

# Internal audit effectiveness reviews



# A changing environment

It is more important than ever for internal audit, to be seen as a credible business partner, one that adds value to its organisation. However this credibility can only be achieved if internal audit has an in-depth understanding of strategic and commercial agendas to truly support management in pre-empting emerging risks that may undermine business drivers or create governance, regulatory or compliance exposures. Underlying this need to be credible, is the fact that all sectors and businesses are becoming more demanding of their boards and their audit committees, who in turn require robust independent assurance from internal audit.

Both of these objectives can only be achieved if an internal audit function is truly effective. In January 2020 the Global Institute of Internal Auditors published an Internal Audit Code of Practice that aims to enhance the overall effectiveness of internal audit, and its impact, in the private and third sectors operating in the UK and Ireland. Its recommendations can be regarded as a benchmark of good practice against which organisations' can assess their internal audit function.

The Code of Practice is intended to be applied in conjunction with the existing International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors, which includes the International Standards for the Professional Practice of Internal Auditing ('the IIA Standards'). The Code builds on those Standards; and seeks to increase the effectiveness and impact of internal audit within organisations by clarifying expectations and requirements.

Internal audit functions need to position themselves to enable effective delivery of these increasing expectations.

## Raising the standards

Grant Thornton is well placed to provide you with independent assurance on the effectiveness of your internal audit function. Our extensive experience in the private, public and financial services sector, enables us to:

- provide you with an assessment on whether your internal audit function meets the new CIIA's Code of Practice;
- help you perform a gap analysis against CIIA standards and the CIIA Code of Practice, taking into account the size and scale of your organisation, as a separate exercise or as part of a wider internal audit effectiveness review;
- provide a view on the appropriateness and scalability of your internal audit function;
- benchmark you against high performing peers across the industry and against organisations of a similar size; and
- work with you to develop and implement internal audit improvement plans.

# Our approach

Grant Thornton has developed a specific methodology for performing Internal Audit Effectiveness Reviews (IAERs) which is tailored to meet individual client requirements. Our approach goes beyond the requirements of the CIAA Code of Practice and IPPF Standard and adds value by considering the bigger picture of internal audit, not just ticking boxes from a desk top file review.

We believe that the components set out below are fundamental to the success of internal audit. Our approach is to provide an in-depth assessment of each of these using our Grant Thornton effectiveness assessment methodology.



## Plan



## Performance



## People



## Profile



## Product

### Plan

The importance of a robust planning process sets the tone and scope of the contribution that internal audit makes towards the success of an organisation. It should be risk based, flexible and aligned to the strategic business drivers and risk appetite set by the board and the operating plans of the business.

### Performance

A methodology should provide a structure for auditors to work within, producing a clear, repeatable audit trail of evidence to support audit observations, whilst not stifling the thought process. A sound quality assurance process needs to be in place which is risk based in its approach and drives quality throughout the function.

### People

Fundamental to an internal audit function is the quality of its people. Auditors should be adequately trained, developed and

their performance assessed to ensure that skills and experience are maximised and maintained.

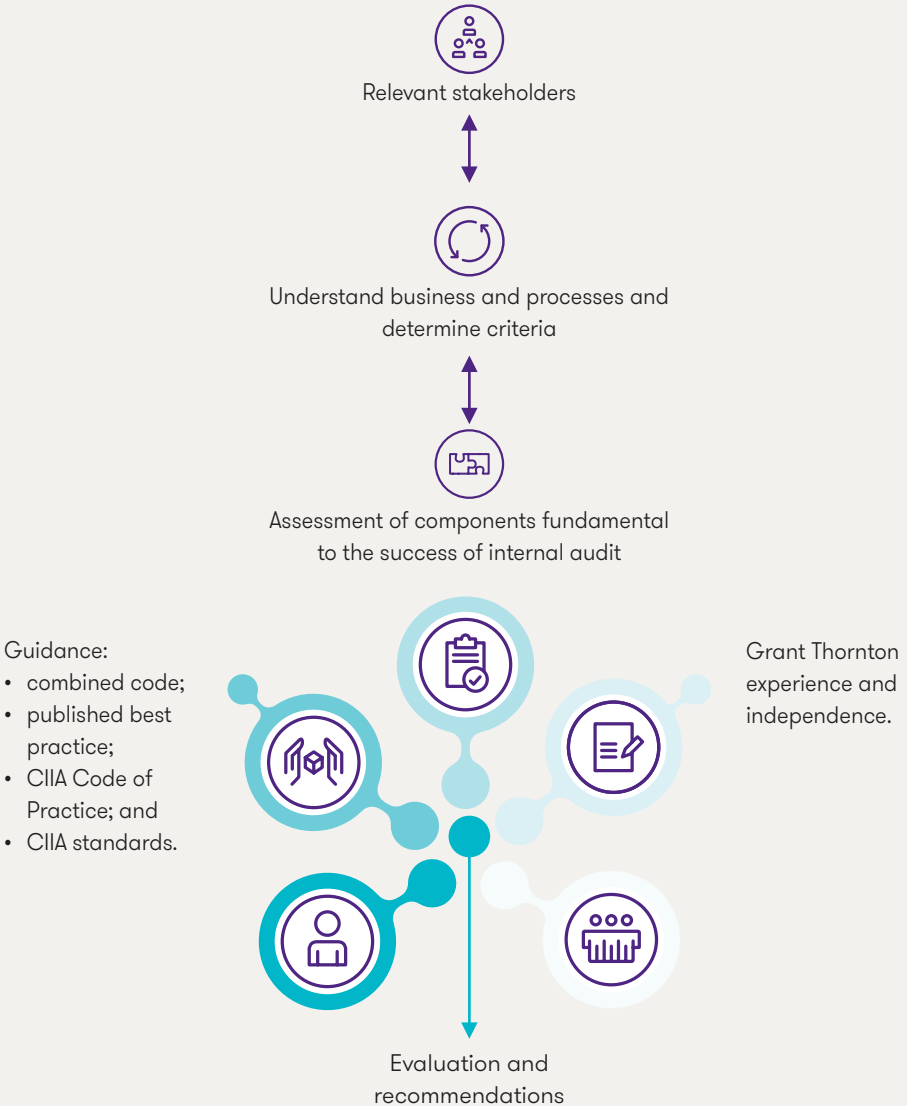
### Profile

The profile and standing of an internal audit function is one of its greatest assets. We will evaluate the role, reputation and impact of internal audit in the organisation and its independence and objectivity.

### Product

We will assess the quality of the output from the internal audit function. Audit messages should be compelling and reported in a timely, clear and concise way. Audit issues should be evidence based as well as need to reflect a sound understanding of the business and associated risks. Recommendations need to make a real difference towards the improvement of the control environment.

# Our methodology



Our approach is to perform targeted structured interviews with key stakeholders and senior internal audit staff which, together with a review of documentation, enables us to provide an opinion on the quality and effectiveness of the internal audit function and its people.

# What is the value of an IAER?

The position of internal audit must be transparent, objective and independent. It should also work in harmony with Risk and Compliance functions (where present) and business management to ensure optimum integrated risk management across the organisation.

- an IAER will evaluate the role, reputation and impact of internal audit in the organisation, its independence and objectivity;
- an IAER provides an independent opinion on the current quality and value provided by the internal audit function in supporting key business drivers and the organisation strategy;
- IAERs offer positive assurance and comfort for audit committees - that their internal audit opinion can be relied upon, that the function is fit for purpose and is compliant with enhanced CIIA standards and guidance; and
- IAERs benchmark the internal audit function against CIIA standards and industry best practice, highlighting areas for improvement, enabling internal audit to stay ahead of the game.

The CIIA requires independent external assessments to be conducted at least once every five years. However, in response to the increasing challenges facing internal audit, many organisations are completing these assessments more frequently.

## Why Grant Thornton?

- we regularly undertake IAERs of internal audit functions in the private, public and financial services sectors, ranging across organisations of all sizes;
- we will benchmark your internal audit function against your high performing peers;
- IAERs are performed by senior, experienced people who have held senior roles in internal audit departments. Our team will draw on their internal audit and industry experience, as well as the provision of similar services to clients, to deliver a best in class service; and
- we understand that there is no 'one size fits all' for internal audit functions and the most important element of our review will be to consider whether internal audit is fit for purpose for the business it supports, taking into account proportionality.

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