

# What the New Standards Mean to Quality Assessments

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***Basil Woller, CIA, CRMA***

***Principal and Owner, Basil Woller & Associates, LLC***

Basil Woller is a CIA and CRMA with 40+ years of experience in internal auditing, risk assessment and management, corporate governance, and ethics and compliance. For the past 14 years, he has focused on providing quality services to a broad spectrum of organizations. He has personally conducted 500+ quality assessments during his career. Woller has presented frequently and authored several articles on internal audit quality, facilitates quality assessment training, and authored the latest version of The IIA's Quality Assessment Manual. He previously led Protiviti's global external quality assessment services practice and served as Chief Audit Executive at El Paso Corporation. Woller served on The IIA's Board of Directors as International Treasurer and Chairman of the Global Finance Committee. He was inducted into the American Hall of Distinguished Audit Practitioners in March 2023.



***Warren Hersh, CIA, CISA, CPA, CFE***

***Director-IIA Quality Services***

Warren Hersh is the Director of Quality Services for The IIA. He was previously Comptroller for the Central Florida Regional Transportation Authority (LYNX), Auditor General and interim CFO for New Jersey Transit, and Internal Audit Director at Jefferson Wells (now Experis) and BDO Seidman. With 40+ years of experience in internal auditing, risk management, fraud prevention/detection, project management, business process analysis/improvement, corporate governance, and IT, he has conducted external quality assessment reviews in many industries. Warren served on The IIA's International Internal Audit Standards Board for 11 years and the International Public Sector Committee for three years. He was previously the President of IIA-Philadelphia and is currently on the Chapter Audit Committee. Hersh presents frequently at industry conferences and is a CIA, CPA, CISA, and CFE.



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**Marthin Grobler is a CIA and CRMA  
Owner and Director, IA Professionals**

Marthin Grobler is a CIA and CRMA, from Cape Town South Africa, and serves as Director of IA Professionals, an internal auditing firm established in 2000. He is an experienced internal auditor with 25+ years of private and public sector experience focused on EQAs and the development of internal auditors and relevant training materials. Grobler is a past governor of IIA–Western Cape, chairs and is a member of audit and risk committees, and speaks frequently at local and regional conferences and webinars on governance, internal auditing, risk management, and quality. Through his involvement on The IIA’s Global Standards Board, Topical Requirements Subcommittee, and “Internal Audit: Vision 2035,” task team, he is giving back and driving the profession into the future.



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## Session Overview

- **Why The Standards Matter**
- **The new Global Internal Audit Standards for Quality**
- **Tips for Successful Implementation of the Standards for Quality**
- **Common Observations of Quality Assessment Reviews**



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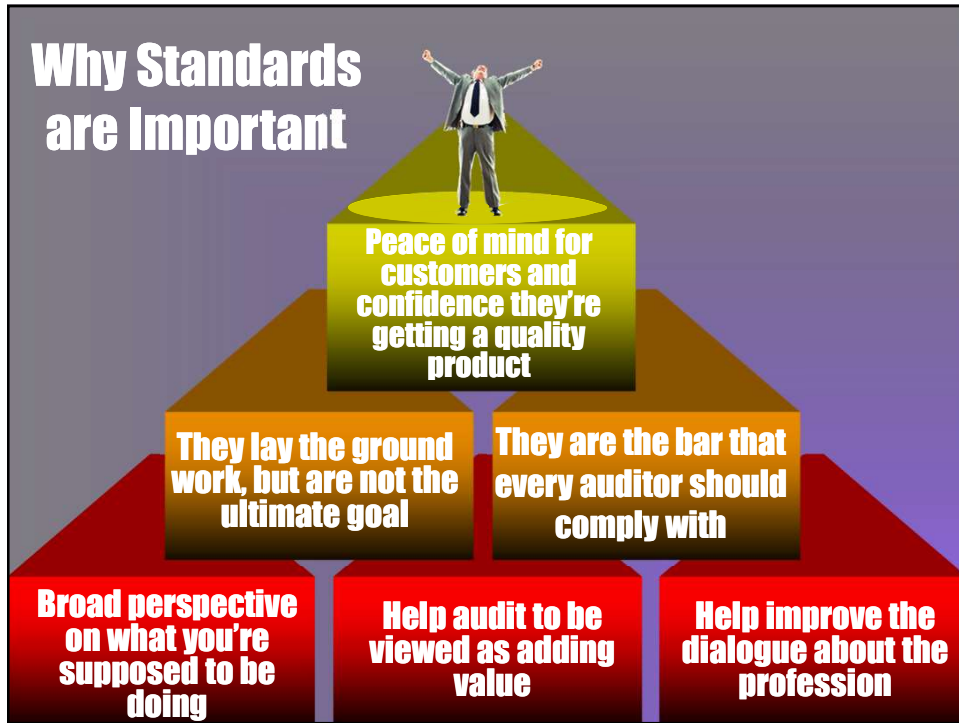
A blue slide with a white grid and a red jagged line graph across the middle. The title "Standards are Critical" is in large white font at the top. Below the graph is a bulleted list in white text. The IIA logo is in the bottom right corner.

## Standards are Critical

- **A platform where all internal auditors meet on common ground**
- **Define the profession**
- **The component of the IIA Professional Practices Framework that governs the profession**
- **A known roadmap to support the effective delivery of professional internal audit services**

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# Why Standards are Important



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# Appreciating the Standards

- The Standards give you a reference guide for how to conduct yourself
- They are a steady resource when the variables are constantly changing
- The Standards cohesively organize the elements necessary to practice IA the way it should be



2/22/2024

Maximizing IA Performance - W. Hersh



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## Polling Question #1

**Are you familiar with or have you read the new Standards?**

- a. No
- b. Somewhat – have seen them
- c. Have read them
- d. Totally



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## The New Global Internal Audit Standards for Quality



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# The New Structure

## 5 Domains

### • 15 Principles

- 52 Standards
  - REQUIREMENTS
  - CONSIDERATIONS FOR IMPLEMENTATION
  - EXAMPLES OF EVIDENCE OF CONFORMANCE

#### Additional features:

- Fundamentals
- Glossary
- Applying the Global Internal Audit Standards in the Public Sector



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# Global Internal Audit Standards



## 5 Domains, 15 Principles

### Domain I: Purpose of Internal Auditing



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## Polling Question #2

**Are you planning to conduct a gap assessment in anticipation of implementing the new Standards?**

- a. Yes in 2024
- b. Yes in 2025 or beyond
- c. Maybe
- d. No



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## Domain III. GOVERNING THE IA FUNCTION, PRINCIPLE 8 - OVERSEEN BY THE BOARD

### 8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

**The board oversees the internal audit function to ensure the function's effectiveness.**

**Board oversight is essential to enable the overall effectiveness of the internal audit function.**

**Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.**



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## Standard 8.3 – Quality

### 8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

- The CAE must discuss with the board and senior management the frequency and scope of quality assessments and any action plans and corrective actions for the internal audit function.
- Aspects that will be considered for conformance, such as the internal audit function's contribution to the organization's governance, risk, and control processes; productivity and cost efficiency; and relationships with stakeholders.
- QAIP documentation must be maintained to demonstrate an effective process.



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## Standard 8.4 – External Quality Assessment

### 8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

- Coordinate with the board and senior management on the timing (i.e., more frequently than five years if desired or required) and scope of the EQA, such as the review and approval by the board.
- Ensure the qualifications of the assessment team by considering assessors' knowledge of the Standards, previous external quality assessment experience, and whether they have taken an IIA recommended quality assessment training. Also, note the new requirement that one member of the assessment team must hold the Certified Internal Auditor® (CIA®) credential.
- The assessor must report the results of the EQA directly to the board.



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## Polling Question #3

If your EQA is due in 2025, will you accelerate to 2024?

- a. Yes
- b. No
- c. Undecided
- d. Not planning to conduct an EQA



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## Domain IV. MANAGING THE INTERNAL AUDIT FUNCTION PRINCIPLE 12 – ENHANCES QUALITY

### 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

**The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.**

Quality is a combined measure of conformance with the Global Internal Audit Standards and the achievement of the internal audit function's performance objectives. Therefore, a quality assurance and improvement program is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The program includes internal and external assessments.

The chief audit executive is responsible for ensuring that the internal audit function continuously improves. This requires the development of criteria and measures to assess the performance of internal audit engagements, the internal auditors, and the internal audit function. These measures form the basis for evaluating the progress toward performance objectives.



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## Standard 12.1 – Internal Quality Assessment

### 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

- Establish documentation for monitoring day-to-day audit activities incorporated into routine policies and practices.
- Periodic self-assessments are a more comprehensive method to assess conformance with all the Standards addressed and should also evaluate performance through such means as: support for achievement of internal audit objectives, supervision effectiveness, and stakeholder feedback.
- Communication of the results to the board and senior management.



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## Standard 12.2 – Performance Measurement

### 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

- Input must be solicited from the board and senior management.
- Performance metrics (both qualitative and quantitative) should be tailored to the organization's requirements by considering: the internal audit charter, the internal audit strategic plan, and specific objectives that can be monitored. **One size does not fit all!**
- Action plans for issues and improvement opportunities should be tracked by the CAE and communicated to the board and senior management.



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## Standard 12.3 – Oversee and Improve Engagement Performance

### 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

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12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

- The CAE or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm audit workpapers adequately support findings, conclusions, and recommendations.
- To assure quality, the CAE must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies.
- To develop competencies, the CAE must provide internal auditors with feedback about the performance and opportunities for improvement.



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## Tips for Successful Implementation of the Standards for Quality



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# The 10 Keys to Successful Implementation

**Source: Applying the International Professional Practices Framework (IPPF) (4<sup>th</sup> Edition)**

*Urton Anderson, Ph.D., CIA, CRMA*  
*Andrew J. Dahle, CIA, CRMA, CPA*

**The IIA Research Foundation**

**Adapted for the Global Internal Audit Standards**

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# The 10 Keys to Successful Implementation

## Align with Key Stakeholders

- Build strong relationships with the audit committee and key stakeholders
- Ensure charter reflects their expectations
- Promote key relationships

★
1000 and 1100 /D I; D III – P6,P7,P8
★

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**The 10 Keys to Successful Implementation**

**2** **Get and Develop the Right Resources** 

- Have the right resources linked to risk
- Attract and develop high quality resources
- Do not fear using sourcing to get the needed resources

 **1200 /D IV - P10**  The Institute of

25

**The 10 Keys to Successful Implementation**

**3** **Continue to improve** 

- Proactive internal quality assessment and improvement program
- Fully embrace the spirit and the letter of the external quality Standards
- Have practices to allow execution and delivery of quality work

 **1300, 2200, 2300 /D III-8.3, 8.4; D IV – P12**  The Institute of

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## Polling Question #4

Do you feel your internal audit function has an effective QAIP in place?

- a. Yes
- b. Some elements in place
- c. Working on it
- d. No



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**The 10 Keys to Successful Implementation**

# 4 Deliver value

- **Understand what value means to your key stakeholders**
- **Plan to deliver value in every engagement**
- **In everyday internal audit operations, measure yourself and your team on the actions that result in value**
- **Communicate the value delivered back to the key stakeholders**

2000 /D IV

28

## Polling Question #5

Does your QAIP address performance of the internal audit function

- a. **Yes.** Defined metrics, monitoring and reporting using balanced scorecard
- b. **Partially.** Defined metrics, limited monitoring and reporting
- c. **Informal.** Done on an ad hoc basis
- d. **No.**



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## The 10 Keys to Successful Implementation

# 5

### Manage internal audit strategically

- Involvement in key strategic initiatives
- A "seat at the table"
- Addressing the organization's key strategic and emerging risks
- Don't let major risks go uncovered; find a way to fix them before they get too big



2000 /D IV - P9

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# The 10 Keys to Successful Implementation

## 6

**Proactively assess your organization's risk management and governance processes**

- Help the organization understand its governance processes and their maturity
- Engage and leverage first and second lines of defense
- Have a positive impact on the organization in fast-evolving areas



★ 2100 / D V ★

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# The 10 Keys to Successful Implementation

## 7

**Strive for excellence**

- Embrace innovation in the internal audit process
- Seek out leading IA practices to benefit your organization
- Use the power of technology, develop and leverage knowledge management



★ 2200, 2300 / D IV; D V: 13.2, P14 ★

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## The 10 Keys to Successful Implementation

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### Make your words count

- Communicate with impact (key perception point for stakeholders)
- Educate key stakeholders on important areas of risk and on actions needed to address issues
- Develop an ongoing communications process with management to keep current on changing business and risk issues
- Develop systemic and trending information that would be valued by stakeholders

2000 and 2400 / D IV - P11; D V - P15

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## The 10 Keys to Successful Implementation

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### Get resolution

- Ensure management is attentive to audit issues and that top management and the audit committee are kept aware of management's corrective actions
- Follow-up to make sure issues are resolved
- Don't get caught in recycling past issues that are never adequately addressed

2500 / D V - P15

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# The 10 Keys to Successful Implementation

## Tell it like it is



- When you believe the organization is facing unacceptable risk or certain actions are just not right, speak out
- Use good judgment on what are real issues, but make it clear that internal auditing has a voice and is willing to use it

 The Institute of


 **2600 /D IV - 11.5** 

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## Polling Question #6

**When do you plan to be in conformance with the new Standards?**

- Prior to 2025
- In 2025
- Beyond 2025
- Not planning to be in conformance



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Elevating Impact

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# Common Observations from Quality Assessment Reviews



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## Common Observations

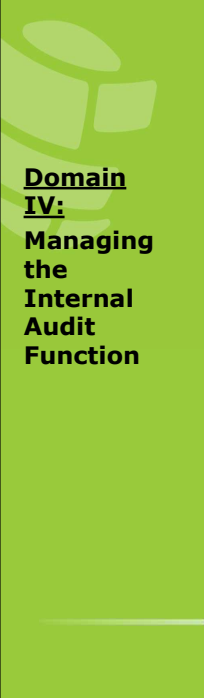
**Domain II:**  
Ethics and  
Profess -  
ionalism

**Domain  
III:**  
Governing  
the  
Internal  
Audit  
Function

- **Compliance and/or lack of awareness with recent changes to the IIA Standards such performance focus**
- **Inadequate IA sponsorship**
- **CAE reporting relationship not clearly defined**
- **Department structure issues**
  - Reporting line
  - Alignment with organization
- **Insufficient reporting to the Audit Committee**
- **EQA not Performed at least once every five years**




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**Domain  
IV:  
Managing  
the  
Internal  
Audit  
Function**

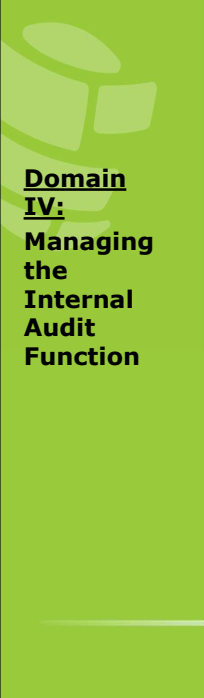
## Common Observations

- **Lack of knowledge of the business and IT**
- **Define and execute an internal audit strategic plan**
- **Department charter misaligned with Audit Committee charter**
- **No formal up-to-date IA policies and procedures manual**
- **Not being risk based**
  - **Linkage of risk assessment to plan**
  - **External input to risk assessment**



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**Domain  
IV:  
Managing  
the  
Internal  
Audit  
Function**

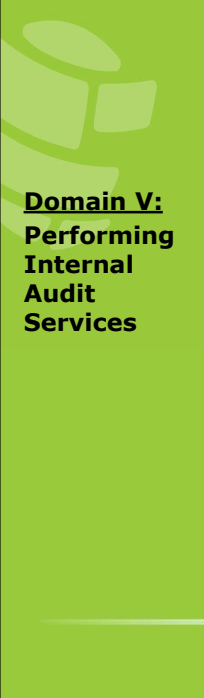
## Common Observations

- **Ineffective resource planning and development**
- **Enhance annual internal assessment to evaluate the maturity of the effectiveness of the IA department**
- **No periodic (annual) internal assessments**
- **Inadequate performance metrics**



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**Domain V:  
Performing  
Internal  
Audit  
Services**

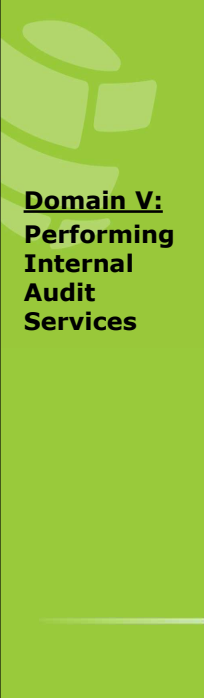
# Common Observations

- **Infrequent management interaction**
- **No or limited use of technology to support risk assessment, planning, and engagement execution**
- **Insufficient supervisory approval (and/or quality assurance process) of the audit program prior to fieldwork, the audit plan and completed work papers**



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Elevating Impact


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**Domain V:  
Performing  
Internal  
Audit  
Services**

# Common Observations

- **Audit report findings not rated or prioritized**
- **Lack of formal client post-engagement feedback**
- **Lack of a formal IA follow-up process**
- **Recommendation to implement control self-assessment techniques during the planning phase of all audits**



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Elevating Impact

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## Polling Question #7

Do you feel the new Standards will have an impact the quality of Internal Audit Services?

- a. They will improve on the quality of Internal Audit Services
- b. They will result in a decline in the quality
- c. None – it will stay more or less the same
- d. Additional Guidance is necessary.



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## Guidance Available

Check the IIA Quality Services Webpage



**New**

**INSIGHTS to Quality**

Warren Hersh, Director, IIA Quality Services



**Internal Audit Quality 2024 and Beyond**

**INSIGHTS to Quality**

By Warren Hersh



**Achieving Quality With the Proposed Global Internal Audit Standards**



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# Got questions?

**Questions on Quality or For More Information:**

Email the Standards or Guidance teams at

[Standards@theiia.org](mailto:Standards@theiia.org) or [Guidance@theiia.org](mailto:Guidance@theiia.org)

Email IIA Quality Services at: [Quality@theiia.org](mailto:Quality@theiia.org)

Access the Website: <https://www.theiia.org>

