SIAAB QUALITY ASSURANCE REVIEW PROGRAM

WALKING THROUGH THE PROCESS

Julie A. Zemaitis, Executive Director of University Audits

October 29, 2014

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

Key Goals Today

🍁 Walk through the process

🍁 Learn practical tips and suggestions

When is "Every 5 Years"?

- Based on date of SIAAB Chair's Letter to Accept or Decline to Accept the previous QAR
- Deconsolidated agencies – due June 30, 2015
- If a NEW internal audit function, 5 years from date of creation

Objective

🍁 Conformance with *IIA Standards, Definition of Internal Auditing,* and *Code of Ethics*

🍁 Compliance with FCIAA

Framework

🍁 Work to be completed before the onsite visit

🍁 Work to be completed during the onsite visit

🍁 Reporting

Tip – Example QAR Procedures – copies on sign-in table or e-mail me

Work to be Completed Before the Onsite Visit

🍁 Review *IIA Standard 1300s – Quality Assurance and Improvement Program*

🍁 Review all content on SIAAB Quality Assurance Review Program website

State of Illinois
State Internal Audit Advisory Board

Home

What's New

SIAMG Directory

SIAAB Members Directory

SIAAB Minutes and Agendas

SIAAB Bylaws

Quality Assurance Review Program

QAR Program for 2013 Standards

Resources

SIAAB Guidance

Freedom of Information Act / Open Meetings Act

Fall Government Auditing Conference

SIAAB Quality Assurance Review Program

This page provides tools covering The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) effective **January 1, 2013** only. If your Quality Assurance Review will be covering the Standards effective **January 1, 2011**, please click here.

The State Internal Audit Advisory Board (SIAAB) is responsible for coordinating external quality assurance reviews (peer reviews) among the State's internal audit organizations in accordance with the Fiscal Control and Internal Auditing Act (FCIAA). State internal audit organizations designated to have an internal audit function are required to conduct an external quality assurance assessment (EQA) or a self-assessment with independent external validation (SAIV), at least once every five years by an independent reviewer or review team from outside the organization (IIA Attribute Standard 1312). Each Internal Organization and Quality Review Team is required to follow SIAAB's external quality assurance guidelines as established in SIAAB Bylaws Article III - Quality Assurance Review Program and as presented below.

Requesting SIAAB's Approval of Quality Assurance Review Team

Chief Internal Auditors are required to obtain SIAAB's approval of the quality assurance methodology and review team members prior to beginning any external quality assurance reviews. To initiate the approval process, Chief Internal Auditors are required to submit the following documents to the SIAAB Chair:

- Request to SIAAB for External Quality Assurance Review Team Approval
- SIAAB External Quality Assurance Review Confidentiality Policy/Commitment
- SIAAB External Quality Assurance Review Statement of Independence
- Review Team Member Resume

In addition, each reviewer/external validator team member must successfully complete the SIAAB's Online Quality Assurance Review Training Program

- Course Outline
- Course Registration Form
- **Access the Online Course**
- Course Evaluation Form
- QAR Participants Listing - Standards Effective January 1, 2013

https://siaab.audits.uillinois.edu

Work to be Completed Before the Onsite Visit

- Determine scope through consultation with agency head/senior management and audit committee or equivalent if applicable
- Time period?
- Self-Assessment with Independent Validation (SAIV) or External Quality Assessment (EQA)?

Tip – Most state agencies opt for SAIV

Work to be Completed Before the Onsite Visit

SAIV =

- Matrix and Report prepared by Chief Internal Auditor and validated by External Reviewer
- More limited scope than EQA
  - Conformance with *IIA Standards, Definition of IA, Code of Ethics*
  - Compliance with FCIAA
  - Interviews with IA staff
  - Interviews with chief executive officers
  - Limited attention to benchmarking, best practices, and interviews with senior and operating management

Work to be Completed Before the Onsite Visit

EQA =

🍁 Matrix and Report prepared by EQA Team

🍁 Scope covers spectrum of audit and consulting work

- Conformance with *IIA Standards, Definition of IA, Code of Ethics*
- Compliance with FCIAA
- Interviews with IA staff
- Interviews with chief executive officers
- Benchmarking, best practices, efficiencies and effectiveness

- Expectations of IA activity expressed by the board, senior management and operational managers
- Integration of IA activity in governance processes
- Tools and techniques
- Mix of knowledge, experience, disciplines of staff
- Determination as to whether the IA activity adds value

Work to be Completed Before the Onsite Visit

- Review Team requirements
  - Bachelor's degree in accounting, computer science, etc.
  - 5 years auditing experience, or 4 years plus CIA or CPA
  - Completion of SIAAB's Online QAR Training Program
  - Compliant with SIAAB CPE Requirements
  - Independence
  - At least one member must have governmental experience

  Remember – IIA Standards require Chief to discuss qualifications and independence of Review Team with Chief's board and/or agency head

Work to be Completed Before the Onsite Visit

Tip – Potential Review Team Members can be found here:

Home

What's New

SIAMG Directory

SIAAB Members Directory

SIAAB Minutes and Agendas

SIAAB Bylaws

Quality Assurance Review Program

QAR Program for 2013 Standards

Resources

SIAAB Guidance

Requesting SIAAB's Approval of Quality Assurance Review Team

Chief Internal Auditors are required to obtain SIAAB's approval of the quality assurance methodology and review team members prior to beginning any external quality assurance reviews. To initiate the approval process, Chief Internal Auditors are required to submit the following documents to the SIAAB Chair:

- Request to SIAAB for External Quality Assurance Review Team Approval
- SIAAB External Quality Assurance Review Confidentiality Policy/Commitment
- SIAAB External Quality Assurance Review Statement of Independence
- Review Team Member Resume

In addition, each reviewer/external validator team member must successfully complete the SIAAB's Online Quality Assurance Review Training Program

- Course Outline
- Course Registration Form
- **Access the Online Course**
- Course Evaluation Form
- QAR Participants Listing - Standards Effective January 1, 2013

Work to be Completed Before the Onsite Visit

🍁 Submit Request to SIAAB Team Approval within 60 days of anticipated start date

Estimated timeline:
Approval of Review Team _____
Start of Quality Assurance Review

_____
Draft Report to Assistant Quality Assurance Coordinator _____
Final Report _____ _____

Number of Internal Auditors in audit shop: _____

Assessment Choice: External   or   Self with External Validation

Allow at least 60 days between draft and final report dates

Work to be Completed Before the Onsite Visit

From each Team member

- SIAAB Confidentiality Policy Commitment
- SIAAB Statement of Independence
- Resume

Work to be Completed Before the Onsite Visit

Statement of Independence

Tip – Remember to check one of the independence disclosure boxes, and attest to the CPE certification

Affirmation of Independence for Quality Assurance Activity:

_____ As an independent reviewer/validator for _____ (insert name of the quality assurance/self-assessment entity), I disclose the following which may impair, or give the appearance of impairing, my independence and objectivity in accordance with the above. If during the year I become aware of impairment, in fact or in appearance, I agree to notify the SIAAB's Quality Assurance Coordinator immediately.

_____ In accordance with the above, I am a Special Assistant or Board member (circle one) and disclose the following which may impair, or give the appearance of impairing, my independence and objectivity for any audit organization listed under the State Internal Audit Managers Group on SIAAB's website. If during the year I become aware of impairment, in fact or in appearance, I agree to notify the SIAAB's Quality Assurance Coordinator immediately.

_____

_____

_____

_____

Certification of Compliance with CPE Requirements:

_____ As a quality assurance team member, external validator, special assistant, and/or SIAAB member, I certify that I am in compliance with the SIAAB's continuing professional education requirements as set forth in the SIAAB Bylaws, Article II, Section V, Paragraph 2.5.1.

Work to be Completed Before the Onsite Visit

- Complete the SIAAB QAR Matrix and document results of each step
- SIAAB requires use of the Matrix

Tips –

Some have staff prepare; Chief ultimately responsible

*Start **early**!*

SIAAB Quality Assurance Matrix
Approved April 9, 2013

AGENCY: _____

GC = Generally Conforms; PC = Partially Conforms; DNC = Does Not Conform

Authoritative Reference	SIAAB Effective Date	IIA ATTRIBUTE STANDARDS	Conclusion		
AS 1000	Nov. 14, 2012	**Purpose, Authority, and Responsibility:** The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. **Interpretation:** *The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.*	GC	PC	DNC
AS 1000.A1	Nov. 14, 2012	The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.	GC	PC	DNC
AS 1000.C1	Nov. 14, 2012	The nature of consulting services must be defined in the internal audit charter.	GC	PC	DNC
AS 1010	Nov. 14, 2012	**Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter:** The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the Standards must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the Standards with senior management and the board.	GC	PC	DNC

	Workpaper Reference	Initials /Date
1. Obtain a copy of the Internal Audit Charter and verify the following:		
a. The chief executive officer and the governing board, if applicable, have approved the Charter. **(AS 1000)** **[30 ILCS 10/2002(b)**	_____	_____
b. The purpose, authority, and responsibility of the internal audit activity is clearly defined in the Charter and is consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. **(AS 1000)**	_____	_____
c. The nature of assurance services provided within and to parties outside the organization are clearly defined in the Internal Audit Charter. **(AS 1000.A1)**	_____	_____

Work to be Completed Before the Onsite Visit

- Draft the report using the SIAAB Report Template, to be validated by Review Team
  - Generally Conforms – General conformity to a majority of *IIA* requirements and full compliance with FCIAA
  - Partially Conforms – Some significant opportunities for improvement in applying *IIA* requirements and compliance with FCIAA
  - Does Not Conform – Not aware of, or not making good-faith efforts to be in conformity with, or is not achieving many/all of the *IIA* requirements or compliance with FCIAA

Use of SIAAB Report Template is required

Work to be Completed Before the Onsite Visit

Coordinate with Review Team

- Scheduling of Review Team's interviews of executive officers and IA staff
- Gathering of any background documentation
- Coordination of any survey activity

*Remember – Under both SAIV and EQA, Review Teams **must** conduct interviews of internal audit staff, chief executive officer or director, and the audit committee/board, if applicable*

Tip – Example survey and interview questions can be found in Exhibits A and B of SIAAB's Quality Assurance Process Document

Work to be Completed During the Onsite Visit

- The Team reviews documentation and performs sufficient tests to validate results and express an opinion on conformance to *IIA* requirements and compliance with FCIAA

- Documented via Team's sign off on Matrix

Work to be Completed During the Onsite Visit

🍁 Chief and Review Team meet to discuss preliminary results

FAQ – Should observations and/or suggestions for improvement that do not give rise to conformance and/or compliance issues be included in the report? No; such would be discussed with the Chief but not included in the report.

Reporting

- Review Team provides an opinion confirming the results of the internal assessment or expressing disagreement if appropriate

Reporting

Final report will include these key elements:

- Date of onsite review
- Cover page with opinion
- Signature of Chief and Review Team
- Responses by Chief to Review Team recommendations
- Review Team's concurrence

Reporting

- Chief submits Report and Matrix to SIAAB Assistant QAR Coordinator

- Special Assistant conducts final review of Report and Matrix using SIAAB External Quality Assurance Review Checklist

Remember – Allow at least 60 days from submission to SIAAB to final report due date

Reporting

- QAR Checklist key elements:
  - Review Matrix for completeness, including explanation of any PC or DNC elements
  - Review Report for support of non-compliance issues within the Matrix and expression of opinion
  - Conclude on the adequacy

Reporting

- Assistant QAR Coordinator and QAR Coordinator review and make recommendation to SIAAB

- SIAAB reviews and determines to accept or decline to accept

Reporting

- Distribution by SIAAB of Report and Chair's Letter to Accept or Decline to Accept:
  - CEO of the Internal Audit's Organization
  - Chief Internal Auditor
  - Review Team Leader
  - QAR Coordinator's file copy

  Remember – IIA Standards require Chief Internal Auditor to communicate results to senior management and the board

Conclusion

We bring value to the State through our professionalism and consistent quality

Key Objectives:

- Familiarity with QAR process
- Know where to go for resources, tips, and answers to questions

Contacts

Julie A. Zemaitis, CPA
Executive Director of University Audits
Phone: (217) 333-0903
E-mail: jzemaiti@uillinois.edu

SIAAB QAR Coordinator

Marcus A. Dodd, CFE, CPA
Chief Internal Auditor
Phone: (312) 793-9637
E-mail: marcus.dodd@illinois.gov

SIAAB Assistant QAR Coordinator

Gary Shadid, CPA
Chief Internal Auditor
Phone: (217) 558-2880
E-mail: gary.shadid@illinois.gov