



Quality Assurance Review for Internal Audit Excellence



Audit | Tax | Advisory | Capital Market

Smart decisions. Lasting value

Overview

Internal Auditing is conducted throughout organizations that vary in purpose, size, complexity, and structure. While differences may affect the practice of internal auditing, complying with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) is essential to achieve the internal audit objectives.



Standard No. 1312 requires organizations to have an external assessment performed at least once every five years by an independent assessor. However, some assessors may lack the breadth and depth of expertise to optimize internal audit activities and integrate successful industry practices.

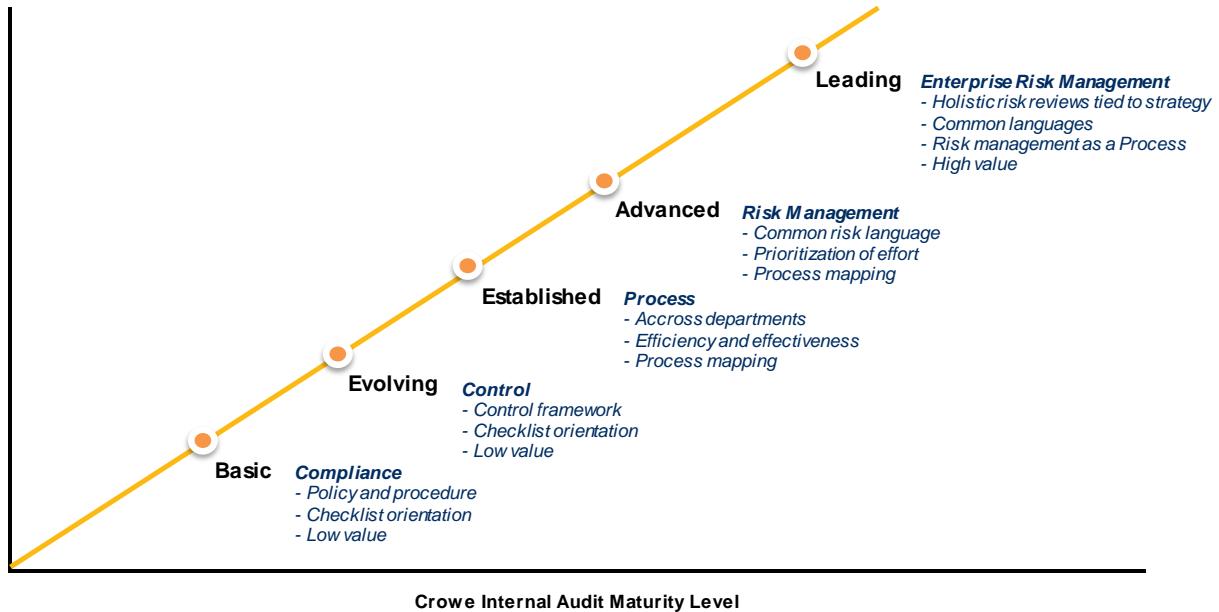
QAR Value Added

QAR (Quality Assurance Review) should include both internal and external assessments as the two serve different purposes. The internal assessments should provide for both ongoing and periodic reviews of the activities of the internal audit function by those familiar with the entity. In contrast, external assessments should provide a thorough diagnostic review of the internal audit function from independent observer.

By having an independent assessor performing QAR, internal auditors shall gain the following benefits:

- Verifying whether their activities are conducted **in accordance with the IIA standards**;
- **Building stakeholder confidence** by proving management's commitment to quality, successful practices, and internal auditors' mindset for professionalism;
- Obtaining **best-practice solutions and benchmarking** to improve internal audit activities; and
- Measuring the success of the organization's internal controls, ethics, governance, and risk management processes which are key to **sustainable long-term performance**; hence internal audit could determine its maturity level and leverage it into the next stage.

The maximum value added from internal audit can be achieved if the functions evolve as the organization's risk management processes evolve. We derive a simple methodology to capture internal audit journey from Institute of Internal Audit (IIA) maturity models.



From our observation and expertise, we recommend some quality aspects that you could consider in performing QAR process. Some of the aspects are described in the table below:

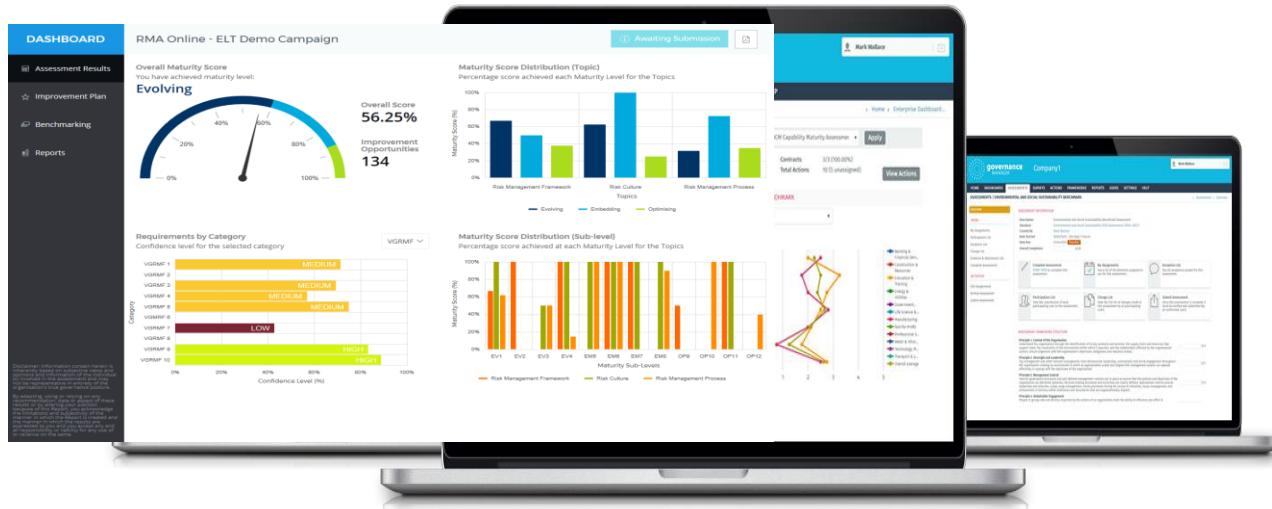
No	Quality Aspect	Focus Area
1	Governance	Internal audit's role and responsibility to the Board of Directors (BOD), Board of Commissioners (BOC) and Audit committees.
2	Risk Management	Internal audit's role in risk management and its responsibility for assessing risk in an organization.
3	Capabilities	The infrastructure and operations for internal audit (People, Mandate, Methods and Technology Enablement).
4	Business Performance	How internal audit delivers value to the organization by enabling business performance through process improvement, regulatory reliance, facilitation of change programs and major initiatives, and strategic insights and ideas.
5	Quality and Value	Measurement of quality and performance of the internal audit function.

In every step, all aspect have their own characteristic, following are characteristic example for advance level in all aspects

Components	Crowe Internal Audit Maturity Level				
	Basic	Evolving	Established	Advanced	Leading
Governance				<i>IA provides input and advice on the fundamental structure and operation of governance policies, procedures, and reporting</i>	
Risk Management				<i>IA considers at a high level whether management activities for monitoring enterprise risks are being carried out by the business</i>	
Capabilities				<i>IA is fully enabled by tools and technology that allow it to perform effectively</i>	
Business Performance				<i>IA has access to robust knowledge resources that provide regular strategic insight and perspective that is recognized by the business</i>	
Quality and Value				<i>A periodic external quality assessment is performed</i>	

Governance Manager

Having a formal system to measure organizational maturity is essential. Governance Manager, a cloud-based platform puts the power for measuring maturity in your hands and boosts performance with business insights. Developed by leading advisory firm Blue Zoo, the platform stipulates capability in performing benchmarking, strategic improvement and quality insights.



The platform enables executive monitoring and capability insights at a strategic level. It is done by automating capability maturity self-assessments, comparative analysis of federated environments, and by focusing resources on improvements. Hence you can easily deploy the best practice references that are important for your business to mature and succeed.

How Crowe Helps

Crowe has decades of experience partnering with management in performing both external assessments and independent validations of internal audit departments' compliance with the IIA standards. Our experienced professionals also provide an independent benchmark analysis that includes qualitative and quantitative measures.

- **Experienced Team Leadership.** Crowe provides direct, executive-level involvement in every engagement.
- **Commitment to Stakeholders.** Crowe develops effective communication with top level management to deliver the right message of the project.
- **Technological Expertise.** We draw upon specialists in many disciplines and we can include a technology specialist in your team.
- **Applicable Methodology.** Crowe leverages a methodology that has direct impact to the client such as Governance Manager.
- **Testament of Quality.** Crowe is nationally recognized for providing a wide range of risk services. Ranked the eighth largest accounting network in the world and sixth largest accounting network in Asia Pacific, Crowe has over 220 independent accounting and advisory firms in more than 130 countries.

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