Proper coverage, &**
- ✓ **Minimize duplication of efforts.**

Combined Assurance Framework



Std 2050 – Coordination and Reliance : Interpretation:

- ✓ **Coordinating**: CAE may rely on the work of other assurance and consulting service providers.
- ✓ **Consistent process**: Basis of reliance should be established; *competency*, *objectivity*, and *due professional care* of the A&C providers.
- ✓ **Clear understanding**: *Scope*, *objectives*, and *results of the work performed* by other A&C providers.
- ✓ **Responsibility**: CAE is still accountable & responsible for ensuring **adequate support for conclusions & opinions** reached by the internal audit activity.

Practice Guide: Reliance by Internal Audit on Other Assurance Providers (*IIA, Dec 2011*)

Key factors: Decision: low or high reliance

- i. Purpose.
- ii. Independence & Objectivity.
- iii. Competence.
- iv. Practice (*policies, procures, follow-up systems*).
- v. Communication of Results and Remediation.

Discussions

Benefits , Risks and Opportunities of/for reliance

Combined Framework

Assurance



Process of assessment



IACF (2020), IAs are expected to grow from:

- ✓ **General awareness** : *Describe coordination* of internal audit efforts with the external auditor, regulatory oversight bodies, & other internal assurance functions, and potential reliance on other assurance providers.
- ✓ **Applied Knowledge** : *Prepare a risk assurance* map.
- ✓ **Expert** : *Coordinate assurance efforts* with other providers to ensure proper coverage and minimize duplication of efforts.



Steps in developing a Combined assurance framework:

- i. Clarify your objectives and anticipated benefits; address what it is not
- ii. Gain buy-in from other assurance providers
- iii. Communicate with and educate key stakeholders
- iv. Take step-by-step, iterative approach (Execute the Implementation Plan)
- v. Get the right level of assurance maturity for your organization
- vi. Monitor and continual improvement to move from basic to full compliance to Std 2050

Combined Framework

Assurance



Combined Assurance framework maturity levels (illustration)

- a) **Level 1** – Basic Conformance with IIA Standard 2050 – IA open conversations with other assurance providers, process of reliance, Each maintains own - taxonomy, issue rating and reporting activities.
 - b) **Level 2:** Coordination: informal risk and control working group: sharing of information e.g. IA, Risk functions & QMS functions
 - c) **Level 3:** Enhanced coordination: common terms, shared schedules, technology, issue tracking, reporting, single risk and control profile.
-
- a) **Combined assurance**: Clear, formal communication with AC & Exec Mgt, Formal agreement (reliance and review by IA), Consolidated planning, scheduling, knowledge-sharing, and issue tracking and a single ERM & Reporting process to AC.

Session Activity & Presentations



GEZ is a public entity in Kenya which provides key services in the financial sector. The CAE of the entity is interested in championing a combined assurance framework (CAF) with other assurance providers that service in the institution.

Questions

1. What are potential Internal and External Assurance providers in the entity.
2. Identify key roles of CAE in the process of developing CAF
3. Mention the key steps in developing the CAF?
4. Identify atleast 6 critical coordination processes that the assurance providers should consider

Recap/Conclusion



Participants take away as regards improvements to be made to their

Functions :

- ✓ **Policies and Procedures**
- ✓ **Coordination with other assurance providers**

Q & A



Session

Thank You

Thank
You

Your logo