



# Quality Assurance in Internal Audit

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*Jesper Siddique Olsen*  
*Group Internal Audit, Danske Bank*

# Introduction



## Internal quality assurance

Audit departments face two main obstacles to achieving audit quality excellence

- Creating concise and transparent guidance on standards that will enable staff to improve their assurance efforts
- the need to identify the right timing of quality reviews to produce the most impact.

Audit departments must establish clear standards and expectations for staff in terms of workpaper documentation and report writing.

Establishment of formal processes or mechanisms to review adherence to internal standards with minimal disruption to the completion of audit engagements.

## Establish Internal Quality Standards

Most quality assurance programs do not provide specific performance requirements, leaving staff uneducated and frustrated. Internal Audit must clearly define attributes and actions of a successful execution of audit methodology, allowing auditors to self-assess progress throughout an engagement.

- Establish effective quality standards by equipping auditors with specific performance requirements and by conducting peer reviews
- Develop best practice guidelines for auditing and mitigating project risks in order to articulate requirements for key staff
- Summarize audit methodology to apprise management of the internal controls framework
- Build an audit services workflow guide to train the staff on proper procedures for each stage of the audit process

## Perform Ongoing Quality Assessment Reviews

It is a challenge to identify the "right" timing of quality reviews and how best to deploy in-depth analysis of quality issues. Aim to balance timely, in-the-moment feedback with extensive post-audit peer reviews. This provides opportunities for midcourse corrections and influences the evolution of audit standards and methodology.

- Target client satisfaction surveys to specific audiences
- Conduct real-time assessments to avoid static quality evaluations
- Assess quality in particular phases of the audit engagement and across multiple teams to build consistency in work product
- Perform a root-cause analysis of issues identified during quality reviews

## Identify Opportunities for Continuous Improvement

The absence of implementation guidance for improvement projects hinders the progress of continuous improvement initiatives. Internal Audit must develop a formal structure for identifying appropriate continuous improvement projects and build a culture that sustains continuous improvement.

- Develop a business case and project plan to support the overall goals of continuous improvement projects
- Institute transparent and actionable objectives for the continuous improvement process
- Grade audit proficiency against absolute standards to identify competency gaps and to select potential continuous-improvement projects
- Rely on individual participation in improvement initiatives and management oversight to drive projects to completion

## Externally Quality Assurance

Back in 2002, the Institute of Internal Auditors (IIA) formalized this practice when it revised the Standards for Professional Practice of Internal Auditing (Standards) to require internal audit functions to perform an External Quality Assessment (EOA) once every five years or lose the right to **assert compliance with** the Standards.

Most organizations often struggle to derive maximum value out of the time and resources they dedicate to the assessment. The best companies go beyond the basics on an EOA and predefine the focus and scope of the assessment with the external assessors to make the most of the investment.

AN EOA could be seen as an opportunity to identify improvements in an attempt to reach best-in-class status.



## Case – Group Internal Audit in Danske Bank

A quality control system is established in Group Internal Audit in accordance with International Standards of Auditing (ISA) and International Standards for the Professional Practice of Internal Auditing (IPPF). In this way the Audit Agreement between Deloitte and the Chief Audit Executive of Danske Bank regarding quality control is also adhered to.

### Quality Assurance when performing the audit

- Clear formalised quality review guidelines within our methodology.
- We have established a formalised four eyes principle on all audit tasks, integrated in the our audit tool.
- Management quality reviews are implemented.



### External Audit review

- External Audit performs on a sample basis, based on risk and materiality, on an ongoing basis a review of the work performed by Group Internal Audit. This is performed by both Group External Audit and local External Audit.
- Changes to our methodology is reviewed by External Audit on an ongoing basis.



## Case – Group Internal Audit in Danske Bank

### Internal Quality Committee

- Group Internal audit has established a committee that on a sample basis assess the quality on finalised/reported audit task.
- A Quality Control Charter has been approved by the Management team.
- The committee's work is based on that the responsibility for quality in Group Internal Audit is divided into three areas: quality management, quality assurance and quality control:
  - ✓ Quality management is supported by guidelines regarding the audit process, audit tools, templates and quality assurance.
  - ✓ Quality assurance is managed during the daily audit work by the leads, key accounts, area managers or others to which this quality assurance role is delegated.
  - ✓ Quality control is managed by the quality control committee according to the guidelines determined in the committee's terms of reference.
- Responsible for planning and conducting Quality Control.
- The committee select audit tasks performed though out Group Internal Audit and report directly to Audit Management.
- Each quality review is rated.

## Case – Group Internal Audit in Danske Bank (cont.)

### Internal Quality Committee (cont.)

- A summary with highlight is communicated through out Group Internal Audit and if needed all employees attend mandatory update meetings.
- Best practice cases.
- Results are communicated to relevant stakeholders.
- Mandatory requirements for at least 40 hours of training each year.

### External Quality Assurance

- On an estimated 5 year rotation the audit process and compliance to IIA and ISA requirements is assessed by an External Audit firm different from the elected Audit firm.
- Focus areas are also in scope (IIA UK, efficiencies etc.)
- The result is sent to the Audit Committee and other stakeholders.
- In 2016 this assessment was made by E&Y.



# Questions?

