

Assessment Domain

Methodology



Potential Explorer

Internal Audit function lacks fundamental alignment with global internal audit standards, governance structures, and organizational strategies.

Significant gaps are present that could undermine the function's ability to provide effective assurance, insight, and foresight. Focus is on historical data rather than future risks and value creation. No mechanism in place to document deviations from standards, which could leave gaps in transparency.

Required Action Steps

Immediate action is required to review the internal audit function, update the audit charter, develop a global standards-compliant methodology, establish conflict resolution mechanisms, and implement stronger information security controls.

Work closely with senior management and the board to understand their expectations. Draft a strategic plan that outlines how internal audit can provide assurance, insight, and foresight, not just operational auditing.

1- Compliance with Global Standards

- Assess whether the existing internal audit charter defines the department authority, responsibilities, scope, and independence according to global standards such as IIA. Modify the charter to clearly reflect compliance with international internal audit standards and ensure alignment with organizational strategy and governance needs.

2- Training

- Train internal auditors in techniques such as scenario analysis, predictive analytics, and trend spotting to identify emerging risks and opportunities. This may involve bringing in external experts or utilizing industry case studies.
- Organize a workshop with key stakeholders, including the board of directors, senior management, and the CAE, to ensure alignment. In this session, review the internal audit charter and update the internal audit mission, vision, and objectives to align with the company's strategic goals.

3- Alignment with Global Standards

Set up regular meetings between the CAE and senior management/board members to discuss the alignment between internal audit activities and strategic objectives. This will ensure that internal audit remains relevant and responsive to key priorities. Review and, if necessary, develop a comprehensive internal audit methodology that conforms to the International Standards for the Professional Practice of Internal Auditing (IIA Standards). This includes refining processes for audit planning, execution, documentation, and reporting.

Ensure that all audit reports and working papers follow standardized formats and templates that comply with global best practices. This will facilitate better comparability and quality control. Consider engaging external auditors or consultants to validate that the internal audit methodology conforms to IIA Standards and any industry-specific regulatory requirements.

Implement a process for continuous monitoring of changes in global standards and regulations to ensure ongoing compliance.

4- Non-Conformance

Develop a protocol for documenting instances where internal audit activities cannot meet the required standards. This protocol should include the reason for non-conformance, alternative actions taken, and the impact of these actions on audit quality.

Establish a formal communication process where the CAE reports such instances to the board or audit committee, along with recommendations for mitigating the impact of non-conformance. Ensure that all internal audit workpapers and reports include a section for documenting any deviations from standard procedures and the rationale behind them.

6- Audit Plan

Perform an enterprise-wide risk assessment that takes into account the organization's strategic objectives, risk appetite, and emerging risks. Use this assessment to inform the development of the internal audit plan.

Ensure the audit plan is dynamic and flexible, allowing for adjustments based on changes in the risk environment or organizational priorities.

Engage with key stakeholders during the audit planning process to ensure that the plan reflects the most critical risks and opportunities facing the organization.

5- Surveys, Interviews and Checklist

Design and implement a process for gathering input from internal stakeholders (e.g., department heads, risk officers, operational staff) via surveys, interviews, and workshops.

These engagements should focus on identifying potential fraud risks, control weaknesses, and emerging threats.

Ensure that the insights gathered from stakeholders are systematically incorporated into the audit risk assessment and planning processes.

Set up a regular schedule for conducting these workshops and interviews, ensuring continuous input into the internal audit process.

7- Information Security

Strengthen information security measures, such as encryption, multi-factor authentication (MFA), and regular access audits. This will help to prevent unauthorized access and ensure compliance with data protection regulations.

Set up a continuous monitoring process to test the effectiveness of access controls and make necessary adjustments as new risks or vulnerabilities emerge.