Since the 2008 financial crisis it is more important than ever for internal audit to be seen as a credible business partner, able to identify control weaknesses that may undermine business drivers or breach regulatory requirements.

The regulatory environment is becoming more demanding of banks and other financial organisations who need independent assurance that they can satisfy regulatory requirements.

In the financial services sector, published in July 2013. The need for the internal audit function to play a more significant role in supporting Non-Executive and Executive Management of financial services organisations to manage risks and regulatory requirements. In particular, Grant Thornton has been engaged with the CIIA’s initiative to produce a revised code for internal audit. The role of the internal audit function has been reflected by the Chartered Institute of Internal Auditors (CIIA) in their strategic plan for the financial services sector, as published in July 2013.

We believe that the components set out below are fundamental to the success of internal audit. Our approach is to provide an in-depth assessment of each of these using our Grant Thornton effectiveness assessment methodology.

A methodology should provide a structure for auditors to work within, producing a clear, repeatable audit trail of evidence to support audit findings. The profile and standing of an internal audit function is one of its greatest assets. We will evaluate the role, reputation and impact of internal audit in the organisation, as a separate exercise or as part of a wider internal audit effectiveness review.

The revised CIIA code, from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). We believe that the components set out below are fundamental to the success of internal audit. Our approach is to provide an in-depth assessment of each of these using our Grant Thornton effectiveness assessment methodology.

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The importance of a robust planning process sets the tone and scope of the contribution that internal audit makes towards the success of an organisation. It should be risk based, flexible and aligned to the strategic business drivers and risk appetite set by the board and the operating plan of the business.

We will assess the quality of the output from the internal audit function. Audit reports should be compelling and reported in a timely, clear and concise way. Recommendations made need to be a real difference towards the improvement of the control environment.

Our approach and methodology to assessing your internal audit function

Audit Effectiveness Reviews (IAERs) which is tailored to meet individual client requirements. Our approach goes beyond the requirements of the CIIA standards and adds value by considering the bigger picture of internal audit, not just ticking boxes from a desk top file review.

The board and the operating plan of the business. The profile and standing of an internal audit function is one of its greatest assets. We will evaluate the role, reputation and impact of internal audit in the organisation, as a separate exercise or as part of a wider internal audit effectiveness review.

The diagram below summarises our methodology.

Our approach is to perform targeted structured interviews with key stakeholders and senior internal audit staff which together with a detailed review of documentation, enable us to provide an opinion on the quality and effectiveness of the internal audit function and its people.

A changing environment

Internal audit functions need to position themselves to enable effective delivery of these increasing expectations.

Grant Thornton has developed a specific methodology for performing Internal Audit Effectiveness Reviews (IAERs) which is tailored to meet individual client requirements. Our approach goes beyond the requirements of the CIIA standards and adds value by considering the bigger picture of internal audit, not just ticking boxes from a desk top file review.

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Raising the standards

We are pleased to provide you with independent assurance on the effectiveness of your internal audit functions. We are proactively engaged with the CIIA and regulatory authorities to improve the internal audit profession, to ensure we keep abreast of current and future requirements and best practice globally. In particular, Grant Thornton was engaged with the CIIA’s initiative to produce a revised code for internal audit. This, together with our extensive experience in the financial services sector, enables us to:

• provide you with an assessment on whether your internal audit function is able to meet the new challenges from the CIIA’s revised code, from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA);
• help you perform a gap analysis and evaluate the impact of the revised CIIA code, taking into account the size of your organisation, as a separate exercise or as part of a wider internal audit effectiveness review;
• provide you with a view on the appropriateness and suitability of your internal audit governance;
• benchmark you against high performing peers across the industry and against organisations of a similar size, as a separate exercise or as part of a wider internal audit effectiveness review;
• help you determine whether your internal audit function is risk based, flexible and aligned to the strategic business drivers and risk appetite set by the board and the operating plan of the business.

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The profile and standing of an internal audit function is one of its greatest assets. We will evaluate the role, reputation and impact of internal audit in the organisation and its independence and objectivity.

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A methodology should provide a structure for auditors to work within, producing a clear, repeatable audit trail of evidence to support audit findings, whilst not stifling the thought process. A sound quality assurance process needs to be in place which will risk based in its approach and drive quality throughout the function.

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What are the key benefits of an internal audit effectiveness review?

As the third line in the ‘three lines of defence’ model, internal audit’s role is to identify any weaknesses in the first and second lines and to provide independent assurance to stakeholders on the control environment of the firm. The position of internal audit must be clear, objective and independent. It should also work in harmony with the first and second line to ensure an integrated risk management framework.

An IAER will evaluate the role, reputation and impact of internal audit in the organisation, its independence and objectivity.

An IAER provides an independent opinion on the current quality and value provided by the internal audit function in supporting key business drivers and firm-wide strategy.

IAERs offer positive assurance and comfort for audit committees that their internal audit opinion can be relied upon, that the function is fit for purpose and is compliant with enhanced CIIA standards and guidance.

IAERs benchmark the internal audit function against CIIA standards and industry best practice, highlighting areas for improvement, enabling internal audit to stay ahead of the game.

Why Grant Thornton?

• Our market focus covers all aspects of the financial services sector in terms of internal audit, risk and technology, with particular emphasis on banking, capital markets, securities, insurance, investment management, exchanges and multilateral trading facilities.

• We regularly undertake IAERs of internal audit functions in the financial services sector, ranging across organisations of all sizes.

• IAERs are performed by senior, experienced people who have held senior roles in internal audit departments. Our team will draw on their internal audit and industry experience, as well as the provision of similar services to clients, to deliver a first class service.

• We understand that there is no ‘one size fits all’ for internal audit functions and the most important element of our review will be to consider whether internal audit is fit for purpose for the business it supports, taking into account proportionality.

Who should I contact for assistance?

To understand more about our internal audit quality & effectiveness reviews or a wider range of our services, please contact:

Mohamad Nassar
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mohamad.nassar@ae.gt.com

How we can help

Grant Thornton will perform a structured review of your internal audit function using our proven methodology in the UAE and globally as required. Based on our understanding of the CIIA standards and industry best practices, we can provide positive assurance where the function is fit for purpose and also recommend changes and robust action plans that would enhance effectiveness. Using our first-hand knowledge from working with the internal audit functions of small and medium-sized enterprises as well as major financial services firms, we will benchmark your internal audit function against your high performing peers.

Your review will be delivered by a focused team of our most senior internal audit specialists, with extensive experience of banking, capital markets, securities, insurance and investment management services. Their experience gives them the opportunity to provide a balanced and independent review of your internal audit function against the standards and guidance of the CIIA and industry best practice.

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Their expertise comes from having spent time within the internal audit departments of some of the largest and most complex organisations globally. Their experience allows them to understand your needs and to take an approach in the context of your business to maximise our efforts to support you.

Internal audit quality & effectiveness reviews

Working in partnership to help you enhance the quality and effectiveness of your internal audit function