

Some things don't change: How best to deliver an effective internal audit.

Stephen Maycock
8 December 2021



Chartered Institute of
Internal Auditors



40th
Anniversary



**Nothing endures but
change.**

Heraclitus



Session Agenda

Set scene

Delegate insights

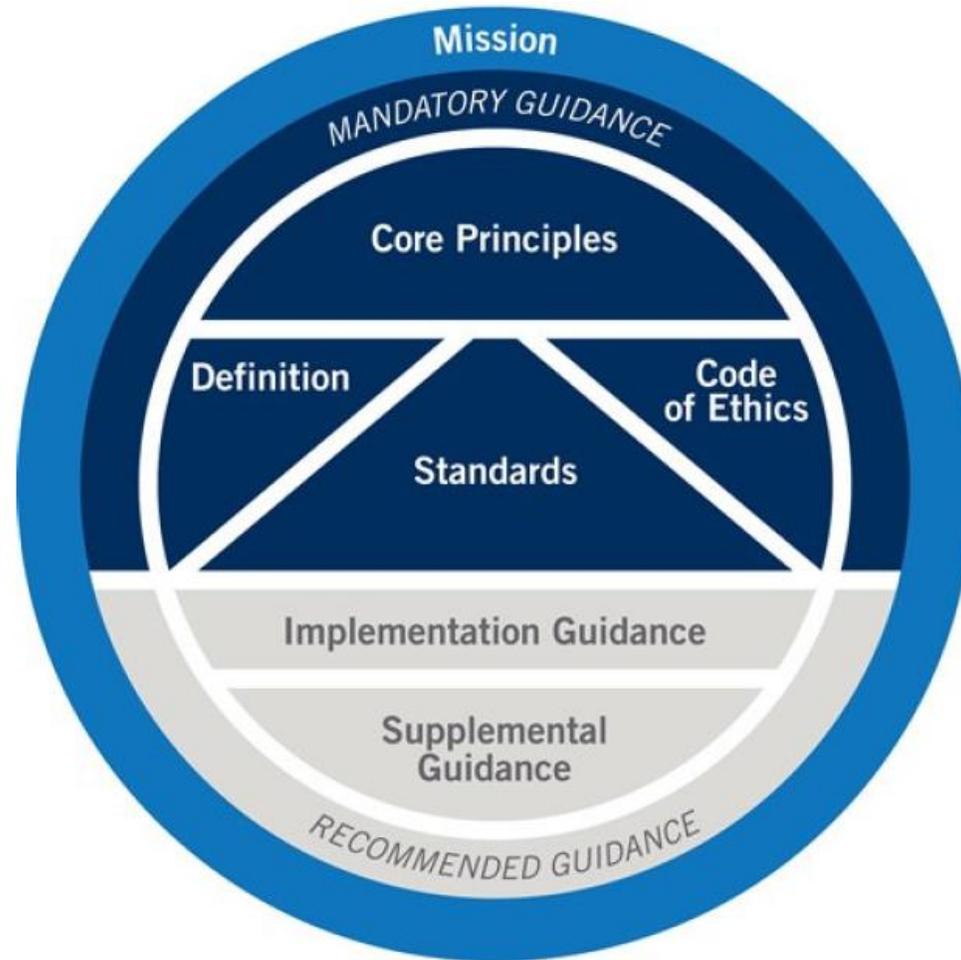
Stephen's thoughts

Questions / comments

What are the most important (enduring) things that contribute to an effective internal audit?



International Professional Practices Framework (IPPF)





of effective internal auditing.

Add value

The internal audit activity **adds value** to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Assurance – objective and relevant.

Advice and insight.

Based on risk

Core Principle 8. Provides risk-based assurance

2010 Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

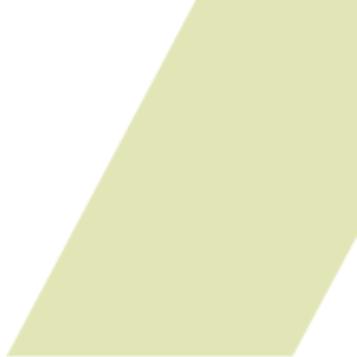


Communication

Core Principle 7. Communicates effectively

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.



Due Professional Care

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

Due professional care does not imply infallibility.

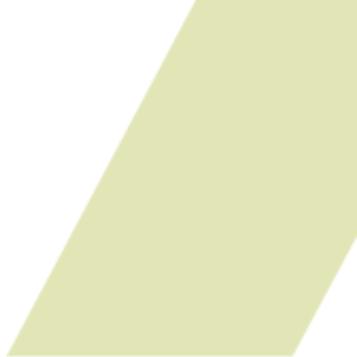
1220.A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.



Evidence

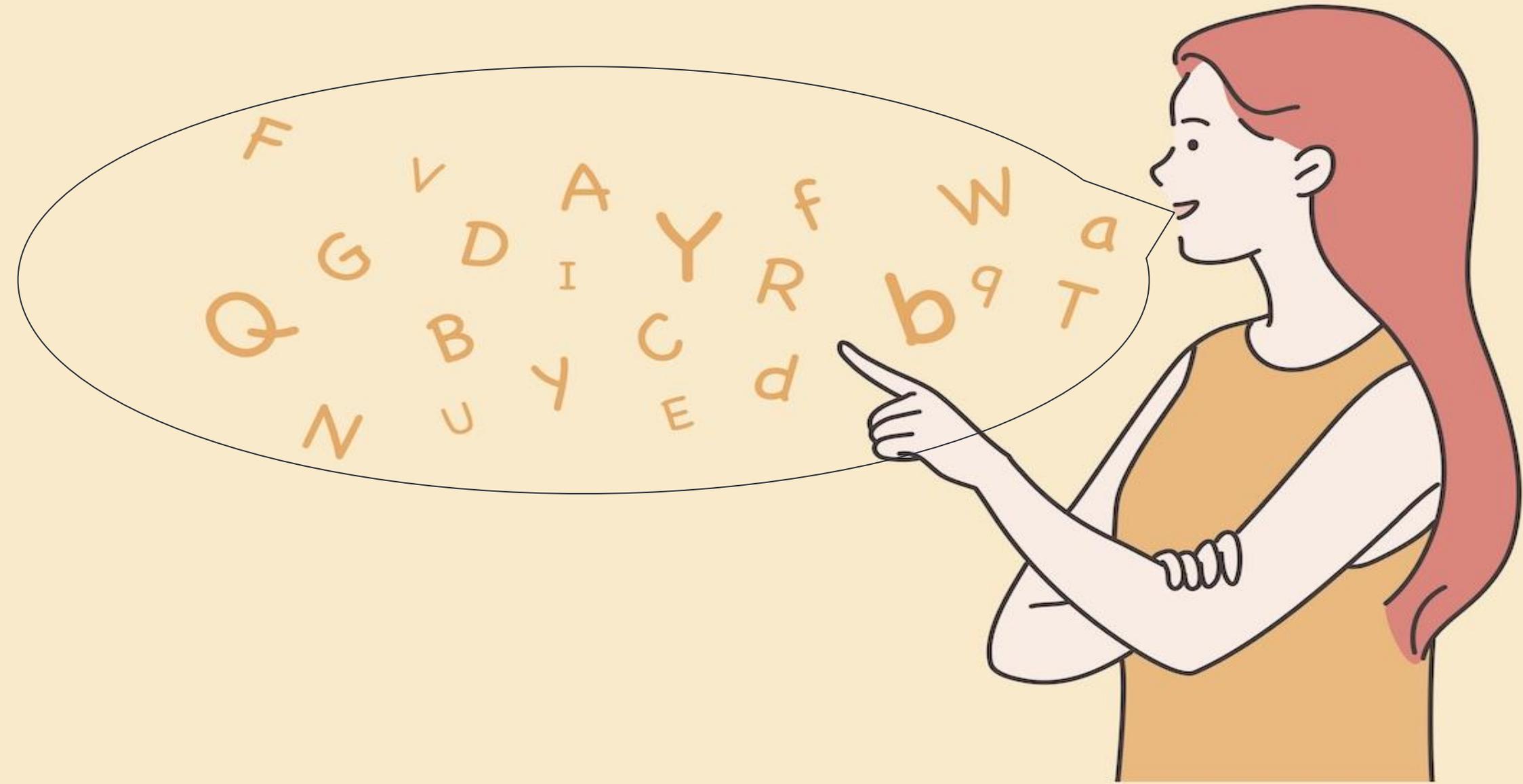
2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.



‘Anecdotal evidence isn’t worth the paper it’s written on.’

Stephen Maycock – circa 20 BC



Future Focus

Core Principle 9. Is insightful, proactive and future-focussed.

Core Principle 10. Promotes organisational improvement.

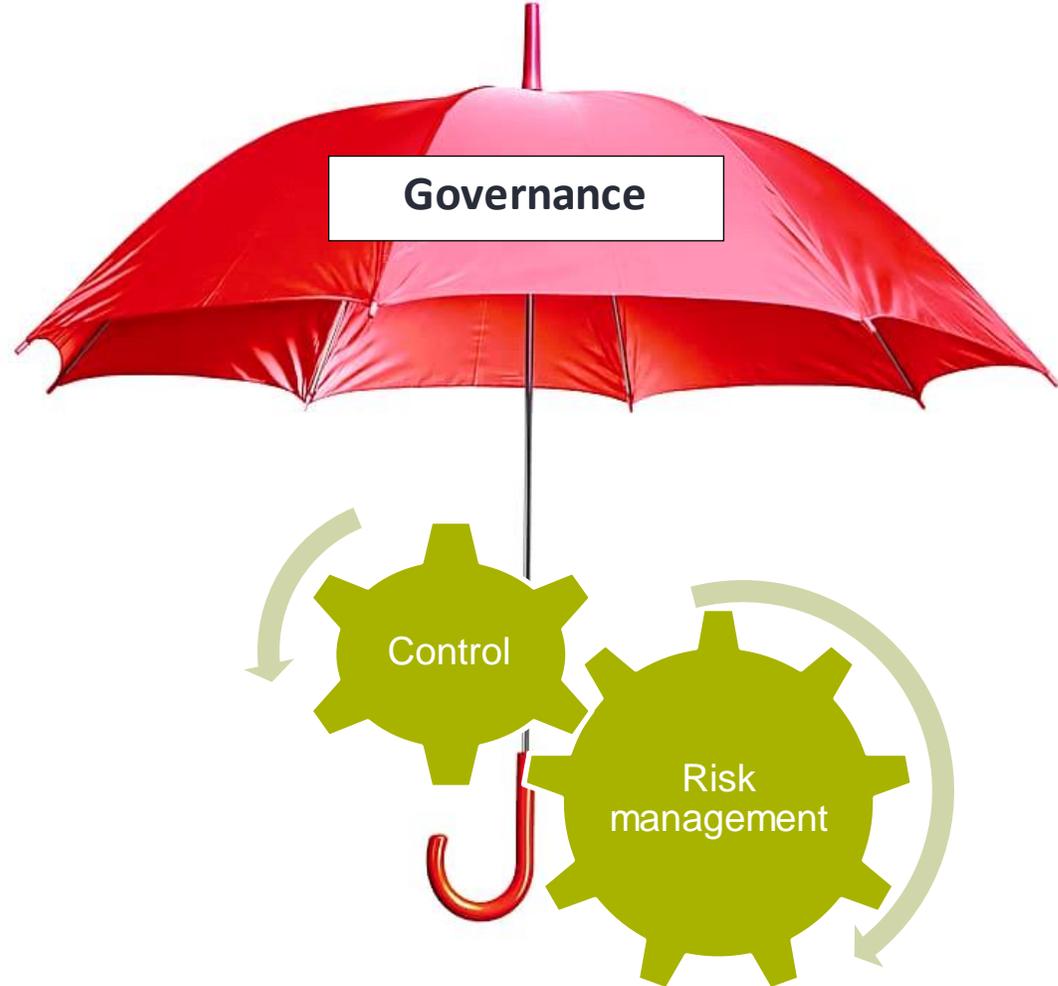


Governance

2110 – Governance

The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.



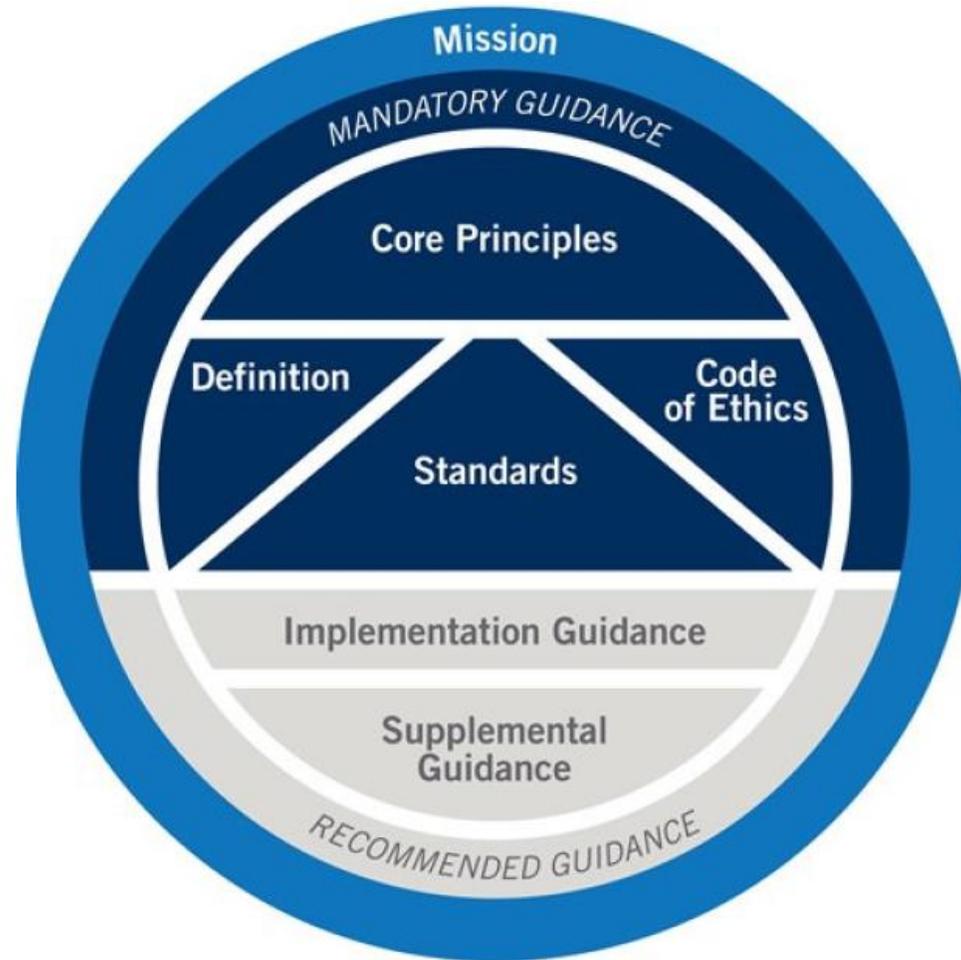
Happy and Helpful internal auditors

Definition of internal auditing:

... helps the organisation accomplish its objectives...



International Professional Practices Framework (IPPF)



Insight

Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice and **insight**.

Core Principle 9. Is **insightful**, proactive and future-focussed.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.

Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new **insights** and consider future impact.

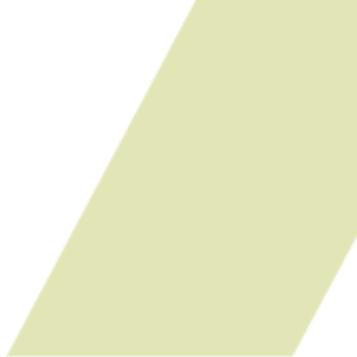


Integrity

Core Principle 1. Demonstrates Integrity

Code of Ethics 1. Integrity principle:

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.



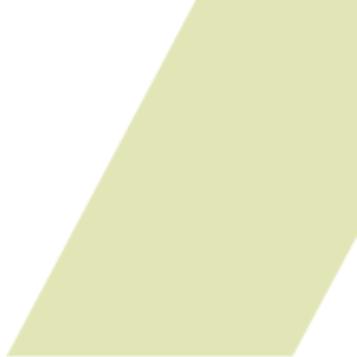


Judgement

Significance (definition)

...

Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.



Knowledge

Code of Ethics 4. Competency principle:

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

1210 – Proficiency

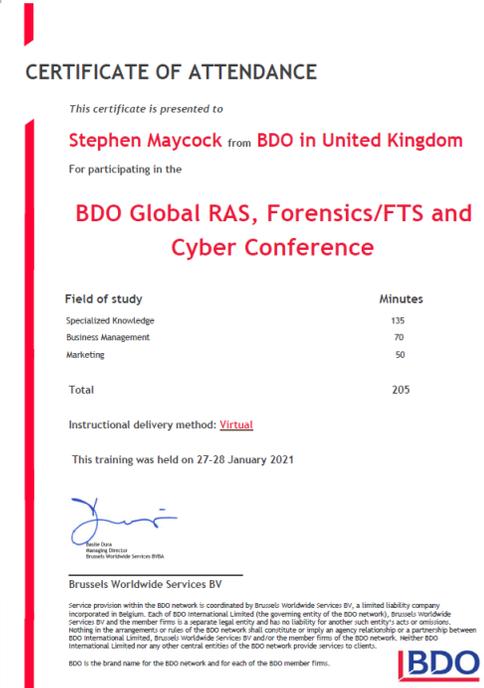
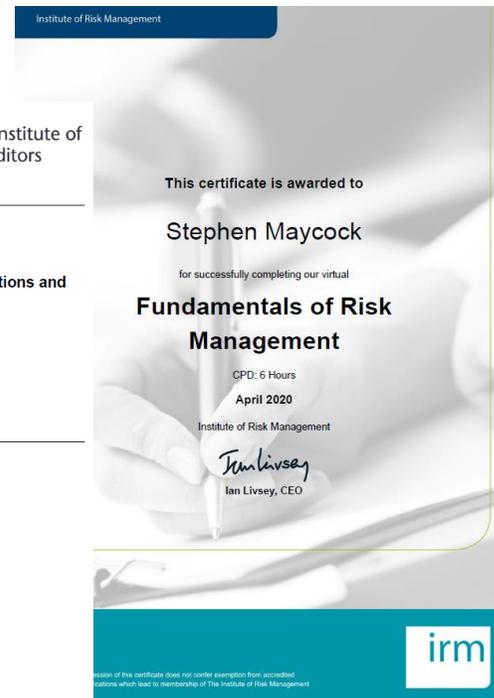
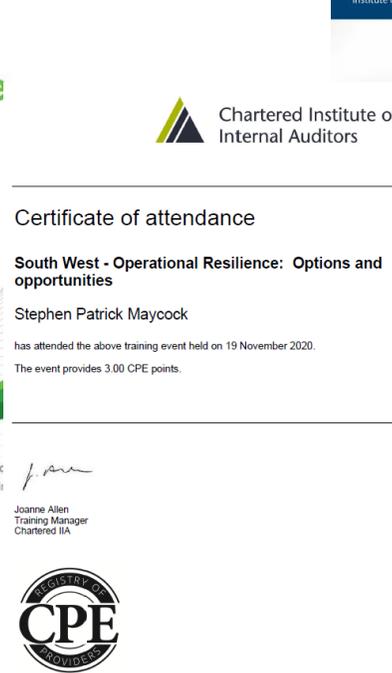
Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Knowledge (continued)

1230 – Continuing Professional Development

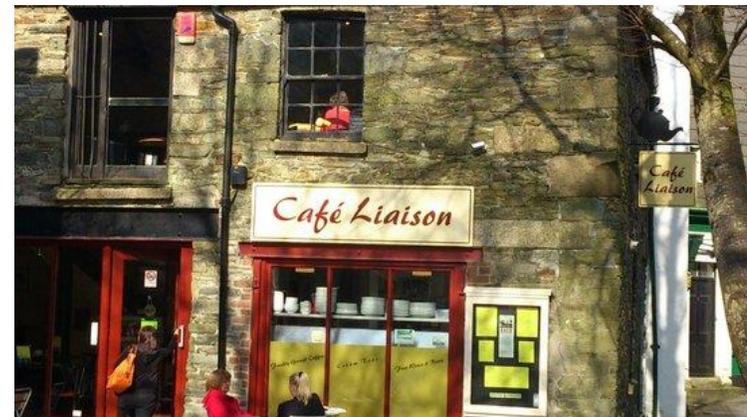
Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.



Liaison

2050 – Coordination and Reliance

The chief audit executive 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 and minimise duplication of efforts.



Mission of Internal Auditing

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



New ideas

“If you always do what you’ve always done, you always get what you’ve always gotten.”

Jessie Potter 1981



Objectivity

Core Principle 3. Is objective and free from undue influence (independent).

Code of Ethics 2. Objectivity principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

Objectivity (continued)

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.



People: Proficiency and Due Professional Care

Core Principle 2. Demonstrates competence and due professional care

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

Quality and continuous improvement

Core Principle 6. Demonstrates quality and continuous improvement.

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.

Resources and Reporting line

Core Principle 5. Is appropriately positioned and adequately resourced

2230 – Engagement Resource Allocation

Internal auditors must determine **appropriate** and **sufficient** resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. **Sufficient** refers to the quantity of resources needed to accomplish the engagement with due professional care.

Standards

*International Standards for the
Professional Practice of Internal
Auditing (Standards)*



Timeliness

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and **timely**.

Interpretation:

... **Timely** communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

Timeliness



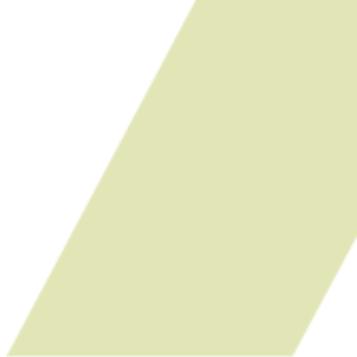


Useful

Core Principle 4. Aligns with the strategies, objectives and risks of the organisation.

Definition:

... helps the organisation accomplish its objectives...



Value for money (VFM)

1220.A1 – Internal auditors must exercise due professional care by considering the:

- [inter alia]
- Cost of assurance in relation to potential benefits.

2100 Nature of Work: ... Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new **insights** and consider future impact.

Work / Work program

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.



X-factor

‘A noteworthy special talent or quality.’

Oxford languages



You



Zest





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Thank you