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APPLICABLE GUIDANCE – IIA PRACTICE ADVISORIES (PA)

PA1300-1 – Quality Assurance and Improvement Program

1. The chief audit executive (CAE) is responsible for establishing an IA activity whose scope of work includes the activities in the *Standards* and in the Definition of Internal Auditing. To ensure that this occurs, Standard 1300 requires that the CAE develop and maintain a quality assurance and improvement program (QAIP).
2. The CAE is accountable for implementing processes designed to provide reasonable assurance to the various stakeholders that the IA activity:
 - Performs in accordance with the IA charter, which is consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*.
 - Operates in an effective and efficient manner.
 - Is perceived by those stakeholders as adding value and improving the organization's operations.

These processes include appropriate supervision, periodic internal assessments and ongoing monitoring of quality assurance, and periodic external assessments.

3. The QAIP needs to be sufficiently comprehensive to encompass all aspects of operation and management of an IA activity, as found in the Definition of Internal Auditing, the Code of Ethics, the *Standards*, and best practices of the profession. The QAIP process is performed by or under direct supervision of the CAE. Except in small IA activities, the CAE would usually delegate most QAIP responsibilities to subordinates. In large or complex environments (e.g., numerous business units and/or locations), the CAE establishes a formal QAIP function — headed by an internal audit executive — independent of the audit and consulting segments of the internal audit activity. This executive (and limited staff) administers and monitors the activities needed for a successful QAIP.

PA1310-1 – Requirements of the Quality Assurance and Improvement Program

1. **A quality assurance and improvement program (QAIP) is an ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. 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 activity, the chief audit executive (CAE) will implement the improvements through the QAIP.**
2. Assessments evaluate and conclude on the quality of the internal audit activity and lead to recommendations for appropriate improvements. QAIPs include an evaluation of:
 - Conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*, including timely corrective actions to remedy any significant instances of nonconformance.

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- Adequacy of the internal audit activity's charter, goals, objectives, policies, and procedures.
 - Contribution to the organization's governance, risk management, and control processes.
 - Compliance with applicable laws, regulations, and government or industry standards.
 - Effectiveness of continuous improvement activities and adoption of best practices.
 - The extent to which the internal audit activity adds value and improves the organization's operations.
3. The QAIP efforts also include follow-up on recommendations involving appropriate and timely modification of resources, technology, processes, and procedures.
4. To provide accountability and transparency, the CAE communicates the results of external and, as appropriate, internal quality program assessments to the various stakeholders of the activity (such as senior management, the board, and external auditors). At least annually, the CAE reports to senior management and the board on the quality program efforts and results.

PA1311-1 – Internal Assessments

1. The processes and tools used in ongoing internal assessments include:

- **Engagement supervision,**
 - **Checklists and procedures** (e.g., in an audit and procedures manual) are being followed,
 - **Feedback from audit customers and other stakeholders,**
 - **Selective peer reviews of workpapers by staff not involved in the respective audits,**
 - Project budgets, timekeeping systems, audit plan completion, and cost recoveries, and/or
 - Analyses of other performance metrics (such as cycle time and recommendations accepted).
2. Conclusions are developed as to the quality of ongoing performance and follow-up action taken to ensure appropriate improvements are implemented.
3. The IIA's *Quality Assessment Manual*, or a comparable set of guidance and tools, should serve as the basis for periodic internal assessments.
4. Periodic internal assessments may:
- Include more in-depth interviews and surveys of stakeholder groups.
 - Be performed by members of the internal audit activity (self-assessment).
 - Be performed by Certified Internal Auditors (CIAs) or other competent audit professionals, currently assigned elsewhere in the organization.
 - Encompass a combination of self-assessment and preparation of materials subsequently reviewed by CIAs, or other competent audit professionals.
 - Include benchmarking of the internal audit activity's practices and performance metrics against relevant best practices of the internal audit profession.
5. **A periodic internal assessment performed within a short time before an external assessment can serve to facilitate and reduce the cost of the external assessment.** If the periodic internal assessment is performed by a qualified, independent external reviewer or review team, the assessment results should not communicate any assurances on the outcome of the subsequent external quality assessment. The report may offer suggestions

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and recommendations to enhance the internal audit activities' practices. If the external assessment takes the form of a self-assessment with independent validation, the periodic internal assessment can serve as the self-assessment portion of this process.

6. Conclusions are developed as to quality of performance and appropriate action initiated to achieve improvements and conformity to the *Standards*, as necessary.
7. The chief audit executive (CAE) establishes a structure for reporting results of internal assessments that maintains appropriate credibility and objectivity. Generally, those assigned responsibility for conducting ongoing and periodic reviews, report to the CAE while performing the reviews and communicate results directly to the CAE.
8. At least annually, the CAE reports the results of internal assessments, necessary action plans, and their successful implementation to senior management and the board.

PA1312-1 – External Assessments

1. **External assessments cover the entire spectrum of audit and consulting work performed by the internal audit activity and should not be limited to assessing its quality assurance and improvement program.** To achieve optimum benefits from an external assessment, the scope of work should include benchmarking, identification, and reporting of leading practices that could assist the internal audit activity in becoming more efficient and/or effective. **This can be accomplished through either a full external assessment by a qualified, independent external reviewer or review team or a comprehensive internal self-assessment with independent validation by a qualified, independent external reviewer or review team.** Nonetheless, the chief audit executive (CAE) is to ensure the scope clearly states the expected deliverables of the external assessment in each case.
2. **External assessments of an internal audit activity contain an expressed opinion as to 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 activity, including its conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards* and, as appropriate, includes recommendations for improvement.** Apart from conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*, the scope of the assessment is adjusted at the discretion of the CAE, senior management, or the board. These assessments can have considerable value to the CAE and other members of the internal audit activity, especially when benchmarking and best practices are shared.
3. **On completion of the review, a formal communication is to be given to senior management and the board.**
4. **There are two approaches to external assessments.** The first approach is a full external assessment conducted by a qualified, independent external reviewer or review team. This approach involves an outside team of competent professionals under the leadership of an experienced and professional project manager. **The second approach involves the use of a qualified, independent external reviewer or review team to conduct an independent validation of the internal self-assessment and a report completed by the internal audit activity.** Independent external reviewers should be well versed in leading internal audit practices.

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5. Individuals who perform the external assessment are free from any obligation to, or interest in, the organization whose internal audit activity is the subject of the external assessment or the personnel of such organization. Particular matters relating to independence, which are to be considered by the CAE in consultation with the board, in selecting a qualified, independent external reviewer or review team, include:
- Any real or apparent conflict of interest of firms that provide:
 - The external audit of financial statements.
 - Significant consulting services in the areas of governance, risk management, financial reporting, internal control, and other related areas.
 - Assistance to the internal audit activity. The significance and amount of work performed by the professional service provider is to be considered in the deliberation.
 - Any real or apparent conflict of interest of former employees of the organization who would perform the assessment. Consideration should be given to the length of time the individual has been independent of the organization.
 - Individuals who perform the assessment are independent of the organization whose internal audit activity is the subject of the assessment and do not have any real or apparent conflict of interest. “Independent of the organization” means not a part of, or under the control of, the organization to which the internal audit activity belongs. In the selection of a qualified, independent external reviewer or review team, consideration is to be given to any real or apparent conflict of interest the reviewer may have due to present or past relationships with the organization or its internal audit activity, including the reviewer’s participation in internal quality assessments.
 - Individuals in another department of the subject organization or in a related organization, although organizationally separate from the internal audit activity, are not considered independent for purposes of conducting an external assessment. A “related organization” may be a parent organization; an affiliate in the same group of entities; or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization.
 - Real or apparent conflict involving peer review arrangements. Peer review arrangements between three or more organizations (e.g., within an industry or other affinity group, regional association, or other group of organizations — except as precluded by the “related organization” definition in the previous point) may be structured in a manner that alleviates independence concerns, but care is taken to ensure that the issue of independence does not arise. Peer reviews between two organizations would not pass the independence test.
 - To overcome concerns of the appearance or reality of impairment of independence in instances such as those discussed in this section, one or more independent individuals could be part of the external assessment team to independently validate the work of that external assessment team.
6. Integrity requires reviewer(s) to be honest and candid within the constraints of confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Objectivity is a state of mind and a quality that lends value to a reviewer(s) services. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflict of interest.

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7. Performing and communicating the results of an external assessment require the exercise of professional judgment. Accordingly, an individual serving as an external reviewer should:

- Be a competent, certified internal audit professional who possesses current, in-depth knowledge of the Standards.
- Be well versed in the best practices of the profession.
- Have at least three years of recent experience in the practice of internal auditing or related consulting at a management level.

Leaders of independent review teams and external reviewers who independently validate the results of the self-assessment should have an additional level of competence and experience gained from working previously as a team member on an external quality assessment, successful completion of The IIA's quality assessment training course or similar training, and CAE or comparable senior internal audit management experience.

8. The reviewer(s) should possess relevant technical expertise and industry experience. Individuals with expertise in other specialized areas may assist the team. For example, specialists in enterprise risk management, IT auditing, statistical sampling, operations monitoring systems, or control self-assessment may participate in certain segments of the assessment.

9. The CAE involves senior management and the board in determining the approach and selection of an external quality assessment provider.

10. The external assessment consists of a broad scope of coverage that includes the following elements of the internal audit activity:

- Conformance with the Definition of Internal Auditing; the Code of Ethics; and the *Standards*; and the internal audit activity's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements,
- Expectations of the internal audit activity expressed by the board, senior management, and operational managers,
- Integration of the internal audit activity into the organization's governance process, including the relationships between and among the key groups involved in the process,
- Tools and techniques employed by the internal audit activity,
- Mix of knowledge, experience, and disciplines within the staff, including staff focus on process improvement, and
- Determination as to whether or not the internal audit activity adds value and improves the organization's operations.

11. The preliminary results of the review are discussed with the CAE during, and at the conclusion of, the assessment process. Final results are communicated to the CAE, or other official, who authorized the review for the organization, preferably with copies sent directly to appropriate members of senior management and the board.

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12. The communication includes:

- **An opinion on the internal audit activity’s conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards based on a structured rating process.** The term “conformance” means the practices of the internal audit activity, taken as a whole, satisfy the requirements of the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. Similarly, “nonconformance” means the impact and severity of the deficiencies in the practices of the internal audit activity are so significant they impair the internal audit activity’s ability to discharge its responsibilities. The degree of “partial conformance” with the Definition of Internal Auditing, the Code of Ethics, and/or individual standards, if relevant to the overall opinion, should also be expressed in the report on the independent assessment. The expression of an opinion on the results of the external assessment requires the application of sound business judgment, integrity, and due professional care.
- An assessment and evaluation of the use of best practices, both those observed during the assessment and others potentially applicable to the activity.
- Recommendations for improvement, where appropriate.
- Responses from the CAE that include an action plan and implementation dates.

13. To provide accountability and transparency, the CAE communicates the results of external quality assessments, including specifics of planned remedial actions for significant issues and subsequent information as to accomplishment of those planned actions, with the various stakeholders of the activity, such as senior management, the board, and external auditors.

PA1312-2 – External Assessments

1. An external assessment by a qualified, independent reviewer or review team may be troublesome for smaller internal audit activities or there may be circumstances in other organizations where a full external assessment by an independent team is not deemed appropriate or necessary. For example, the internal audit activity may (a) be in an industry subject to extensive regulation and/or supervision, (b) be otherwise subject to extensive external oversight and direction relating to governance and internal controls, (c) have been recently subjected to external review(s) and/or consulting services in which there was extensive benchmarking with best practices, or (d) in the judgment of the chief audit executive (CAE), the benefits of self-assessment for staff development and the strength of the internal quality assurance and improvement program currently outweigh the benefits of a quality assessment by an external team.

2. **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 Code of Ethics, and the Standards.**
- **An independent, on-site validation by a qualified, independent reviewer.**
- **Economical time and resource requirements — e.g., the primary focus would be on conformance with the Standards.**
- **Limited attention to other areas — such as benchmarking, review and consultation as to employment of leading practices, and interviews with senior and operating management — may be reduced. However, the information produced by these parts of the assessment is one of the benefits of an external assessment.**

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3. The same guidance and criteria as set forth in Practice Advisory 1312-1 would apply for a self-assessment with independent validation.
4. **A team under the direction of the CAE performs and fully documents the self-assessment process. A draft report, similar to that for an external assessment, is prepared including the CAE’s judgment on conformance with the Standards.**
5. **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 activity’s conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The independent validation follows the process outlined in The IIA’s *Quality Assessment Manual* or a similar comprehensive process.**
6. **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 Code of Ethics, and the Standards:**
 - **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 Code of Ethics, and the *Standards*, **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.**
7. **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 CAE to senior management and the board.**
8. **To provide accountability and transparency, the CAE communicates the results of external quality assessments — including specifics of planned remedial actions for significant issues and subsequent information as to accomplishment of those planned actions — with the various stakeholders of the activity, such as senior management, the board, and external auditors.**

PA1321-1 – Use of “Conforms with the *International Standards for the Professional Practice of Internal Auditing*”

1. **Ongoing monitoring and external and internal assessments of an internal audit activity are performed to evaluate and express an opinion as to the internal audit activity’s conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards and, as appropriate, should include recommendations for improvement.**

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2. The phrase to be used may be: “in conformance with the *Standards*,” or “in conformity to the *Standards*.” **To use one of these phrases, an external assessment is required at least once during each five-year period, along with ongoing monitoring and periodic internal assessments and these activities need to have concluded that the internal audit activity is in conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*.** Initial use of the conformance phrase is not appropriate until an external review has demonstrated that the internal audit activity is in conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*.
3. **The chief audit executive (CAE) is responsible for disclosing instances of nonconformance that impact the overall scope or operation of the internal audit activity, including failure to obtain an external assessment within a five-year period, to senior management and the board.**
4. **Before the internal audit activity’s use of the conformance phrase, any instances of nonconformance that have been disclosed by a quality assessment (internal or external) which impair the internal audit activity’s ability to discharge its responsibilities needs to be adequately remedied.** In addition, the following are needed:
 - Remedial actions need to be documented and reported to the relevant assessor(s) to obtain concurrence that the nonconformance has been adequately remedied, and Remedial actions and agreement of the relevant assessor(s) therewith need to be reported to senior management and the board.

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REQUIREMENTS –

GAGAS-

Quality Control and Assurance

3.50 Each audit organization performing audits or attestation engagements in accordance with GAGAS ***must***:

- a. establish a system of quality control** that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- b. have an external peer review at least once every 3 years.**

System of Quality Control

3.51 An audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as the audit organization's size, number of offices and geographic dispersion, the knowledge and experience of its personnel, the nature and complexity of its audit work, and cost-benefit considerations.

3.52 Each audit organization ***must*** document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization ***should*** document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures. The form and content of such documentation are a matter of professional judgment and will vary based on the audit organization's circumstances.

3.53 An audit organization **should include policies and procedures in its system of quality control that collectively address:**

- a. Leadership responsibilities** for quality within the audit organization: Policies and procedures that designate responsibility for quality of audits and attestation engagements performed under GAGAS and communication of policies and procedures relating to quality. Such policies and communications encourage a culture that recognizes that quality is essential in performing GAGAS audits.
- b. Independence, legal, and ethical requirements:** Policies and procedures designed to provide reasonable assurance that the audit organization and its personnel maintain independence, and comply with applicable legal and ethical requirements.

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c. Initiation, acceptance, and continuance of audit and attestation engagements: Policies and procedures for the initiation, acceptance, and continuance of audit and attestation engagements, designed to provide reasonable assurance that the audit organization will undertake audit engagements only if it can comply with professional standards and ethical principles and is acting within the legal mandate or authority of the audit organization.

d. Human resources: Policies and procedures designed to provide the audit organization with reasonable assurance that it has personnel with the capabilities and competence to perform its audits in accordance with professional standards and legal and regulatory requirements.

e. Audit and attestation engagement performance, documentation, and reporting: Policies and procedures designed to provide the audit organization with reasonable assurance that audits and attestation engagements are performed and reports are issued in accordance with professional standards and legal and regulatory requirements. (For financial audits, chapters 1 through 5 apply; for attestation engagements, chapters 1 through 3 and 6 apply; for performance audits, chapters 1 through 3 and 7 and 8 apply.)

f. Monitoring of quality: An ongoing, periodic assessment of work completed on audits and attestation engagements designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of (1) adherence to professional standards and legal and regulatory requirements, (2) whether the quality control system has been appropriately designed, and (3) whether quality control policies and procedures are operating effectively and complied with in practice. Monitoring procedures will vary based on the audit organization's facts and circumstances. The audit organization should perform monitoring procedures that enable it to assess compliance with applicable professional standards and quality control policies and procedures for GAGAS audits. Individuals performing monitoring should collectively have sufficient expertise and authority for this role.

- 3.54** The audit organization **should analyze and summarize the results of its monitoring procedures at least annually**, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (Under GAGAS, reviews of the work and the report that are performed as part of supervision are not monitoring controls when used alone. However, these types of pre-issuance reviews may be used as a part of this analysis and summary.)

External Peer Review

- 3.55** Audit organizations performing audits and attestation engagements in accordance with GAGAS **must** have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.
- 3.56** The audit organization **should** obtain an external peer review sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in

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order to provide the audit organization with reasonable assurance of conforming with applicable professional standards.

3.57 The peer review team **should** include the following elements in the scope of the peer review:

- a.** review of the audit organization's quality control policies and procedures;
- b.** consideration of the adequacy and results of the audit organization's internal monitoring procedures;
- c.** review of selected audit and attestation engagement reports and related documentation;
- d.** review of other documents necessary for assessing compliance with standards, for example, independence documentation, CPE records, and relevant human resource management files; and
- e.** interviews with a selection of the reviewed audit organization's professional staff at various levels to assess their understanding of and compliance with relevant quality control policies and procedures.

3.58 The peer review team **should** perform a risk assessment to help determine the number and types of engagements to select. Based on the risk assessment, the team **should** use one or a combination of the following approaches to selecting individual audits and attestation engagements for review: (1) select GAGAS audits and attestation engagements that provide a reasonable cross-section of the GAGAS assignments performed by the reviewed audit organization or (2) select audits and attestation engagements that provide a reasonable cross-section from all types of work subject to the reviewed audit organization's quality control system, including one or more assignments performed in accordance with GAGAS.

3.59 The peer review team **should** prepare one or more written reports communicating the results of the peer review, including the following:

- a.** description of the scope of the peer review, including any limitations;
- b.** an opinion on whether the system of quality control of the reviewed audit organization's audit and/or attestation engagement practices was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conforming with applicable professional standards;
- c.** specification of the professional standards to which the reviewed audit organization is being held;
- d.** for modified or adverse opinions, a description of reasons for the modification or adverse opinion, along with a detailed description of the findings and recommendations, in the peer review report, to enable the reviewed audit organization to take appropriate actions; and
- e.** reference to a separate letter of comments, if such a letter is issued.

3.60 The peer review team **should** meet the following criteria:

- a.** The review team collectively has current knowledge of GAGAS and government auditing.

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IIA Standards

1300 – Quality Assurance and Improvement Program

The chief audit executive ***must*** develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

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:

- **Ongoing monitoring of the performance of the internal audit activity;** and
- **Periodic reviews performed through self-assessment** or by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Periodic reviews are assessments conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

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

- 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.

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Interpretation:

A qualified reviewer or review team consists of individuals who are competent in the professional practice of internal auditing and the external assessment process. The evaluation of the competency of the reviewer and review team is a judgment that considers the professional internal audit experience and professional credentials of the individuals selected to perform the review. The evaluation of qualifications also considers the size and complexity of the organizations that the reviewers have been associated with in relation to the organization for which the internal audit activity is being assessed, as well as the need for particular sector, industry, or technical knowledge.

An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

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 board.

Interpretation:

*The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. **To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually.** The results include the reviewer’s or review team’s assessment with respect to the degree of conformance.*

1321 – Use of “Conforms with the *International Standards for the Professional Practice of Internal Auditing*”

The chief audit executive may state that the internal audit activity 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 activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.