

IIA Professional Auditor Forum



Audit Rating : An Appetizer or Nonsense



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01

Pros & Cons



02

Guides



03

From my point of view



PROS-
CONS

Lights or Lightning Rod? *Don't do hasty retreat...*

- More than two-thirds of respondents said they were including ratings in their audit reports.

Richard Chamber wrote this topic on October 17th, 2017 at Ia-Online Magazine



- More than
including
- At least 4

1. Ratings may foster friction between internal audit and operating management.
2. Ratings add to the reporting process time (increasing how long it takes to finalize an audit).
3. Ratings may diminish the significance of important audit findings.
4. Management is less likely to openly share known control weaknesses with the audit teams.

PROS: Lights or Lightning Rod?

1. Identify adjectival or numeric ratings that are clearly understood and accurately reflect the results of the audit.
2. Communicate the rating scheme in advance.
3. Identify objective criteria for assigning findings/report ratings, coordinate with management in advance, and stick to it.
4. Afford management an opportunity to respond to draft "ratings," and include those responses in the final report.
5. Try to discourage the use of ratings for punitive actions against management or operating officials.



PROS-
CONS

Lights or Lightning Rod? *Don't do hasty retreat...*

How to use Unsatisfactory
findings in your audit
report



GUID- ANCE | Opinions Practice Guide April-2009

- Macro (overall) level and micro (individual) level. Group of assignments within a specific time boundary or single-assignment.
- As part of audit planning process, the basis for the opinion is discussed with various stakeholders using criteria and evaluation framework.
- When determining the criteria, how do you balance between qualitative and quantitative measures?
- Is it a risk-wise scoring, control-wise scoring or combination of both?
- Does your organization have internal control framework (COSO) and risk appetite?

FHS' THOUGHTS

Audit Rating that is so ideal

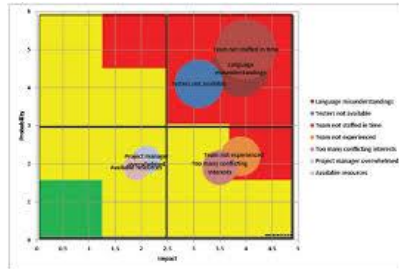


The rating should be able to answer the question “how big is the potential of event that your organization will not achieve its objectives”

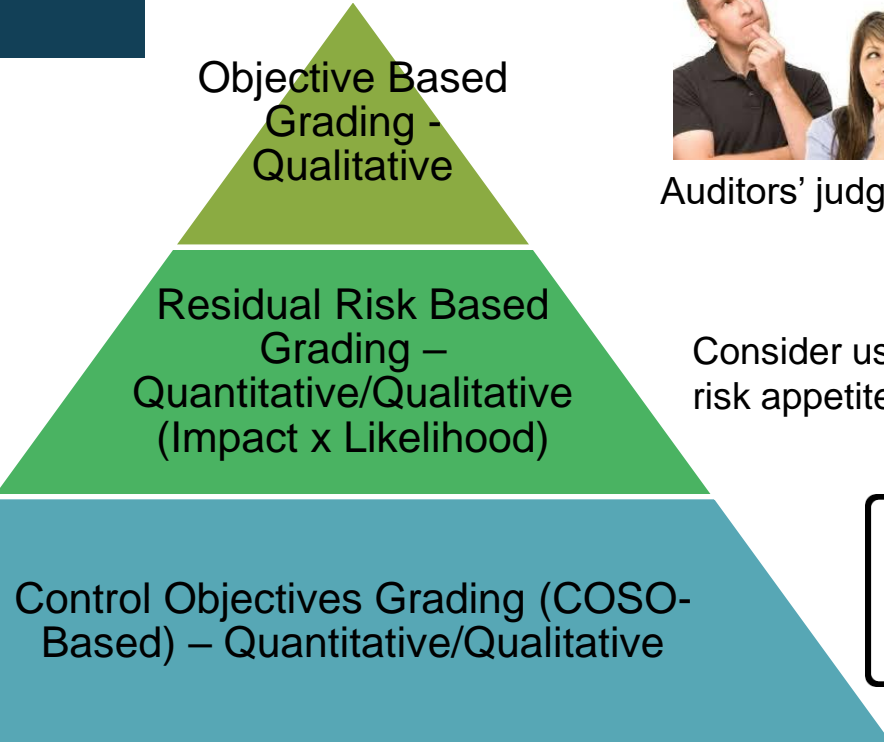
It will start with grading the achievement of control objectives, then followed by residual risk grading, ultimately giving the final grading of assurance level that organization objective might be achieved

FHS' THOUGHTS

Audit Rating that is so ideal



Use Standard Risk Control Library



Auditors' judgment

Consider using risk appetite



Audit Rating that is so ideal

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

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Thank You



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