

# Peer Review Process

Presented by the  
State Internal Audit  
Advisory Board



## External Assessments

Per IIA's Standard 1312:

“External Assessments, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.”

## Requirements and Criteria as set forth in Practice Advisory 1312-1 External Assessments

- 1) General considerations;
- 2) Qualifications of the independent validator (external reviewer);
- 3) Independence, integrity and objectivity, competence, approval by management and the board, scope;
- 4) Communication of results

## **Excerpt from State Internal Audit Advisory Board Bylaws**

“The SIAAB adopted the IIA’s Standards for Assurance Engagements in February 2002 and Consulting Engagements in August 2002. Thus, Audit Organizations must complete their first external assessments under the new Standards by January 2007.

# Options approved by SIAAB for Compliance with the Standard

## External Assessment

### Pros:

- ❖ IIA's preferred method
- ❖ Broader scope of coverage
- ❖ Independent third party performs the review

## Self-Assessment with Independent Validation

### Pros:

- ❖ Economical
- ❖ Limited external resources
- ❖ Only used as an interim measure (full external assessments to be done during subsequent periods)

## Practice Advisory 1312-2

“While a full external review achieves maximum benefit for the activity and should be included in the activity’s quality program, the self-assessment with independent validation provides an alternative means of complying fully with this Standard 1312. (cont)”

## Practice Advisory 1312-2 (cont)

“However, insofar as possible, in order to achieve optimum quality assurance and process-improvement benefits, and internal audit activity should consider the self-assessment with independent validation as an interim measure and endeavor to obtain a full external assessment during subsequent periods.”

## **What happens after the Chief Auditor selects which assessment to pursue?**

Per SIAAB Bylaws Article III Section 4.3 Review Teams “The Chief Auditors are responsible for scheduling peer reviews for their Audit Organizations and for establishing their review teams subject to the approval of the SIAAB’s Executive Committee.”

## Peer Review Planning (U/I sample)

- Discuss and outline your timing
- Obtain approval through the SIAAB
  - Formal write-up, presented to the board
  - Justification for selection of self assessment option
  - Details on external validation team
  - Methodology and avenue of documentation
  - Anticipated timeline
  - Questions included documentation, diversity in participation and maintenance of static evidence

## How can the SIAAB assist?

The SIAAB will assist Chief Auditors in recruiting volunteers for review teams upon request. However, Chief Auditors are responsible for ensuring that their reviews are completed. The SIAAB will maintain a listing of individuals who have completed peer review training and have expressed an interest in serving on a review team.

## Options for review team selection

- Chief Auditors may contract for their review teams, either through SIAAB's list (contact Lesslie Morgan) or
- Outside the State Internal Audit community

Note: Membership of each team must be approved in advance by the Executive Committee.

# Review Team Requirements

- All review team members must possess the required qualifications. Minimum qualifications (defined in SIAAB bylaws)
  - 1) Education and skill requirement experience
  - 2) Peer review training
  - 3) Professional standards
- SIAAB has approved the On-line Peer Review Training which is maintained by the University of Illinois.

## Review Team Requirements (cont.)

### *FREE CPE*

- The Peer Review On-line Training Course form is located on the SIAAB website <http://siaab.audits.uillinois.edu/registration.htm>. The SIAAB website is maintained by the University of Illinois. The U/I then notifies the SIAAB's CPE Coordinator (Lesslie Morgan [ldmorgan@atg.state.il.us](mailto:ldmorgan@atg.state.il.us)) of the successful completion of the course. Lesslie will issue a certificate for 4 FREE Continuing Professional Education hours will be issued.

## Review Team Requirements (cont.)

- Review teams shall consist of only one representative from the same Audit Organization on a given peer review engagement unless an exception is granted by the Executive Committee.

## Approval of Review Team

All review teams must be approved in advance by SIAAB's Executive Committee. "Chief Auditors must submit the names of their review teams to the Chair of the Executive Committee at least 60 days prior to the scheduled start of a review." This timeframe allows the Executive Committee time to ensure that the review team has the required qualifications, independence, and training.

## **Per SIAAB Bylaws Article III Section 4.3**

Reciprocal peer reviews between two Audit Organizations shall not be performed and will not be approved by the Executive Committee.

## Interested in Self Assessment?

If so, you're in luck—Per Practice Advisory 1312-1: External Assessments Self-Assessment with Independent Validation “In response to concerns that an external assessment by an independent individual or team may be onerous for smaller internal audit activities, the IIA has provided an alternative process, a self-assessment with independent (external) validation, with the following features:

## Features of Self-Assessment with Independent Validation

- A comprehensive and fully documented self-assessment process, which should emulate the external assessment process, at least with respect to evaluation of compliance with the Standards;
- An independent on-site validation by a qualified reviewer;
- Economical time and resource requirements-the primary focus should be on compliance with the Standards and FCIAA; and
- The same requirements and criteria as set forth in Practice Advisory 1312-1.”

# SIAAB Template (Example)

IIA Standard	Standard Description
<b>Attribute Standard 1000</b>	<b>Purpose, Authority, and Responsibility</b> 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.
<b>Implementation Standard 1000.A1</b>	The nature of assurance services provided to the organization should be defined in the audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances should also be defined in the charter.
<b>Implementation Standard 1000.C1</b>	The nature of consulting services should be defined in the audit charter.

## Conclusion of On-Site Review

- Pre-exit conference between the review team and the Chief Auditor of the Audit Organization
- Please note that observations and suggestions for improvement which are not compliance issues with FCIAA or IIA Standards should be brought to the Chief Auditor's attention but should not be included in the draft audit report.

## **In case of disputes between the Chief Auditor and the Peer Review Team or amongst the Peer Review Team Members**

- Forward disputes to the Executive Committee for resolution;
- Should the Executive Committee's resolution be unacceptable to the Peer Review Team, the dispute may be appealed to the Board.

Please note that resolutions by the Board are final and binding.

## **What should initial Draft Peer Review Reports include?**

The Chief Auditor's initial written comments and supporting workpapers. These items should be forwarded to the Performance Committee Chairperson.

# Final Peer Review Report Recipients

All final Peer Review Reports containing material findings must have written responses provided by the subject Audit Organization. Only the Executive Committee can issue final reports. Each report must be signed by the Executive Committee Chairperson and issued to:

- Audit Organization's Chief Executive Officer
- Audit Organization's Chief Auditor
- Peer Review Team Leader
- Executive Committee (to be kept until completion of the Audit Organization's next Peer Review)

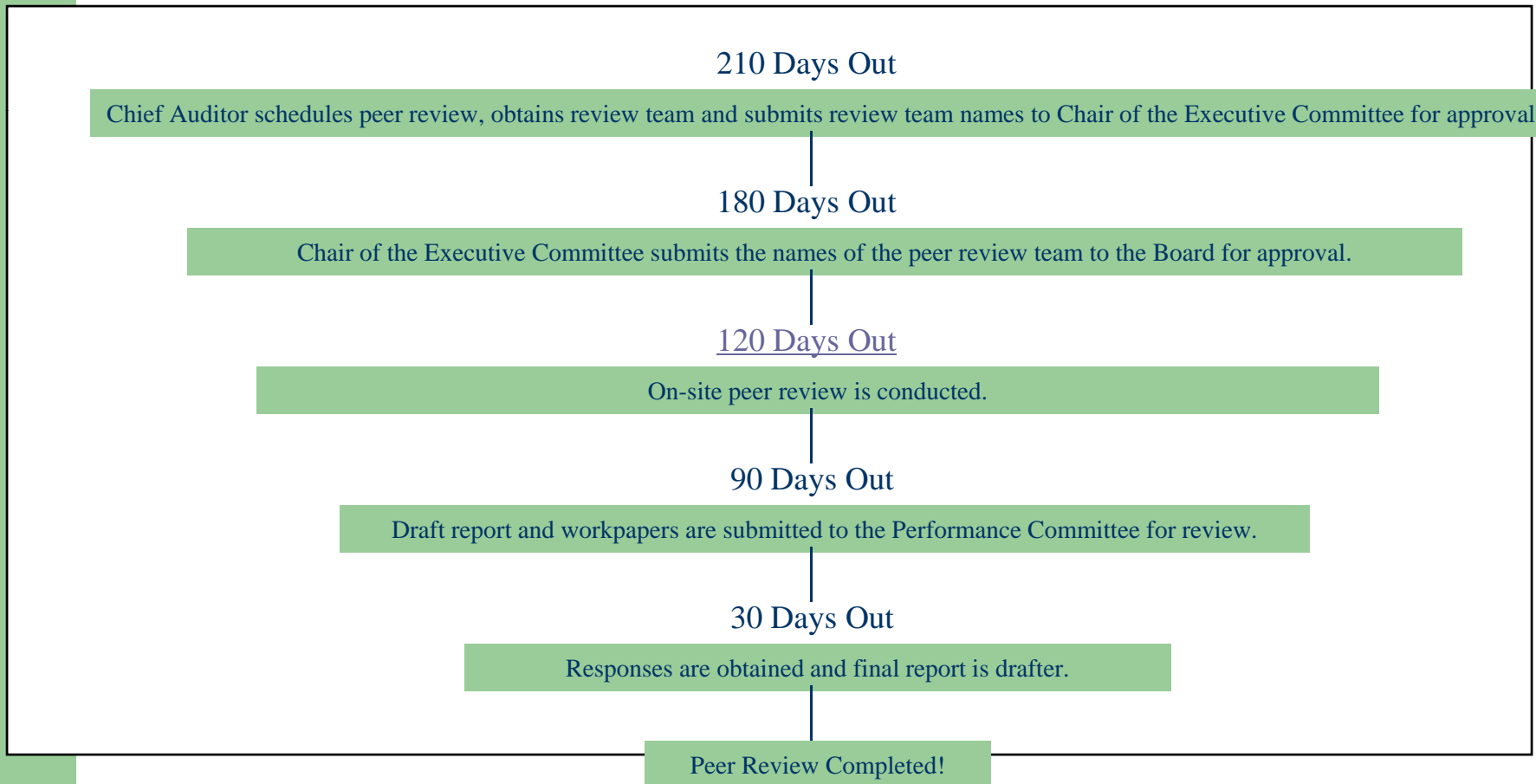
## What Happens to the Workpapers?

After the final report has been issued, the workpapers are delivered to and become property of the subject audit organization. These workpapers should be kept until the completion of the next Peer Review.

## To Summarize the Peer Review Process and Introduce a Timeline...

- This 210-day timeline is approximately how long a peer review takes from start to finish in an ideal situation. Most, if not all, of the Audit Organizations will need to have their peer review done by January 2007 to be compliant with the 5-year rule. Because all Audit Organizations' peer reviews under the new Standards are due at the same time, more than likely a huge backlog will exist. Therefore, in order to get your peer review done timely in accordance with the Standards, we are urging all Audit Organizations to get their peer reviews done sooner, rather than later!

# Peer Review Timeline



## Responsibilities of the Chief Auditor

- Schedule the peer review
- Establish the review team
- Submit names of review team members to Chair of Executive Committee at least 60 days prior to scheduled start of review.

# Responsibilities of the Review Team

- Meet with Chief Auditor of the Audit Organization for a pre-exit to discuss preliminary results of the review;
- Discuss any observations or suggestions for improvement in techniques, which are NOT compliance issues with FCIAA or Standards. These issues should be brought to the Chief Auditor's attention, and NOT included in the draft;
- Forward the written draft report including the Chief Auditor's initial written comments and supporting workpapers to the Performance Committee Chairperson;
- Subsequent to the Performance Committee's review of the draft report, issue the final draft to Chief Auditor and offer an exit conference (Final responses, if any, will be included in the final draft);
- Ensure that Team Leader's signature is on final draft report and forward to Performance Committee.

## Responsibilities of the Performance Committee

- Review the workpapers and initial draft report;
- Upon review of the final draft report, recommend to the Executive Committee whether or not to accept the report.

## Responsibilities of the Executive Committee

- Approve Peer Review Team
- Sign and Issue Final Peer Review Report
- Maintain Final Peer Review Report until completion of the Audit Organization's next Peer Review

# Questions? Comments? Concerns?

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