



International Professional  
Practices Framework

# Implementation Guide 1312

## Standard 1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

### Interpretation

*External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.*

*A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.*

*An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.*

Revised Standards, Effective 1 January 2017

## Getting Started

As this standard indicates, the chief audit executive (CAE) is responsible for ensuring the internal audit activity conducts an external assessment at least once every five years by an independent assessor or assessment team from outside the organization. The external assessment validates that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics. Thus, it is crucial that the CAE regularly reviews the International Professional Practices Framework (IPPF) to ensure the internal audit activity is aware of any changes to the standard.

The CAE will typically have an understanding of the types of external quality assessments as well as the types of external assessment resources available to provide the service. The CAE may also need to be aware of any procurement policies, for their organization, related to securing an external services provider. In addition, the CAE generally will need to be aware of the independence requirements and understand situations that may impair independence, or create a conflict of interest for an external assessor or external assessment team.

## Considerations for Implementation

The CAE typically discusses the frequency and form (type of external assessments) with the board and senior management to educate stakeholders and to gain an understanding and appreciation of the organization's expectations.

The *Standards* require that an external assessment is conducted every five years. However, upon discussing the requirements with the board and senior management, the internal audit activity may determine that it is appropriate to conduct an external assessment more frequently. There are several reasons to consider a more frequent review, including changes in leadership with senior management or the CAE, significant changes in internal audit policies or procedures, the merging of two or more internal audit functions into one internal audit activity, or significant staff turnover. Additionally, industry-specific issues may require more frequent review.

External assessments gauge the internal audit activity's conformance with the *Standards* and provide an evaluation of whether the internal auditors apply the Code of Ethics. It is expected that through conformance with the *Standards* and Code of Ethics, the internal audit activity would be in conformance with the Core Principles for the Professional Practice of Internal auditing and Definition of Internal Auditing. As noted in Standard 1320: Reporting on the Quality Assurance and Improvement Program, the assessor must provide a conclusion on conformance.

External assessments may be accomplished using either of two different approaches:

- A full external assessment conducted by a qualified, independent external assessor or assessment team. The team should be comprised of competent professionals under the leadership of an experienced and professional project team leader. The scope of a full external assessment would include:
  - The level of conformance with the internal audit activity's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
  - The efficiency and effectiveness of the internal audit activity as measured through an assessment of the internal audit activity's:
    - Processes and infrastructure, including the QAIP.
    - Mix of knowledge, experience, and expertise.
  - The extent to which the internal audit activity meets expectations of the board, senior management, and operations management, and adds value to the organization.
- A self-assessment could be conducted by the internal audit activity. The self-assessment would need to be validated by a qualified, independent, competent, and professional external assessor. The scope of a self-assessment with external independent validation (SAIV) would consist of:
  - A comprehensive and fully documented self-assessment process that emulates the full external assessment process, at least with respect to the evaluation of conformance with the Definition of Internal Auditing, Code of Ethics, and *Standards*.

- An independent, on-site validation by a qualified, independent assessor.
- Potential reduced cost but limited attention to other areas such as benchmarking; review, consultation, and employment of leading practices; and interviews with senior and operations management.

### Assessors/Assessment Team

A qualified, independent external assessor or assessment team should be selected in consultation with the executive to whom the CAE reports, and the board. Assessors and/or assessment teams must be competent in two main areas:

- The professional practice of internal auditing, including in-depth knowledge of the IPPF.
- The external quality assessment process.

Preferred qualifications and competencies include:

- A competent certified internal audit professional such as a certified internal auditor (CIA).
- Current in-depth knowledge of the IPPF.
- Knowledge of leading internal auditing practices.
- At least three years of recent experience in the practice of internal auditing at a management level that demonstrates a working knowledge and application of the IPPF.

In addition, preferred competencies of assessment team leaders and independent validators may include:

- An additional level of competence and experience gained from previous external quality assessment work, and/or completion of The IIA's quality assessment training course or similar training.
- CAE or comparable senior internal audit management experience.
- Relevant technical expertise and industry experience.

Individuals with expertise in other areas may provide assistance as appropriate. Examples include specialists in enterprise risk management, IT auditing, statistical sampling, monitoring systems, and control self-assessment.

The CAE should determine the skillsets desired for the external assessment. Considerations include a team member in organizations that are similar in size, complexity, and industry sector, as these professionals may be more valuable based on the needs of the internal audit activity. Each individual on the team does not need to have all of the competencies. It is the team as a whole that should possess the qualifications to provide the best results. The CAE should use their professional judgment when selecting an assessor/assessment team.

### Independence of Assessor/Assessment Team

External assessors/assessment teams and their organizations should be free from conflicts of interest that could impair objectivity. The CAE, the executive to whom the CAE reports, and the board should consider:

- Actual, potential, or perceived conflicts of interest related to past, present, or future business relationships for services, such as:
  - The external audit of financial statements.
  - Consulting services in governance, risk management, financial reporting, internal control, or other related areas.
  - Assistance to the internal audit activity.
- The significance and amount of work performed.
- Actual, potential, or perceived conflicts of interest with assessors who are former employees of the internal audit activity's organization. Consideration should be given to the length of time the assessor has been independent. Independent means not having a conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.
- Actual, potential, or perceived conflicts of interest with the assessor due to past, present, or future relationships with the organization or its internal audit activity, including the assessors' participation in internal quality assessments.

All members of the external assessment team should be independent from the organization and its personnel. In particular, members of the assessment team should be free from actual, potential, or perceived conflicts of interest with the organization and its personnel. Key considerations include:

- Independence from the organization means not being under the influence of the personnel of the organization whose internal audit activity is being assessed.
- The selection process for an external assessor should consider the candidate's actual, potential, or perceived conflicts of interest arising from past, present, or potential future relationships with the organization or its personnel. Relationships to be considered include those of a personal or commercial nature, or both.
- Reciprocal assessments among three or more peer organizations may be considered independent. Peer organizations are organizations within the same industry, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members will be able to fully exercise their responsibilities.
  - Reciprocal peer assessors/assessment teams should possess the skills, experience, and knowledge previously described.
  - Reciprocal peer assessments between two organizations are not independent.

Assessor/assessment team independence and conflicts of interest should be discussed with the board. The CAE should assess the level of independence of the assessment team and monitor whether an agreed

- Individuals in another department of the organization, or in a related organization, although organizationally separate from the internal audit activity, are not considered independent for purposes of conducting an independent external assessment. Therefore, reciprocal external assessments among departments or related organizations are not acceptable. A "related organization" may be a parent organization; an affiliate in the same group of entities; or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization.

- Where internal audit activities within the same tier of government report to the same chief audit executive (CAE), individuals are not considered independent for the purpose of performing external assessments even if they work in separate entities.
- Peer organizations are organizations within the same tier of government, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members are able to fully exercise their responsibilities.
- Reciprocal external assessment teaming arrangements among three or more organizations (e.g., within an industry or affinity group, regional association, or other group of organizations) may be structured in a way that achieves the independence objective. Care should be taken to ensure that the issue of independence does not arise and that all team members are able to fully exercise their responsibilities without limitation due to matters of confidentiality, etc. Reciprocal external assessments performed between two organizations are not acceptable for the purpose of an external assessment.
  - Reciprocal assessments among three or more peer organizations may be considered independent if the CAE documents that the assessor does not have a conflict of interest nor is under the control of the organization to which the internal audit activity belongs.

The independence of the assessment team, including actual, potential, or perceived conflicts of interest, should be discussed with the board and with the executive to whom the CAE reports administratively.

When selecting the external assessment team, the CAE should consider the extent of the candidates' public sector experience, if applicable.

## Considerations for Demonstrating Conformance

Multiple items may indicate conformance with the standard, including, most importantly, the external assessor's report. This report will often include recommendations from the external assessor, as well as management action plans, on ways to improve internal audit quality, efficiency, and effectiveness, which may provide new ideas or ways internal audit can better serve the organization's stakeholders and add value.

Additionally, minutes of board meetings where plans for and results of external assessments were discussed may demonstrate conformance with Standard 1312. A benchmarking report and requests for services may show the organization's due diligence in vetting external assessors.

## About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 180,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla. For more information, visit [www.globaliia.org](http://www.globaliia.org) or [www.theiia.org](http://www.theiia.org).

## About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at [www.globaliia.org/standards-guidance](http://www.globaliia.org/standards-guidance) or [www.theiia.org/guidance](http://www.theiia.org/guidance).

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