

STATE OF ILLINOIS  
*[ENTER AGENCY NAME]*

OFFICE OF INTERNAL AUDITS

*[ENTER EITHER QUALITY EXTERNAL ASSESSMENT OR SELF-ASSESSMENT WITH  
INDEPENDENT EXTERNAL VALIDATION]*

QUALITY ASSURANCE REPORT

*[Enter Date Quality Assessment Validation/Review Ended]*

It is our opinion that the *[enter agency name]*'s Chief Executive Auditor performed an adequate self-assessment and that the internal audit activity generally conforms to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, the IIA's Code of Ethics, and the Fiscal Control and Internal Auditing Act of the State of Illinois.

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*[Enter Name of Chief Audit Executive]*

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*[Enter Name of External Reviewer/Validator]*

**[AGENCY LETTERHEAD]**

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***Executive Summary***

The ***[enter agency name]*** Office of Internal Audit has conducted a quality assurance ***[enter either quality external assessment or self-assessment with independent external validation]*** of the internal audit activity. Our review was based on the State of Illinois Audit Advisory Board (SIAAB) and the Institute of Internal Auditors (IIA) guidelines in the performance of a ***[enter either quality external assessment or self-assessment with independent external validation]***.

We evaluated the extent of the compliance of the ***[enter agency name]***'s Office of Internal Audit with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (the Standards), the Institute of Internal Auditors' Code of Ethics, and the Fiscal Control and Internal Auditing Act of the State of Illinois (FCIAA). The ***[enter either quality external assessment or self-assessment with independent external validation]*** covered the period of ***[enter date]*** through ***[enter date]***.

As part of our ***[enter either quality external assessment or self-assessment with independent external validation]***, we completed the ***Chief Audit Executive's Questionnaire***, the ***Self Study Report***, and the ***SIAAB (State Internal Audit Advisory Board) Audit Requirements Matrix***. The ***[enter name of external validator or reviewers]***, performed an on-site ***[enter validation/review]*** between ***[enter date]*** and ***[enter date]***. During this period, ***[enter either he/she/they]*** tested compliance with the ***Standards***, the Code of Ethics, FCIAA, and the Office Internal Audit's own policies, procedures, and practices to the extent necessary for this quality assurance engagement. The external ***[enter either validator or reviewer]*** examined the Office of Internal Audit's risk assessment and audit planning processes and a representative sample of the Office of Internal Audit's working papers and reports. As part of ***[enter either he/she/they]*** ***[enter either validation or review]***, ***[enter either validator or reviewer]*** conducted interviews with the ***[enter agency head/board]***.

In performing the ***[enter either quality external assessment or self-assessment with independent external validation]***, we used the IIA's basis for the determination of compliance, as described below:

- **Generally Conforms** – means that an internal audit activity has a charter and has policies and processes that are judged to be in accordance with the Standards, Code of Ethics and/or FCIAA.
- **Partially Conforms** – means deficiencies in practice are noted that are judged to deviate from the Standards, Code of Ethics and/or FCIAA, but these deficiencies did not preclude the internal audit activity from meeting its responsibilities in an acceptable manner.
- **Does Not Conform** – means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of responsibilities.

Our report includes the Chief Audit Executive's (CAE) quality assessment, the *[enter either external validator or reviewer]* concurrence and comments, and any actions planned necessary for the Office of Internal Audit to build a more effective internal audit organization. Presented on the following pages are the results on compliance, by assessment area:

- The IIA Standards,
- The IIA Code of Ethics, *and*
- The Fiscal Control and Internal Auditing Act of the State of Illinois (FCIAA).

We take this opportunity to acknowledge the clear perceptions and valuable suggestions offered by the *[enter either external validator or reviewer]*.

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***IIA's International Standards  
for the Professional Practice of Internal Auditing***

**Attribute Standards:**

- 1000. Purpose, Authority, and Responsibility.** *The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with the Standards, and approved by the board.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

- 1100. Independence and Objectivity.** *The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

- 1200. Proficiency and Due Professional Care.** *Engagements should be performed with proficiency and due professional care.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

- 1300. Quality Assurance and Improvement Program.** *The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

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***IIA's International Standards  
for the Professional Practice of Internal Auditing***

**Performance Standards:**

**2000. Managing the Internal Audit Activity.** *The chief audit executive should effectively manage the internal audit activity to ensure it adds value to the organization.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**2100. Nature of Work.** *The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**2200. Engagement Planning.** *Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**2300. Performing the Engagement.** *Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

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**Performance Standards, Continued:**

**2400. Communicating Results. *Internal auditors should communicate the engagement results.***

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**2500. Monitoring Progress. *The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.***

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**2600. Management's Acceptance of Risks. *When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.***

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

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***IIA's Code of Ethics***

A code of ethics is necessary and appropriate for the profession of internal auditing, considering the trust placed in its objective assurance about risk management, control, and governance. The Institute's Code of Ethics extends beyond the definition of internal auditing to include principles and rules of conduct that are relevant to the profession and practice of internal auditing.

1. Principles. Internal auditors are expected to apply and uphold the following principles:
  - Integrity. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
  - Objectivity. Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information, with a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
  - Confidentiality. Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
  - Competency. Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.
  
2. Rules of Conduct. Rules of Conduct describe, in greater detail, the behavioral norms expected of internal auditors. The Rules of Conduct are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors. These Rules of Conduct can be found in their entirety at the Institute of Internal Auditor's website, <http://www.theiia.org>.

**Assessment of Compliance with the IIA's Code of Ethics:**

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

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***Fiscal Control and Internal Auditing Act***  
***Article 2 - Internal Auditing***

**Section 2001 - Program of Internal Auditing.**

*Each designated State Agency shall establish a full-time program of internal auditing.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**Section 2002 - Qualifications of chief internal auditor.**

*The chief executive officer of each designated agency shall appoint a chief internal auditor with a bachelor's degree, who is either a certified internal auditor by examination or a certified public accountant who has at least four years of progressively responsible professional auditing experience or an auditor with at least five years of progressively responsible auditing experience. The Chief Internal Auditor shall report directly to the Chief Executive Officer and shall have direct communications with the Chief Executive Officer and the governing board, if applicable, in the exercise of auditing activities. All Chief Internal Auditors and all full-time members of an internal audit staff shall be free of all operational duties.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.

**Section 2003 – Internal Auditing Program Requirements.**

*The Chief Executive Officer of each designated State Agency shall ensure that the internal auditing program includes: (1) A two-year plan, identifying audits scheduled for the pending fiscal year, approved by the Chief Executive Officer before the beginning of the fiscal year. By September 30 of each year, the Chief Internal Auditor shall submit to the Chief Executive Officer a written report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented; and (2) Audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every 2 years.*

CAE Self-Assessment: The Office of Internal Audits generally conforms without exceptions noted.

External Validator: I concur.