

Quality Assurance Checklist

Internal Audit Foundations		
Includes	Best Practice Characteristics	What is in place
Standards 1000, 1010, 1100, 1110, 1111, 1120, 1130, 1300, 1310, 1320, 1321, 1322, 2000, 2040		
There is an Internal Audit Charter in place	<ul style="list-style-type: none"> • Internal Audit Charter is in place • Internal Audit Charter follows the main characteristics of a suitable 'model' charter. In the public sector it may be a model provided by an Auditor-General, in the private sector it may be a version from the IIA • Internal Audit Charter contains purpose, authority, responsibility, definition of internal auditing, reference to IIA Code of Ethics, reference to IIA Standards, independence, objectivity, organisational independence, direct interaction with the Audit Committee, reporting and communication arrangements, nature of work to be performed, records management, conflicts of interest, performance assessment, Quality Assurance and Improvement Program, requirement for annual review, approval by Audit Committee • Organisation chart shows reporting arrangements for Internal Audit 	
The Internal Audit Charter is reviewed annually to assure it remains effective and in line with best practice	<ul style="list-style-type: none"> • Annual review of Internal Audit Charter • Documentation to indicate the content and structure of the Internal Audit Charter has been reviewed and assessed against a best practice model • The Internal Audit Charter complements the mandate of the Audit Committee and assurance is available that the Audit Committee has been structured to accord with contemporary best practice and statutory or regulatory requirements • Changes to Internal Audit Charter approved by Audit Committee 	
There are no conflicts of interest that will affect the individual objectivity of Internal Audit employees or service providers	<ul style="list-style-type: none"> • Internal Audit employees have no conflicts of interest, for example conflict of interest declaration for internal audit engagements, annual conflict of interest attestation • Conflicts of interest are reported to the Audit 	

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Internal Audit Foundations		
Includes	Best Practice Characteristics	What is in place
	<ul style="list-style-type: none"> • Committee 	
There is no impairment to Internal Audit independence or objectivity	<ul style="list-style-type: none"> • Chief Audit Executive can demonstrate there is no impairment to independence or objectivity such as conflicts of interest, scope limitations, restrictions on access to records or personnel, funding or resource limitations • Chief Audit Executive makes impairment attestation to the Audit Committee annually • The organisation structure and Internal Audit Charter arrangements should both illustrate the reporting lines for the Chief Audit Executive are appropriate and strengthen the independence and objectivity of Internal Audit. The Audit Committee should be required to be involved in hiring, firing, and remuneration decisions concerning the Chief Audit Executive; review and endorse the scope and budget of Internal Audit on the recommendation of the Chief Audit Executive; consider the outcomes of all internal audit engagements reported; meet periodically 'in camera' with the Chief Audit Executive 	
There is a Quality Assurance and Improvement Program in place	<ul style="list-style-type: none"> • There is a comprehensive documented Quality Assurance and Improvement Program in place • The Quality Assurance and Improvement Program is measured, monitored and reported 	
There is effective management of Internal Audit so it adds value to the organisation	<ul style="list-style-type: none"> • Stakeholder Relationship Program is in place, monitored, reviewed and up-to-date • A Balanced Scorecard Report approach is in place and reports are provided periodically to senior management and the Audit Committee • Results of management feedback surveys after each internal audit engagement and annual feedback which flows into Balanced Scorecard Report • Results of Internal Assessments • Results of External Assessments • An Action Plan is available to address any issues arising from Internal Assessments and External 	

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	Assessments, action is taken, and progress is reported periodically to senior management and the Audit Committee	
There is an up-to-date Internal Audit Manual of policies and procedures	<ul style="list-style-type: none"> • There is a documented and up-to-date Internal Audit Manual of policies and procedures • The Internal Audit Manual has been approved by the Chief Audit Executive and the Audit • The content of the Internal Audit Manual is reasonable, complete and consistent with the IIA Standards • Internal Audit employees and service providers consistently use the Internal Audit Manual • Internal Audit employees and service providers have been inducted and trained in its use 	

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Professional Development		
Includes	Best Practice Characteristics	What is in place
Standards 1200, 1210, 1220, 1230		
Internal Audit employees and service providers are professionally qualified	<ul style="list-style-type: none"> • Internal Audit employees have relevant professional qualifications • Internal Audit employees have relevant professional certifications • Internal Audit operates at a consistently high standard, with membership of the IIA recognised as the minimum requirement for practicing Internal Auditors • The Chief Audit Executive and anyone issuing internal audit reports should be required to be IIA-certified • An employees Profile is developed and reviewed annually, including the experience, qualifications, certifications, and years of auditing experience • The Staff Profile is reported to the Audit Committee as part of periodic performance reporting 	
There is a performance management process for Internal Audit employees that includes a Professional Development Plan for each employee	<ul style="list-style-type: none"> • An Internal Audit Capability Framework has been developed that drives recruitment planning, training and development activities, and job design. It should be consistent with the IIA Global Internal Audit Competency Framework • There is a Job Description for each Internal Audit job consistent with the abovementioned job design approach • There is a documented career development path for Internal Audit employees • There is a performance management process in place for Internal Audit employees that is linked to Job Descriptions and Internal Audit business objectives • There is a high-level Professional Development Plan in place covering Internal Audit • Internal Audit employees have an individual professional development plan linked to the high-level Professional Development Plan 	
There are professional development opportunities for	<ul style="list-style-type: none"> • Internal Audit employees have opportunities and 	

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Professional Development		
Includes	Best Practice Characteristics	What is in place
Internal Audit employees	funding for professional development <ul style="list-style-type: none"> • Internal Audit employees receive sufficient opportunities and funding to participate in appropriate professional development activities each year to maintain professional certifications • Internal Audit employees are encouraged to participate in the activities of relevant professional bodies 	
Internal Audit employees are trained so they can effectively perform their jobs	<ul style="list-style-type: none"> • Internal Audit employees receive training in Internal Audit methodology and use of technology tools • Induction training is provided on initial recruitment of Internal Audit employees and service providers, with periodic refresher training provided and completed 	

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Internal Audit Planning		
Includes	Best Practice Characteristics	What is in place
Standards 2010, 2020, 2030, 2050, 2100, 2110, 2120, 2130		
The division of effort amongst Internal Audit, external audit, and other governance functions is minimised	<ul style="list-style-type: none"> • Co-ordination and division of assurance effort between Internal Audit, external audit, and other internal governance and assurance functions • Internal Audit has championed and / or documented a suitable '3 Lines of Defence' model 	
The nature of Internal Audit work is designed to evaluate and contribute to improvement of governance, risk management and control processes using a systematic and disciplined approach	<ul style="list-style-type: none"> • Internal Audit Charter, Job Descriptions, methodology and Internal Audit Plan demonstrate Internal Audit contributes to management improvement of governance, risk management and control processes • Internal Audit has used a suitable model and structured approach within the last 2 to 3 years to assess the organisation governance arrangements 	
Internal audit planning is linked to organisation strategic objectives and risks	<ul style="list-style-type: none"> • Internal Audit conducts an annual Risk Assessment to support its risk-based planning, or leverages the Enterprise Risk Management resources and documentation where the organisation has reached an appropriate level of risk management maturity • There is an Assurance Map that is reviewed and updated at least annually • There is a comprehensive risk-based Audit Universe that is reviewed and updated at least annually • The Internal Audit Plan links proposed internal audit engagements to the organisation strategic objectives, statutory objectives, risks and business drivers • There is input from management to development of the Internal Audit Plan via interviews, workshops, questionnaires, and Enterprise Risk Management resources 	
The Internal Audit Plan is effectively structured	<ul style="list-style-type: none"> • The Internal Audit Plan takes into account various audit types, Audit Committee input, provision for future management initiated requests, and follow-up of previous higher risk reports and recommendations • The Internal Audit Plan reconciles available resources 	

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Internal Audit Planning		
Includes	Best Practice Characteristics	What is in place
	<p>with the resources required to complete the plan, and shows the limit of internal audit work that can be completed with the available resources. Higher risk areas which cannot be audited because resources are not available are highlighted to the Audit Committee</p> <ul style="list-style-type: none"> • There is a well-defined process for assessing, actioning and approving management initiated requests • Multi-Stage Audits are included, especially for programs and projects 	
The Internal Audit Plan is approved by the Audit Committee, including changes to the Internal Audit Plan	<ul style="list-style-type: none"> • The Internal Audit Plan and any changes are approved by the Audit Committee • A documented process is in place to flexibly interchange risk-based internal audit work as the level of risk changes or new higher level risks emerge • The interchange of internal audit work continues to reflect the limit of available resources 	
Internal Audit has adequate resources to be effective and to complete its Internal Audit Plan	<ul style="list-style-type: none"> • Internal Audit has adequate resources that are appropriate, sufficient and effectively deployed to achieve the Internal Audit Plan • The financial budget for Internal Audit is reviewed and endorsed by the Audit Committee • There is scope in the Audit Committee Charter for the Audit Committee to engage with the Chief Executive Officer about the resources required to complete the Internal Audit Plan 	

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Internal Audit Engagements		
Includes	Best Practice Characteristics	What the is in place
Standards 2070, 2200, 2201, 2210, 2220, 2230, 2240, 2300, 2310, 2320, 2330, 2340		
There is a scheduling process and resource allocation for internal audit engagements	<ul style="list-style-type: none"> • There is a documented and up-to-date Internal Audit Manual of policies and procedures • There is an approved Internal Audit Plan that details Internal Audit work and estimated resource allocation • There is a schedule for internal audit work to be conducted over the period of the Internal Audit Plan 	
There is adequate planning for each internal audit engagement	<ul style="list-style-type: none"> • There is adequate planning for each internal audit engagement including audit objectives, scope, timing, risks, resources, audit team, timeframes, stakeholder engagement, and audit work schedule and milestones 	
There is a systematic and disciplined process followed for each internal audit engagement	<ul style="list-style-type: none"> • There is a systematic and disciplined process that is planned, documented and followed for each internal audit engagement. This covers performing the engagement through identifying, analysing and evaluating information, then documenting the related observations and finding • The work performed for each internal audit engagement aligns to the approved audit objectives, as does the audit report containing the overall audit opinion, observations, findings and recommendations 	
There is adequate supervision and quality review of internal audit engagements to assure conformance with Internal Audit methodology and standards	<ul style="list-style-type: none"> • There is a consistent methodology established and used for performing internal audit engagements and preparing the associated working papers • Internal Audit employees and service providers have been trained in use of the methodology • Each internal audit engagement is allocated to an Audit Manager to supervise completion of the audit and ensure quality of the audit • There is consideration for use of IT tools such as data extraction and computer aided analysis techniques and applications (CAATs) • There is a formal quality review process performed for internal audit engagements 	

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Internal Audit Engagements		
Includes	Best Practice Characteristics	What the is in place
	<ul style="list-style-type: none"> • The Chief Audit Executive or a senior delegate attends the audit opening meeting and closing meeting for each internal audit engagement • Internal audit reports are reviewed and signed-off by the Chief Audit Executive • If the Chief Audit Executive is not IIA-certified, the report will be counter-signed by an IIA-certified senior Internal Audit employee • Adequate confidentiality and security arrangements are in place, documented and maintained for all working papers including electronic data obtained during audits 	
There is regular, documented review of working papers during internal audit engagements	<ul style="list-style-type: none"> • There is a consistent and documented methodology for conducting internal audit engagements and preparing working papers • There is a formal quality process for internal audit engagements that includes sign-offs at key stages or milestones of each audit 	
There is adequate control of service providers who perform internal audit engagements and other audit-related services	<ul style="list-style-type: none"> • Requirements for internal audit engagements performed in-house also apply to service providers • Service providers have performance measures that are monitored and periodically reported in conjunction with Internal Audit performance reporting • Internal Audit reviews and retains working papers prepared by service providers • Adequate documented confidentiality and security arrangements are in place for all service provider engagements, with periodic assertions (at least annually) from the service provider that these arrangements are being maintained • Service providers provide evidence of security clearances for their personnel relative to the security level required for each internal audit engagement 	

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Reporting		
Includes	Best Practice Characteristics	What is in place
Standards 2070, 2200, 2201, 2210, 2220, 2230, 2240, 2300, 2310, 2320, 2330, 2340		
Internal audit engagement reports are distributed to management and the Audit Committee	<ul style="list-style-type: none"> • Internal audit engagement reports are distributed to management and the Audit Committee in a timely way • An assessment has been completed to ensure the Audit Committee is satisfied with the style, structure, timing, reliability and content of internal audit reports • High-level planning and reporting is conducted to identify reflect 'audit themes' • Internal Audit monitors and reports on progress and completion of higher risk audit findings and associated recommendations 	
Periodic reports on Internal Audit operations are provided to the Audit Committee	<ul style="list-style-type: none"> • Internal Audit operations and the Internal Audit Charter are reviewed annually • Periodic reports on Internal Audit operations are distributed to the Audit Committee that include the Internal Audit purpose, authority, responsibility, performance, significant risk exposures and control issues that include fraud risks, governance, and other matters needed or requested by management and the Audit Committee • A Balanced Scorecard Report is provided to the Audit Committee regularly • An Internal Audit Annual Report on operations and performance is provided to the Audit Committee to demonstrate the Internal Audit contribution to the organisation • The Internal Audit Annual Report should be provided to the Chief Executive Officer through the Chair of the Audit Committee 	
Results of Internal Assessments are distributed to the Audit Committee	<ul style="list-style-type: none"> • Internal Audit senior management sign-off an annual Quality Assurance assertion for each completed internal audit engagement, usually in the form of a post-engagement survey. The results are used in assessing and reporting on Internal Audit performance • The Chief Audit Executive and Internal Audit senior 	

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Reporting		
Includes	Best Practice Characteristics	What is in place
	<p>management sign-off an annual Quality Assurance assertion that is reported to the Audit Committee and provides explicit assurance Internal Audit has conformed to standards, including how key elements were managed such as independence, restrictions on work, conflicts of interest, errors and omissions, and quality assurance and improvement</p> <ul style="list-style-type: none"> • Timely distribution of Internal Assessments to the Audit Committee 	
Results of External Assessments are distributed to the Audit Committee	<ul style="list-style-type: none"> • External Assessments are distributed to the Audit Committee in a timely way 	
Results of Internal Audit performance measures are reported to the Audit Committee	<ul style="list-style-type: none"> • Surveys are distributed and reviewed on return to assess the level of satisfaction key stakeholder groups have with Internal Audit. This includes the Audit Committee, senior management, audit clients after internal audit engagements, and Internal Audit employees • Results of Internal Audit performance measures regularly reported to the Audit Committee 	

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Monitoring and Follow-Up		
Includes	Best Practice Characteristics	What is in place
Standard 2500		
There is a follow-up system in place for internal audit recommendations and action plans to assure they are implemented in a timely way, including external audit recommendations	<ul style="list-style-type: none"> • A user-friendly audit recommendation follow-up system is in place that is regularly reviewed and updated with management comments and evidence of remedial action • Progress on implementation of recommendations and action plans is regularly reported to the Audit Committee 	
There is risk-based follow-up of internal audit recommendations and action plans to evidence they have been effectively implemented	<ul style="list-style-type: none"> • There is periodic follow-up assurance of implementation of internal audit recommendations and management action plans, with follow-up action reported to the Audit Committee • Progress of management actions to remediate higher risk audit recommendations are reviewed by the Audit Committee to ensure it remains aware of the status of high risk and long-overdue recommendations 	

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Performance and Process Improvement		
Includes	Best Practice Characteristics	What is in place
Standard 1300		
There are performance measures in place for Internal Audit	<ul style="list-style-type: none"> • Internal Audit performance measures are approved by the Audit Committee and included in the Internal Audit Charter • Internal Audit performance is monitored and reviewed against target performance measures • Periodically the Chief Audit Executive undertakes benchmarking of the Internal Audit, for example against leading practices such as the IIA–Australia Policy Agenda or an Internal Audit Maturity Assessment • Benchmarking results are reported to the Audit Committee, together with action plans for improvement 	
There is a management feedback survey distributed after each internal audit engagement	<ul style="list-style-type: none"> • Internal Audit performance ratings are monitored and reviewed against target performance measures in the Internal Audit Charter • Information received from management feedback surveys is used to improve services and performance of Internal Audit 	
There is an annual management feedback survey distributed each year	<ul style="list-style-type: none"> • Internal Audit performance ratings are monitored and reviewed against target performance measures in the Internal Audit Charter 	

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Internal Assessments and External Assessments		
Includes	Best Practice Characteristics	What is in place
Standards 1311, 1312		
There is an annual Internal Assessment performed through self–assessment or by other persons within the organisation with knowledge of internal audit practices and the Standards	<ul style="list-style-type: none"> • An Internal Assessment against the Standards is conducted annually • An Internal Audit Action Plan is developed and implemented to address any partial conformances and non–conformances or opportunities for improvement, with progress periodically reported to the Audit Committee 	
An External Assessment is scheduled at least once every 5 years by a qualified, independent assessor or assessment team from outside the organisation	<ul style="list-style-type: none"> • An External Assessment against the Standards is conducted at least once every 5 years • The terms of reference for the External Assessment are approved by the Audit Committee, together with reporting arrangements • An Internal Audit Action Plan is developed and implemented to address any partial conformances and non–conformances or opportunities for improvement, with progress periodically reported to the Audit Committee 	

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Code of Ethics		
Includes	Best Practice Characteristics	What is in place
Principles and Rules of Conduct	<ul style="list-style-type: none"> • The IIA Code of Ethics is included in the induction for Internal Audit employees and service providers • Compliance with the IIA Code Ethics is a requirement mandated in the Internal Audit Charter • Internal Audit employees and service providers are obliged to comply with the IIA Code of Ethics through an appropriate means that may include being IIA members and signing an appropriate acknowledgement annually 	

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Useful References

Element	Useful Reference
Audit Committees	Audit Committees: A Guide to Good Practices, Second Edition, AASB/AICD/IIA–Australia, Melbourne/Sydney Australia, 2012
Balanced Scorecard Reporting	A Balanced Scorecard Approach for Internal Auditing Departments, Mark L Frigo, The IIA Research Foundation, Altamonte Springs Florida USA, 2002
	Governance, Risk Management and Control: Internal Audit Leading Practices – Case Studies from Asia, Case Study 2: Implementing a Balanced Scorecard at the Australian Taxation Office, pp 37–59, Asian Development Bank, People's Republic of China, 2010
Benchmarking	Government Lighthouse, Auditor–General's Report to Parliament Volume 2–2011, Audit Office of NSW, Sydney Australia 2011
	Policy Agenda, Institute of Internal Auditors–Australia, Sydney Australia, 2012
	Twenty Questions Directors Should Ask About Internal Audit, John Fraser and Hugh Lindsay, Chartered Accountants of Canada, Second Edition, Toronto Canada, 2007
	Notes: There is also industry–specific 'leading practice' guidance, including banking and finance, private sector, and public sector (from respective state and Federal Auditor's General and the IIA Public Sector Committee). Service provider firms also produce occasional 'thought leadership' publications
Stakeholder Relationship Management	Insight: Delivering Value to Stakeholders, Patty Miller and Tara Smith, The IIA Research Foundation, Altamonte Springs Florida USA, 2002
	Internal Auditor Magazine, Article: The ABC's of Adding Value, pp 48–53, The Institute of Internal Auditors, Altamonte Springs Florida USA, December 2013
Standards	International Professional Practices Framework (IPPF) 2013 Edition, The Institute of Internal Auditors, Altamonte Springs Florida USA, 2013
Three Lines of Defense	IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control, The Institute of Internal Auditors, Altamonte Springs Florida USA, 2013