

Internal Audit Quality 2024 and Beyond

What are you focusing on in 2024 and beyond to ensure internal audit quality is elevated in your organization?

The year 2024 and beyond will bring forth a set of key challenges that internal audit functions must navigate to ensure the new Global Internal Audit Standards™ are implemented effectively to demonstrate conformance, performance, and continuous improvement.

A key challenge under the new Standards will be the implementation of a robust Quality Assurance and Improvement Program (QAIP) to demonstrate the effective performance of the internal audit function.

Some of the key aspects of focus related to quality in 2024 and beyond include:

1. Issuance of the Standards in 2024

The Global Internal Audit Standards™ were issued by the International Internal Audit Standards Board on January 9, 2024. They replace the *International Standards for the Professional Practice of Internal Auditing*, which were issued most recently as part of the 2017 edition of the *International Professional Practices Framework*®. The new Standards emphasize performance and continuous improvement in addition to conformance.

The addition of “Considerations for Implementation” and “Examples of Evidence of Conformance” should be very helpful when preparing for an external quality assessment review.

The new Standards will become required for quality assessments in January 2025.

2. Strategies for External Quality Assessments in 2024

Since an external quality assessment is required at least once every five years, departments can choose to execute one of the following options:

- If your next external quality assessment is due in 2024, have your quality assessment performed as scheduled under the current standards.
- If your next external quality assessment is due in 2025 or beyond:
 - Accelerate your quality assessment to 2024 to perform it under the current Standards. All quality assessments performed by IIA Quality Services in

2024 will provide guidance on the steps needed to comply with the new Standards when they become effective in 2025.

- Perform a gap assessment in 2024 to provide specific guidance on what your organization needs to effectively implement the new Standards in 2025.

3. Key Principles and Standards Applicable for Quality Assessment Success

The new Standards focus not only on conformance, but also on demonstrating performance and continuous improvement to ensure the highest quality internal audit service. The following aspects of the Standards are key to quality success:

- **Standard 8.3 – Quality:** The chief audit executive (CAE) must develop, implement, and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function. This includes external and internal assessments. Including:
 - 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.
- **Standard 8.4 – External Quality Assessment (EQA):** The CAE must develop a plan for an EQA at least once every five years (which can include a self-assessment with independent validation) and discuss it with the board. Including:
 - 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.
- **Principle 12 – Enhance Quality:** The CAE is responsible for a QAIP designed to evaluate and promote the internal audit function’s conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. Including:
 - Key performance indicators should be in place to assess the performance of internal audit engagements, internal auditors, and the internal audit function.
 - Performance measures are one aspect of evaluating progress toward performance objectives, such as continuous improvement.
 - Other aspects of assessing performance may include quality assessment surveys, interviews with stakeholders, post-engagement questionnaires about the internal audit function’s completed engagements, and maturity model assessments.
- **Standard 12.1 – Internal Quality Assessment:** The CAE must develop and conduct internal assessments of the internal audit function’s conformance with the Standards and progress toward performance objectives. Including:
 - 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.

- **Standard 12.2 – Performance Measurement:** The CAE must develop a performance measurement methodology that includes performance measures to assess progress toward achieving the internal audit function’s performance objectives and promote the continuous improvement of the function. Including:
 - 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.
- **Standard 12.3 – Oversee and Improve Engagement Performance:** The CAE must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies. Including:
 - 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.

4. When Will the Quality Assessment Manual Be Updated?

The current Quality Assessment Manual remains in effect and valid until the Global Internal Audit Standards™ become effective in January 2025. The updated Quality Assessment Manual is anticipated to be published later in 2024 and will provide direction on consideration of the new Standards and guidance issued in support of the new Standards. Relevant IIA quality training will be updated as well.

Insights to Quality are helpful ideas in key areas to assist internal audit functions in establishing or improving their Quality Assurance and Improvement Program (QAIP). IIA Quality Services’ mission is to **Elevate Internal Audit Quality Around the World**. As a trusted source in the profession with years of internal audit experience and a deep understanding of the implementation and methodology of the Standards, IIA Quality Services assists CAEs in gaining support from the board through an understanding of how an external quality assessment is necessary and valuable to your department and stakeholders.

For more information, to request a consultation, or to contact IIA Quality Services, please visit theiia.org/quality.

