

*Audit in Practice  
Working Group Meeting  
From Theory to Practice:  
Advisory Services*

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## *Introduction*

- This presentation provides a short summary of the main elements of the draft knowledge product on advisory services
- All of the original material in the guide was generated by PEMPAL members and experts
- Special thanks to Jean-Pierre Garitte.

## ***Advisory & Consulting Services are an integral part of the Internal Audit Standards ?***

- Captured in the definition, mission and core principles of Internal Audit:
  - IA is defined as “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.”
  - The **Mission** of IA is “to enhance and protect organizational value by providing risk-based and objective assurance, ***advice, and insight.***”
  - **One of the 10 IPPF core principles** is that IA “***is insightful, proactive, and future focused.***”

# *The type of Advisory & Consulting Service IA can provide*

## **THREE TYPES OF CONSULTING SERVICES**

### **ASSESSMENT**

*The auditor examines and evaluates past, present or future aspects of business operations and provides reports or recommendations that helps management decision-making.*

### **FACILITATION**

*The auditor acts as a guide to management to identify opportunities for improvement based on the general knowledge of the subject matter or generic skills as an auditor.*

### **REMEDIATION**

*The auditor assumes a direct role to prevent or remediate known or suspected problems on behalf of a client. These may include problems the auditor has identified during assurance engagements.*

# *What stakeholders expect of Advisory and Consulting Services*

## **MANAGEMENT**

- Clear benefit when IA helps to solve problems rather than issuing critical reports
  - Helps to shine a light on areas of real concern to managers
    - IA have competence to do this work

## **AUDIT COMMITTEE**

- Work does not negatively impact the required level of assurance work
  - IA have competence to do this work
  - Must not drag IA into the first or second line of defence

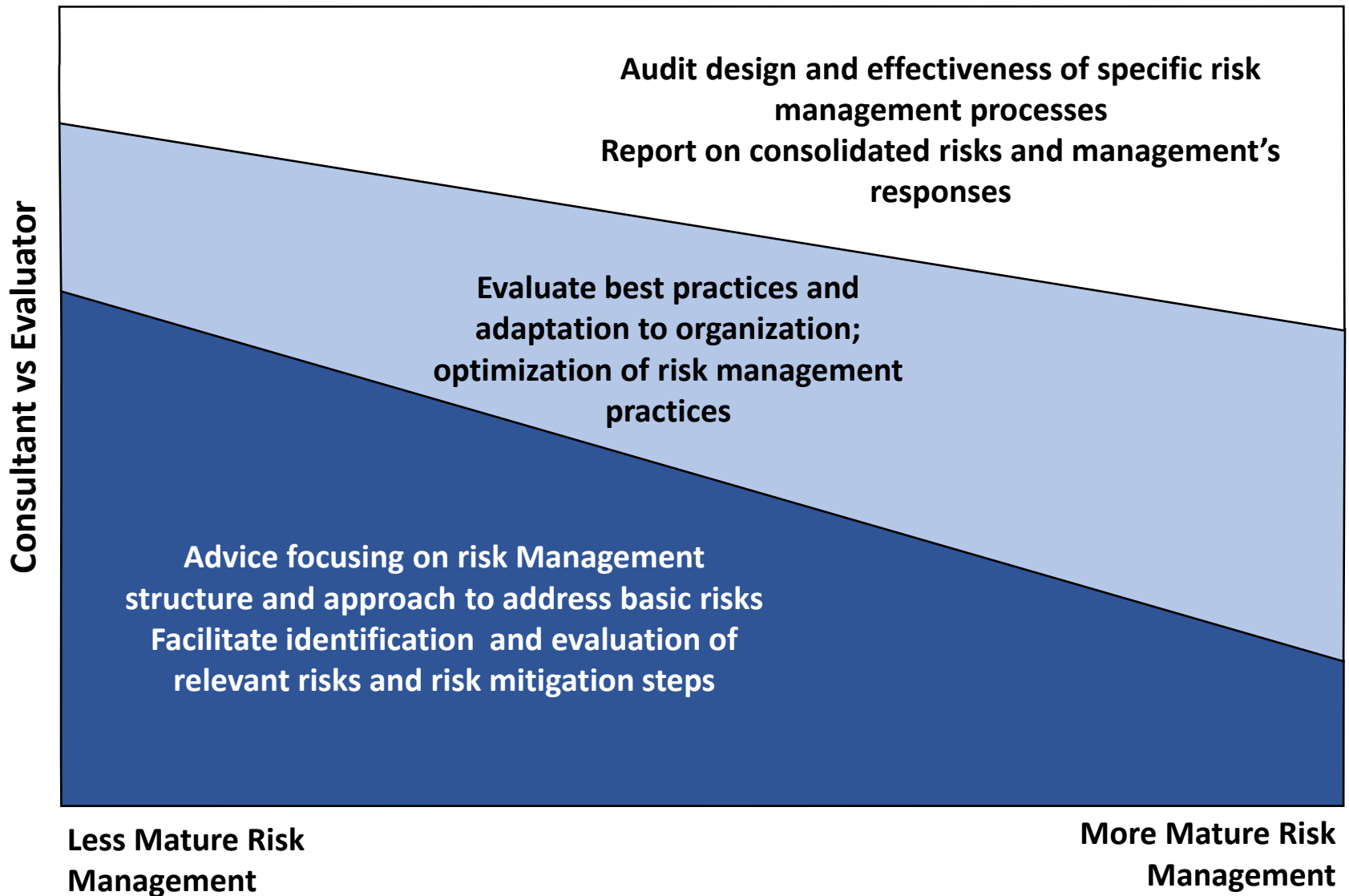
## **CENTRAL HARMONIZATION UNIT**

- Carried out within the established legal framework
- There is clarity on when and how consulting assignments are undertaken
  - There is no threat to the annual plan of Assurance work
    - IA have the competence to do this work

## **IA UNIT/STAFF**

- A shift from criticizer to helper – a feel good factor for the auditor
  - An opportunity to add value and develop wider expertise
    - Must not impact objectivity and independence
- Management must take responsibility for implementing recommendations

## *How the maturity of risk management impacts the role of IA*



Adopted from IIA Position Paper "Organizational Governance: Guidance for Internal Auditors July 2006

# ***What Internal Audit can and cannot do***

## ***An example in the area of Enterprise Risk Management***

### **Core Roles**

- Giving assurance on the risk management processes
- Giving assurance that risks are correctly evaluated
- Evaluating risk management processes
- Evaluating the reporting of key risks
- Reviewing the management of key risks.

### **Legitimate Roles with Safeguards**

- Facilitating the identification and evaluation of risks
- Coaching management in responding to risks
- Coordinating ERM activities
- Consolidated reporting on risks
- Maintaining and developing the ERM framework
- Championing establishment of ERM
- Developing ERM strategies for board approval

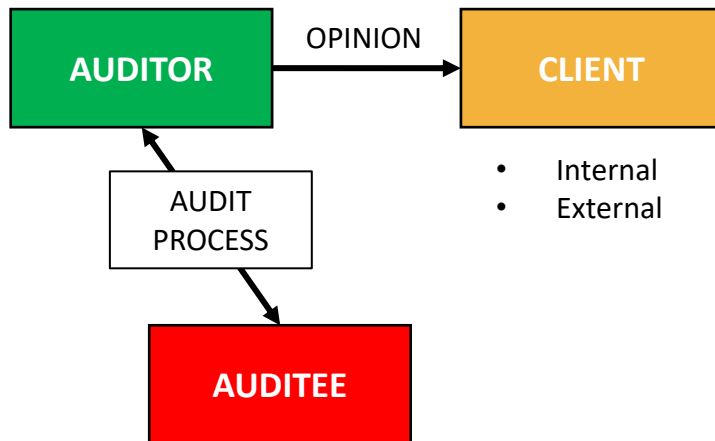
### **Roles IA should not undertake**

- Setting the risk appetite
- Improving risk management processes
- Management assurance on risks
- Taking decisions on risk responses
- Implementing risk responses on management's behalf
- Accountability for risk management

# How relationships differ when carrying out assurance and consulting assignments?

## ASSURANCE ASSIGNMENT

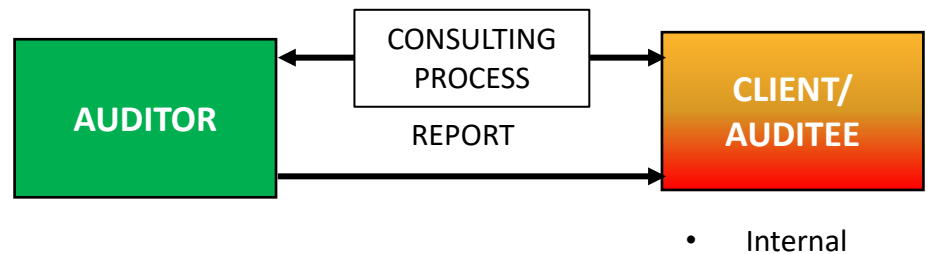
*All Assurance Assignments are Formal and Mandatory*



**Competence:**  
*Auditor must find ways to obtain the necessary competence.*

## CONSULTING ASSIGNMENT

*All Consulting Assignments are Informal and Optional*



**Competence:**  
*Auditor must decline engagement if they lack the necessary competence*



# *The guide also considers other issues*



Why IA is a good source of advice and consultancy services



How engagements are selected and planned



Whether there are common processes for carrying put consultancy engagements



How IA should report on consultancy work



What skills are needed for consultancy work



How IA can maintain their independence, and



The role of the Central Harmonization Unit in supporting advisory and consultancy services.



*Questions*