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Quality assurance and improvement programmes
Chartered Institute of Internal Auditors

This guide looks at the components of a quality assurance and improvement programme (QA&IP) and the benefits and challenges of implementing such a programme. We also provide some advice on how to prepare a QA&IP with a practical example to help you think about designing a QA&IP that works for you.

In some publications, notably the IIA’s Effective internal audit in the financial services sector (FS Code), an independent EQA (external quality assessment) and internal quality assurance are treated separately. As noted below both are required elements of a QA&IP under the International Standards.

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Elements required in the programme

Successful internal audit functions meet stakeholder expectations and deliver high quality services but this doesn’t happen overnight. It requires a lot of hard work to identify and consistently apply effective professional practice. This is why Attribute Standard 1300 of the International Standards requires heads of internal audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP).

It is also clear that the Standards believe there are two distinct but connected parts to quality programmes. First, quality assurance means establishing and implementing best practice to maintain an effective level of performance and to prevent problems from arising. Second, continuous improvement is needed to build on what is done and how it is done.

Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function.
In total there are three key requirements of the Standards, as follows:

1. Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.

2. Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards.

3. External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

One additional requirement of the 1300 series of Standards that is very important is the need to involve the audit committee and senior management in the planning and monitoring of the programme.

In particular, reporting of results and any subsequent actions. Some internal audit functions incorporate the QA&IP within a longer term strategic plan while others present this as a separate programme. They work equally well where there is discussion and agreement on the overall programme and timing of events.

For many internal audit functions, the QA&IP is not just one document or plan, but a number of different activities that are pulled together in some form of reporting or monitoring; this can be particularly useful where internal audit and/or the wider business is perhaps also going through a change programme.

**Why develop a programme**

A survey by the Institute of Internal Auditors Research foundation (IIARF) in 2014, *The Value of Quality Assurance and Improvement Programs: A Global Perspective* gathered views and comments from over 1,000 respondents in 46 countries demonstrate that the key reasons and benefits of establishing a QA&IP relate to continuous improvement and enhancing the overall value of internal audit.

In order of importance survey respondents offered the following as the key reasons for developing a QA&IP:

1. To identify areas for improvement.
2. To be in conformance with the mandatory guidance of the IPPF.
3. To bring a systematic, disciplined (risk based) approach to the internal audit activity.
4. To increase the credibility of the internal audit activity within the organisation.
5. To anticipate, meet and exceed stakeholder expectations.

While conformance to the Standards is important the decision to initiate investment in a QA&IP should be focused, and sold to audit committees and senior management, on the potential to bring
improvements and other benefits to internal audit and therefore to the service that the business receives from internal audit.

Prospective external quality assessors should therefore be judged upon their ability to bring valuable insight to good practice, innovation and lessons learnt from other internal audit functions as well as knowledge of the IPPF and experience of internal auditing.

**Challenges of implementing a programme**

There are challenges relating to the implementation of a QA&IP and these need to be weighed against the potential benefits. For some, costs may be a barrier but the amount of internal audit management time required and the practicalities involved, especially for a small internal audit function, can also be significant obstacles.

During external quality assessments performed by the IIA we have noted that some heads of internal audit have set up a quality unit or designated a senior audit manager exclusively to quality. This tends to occur in more complex and larger internal audit functions (around 10 – 15 full time equivalents and above) that may be spread over several locations and/or have several clients.

The role of the quality unit or quality manager typically involves ownership, review and update of the internal audit methodology, training and the development of guidance, review of audit engagements to ensure consistency and design of the QA&IP.

The content and the timing of events within a QA&IP will therefore be unique and determined according to the nature, size and structure of the internal audit arrangements; however, all programmes will require preparation and planning.

The following sets out some of the issues with possible solutions that can be used as the starting point for an effective QA&IP.

**On-going monitoring**

**Issue**
Lack of managers to supervise engagements.

**Options**
1. Ensure supervision as audits progress to prevent more difficult problems at the end of the audit.
2. Use audit software tools to make supervision more efficient.

**Issue**
Supervision of the head of internal audit.

**Option**
Identify a critical friend who is willing to act as a coach or mentor.

**Issue**
Complacency – ‘we know we are good’.
Options
1. Establish anonymous surveys to obtain feedback from the business.
2. Introduce post audit questionnaires.
3. Develop a broad range of KPIs that provide a wider and balanced scorecard view that are aligned to customer expectations.
4. Benchmark with other HIAs in other sectors.
5. Designate a ‘Quality Manager’ within the function.

Periodic self-assessments

Issue
Amount of time to complete.

Options
1. Complete self-assessment in sections over the 5 years between EQAs.
2. Obtain help from another function who has experience in conducting reviews.
3. Ask for a short term secondment or additional help for a short period.
4. Use tools, such as the IIA’s checklist and Global IIA’s Quality Manual templates, to make the process less time consuming.

Issue
Lack of interest and/or support of internal auditors.

Options
1. Engage with the team, encourage participation, create a project and a plan of action.
2. Provide training or involve co-source support.
3. Use self-assessments as a development tool; incorporate in the appraisal process and ensure team members at all levels are involved in the process.

External assessments

Issue
Lack of interest and/or support or stakeholders.

Options
1. Explain (face-to-face) the requirements and benefits of the Standards to your stakeholders.
2. Present reports, surveys results and other information relating to quality to the audit committee.
3. Invite potential EQA reviewers to explain their approach and the benefits.
4. Link QA&IP to the organisation’s quality programme (and possibly to their budgets) with the potential to broaden quality reviews to other assurance providers.
5. Give quality a higher profile by including more emphasis on this in the IA Charter and strategy.

Issue
Financial cost.

Options
1. Peer review is an option provided reviewers have appropriate experience, it is challenging and new
ways of working emerge. (Org A cannot review Org B and expect Org B to review Org A).

2. Consider validated self-assessment.

Issue
Fear factor – ‘We already know we don’t conform to the Standards.’

Options
1. Focus on potential improvements and less on tick box.
2. Organise a pre-EQA health check.
3. Obtain consultancy advice for the key areas of non-conformance.
4. Create an internal project team to address areas of non-conformance.

Preparation

To develop a meaningful QA&IP internal auditors need to know what is expected of them. That means having an up-to-date audit methodology that people understand and can apply consistently.

Most functions explain the required stages of an audit engagement along with the format and style within an audit manual or some other form of process description such as a flowchart. (The Performance Standards within the IPPF provide a useful reference point for anyone wanting to make sure nothing is omitted).

These expectations and any supporting training should make clear which stages in the process are mandatory and which ones are discretionary. In other words the internal auditor needs to know when and how variations to the standard way of working are allowed.

Roles and responsibilities within the audit process also need to be clear. This includes when review and supervision will take place, who will be involved and how customer feedback will be obtained.

As the entire internal audit function is responsible for quality individual auditors need to know how they are able to participate in the continuous improvement process such as making suggestions, raising queries and generally sharing information.

Checks to identify and resolve any uncertainties or grey areas around the audit methodology are therefore a good idea before planning a QA&IP.

The Global Practice Guide on QA&IPs published in March 2012 also suggests that performance measures for risk based internal audit plans, coordination with other assurance providers and aspects of internal audit governance require equal clarity before a QA&IP can be prepared.

With this is mind we have incorporated these components within our practical example below.

Planning

A QA&IP plan needs to be as simple and as informative as possible, something that can be discussed with internal auditors and internal audit’s stakeholders. Including a vision or mission statement to introduce the plan is often a helpful reminder about the purpose of internal audit and will set the QA&IP in context.
It may also be useful to make a statement or provide objectives in relation to the quality to underline the commitment to continuous improvement.

There are no mandatory or specific requirements regarding the format of the plan. Internal audit functions can choose what to include and the style of presentation but we suggest some basic detail is needed:

- what is going to happen – type or description of activities
- when – date or frequency
- who is going to be involved – lead or key people involved
- where – reporting and communication of results.

Capturing improvements points with implementation dates is also important but may justify separate documentation for monitoring purposes. We have set out the basis for a possible QA&IP below.

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**People**

The challenges and issues around the development of a QA&IP are mainly about resource availability, commitment and involvement.

There is no doubt that quality requires time and effort, which simply emphasises the need to discuss priorities and scheduling with stakeholders to ensure reasonable expectations are built into the QA&IP and the internal audit plan.

However, it’s primarily about leadership and teamwork. Making a commitment towards continuous improvement and employing a range of management and people skills to provide clear direction and delivery.

Quality enables managers of internal audit functions to cope with constant change and increased expectations. It also helps to motivate, develop and retain good internal auditors so team members need to be part of the process with specific challenges built into personal development plans and roles.

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**Practical example - Quality assurance and improvement programme**

**Ongoing monitoring of the performance**

Activity/frequency/responsibility/reporting

1. Review of audit engagements
   - Weekly
     - IA quality manager and team managers
     - Monthly senior management team

2. Progress against the audit plan
   - Monthly
     - HIA and IA senior management team
     - Quarterly reports to audit committee
3. Progress against balanced scorecard or agreed KPIs  
   Monthly  
   HIA and IA senior management team  
   Quarterly reports to audit committee

4. Discuss performance of internal audit activity  
   6 monthly  
   One-to-one - HIA and members of the senior executive  
   Feed into preparation of annual report and strategic plan update and annual plan

5. Annual customer survey/questionnaire  
   Annual  
   Line managers subject to audit plan  
   Report to audit committee

6. Annual review of internal audit charter  
   Annual  
   HIA and chair of audit committee  
   Report to audit committee

7. Audit committee ‘away day’  
   Annual  
   HIA and IA senior management team  
   Planning strategy document and update of balanced scorecard to audit committee

8. Annual appraisals – personal development, target setting and review with CPE plans  
   6 monthly  
   All IA members - lead by HIA and IA senior management team  
   Documentation to chief executive officer and human resources

**Periodic self-assessments**

1. IA peer review – methodology review comparison to Performance Standards  
   Annual  
   All IA members - lead by quality manager and IA senior management team  
   Audit manual update

2. Self-assessment against the Performance and Attribute Standards  
   Every other year  
   Quality manager and IA senior management team  
   Report to audit committee

3. Benchmarking review of IA resources  
   Every other year  
   HIA, quality manager and HR  
   Report to audit committee

**External assessments of conformance to the IPPF**
1. Pre-EQA health check  
   Every 5 years  
   Quality manager and consultant  
   Report to audit committee  

2. Full EQA review  
   Every 5 years  
   HIA, quality manager and external reviewer  
   Executive summary and action plan to audit committee