

# INSIGHTS TO QUALITY

## How IIA Core Principles Support Successful Internal Audit Practices

Increasingly, The IIA's quality assessment teams are reporting seeing evidence of successful internal audit practices in two specific areas:

- 1 Strategic planning specific to an internal audit activity.
- 2 Engagement reporting using multiple dimensions.

These emerging trends demonstrate alignment with organizational activities, objectives, risks, and provide valuable context for reported observations.

Coincidentally, these successful practices support and promote two of the 10 Core Principles for the Professional Practice of Internal Auditing that are part of the recently updated IPPF:

"Is insightful, proactive, and future-focused," and "Communicates effectively."

## How can internal audit activities implement these trends to add value to the organization ?

Two particular standards are fundamental to recognizing and capitalizing on these successful practices.



**IIA Standard 2000: Managing the Internal Audit Activity** states "The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization."

Hence, implementation of a strategic plan specific to the internal audit activity can support the dynamic nature of the organization and guide the internal audit activity in a proactive, thoughtful, systematic, and practical manner.

Internal audit strategic plans are based on a "Strengths, Weaknesses, Opportunities, and Threats (SWOT)" analysis. Performing this analysis should identify initiatives for the internal audit activity to consider for priority action.

The plan should have a multi-year focus to blend strategy with tactics. Initiatives are often aligned with performance metrics established for ongoing monitoring of the performance component of the quality assurance and improvement program (QAIP). Also, a balanced scorecard might be used to compare actual status against the plan.

These strategic directions and initiatives should be consistent with internal audit's mission and should be aligned with key roles defined for internal audit, which might relate to corporate governance, talent development, and process improvement/adding value.

Formalizing strategic plans for an internal audit activity is an emerging and evolving successful practice that enhances the quality of internal audit processes and sustainability of the function within the organization.

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**IIA Standard 2410: Criteria for Communicating** states that communications must include the engagement's objectives, scope, and results. To enhance communication with stakeholders, internal audit engagement reports might include multiple dimensions to provide context for overall ratings and the significance of individual observations.

Broken down into the two elements, multiple dimensions can be provided at an overall level as well as for individual observations. Examples that can be used on an overarching basis include an overall rating for the area being reviewed as well as a separate rating for the impact on the organization as a whole.

Additional dimensions might include control environment trending and management awareness. For individual observations, context might be provided in terms of relative significance of each item for impact and likelihood of risk. Volatility of change in risk might also be provided.

The whole concept of multiple dimensions is to provide additional context and value for engagement reports. Criteria specific to each rating should be included in an appendix to the report to enhance transparency.

Using multiple dimensions is generally viewed as being valuable by stakeholders since it adds perspective to each report. This area is one that continues to evolve within the internal auditing profession.

For information on the Core Principles for the Professional Practice of Internal Auditing, visit [www.theiia.org/Guidance](http://www.theiia.org/Guidance) and navigate to Core Principles under Mandatory Guidance.

## About IIA Quality Services, LLC

IIA Quality Services' mission is to elevate professionalism within internal auditing and conformance with the *International Standards for the Professional Practice of Internal Auditing* by providing knowledge resources and external assessment services to internal audit activities. IIA Quality Services' experts provide full-scope quality assessments, validations of self-assessments, and readiness reviews.

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