



Audit Quality Assurance & Professional Practices

A discussion with Maggie Phan, CLS's Head of Audit Practices & Operations

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The Quality Assurance and Professional Practices function plays a key role in identifying and driving new process improvements, innovation, and positive change within internal audit. In light of heightened regulatory scrutiny, these teams serve as essential change agents for internal audit. To discuss the current state of the function and its impact, we sat down with CLS’s Head of Audit Practices and Operations, Maggie Phan.



Give us an overview of your career path to date...

I started my career as a programmer and help desk analyst before shifting into internal audit when an opportunity from a global large bank and financial services organization prevailed. The organization needed an auditor with

IT skills. I started as an entry-level auditor performing various IT audits, which was further expanded into integrated, compliance, business, and operational audits, as well as audits supporting external audit services. The combination of the business and IT background and skills have notably helped me progress and advance throughout my career, including serving in various audit leadership roles and capacity. The most recent of these is serving as Head of Audit Professional Practices function for a systemically important financial market utility organization.

What is Audit Professional Practices & Quality Assurance, and why do internal audit divisions require a “4th line of defense” function? How does Professional Practices differ to QA?

Internal audit functions that follow the International Standard for the Professional Practice of Internal Auditing (“Standards”) promulgated by the Institute of Internal Auditing, a globally recognized organization that sets guidance and standards for internal auditing, are required to have a Quality

Assurance Improvement Program (QAIP). In most large financial services organizations with a relatively large internal audit function, the QA function is segregated from the audit process to provide a more independent assessment of the overall internal audit program, as the function is typically not involved in audit delivery and execution. Depending on the size, complexity and nature of the organization, the QA function may or may not be part of the Professional Practices function, as the QA function’s main purpose is to assess the internal audit program and confirm it is operating in an effective and efficient manner. The scope of the Professional Practices function is broader than QA because the function supports the Chief Auditor in various priorities, including:

- Executing strategic initiatives and priorities of internal audit;
- Managing the day-to-day operations of the internal audit program;
- Managing and driving process improvements, change, and innovation in transforming audit practices;
- Managing and supporting regulatory examination, inquiries, and remediation; and
- Supporting other internal audit program priorities such as talent and performance management, recruitment, professional development and learning, and other audit initiatives.

As regulatory scrutiny has and will continue to heighten for financial services organizations, establishing a dedicated Professional Practices function has become ever more important for a leading practice internal audit function to focus and help transform and evolve internal audit practices, as well as drive process improvement,

change management and innovative solutions. These activities are separate and distinct from traditional audit assurance and advisory services performed by internal audit.

You've held senior leadership roles throughout your audit career. What attracted you to the Professional Practices space? How has it differed from audit positions you have held in the past?

The Professional Practices function provides a broader exposure and holistic view of the full internal audit organization and allows for a more entrepreneurial opportunity to manage a "business" or audit operations than traditional roles. Responsibilities are ever changing and evolving, which presents unique and challenging learning opportunities that are rewarding.

What is the most challenging aspect of building an Audit Quality Assurance (QA) and Professional Practices group for the first time?

Defining the mission, program scope, scope of responsibilities and quality assurance improve program framework will present initial challenges for organizations building the program or function for the first time. The program's framework will depend on the complexity and size of the organization, and its ability to adapt and be receptive to change. The support of senior management, the Board, and Audit Committee will be critical to the program's mission and success. The ability to attract the right talent to build and implement the program will also pose unique challenges as the talent pool of professionals with audit and critical thinking skills, coupled with experience in transforming and driving positive change and process improvements, is shallow.

What do you think is the current perception of QA versus Professional Practices within organizations? What short- to long-term developments do you believe will occur in this space?

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An effective Professional Practices function adds value by helping internal audit identify and prevent issues or problems prior to identification by external parties. It also helps effectively challenge auditors and help them continue to enhance their auditing, critical thinking, and analytical skills by providing an independent assessment from a "third-party" perspective. Through ongoing assessment of internal audit's activities and implementing appropriate corrective measures to continuously improve audit practices, the Professional Practices function is expected to cover a broader spectrum of internal audit activities.

The broad scope of responsibilities of managing and supporting the entire organization's internal audit operations have resulted in increased demand and support needed from Professional Practices for organizations that have such a function. This has elevated the stature of the Professional Practices function and shifted it from focusing on traditional audit practices to a significantly important function within the organization to help drive strategic directives, change management, innovation and process improvements. Heightened and increased regulatory scrutiny and requests by regulators have also elevated the importance of having a dedicated function such as Professional Practices within internal audit, to centralize and drive consistency in responding to and supporting regulatory inquiries or requests.

The demands and support needed from Professional Practices are not expected to lessen, particularly as the industry and audit practices continue to evolve.

What has been the impact of new tools and methodologies such as Agile and data analytics on Audit Professional Practices and the wider internal audit discipline?

The impact of new audit tools, techniques and technologies has allowed Audit Professional Practices and the broader internal audit discipline to be more efficient and effective. For example, these enhanced tools and techniques have significantly contributed to advancing internal audit's risk assessment and planning processes, which can be adjusted based on changes to the business and its risk profiles, which makes it a more flexible and dynamic audit process. This helps broaden and increase audit coverage across the organization, as well as provides a more aggregated and broader view of risks across the firm.

New tools and technologies also allow internal audit to perform continuous auditing procedures to monitor activities of the business, focusing and following up on emerging risks, trends, patterns, incidents or identified issues.

Having built out and grown Audit Practices teams, tell us about the candidate profile and attributes you look for when you hire.

Internal auditors who are flexible, have strong project management and organizational skills, can easily adapt or adjust to change, and experience working in ambiguous situations are ideal candidates for Professional Practices. These skills are essential in building and maintaining a successful program with diversified skills and

backgrounds. The ideal candidate also has internal auditing experience with the appropriate audit credentials or certifications to help elevate and contribute to the credibility of the Professional Practices function.

Candidates who also have the following experience/background would be ideal for the Professional Practices function:

- Worked in a heavily regulated environment or had prior experience interacting with regulators;
- Performed internal audit quality reviews and has familiarity with industry or regulatory standards; and/or
- Developed/produced Internal Audit metrics or reporting.

Do you have any advice for internal auditors who are looking to move into Audit Professional Practices from a more traditional audit position?

Internal auditors who are planning to shift into Professional Practices without prior experience from traditional audit position should first complete a job rotation into Professional Practices. The scope of responsibilities, expectations and deliverables are significantly different from traditional audit positions. A minimum six-month job rotation is highly recommended to learn the activity's operations and processes, which also provides sufficient time for the auditor to assess if the opportunity would be a right fit.

Our Team

If you are interested in discussing our current Audit QA / Practices vacancies or discuss how we can help to recruit into your function, please reach out to us at +1 212 786 7490.



Greg Anderson

Head of US Recruitment
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Greg leads the whole US business across all of our core markets: Risk, Internal Audit, Compliance and Cyber Security. In addition to running the office Greg also recruits risk positions across the US and specializes in VP to senior Director level positions on either a contingent or retained basis.



Vickie Chan

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Vickie joined Barclay Simpson in 2015 where she specializes in recruiting internal audit positions within the banking and financial services sectors. She holds a strong track record of partnering with clients and candidates alike to successfully deliver on difficult searches across the US.



Jonathan Moran

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Jonathan is a Senior Consultant and specialist in the U.S. internal audit market focusing on the banking and insurance sectors. He joined the firm in 2014 before moving internally with the firm to New York in 2015. Jonathan has built an excellent network of clients and offers regular market updates, data and advice in addition to bespoke searches.



Jake Murdoch

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Jake is a part of our IT Audit team, partnering with clients and candidates in the Financial Services, Technology and Consultancy industries. Jake works on both contingent and retained searches from Associate through to Senior Director level. Jake has spent the last 2 years focusing specifically on recruitment for the US IT/ Technology market.

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