

# STATE INTERNAL AUDIT ADVISORY BOARD

## QUALITY ASSURANCE FREQUENTLY ASKED QUESTIONS

### Quality Assurance Reviews:

1. Our internal audit organization is due to have an external quality assurance review but I really do not have the time or resources to complete the review? Is there any way that I can obtain an extension?

*The IIA Standard 1312 requires an external quality assessment be conducted at least once every five years. There is only one exception for not meeting the external quality assessment requirement date and that is if the internal audit activity was created after January 1, 2002. In such a case, both the Board and the IIA will allow the internal audit activity the time frame allowed by current standards from the date that the internal audit activity came into existence to conduct an external quality assessment.*

2. When do I have to have my external quality assessment draft reports and working papers submitted to the SIAAB to ensure that the report is released by the Board prior to the end of my five year period?

*The Board's Executive and Performance Committee will use a first-in-first-out (FIFO) method in performing its reviews. Internal audit organizations should submit their external quality assessments as soon as possible to the Board for review. Since the Performance Committee members consist of volunteers from other state agencies there may be delays due to job duties and resource limitations. To ensure that the Board's review is completed timely agencies should allow at a minimum 90 days.*

3. As CAE I am trying to decide whether to have an external quality assurance review conducted or a self-assessment with independent validation performed. Who is responsible for preparing the external quality assurance review report under each method of review?

*CAE's which choose the External Quality Assurance review must have their external reviewer complete the draft report. However, if a Self-Assessment with Independent External Validation were performed the CAE would be responsible for preparing the draft report and the external validator would be required to render an opinion on the adequacy of the self-assessment and the conformity with Standards, Code of Ethics and FCIAA.*

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### Quality Assurance Reviews, (Continued):

- 4 I see that the Board has a Quality Assurance Report template to be used by State audit organizations in drafting their quality assurance reports. Is it necessary for our audit shop to use this template or can we use a different format? The template does not have any exceptions, where would recommendations be shown?

*Most agencies have elected Self-Assessment with Independent External Validation. As such the template is designed specifically for these types of reviews. For those agencies that have elected the External Assessment, the Assessment Team/Reviewers would simply replace the CAE and Validator sections as follows:*

*External Reviewer: The Office of Internal Audits partially conforms. We noted during our review that the Internal Audit Charter did not include the authority that the Internal Audit activity has in performing its duties.*

*CAE: I concur. The Internal Audit Charter was revised on June 1, 20XX and now includes our authority to access all records, personnel or data in performing our internal audit responsibilities.*

- 5 I see the report is structured for reporting whether the audit activity generally, partially or does not conform to the Standards, Code of Ethics and FCIAA. What if the external review or self-assessment shows that our audit activity had no exceptions, yet either the CAE or external reviewer/validator would like to include suggestions for improvements? Should suggestions for improvement that do not give rise to non-compliance issues be included in the report?

*Suggestions for improvements that do not give rise to compliance issues would not normally be included in the draft report. Instead suggestions for improvement should be discussed between the CAE and external reviewer/validator.*

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### External Assessment:

1. Am I required to complete and provide to my external quality assurance reviewers a "Self Study Report" and/or the "Chief Audit Executive's Questionnaire" in the State of Illinois Internal Audit Quality Assurance Review Program (or any other parts of this program) as part of my preparation for my external review?

*Yes, you should complete the Chief Audit Executive's Questionnaire and the Self-Study Report. These documents should be reviewed by the external reviewer and they should indicate in their working papers that they have reviewed these documents.*

*Since the Chief Audit Executive's Questionnaire and the Self-Study Report will likely contain internal audit confidential information, they should not be forwarded to the Performance Committee when submitting the draft external quality assurance report.*

2. I have indicated (in contract) that my external quality assurance reviewers must use and complete the SIAAB Peer Review/Audit Requirements Matrix (Matrix) as the "audit program" for completing the external quality assurance review. Am I correct with this--or should my external reviewers be also using the State of Illinois Internal Audit Quality Assurance Review Program?

*The external reviewers will need to complete the SIAAB Peer Review/Audit Requirements Matrix (Matrix) as the "audit program" and use the State of Illinois Internal Audit Quality Assurance Review Program, as applicable to conduct the external quality assurance review.*

3. Will the external reviewers be required to conduct interviews with audit staff, audit clients, and senior management as part of the external review? I thought this was required, but I don't see a step in the Matrix for this?

*Yes interviews with internal audit staff, clients, and the Chief Executive Officer, and Board, if applicable, are required for external assessments. The Internal Audit Quality Assurance Review Program has an Internal Audit Staff Survey and a Director's (Chief Executive Officer) Questionnaire that should be used to conduct such interviews.*

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### **Self-Assessment with Independent External Validation:**

1. I have decided that the best method for my small audit shop is to do a self-assessment with independent external validation. Do I have to complete the “Self Study Report” and/or the "Chief Audit Executive's Questionnaire" in the State of Illinois Internal Audit Quality Assurance Review Program (or any other parts of this program) as part of my preparation for my external review?

*Yes, you should complete the Chief Audit Executive’s Questionnaire and the Self-Study Report for the Self-Assessment with Independent External Validation. These documents should be reviewed by the external validator and they should indicate in their working papers that they have reviewed these documents.*

*Since both the Chief Audit Executive’s Questionnaire and the Self-Study Report will likely contain internal audit confidential information, they should not be forwarded to the Performance Committee when submitting the Draft External Quality Assurance Report.*

2. Since I have elected to perform a self-assessment, can I develop my own review procedures or am I required to use the SIAAB Peer Review/Audit Requirements Matrix (Matrix)?

*All State internal audit activities are required to use the SIAAB Peer Review/Audit Requirements (Matrix) regardless of whether they have elected an external review or a self-assessment. The CAE is responsible for completing the Matrix for self-assessments.*

3. Will I or the external validator need to conduct interviews and test for best practices during the self-assessment or validation process?

*The primary focus for Self-Assessments is whether the audit activity is in compliance with IIA Standards, Code of Ethics and the Fiscal Control and Internal Auditing Act. According to PA 1312-2, attention to other areas such as benchmarking, review and consultation as to employment of best practices (beyond that established by the SIAAB Audit Requirements Matrix), and interviews with senior and operating management (whose views and concerns the Chief Audit Executive and staff of the internal audit activity already know) may be reduced or omitted. However, the external validator should interview the Chief Executive Officer as part of the validation process.*