CGIAR System Internal Audit Function

Quality Assurance and Improvements Program

Purpose: This document outlines a Quality Assurance and Improvements Program (QAIP) which is designed to provide reasonable assurance that the CGIAR System Internal Audit Function:

- Performs its work in accordance with its Terms of References, the Charter and is consistent with the International Professional Practice Framework (IPPF) of the Institute of Internal Auditing (IIA)

- Operates in an effective and efficient manner, and

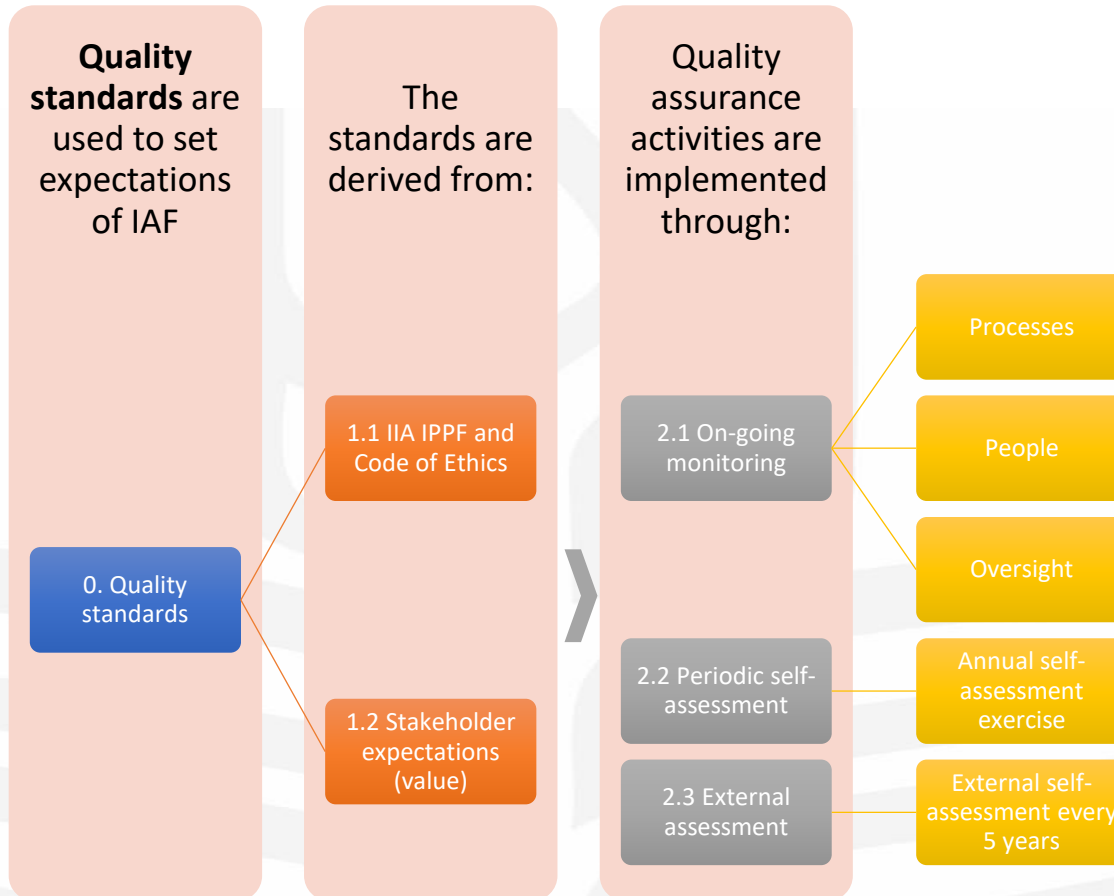- Meets stakeholder expectations as to be adding value and continuously improving.

As per the IIA's IPPF 'The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity' (1300). It goes on to state that 'A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program.'

This document outlines the QAIP of the Internal Audit Function (IAF), including the elements in place and planned. The IPPF practice guide notes that 'Quality should be built into, not onto, the way the activity conducts its business—through its internal audit methodology, policies and procedures, and human resource practices. Building quality into a process is essential to validate and continuously improve the internal audit activity, demonstrating value as defined by stakeholders.'

This Quality Assurance and Improvement Program will be updated, at least every three years or earlier, guided by changes in the IAF ToR and/or Charter, the IIA Standards or Internal Audit Function's operating environment. The next update will be carried out following an external quality assessment in 2019.

Quality standards are used to set expectations of IAF

The standards are derived from:

Quality assurance activities are implemented through:

0. Quality standards

1.1 IIA IPPF and Code of Ethics

1.2 Stakeholder expectations (value)

2.1 On-going monitoring

Processes

People

Oversight

2.2 Periodic self-assessment

Annual self-assessment exercise

2.3 External assessment

External self-assessment every 5 years

Together with IIA's IPPF, the QAIP is also underpinned by stakeholder expectations. It consists of three groups of activities: on-going internal quality assurance activities; periodic self-assessments, and external assessments.

Although, the Head, Internal Audit Function is ultimately responsible for the QAIP, which covers all types of internal audit work, all IAF staff have responsibility to maintain quality.

The following slides unpack each of the elements of QAIP.

1. Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. Core principles

The core principles articulate internal audit effectiveness and they should all be present and operating effectively:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organizational improvement.


3. Code of ethics

The internal audit profession is founded on the trust placed in its objective assurance about risk management, control, and governance. The code of ethics provides principles and rules of conduct relating to integrity, objectivity, confidentiality and competency.

4. International Standards

The International Standards is an authoritative set of guidance consisting of statements of basic requirements for the practice of internal audit and interpretations that clarify terms or concepts within those statements. The Standards were last updated on 1 January 2017.
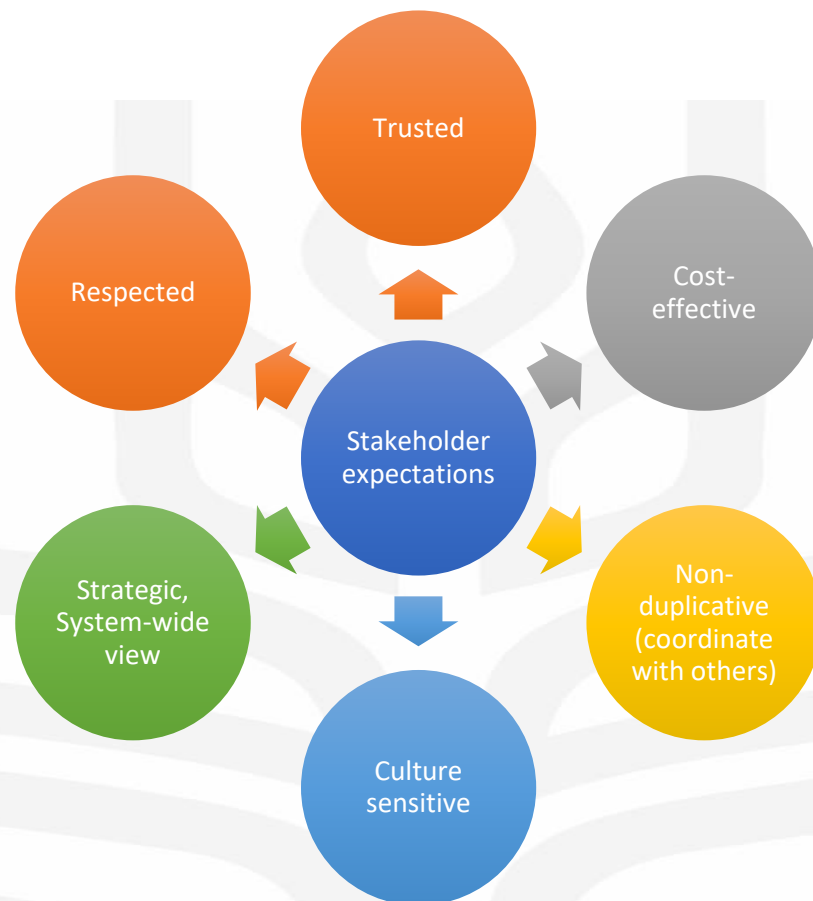
Building an effective QAIP is similar to establishing a total quality management program where products and services are analyzed to verify that they meet stakeholder expectations.

The stakeholder expectations reflected here are a distillation of what we have heard from ARC, SMB, various managers and staff across CGIAR in the past year when the role of IAF was being defined:

- IAF should conduct itself in a consistent, objective and non-biased manner within its mandate to generate **trust** in its ability to create value for the organization

- For IAF to be effective it needs to be **respected** and listened to

- As it serves the CGIAR System, IAF should strive to provide **strategic** level insights to aid CGIAR System governing bodies and the organization as a whole

- The insights should be delivered in a way that is **culturally** appropriate within the organization

- Be aware of and work together with other assurance providers to avoid **duplication** of effort and assurance gaps

- Be able to demonstrate value for money and **cost-consciousness**

2.1 On-going monitoring

On-going monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards (1311). The table below outlines on-going IAF activities ensuring that quality standards are met.

Activities	Process	People	Oversight
1. Annual audit planning and monitoring	• Defined process aligned with the CGIAR System risk management framework • Bi-weekly meetings IAF team to review the plan schedule and the progress • Monthly monitoring of IAF budget	• Consultations with stakeholders • Coordination with other assurance providers (assurance map) • Annual objective setting and bi/annual performance reviews for IAF team	• Approval by ARC and SMB • KPIs (TBD) • Annual stakeholder feedback • HIAF sign off of expenditure
2. Audit engagement	• Defined engagement process (process description) for planning, execution, reporting and follow up; • Audit manual • Standard templates for an engagement ToR, planning document, start-up and exit presentations, audit report • MK insight checklist from planning to reporting	• Time sheets • Engagement performance form completed at the end of each engagement • Bi-weekly supervisory meetings for the team • Staff skills assessment and training records	• Audit file review by HIAF at key process milestones and key outputs i.e. ToR, planning document, work programs, work papers, presentations, reports • Client feedback at the end of each engagement
3. Reports for ARC, SMB and SC	• IAF ToR and the Charter • Standard format to be used for periodic IAF activity report to ARC	• Peer review by the team members	• Stakeholder feedback • Annual review of the Charter

2.2 Periodic self-assessment

- It is suggested that IAF undergo an annual self assessment to validate to what extent it is in conformance with the IIA Standards and Code of Ethics. The self-assessment would primarily address conformance with the following series of Standards:
    1000: Purpose, Authority, and Responsibility
    1100: Independence and Objectivity
    1200: Proficiency and Due Professional Care
    1300: Quality Assurance and Improvement Program
    2000: Managing the Internal Audit Activity
    2100: Nature of Work
    2200: Engagement Planning
    2300: Performing the Engagement
    2400: Communicating Results
    2500: Monitoring Progress
    2600: Communicating the Acceptance of Risks
    Code of Ethics

- The annual self-assessment may also include an evaluation of:
    - IAF maturity against the IIA maturity model
    - The quality and supervision of work performed
    - The ways in which IAF adds value
    - The achievement of KPIs
    - The degree to which stakeholder expectations are met

- The self-assessment will be carried out in-house or through a peer review or be supported by the Internal Audit Support Service. The results will be reported to the Audit and Risk Committee as part of IAF annual reporting

- The first such review for IAF will be carried out at the end of 2018. The results will be reported to the ARC of SMB together with an action plan to address any gaps identifies.

2.3 External Quality Assessment

- External assessments will appraise and express an opinion about Internal Audit's conformance with the IIA Standards, the Definition of Internal Auditing, and the Code of Ethics and will include recommendations for continuous improvement as appropriate
- Timing: An external assessment will be conducted at least every five years
- The qualifications and considerations of External Assessor as noted in Standard 1312 will be considered when contracting with an outside party to conduct the review. Specifically, a qualified assessor or an assessment team will demonstrate competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues will be desirable
- The appointment of the External Assessor and scope of the External Assessment will be approved by the Audit and Risk Committee of the System Management Board
- Results of external assessments will be provided to Audit and Risk Committee of the System Management Board, the Executive Director, CGIAR System Organization upon completion of the external assessment. The external assessment will be accompanied by a written action plan in response to significant comments and recommendations contained in the report
- The recommendations made will be followed up by the Head, IAF on an annual basis as part of the annual self-assessment exercises. The results will be reported to the Audit and Risk Committee as part of IAF annual reporting
- The IAF may use the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" when the results of the QAIP support this statement. The external audit assessment must have been conducted and the conclusion drawn that Internal Audit Function is operating generally in conformance with the Standards
- The first external quality assessment either through a full assessment or independent validation of the self-assessment (SAIV) is expected to be carried out in 2019 for IAF to be able to use the wording "Conforms with the International Standards for the Professional Practice of Internal Auditing".