

“Internal Audit Quality Assurance and Continuous Improvements”

-WUAB Annual Forum, November 20/21, 2024-



Mohamed Yehia

Group Chief Audit Executive – Banque Misr

- 25 years of experience in internal / external auditing. Before joining Banque Misr as a Group CAE, he was the CAE at ADIB -Egypt & the Chairman of "End of Service Fund".
- Before serving at ADIB, Mr. Yehia was “Director” at KPMG-Hazem Hassan, auditing “Financial Sector & Contracting”.
- He is currently the Chairman of the Standards Committee at ARABCIIA.
- He is a CPA, CIA, CISA, CFIP & MBA holder.
- His scope of expertise includes auditing F/S, Fraud Investigations, Cross-Border, QA, IT, Info Sec, Corporate / Retail Credit Risk, Compliance, Financial Due Diligence for Financial Institutions for Mergers & Acquisitions.
- Guest Speaker in UAE-IIA / GRC Summit/ World Union of Arab Bankers / ARABCIIA



Kamal Yacoub

CCSA, CQA, General Manager, Head of Audit Governance , Quality Assurance & Follow-up – Banque Misr

- 25+ years of experience in Governance, Risk Management, Internal Control, Internal Audit and Quality Assurance, mainly at Egyptian American Bank- Egypt, National Commercial Bank-KSA, Abu Dhabi Commercial Bank- UAE, Union National bank- UAE, Abu Dhabi Islamic bank-Egypt, and Banque Misr- Egypt.
- Key pillar in the transformation and reengineering of Risk Management Sector and Internal Audit Sector in conformance with the international best practices, Basel accord, IIA standards and guidelines.
- Guest speaker in UAE-IAA/ GRC summit/ Federation of Egyptian banks/ World Union Of Arab Bankers / Arab Academy For Management And Banking.
- A Formal Training Instructor at the “Central Bank of Egypt”.



Index:

#	Questions addressed in our Workshop	Page No.
1	What is the IPPF Evolution Project initiated by The IIA and its objectives?	<u>6-8</u>
2	What is the Old Framework versus the New?	<u>9-23</u>
3	What are The Conformance Milestones ?	<u>24-25</u>
4	What are examples of mapping differences between 2017 & 2024 Standards?	<u>26-72</u>
5	What are Next steps and Future Milestones?	<u>73-74</u>
6	CIA Exam : Why & How It's changing?	<u>75-78</u>



Conformance is a journey, not a destination.

1.What is the IPPF Evolution Project initiated by The IIA and its objectives?

1. What is the IPPF Evolution Project initiated by The IIA and its objectives?

- The IIA **kicked off** the **project in 2020** to **modernize and transform** the IIA Standards and ensure their relevance and responsiveness to today's challenges.
- The greatest preliminary effort was **a public survey** about the 2017 standards and other elements of the IPPF.
- The survey was offered **in different languages** and was open from August 18th to September 16th ,2021. Responses came from **3,618 individuals from 159 countries**.
- A **draft of Standards** was issued along with **mapping** document, **Q4, 2023**.
- The new Global Internal Audit Standards are **released and published on January 9th , 2024** and will become **effective January 9th , 2025**.
- The old version, the International Standards for the Professional Practice of Internal Auditing, released in 2017, remains approved for use during a **one-year transition period**.
- The **New Quality Assessment Manual** is issued in **October, 2024** ,which contains a recommended approach to assessing an internal audit function's conformance with the requirements of the Global Internal Audit Standards and achievement of the principles and Purpose of Internal Auditing.

1. What is the IPPF Evolution Project initiated by The IIA and its objectives?

1. Simplify the structure of the IPPF.
2. Clarify and align all elements.
3. Ensure that the Standards and Guidance are timely, practical, and applicable and address emerging topics (*example: Sustainability – ESG*).
4. Communicate and advocate the Standards to not only internal auditors, but also stakeholders and regulators.

Example:

Standard 11.1 Building Relationships and Communicating with Stakeholders

- The chief audit executive and internal auditors may initiate discussions with management and the board about strategies, objectives, and risks as well as industry news, trends, and regulatory changes.
- Such discussions, along with surveys, interviews, and group workshops, are useful tools for obtaining input, especially on fraud and emerging risks.
- Websites, newsletters, presentations, and other forms of communication can be effective methods for sharing the internal audit function's role and benefits with employees and other stakeholders.

Standard 1.2 Organization's Ethical Expectations

Examples of Evidence of Conformance: Documentation demonstrating that ethical issues were communicated to the board, senior management, and regulators in accordance with the organization's policies and relevant laws and/or regulations.

5. Enhance internal audit performance and quality and preserve and enhance organizational value. (*value creation*)

2.What is the Old Framework versus the New?

2. What is the Old Framework versus the New?



<i>Side note: Current standards :</i>	<i>25 pages, the verb "must": 130x</i>
<i>Current Implementation Guides:</i>	<i>181 pages, the verb "Should": 129x</i>
<i>New GIAS:</i>	<i>120 pages, the verb "Must" : 238x</i>
<i>Current SGs:</i>	<i>64 (model charter, fraud, cyber security, liquidity</i>

2. What is the Old Framework versus the New?

Framework Components

2017



2024



Framework Components

- The IPPF includes [Global Internal Audit Standards](#), [Topical Requirements](#), and [Global Guidance](#).

Mandatory	Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a <u>basis for evaluating</u> and elevating the quality of the internal audit function.
	Topical Requirements are designed to <u>enhance</u> the consistency and <u>quality</u> of internal audit services related to <u>specific audit subjects</u> and to support internal auditors performing engagements in those risk areas (<i>min audit program</i>)
Supplemental	<p>Global Guidance supports the Standards by providing <u>nonmandatory</u> information, advice, and <u>best practices</u> for performing internal audit services. <u>Examples on subjects including</u>:</p> <ul style="list-style-type: none"> - Assurance and advisory services. - Engagement planning, performance, and communication. - Financial services. - <u>Fraud</u> and other pervasive risks. - Strategy and management of the internal audit function. - <u>Public sector</u>. - <u>Sustainability</u>. - Global Technology Audit Guides (GTAG)

- The IIA is **updating its guidance** in accordance with the new Global Internal Audit Standards. In the meantime, **existing** titles **will remain in effect until January 2025 and beyond as necessary**.

1) 5 Domains, 15 Principles & 52 Standards:



Domain I. Purpose of Internal Auditing



Domain II: Ethics and Professionalism



1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Professional Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Ethical Behavior

2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

2.1 Individual Objectivity

2.2 Safeguarding Objectivity

2.3 Disclosing Impairments to Objectivity

3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

3.1 Competency

3.2 Continuing Professional Development

4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

4.1 Conformance with Global Internal Audit Standards

4.2 Due Professional Care

4.3 Professional Skepticism

5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

5.1 Use of Information

5.2 Protection of Information

Domain III: Governing the Internal Audit Function



Domain III standards include “essential conditions” for an effective internal audit function.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

Domain IV. Managing the Internal Audit Function



9. Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

9.1 Understanding Governance, Risk Management, and Control Processes

9.2 Internal Audit Strategy

9.3 Methodologies

9.4 Internal Audit Plan

9.5 Coordination and Reliance

10. Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

11. Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

Domain V. Performing Internal Audit Services



13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

13.1 Engagement Communication

13.2 Engagement Risk Assessment

13.3 Engagement Objectives and Scope

13.4 Evaluation Criteria

13.5 Engagement Resources

13.6 Work Program

14. Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

14.1 Gathering Information for Analyses and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward implementation of recommendations or action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans

2) Topical Requirements:

Whereas the Standards cover core internal audit elements and are universally applicable, Topical Requirements will be applicable only to specific audit topics or engagements that are designated within an organization's annual audit plan.

❖ What is the intent of Topical Requirements?

- ✓ Topical Requirements **ensure** that all internal audit functions – large, small, private, or public – apply **consistent audit methodology** when assessing the effectiveness of governance, risk management, and controls of a particular topical area.

- ✓ Topical Requirements are intended to:
 - **Raise** the internal audit function's professionalism and performance.
 - **Improve** the quality and value of internal audit services.
 - **Provide comfort** to stakeholders that **critical elements** are addressed within a particular audit area.

2) Topical Requirements:

❖ Are Topical Requirements mandatory?

- ✓ Auditors are not required to include Topical Requirements in their annual audit plans.
- ✓ If a subject from Topical Requirements is included in the annual audit plan, it become **mandatory** to **demonstrate conformance** with the Topical Requirements **when executing** the testing **specific** to the audit topic/engagement.

Topical Requirements **ARE**:

- Required when providing assurance on a specified risk area.
- Subject to applicability as determined by risk-based internal audit plan. Limitations must be documented.
- Baseline for engagement performance when the risk area is subject to review.
- Inclusive of aspects of governance, risk management, and control processes.
- Subject to external quality assessment.

Topical Requirements **ARE NOT**:

- Requirements to perform an engagement on the topic.
- Comprehensive work programs.
- Designed to address emerging topics.
- Substitutes for risk assessments or professional judgment.
- Designed to circumvent or supplant legal and regulatory requirements.

2) Topical Requirements:

- ✓ Topical Requirements are divided into two sections:
 1. Requirements, which are mandatory and cover essential organizational objectives.
 2. Considerations, which are not mandatory but serve as best practices for evaluating the design and implementation of organizational objectives.

❖ What subjects will be addressed? (during 2024)

1. Assessing Organizational Governance
2. Cybersecurity. **(The Draft is issued in April 2024 & available in multiple languages. This draft is currently being revised by the Global Guidance Council to incorporate the feedback gathered during a 90-day public comment period).**
3. Fraud Risk Management
4. Information Technology Governance
5. Privacy Risk Management
6. Sustainability: Environmental, Social & Governance
7. Third-party Management
8. Public Sector-specific: Performance Audits



#	Document Name	Issuance Date
1	New Global Internal Audit Standards - English Version	January 2024
2	Condensed Global Internal Audit Standards (Only Requirements)	January 2024
3	Glossary Comparison 2024 GIAS to 2017 Standards	February 2024
4	Two Way Mapping	February 2024
5	Guide to build the IA charter + IIA Model Charter	March 2024
6	New Global Internal Audit Standards - Arabic Version	April 2024
7	GPG - Assessing Fraud Risk Governance and Management at the Organizational Level (3rd Edition)	April 2024
8	Topical Requirement - Cybersecurity	April 2024
9	GTAG - Auditing Network and Communications Management - 2nd Edition	May 2024
10	CAE's Guide to Domain III	May 2024
11	Conformance Assessment Readiness	May 2024
12	GPG - Unique Aspects of IA in the Public Sector (2nd Edition)	June 2024
13	GPG - Auditing Liquidity Risk Management for Banks (3rd Edition)	June 2024
14	GPG - Building an Effective Internal Audit Function in the Public Sector - 2nd Edition	June 2024
15	GPG - Auditing Culture (2nd Edition)	July 2024
16	GPG – Assessing the Risk Management Process (2 nd Edition)	July 2024
17	GTAG - Auditing Mobile Computing (2nd Edition) - Sept.2024	September 2024
18	2025 Risk in focus- hot topics for internal audit	September 2024
19	IIA Audit Tool - Ethics and Professionalism Acknowledgement- Oct.2024	October 2024
20	Global Knowledge Brief - Cybersecurity - Part 1 Cyber Threats in an AI-Enhanced World	October 2024
21	GPG - Auditing Cyber Incident Response and Recovery 2nd Edition	October 2024
22	Quality Assessment Manual	October 2024

Various Documents were published till date : Check IIA Global Website



The IIA has been awarded Gold Award from the American Society of Association Executives “ASAE” for the launch of the new Global Internal Audit Standards.

ASAE is a prominent society established in 1920 to provide education and also gives awards to most influential institutions in various fields (engineering, medicine, finance...) for their positive impact in enhancing the community.

3. What are the Conformance Milestones?



Material Milestones :

1. Conform with 2017 Standards.
2. Cover comments resulted from last EQA based on 2017 Standards. (BM: Only 1 Improvement point)
3. Study main changes from readiness assessment document.
4. Adapt the change in the New Global Internal Audit Standards and Global Practice Guides.

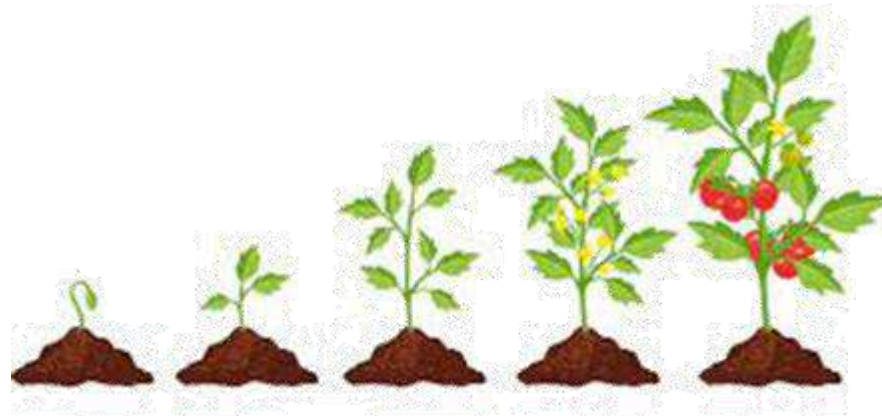
Equation :

Rectification of gaps from recent External Quality Assessment report + Changes between 2017 & 2024 = Conformance with New Global Internal Audit Standards

Action needed:

Long journey of revamping the entire audit function (plan, strategy, IA charter, AC charter , methodologies, reports, code of ethics , ... to embed all 2024 changes

4. What are examples of mapping differences between 2017 & 2024 standards?



Domain I: Purpose of Internal Auditing



Domain I: Purpose of Internal Auditing

Purpose:

2017

Mission and Purpose:

- Internal audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
- Internal audit's purpose is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations.

Definition:

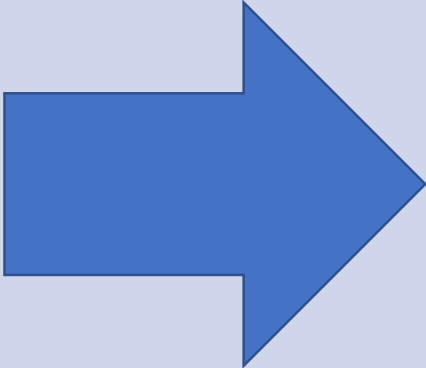
- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.
- It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management,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

(Side note: redundancies and repeated words in above bullets)

2024

Purpose Statement:

- Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- Internal auditing enhances the organization's:
 - Successful achievement of its objectives.
 - Governance, risk management, and control processes.
 - Decision-making and oversight.
 - Reputation and credibility with its stakeholders.
 - Ability to serve the public interest.
- Internal auditing is most effective when:
 - It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
 - The internal audit function is independently positioned with direct accountability to the board.
 - Internal auditors are free from undue influence and committed to making objective assessments.

Insight		Foresight
<p>The capacity to gain an accurate and deep understanding of someone or something happening now. Insight is something that answers question WHY? What matters now and why?</p> <p>(e.g. Analyze the reasons for a current fraud)</p>		<p>The ability to accurately predict outcomes of proposed decisions and actions.</p> <p>(e.g. Detect EWS for a fraud)</p>

Purpose:

IIA Vision 2035:

“In a future shaped by technological innovation and collective efforts to address global challenges, the role of internal auditors will evolve into that of **strategic advisors**”.



Terms having almost the same conceptual framework:

Strategic advisor, strategic partner, trusted advisor, foresight, add value, create value, agile, foresight.

Practical Examples For The Foresight Role

How To Adopt These Techniques ?

- 1- Use of advanced data analytics tools & automated working paper flow
- 2- Hire from the business and risk management / Guest Audit approach / SME transfer of knowledge
- 3- Changing the stereotyping: Uplift The Business Acumen and technical knowledge of IA staff & not only be talented in discovering the mistakes
 - Member in a sustainability committee : IFC 8 PS, reading the GRI, impact of IFRS S1 and S2, impact of TCFD
 - Member in invest. Committee: Financial analysis, technical analysis, speculation, IRR, RORWA
 - Reviewing a credit portfolio: Vintage analysis, stress testing
 - Reviewing a corporate portfolio: Advanced cash flow, early warning signs, Basel rules
- 4- Reviewing the design of bank policies and procedures instead of assessing the conformance to P&P
- 5-Flexible plan and ad-hocs missions to mitigate emerging incidents
- 6-More close interaction with other assurance providers (who do what when and how)
- 7-Continuous reading and studying for IIA publications and big 4 Audit firms for best international practices

Domain II: Ethics and Professionalism



IIA Audit Tool :Global Internal Audit Standards - Ethics and Professionalism Acknowledgement

3.1 – Competency.

3.2 – Continuing Professional Development.

4.3 – Professional Skepticism.

IIA Audit Tool

Global Internal Audit Standards

Ethics and Professionalism Acknowledgement



Tool Description :


- The document provides the principles and requirements from Domain II. “Ethics and Professionalism of the Global Internal Audit Standards.
- An acknowledgement page that internal auditors can sign to demonstrate that they have read and understood Domain II and agree to conform with its requirements.



Domain II: Ethics and Professionalism :

- Principles and standards in the Ethics and Professionalism domain replace The IIA's former Code of Ethics and outline the behavioral expectations for professional internal auditors.
- If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor.

Domain II: Ethics and Professionalism

2017	2024
<p><u>Not standards but:</u></p> <p><u>Code of Ethics - Rules of Conduct:</u></p> <ol style="list-style-type: none">1.Integrity2.Objectivity3.Confidentiality4.Competency 	<p><u>Covered in:</u></p> <p><u>Domain II:</u></p> <ol style="list-style-type: none">1. <u>Principle 1 : Demonstrate Integrity:</u><ul style="list-style-type: none">• Standard 1.1 Honesty and Professional Courage• Standard 1.2 Organization's Ethical Expectations• Standard 1.3 Legal and Ethical Expectations2.Principle 2 : Maintain Objectivity3.Principle 3: Demonstrate Competency4.Principle 4: Due Professional Care5.Principle 5: Maintain Confidentiality

Domain II: Ethics and Professionalism

Standard 3.1 – “Competency”:

Standard 3.2 – “Continuing Professional Development”:

I. Requirements: Standard 3.2 :

- Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.
- Internal auditors must possess or develop knowledge of The IIA’s Global Internal Audit Standards.

Standard 3.1 – “Competency”:

Standard 3.2 – “Continuing Professional Development”:

II. Consideration for Implementation / Examples of Evidence of Conformance as proposed by IIA: Standard 3.1:

- To develop and demonstrate competencies, internal auditors may seek relevant training not only in internal audit methodologies but also on business activities relevant to the organization.
- Documented competencies reviews of internal auditors.

Standard 3.1 – “Competency”:
Standard 3.2 – “Continuing Professional Development”:

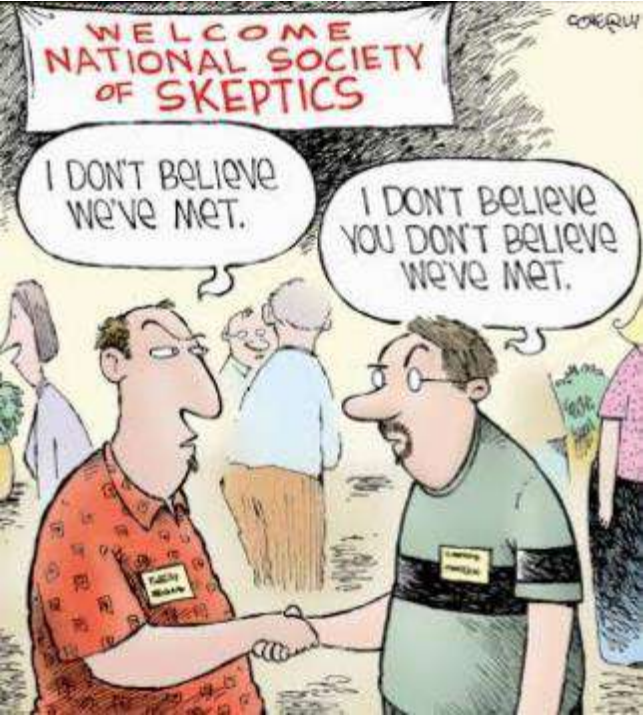
III. Evidence of Conformance:

First: the IIA 10 Auditor Competencies Framework.

1. Ethics	2. Internal Audit Management
3. International Professional Practices Framework	4. Governance, Risk, and Control
5. Business Acumen	6. Communication
7. Persuasion and Collaboration	8. Critical Thinking
9. Internal Audit Delivery	10. Improvement and Innovation

Domain II: Ethics and Professionalism

Standard 4.3 Professional Skepticism - NEW:

2017	2024
<div><p>A cartoon showing two men shaking hands. A sign above them reads 'WELCOME NATIONAL SOCIETY OF SKEPTICS'. Both men have speech bubbles saying 'I DON'T BELIEVE WE'VE MET.' The man on the left is wearing a red shirt with a 'Fidelity Investments' name tag. The man on the right is wearing a green shirt with a 'Lombard' name tag.</p></div> <div><p>Side note: Not found in all standards, only in IG 1120- individual objectivity in brief.</p></div>	<p><u>Standard 4.3 Professional Skepticism:</u></p> <ul style="list-style-type: none">Internal auditors must exercise professional skepticism when planning and performing internal audit services.To exercise <u>professional skepticism</u>, internal auditors <u>must</u>:<ul style="list-style-type: none">Critically <u>assess the reliability</u> of information.Be <u>straightforward</u> and honest when raising concerns and <u>asking questions about inconsistent information</u>.<u>Seek additional evidence</u> to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading. <p><i>(e.g. the ability to link all minor incidents to reach a conclusion: delay in FYE preparation, history of past dues, conflict in management. So client is intentionally hiding losses)</i></p>

Standard 4.3 Professional Skepticism - NEW:

❖ Considerations for Implementation:

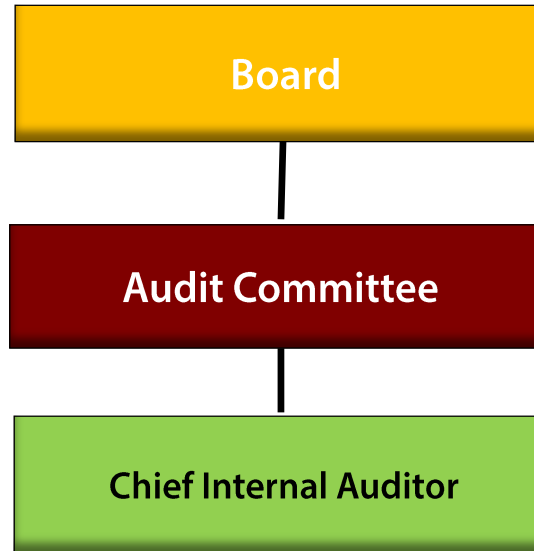
- Professional skepticism enables internal auditors to make objective judgments based on facts, information, and logic, rather than trust or belief.
- Skepticism is the attitude of always questioning or doubting the validity and truthfulness of claims, statements, and other information.
- If internal auditors determine that information is incomplete, inconsistent, false, or misleading, they should perform additional analyses (*the higher the doubt, the higher the testing*) to identify the correct and complete information needed to support engagement results.

❖ Examples of Evidence of Conformance:

- Workpapers identifying an internal auditor's approach to evaluate and validate information gathered during an engagement.
- Documentation that false or misleading information was handled as an engagement finding.



Domain III : Governing the Internal Audit Function



IIA - Chief Audit Executive's Guide to Domain III: Governing the Internal Audit Function

6.1 – Internal Audit Mandate

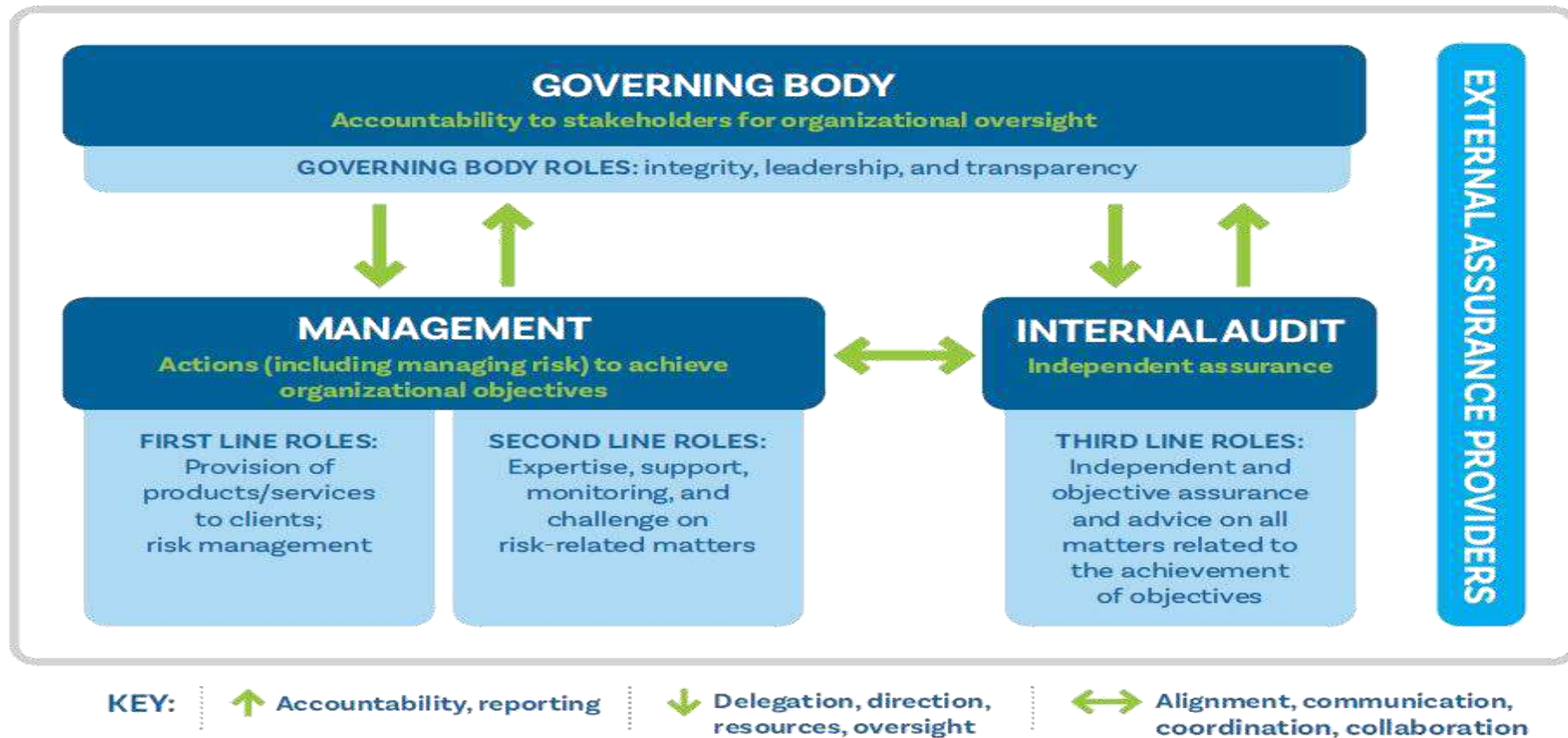
6.2- Internal Audit Charter

8.1 – Board Interaction.

8.3 – Quality & 8.4 – External Quality Assessment.

IIA - Chief Audit Executive's Guide to Domain III: Governing the Internal Audit Function :

I. The Three Lines Model: represents an update by The IIA of the globally recognized Three Lines of Defense Model.



The six principles in the model are:

1. **Governance** – Organizations require structures and processes that enable accountability, actions, and independent assurance and advice.
2. **Governing Body Roles** – The governing body ensures (a) appropriate structures and processes are in place and (b) organizational objectives and activities are aligned with the prioritized interests of stakeholders. The governing body delegates responsibility and resources and oversees an independent, objective, and competent internal audit function.
3. **Management and First and Second Line Roles** – Management’s responsibility is to achieve organizational objectives. The first and second line roles help enable actions to achieve objectives.
4. **Third Line Roles** – The internal audit function provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.
5. **Third Line Independence** – The internal audit function’s independence from management responsibilities is critical to its objectivity, authority, and credibility.
6. **Creating and Protecting Value** – All roles working together collectively contribute to creating and protecting value when they are aligned with each other and with the prioritized interests of stakeholders.

IIA - Chief Audit Executive's Guide to Domain III: Governing the Internal Audit Function :

II. Identifying and Assessing Gaps:

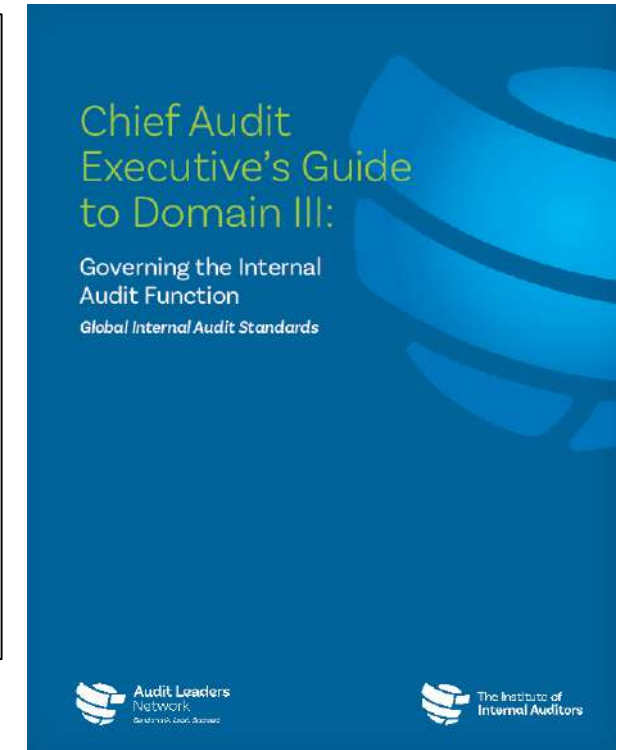
A recommended approach to identify and assess gaps in Domain III is for the CAE to:

1. Create a spreadsheet or table with all the Domain III CAE requirements, board essential conditions, and senior management essential conditions.
2. For the CAE requirements:
 - a. Identify, assess, and document current conformance.
 - b. Establish action plans to address identified gaps before the Global Internal Audit Standards become effective (either January 9, 2025, or one year after a new internal audit function is established).
 - c. Monitor progress on those actions to close all gaps before the Standards become effective.
3. Conduct the meetings and other communications with the board and senior management described in section 2 of this guide. Note that these discussions may occur in a formal meeting or meetings or may be part of various formal and informal communications.

IIA - Chief Audit Executive's Guide to Domain III: Governing the Internal Audit Function :

III. Dealing with Disagreement:

- The CAE should expect that the board and/or senior management may not initially embrace the essential conditions and associated responsibilities and should be prepared to answer questions.
- Provided possible questions that the CAE may get from the board or senior management and potential responses (14 Questions).



Domain III : Governing the Internal Audit Function

Standard 8.1 Board Interaction:

❖ Standard:

2017

Standard 1111 – Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.



Side Note: very generic

2024

Standard 8.1 Board Interaction:

- The CAE must provide the board with the information needed.
- This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.
- The Board set expectations with CAE for:
 - 1.The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.

Standard 8.1 Board Interaction:

❖ Practical Example :

“Active Regulator”

- Governance and internal controls rules at banks (September 2024).
- Reviewing risk appetite framework “RAF” (October 16,2024).
- IFRS-S1 , IFRS-S2 for sustainability and climate change (negative impact on provisions).
- Revised Stress testing rules (March 2024).
- IAS 29 (for economy with excessive inflation: cumulative 100% in 3 years) – Negative impact on value of Assets and Liabilities.

Standard 8.1 Board Interaction:

❖ Practical Example “CAE Trusted Advisor -Proactive Risk Assessment on Global Risks”:

Global – Top 5 Risk Levels – Trend

Survey questions: What are the top 5 risks your organization currently faces?
What do you think the top 5 risks will be 3 years in the future?

Last Year's Risk		Current Year's Risk		Risk Expectations in 3 Years	
1. Cybersecurity	73%	1. Cybersecurity	73%	1. Cybersecurity	69%
2. Human capital	51%	2. Business continuity	51%	2. Digital disruption (including AI)	59%
3. Business continuity	47%	3. Human capital	49%	3. Business continuity	47%
4. Regulatory change	39%	4. Digital disruption (including AI)	39%	4. Human capital	42%
5. Digital disruption (including AI)	34%	5. Regulatory change	38%	5. Climate change/environment	39%
6. Financial liquidity	32%	6. Market changes/competition	32%	6. Regulatory change	37%
7. Market changes/competition	32%	7. Financial liquidity	31%	7. Geopolitical uncertainty	31%
8. Geopolitical uncertainty	30%	8. Geopolitical uncertainty	30%	8. Market changes/competition	30%
9. Governance/corporate reporting	27%	9. Governance/corporate reporting	25%	9. Financial liquidity	25%
10. Supply chain (including third parties)	26%	10. Organizational culture	24%	10. Supply chain (including third parties)	24%
11. Organizational culture	26%	11. Fraud	24%	11. Governance/corporate reporting	22%
12. Fraud	24%	12. Supply chain (including third parties)	23%	12. Fraud	21%
13. Communications/reputation	21%	13. Climate change/environment	23%	13. Organizational culture	20%
14. Climate change/environment	19%	14. Communications/reputation	20%	14. Communications/reputation	15%
15. Health/safety	11%	15. Health/safety	11%	15. Health/safety	10%
16. Mergers/acquisitions	6%	16. Mergers/acquisitions	6%	16. Mergers/acquisitions	9%

❖ Practical Example “CAE Trusted Advisor -Proactive Risk Assessment on ESG Global Risks”:

Environmental and Social Risk Management System:

ESRMS (or ESMS)?

What is it?

Environmental & Social Risk Management System (ESRMS) is a **framework** that **integrates environmental and social risk management** into a Financial Institution's business processes.

ESRMS is a set of **actions and procedures** that **are implemented concurrently** with the Financial Institution's existing risk management procedures.

These procedures can be written down in a **stand-alone** document or **integrated** in a Financial Institution's existing risk management procedures.

What does it do?

Ensures that the Financial Institution's activities are in compliance with its environmental and social standards.

ESRMS helps the Financial Institution to avoid or manage loans with potential environmental and social risks.

ESMS helps clients of FIs to mitigate E&S risks and identify opportunities to achieve business results (i.e. increase profits, enter new markets).

How to manage Environmental and Social Risks?

- The IFC Performance Standards are a set of guidelines developed by the International Finance Corporation (IFC) to help businesses manage environmental and social risks and impacts.
- These standards are designed to promote sustainable development and responsible investment.
- **Note: all banks receiving loans from the IFC are required to abide with these standards, due diligence checklist is to be prepared for borrowers**



Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts:

- Requires identifying and assessing potential environmental and social risks and impacts.
- Emphasizes the importance of stakeholder engagement.

Key Components



Performance Standard 2: Labor and Working Conditions:

- Focuses on fair treatment, non-discrimination, and the right to freely chosen employment.
- Promotes safe and healthy working conditions.

Key Components

PS 2.1: Working Conditions and Management of Worker Relationship

PS 2.2: Protecting the Work Force

PS 2.3: Occupational Health and Safety

PS 2.4: Workers Engaged by Third Parties

PS 2.5: Supply chain

Performance Standard 3: Resource Efficiency and Pollution Prevention and Management :

Encourages efficient use of resources, including energy and water, and the reduction of pollution.

Objective of ESS3

- (a) To promote the sustainable use of resources, including energy, water, and raw materials.
- (b) To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities.
- (c) To avoid or minimize project-related emissions of short- and long-lived climate pollutants (greenhouse gases)
- (d) To avoid or minimize generation of hazardous and nonhazardous waste.
- (e) To minimize and manage the risks and impacts associated with pesticide use.

Performance Standard 4: Community Health, Safety, and Security:

Addresses the health and safety of communities affected by projects, including risks to vulnerable populations.

Key Components

PS 4.1: Community
Health and Safety

PS4.2 : Security
Personnel

Performance Standard 5: Land Acquisition and Involuntary Resettlement:

Aims to avoid or minimize displacement and ensure that affected people are compensated and supported.

Key Components



Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources:

Promotes the conservation of biodiversity and sustainable management of natural resources.

Key Components



Performance Standard 7: Indigenous Peoples:

Recognizes the rights of Indigenous Peoples and requires their informed consultation and participation in projects affecting them.

Not Applicable in Egypt

Performance Standard 8: Cultural Heritage:

Protects cultural heritage and requires consideration of cultural impacts in project planning.

Key Components

PS 8.1 Protection of
Cultural Heritage in
Project Design and
Execution

PS 8.2 Project's Use
of Cultural Heritage

Domain III : Governing the Internal Audit Function

Standard 8.3 Quality + 8.4 External Quality Assessment:

❖ When will the new standards be in effect for a quality assessment?

It will be effective 12 months after they are published.

❖ Today is 21st of November, 2024. What will be the framework to be applied in the EQA for the following scenarios ?

EQA Scenarios	Framework to be applied
If <u>Due in 2024</u>	<ol style="list-style-type: none">1. The quality assessment <u>should be conducted</u> as scheduled in conformance with the <u>current IPPE</u>.2. A <u>gap assessment</u> should be considered in 2024 in addition to the current EQA to <u>prepare for the transition</u>.
If <u>Due in 2025</u>	<ol style="list-style-type: none">1. <u>You may accelerate</u> your assessment under <u>the existing IPPE</u> to be conducted <u>in early 2024</u> (because the 5 years is the maximum range)2. A <u>readiness assessment</u> can be conducted in 2024 <u>to identify any gaps</u> for the implementation of the Global Internal Audit Standards.
If <u>Due in 2026 or beyond</u>	Proceed with the assessment under the <u>New Global Internal Audit Standards</u> .

Standard 8.3 Quality + 8.4 External Quality Assessment:

Comparison between 2017 QAIP edition and 2024 edition

I. Templates Index:

Templates	Description
A1- A6	Planning
B1-B2	Surveys
C1-C3	Interviews
D1-D6	Field Work
E1-E2	Evaluation
F1-F2	Final Reports
G1	Documents Gap Assessment

II. Main Similarities:

1. Same flow of planning (A), fieldwork (D), evaluating (E) and reporting (F)
2. Same template for documents required (A1) : 44 IDRs versus 43 IDRs
3. Same surveys (Internal and External) (B)
4. Same interviews (Internal and External) (C)
5. Same 2 types of EQA assessments (full external, self-assessment with independent validation)
6. Same approach of highlighting successful practices and areas of improvement
7. Same classification for internal QA (on going monitoring and periodic self-assessment)

Comparison between 2017 QAIP edition and 2024 edition (Cont')

III. Main Differences:

1. Assessing 5 domains against 4 pillars

2017	2024
I. Governance	I. Purpose of Internal Auditing
II. Management	II. Ethics and Professionalism
III. Staff	III. Governing the Internal Audit Function
IV. Process	IV. Managing the Internal Audit Function
	V. Performing Internal Audit Services

2. Having a CIA in the external QA team has become mandatory versus preferred

3. Adding a gap assessment for the quality of the 44 documents assessed: (G 1)

- High-level assessment of the confidence in the internal audit function's documentation of conformance with the Standards.

4. Adding a separate checklist called supplemental program for assessing working papers of audit projects/ engagements: "D6", instead of merging the assessment within the "Process" pillar.

5. The 4 tier rating consists of 3 separate dimensions as opposed to 3 tier with only one dimension, for more fair assessment:

1) Conformance with each standard

2) Achieving each principle

3) Achieving overall conformance (principles + purpose)

i.e., you may be GC in terms of standards but FC in terms of both principle and overall conformance (if the not fully standards are having low weight in assessing the overall principle)

2017 Edition

GC-Generally Conforms	PC Partially Conforms	DNC Does Not Conform
<p>means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>	<p>means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization.</p>	<p>means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the Standard to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.</p>

2024 Edition

Quality Rating	For Conclusions on Achieving Overall Conformance	For Conclusions on Achieving Each Principle	For Conclusions on Conforming with Each Standard
Full Achievement (or Full Conformance)	The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the standards related to the principle and the principle's intent.	The internal audit function is fully conforming with all requirements of the standard and the standard's intent.
General Achievement (or General Conformance)	The internal audit function is not fully achieving at least one principle or aspect of Domain I but is achieving the Purpose of Internal Auditing.	The internal audit function is not fully achieving at least one standard but is achieving the principle's intent.	The internal audit function is not fully conforming with at least one requirement but is achieving the standard's intent.
Partial Achievement (or Partial Conformance)	The internal audit function is not fully achieving at least one principle or aspect of Domain I, and the impact is significant enough to rate the function's overall achievement as partially achieving. The CAE may not include in final reports that engagements were performed in conformance with the Standards if the overall achievement conclusion is partial achievement.	The internal audit function is not fully conforming with at least one standard, and the impact is significant enough to rate the function as partially achieving the principle.	The internal audit function is not fully conforming with at least one requirement, and the impact is significant enough to rate the function as partially conforming with the standard's intent.
Nonachievement (or Nonconformance)	The internal audit function is not fully achieving at least one principle, and the impact is significant enough to rate the function's overall conclusion as nonachievement.	The internal audit function is not fully conforming with at least one standard, and the impact is significant enough to rate the function as not achieving the principle's intent.	The internal audit function is not fully conforming with at least one requirement, and the impact is significant enough to rate the function as not achieving the standard's intent.

Example: Principle 11 “Communicate Effectively” consists of 5 individual standards, I may have 4 standards rated “FC” and 1 standard rated “GC” ended up the whole principle is rated “FC”.

Comparison between 2017 QAIP edition and 2024 edition (Cont.)

6. Detailed final report: 55 pages including detailed checklist in the final report (40 pages) to assess conformance of (domain level: 5 domains/ principles level: 15 principles/ standards level: 52 standards)
- Excessive conformance criteria under each standard have been added: 281 Conformance criteria similar to the 87 Focus Point of COSO.
 - The 40 pages checklist is the basis for internal quality assurance function.
 - F1: the report should cover 4 components: (Conformance with standards/Achievement of performance objectives/ Compliance with laws related to internal audit function/CAPs) .

Adding a 5-tier rating for assessing the maturity of IA function (optional but help improving Quality)
(graph)

Maturity Rating	Definition
Optimizing	Processes are measurably well optimized, with a focus on driving innovation, adding strategic value, and contributing to organizational success. Internal auditors are proactive in identifying emerging risks and providing forward-looking insights. The internal audit function is seen as a trusted advisor and partner in achieving organizational objectives.
Managed	The chief audit executive uses key performance indicators and measurable data when managing the internal audit function's performance. Internal auditors use data analytics and technology to enhance the efficiency and effectiveness of internal auditing. Through continuous improvement initiatives, processes are optimized to deliver greater value.
Integrated	Internal audit functions are well-managed and follow standardized processes, focusing on risk-based internal audit planning and performance. Quality assurance processes are established to monitor and improve the efficiency and effectiveness of internal auditing.
Infrastructure	Internal audit functions have an internal audit charter and established methodologies to ensure basic practices and processes for conducting engagements can be performed repeatably. However, the function may achieve only partial conformance with the Standards, with inconsistencies in the application of methodologies.
Initial	Internal audit methodologies are not formally defined or consistently applied. Internal audit activities are reactive, adding little value to the organization and its governance, risk management, and control processes.

7. Assessing the conformance with the topical requirements.

Domain IV : Managing the Internal Audit Function



11.4 – Errors and Omissions

Standard 11.4 – “Errors and Omissions”:

I. Requirements:

If a final engagement communication contains a significant error or omission, the CAE must communicate corrected information promptly to all parties who received the original communication.

Significance is determined according to criteria agreed upon with the board.

II. Consideration for Implementation / Examples of Evidence of Conformance as proposed by IIA:

- To determine the significance, the CAE should evaluate whether the mistaken or omitted information could have legal or regulatory consequences or change the findings, conclusions, recommendations, or management’s action plans.
- The CAE should identify the cause of the error or omission and take corrective action to prevent a similar situation from occurring in the future.

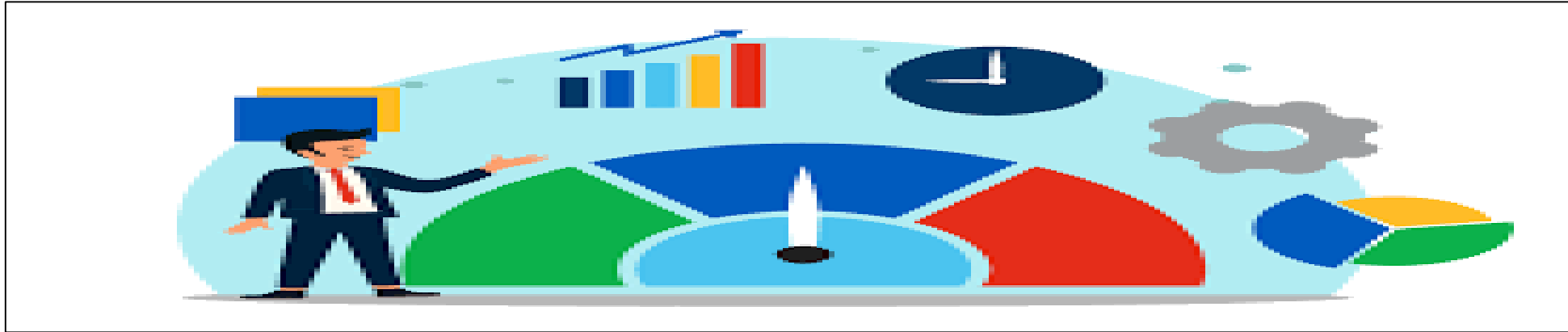
III. Evidence of Conformance :

- Internal audit methodologies for handling errors and omissions.
- Correspondence and other records showing how the CAE determined the significance and cause of the error or omission.
- The original and corrected final communication documents.

Important Note: Standards 2.3 “Disclosing Impairments to Objectivity”:

Requirements: If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the CAE must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation.

Domain V : Performing Internal Audit Services



13.2 – Engagement Risk Assessment
14.5 – Engagement Conclusion

Standard 13.2 – “Engagement Risk Assessment”:

III. Best practices for role of IA in Sustainability Risk:

- 1-Internal auditor should carefully study the regulator and central bank circulars related to sustainability and ESG
- 2- The bank should have a senior management committee and also a board committee for sustainability
- 3- The internal audit sector should have an ESG champion in the adoption of sustainability and to receive appropriate training (preferably the IIA certificate of auditing the ESG)
- 4- Auditor is encouraged to be aligned with the sustainable finance committee at the federation of Egyptian banks (task forces, courses, MOMs).
- 5- Auditor should know the meaning and impact of various ESG language (e.g.: GSSB, SDGs, PRB, GRI, CDP, CFP, detailed components of ESG, MSCI- ESG, GB, zero emissions.....etc.)

Standard 13.2 – “Engagement Risk Assessment”:

6-Auditor should be aware of negative impact of CBAM (carbon border adjustment mechanism) on the exporters to the EU, and also negative impact of IFRS- S1 and S2 on the bank provisions.

7- Auditor should know the various ESG risks (social risk, reputation risk, credit risk, compliance risk, environmental...), and should review the work of the environmental expert for finance exceeding LE 200 M

8- Auditor should know the duly components of a GRI report and should challenge the data quality and completeness.

9- Auditor should read IIA Spain, IIA global, IIA Singapore, IIA Australia, big 4 audit firms publication then formulate an exhaustive Audit Program

10- CAE should educate the senior management and board for the implication of the global warming and sustainability on the institution

Standard 14.5 – “Engagement Conclusion”:

I. Requirements:

Assurance engagement conclusions must include the internal auditors’ judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

II. Consideration for Implementation / Examples of Evidence of Conformance as proposed by IIA:

The CAE’s methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory depending on the internal auditors’ assessments.



5.What are Next Steps and Future milestones?

5. What are Next Steps and Future milestones?

**Q2-Q4
2024**

- **Translated Standards (Q2)**
- **Quality assessment readiness tool (Q2)**
- **Topical Requirement on Cybersecurity – issued for public comment (Apr), followed by release (Q3)**
- **Global Internal Audit Standards (The Redbook) hardcover book (Q3, June)**
- **Quality Assessment Manual (Q3)**
- **International Conference Workshop (Jul 14)**
- **New GTAG & Practice Guide**

**Q1-Q2
2025**

- **New Standards become effective Jan 9, 2025**
- **CIA® exam: no changes before May 2025**
- **Updated Internal Audit Practitioner exam: no changes before effective date.**
- **New Topical Requirements – issued for public comment, followed by release**

6. CIA Exam : Why & How It's changing?

A. Why?

The updated CIA exam syllabus is designed for alignment with the Global Internal Audit Standards.

B. How?

The CIA exam is a three-part exam designed to test candidates' knowledge, skills, and abilities related to current internal audit practices.

The parameters for taking each exam part remain as:

- CIA Part 1: Internal Audit Fundamentals (125 questions, 150 minutes).
- CIA Part 2: Internal Audit Engagement (100 questions, 120 minutes).
- CIA Part 3: Internal Audit Function (100 questions, 120 minutes).

Topic areas on each CIA exam syllabus have been revised to:

- Create greater alignment with The IIA's Global Internal Audit Standards.
- Bring the exam up to date with the current global practice of internal auditing.
- Clarify the competencies that candidates must possess to earn their CIA certification.
- Focus on concepts that are most relevant to the rapidly evolving practice of internal auditing.

CIA® Part 1: Internal Audit Fundamentals

CIA Part 1, 2019

1. Foundations of Internal Auditing (15%)
2. Independence and Objectivity (15%)
3. Proficiency and Due Professional Care (18%)
4. Quality Assurance and Improvement Program (7%)
5. Governance, Risk Management, and Control (35%)
6. Fraud Risks (10%)

CIA Part 1, 2025

1. Foundations of Internal Auditing (35%)
2. Ethics and Professionalism (20%)
3. Governance, Risk Management, and Control (30%)
4. Fraud Risks (15%)

CIA® Part 2: Internal Audit Engagement

CIA Part 2, 2019

1. Managing the Internal Audit Activity (20%)
2. Planning the Engagement (20%)
3. Performing the Engagement (40%)
4. Communicating Engagement Results and Monitoring Progress (20%)

CIA Part 2, 2025

1. Engagement Planning (50%)
2. Information Gathering, Analysis, and Evaluation (40%)
3. Engagement Supervision and Communication (10%)

CIA® Part 3: Internal Audit Function

CIA Part 3, 2019	CIA Part 3, 2025
1. Business Acumen (35%)	1. Internal Audit Operations (25%)
2. Information Security (25%)	2. Internal Audit Plan (15%)
3. Information Technology (20%)	3. Quality of the Internal Audit Function (15%)
4. Financial Management (20%)	4. Engagement Results and Monitoring (45%)

Transition from Current to Revised CIA Exam

- The current CIA exams will be replaced by the revised exams (based on the revised exam syllabus) no sooner than May 2025, initially in English only.
- IIA Global will work with institutes around the world to develop tailored plans for transitioning additional languages beginning in 2025. (Arabic : September 2026)

[illegible]

ARABCIIA

“Arab Confederation for Institutes of Internal Auditors”

- A **New Regional body** that seek to develop the internal auditing profession in the Arab world and strengthen the ties between its affiliated members, established **in Jan. 2023**.
- It will help existing IIA affiliates in **13 Countries** – Kuwait, Lebanon, Qatar, Oman, United Arab Emirates, Jordan, Egypt, Morocco, Sudan, Somalia, tunisia, bahrain and the Kingdom of Saudi Arabia – to better share resources and enhance collaboration.
- It will also help global adoption of the IIA’s Standards and Certified Internal Auditor (CIA) certification and drive many other collaboration initiatives between the region and the Global IIA Headquarters.
- There is MOU* between the Global IIA and ARABCIIA dated Feb. 2023.



*MOU: Memorandum of Understanding

ARABCIIA's Committees (established January 2024)

- ❖ Audit Committee
- ❖ Standards Committee
- ❖ Conferences Committee
- ❖ Training Committee

"Standards Committee"

Mission:

Aims to be the arm responsible for following up on the pivotal aspects of:

1. Developing the profession.
2. Developing standards for the work and practice of the internal audit profession.
3. Issuing guidelines.
4. Developing and implementing initiatives to raise awareness among target groups.



لجنة المعايير:

رئيس اللجنة: محمد يحيى

الاسم	الجهة	المنصب
محمد يحيى	الجمعية المصرية للمراجعين الداخليين	رئيس إدارة المراجعة الداخلية - بنك مصر
علي الحوسني	الجمعية الاماراتية للمراجعين الداخليين	مدير التدقيق الداخلي-دائرة التنمية الاقتصادية, حكومة أبو ظبي
عمار عبدالله ساكني	معهد المدققين الداخليين بدولة قطر	مدير التدقيق - مصرف قطر المركزي

✉ Info@arabciia.org

🌐 www.ef.gov.sa



ARAB_CIIA

