



# **INTERNAL AUDIT QUALITY ASSURANCE MANUAL**

# Table of Contents

<b>1</b>	<b>Abbreviations and Acronyms</b> .....	<b>3</b>
<b>2</b>	<b>Definitions</b> .....	<b>4</b>
<b>3</b>	<b>Foreword</b> .....	<b>7</b>
<b>4</b>	<b>Introduction to the Manual</b> .....	<b>8</b>
	<b>4.1 Quality Assurance and Improvement Program</b> .....	<b>8</b>
	<b>4.2 Applicable Standards</b> .....	<b>9</b>
<b>5</b>	<b>Internal Quality Assessment Performed by Internal Audit</b> .....	<b>11</b>
	<b>5.1 Ongoing Monitoring</b> .....	<b>11</b>
	5.1.1 Annual Planning .....	<b>13</b>
	5.1.2 Engagement Planning .....	<b>16</b>
	5.1.3 Fieldwork.....	<b>17</b>
	5.1.4 Reporting.....	<b>18</b>
	5.1.5 Follow Up .....	<b>20</b>
	5.1.6 Ongoing Performance Matrix .....	<b>21</b>
	<b>5.2 Periodic Self-Assessment</b> .....	<b>22</b>
<b>6</b>	<b>Internal Auditor General Office Quality Assessment</b> .....	<b>24</b>
	<b>6.1 Internal Quality Assessment Office of IAG</b> .....	<b>24</b>
	<b>6.2 Periodic Quality Assessment performed by IAG</b> .....	<b>26</b>
<b>7</b>	<b>External Quality Assessment</b> .....	<b>27</b>
	<b>7.1 Self-Assessment with Independent Validation</b> .....	<b>27</b>
	<b>7.2 Full External Assessment</b> .....	<b>29</b>
<b>8</b>	<b>Monitoring and Follow Ups</b> .....	<b>30</b>
<b>9</b>	<b>Annexures</b> .....	<b>31</b>
	<b>9.1 On Going Monitoring</b> .....	<b>31</b>

9.1.1	Annexure A: Annual Audit Planning QA Template .....	31
9.1.2	Annexure B: Engagement QA Template .....	33
<b>9.2</b>	<b>Annexure C: Customer Feedback Template .....</b>	<b>37</b>
<b>9.3</b>	<b>Annexure D: Periodic Internal Self-Assessment Checklist .....</b>	<b>39</b>
<b>9.4</b>	<b>Annexure E: Checklist for Internal Quality Assessment of IAG Office.....</b>	<b>47</b>
<b>9.5</b>	<b>Annexure F: External Quality Assessment by IAG Office .....</b>	<b>49</b>

## **1 Abbreviations and Acronyms**

CAE/HIA	Chief Audit Executive/Head of Internal Audit
CAG	Controller and Auditor General
CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
CPD	Continuous Professional Development
DNC	Do Not Conform
GC	Generally, Conform
IA	Internal Audit
IAD	Internal Audit Department
IAG	Internal Auditor General
IIA	Institute of Internal Auditors
IPPF	International Professional Practice Framework
LGA	Local Government Authority
MDA	Ministries, Departments and Agencies
NBAA	National Board of Accountants and Auditors
PC	Partially Conform
PI	Public Institution(s)
PS	Permanent Secretary
QA	Quality Assessment
QAIP	Quality Assurance and Improvement Program
QAR	Quality Assurance Review

## **2 Definitions**

### **Board**

The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word "board" in the *Standards* refers to a group or person(s) charged with governance of the organization. Furthermore, "board" in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an audit committee).

### **Charter**

The internal audit charter is a formal document that defines the Internal Audit Department's purpose, authority, and responsibility. The internal audit charter establishes the Internal Audit Department's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Chief Audit Executive (CAE)**

Describes the role of a person in a senior position responsible for effectively managing the Internal Audit Department in accordance with the internal audit charter and the mandatory

elements of the International Professional Practices Framework. The Head of Internal Audit or others reporting to the Head of Internal Audit will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the Head of Internal Audit may vary across organizations. In this case the CAE may mean the IAG or the heads of the Internal Audit Department in PI. In this manual, CAE will be used interchangeably to refer to the Head of Internal Audit.

### **Code of Ethics**

The Code of Ethics of The Institute of Internal Auditors are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

### **Engagement**

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

### **Internal Audit Department**

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The Internal Audit Department helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

### **International Professional Practices Framework**

The conceptual framework that organizes the authoritative guidance promulgated by the IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

**Must** - The *Standards* use the word “must” to specify an unconditional requirement.

**Standard** - A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

### **3 Foreword**

The Office of IAG is an integral part of the public sector Internal Audit Department and is the body that is responsible for the development and enforcement of internal audit methodology in Revolutionary Government of Zanzibar. One of its tasks is to monitor the overall independence and quality of internal auditing in the Public Institutions.

The Office of IAG Zanzibar under Ministry of Finance and Planning has developed a set of guidance and related practices to which all auditors in Public Sector Organizations must adhere. This Quality Assurance Manual has been developed to provide procedures for conducting quality assessment of internal audit activities in the public sector in Zanzibar.

Procedures set in this manual are in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). According to Standard 1300, the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of audit activity.

The Office of IAG requires all internal audit activities in Public Institutions to conduct ongoing monitoring at the engagement level, and demonstrate conformance through documentary evidence such as checklists, surveys, or other various key performance indicators as demonstrated in this manual. Furthermore, internal audit activities should conduct periodic assessment of subset of the definition of Internal Auditing, the Code of Ethics, and Standards annually, except in years where the external quality assessment is completed.

It is my expectations that all internal auditors of the Public Institutions in the Revolutionary Government of Zanzibar will not only develop and maintain quality assurance and improvement programs but will conduct quality assessment in their respective audit departments.

**INSERT SIGNATURE & TITLE OF SIGNATORY**

**Ministry of Finance & Planning - Zanzibar**

## **4 Introduction to the Manual**

This manual has been developed by the Office of IAG Zanzibar as part of an overall process to uplift the quality of the engagements carried out by both the Office of IAG and Zanzibar Public Institutions (PI). The manual has been prepared in compliance with IPPF and related standards.

The objective of this manual is to document IAG's established system of quality assurance so as to ensure that audit work done are of the highest standards. Furthermore, to provide a framework that will guide IAG's office and PI in complying with professional standards and regulatory and legal requirements.

All the information in this manual is aimed at providing the guidelines for conducting quality assurance and ensuring that the quality control improvement programme meets its objectives. The Checklists are standardized to ensure consistency.

Under the QAIP, quality should be assessed at both an individual audit engagement level as well as at a broader Internal Audit Department level. A well-developed QAIP will ensure that quality is built in to, rather than on to, the way the Internal Audit Department operates. In other words, an Internal Audit Department should not need to assess whether each individual engagement conforms to the Standards. Rather, engagements should be undertaken in accordance with an established methodology that promotes quality and, by default, conformance with the Standards.

This manual must be read together with the Internal Audit Manual, Internal Audit Charter, Code of Ethics and any other relevant documents.

### **4.1 Quality Assurance and Improvement Program**

The IIA's International Professional Practices Framework (IPPF) defines a quality assurance and improvement program (QAIP) as:



*An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the Internal Audit Department. These ongoing and periodic assessments are composed of rigorous, comprehensive processes; continuous supervision and testing of internal audit and consulting work; and periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. This also includes ongoing measurements and analyses of performance metrics (e.g., internal audit plan accomplishment, cycle time, recommendations accepted, and customer satisfaction). If the assessments' results indicate areas for improvement by the Internal Audit Department, the chief audit executive (CAE) will implement the improvements through the QAIP.*

The following International Standards for the Professional Practice of Internal Auditing (Standards) are relevant to the development of a QAIP:

- 1300: Quality Assurance and Improvement Program.
- 1310: Requirements of the Quality Assurance and Improvement Program.
- 1311: Internal Assessments.
- 1312: External Assessments.
- 1320: Reporting on the Quality Assurance and Improvement Program.
- 1321: Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing.”
- 1322: Disclosure of Non-conformance.

## **4.2 Applicable Standards**

The following are applicable quality related standards:

### **Applicable IIA Standards**

#### **1300 – Quality Assurance and Improvement Program**

The CAE must develop and maintain a Quality Assurance and Improvement Program that covers all aspects of the Internal Audit Department.

### **1310 – Requirements of the Quality Assurance and Improvement Program**

The quality assurance and improvement program must include both internal and external assessments.

#### **1311 – Internal Assessments**

Internal assessments must include:

- On-going monitoring of the performance of the Internal Audit Department; and
- Periodic reviews performed through self-assessment or by other persons within the organisation with sufficient knowledge of internal audit practices.

#### **1312 – External Assessments**

External assessments must be conducted at least once every **three years** by a qualified, independent reviewer or review team from outside the organisation. The chief audit executive must discuss with the Audit Committee:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

### **1320 – Reporting on the Quality Assurance and Improvement Program**

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the Audit Committee.

### **1321 – Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"**

The CAE may state that the Internal Audit Department conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement.

#### **1322 – Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the Internal Audit Department, the chief audit executive must disclose the nonconformance and the impact to senior management and the Audit Committee.

Source: IPPF

## **5 Internal Quality Assessment Performed by Internal Audit**

Internal Quality Assessment performed by internal audit shall include the following:

- Ongoing monitoring of the performance of the Internal Audit Department
- Periodic reviews performed through self-assessments

The ongoing and periodic assessments under the QAIP are composed of the following:

- Rigorous and comprehensive review of internal audit processes
- Continuous supervision of engagements
- Periodic validations of conformance by internal auditors to the Code of Ethics and the Standards of Professional Practice of Internal Audit
- Analysis of internal audit performance metrics (Internal Audit Plan Accomplishment, Customer Satisfaction, Budget vs Actual Costs)

### **5.1 Ongoing Monitoring**

Ongoing monitoring is incorporated into the routine practices and policies used to manage the Internal Audit Department and uses processes, tools, and information considered

necessary to evaluate conformance with the Code of Ethics, and the Standards for the Professional Practice of Internal Auditing and relevant laws and regulations. It is primarily achieved through continuous monitoring activities including engagement planning and supervision, standard working practices, working paper procedures and signoffs, and reviews.

Ongoing Monitoring must also be applied to the various administrative and educational aspects of the Internal Audit Department, in addition to the specific execution of audit engagements. Ongoing monitoring should be considered as the Internal Audit Department's own set of controls that provide a window into the quality of the audit work performed. Therefore, monitoring related to internal audit engagements must be documented in the audit working papers.

One can expect various levels of supervision for most circumstances in which ongoing monitoring is established. It is the responsibility of the CAE to determine by whom, and at what level, the monitoring of the internal audit engagement should be performed. In general, the most experienced auditor in the team or Internal Audit Department is responsible for the ongoing monitoring process. Typically, senior and junior internal auditors develop a detailed audit program and execute it, while a team leader gives directions and supervises the work of the senior and junior auditors. Usually, the CAE approves all major steps in the audit process and exercises overall oversight over the internal audit engagement.

The following functions form key features of the ongoing monitoring of the internal audit function:

- Each internal auditor who is a member of the internal audit engagement team must continuously assess his/her work to ensure that it complies with the prescribed internal audit methodology.
- The team leader is responsible for guiding and coaching the internal audit team and is thus actively engaged in the ongoing monitoring of team members with regard to the internal audit engagement.

- The CAE is responsible for the overall quality of the Internal Audit Department and in this role reviews the work of the team leader in order to ensure that relevant ongoing monitoring activities have been implemented. Also, the HIA will usually oversee compliance with applicable internal audit policies.
- Special attention needs to be given to ways to address supervision in the case of small or single person internal audit units since it is important to maintain quality control even in such situations. This can be achieved by inviting the CAE of another PI to review the working papers for an internal audit engagement or by asking the Office of IAG for a specific review.

In addition, the following mechanisms can also be used in on going monitoring:

- Acquiring feedback from audit clients and other stakeholders.
- Using checklists or internal audit automation to give assurance on whether processes adopted are being followed.
- Using measures of project budgets, timekeeping systems, and audit plan completion to determine if appropriate time is spent on different aspects of the audit process, as well as high risk and complex areas.
- Performance metrics for measuring stakeholder value.

During the various steps of the internal audit engagement, ongoing monitoring should focus on a number of quality criteria. Any weaknesses or areas for improvement shall be addressed on an ongoing basis, as they are identified, and the results of ongoing monitoring must be reported, at least annually, to the IAG, Senior Management and the Audit Committee (or its equivalent if established).

### **5.1.1 Annual Planning**

On-going monitoring of the annual audit planning process and annual audit plan shall be conducted to ensure that the audit plan is relevant and consistent with the institution's goals and objectives. Ongoing monitoring of the annual audit plans shall also consider the relevance of the annual audit plan to changes and matters that have impacted the organization's strategies, objectives and associated risks.

### **Applicable IIA Standards**

The following standards shall be considered by the CAE in preparation of the annual audit plans and compliance to these standards shall be assessed in on going monitoring of the annual planning process and annual audit plans:

- Establishment risk-based plans to determine the priorities of the Internal Audit Department. (Standard 2010)
- Assessment of and provision of appropriate recommendations for improving the governance process. (Standard 2110)
- Evaluation of the effectiveness and providing contributions to the improvement of risk management processes. (Standard 2120)
- Evaluating of the effectiveness and efficiency of controls and promoting continuous improvement on the controls. (Standard 2130)

### **Table 1: Quality Related Questions**

- 1) Does the annual audit plan align with the strategic and operational risks of the organization?
- 2) Does the annual audit plan include an appropriate mix of engagements covering the scope of organizational function?
- 3) Are senior management and the audit committee (or its equivalent if established) satisfied with the assurance coverage provided in the annual audit plan?

- 4) Are the annual audit plans and any significant changes communicated to senior management and the audit committee (or its equivalent if established) for approval?
- 5) Has the internal audit function applied a consistent approach to assessing risks and potential auditable areas?

Detailed checklist of the aspects to consider in on going monitoring of the annual planning process are included under *Annexure A: Annual Planning Quality Assurance Template*.

## 5.1.2 Engagement Planning

In conducting their engagements, internal auditors shall develop and document a plan for each engagement that includes the engagement's objectives, scope, timing, and resource allocations.

Ongoing monitoring of the engagement planning shall be done through reviews of working papers, quality checks on the planning process and engagement supervision to ensure that the objectives of the engagement are met.

### Applicable IIA Standards

The following standards must be considered by internal auditors in engagement planning:

- Strategies and objectives of the activity being reviewed including risk management, governance, and control processes. (Standard 2201)
- Establishing the engagement objectives including consideration of the probability of significant errors, fraud, non-compliance, and other exposures when developing the engagement objectives. (Standard 2210)
- Determining the scope of the engagement which must be sufficient to achieve the objectives of the engagement. (Standard 2220)
- Allocation of appropriate and sufficient resources required to achieve the engagement objectives. (Standard 2230)
- Developing and documenting

### Table 2: Quality Related Questions

- 1) Do plans exist for each internal audit engagement?
- 2) Are work programs developed to support the engagement plan for each internal audit engagement?
- 3) Are all work programs (and subsequent adjustments) approved in writing by the CAE or designee prior to the engagement commencing?



- 4) Does the engagement sponsor approve the engagement scope/terms of reference prior to the engagement commencing?

Detailed checklist of the aspects to consider in on going monitoring of the annual planning process are included under *Annexure B: Engagement Quality Assurance Template*

### **5.1.3 Fieldwork**

Engagements shall be properly supervised to ensure objectives are achieved and quality is assured and are done in accordance to the Internal Audit Manual and relevant policies and procedures. During engagement field work it is paramount that on-going monitoring is done in the form of work paper reviews and quality checks including determination of sufficiency and reliability of the audit procedures done.

#### **Applicable IIA Standards**

The following standards are considered by internal auditors in engagement fieldwork:

- Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives. (Standard 2300)
- Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. (Standard 2310)
- Internal auditors must base conclusions and engagement results on appropriate analysis and evaluations. (Standard 2320)

- Internal auditors must document relevant information to support the conclusions and engagement results. (Standard 2330)
- Developing and documenting work programs that achieve the engagement objectives. (Standard 2240)

**Table 3: Quality Related Questions**

- 1) Is there evidence that the engagement plan and work program were followed for each engagement?
- 2) Does the internal audit function retain adequate working papers for each engagement?
- 3) Are working papers clear, complete, and referenced back to the audit scope?
- 4) Do working papers contain sufficient, reliable, relevant, and useful information to adequately support engagement findings?

Detailed checklist of the aspects to consider in on going monitoring of the fieldwork process are included under *Annexure B: Engagement Quality Assurance Template*

#### **5.1.4 Reporting**

Engagement results shall be reported to the appropriate management including senior management and the Board. It is important that ongoing monitoring of the reporting process and reports issued be performed to ensure that internal auditors reports are of the highest quality and present facts in a clear and concise manner. Engagement conclusions shall be properly identified and clearly communicated.

#### **Applicable IIA Standards**

The following standards are considered by internal auditors in engagement reporting:

- Communication of engagement results. (Standard 2400)
- Communications must include the engagement’s objectives, scope and results. (Standard 2410)
- Communications must be accurate, objective, clear, concise, constructive, complete and timely. (Standard 2420)
- Indicating that engagements are ‘conducted in conformance with the International Standards for the Professional Practice of Internal Auditing’ is appropriate only if supported by the results of the quality assurance and improvement program. (Standard 2430)
- The CAE must communicate results to the appropriate parties. (Standard 2440)
- When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization, and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information. (Standard 2450)

It is crucial that ongoing monitoring of the reporting process is performed to ensure compliance with the above standards and to ensure that quality audit results and reports are issued.

**Table 4: Quality Related Questions**

- 1) Are engagements reports approved by the Head of Internal Audit or their delegate prior to distribution?
- 2) Have engagement results been communicated to appropriate parties?

- 3) Is there evidence that discussions were held with auditees or management on the results of the audit work done?
- 4) Do engagement reports include the engagement's objectives and scope, as well as applicable conclusions, recommendations, and action plans?

Detailed checklist of the aspects to consider in on going monitoring of the reporting process are included under *Annexure B: Engagement Quality Assurance Template*

### **5.1.5 Follow Up**

Internal auditors conduct follow-up process to evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations, including those made by external auditors and others. This process also includes determining whether senior management and/or the Audit Committee have assumed the risk of not taking corrective action on reported observations. As part of QAIP, internal auditors conduct ongoing monitoring of the follow up process to ensure that it is robust enough and meets the objectives.

#### **Applicable IIA Standards**

The following standards are considered by internal auditors in follow-up engagements:

- The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. (Standard 2500)

It is crucial that ongoing monitoring of the follow up process is performed.

#### **Table 5: Quality Related Questions**

- 1) Has a follow up been done on major audit recommendations?
- 2) Has ample time been provided to allow for corrective actions to be performed before an audit follow up is done?

3) Has adequate verifications been made up in the follow up process?

Detailed checklist of the aspects to consider in on going monitoring of the follow up process are included under *Annexure B: Engagement Quality Assurance Template*

### **5.1.6 Ongoing Performance Matrix**

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## 5.2 Periodic Self-Assessment

Periodic self-assessment is another integral component of the quality assurance program within the Internal Audit Department. These assessments are conducted to evaluate conformance with basic principles of the International Professional Practices Framework (IPPF) for internal auditing, such as the Definition of Internal Auditing, the Code of Ethics and the *Standards*, and with the specific requirements of the Internal Audit Department's own manual and policies. A person or a group of persons within the Internal Audit Department or the Office of IAG Zanzibar with sufficient knowledge of good internal audit practices must carry out the periodic self-assessments.

Periodic self-assessments focus on evaluating:

- Conformance with the internal audit charter, The IIA's Definition of Internal Auditing, the Code of Ethics, and the Standards.
- The quality of the audit work, including adherence to the internal audit methodology for selected engagements.
- The quality of supervision.
- The infrastructure, including the policies and procedures, supporting the Internal Audit Department.
- The ways the internal audit function adds value to the organization.
- The achievement of performance standards/indicators.

Periodic self-assessments should be conducted through:

- Working paper reviews for conformance with the Definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures by staff not involved in the respective audits.
- Self-assessment of the Internal Audit Department with objectives/criteria established as part of the QAIP
- Periodic activity and performance reporting to the board and other stakeholders as deemed necessary

- Interviews and surveys of stakeholder groups.
- A combination of self-assessment and preparation of materials subsequently reviewed by the Office of IAG Zanzibar, or other competent audit professionals
- Benchmarking of the Internal Audit Department's practices and performance metrics against relevant best practices of the internal audit profession.

At the end of the evaluation exercise, conclusions must be made about the quality of the performance of the Internal Audit Department and their conformity to the IPPF. Appropriate follow-up actions should be initiated to generate improvements as necessary. At least annually, the CAE must report the results of internal assessments, corresponding action plans and their successful implementation, to the Office of IAG Zanzibar, Senior Management and the Audit Committee (or its equivalent if established).

Detailed checklist of the aspects to consider in periodic self-assessment are included in *Annexure D: Periodic Internal Self-Assessment Checklist*

## 6 Internal Auditor General Office Quality Assessment

The Office of IAG Zanzibar shall conduct quality assessment on audit engagements carried out by the Office of IAG as well as those done by PI.

It is good practice for the Office of IAG to assess on a regular basis its own performance and contribution to the internal audit system. In addition, an independent external assessment of the Internal Audit Department shall also include an assessment of the work performed by the Office of IAG Zanzibar.

The Office of IAG may delegate such matters to a quality assurance team but the overall accountability rests with the Office of IAG.

### 6.1 Internal Quality Assessment Office of IAG

The internal quality assessment of the Office of IAG should focus on a number of quality criteria related to the specific role of the IAG Office. Table 6 lists some of quality related questions that focus on these criteria. A more comprehensive checklist can be found in *Annexure E: Checklist for Internal Quality Assessment of IAG Office*.

**Table 6: Quality Related Questions – Office of IAG QA**

#### **Strategic and Regulatory Framework**

- 1) Is the role of the IAG clearly defined in the law?

#### **Organizational Structure**

- 2) Does the IAG have sufficient authority to direct and support the Internal Audit Department throughout the entire public sector?

#### **Internal Audit Methodology**



- 3) Has the Office of IAG developed an appropriate methodology for internal auditing, which is in line with the IPPF?

#### **Independence of Internal Audit**

- 4) Is the IAG consulted on the appointment of the heads of the Internal Audit Department in PI?

#### **Training and Certification of Internal Auditors**

- 5) Has the IAG developed a training curriculum for internal auditors in PI?
- 6) Has the IAG developed a certification program for internal auditors?

#### **Support to Internal Audit**

- 7) Does the Office of IAG provide practical guidance for new internal audit activities?
- 8) Does the Office of IAG provide needed support to Internal Audit Department or internal auditors requiring specialized skills, for example in information technology (IT) and Fraud Investigation?

#### **Quality of Internal Audit**

- 9) Does the IAG periodically assess the quality of the performance of internal audit activities?

#### **Marketing of Internal Audit**

- 10) Does the Office of IAG raise awareness of the importance of internal audit at the level of the heads of PI and ministerial levels?

## 6.2 Periodic Quality Assessment performed by IAG

The Office of IAG needs to undertake external quality reviews of the various internal audit activities in Ministries, Departments and Agencies in order to fulfill its obligations. The Office of IAG should undertake its reviews based on a selection process driven primarily by risk and other indicators such as complaints received or request from senior management. The external quality assessment should be conducted by experienced auditors who should at least be at the position of Head of Department for two years.

Although the external quality assessment performed by the Office of IAG contributes to ongoing improvements in the quality of internal auditing in specific institutions and in the country in general, its reviews can never be considered totally independent because it is a key component of the internal audit system. Therefore, external quality assessments conducted by the IAG are not substitutes for the required periodic external assessments that need to be performed by qualified independent reviewers from outside the organization, and which will include a review of the IAG Office.

The external quality assessment performed by the Office of IAG of internal audit activities should cover a wide range of quality criteria. The Office of IAG should apply a review methodology and depending on its findings it should score an institution's internal audit unit in various categories.

Table 7 provides examples of an approach that could be used to assess two of the criteria of IIA Attribute Standards, along with the relevant review steps and possible ratings. A more complete list can be found in *Annexure F External Quality Assessment by the IAG Office*.

Table 7: Possible questions on the external quality assessment by the IAG office

### Possible Questions

- 1) Is an Internal Audit Charter in place?
- 2) Is the Internal Audit Charter reviewed annually to assure it remains effective and in line with best practice?

3) Are there no conflicts of interest that will affect the individual objectivity of Internal Audit employees or service providers?

## **7 External Quality Assessment**

External assessments shall be conducted at least once every five years by a qualified, independent reviewer from outside the IAG or PI. The IAG shall discuss with the Parliament/Governing Body if there is a need for more frequent external assessments and the qualifications and independence of the external reviewer or review team, including potential conflict of interest.

External assessments of the Internal Audit Department shall cover the entire spectrum of assurance and consulting work performed (or that should have been performed based on the Internal Audit Charter) by the Internal Audit Department, including its conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing and, as appropriate, includes recommendations for improvement. Apart from conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing, the scope of the assessment can be adjusted at the discretion of the IAG or Audit Committee.

The external assessment shall also benchmark the work of the Internal Audit Department to leading practices that could assist the Internal Audit Department in becoming more efficient and/or effective. Results of the external assessment shall be discussed with the IAG and the Audit Committee.

The following approaches shall be followed in conducting external assessments:

- Self-assessment with independent validation
- Full external assessment

### **7.1 Self-Assessment with Independent Validation**

Self-assessments with independent validation shall be carried out at least once in every three years. The IAG shall conduct a self-assessment and a qualified reviewer or review team not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the IAG shall validate the results of the self-assessment.

A self-assessment with independent [external] validation includes:

- A comprehensive and fully documented self-assessment process, which emulates the external assessment process, at least with respect to evaluation of conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing.
- An independent, on-site validation by a qualified, independent reviewer.

A team under the supervision of the IAG performs and fully documents the self-assessment process. A draft report, similar to that for an external assessment, is prepared including IAG's judgment on conformance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

A qualified, independent reviewer or review team performs sufficient tests of the self-assessment so as to validate the results and express the indicated level of the Department's conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing.

As part of the independent validation, the independent external reviewer — upon completion of a rigorous review of the self-assessment team's evaluation of conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing:

Reviews the draft report and attempts to reconcile unresolved issues (if any).

- If in agreement with the opinion of conformance with the definition of internal auditing, the Institute of Internal Auditors Code of Ethics, and the Standards for the Professional Practice of Internal Auditing, adds wording (as needed) to the

report, concurring with the self-assessment process and opinion and — to the extent deemed appropriate — in the report’s findings, conclusions, and recommendations.

- If not in agreement with the evaluation, adds dissenting wording to the report, specifying the points of disagreement with it and — to the extent deemed appropriate — with the significant findings, conclusions, recommendations, and opinions in the report.
- Alternatively, may prepare a separate independent validation report — concurring or expressing disagreement as outlined above — to accompany the report of the self-assessment.

The final report(s) of the self-assessment with independent validation is signed by the self-assessment team and the qualified, independent external reviewer(s) and issued by the IAG to senior management and the Audit Committee.

## **7.2 Full External Assessment**

A full external assessment shall be conducted at least once every five years by a qualified, independent reviewer or review team from outside the IAG’s office or PI. The external assessment process follows the process outlined in the IIA’s Quality Assessment Manual or a similar comprehensive process.

The final report(s) of the assessment is signed by the independent external reviewer(s) and issued by the IAG to senior management and the Audit Committee.

## **8 Monitoring and Follow Ups**

Monitoring and follow ups of the progress of remediation of observations noted from the QAIP reviews shall be done on a quarterly basis. The IAG is responsible to ensure that matters observed are addressed and the results of the monitoring process shall be reported to the Audit Committee on a quarterly basis.

## 9 Annexures

### 9.1 On Going Monitoring

#### 9.1.1 Annexure A: Annual Audit Planning QA Template

Name of IAA: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Ref No	Requirement	Compliance			Comments/Remarks
		Y	N	NA	
1.1	Does the CAE and internal auditors spend time in the business to develop an understanding of key issues?				
1.2	Does the scope of work in the annual audit plan meet the role of internal audit under the internal audit charter?				
1.3	Does the annual audit plan consider an environmental scan of the wider external context of the organization such as legislative compliance requirements, industry risks, and economic factors?				
1.4	Does the annual audit plan align with the strategic and operational risks of the organization?				
1.5	Is the annual audit plan based on a documented risk assessment of the organization's risks?				
1.6	Is this risk assessment performed at least annually?				
1.7	Does the annual audit plan consider the organization's risk management framework, including any risk appetite set by management?				
1.8	Does the annual audit plan adequately account for new and emerging risk areas?				
1.9	Is the annual audit plan dynamic and flexible, adapting as the risk profile of the organization changes (e.g., changes occur to the annual audit plan during the year if the risk profile changes)?				

1.10	Has the internal audit function identified the auditable areas across the organization?				
1.11	Does the internal audit function have a process for ensuring optimal budget allocation and adherence for annual planning such as prioritizing projects?				
1.12	Is input to the annual audit plan obtained from senior management and the audit committee?				
1.13	Has the internal audit function applied a consistent approach to assessing risks and potential auditable areas?				
1.14	Does the annual audit plan include an appropriate mix of engagements covering the scope of organizational function?				
1.15	Are senior management and the audit committee satisfied with the assurance coverage provided through the annual audit plan?				
1.16	Are the annual audit plan and any significant changes communicated to senior management and the audit committee for approval?				

Preparer:	Date:
Reviewer:	Date:



**9.1.2 Annexure B: Engagement QA Template**

Name of IAA: \_\_\_\_\_

Engagement Name: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Ref No	Requirement	Compliance			Comments/Remarks
		Y	N	NA	
1.0	<b>Engagement Planning</b>				
1.1	Do plans exist for each internal audit engagement?				
1.2	Are work programs developed to support the engagement plan for each internal audit engagement?				
1.3	Are all work programs (and subsequent adjustments) approved in writing by the Head of Internal Audit or designee prior to the engagement commencing?				
1.4	Has the engagement scope been discussed with management prior to the engagement commencing?				
1.5	Has the internal audit function considered external factors or contemporary best practice when planning each engagement (i.e., are there lessons to be learned from other organizations?)				
1.6	Do engagement plans and work programs consider significant risks to the function, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level?				
1.7	Do engagement plans include an objective?				
1.8	Is there evidence that the internal audit function has Risk and Control Matrix and has considered the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives?				
1.9	Does the internal audit function use relevant criteria for evaluating governance, risk management, and control?				

1.10	Do consulting engagements address governance, risk management and control to the extent agreed upon with the engagement client?				
1.11	Do engagement plans include scopes sufficient to achieve engagement objectives?				
1.12	Do engagement plans and/or engagement work programs document the required resources and procedures for identifying, analyzing, evaluating, and documenting information during the engagement?				
1.13	Is there evidence that the internal audit function has considered the use of technology-based audit and other data analysis techniques?				
1.14	Are resources for individual engagements assigned based on an analysis of the scope, complexity, time constraints, and available resources?				
<b>2.0</b>	<b>Fieldwork</b>				
2.1	Is there evidence that the engagement plan and work program were followed for each engagement?				
2.2	Does the internal audit function retain adequate working papers for each engagement?				
2.3	Are working papers clear, complete, and referenced back to the audit scope?				
2.4	Do working papers contain sufficient, reliable, relevant, and useful information to adequately support engagement findings?				
2.5	Are working papers for all audit engagements reviewed by the audit manager and Head of Internal Audit (or designee)?				
2.6	Do working papers contain appropriate and adequate information to support the findings and conclusions?				
2.7	Have internal audit staff members demonstrated consideration of the relative significance and materiality of findings?				
2.8	Does the internal audit function work collaboratively with clients to identify mutually agreeable outcomes?				

2.9	Does the internal audit function have documented processes for assuring adequate engagement supervision?				
2.10	Does the IAA use automated working papers to maximize efficiency and expedite knowledge management?				
2.11	Does the IAA utilize continuous auditing techniques, such as repeatable CAATs?				
2.12	Have sample sizes and sampling techniques been adhered to in accordance to the IAM?				
2.13	Have additional testing procedures been considered where internal auditors were not able to draw conclusions from initial tests?				
<b>3.0</b>	<b>Reporting</b>				
3.1	Are engagements reports approved by the Head of Internal Audit or their delegate prior to distribution?				
3.2	Have engagement results been communicated to appropriate parties?				
3.3	Is there evidence that discussions were held with auditees or management on the results of the audit work done?				
3.4	Do engagement reports include the 5Cs, clearly showing recommendations addressing root causes?				
3.5	Do engagement reports include management comments and agreed actions with timing and responsibility?				
3.6	Are engagement results supported by audit evidence and work done?				
3.7	Does the Head of Internal Audit report periodically to the audit committee on performance against the internal audit plan?				
<b>4.0</b>	<b>Follow Up</b>				
4.1	Has a follow up been done on major audit recommendations?				
4.2	Has ample time been provided to allow for corrective actions to be performed before an audit follow up is done?				
4.3	Has adequate verifications been made up in the follow up process?				
4.4	Have communications been made to management on the results of the follow up process?				

4.5	For recommendations that no corrective action has been taken, is there an explicit statement for acceptance of the risk and has the same been approved by the audit committee?				
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Preparer:	Date:
Reviewer:	Date:

## 9.2 Annexure C: Customer Feedback Template

Name of IAA: \_\_\_\_\_

Engagement Name: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Ref	Please rate your experience of Internal Audit in the following areas	Rating*	Comments (please add comments, particularly where 1 or 5 ratings are used)
<b>1.0</b>	<b>Engagement Planning</b>		
1.1	Goals and objectives were understood and agreed before work began?		
1.2	Audit scope and timelines were communicated effectively?		
<b>2.0</b>	<b>Execution of Work</b>		
2.1	Sufficient notification of work required from me or my staff was provided?		
2.2	Work performed efficiently and effectively in an acceptable amount of time?		
2.3	The agreed goals and objectives were achieved?		
<b>3.0</b>	<b>Recommendations and Reporting</b>		
3.1	Audit findings including the root causes, recommendations and action plans were accurate and discussed with me on a timely basis.		
3.2	Recommendations are meaningful, relevant, and practical.		
3.3	IAA highlighted opportunities that will add value to the business?		
<b>4.0</b>	<b>IA Personnel</b>		
4.1	IA demonstrated an understanding of my business / area.		
4.2	IAA understood my concerns, issues and were objective.		
4.3	IAA showed concern and regard for our personnel.		
4.4	IAA exhibited a high standard of professionalism.		
4.5	I would ask IAA for help in a situation warranting their attention.		
	<b>Overall Score</b>		

**\*Please score 1-5 where:**

**1 = poor**

**2 = below average**

**3 = average**

**4 = above average**

**5 = excellent**

**Completed by:** \_\_\_\_\_

**Position:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### 9.3 Annexure D: Periodic Internal Self-Assessment Checklist

Name of IAA: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<b>1000 - Purpose, Authority, and Responsibility</b>					
Ensure the Internal Audit Charter: 1. Has been approved by senior management and the board, if applicable. 2. Includes reporting lines of internal audit. 3. Includes a statement of unrestricted access to all records, personnel, and physical properties. 4. Defines the nature of assurance services. (1000.A1) 5. Defines the nature of consulting services. (1000.C1) 6. Recognizes the mandatory nature of Core Principles for Professional Practice of Internal Auditing, the Code of Ethics, the <i>Standards</i> , and Definition of Internal Auditing must be recognized in the internal audit charter. (1010)	GC	PC	DNC		
<b>1100 - Independence and Objectivity</b>					
Ensure internal audit is free from impairment by assessing whether: 1. The Head of Internal Audit reports to the level within the organization that allows Internal Audit Department to fulfill its responsibilities. The CAE must confirm to the board, at least annually, the organizational independence of Internal Audit Department. (1110) 2. Internal audit is free from inference in determining scope of internal auditing, performing work, and communicating results. (1110.A1) 3. The Head of Internal Audit must communicate and interacts directly. (1111) 4. Safeguards are in place where internal audit has roles and/or responsibilities outside internal auditing. (1112) 5. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. (1120) 6. Impairments have been disclosed to appropriate parties. (1130) 7. Internal auditors must refrain from assessing specific operations for which they were previously responsible within the previous year. (1130.A1) 8. Assurance engagements for functions over which the CAE has responsibility must be overseen by a party outside the Internal Audit Department. (1130.A2) 9. Internal auditors sign a declaration once per annum that they have read and understood the code of ethics for	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
internal auditors.					
<b>1200 - Proficiency and Due Professional Care</b>					
<p>Ensure internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor by assessing whether:</p> <ol style="list-style-type: none"> <li>1. Internal auditors have the specified level of education and experience, and collectively possesses adequate skills to audit major areas of the PI. (1210)</li> <li>2. Competent assistance was sought in situations where internal audit lacked competencies for engagements. (1210.A1)</li> <li>3. Internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed. (1210.A2)</li> <li>4. Internal auditors have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform assigned work. (1210.A3)</li> <li>5. Assess whether auditors apply the care and skill expected of a reasonably prudent and competent internal auditor (1220)</li> <li>6. The extent of work needed is based on objectives, complexity, materiality, probability of errors/fraud/noncompliance, and costs in relation to benefits. (1220.A1)</li> <li>7. The use of technology-based audit and data analysis techniques is considered (1220.A2)</li> <li>8. Consideration was given to significant risks that may affect the objectives, operations, or resources. (1220.A3)</li> <li>9. Internal Auditors enhance their knowledge, skills and other competencies through continuing professional education (Reference to IIA and NBAA Bylaws). (1230)</li> </ol>	GC	PC	DNC		
<b>1300 - Quality Assurance and Improvement Program</b>					
Determine whether the Head of Internal Audit maintains a QAIP					



Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>that covers all aspects of internal audit by assessing whether:</p> <ol style="list-style-type: none"> <li>1. The QAIP includes both internal and external assessment. (1310)</li> <li>2. There is ongoing monitoring and periodic internal assessments of internal audit. (1311)</li> <li>3. External assessment was completed in the prior five years, and if so, corrective action was taken for issues identified. (1312)</li> <li>4. The results of periodic internal self-assessments and external assessments were formally communicated at least annually to the senior management and the board, if applicable. (1320)</li> <li>5. Internal audit reports contain "Conforms with the International Standards for the Professional Practice of Internal Auditing" only when results of the QAIP supported the use of the statement. (1321)</li> <li>6. When use of the statement "Conforms with the International Standards for the Professional Practice of Internal Auditing" is <u>not</u> supported by the results of the QAIP, or has not been supported by an external assessment in the past five years, verify internal audit reports included an explanatory paragraph describing the noncompliance and the corrective action to be taken until a subsequent review supports the use of the statement. (1322)</li> </ol>	GC	PC	DNC		
<b>2000 - Managing Internal Audit</b>					
<p>Determine if the internal audit function is effectively managed to ensure it adds value by assessing whether:</p> <ol style="list-style-type: none"> <li>1. Risk based audit plan has been established to determine internal audit priorities, consistent with organization goals. (2010)</li> <li>2. The plan is based on a documented risk assessment, undertaken at least annually. (2010.A1)</li> <li>3. The plan considers the input and expectations of senior management and the board, if applicable. (2010.A2)</li> <li>4. Changes to the plan are approved by the Audit Committee or similar board prior to the start of the fiscal year. (2020)</li> <li>5. The impact of resource limitations was communicated. (2020)</li> <li>6. Resources were sufficient to achieve the approved plan. (2030)</li> <li>7. Written policies exist for: conducting an audit, preparing workpapers, developing findings, preparing reports, and communicating results. (2040)</li> <li>8. Internal audit shares information and coordinates activities with other internal and external assurance providers to ensure proper coverage and minimize duplication of efforts. (2050)</li> <li>9. The Head of Internal Audit reported periodically to senior management and the board, if applicable, on internal audit's purpose, authority, responsibility, and performance including significant risk exposures and control issues, including fraud</li> </ol>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
risks, governance issues and other matters needed or requested by senior management and the board, if applicable. (2060)					
<b>2100 - Nature of Work – Governance, Risk Management and Control</b>					
<p>Determining whether internal audit contributed to the improvement of governance, risk management, and control processes by:</p> <ol style="list-style-type: none"> <li>1. Assessing and making recommendations to improve the organization governance processes, pertaining to promoting ethics and values, ensuring effective performance management and accountability, and communicating risk and control information. (2110)</li> <li>2. Evaluating the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities. (2110.A1)</li> <li>3. Assessing whether the information technology governance of the organization supports the organization's strategies and goals. (2110.A2)</li> <li>4. Evaluating the effectiveness of, and contributes to the improvement of, risk management processes. (2120)</li> <li>5. Assessing the risk exposure and the effectiveness of controls relating to the organization's governance, operation, and information systems (2120.A1)</li> <li>6. Assessing the processes in place to evaluate the potential for the occurrence of fraud and how the organization manages fraud risks. (2120.A2)</li> <li>7. Determining whether internal audit engagements assist the organization in maintaining and evaluating control effectiveness and efficiency by promoting continuous improvement. (2130)</li> <li>8. Ensuring engagements assist the organization in responding to risks to achievement of organization's strategic objectives; reliability and integrity of financial and operational information; effectiveness and efficiency of operations and programs; safeguarding assets; and compliance with laws, regulations, policies, procedures, and contracts. (2130.A1)</li> </ol>	GC	PC	DNC		
<b>2200 - Engagement Planning</b>					
<p>Assess whether adequate documented plans were developed for each engagement that included:</p> <ol style="list-style-type: none"> <li>1. Strategies and objectives, significant risks, effectiveness of risk control, and opportunities for making improvements. (2201)</li> <li>2. Objectives must be established for each engagement. (2210)</li> <li>3. A preliminary assessment of the risks relevant to the activity under review. (2210.A1)</li> <li>4. Consideration of the probability of significant errors, fraud, noncompliance, and other exposures. (2210.A2)</li> </ol>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
5. Use of adequate criteria as a basis for evaluating controls. (2210.A3) 6. Consideration of the relevant systems, records, personnel, and physical properties, including those under third party control. (2220.A1) 7. Determining if significant consulting opportunities occurred during an assurance engagement. If so, a written understanding was obtained, and the results communicated in accordance with consulting standards. (2220.A2) 8. Assessing whether appropriate and sufficient resources have been allocated to achieve the engagement objectives based upon the nature and complexity of the engagement, time constraints, and available resources. (2230) 9. Internal Auditors must develop and document work programs that achieve the engagement objectives. (2240) 10. Work programs must include procedures for identifying, analyzing, evaluating, and documenting information during the engagement. (2240.A1)					
<b>2300 - Performing the Engagement</b>					
Ensure auditors identified, analyzed, evaluated, and documented sufficient information to achieve the engagement objectives by assessing whether: <ol style="list-style-type: none"> <li>Documentation is referenced to audit programs and appears to be sufficient, reliable, relevant and useful to achieve the audit objectives. (2310)</li> <li>Appropriate analysis and evaluations were used and documented to support the engagement results and conclusions. (2320)</li> <li>Workpapers document relevant information to support the conclusions and engagement results. (2330)</li> <li>CAE control access to engagement records. CAE seek approval from senior management and/or legal counsel prior to releasing records to external parties. (2330.A1)</li> <li>Policies have been developed governing the custody and retention of assurance and consulting workpapers consistent with applicable laws and regulations. (2330.A2)</li> <li>Engagements are properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. (2340)</li> </ol>	GC	PC	DNC		
<b>2400 - Communicating the Results</b>					
Ensure engagement results were properly communicated by assessing whether: <ol style="list-style-type: none"> <li>Reports include the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans. (2410)</li> <li>Final communication of engagement results include applicable recommendations and/or action plans.</li> </ol>					

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>Where appropriate, internal auditor's overall opinion is provided. (2410.A1)</p> <p>3. Communication acknowledges satisfactory performance, where appropriate (this is encouraged but not required). (2410.A2)</p> <p>4. Communications to parties outside the organization contain limitations on distribution and use of results. (2410.A3)</p> <p>5. Communication appears to be accurate, objective, clear, concise, constructive, complete, and timely. (2420)</p> <p>6. Corrected information was distributed to all parties in instances where a final communication contained a significant error or omission. (2421)</p> <p>7. "<i>Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing</i>", is used only when supported by the results of the QAIP. (2430)</p> <p>8. Noncompliance with the Standards is disclosed, including the rule with which conformance was not achieved, the reasons for nonconformance, and the impact of nonconformance. (2431)</p> <p>9. The communication included appropriate parties. (2440)</p> <p>10. Communication was made to the parties who can ensure the results are given due consideration. (2440.A1)</p> <p>11. Release to external parties, when not mandated by legal or other requirements, was based on an assessment of potential risk, consultation with management/counsel as appropriate, and controlled by restricted dissemination. (2440.A2)</p> <p>12. Overall opinions, when issued, include: the scope, time period, scope limitations, consideration of all related projects including the reliance on other assurance providers, the risk or control framework or other criteria used as a basis for the overall opinion, and the criteria used as a basis for unfavorable opinions. (2450)</p>	GC	PC	DNC		
<b>2500 – Monitoring Progress</b>					
<p>Determine whether:</p> <p>1. An internal audit annual report is prepared, and achievement of the annual plan is determined and monitored</p> <p>2. There is a system used to follow-up and monitor to ensure management actions have been effectively implemented or that senior management has accepted the risk of not taking action. (2500.A1)</p>	GC	PC	DNC		
<b>2600 – Communicating Acceptance of Risk</b>					
<p>Determine whether the Head of Internal Audit has discussed levels of risk that are unacceptable with senior management and if not resolved, with the board, if applicable, for resolution.</p>	GC	PC	DNC		

## Annexure D: Periodic Internal Self-Assessment Checklist – Consulting Services

Name of IAA: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<b>Consulting Services</b>					
Determine whether internal audit conducts <i>formal</i> consulting engagements. If so, complete this section.	<b>Y</b>		<b>N</b>		
Internal auditors may provide consulting services to operations for which they had previous responsibilities. 1130.C1	<b>GC</b>		<b>NA</b>		
Potential impairments to independence or objectivity related to consulting services were disclosed prior to accepting engagement(s). 1130.C2	GC	PC	DNC		
Consulting engagements are declined, or competent assistance is sought when the skills, knowledge, or necessary competencies are lacking. 1210.C1	GC	PC	DNC		
Procedures are based on complexity, materiality, significance and the costs are assessed in relation to potential benefits. 1220.C1	GC	PC	DNC		
Ensure accepted consulting engagements were included in the plan and have a potential to improve management of risks, add value, and improve operations. 2010.C1	GC	PC	DNC		
When performing consulting engagements, determine whether the risks and controls consistent with the engagement objectives are addressed. 2120.C1	GC	PC	DNC		
Consulting engagements assisted the agency in maintaining evaluate control effectiveness and efficiency by promoting continuous improvement. This must be documented. 2130.C1	GC	PC	DNC		
Determine whether an understanding was established with clients about the objectives, scope, respective responsibilities and other expectations. 2201.C1	GC	PC	DNC		
Determine whether objectives address governance, risks management, and control processes. 2210.C1	GC	PC	DNC		
Ensure objectives are consistent with the agency's values, strategies, and objectives. 2210.C2	GC	PC	DNC		
Ensure the scope sufficiently addresses the agreed-upon objectives, and if internal auditors developed reservations about the scope during the engagement, the reservations discussed with the client to determine whether to continue with the engagement. 2220.C1	GC	PC	DNC		
Determine whether internal auditors addressed controls consistent with the objectives and were alert to significant control issues. 2220.C2	GC	PC	DNC		
Work programs may vary in form and content depending on the nature of the engagement. 2240.C1	GC	PC	DNC		
Ensure policies have been developed governing the custody and retention of consulting workpapers. 2330.C1	GC	PC	DNC		
Ensure communication appears accurate, objective, clear, concise, constructive, complete, and timely. 2410.C1	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
Determine whether the results of the engagement were communicated to the appropriate parties. 2440.C1	GC	PC	DNC		
If governance, risk management, and control issues were identified during consulting engagements, determine whether they were communicated to senior management and the board, if applicable. 2440.C2	GC	PC	DNC		
Determine whether internal audit monitors the disposition of results for consulting engagements. 2500.C1	GC	PC	DNC		

## 9.4 Annexure E: Checklist for Internal Quality Assessment of IAG Office

Internal Quality Assessment of IAG Office	Conclusion			Initials Date	Comments
<b>Strategic, Independence and Regulatory Framework</b>	The existence of the IAG and the appointment of the IAG should be provided for in the Public Finance Act.				
	<b>Y</b>	<b>N</b>	<b>NA</b>		
<b>Key Aspects to Consider:</b> <ol style="list-style-type: none"> <li>1. Is the role of the IAG clearly defined in the law?</li> <li>2. Is the IAG Independent?</li> <li>3. Is there a fixed term of office for IAG?</li> <li>4. Is the budget of the IAG approved by an independent body?</li> <li>5. Does the IAG mandate specify its administrative independence from the other PI?</li> <li>6. Are the qualifications of the IAG specified in the law?</li> <li>7. Does the IAG have adequate qualifications as per the law?</li> <li>8. Does the office of the IAG have stated a vision and mission (a strategic thinking)?</li> </ol>					
<b>Organizational Structure and Management</b>	To deliver quality in an efficient manner an organization needs to have an adequate structure and a well-established, professional management				
<b>Key Aspects to Consider:</b> <ol style="list-style-type: none"> <li>9. Does the IAG have sufficient authority to direct and support the Internal Audit Department throughout the entire public sector?</li> <li>10. 12. Does the IAG's organizational structure clearly define lines of authority and responsibility?</li> <li>11. Is the scheduling of staff done with regard for required and available competencies?</li> <li>12. Is staff conversant with relevant IAG guidelines?</li> <li>13. Does the staff possess knowledge of the relevant sectors in which the PI operate?</li> <li>14. Is the annual budget process integrated with the planning of the IAG annual work plan?</li> <li>15. Does the IAG have regular review of the budget and the annual work plan?</li> <li>16. Does IAG have a sufficient number of qualified staff for management of the annual work plan and its budget?</li> </ol>					
<b>Internal Audit Methodology</b>					
<ol style="list-style-type: none"> <li>17. Has the Office of IAG developed an appropriate methodology for internal auditing, which is in line with the IPPF?</li> <li>18. Does the IAG have an annual audit plan?</li> <li>19. Are the plans meeting their objectives? Please compare a sample plan's objectives with achievements.</li> <li>20. Is there a mechanism to measure achievement?</li> <li>21. Are the staffs at the various levels aware of the plans? Please test check with a sample of staff members from various levels.</li> <li>22. Is there a document Code of Ethics, adapted to the IAG's environment?</li> </ol>					

Internal Quality Assessment of IAG Office	Conclusion			Initials Date	Comments
23. Is the above code adhered to? 24. Does the IAG's have appropriate structures, rules, regulations and procedures for its internal control?					
<b>Independence of Internal Audit</b>					
25. Is the IAG consulted on the appointment of the heads of the Internal Audit Department in PI?					
<b>Training and Certification of Internal Auditors</b>					
26. Has the IAG developed a training curriculum for internal auditors in PI? 27. Has the IAG developed a certification program for internal auditors? 28. Does the IAG have a mechanism in place that takes care of career development opportunities for staff members? 29. Does the IAG have a mechanism for identifying technical and management skills gaps? 30. Does the IAG have criteria set for promotion and upgrading of its employees?					
<b>Support to Internal Audit</b>					
31. Does the Office of IAG provide practical guidance for new internal audit activities? 32. Does the Office of IAG provide needed support to Internal Audit Department or internal auditors requiring specialized skills, for example in information technology (IT) and Fraud Investigation?					
<b>Quality of Internal Audit</b>					
33. Does the IAG periodically assess the quality of the performance of internal audit activities?					
<b>Marketing of Internal Audit</b>					
34. Does the Office of IAG raise awareness of the importance of internal audit at the level of the heads of the institutions and ministerial levels?					



## 9.5 Annexure F: External Quality Assessment by IAG Office

Name of IAA: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<b>1000 - Purpose, Authority, and Responsibility</b>					
Ensure the Internal Audit Charter: 7. Has been approved by senior management and the board, if applicable. 8. Includes reporting lines of internal audit. 9. Includes a statement of unrestricted access to all records, personnel, and physical properties. 10. Defines the nature of assurance services. (1000.A1) 11. Defines the nature of consulting services. (1000.C1) 12. Recognizes the mandatory nature of Core Principles for Professional Practice of Internal Auditing, the Code of Ethics, the <i>Standards</i> , and Definition of Internal Auditing must be recognized in the internal audit charter. (1010)	GC	PC	DNC		
<b>1100 - Independence and Objectivity</b>					
Ensure internal audit is free from impairment by assessing whether: 10. The Head of Internal Audit reports to the level within the organization that allows Internal Audit Department to fulfill its responsibilities. The CAE must confirm to the board, at least annually, the organizational independence of Internal Audit Department. (1110) 11. Internal audit is free from inference in determining scope of internal auditing, performing work, and communicating results. (1110.A1) 12. The Head of Internal Audit must communicate and interacts directly. (1111) 13. Safeguards are in place where internal audit has roles and/or responsibilities outside internal auditing. (1112) 14. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. (1120) 15. Impairments have been disclosed to appropriate parties. (1130) 16. Internal auditors must refrain from assessing specific operations for which they were previously responsible within the previous year. (1130.A1) 17. Assurance engagements for functions over which the CAE has responsibility must be overseen by a party outside the Internal Audit Department. (1130.A2)	GC	PC	DNC		
<b>1200 - Proficiency and Due Professional Care</b>					
Ensure internal auditors apply the care and skill expected of					

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>a reasonably prudent and competent internal auditor by assessing whether:</p> <ol style="list-style-type: none"> <li>10. Internal auditors have the specified level of education and experience, and collectively possesses adequate skills. (1210)</li> <li>11. Competent assistance was sought in situations where internal audit lacked competencies for engagements. (1210.A1)</li> <li>12. Internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed. (1210.A2)</li> <li>13. Internal auditors have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform assigned work. (1210.A3)</li> <li>14. Assess whether auditors apply the care and skill expected of a reasonably prudent and competent internal auditor (1220)</li> <li>15. The extent of work needed is based on objectives, complexity, materiality, probability of errors/fraud/noncompliance, and costs in relation to benefits. (1220.A1)</li> <li>16. The use of technology-based audit and data analysis techniques is considered (1220.A2)</li> <li>17. Consideration was given to significant risks that may affect the objectives, operations, or resources. (1220.A3)</li> <li>18. Internal Auditors enhance their knowledge, skills and other competencies through continuing professional education (Reference to IIA and NBAA Bylaws). (1230)</li> </ol>	GC	PC	DNC		
<b>1300 - Quality Assurance and Improvement Program</b>					
<p>Determine whether the Head of Internal Audit maintains a QAIP that covers all aspects of internal audit by assessing whether:</p> <ol style="list-style-type: none"> <li>7. The QAIP includes both internal and external assessment. (1310)</li> <li>8. There is ongoing monitoring and periodic internal assessments of internal audit. (1311)</li> <li>9. External assessment was completed in the prior five years, and if so, corrective action was taken for issues identified. (1312)</li> <li>10. The results of periodic internal self-assessments and external assessments were formally communicated at least annually to the senior management and the board, if applicable. (1320)</li> <li>11. Internal audit reports contain <i>"Conforms with the International Standards for the Professional Practice of Internal Auditing"</i> only when results of the QAIP supported the use of the statement. (1321)</li> <li>12. When use of the statement <i>"Conforms with the International Standards for the Professional Practice of Internal Auditing"</i> is <u>not</u> supported by the results of the</li> </ol>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>QAIP, or has not been supported by an external assessment in the past five years, verify internal audit reports included an explanatory paragraph describing the noncompliance and the corrective action to be taken until a subsequent review supports the use of the statement. (1322)</p>					
<b>2000 - Managing Internal Audit</b>					
<p>Determine if the internal audit function is effectively managed to ensure it adds value by assessing whether:</p> <p>10. Risk based audit plan has been established to determine internal audit priorities, consistent with organization goals. (2010)</p> <p>11. The plan is based on a documented risk assessment, undertaken at least annually. (2010.A1)</p> <p>12. The plan considers the input and expectations of senior management and the board, if applicable. (2010.A2)</p> <p>13. Changes to the plan are approved by the Audit Committee or similar board prior to the start of the fiscal year. (2020)</p> <p>14. The impact of resource limitations was communicated. (2020)</p> <p>15. Resources were sufficient to achieve the approved plan. (2030)</p> <p>16. Written policies exist for: conducting an audit, preparing workpapers, developing findings, preparing reports, and communicating results. (2040)</p> <p>17. Internal audit shares information and coordinates activities with other internal and external assurance providers to ensure proper coverage and minimize duplication of efforts. (2050)</p> <p>18. The Head of Internal Audit reported periodically to senior management and the board, if applicable, on internal audit's purpose, authority, responsibility, and performance including significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board, if applicable. (2060)</p>	GC	PC	DNC		
<b>2100 - Nature of Work – Governance, Risk Management and Control</b>					
<p>Determining whether internal audit contributed to the improvement of governance, risk management, and control processes by:</p> <p>9. Assessing and making recommendations to improve the organization governance processes, pertaining to promoting ethics and values, ensuring effective performance management and accountability, and communicating risk and control information. (2110)</p> <p>10. Evaluating the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities. (2110.A1)</p> <p>11. Assessing whether the information technology governance of the organization supports the organization's strategies and goals. (2110.A2)</p> <p>12. Evaluating the effectiveness of, and contributes</p>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>to the improvement of, risk management processes. (2120)</p> <p>13. Assessing the risk exposure and the effectiveness of controls relating to the organization’s governance, operation, and information systems (2120.A1)</p> <p>14. Assessing the processes in place to evaluate the potential for the occurrence of fraud and how the organization manages fraud risks. (2120.A2)</p> <p>15. Determining whether internal audit engagements assist the organization in maintaining and evaluating control effectiveness and efficiency by promoting continuous improvement. (2130)</p> <p>16. Ensuring engagements assist the organization in responding to risks to achievement of organization’s strategic objectives; reliability and integrity of financial and operational information; effectiveness and efficiency of operations and programs; safeguarding assets; and compliance with laws, regulations, policies, procedures, and contracts. (2130.A1)</p>					
<b>2200 - Engagement Planning</b>					
<p>Assess whether adequate documented plans were developed for each engagement that included:</p> <p>11. Strategies and objectives, significant risks, effectiveness of risk control, and opportunities for making improvements. (2201)</p> <p>12. Objectives must be established for each engagement. (2210)</p> <p>13. A preliminary assessment of the risks relevant to the activity under review. (2210.A1)</p> <p>14. Consideration of the probability of significant errors, fraud, noncompliance, and other exposures. (2210.A2)</p> <p>15. Use of adequate criteria as a basis for evaluating controls. (2210.A3)</p> <p>16. Consideration of the relevant systems, records, personnel, and physical properties, including those under third party control. (2220.A1)</p> <p>17. Determining if significant consulting opportunities occurred during an assurance engagement. If so, a written understanding was obtained, and the results communicated in accordance with consulting standards. (2220.A2)</p> <p>18. Assessing whether appropriate and sufficient resources have been allocated to achieve the engagement objectives based upon the nature and complexity of the engagement, time constraints, and available resources. (2230)</p> <p>19. Internal Auditors must develop and document work programs that achieve the engagement objectives. (2240)</p> <p>20. Work programs must include procedures for identifying, analyzing, evaluating, and documenting information during</p>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
the engagement. (2240.A1)					
<b>2300 - Performing the Engagement</b>					
<p>Ensure auditors identified, analyzed, evaluated, and documented sufficient information to achieve the engagement objectives by assessing whether:</p> <ol style="list-style-type: none"> <li>7. Documentation is referenced to audit programs and appears to be sufficient, reliable, relevant and useful to achieve the audit objectives. (2310)</li> <li>8. Appropriate analysis and evaluations were used and documented to support the engagement results and conclusions. (2320)</li> <li>9. Workpapers document relevant information to support the conclusions and engagement results. (2330)</li> <li>10. CAE control access to engagement records. CAE seek approval from senior management and/or legal counsel prior to releasing records to external parties. (2330.A1)</li> <li>11. Policies have been developed governing the custody and retention of assurance and consulting workpapers consistent with applicable laws and regulations. (2330.A2)</li> <li>12. Engagements are properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. (2340)</li> </ol>	GC	PC	DNC		
<b>2400 - Communicating the Results</b>					
<p>Ensure engagement results were properly communicated by assessing whether:</p> <ol style="list-style-type: none"> <li>7. Reports include the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans. (2410)</li> <li>8. Final communication of engagement results include applicable recommendations and/or action plans. Where appropriate, internal auditor's overall opinion is provided. (2410.A1)</li> <li>9. Communication acknowledges satisfactory performance, where appropriate (this is encouraged but not required). (2410.A2)</li> <li>10. Communications to parties outside the organization contain limitations on distribution and use of results. (2410.A3)</li> <li>11. Communication appears to be accurate, objective, clear, concise, constructive, complete, and timely. (2420)</li> <li>12. Corrected information was distributed to all parties in instances where a final communication contained a significant error or omission. (2421)</li> <li>13. "<i>Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing</i>", is used only when supported by the results of the QAIP. (2430)</li> <li>14. Noncompliance with the Standards is disclosed, including</li> </ol>	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<p>the rule with which conformance was not achieved, the reasons for nonconformance, and the impact of nonconformance. (2431)</p> <p>15. The communication included appropriate parties. (2440)</p> <p>16. Communication was made to the parties who can ensure the results are given due consideration. (2440.A1)</p> <p>17. Release to external parties, when not mandated by legal or other requirements, was based on an assessment of potential risk, consultation with management/counsel as appropriate, and controlled by restricted dissemination. (2440.A2)</p> <p>18. Overall opinions, when issued, include: the scope, time period, scope limitations, consideration of all related projects including the reliance on other assurance providers, the risk or control framework or other criteria used as a basis for the overall opinion, and the criteria used as a basis for unfavorable opinions. (2450)</p>					
<b>2500 – Monitoring Progress</b>					
<p>Determine whether:</p> <p>3. An internal audit annual report is prepared, and achievement of the annual plan is determined and monitored</p> <p>4. There is a system used to follow-up and monitor to ensure management actions have been effectively implemented or that senior management has accepted the risk of not taking action. (2500.A1)</p>	GC	PC	DNC		
<b>2600 – Communicating Acceptance of Risk</b>					
<p>Determine whether the Head of Internal Audit has discussed levels of risk that are unacceptable with senior management and if not resolved, with the board, if applicable, for resolution.</p>	GC	PC	DNC		

## Annexure F: External Quality Assessment by Office of IAG – Consulting Services

Name of IAA: \_\_\_\_\_

Financial Year: \_\_\_\_\_

Self-Assessment Procedures	Conclusion			Initials Date	Comments
<b>Consulting Services</b>					
Determine whether internal audit conducts <i>formal</i> consulting engagements. If so, complete this section.	<b>Y</b>		<b>N</b>		
Internal auditors may provide consulting services to operations for which they had previous responsibilities. 1130.C1	<b>GC</b>		<b>NA</b>		
Potential impairments to independence or objectivity related to consulting services were disclosed prior to accepting engagement(s). 1130.C2	GC	PC	DNC		
Consulting engagements are declined, or competent assistance is sought when the skills, knowledge, or necessary competencies are lacking. 1210.C1	GC	PC	DNC		
Procedures are based on complexity, materiality, significance and the costs are assessed in relation to potential benefits. 1220.C1	GC	PC	DNC		
Ensure accepted consulting engagements were included in the plan and have a potential to improve management of risks, add value, and improve operations. 2010.C1	GC	PC	DNC		
When performing consulting engagements, determine whether the risks and controls consistent with the engagement objectives are addressed. 2120.C1	GC	PC	DNC		
Consulting engagements assisted the agency in maintaining evaluate control effectiveness and efficiency by promoting continuous improvement. 2130.C1	GC	PC	DNC		
Determine whether an understanding was established with clients about the objectives, scope, respective responsibilities and other expectations. 2201.C1	GC	PC	DNC		
Determine whether objectives address governance, risks management, and control processes. 2210.C1	GC	PC	DNC		
Ensure objectives are consistent with the agency's values, strategies, and objectives. 2210.C2	GC	PC	DNC		
Ensure the scope sufficiently addresses the agreed-upon objectives, and if internal auditors developed reservations about the scope during the engagement, the reservations discussed with the client to determine whether to continue with the engagement. 2220.C1	GC	PC	DNC		
Determine whether internal auditors addressed controls consistent with the objectives and were alert to significant control issues. 2220.C2	GC	PC	DNC		
Work programs may vary in form and content depending on the nature of the engagement. 2240.C1	GC	PC	DNC		
Ensure policies have been developed governing the custody and retention of consulting workpapers. 2330.C1	GC	PC	DNC		
Ensure communication appears accurate, objective, clear, concise, constructive, complete, and timely. 2410.C1	GC	PC	DNC		

Self-Assessment Procedures	Conclusion			Initials Date	Comments
Determine whether the results of the engagement were communicated to the appropriate parties. 2440.C1	GC	PC	DNC		
If governance, risk management, and control issues were identified during consulting engagements, determine whether they were communicated to senior management and the board, if applicable. 2440.C2	GC	PC	DNC		
Determine whether internal audit monitors the disposition of results for consulting engagements. 2500.C1	GC	PC	DNC		