



The importance of Quality Assurance and Improvement Programmes (QAIPs)

Internal auditors frequently highlight control weaknesses and gaps in efficiency and effectiveness within organisations. But what measures are in place to ensure value within our own internal audit function?

In this short article we highlight five reasons why you should invest your resource into a Quality Assurance and Improvement Programme (QAIP).



What is a QAIP?

A QAIP is a structured way to assess the efficiency and effectiveness of your internal audit function. It is the framework from which to create an action plan and demonstrate continuous improvement.

It is an ongoing internal programme validated by external assessment every five years.

Done well it can enhance the value of internal audit's services and reputation.

Five reasons to have a QAIP

Here are five reasons to have a QAIP that supports the challenges facing audit leaders today.

1) Audit Committee Partnership

At a basic level, audit leaders must communicate the results of their QAIP to senior management, audit committee and the board. They are also encouraged to obtain board/audit committee oversight of their QAIP.

Yet a QAIP brings so much more to the relationship with the audit committee (AC). It has a comprehensive structure to address all aspects of internal audit from strategy to methodology.

The structure makes it easy for audit leaders to engage (or educate) AC members on all that internal audit can offer rather than the elements they have experienced in the past or the current structure and approach of the function.

It is an opportunity to help the AC understand the:

- budget needs of internal audit
- full range of skills capabilities
- detail of resource challenges
- areas where assurance may be compromised or enhanced by co-sourcing
- benefit of investing in data analytics, and
- impact of a restructuring programme on the assurance map.

The QAIP enables audit leaders to identify and then meet, or better still exceed, stakeholder expectations. Working collaboratively, in partnership with the AC to innovate and most importantly enhance and protect the organisation.

2) Reputation

Trust is imperative to a profession that aspires to be a critical friend, a trusted advisor, a governance partner.

At the Institute we hear many anecdotes. One CAE recalled that a senior executive cut a junior auditor off mid-sentence stating they trusted them to be professional and didn't need to know the details. They had been trying to justify a finding by explaining their sampling approach!

It is easy to lose trust and with it the reputation of the function and those working within it, including the CAE.

A QAIP increases the credibility of the internal audit activity as it demonstrates a level of transparency that many functions do not submit to. This is enhanced further still by the external assessment every five years.

3) Innovation

Business leaders often note that maintaining upper quartile performance is much harder than getting there in the first place. Success is temporary.

Good audit leaders know this too. Continuous improvement is essential.

The QAIP helps identify where to invest resource for maximum improvement gain. A key part of this is benchmarking; looking at how your own function compares to others can be comforting or challenging.

4) Lead by example

The old saying '*physician heal thyself*' sits well with the QAIP concept.

What better way of demonstrating the value of assurance than by living it, exposing yourself to critique and moving forward with the learnings. It's no more than we ask of those we audit.

Audit leaders should have strong relationships with their second line of defence colleagues. What better advocacy for a robust, transparent quality assurance regime than talking about a QAIP that is shared with the AC; exposing gaps and weaknesses and agreeing actions. Just like an internal audit.

5) The future of the profession

Governance is under heavy scrutiny following scandal after scandal. The **Kingman** review targeted external audit firms but the Carillion inquiry also pointed the finger at internal audit.

Our main stakeholders are internal to our organisations, yet the assurances provided are also of value to external parties: regulators, investors, activists, NGO's, trade unions etc. Is there a future where our work has a wider audience? Would yours stand up to the scrutiny?

To fall short of our professional standards, our own quality benchmark is unacceptable. As an unregulated profession we must be custodians of our own integrity. If we lose that then we cease to have value.

Should we be preparing for a regulated future?

In other aspects of life we do not tolerate professionals who fall short of their own standards: doctors, accountants, lawyers, surveyors, tax advisers etc. Why would we be exempt from similar expectations?

6) We couldn't ignore it!

OK, we said five, but a QAIP is a mandatory requirement of the IPPF (**1300-1** to be exact).

If you state anywhere in your reports that work is performed in accordance with professional standards, a QAIP is required. As a member of the Institute, a QAIP is essential.

The systematic documentation and evaluation of processes critical to internal audit enables:

- professionalism;
- enhancement of specialised skills;
- identification of areas for improvement; and
- effective continuity plans.

QAIP Barriers to overcome

We recognise that setting up a QAIP is not without effort or challenges.

Research by IIA Global in 2014 asked members what hampered their implementation of QAIPs. We have offered thoughts on overcoming these issues. It is not a comprehensive list and we would be delighted to hear other suggestions. Please use the comments box at the end of this article.

Obstacles to establishing QAIPs	Suggested solutions
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Financial cost (54%)	<p>We believe this relates to the external quality assessment.</p> <p>Create the business case for the audit committee, sell the benefits.</p> <p>There are a variety of providers for EQAs including the Chartered Institute.</p> <p>It is also possible to use a peer network although independent safeguards will need to be transparent.</p>
Lack of staff to supervise engagements effectively (51%)	<p>This is an excuse not an obstacle.</p> <p>A team of two can quality check one another's work.</p> <p>In a small team, the CAE should take an active role.</p>
Increased bureaucracy (44%)	<p>Is this perception or fact?</p> <p>QAIP guidance is clear that it should be part of not an addition to day to day processes.</p> <p>The QAIP programme should be appropriate and proportionate to the function size and maturity.</p>
Increase of paper workload (41%)	<p>Again, perception or fact?</p> <p>Electronic working papers have quality steps embedded.</p> <p>This is a similar point to bureaucracy, yet a good QAIP can be digital, efficient and value adding.</p>
Too theoretical (21%)	<p>Again an excuse not an obstacle.</p> <p>An accusation that could be levelled against many professional standards, not just the IPPF.</p> <p>The supplementary guidance (previously called a practice guide) is practical in its approach.</p> <p>Annual self-assessments can be the platform for team discussions and improvement projects.</p>
Waste of time (9%)	<p>Opinion not an obstacle.</p> <p>The question for audit leaders to ask of themselves is would they go to a doctor that thought quality checks and improvements were a 'waste of time?'</p>

Closing Thoughts

Internal audit is synonymous with the words 'assurance', 'quality' and 'improvement'. Audit leaders have a responsibility to ensure their own function is a suitable custodian for these words. While we all wait for details of the next governance scandal to hit the headlines, think about the conversation you would have with your audit committee chair if it was your organisation...could you justify not having a QAIP?

Quality is not an act, it is a habit

Aristotle

Further reading

QAIP Supplemental Guidance 2012

CBOK practitioners Call to Action, QAIP's 2015

CBOK research study into the value of QAIP's 2014