



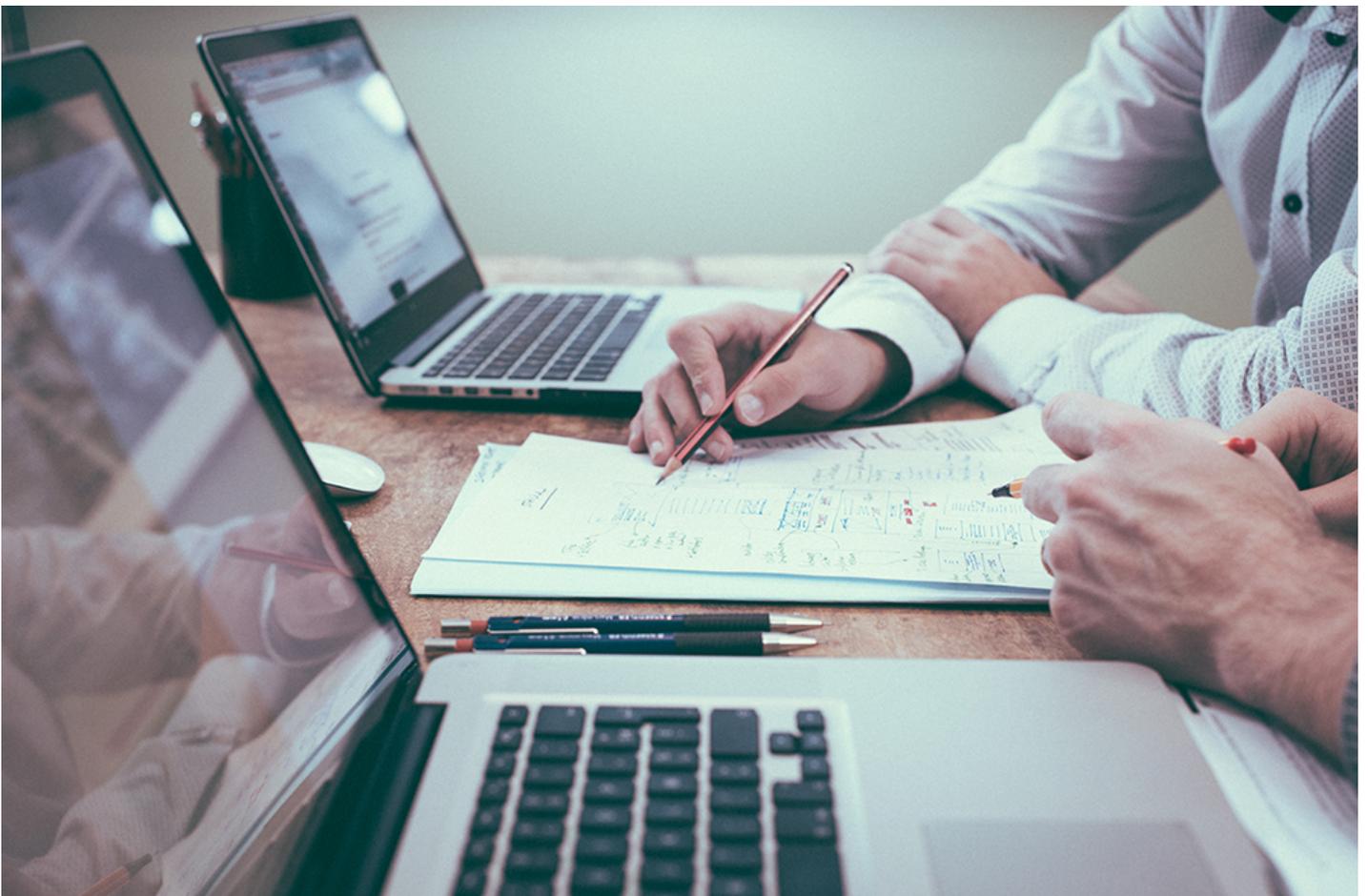
Chartered Institute of
Internal Auditors

Internal Audit Performance

A summary of the effectiveness
of the internal audit functions
reviewed during 2016/17

Chartered Institute of Internal Auditors

April 2017



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Further information:

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1

Executive Summary

Since piloting external quality assessments (EQAs) in the latter part of 2011/12 we have undertaken over 80 reviews. These include public and private sector organisations with large and small internal audit functions.

We expect this growth to continue based on our unique ability to drive the development of the profession through benchmarking, guidance, qualifications and training. During 2016/17 we undertook 23 reviews (11 in the public sector, 9 in the private sector and 3 in the Financial Services sector) of which 15 generally conformed to the IIA Standards, 4 partially conformed and there was one instance where the internal audit function did not conform to the Standards. This means 98% of internal audit functions we see are achieving high or good levels of performance which is an increase on 13% conformance in relation to 2015/16.

This window into internal audit practice provides interesting reading with grounds for both optimism and concern.

- At the top end of the results (upper quartile) we have been impressed by the approach and outlook of those internal audit functions who deliver the standards with no non-conformances and very few partial conformances.
- Within the middle ground (2nd & 3rd quartiles) we typically see internal audit functions that perform well with no more than 5 or 6 partial conformances and perhaps an isolated non-conformance.
- The positive message from our experience is that only 2% of internal audit functions are having difficulty conforming to the standards with 10 or more partial or non-conformances from a total of 56. This equates to an improvement in non-conformance of 23% in comparison to the 2015/2016 EQA Benchmark report.

Continuing the positive message we have seen only 6% of partial non-conformance with the Definition and Code of Ethics i.e. Rules of Conduct, which is really encouraging, demonstrating how seriously internal audit functions are taking conformance with the Standards.

One of the common themes in the areas for improvement is Planning (Standards 2000 to 2130). Our EQA work shows that of the six areas of conformance, 34.4% of recommendations are within Planning. Planning also has the greatest instances of partial or non-conformance of the Standards at 22%.

The knowledge, experience and support of our review team has helped these organisations to devise action plans to deliver significant improvement. The Chartered IIA is seeking to identify common themes in terms of non-conformance with the Standards so that technical guidance can be created to address these

areas and thereby providing additional support to internal audit functions and aid conformance with the Standards.

Our colleagues at IIA Global, following the revision to the Standards, have provided implementation guidance to provide clarity and guidance as to how to demonstrate conformance with the Standards. The implementation guides are available to members on the Chartered IIA website at www.iaa.org.uk.

The detail within this report provides useful benchmarks and highlights potential areas for improvement based on our insight into the organisations we have worked with.

The key points highlighted, cumulatively, in the EQA review findings include:

- Ensuring internal audit charters reflect the full range of services, roles and responsibilities provided to the organisation.
- Demonstrating independence and objectivity through a functional reporting line to the chair of the audit committee.
- Scheduling reports into audit committee meeting agendas according to a quality assurance and improvement programme (QA&IP) timetable.
- Regularly reviewing the experience, knowledge and skills required for an effective internal audit operation in your organisation.
- Designing an internal audit plan that has explicit alignment to strategic risks and justifies the choice of audits on the basis of their importance and value, illustrating the percentage coverage of key risks.
- Looking at areas of governance, the performance of risk management and other critical issues as separate audits or part of every audit.
- Working closely with other assurance providers to maximise assurance coverage - avoiding duplication of effort and gaps in assurance.
- Working with managers to focus assurance upon the management of priorities, risks and critical success factors.

Figure 1:
EQA's by Sector 2016-17

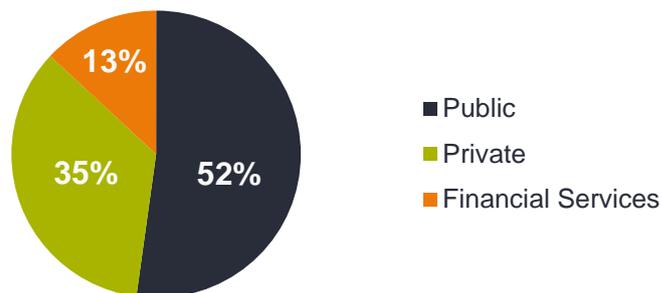
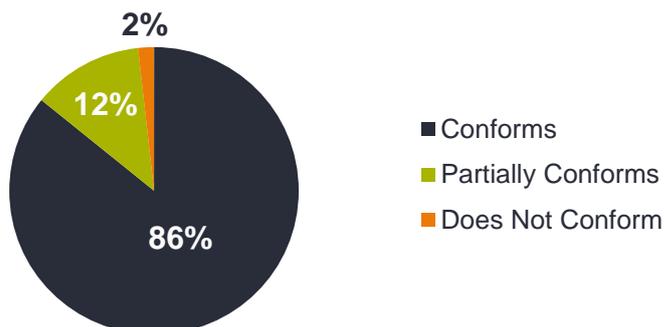


Figure 2:
Overall Performance against IIA Standards



2

Positioning: standards 1000 to 1130

Independence and objectivity

Audit committee members and senior managers appreciate the value and importance of having an independent internal audit function. Audit committee members in particular want opinions they can rely upon that are unbiased and objective regardless of whether or not the organisation makes an annual corporate governance statement or statement of internal control.

We therefore see a high level of conformance to the standards that relate to the positioning of internal audit (88%). The issues that have come to the surface relate to the way internal audit supports the delivery of good governance and the practical day to day aspects of managing a service that needs to be seen to be independent.

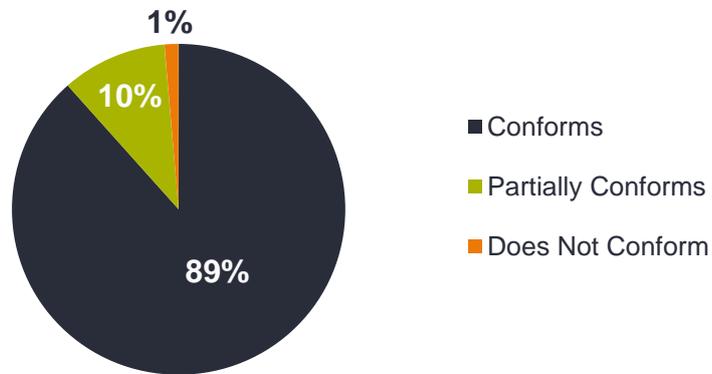
As internal auditors have a background and expertise in governance, risk management and control they are often called upon to support developments in governance. The organisations we have reviewed, often have a combined risk and internal audit function and a high proportion of others have a role in facilitating risk management and assurance mapping. This is legitimate within the consultancy role of internal audit with obvious benefits to the organisation. However, it is also now legitimate within the IIA Standards. The revision of the Standards, with effect from 1 January 2017, created a new Standard 1112, which recognises that where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. This reflects the reality that heads of internal audit are sometimes asked to take on risk management, compliance, or other roles beyond internal auditing.

Based on the principles within the standards, we recommend that the administrative reporting line of the head of internal audit should be to the chief executive officer (CEO). Simply because this is the best way to demonstrate that internal audit has the necessary profile and independence to perform its role. While the majority of heads of internal audit have direct access to the CEO it seems for various reasons a direct reporting line to the CEO is not always possible. Our reviewers take a pragmatic view provided internal audit can clearly demonstrate they operate as a 3rd line of defense and have the ability to review all aspects of the organisation according to their charter, including other assurance providers, without interference and restrictions.

Good practice we have seen includes:

- Internal audit charters that fully reflect the role internal audit plays in the organisation – the characteristics, activities and services that make internal audit unique.
- Actively marketing and promoting the role of internal audit – explaining the value internal audit provides as an independent and objective provider of assurance.
- Using the International Professional Practice Framework (IPPF) to explain to stakeholders that internal audit operates professionally and is supported by Chartered IIA.
- A functional reporting line to the chair of audit committee and administrative reporting line to the chief executive officer.

Figure 3:
Performance against
IIA Standards 1000 - 1130



3

People: Standards 1200 to 1230

Proficiency and due professional care

Heightened interest in governance, risk management and control has increased the profile of internal audit which comes with expectations and pressures. The expectation is that internal audit has a sufficient level of resource with a wide range of knowledge and skills to implement a risk based approach that is broad and all encompassing.

It is therefore encouraging that the majority of internal audit functions are responding well to this challenge and achieving such a high level of conformance (81.25%) to the people standards (1200 to 1230). Our reviewers have seen a variety of innovative approaches that build upon and add to the expertise within internal audit.

The more progressive internal audit functions appreciate that the people standards represent an opportunity and a risk, so they respond by developing an internal audit risk register with mitigating actions. They also constantly challenge themselves by conducting a gap analysis to the list of competencies published by IIA Global and then consider options to fill any deficiencies. This includes closer cooperation and joint working with other internal assurance providers, working with subject matter experts within and/or outside the organisation and generally devoting more time to understanding what is going on in the sector, the organisation and the profession to keep pace with change. A high proportion of the internal audit functions we reviewed buy-in additional resources to acquire additional specialist knowledge. Data analytics, cyber security and culture are three of the current hot topics where in-house internal audit functions often lack the necessary skills and experience to undertake these audits without specialist support.

The organisation's appraisal process is invariably the driver for prompting consideration of the performance and development needs of individual internal auditors. There is therefore widespread recognition that training is important and on average 10% of annual internal audit days are devoted to various forms of continuous professional education (CPE), including tapping into organisational tools to develop personal skills.

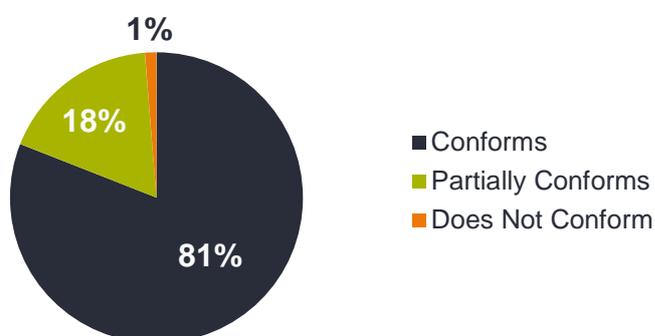
All of which means we have generally seen effective alignment of internal auditor competencies to audit engagements. Reviews of documentation including job descriptions, person specification and audit process show only a small percentage of non-conformance to the standards (1.25%).

Good practice we have seen includes:

- Recognising resource management as a key risk area for internal audit and being proactive and forward looking in developing responses.
- Regularly reviewing the knowledge and skills required for an effective internal audit operation in the organisation. This includes people skills such as influencing, negotiating and communicating as well as technical skills.
- Placing greater emphasis upon understanding the organisation(s) – external pressures, key strategies, major developments and changes, operational priorities and working methods.

Figure 4:

Performance against
IIA Standards 1200-1230



4

Performance management: standards 1300 to 1322

Quality assurance and improvement programmes (QA&IP)

Our EQA clients achieve a good level of conformance to the quality standards (73%). EQAs that begin with a self-assessment against the standards with actions points for improvement get the process off to a good start as self-assessment helps internal audit functions to develop a culture of challenge and improvement that ultimately leads to conformance to all standards.

Continuous improvement is a recurring theme in the standards that has its foundation in the quality series (1300 to 1322) so we look for a structured and timetabled quality assurance and improvement programme (QA&IP) as the basis of effective performance management. Overall we have been impressed by the level of supervision, coaching and use of key performance indicators within internal audit functions, which are often facilitated and evidenced through audit software that prompts review of audit engagements at key stages. Individual internal auditor's performance is usually linked to training plans and continuous professional development via organisational appraisal processes.

A high proportion of larger internal audit functions designate a quality manager or quality team to provide training, maintain audit manuals, review audit engagements and obtain customer feedback. The decision to do so often depends on the structure of the organisation and the location of internal auditors but typically we see heads of internal audit adopting this approach when the function has 10 or more people.

However, our experience of reviewing internal audit functions points to a few recurring issues that prevents higher levels of conformance to the standards.

First:

- While many internal audit functions do well in relation to quality they often fail to formulate a QA&IP plan and subsequently fail to engage with their audit committees and senior executive to explain what is happening and when and what to expect in terms of reports.
- Linked to this there is often a corresponding lack of detail within the internal audit charter or audit manual as to how stakeholders will be involved in the quality process, particularly in relation to monitoring actions that will deliver continuous improvement.

- As a result IIA Global has issued some detailed guidance on the establishment of QA&IP plans.

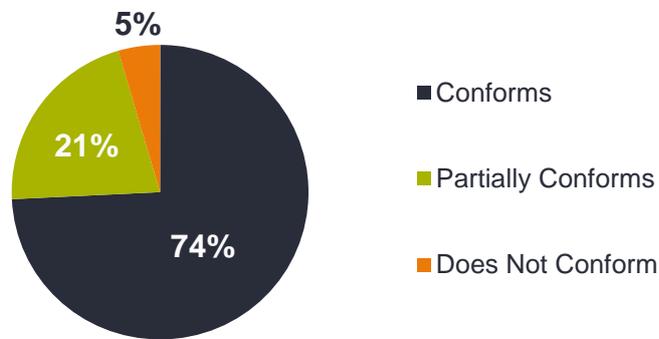
Second:

- Key performance indicators have a tendency to be narrow and focused upon traditional measures; number of audits completed, number of days taken to complete audit engagements compared to time allocated, time between draft and final reports, changes in outstanding audit recommendations etc.
- We therefore often recommend a wider ‘balanced scorecard’ approach that give qualitative aspect to performance monitoring.

Good practice we have seen includes:

- Building a culture of review, discussion and development into everyday activities and encouraging all internal auditors to provide input into how the function operates.
- Supporting the culture and commitment to quality by recording intentions and expectations within policy documents, manuals and charters.
- Engaging with stakeholders to understand their expectations and requirements.
- Telling people how well you perform.

Figure 5:
Performance against
IIA Standards 1300-1322



5

Planning internal audit: standards 2000 to 2130

Managing internal audit

Our EQA reviewers find it helpful to begin their reviews by gaining an appreciation of the risk maturity of the organisation and an assessment of how well internal audit is involved in the issues that matter to the organisation.

Reviewers are then able to consider whether the internal audit function has the right competencies, the ability to work independently, a set of effective processes and a sound approach to performance measurement and continuous development.

Conformance to this group of standards is good (84%) but we are seeing higher than anticipated non-conformance and partial conformances concentrated in the key areas of planning, coordination and risk management. In part this is a reflection of how some organisations are just beginning to develop risk management, impacting the extent to which internal audit can apply risk based auditing. About half of all internal audit functions we have reviewed are working on a consultancy basis to facilitate risk management, assurance mapping, and coordination of assurance. What is proving challenging with various risk based approaches to planning is how individual audits relate to management's mitigation of risks and how a balance is struck between the different types of audit e.g. strategic risk, compliance/control audits, projects, consultancy etc. To underline this audit committee members say they have difficulty understanding the rationale behind audit planning. As such there is a need for heads of internal audit to provide clear and simple explanations around how audits are chosen and prioritised. In some cases this is matter of presentation while for others there is a need to move away from the routine review of procedures on a cyclical basis to enable more focus on key area of change and significant risk.

As organisations gradually develop the maturity of their risk management approach there is also a growing appreciation of the value of assurance mapping and coordination of assurance to underpin annual statements of internal control. Internal audit functions therefore have an opportunity to improve standards of corporate governance in the process of improving their conformance to the standards.

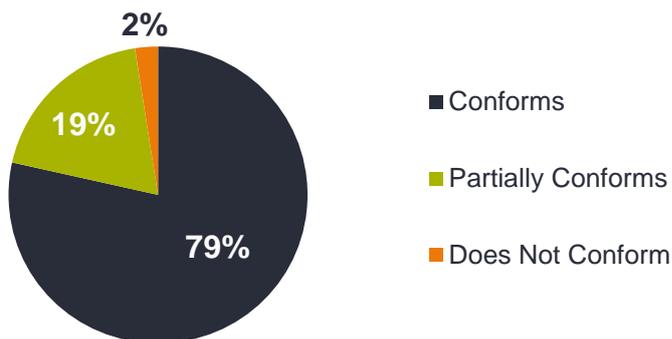
Good practice we have seen includes:

- Preparing an internal audit functional strategy that provides a bridge between the internal audit charter and plan.

- Designing an internal audit plan that has explicit alignment to strategic risks and justifies the choice of audits on the basis of their importance and value. Illustrating % coverage of strategic risks.
- Looking at areas of governance, the performance of risk management and other critical issues as separate audits or as part of every audit.
- Working closely with other assurance providers to maximise assurance coverage - avoiding duplication of effort and gaps in assurance.

Figure 6:

Performance against
IIA Standards 2000-2130



6

Process: Standards 2200 to 2600

Performing audit engagement

The largest group of standards, 21 in total, relate to the internal audit process, which extends from planning through to reporting and follow-up. These standards set out the basic principles for an effective audit engagement without laying down specifics to allow flexibility for the different ways internal audit functions can be organised and resourced.

For example the standards can work for large and small internal audit functions and those who choose to use audit software or a method based on documents and spreadsheets. There is no right or wrong approach.

Most internal audit functions use an internal audit manual to set out the way audit engagements are to be delivered and how to formulate an opinion based upon testing and evidence. While some methodologies are a little more complex than others there is a high level of conformance to the standards (91%), the highest of any group. However, there is always scope for improvement and this tends to be at the front end of the process, in particular, clarity around objectives and work schedules.

In terms of setting objectives we advocate audit engagements that have a clear focus upon the actions that mitigate risk and/or have a set of criteria that define the nature of success. This should be followed by a detailed programme of work setting out scheduled events, information requirements and meeting dates so there is a clear timetable for the audit. In our experience those audits that are discussed and agreed with stakeholders and are supported by a project plan are more likely to be successful. Where this extends into looking at the root causes of problems, whether that is shortcomings in control and/or behavioral issues linked to culture, the audits are likely to have an even greater impact.

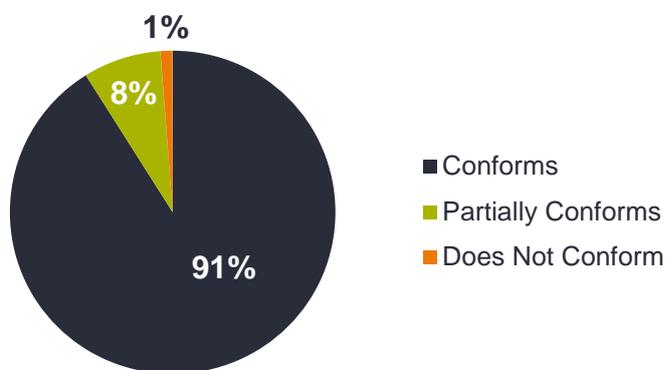
Finally, we find that internal audit functions are good at designing a style of audit reporting with opinions and grading of actions/recommendations in line with the expectations of audit committees and senior executives. Where we see misalignment, we encourage audit managers to check that the overall opinion is consistent with the grading of recommendations. This should include highlighting to the audit committee where risk appetite is unclear or where managers have chosen to operate outside of defined risk tolerance levels.

Good practice we have seen includes:

- Designing an audit engagement process that adds value and ensures consistency.
- Applying SMART objectives to audit engagements – Specific, Measurable, Achievable, Realistic and Time-bound.
- Working with managers to focus assurance upon the management of priorities, risks and critical success factors.
- Reporting on root causes when highlighting issues.
- Reporting clearly and concisely with opinions.

Figure 7:

Performance against IIA Standards 2200-2600



Further information:

For further information on the IIA's EQA services please email eqa@iia.org.uk, call 020 7498 0101 or visit www.iia.org.uk/eqa

Appendix 1

IIA Grading definitions

The following rating scale is used in the EQA undertaken by the Chartered Institute of Internal Auditors:

Generally Conforms (GC)	<p>The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
Partially Conforms (PC)	<p>The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
Does Not Conform (DNC)	<p>The assessor has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.</p>

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

Appendix 2

Summary of recommendations in EQA reports

The following provides a summary of recommendations from the reviews we carried out between April 2016 and March 2017:

Standards: 1000 – 1130

The EQA reports highlighted recommendations on independence and objectivity as follows:

- Changes to the Internal Audit Charter to reflect changes to the definition, mission and core principles were identified as necessary.
- Additional explanations in the Internal Audit Charter regarding full range of services were identified as missing.
- Reference to the reporting line of the HIA
- In one instance it was identified that the Head of Risk now reports to the HIA and the Charter needs to be updated to reflect this along with an explanation of how safeguards will be put in place.
- There were gaps identified in the review and formal approval by the Audit Committee each year of the Internal Audit Charter and the HIA was recommended to communicate and interact directly with the board and for the HIA to meet privately with the audit committee.

Standards: 1200 – 1230

The EQA reports highlighted recommendations on proficiency and due professional care as follows:

- Skills needs assessment linked to a competency matrix would help ensure that the team has the competences required to match the plans.
- The audit processes and an audit manual should be developed.
- Individual job descriptions should be developed for each member of the team.
- Development of a CPD plan for each individual, with clear objectives and set activities, which can be measured against would support the professional development of the team
- Benefits may be gained by benchmarking the IA function against other internal audit functions.
- Revisit the need, benefits and costs of an Audit Management software solution linked to the organisations risk management framework

- CAATs could be used more extensively to increase the level of assurance which can be placed on the work of internal audit.

Standards: 1300 – 1322

The EQA reports highlighted recommendations on quality assurance and improvement programmes (QA&IP) as follows:

- Requirement to establish and document a more formal QA&IP.
- Annual internal quality assessments should be performed and enshrined within the QA&IP.
- The results of internal/external quality assessments, in relation to internal audit conformance with the IIA Standards are for key stakeholders as they provide an assurance as to the competence of the internal audit function within their organisation and the level of reliance they can place on the assurance provided.
- A formalised process to review all assignments, identify areas for improvement and develop actions to continuously improve the audit process is required.
- The preparation and issue of post audit questionnaires/surveys to identify ways in which the service should be reviewed and improved.
- The development of KPIs and reporting of these to the Audit Committee is a key requirement of internal audit.

Additional recommendations made include:

- External assessments are undertaken at a minimum of five yearly intervals
- Preparation of a forward plan for future quality assessments.
- Samples of internal audit files are independently reviewed for quality and completeness.
- Introduce peer to peer reviews to challenge the form and substance of reviews.

Standards: 2000 – 2130

The EQA reports highlighted recommendations on managing internal audit as follows:

2000 Managing the internal audit activity

- Evaluation of risk management maturity and until the risk management system is mature internal audit should perform its own assessment of the key risks.
- Introduce structured sessions with members of the management board and their direct reports to capture critical intelligence on emerging risks or major changes.

- Undertake more formal risk management activity to increase the likelihood that the internal audit function will achieve its objectives.

2010 - Planning

- Development of an audit risk universe should be considered.
- Consideration of the organisations risk management processes in developing the audit programme is essential
- Review and consider the appropriate use of internal audit resource for compliance related audit work focused on lower risk topics.
- The use of specialists to support internal audit in expert/technical areas.
- Internal audit requiring access to training and expertise in order to gain necessary skills.
- Broaden the audit programme to more formally include other risks facing the organisation.
- Current audit frequency should be critically reviewed.
- The audit strategy document could be enhanced to show how the Audit Charter is discharged in practice.
- Simplify the presentation of the risk based plan while making it more informative to the Audit Committee.
- Update the audit universe and associated strategy to provide a longer term view of how the internal audit team will meet key stakeholder assurance needs.
- Risk management should be an annual feature of the internal audit plan to enable an annual opinion to be provided on risk management maturity.
- Plans provided to management and the Audit Committee should give more information about the areas not to be audited and the reasons.
- For each annual internal audit plan, demonstrate the purpose of the audit project in terms of positive assurance and control risk assurance.

2030 – Resource management

- Recast the audit plan to take account of existing resources constraints and capabilities.
- Engage with stakeholders to communicate the time overhead involved in certain audit work and demonstrate what other higher value assurance work could be undertaken.

2040 – Policies and procedures

- A simple policies and procedures manual should be created to outline processes for all aspects of internal audit work.
- The formation of a revised, simple internal audit manual.

- Develop a new audit methodology to deliver consistency, enhanced team work and quality control.
- Consider the purchase of both audit management software (particularly one that has a risk management module) and/or audit data analysis tools.

2050 Coordination

- Recommendations were made regarding assurance mapping to develop a clearer view of the other sources of assurance in place; which would enable IA to provide a more comprehensive annual opinion; and to assess other assurance providers to determine the amount of reliance that can be placed on their work.

2100 Nature of work

- Internal audit focuses on completing tactical and operational audits and must aim at providing assurance on whether key strategic objectives are being achieved.
- Internal audit should become independent of the risk management process.
- Include internal audit's role in respect of fraud within the specifications/objectives, in the audit reports and also in the Internal Audit Charter.

2110 Governance

- To secure conformance against the standard and strengthen assurance over critical governance risks, the HIA should consider the following areas:
 - Ethics/values/Code of Conduct,
 - IT Governance and Information Security
 - Strengthening IT skills and IT coverage
 - Future direction of travel of organisations.
- Internal audit should set out its approach to providing an annual opinion to senior management and the Audit Committee.
- Internal audits involvement in information technology should be increased to include cyber security for example.
- An Internal Audit Charter, developed in accordance with the IPPF, should be formally adopted by the Audit Committee and endorsed by the Board to demonstrate its applicability over all activities.
- The Terms of Reference of the Audit Committee should be strengthened so that internal audit is formally appointed and removed by the Audit Committee.
- The benefits of undertaking formal consulting engagements should be considered in the area of governance, risk and control to add further value

to the organisation and improve the organisation's risk and control capability.

- Development of an audit strategy, aligned to the corporate strategy provides a longer term view of how the internal audit team will be resourced to meet the organisation's assurance needs.

2120 Risk management

- If the Head of Internal Audit is responsible for facilitating the risk management process this should be set out in the Internal Audit Charter.
- Internal audit evaluates the potential occurrence for fraud as part of audit engagements so it should be stated within assignment objectives and scope.
- The Audit Committee should consider whether they have sufficient independent assurance on the risk management identification and reporting process and how this is best achieved.
- More transparent presentation of the internal audit programme of work within the full context of the organisation's risk universe would be beneficial.
- Internal audit plays an important role by ensuring that senior management has a clear view of the state of risk management and control across the organisation.
- Best practice is for audits to confirm the stage of maturity of risk management by the First Line, as well as any work done as part of the Second Line review and the level of assurance internal audit can place on this work.

2130 Control

- Internal audit should complete its own assessment of the risks facing the organisation linked to the internal audit risk universe and focussed on consequence and likelihood.
- Often there is no formalised process for selecting and approving sample sizes.
- Statistically based sample sizes should be selected where possible, particularly as resources increase. The results should be extrapolated across the population to provide measurable assurance regarding operational effectiveness of controls.
- Identify how continuous auditing tools and processes could be used to provide real time assurance regarding the application of key controls.

Standard: 2200 – 2600

The EQA reports highlighted recommendations on performing audit engagements as follows:

2210 Engagement objectives

- A more interactive planning process, which ensures that risks and key controls being audited are formally agreed.
- The engagement scope document is expanded to state the risk(s) under review.
- The scope of audits is expanded to enhance the risk based approach.
- The description of risks is more focused on the consequences of the risk materialising rather than a risk of non-compliance with a procedure.
- A risk and control matrix or equivalent is required for all audits.

2340 Engagement supervision

- Internal audit should focus on identifying how best to supervise internal audit engagements to reduce the elapsed time from commencement to completion.
- There is more clarity around the way in-progress supervision should work, perhaps with an element of peer review, and how good practice will be identified and shared.

2420 – Quality of communications

- Working with auditees to develop a fast track protocol for communicating significant issues and addressing the significant delays in issuing final reports.
- Original communications from auditees should be retained on file to support the evolution of the draft and final audit reports.
- Reports should include an assessment of trajectory and an overall statement or opinion on the effectiveness of the control environment together with how much reliance can be placed on it.
- Consider introducing an 'Agreed Actions' style of audit report or alternatively, strengthen the current process by identifying where delays are occurring in the current process.

2450 Overall opinions

- The opinion should be extended, using other information, such as the results of work carried out by other assurance providers and control self-assessment data to give a more holistic view of risk management.
- An audit opinion should be prepared which sets out the HIA'sd assessment of the effectiveness of the control environment based on the work completed within a period. Ideally, this should also highlight the direction of movement based on an historic analysis and the results of any corroborating opinions provided by other assurance providers.

- The basis of the annual opinion is defined as part of the process for the design of the audit programme. Clear criteria should be put in place in regard to the coverage of risk management, governance, controls (financial and non-financial) and compliance areas that form the basis of the opinion.
- The overall opinion in the annual internal audit report should cover governance, risk management and control resulting from an audit programme which addresses each of these areas.
- Periodic external review of risk management to obtain independent comparison to best practice and to confirm that reliance can be placed on the reliability of risk management reporting.

2500 Monitoring progress

- Internal audit promoting and attending an executive level corporate oversight group which examines all of the outstanding issues.
- Additional internal audit resources should be targeted to help issue owners and project teams implement effective control and process improvements to efficiently close outstanding issues.

2600 Communicating the acceptance of risk

- It would be beneficial for auditors to draw attention to the impact of poorly performing or inadequate controls on residual risk scores within their reports.

Other recommendations included within this group of Standards (2200 – 2600) include:

- Consideration is given to introducing an automated audit tool.
- More extensive use of CAATs and other continuous auditing tools.
- The adequacy and effectiveness of risk mitigation could be improved by the adoption of a suitable template or alternatively the use of audit software.
- Develop a plan to identify deficiencies against the IPPF and deliver the necessary documented protocols for full compliance.
- Formulate, document, and adopt a robust risk based methodology that complies with the criteria for risk based internal auditing.
- A robust quality assurance improvement programme should be developed to ensure that IA projects are performed to a consistently high standard and in accordance with the IPPF.
- Use of 'guest auditors' from within the business and subject matter experts from outside

- Revisiting the reporting approach considering shorter more user friendly formats
- Affiliate membership to the Chartered IIA to support development of the team
- Possible breakdown of larger audits into subsections around specific risks and/or smaller key control audits.
- Review of the role internal audit provides in assurance over value for money.
- Mapping of assurances against key risks to ensure no gaps or overlaps.
- Issue guidance relating to how legal and regulatory matters should be handled, so that reports and working papers are not liable to misinterpretation.