

STATE INTERNAL AUDIT ADVISORY BOARD

QUALITY ASSURANCE

FREQUENTLY ASKED QUESTIONS

1. Are all State of Illinois Internal Audit Organizations required to have an external quality assurance review (EQA) or self-assessment with independent external validation (SAIV) performed even when they have few employees and no changes have occurred in personnel since the last EQA/SAIV?

All State of Illinois Internal Audit Organizations are required to undergo an EQA or SAIV every five years. Either the EQA or SAIV methodology may be used by any State of Illinois Internal Audit Organization regardless of the number of internal audit staff employed or changes in personnel that have occurred since the last EQA/SAIV.

2. Our internal audit organization does not have the time or resources to have a self-assessment or external quality assurance review completed within the required five-year timeframe. Is there any way that we can obtain an extension beyond the five year period required by SIAAB?

IIA Attribute 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 is a newly designated Internal Audit Organization and was not previously required to have an external quality assessment. SIAAB requires that the newly designated Internal Audit Organization conduct and submit the EQA/SAIV required documents to SIAAB within sufficient time for the Board to review, approve and release the Internal Audit Organization's EQA/SAIV Report within a five-year period from the date for which the Internal Audit Organization was established.

3. We submitted our prior QAR report to SIAAB for approval on June 1, 2016. When should our next external quality assessment be conducted and submitted to SIAAB?

SIAAB has established the five-year time frame based on the date the prior QAR report was submitted to the SIAAB Quality Assurance Coordinator or Assistant Quality Assurance Coordinator for approval. As such, your next external quality assessment should be submitted to SIAAB no later than June 1, 2021.

4. As Chief Internal Auditor, I am trying to decide which external quality assurance methodology to use. Who is responsible for preparing the external quality assurance review report under each method of review?

For Chief Internal Auditors who choose the EQA approach, the external reviewer would be responsible for preparing the external quality assurance report using the SIAAB External Quality

Assurance Report template.

However, if a SAIV were performed the Chief Internal Auditor would be responsible for preparing the external quality assurance Report using the SIAAB External Quality Assurance Report template and the external validator would be required to render an opinion on the adequacy of the SAIV and the conformance with the IIA's Definition of Internal Auditing, Code of Ethics, International Standards for the Professional Practice of Internal Auditing (Standards).

- 5 Our external audit firm is familiar with our operations and has indicated that they would like to serve as our external quality assurance reviewer/validator. Can we go ahead and contract with our external auditors?

SIAAB requires State Internal Audit Organizations to submit a request for approval of their external quality assurance review teams prior to contracting with external reviewers/validators. Using an external audit firm that has been assigned by the Auditor General to conduct the Internal Audit Organization's most recent external audit would create a conflict of interest and/or lack of independence issue and would not be approved by the SIAAB. Upon SIAAB's approval of the review team, each Internal Audit Organization assumes the responsibility in obtaining bids and entering into contracts that are in accordance with applicable State laws and regulations.

6. We really thought that our last external quality assurance reviewer/validator did an excellent job. Has SIAAB taken any positions on using the same reviewer/validator as used in our last external quality assurance review?

SIAAB requires that State of Illinois Internal Audit Organizations use a different external reviewer/validator than the one that was approved by SIAAB during the last EQA/SAIV. SIAAB believes that using a different external reviewer/validator would enhance independence and reduce any appearance of a conflict of interest that may occur.

7. Our Agency/Office has entered into a contract with an external reviewer/validator to conduct our EQA/SAIV. Will the external reviewer/validator be required to use the SIAAB's template and follow SIAAB guidelines when conducting our EQA/SAIV or can they follow the IIA's or their own checklist to conduct our EQA/SAIV?

Since both the Quality Assurance Matrix and External Quality Assurance Report reflect specific State of Illinois requirements, each State of Illinois Internal Audit Organization will be required to use the SIAAB Quality Assurance Matrix and SIAAB Quality Assurance Report templates, as well as follow SIAAB guidelines when conducting an external quality assurance review.

8. Will we need to conduct interviews with Internal Audit staff, the Chief Executive Officer, and the Audit Committee/Board (if applicable) as part of the EQA/SAIV external review/validation?

SIAAB requires external reviewers/validators to interview Internal Audit staff, the Chief Executive Officer, and the Audit Committee/Board, if applicable as part of the EQA/SAIV process. When conducting an EQA, surveys are required in addition to interviews.

9. I see that the Board has an External Quality Assurance Report template to be used by State audit organizations in drafting their quality assurance reports. Is it necessary for our Internal Audit Organization 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 to use the SAIV external quality assurance approach. As such the SIAAB's template is designed specifically for this type of assessment. For those agencies that have elected the EQA approach, the assurance team/reviewers would simply replace the Chief Internal Auditor 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.

Chief Internal Auditor: I concur. The Internal Audit Charter was revised on June 1, 2016 and now includes our authority to access all records, personnel or data in performing our internal audit responsibilities

10. I see the report is structured for reporting whether the audit activity generally, partially or does not conform to the IIA's *Definition of Internal Auditing, Code of Ethics and Standards*. What if the EQA or SAIV results indicate that no conformance/compliance issues were present, yet the external reviewer/validator would like to include observations and/or suggestions for improvements? Should observations and/or suggestions for improvement that do not give rise to conformance and/or compliance issues be included in the report?

Observations and/or suggestions for improvements that do not give rise to conformance and/or compliance issues would not be included in the External Quality Assurance Report submitted for final review, approval and release by SIAAB. Instead, such observations and/or suggestions for improvement should be discussed with the Chief Internal Auditor.

11. What is the basis that SIAAB will be using for the external quality assurance review opinions?

*SIAAB's Quality Assurance Matrix incorporates both individual and overall conclusions in conformance with the IIA's *Definition of Internal Auditing, Code of Ethics and Standards*. Nonconformance in one or more of the individual Standards would not in itself give rise to a "Partially Conforms" or a "Does Not Conform" opinion when the nonconformance was immaterial to the internal audit organization's overall conformance with the IIA *Definition of Internal Auditing, Code of Ethics or Standards*.*

However, since SIAAB has oversight over the release of State of Illinois internal audit organization's external quality assurance reports, the Board may not accept an internal audit organization's external quality assurance report if the opinion rendered differs from the expectations and requirements established by SIAAB.