Annual Assertion for <Year – Year>

Organisation:

To: Chair of the Audit Committee

Copies to: Members of the Audit Committee
Chief Executive Officer

Date:

Prepared by: Chief Audit Executive

Subject: Internal Audit Annual Assertion on Internal Auditing Standards for Financial Year <Year – Year>

Recommendation: The Audit Committee note the following assertions provided by the Chief Audit Executive covering the financial year 1 July <Year> to 30 June <Year>

Purpose
To provide advice and an annual conformance assertion to the Chair of the Audit Committee in respect of Internal Audit requirements under professional internal auditing standards.

Background
The Internal Audit Charter states all Internal Audit activity is conducted in conformance with professional internal auditing standards.

In this context, our auditing needs to be conducted in accordance with ‘The International Standards for the Professional Practice of Internal Auditing’ contained in the ‘International Professional Practices Framework’ issued by the Institute of Internal Auditors (IIA).

Advice or Issue
There are 52 attribute and performance internal audit standards. Amongst these, there are some that ought to be asserted periodically to provide an appropriate level of assurance to the Audit Committee. These are shown below, which are then cross-referenced to the assertions provided later in this document.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Element</th>
<th>Key Performance Criteria</th>
<th>Corresponding Assertion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>Purpose, authority, and responsibility</td>
<td>The Internal Audit Charter remains current.</td>
<td>Assertion 1</td>
</tr>
<tr>
<td>1110</td>
<td>Organisational independence</td>
<td>The Chief Audit Executive must confirm, at least annually, the organisational independence of the Internal Audit activity.</td>
<td>Assertion 2</td>
</tr>
</tbody>
</table>

Any major restrictions on the scope of Internal Audit activities are to be

Assertion 3
<table>
<thead>
<tr>
<th>Standard</th>
<th>Element</th>
<th>Key Performance Criteria</th>
<th>Corresponding Assertion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1112</td>
<td>Chief Audit Executive Roles beyond Internal Auditing</td>
<td>Safeguards must be in place where the Chief Audit Executive has roles and responsibilities that fall outside internal auditing.</td>
<td>Assertion 4</td>
</tr>
<tr>
<td>1130</td>
<td>Impairment to independence and objectivity</td>
<td>Internal Auditors are aware they must report any real or perceived conflict of interest as soon as such conflict arises.</td>
<td>Assertion 5</td>
</tr>
<tr>
<td>1300</td>
<td>Quality Assurance and Improvement Program</td>
<td>The Internal Audit activity has a process to monitor and assess the overall effectiveness of the quality program.</td>
<td>Assertion 6</td>
</tr>
<tr>
<td>1321</td>
<td>Use of conformance assertion in internal audit reports</td>
<td>There is appropriate wording in internal audit reports to declare conformance with the internal auditing standards.</td>
<td>Assertion 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: This is not mandatory and requires a satisfactory result from an external Quality Assessment as a precursor.</td>
<td></td>
</tr>
<tr>
<td>1322</td>
<td>Disclosure of non-conformance</td>
<td>The Audit Committee is appropriately informed of non-conformance with the internal auditing standards.</td>
<td>Assertion 8</td>
</tr>
<tr>
<td>2421</td>
<td>Errors and omissions</td>
<td>Where appropriate, there is communication of corrected information to all parties.</td>
<td>Assertion 9</td>
</tr>
<tr>
<td>2431</td>
<td>Engagement disclosure of non-conformance with the Standards</td>
<td>Where appropriate, communication of results discloses non-conformance with the internal auditing standards.</td>
<td>Assertion 10</td>
</tr>
<tr>
<td>Other</td>
<td>Code of Ethics</td>
<td>Internal Auditors adhere to the IIA Code of Ethics.</td>
<td>Assertion 11</td>
</tr>
</tbody>
</table>

**Assertions**

The Chief Audit Executive asserts, to the best of my knowledge, as follows:

**Assertion 1 – Purpose, authority, responsibility**

- An up-to-date Internal Audit Charter is freely available to all Internal Audit staff and service providers.
- The Internal Audit Charter is freely available to all staff via the Intranet.
- The Internal Audit Charter was last reviewed on <Date> and changes endorsed by the Audit Committee on <Date>.

**Assertion 2 – Organisational independence**

- The current reporting arrangement for Internal Audit allows the Internal Audit activity to fulfil its responsibilities and does not interfere with the Chief Audit Executive responsibility to the Audit Committee.
- The Internal Audit Charter states that Internal Audit has independent status within the organisation.
• The independent status of Internal Audit has not been challenged during the past financial year.
• All Internal Audit staff and service providers are required to confirm and sign an Annual Declaration each financial year on:
  ▪ Conformance to the <Organisation> Values.
  ▪ Conformance to the <Organisation> Code of Conduct.
  ▪ Conformance to mandatory internal auditing requirements, including the IIA Code of Ethics.
  ▪ Conformance to Internal Audit policies and procedures.
  ▪ Conflicts of interest.
  ▪ Completion of professional development requirements for Internal Auditors of minimum 40 hours each year.

Assertion 3 – Organisational independence
• There have been no restrictions to Internal Audit scope of work, resources, and access during the past financial year.
• The Chief Audit Executive is aware that should major restrictions on the scope of Internal Audit activities occur, this would be reported to the Chair of the Audit Committee
• There are clear provisions in the Internal Audit Charter regarding this, including a requirement for the Chief Audit Executive to escalate matters to the Chair of the Audit Committee for action where there is insufficient co-operation received from management, or agreed protocols are not met.

Assertion 4 – Chief Audit Executive Roles beyond Internal Auditing
The Chief Audit Executive has no roles and responsibilities that fall outside internal auditing
OR
The Chief Audit Executive has the following roles and responsibilities that fall outside internal auditing:
• X
• X

Safeguards are in place:
• Internal Audit Charter includes safeguards.
• Audit Committee oversight activities.
• Periodic evaluation of reporting lines and responsibilities.
• Alternative processes to obtain assurance related to non-audit areas for which the Chief Audit Executive is responsible.

Assertion 5 – Impairment to independence and objectivity
• The Chief Audit Executive and Internal Audit staff are aware that any real or perceived conflict of interest must be reported as soon as such conflict arises.
• Internal Audit staff are required to report any such conflicts to the Chief Audit Executive or other delegated person in accordance with protocols.
• The Chief Audit Executive is required to report any such conflicts to the Chair of the Audit Committee.
• This requirement is contained in the Internal Audit Charter and the Internal Audit Manual.
• The Internal Audit engagement checklist contains a requirement for disclosure of conflict of interest by Internal Audit staff and service providers.
• All Internal Audit staff and service providers are required to confirm and sign an Annual Declaration each financial year.

Copyright © 2017 by The Institute of Internal Auditors–Australia
• Internal Audit staff and service providers did report conflicts of interest to the Chief Audit Executive on <X> occasions, and these were appropriately managed in accordance with professional internal auditing standards.

Assertion 6 – Quality Assurance and Improvement Program
• The Chief Audit Executive is aware of the responsibility to maintain a Quality Assurance and Improvement Program.
• Internal Audit staff and service providers are trained in its elements and use.
• This involves 3 inter-related elements:
  ▪ External quality assurance:
    Independent external quality assessments are required at least every 5 years. These have been conducted in <Year> and <Year> and the results reported to the Audit Committee.
  ▪ Internal quality assurance:
    Internal Audit maintains a program of ongoing and periodic internal assessment mechanisms, including review and sign-off procedures over internal audit engagements.
  ▪ Internal improvement processes:
    An Innovation Forum encourages Internal Audit staff to raise ideas to improve Internal Audit operations.

Assertion 7 – Use of conformance assertion in internal audit reports
• Internal audit reports contain the words ‘Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing’.
• The Chief Audit Executive is aware this term can only be used when the results of the Quality Assurance and Improvement Program support such a statement.
• Independent external quality assessments are required at least every 5 years. These have been conducted in <Year> and <Year> and the results reported to the Audit Committee.

Assertion 8 – Disclosure of non-conformance
• The Chief Audit Executive is aware of the requirement for conformance with the ‘International Standards for the Professional Practice of Internal Auditing’.
• When non-conformance with the mandatory internal auditing requirements, including the Standards, occur that impacts the overall scope or operation of the Internal Audit activity, the Chief Audit Executive is aware of the need to disclose the non-conformance and its impact to the Audit Committee and management.
• There were no instances of non-conformance during the past financial year.

Assertion 9 – Where appropriate, there is communication of corrected information to all parties
• The Chief Audit Executive is aware that if a final communication such as an audit report contains a significant error or omission, corrected information must be communicated to all parties who received the original communication.
• There were no instances of significant errors or omissions during the past financial year.

Assertion 10 – Where appropriate, communication of results discloses non-conformance with the internal auditing standards
• The Chief Audit Executive is aware that disclosure is required where there is non-conformance with the internal auditing standards.
• There were no instances of non-conformance with the internal auditing standards during the past financial year.

Assertion 11 – Internal Auditors adhere to the IIA Code of Ethics
• The Chief Audit Executive, Internal Audit staff and service providers are aware of the requirement for Internal Auditors to adhere to the IIA Code of Ethics.
• All Internal Audit staff involved in conducting internal audit engagements are members of the Institute of Internal Auditors (IIA).
• As such, they are all required to adhere to the IIA Code of Ethics.
• This is reiterated:
  ▪ In the Internal Audit Charter.
  ▪ In the Internal Audit Manual.
  ▪ By all Internal Audit staff and service providers being required to confirm and sign an Annual Declaration each financial year.

**Assertion by Chief Audit Executive**

---

Asserted and signed by the Chief Audit Executive

<Date>