

The background features a complex network of thin grey lines connecting various sized nodes. Some nodes are solid blue circles, some are solid dark blue circles, and others are white circles with dark blue centers. The overall aesthetic is clean and technical.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME FOR INTERNAL AUDIT

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DISCLAIMER

This Presentation Represents The Opinions Of The Author. It Is Not Meant To Represent The Position Or Opinions Of Banca D'Italia, Nor The Official Position Of Any Staff Members.

AGENDA

- Why quality matters
- Pillars of an effective QAIP
- New challenges ahead: 2024 GIAS
- QAIP in a Central Bank

RAISE YOUR HAND, IF YOU HAVE A QAIP



BAD NEWS





WHY QUALITY MATTERS

WHY QUALITY MATTERS?

YOU CAN SEE IT IN DIFFERENT WAYS ..

If you are interested to IAD «look»

If you are (also) interested to your results

- 1 Makes your **business card brighter** (standing/advocacy)
- 2 Gives an answer to those who always ask “**who watches the watchmen?**”
- 3 Enhances your **accountability**, your **transparency** and, ultimately, strengthens your **legitimacy**
- 4 Helps to monitor if you are **sufficiently equipped** to provide **value** to your organization (back-to-basics exercise)
- 5 Supports the **improvement** of your processes

SOME THREATS AHEAD

- The QAIP is (sometimes seen as) a **cost/burden**
- It may be seen as **formal task** (not effective)
- It **MUST** be built on **strong fundamentals** (minimum requirements/pre-requisites)



PILLARS OF AN EFFECTIVE QAIP

PILLARS OF AN EFFECTIVE QAIP

WHAT A QAIP SHOULD INCLUDE/CONSIDER?

It should:

- ✓ Be aligned with the Audit Strategy
- ✓ Be embedded in the internal audit procedures
- ✓ Enable innovation
- ✓ Contain a single view/a single message
- ✓ Involve all the staff: *“Quality is not a one-off exercise, it is a dynamic process”*

The key factor to make it effective is....

Be honest with yourself



Mirror, mirror on the wall...



**WE ALL KNOW THE END OF THE
STORY, RIGHT?**



NEW CHALLENGES AHEAD: 2024 GIAS

A QUICK LOOK AT THE (RETIRING) IPPF

1300 –Quality Assurance and Improvement Program

The **chief audit executive must develop** and maintain a **quality assurance and improvement program** that covers all aspects of the internal audit activity.

1310 –Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both **internal and external assessments**

1311 –Internal Assessments

Internal assessments must include: - **Ongoing monitoring** of the performance of the internal audit activity.- **Periodic self-assessments** or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

1312–External Assessments

External assessments must be conducted at least **once every five years** by a qualified, independent assessor or assessment team from outside the organization. [...]

2024 GLOBAL INTERNAL AUDIT STANDARDS

Word count of «quality»

2017 IPPF

17 (out of 27 pages)

2024 GIAS

123 (out of 120 pages)

WHAT'S NEW!

Stronger interaction
with the Board

- Principle 8 Overseen by the Board
- 8.3 Quality (approving, discussing, reporting)
- 8.4 External Quality Assessment
(discuss, approve, reporting, monitoring)

Deeper responsibility
for CAE

- Principle 12 Enhance Quality
- 12.1 Internal Assessment/Ongoing monitoring
(reporting to the Board/SM)
- 12.2 Performance measurement
- 12.3 Oversee and Improve Engagement Performance



QAIP IN A CENTRAL BANK

BDI INTERNAL AUDIT QAIP



1

Internal review (every 2 years)

2

External review (every 5 years)

3

Continuous monitoring



BDI INTERNAL AUDIT QAIP: CONTINUOUS MONITORING AND QUALITY-RELATED INITIATIVES



Review of audit programme and audit report before their issuance – **Quality Team**



Key Performance Indicators (KPI)



IAD meetings and seminars to promote improvements



Auditor's appraisal (at the end of each engagement and overall once a year)



Key Performance Indicators (KPI)

A key support to the quality process

THE STRUCTURE



A multi-level structure



Targets for KPI and a scoring system to measure the results

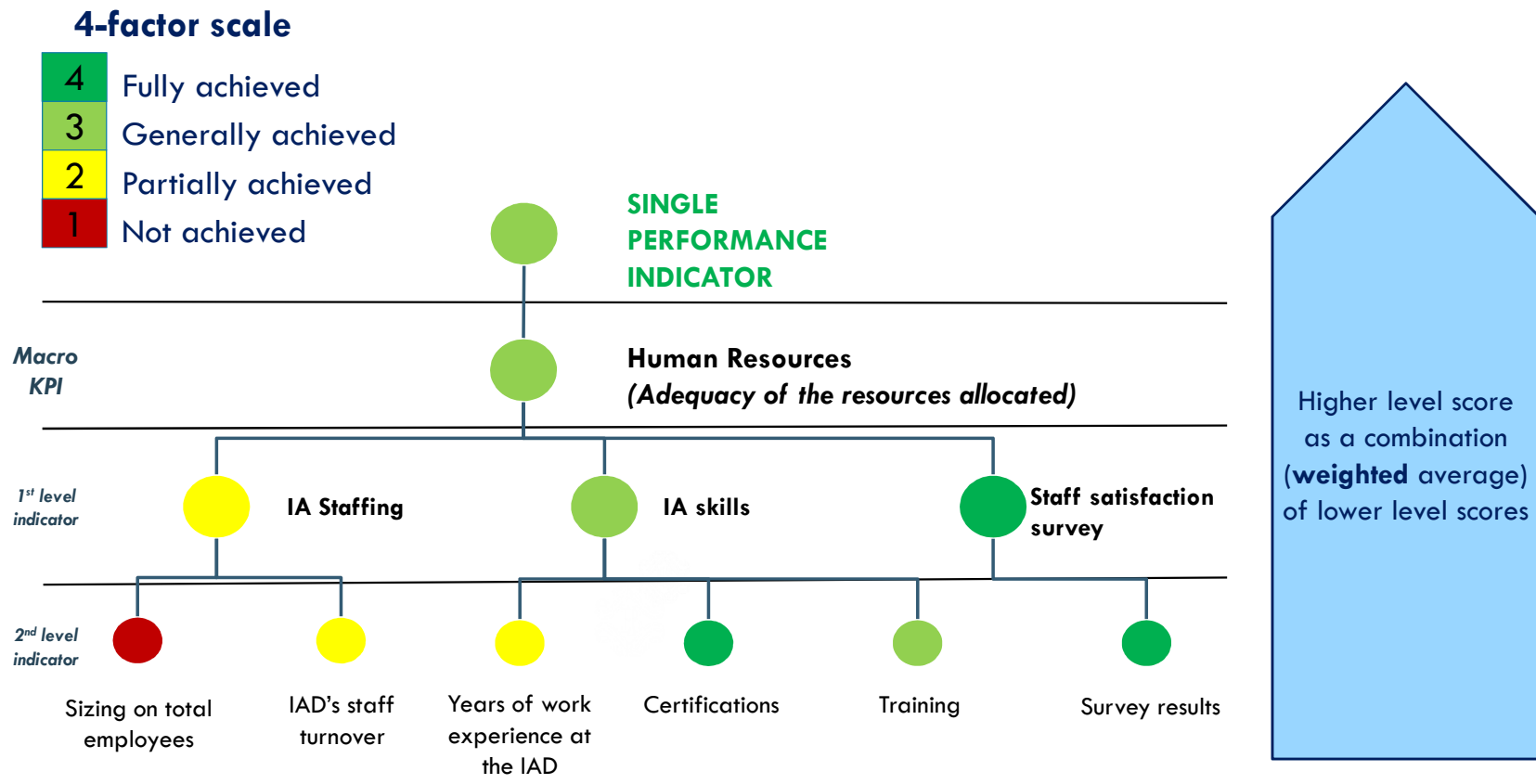


Weights to give emphasis to relevant KPI



Specific focus on added value

SCORING SYSTEM AND REPORTING



TARGET AND WEIGHT

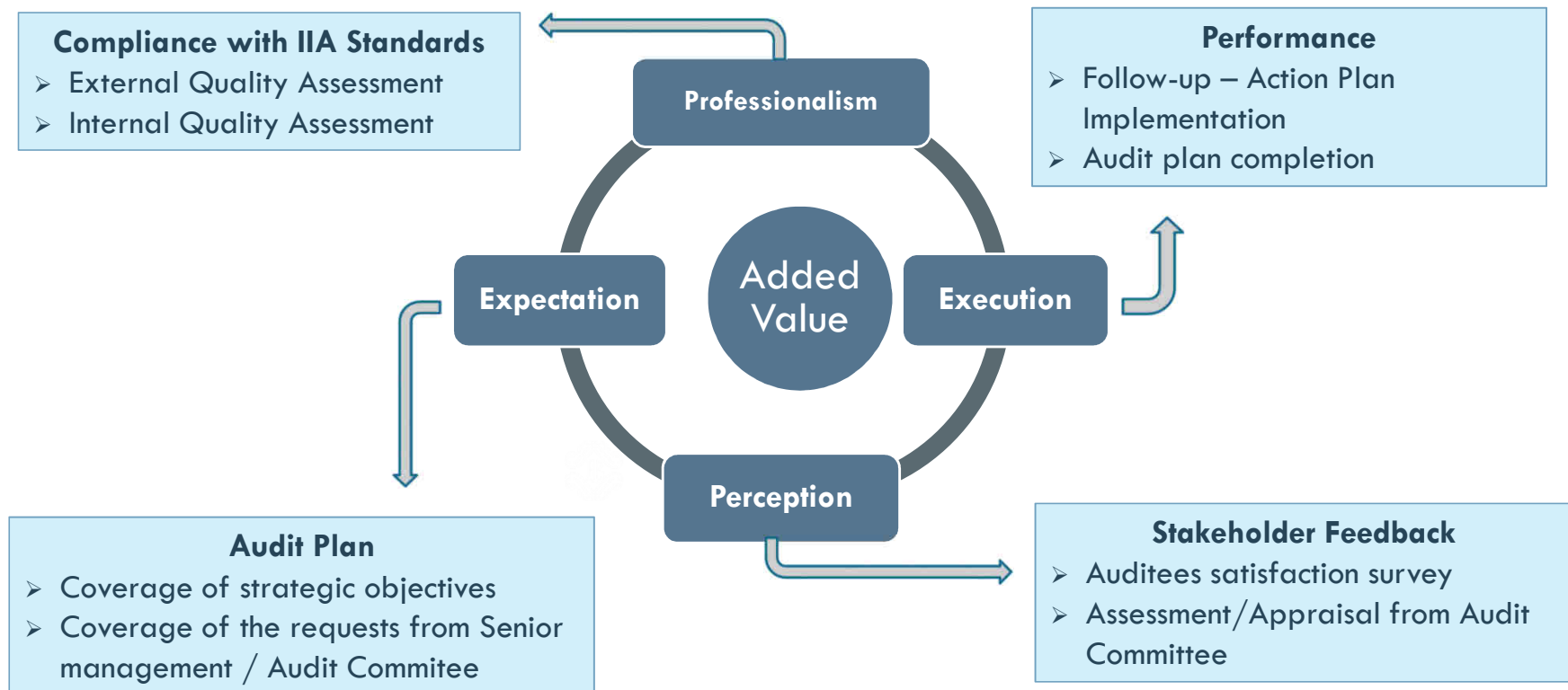
Targets and weights represent the way to transpose the Strategy into the system



KEY PERFORMANCE INDICATORS LIST

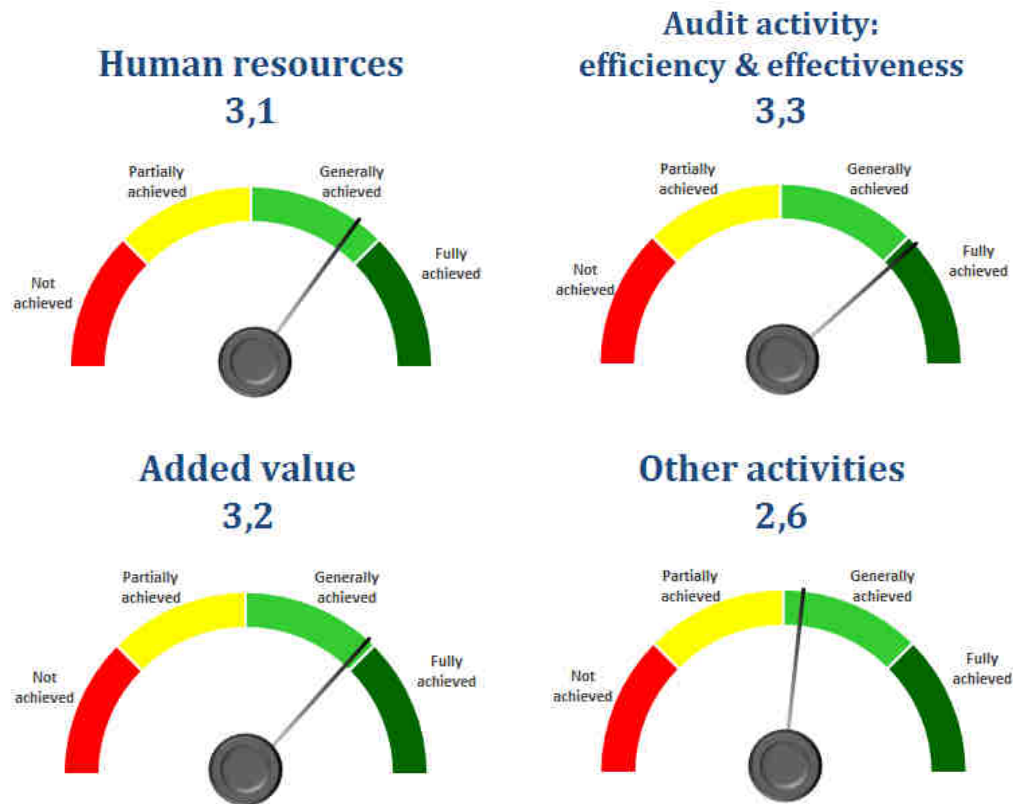
Macro Objectives	1st level indicators
<i>Added value</i>	<ul style="list-style-type: none"> • Professionalism • Expectations • Execution • Perception
<i>Audit activity: efficiency & effectiveness</i>	<ul style="list-style-type: none"> • Audit engagements - weight and distribution • Audit plan - target coverage • Duration of the audit • Timeliness
<i>Human resources</i>	<ul style="list-style-type: none"> • IA staffing • IA skills • Staff satisfaction survey
<i>Other (major) activities</i>	<ul style="list-style-type: none"> • Other activities performed by auditors • Technical cooperation

KPI ON ADDED VALUE - CONTENTS

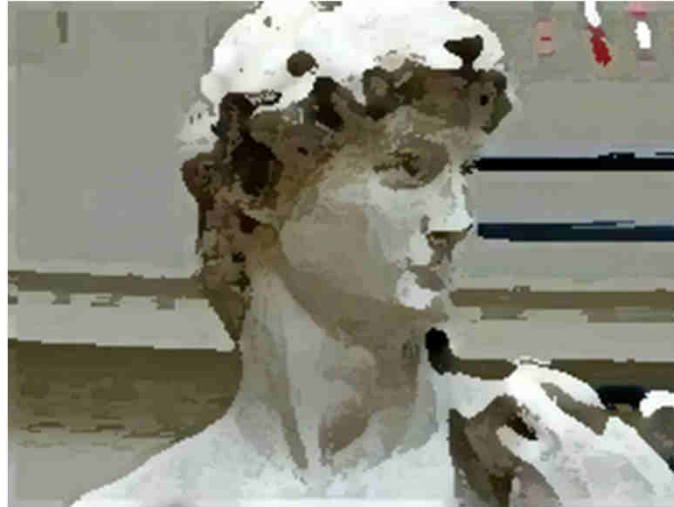


THE DASHBOARD

An easy dashboard to show the results



Kalós kai agathós



“Quality assurance and improvement program: some considerations for central banks”

S.Polizzi, F.Lupo, S.Testella.

TQM Journal, Emerald Publishing Limited

DOI 10.1108/TQM-05-2021-0128

Emerald Insight at <https://www.emerald.com/insight/1754-2731.htm>

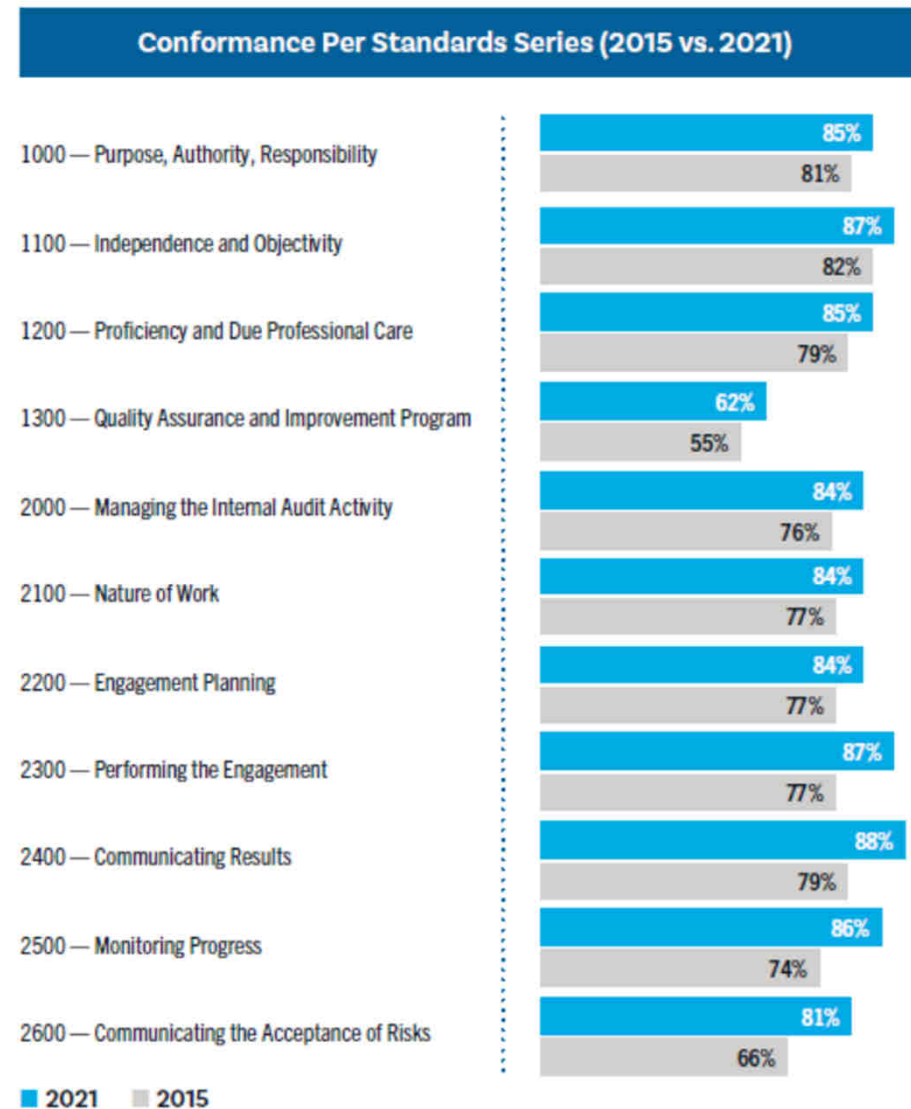
Thank you! Q&A

BACKGROUND SLIDES

BAD NEWS

The standards on
QAIP are the least
complied with by
the CAE

62% (was 55%)



Source: 2022 Premier Global Research, IIA & Internal Audit Foundation
AUDIT MASTERS 2024 - 9TH ANNUAL INTERNAL AUDIT FORUM - 23-24 MAY 2024 - LISBON

SOME IMPROVEMENTS (OVER 15 YEARS OF QAIP)



- Audit Charter review
- **Audit Committee set-up**
- Audit Policy review



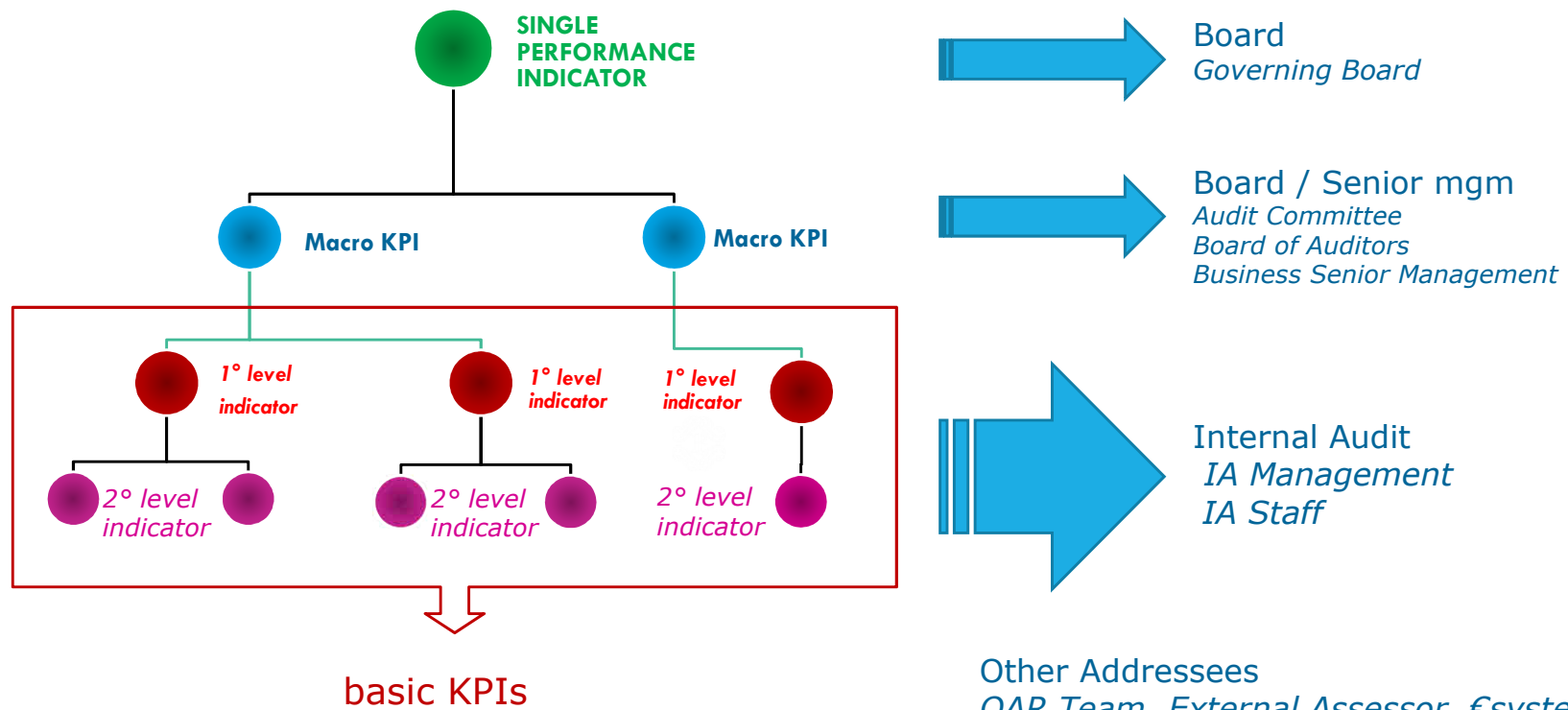
- Methodology review
- Audit Software
- Follow-up process
- **Planning process**
- **Use of data analytics**
- Oversight activity
- **Review of KPI**
- **Competency Mapping**



- **Audit Report template**
- **Reporting**
- Business relations model
- Advocacy Policy



THE SCHEME AND THE ADDRESSEES



CONCEPT FOR A KPI ON ADDED VALUE

4 Drivers of Added Value

PROFESSIONALISM

- *Does the IAD comply with the IIA Standards, ensuring a high level of professionalism?*

EXPECTATION

- *Are the expectations from stakeholders considered when planning the internal audit activity?*

EXECUTION

- *Is the IA function (including planning, fieldwork, reporting and follow-up) developed in an effective way?*

PERCEPTION

- *How do stakeholders perceive the value added by the IAD?*