



Quality Assessment:

- Value
- Standards
- Options
- Process



Why Is Quality Assessment Important?

Compliance with IIA *Standards*

- Internal Audit (IA) activities should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments (*Standard 1310*)
- An external assessment is required within 5 years of January 1, 2002. Earlier adoption of the new *Standard* requiring external review is highly recommended (Practice Advisory 1330-1)
- Use of compliance phrases such as "conducted in accordance with the *Standards for the Professional Practice of Internal Auditing*" requires external assessments once every 5 years and periodic internal assessments (Practice Advisory 1330-1)

Adds Value to the IA activity

- Promotes organizational independence by assuring senior management and the audit committee that the IA activity is being reviewed regularly
- Provides a forum for the IA activity to obtain and share best practices with other internal audit professionals
- Acts as a catalysts for individuals within the IA activity to proactively identify improvement opportunities
- Provides IA management with recommendation necessary to comply with *Standards* and helps management prioritize action plans

Quality Assessment Covers All the IIA Standards

Attribute Standards

- Purpose Authority, and Responsibility (Charter)
- Independence and Objectivity
 - Organization Independence
 - Individual Objectivity
- Proficiency/Due Professional Care
 - Auditors should possess the knowledge, skills, and other competencies needed to perform their responsibilities
 - Auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor.
- Quality Assurance and Improvement Program
 - Internal Assessments
 - External Assessments

Performance Standards

- Managing the Internal Audit Activity
 - Communication and Approval
 - Resource Management
 - Policies and Procedures
 - Coordination
 - Reporting to the Board of Senior Management
- Nature of Work
 - Risk Management, Control, Governance
- Engagement Planning
- Engagement Performance
- Communicating Results
- Monitoring Progress
- Management's Acceptance of Risk

Code of Ethics

Integrity

Objectivity

Confidentiality

Competency

Quality Assessment Encompasses the Entire Organization

Stakeholder	Objective of Interview
Audit Committee Chair	Understand the interaction between the Chief Audit Executive (CAE) and the audit committee, with particular attention on their governance activities as they relate to the IA activity
External Audit Partner	Understand the coordination between the internal and external audit functions
Chief Executive Officer or Chief Financial Officer	Understand the role, responsibilities and attitudes of the CAE's immediate supervisor
Senior Management	Understand management's perspective on the interactions with the IA activity and how it addresses the risks of the business
Chief Audit Executive	Understand the CAE's goals and objectives for the IA activity
Audit Clients	Understand the perceptions audit clients have about the IA activity
Audit Staff	Understand the perceptions, attitudes, backgrounds and development goals of the IA activity's staff

Implementation Options for *Standard 1312* Compliance

Full External Assessment

- Minimize time required from staff and CAE
- Best opportunity to obtain best practices suggestions
- Increased efficiencies as a result of having an experienced review team
- May appear to be most expensive option
- External audit firm independence issues

Self Assessment with Independent Validation

- Maximizes staff involvement and promotes ownership of *Standards* compliance
- Perception of reduced cost for 1312 compliance
- Opportunity costs of having staff complete self review
- Inefficiency of effort if not coordinated properly

Peer Review 'Round Robin'

- Typically minimal cash funding is required
- Good learning experience for staff
- Difficult to find a qualified individuals who are not a direct or indirect competitor
- Significant opportunity costs of having senior members complete QA for another firm

QA Process Overview

