

# **SIAAB Guidance #09**

## **Internal Assessments in State of Illinois Internal Audit**

### **Adopted December 10, 2019**

**Revised In Accordance with 2024 Standards – Effective January 7, 2025**

*\*\*\* Note: The State Internal Audit Advisory Board (SIAAB) requires Illinois Internal Auditors to follow the Global Internal Audit Standards (GIAS) of the Institute of Internal Auditors (IIA). The structure of GIAS consists of 5 Domains, 15 Principles and 52 Standards. Any references made to GIAS will begin with the Domain, then Principle followed by a (.) and then the Standard. For example, Domain II, Principle 3, Standard 4 would be referenced as GIASII 3.4.*

*The terms “Chief Executive Officer” or “Agency Head” as utilized in this document are interchangeable and shall refer to the individual who has been designated by the Governor as the head of an agency under the Governor or the Constitutional Officer, in the case of those entities which do not fall under the direct jurisdiction of the Governor. The term “Agency” as utilized in this document, refers to an agency under the Governor or the Constitutional Office, in the case of those entities which do not fall under the direct jurisdiction of the Governor.*

*The terms “Chief Internal Auditor,” “Chief Audit Executive,” “Director Internal Audit” or similar positions describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of GIAS and ensuring the quality of the performance of internal audit services. This document uses those terms interchangeably. The specific job title and/or responsibilities of the chief audit executive may vary across organizations. In Illinois, the Fiscal Control and Internal Auditing Act refers to this position as Chief Internal Auditor. The Chief Internal Auditor or others reporting to the Chief Internal Auditor, will have the appropriate professional certifications and qualifications.*

### **SIAAB Interpretation**

SIAAB has been given the authority to promulgate requirements. The Fiscal Control and Internal Auditing Act (30 ILCS 10) states, “The State Internal Audit Advisory Board (SIAAB) shall be responsible for promulgating a uniform set of professional standards and a code of ethics (based on the standards and ethics of the Institute of Internal Auditors, the General Accounting Office, and other professional standards as applicable) to which all State internal auditors must adhere. (30 ILCS 10/2005(f)(1).” The State Internal Audit Advisory Board (SIAAB), under its authority granted by the Fiscal Control and Internal Auditing Act (30 ILCS 10/2005(f)(1)) to promulgate a uniform set of professional standards to which all State internal auditors must adhere, has adopted the Global Internal Audit Standards (GIAS).

Furthermore, FCIAA (30 ILCS 10/2003(a)(1) states, “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.”

In conformance with GISA, the chief internal auditor must maintain a quality assurance improvement program (QAIP) that covers all aspects of the internal audit function.

GIASIII 8.3 states, “The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

External assessments. (See also GIASIII 8.4 External Quality Assessment.)

Internal assessments. (See also GIASIV 12.1 Internal Quality Assessment.)”

GIASIII 8.4 states, “The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation. “

GIASIII 8.4 further states,” Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team. Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment. Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.

- Review and approve the chief audit executive’s plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
- The scope and frequency of assessments.
- The competencies and independence of the external assessor or assessment team.
- The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive’s action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive’s progress.”

GIASIII 8.4 also states that senior management must, “collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment. Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.”

GIASIV 12.1 states that internal assessments must include both ongoing monitoring and periodic self-assessments. Further, GIASIII 8.3 asserts that the chief internal auditor must communicate the results to senior management and the board, if applicable. According to the IIA Standards Glossary, the term must specify an unconditional requirement.

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GIASIII 8.3 also states, “Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function. Approve the internal audit function’s performance objectives at least annually. (See also GIASIV 12.2 Performance Measurement.) Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:

- Reviewing the internal audit function’s performance objectives, including its conformance with the Standards, laws, and regulations; ability to meet the internal audit mandate; and progress toward completion of the internal audit plan.
- Considering the results of the internal audit function’s quality assurance and improvement program.
- Determining the extent to which the internal audit function’s performance objectives are being met.”

### **Ongoing Monitoring**

Ongoing monitoring is achieved primarily through continuous activities such as audit engagement planning and supervision; standardized work practices, workpaper procedures and signoffs; report reviews, as well as identification of any weaknesses or areas in need of improvement and action plans to address them. Ongoing monitoring helps the chief internal auditor determine whether internal audit processes are delivering quality on an engagement-by-engagement basis. Ideally, ongoing monitoring occurs routinely throughout the year. Audit and engagement level checklists are a common tool to provide assurance on conformance with Standards, practices and procedures.

### **Periodic Self-Assessments**

Periodic self-assessments have a different focus than ongoing monitoring. Ongoing monitoring is generally focused at the engagement level, whereas periodic self-assessments provide a more holistic, comprehensive review of the Standards and the internal audit activity.

Periodic self-assessments are generally conducted by senior members of the internal audit activity but may also be conducted by internal audit staff and reviewed by the chief internal auditor. The purpose is to validate conformance with Internal Audit’s Charter, the Standards and Code of Ethics, by evaluating the quality and supervision of work performed, the adequacy and appropriateness of internal audit policies and procedures, the ways in which the internal audit activity adds value, the achievement of key performance indicators, and the degree to which expectations are met.

GIASIII 8.3 goes on to state, “At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of external quality assessments must be reported when completed. In both cases, such communications include: The internal audit function’s conformance with the Standards and achievement of performance objectives. If applicable, compliance with laws and/or regulations relevant to internal auditing. If applicable, plans to address the internal audit function’s deficiencies and opportunities for improvement.”

GIASIV 12.1 states, “The chief audit executive must develop and conduct internal assessments of the internal audit function’s conformance with the Global Internal Audit Standards and progress toward performance objectives. The chief audit executive must establish a methodology for internal assessments, as described in GIASIII 8.3 Quality, that includes: Ongoing monitoring of the internal audit function’s conformance with the Standards and progress toward performance objectives.”

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GIASIV 12.1 goes on to state, “Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards. Communication with the board and senior management about the results of internal assessments.”

GIASIV 12.1 further states, “Based on the results of periodic self-assessments, the chief audit executive must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. The chief audit executive must communicate the results of periodic self-assessments and action plans to the board and senior management.” (See also GIASIII Standards 8.1 Board Interaction, 8.3 Quality, and GIASIV 9.3 Methodologies.)

GIASIV 12.1 also states, “Internal assessments must be documented and included in the evaluation conducted by an independent third party as part of the organization’s external quality assessment. (See also GIASIII 8.4 External Quality Assessment.) If nonconformance with the Standards affects the overall scope or operation of the internal audit function, the chief audit executive must disclose to the board and senior management the nonconformance and its impact. “

### **SIAAB Recommendations**

SIAAB recommends State of Illinois internal audit activities conduct ongoing monitoring at the engagement level, and demonstrate conformance through documentary evidence such as checklists, surveys, or other various key performance indicators.

There are various methods of conforming to the periodic self-assessment requirement of GIASIV 12.1. One possible option includes assessing a subset of the GIAS annually, except in years where the external quality assessment is completed, so that all Standards are assessed at least once between five-year external quality assessments. Another option is to conduct a complete self-assessment of all GIAS approximately midway between mandatory five-year external quality assessments. Additional steps to support the periodic self-assessment may include selecting a sample of engagements from a particular timeframe and assessing compliance with internal audit policies and conformance with the Standards, review of internal audit key performance indicators and benchmarking of best practices and conducting customer surveys. SIAAB has prepared the attached optional periodic self-assessment checklist to assist in conforming with GIAS12.1. The checklist is less extensive than the QAR Matrix SIAAB requires for the five-year QAR (peer) reviews yet covers every attribute and performance standard.

Finally, an option for demonstrating conformance with GIASIV 12.1 is reporting on the QAIP annually in conjunction with the Internal Audit Annual Report (30 ILCS 10/2003(a)(1)).

### **Key Implementation Guides (IG):**

- *IG 1311 (Internal Assessments)*
- *IG 1320 (Reporting on the Quality Assurance and Improvement Program)*

**Periodic Internal Self-Assessment Checklist**

Self-Assessment Procedures	Conclusion			Initials Date	Comments / Explanation
<b>Domain I. Purpose of Internal Auditing</b> The purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.	GC	PC	DNC		
<b>Purpose Statement</b> Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.	GC	PC	DNC		
1. The Chief Internal Auditor reports directly to the chief executive officer or board, if applicable. (30 ILCS 10/2002(a)) 2. Determine if internal auditors have certified their independence and objectivity. 3. The Internal Audit Charter upholds the Purpose of Internal Auditing and is endorsed by senior management and/or the board. 4. The chief executive officer has approved the two-year internal audit plan. (30 ILCS 10/2003(a)(1))	GC	PC	DNC		
<b>Domain II. Ethics and Professionalism</b> The ethics and professionalism principles and standards comprise internal auditors' code of ethics. They outline the behavioral expectations of professional internal auditors, including chief audit executives, as well as individuals and entities that provide internal audit services. Adherence to these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgment.	GC	PC	DNC		
<b>Principle 1: Demonstrate Integrity</b> Internal auditors demonstrate integrity in their work and behavior.	GC	PC	DNC		
<b>Standard 1.1: Honesty and Courage</b> Internal auditors must perform their work with honesty and courage.  1. Internal auditors have taken at least four hours of ethics training each two non-rolling calendar year CPE cycle. 2. Internal Auditors have taken the Annual Ethics Training for State Employees and Appointees.	GC	PC	DNC		
<b>Standard 1.2: Ethical Expectations</b> Internal auditors respect and contribute to the legitimate and ethical expectations of the agency. 1. Ethics provisions endorsed by senior management in the Internal Audit Charter. 2. Agency policy addressing ethical behavior and reporting of ethical concerns for employees.	GC	PC	DNC		

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<p><b>Standard 1.3: Legal and Professional Behavior</b> Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing.</p> <ol style="list-style-type: none"> <li>Internal auditors have completed trainings on laws, regulations, and ethical/professional behavior such as Harassment &amp; Discrimination Prevention Training, Diversity, Equity &amp; Inclusion Training, HIPAA &amp; Privacy Training, Ethics Training Program for State Employees and Appointees.</li> <li>Internal Audit engagements are adequately supervised as evidenced by supervisory sign off of audit working papers.</li> </ol>	GC	PC	DNC		
<p><b>Principle 2: Maintain Objectivity</b> Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions</p>	GC	PC	DNC		
<p><b>Standard 2.1: Individual Objectivity</b> Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.</p> <ol style="list-style-type: none"> <li>references in the internal audit charter to internal auditors' responsibility for maintaining objectivity.</li> <li>Attestation forms that confirm internal auditors' awareness of objectivity's importance and the obligation to disclose any potential impairments.</li> <li>Documented disclosures of potential conflicts of interest or other impairments to objectivity.</li> </ol>	GC	PC	DNC		
<p><b>Standard 2.2: Safeguarding Objectivity</b> Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.</p> <ol style="list-style-type: none"> <li>Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity.</li> <li>Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others.</li> <li>Internal auditors must refrain from assessing specific activities for which they were previously responsible.</li> <li>The chief audit executive must establish methodologies to address impairments to objectivity.</li> <li>Documentation through which internal auditors attest that they either have no known impairments or have disclosed potential impairments.</li> </ol>	GC	PC	DNC		



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<p><b>Standard 2.3: Disclosing Impairments to Objectivity</b> If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.</p> <ol style="list-style-type: none"> <li>If internal auditors became aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor.</li> <li>If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit executive must discuss the concern with the management of the activity under review, the board, senior management and/or other affected stakeholders and determine the appropriate actions to resolve the situation.</li> <li>If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board.</li> </ol>	GC	PC	DNC		
<p><b>Principle 3: Demonstrate Competency</b> Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.</p>	GC	PC	DNC		
<p><b>Standard 3.1: Competency</b> Internal auditors must possess or obtain the knowledge, skills, and abilities to perform their responsibilities successfully.</p> <ol style="list-style-type: none"> <li>Documentation of the certifications, education, experience, and other qualifications of internal auditors.</li> <li>Documented supervisory reviews of engagements, performance evaluations, feedback indicating competencies exhibited by individual internal auditors.</li> </ol>	GC	PC	DNC		
<p><b>Standard 3.2: Continuing Professional Development</b> Internal auditors must maintain and continuously develop their competencies to improve the effectiveness and quality of internal audit services.</p> <ol style="list-style-type: none"> <li>Continuing Professional Education (CPE) certificates or other documentation of internal auditors' CPE supporting: <ol style="list-style-type: none"> <li>80 hours of CPE every two calendar years;</li> <li>24 hours government CPE every two calendar years;</li> <li>4 hours of ethics CPE every two calendar years;</li> <li>20 hours CPE minimum every calendar year.</li> </ol> </li> </ol> <p>(Hours may be prorated based on full six month intervals of full employment.)</p>	GC	PC	DNC		
<p><b>Principle 4: Exercise Due Professional Care</b> Internal auditors apply due professional care in planning and performing internal audit services.</p>	GC	PC	DNC		

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<p><b>Standard 4.1: Conformance with Global Internal Audit Standards</b> Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.</p> <ol style="list-style-type: none"> <li>Internal Audit Charter and/or Audit Manual</li> <li>Audit work programs and documentation of procedures performed</li> </ol>	GC	PC	DNC		
<p><b>Standard 4.2: Due Professional Care</b> Internal auditors must exercise due professional care by taking into account the nature, circumstances, and requirements of the services to be provided.</p>	GC	PC	DNC		
<p><b>Standard 4.3: Professional Skepticism</b> Internal auditors must exercise professional skepticism when planning and performing internal audit services.</p>	GC	PC	DNC		
<p><b>Principle 5: Maintain Confidentiality</b> Internal auditors use and protect information appropriately.</p>	GC	PC	DNC		
<p><b>Standard 5.1: Use of Information</b> Internal auditors must follow the policies and procedures of the organization and the internal audit function when using information to perform internal audit services.</p> <ol style="list-style-type: none"> <li>Effectively designed and operating controls over access to and use of information.</li> <li>Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.</li> </ol>	GC	PC	DNC		
<p><b>Standard 5.2: Protection of Information</b> Internal auditors must be aware of their responsibilities for protecting information and act in a manner demonstrating respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.</p> <ol style="list-style-type: none"> <li>Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.</li> <li>Documentation of restrictions on the distribution of workpapers and final communication.</li> <li>Records of disclosures required by law or approved by legal counsel, if applicable, and/or the board and senior management.</li> <li>Signed agreements to confidentiality or nondisclosure of information.</li> </ol>	GC	PC	DNC		



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<p><b>Domain III. Governing the Internal Audit Function</b>            Certain governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the board’s responsibilities to authorize the internal audit function, ensure its independent positioning, and oversee its performance. While the chief audit executive has responsibilities to communicate effectively and provide the board with information, the board also has a role and responsibilities that are key to the internal audit function’s ability to fulfill the Purpose of Internal Auditing.</p>	GC	PC	DNC		
<p><b>Principle 6: Authorized by the Board</b>            The board establishes, approves, and supports the mandate of the internal audit function.</p>	GC	PC	DNC		
<p><b>Standard 6.1: Internal Audit Mandate</b>            The chief audit executive must provide the board with the information necessary to establish the internal audit mandate. This information includes the Global Internal Audit Standards related to governing the internal audit function, the potential scope and types of internal audit services, and other responsibilities common to internal audit functions.</p> <ol style="list-style-type: none"> <li>The Chief Internal Auditor has been appointed to a five-year term and reports directly to the chief executive officer as required by the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10).</li> <li>The board has received the Internal Audit Charter and Two-Year Internal Audit Plan, consistent with the GIAS and the provisions of FCIAA.</li> </ol>	GC	PC	DNC		
<p><b>Standard 6.2: Internal Audit Charter</b>            The chief audit executive must develop and maintain an internal audit charter that specifies:</p> <ol style="list-style-type: none"> <li>The Purpose of Internal Auditing.</li> <li>Commitment of adherence to the Global Internal Audit Standards.</li> <li>Mandate, including scope and types of services to be provided.</li> <li>The board’s responsibilities and expectations regarding management’s support of the internal audit function.</li> <li>Organizational position and reporting relationships. (See also Standard 7.1 Organizational Independence).</li> </ol>	GC	PC	DNC		
<p><b>Standard 6.3: Board and Senior Management Support</b>            The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization. The chief audit executive must coordinate the internal audit function’s board communications with senior management to support the board’s ability to fulfill its requirements.</p> <ol style="list-style-type: none"> <li>Board approval/endorsement of the Internal Audit Charter and Two-Year Internal Audit Plan.</li> </ol>	GC	PC	DNC		

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<b>Principle 7: Positioned Independently</b> The board establishes and protects the internal audit function's independence and qualifications.	GC	PC	DNC		
<b>Standard 7.1: Organizational Independence</b> The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment. 1. The board has received the Internal Auditor Charter, review of the organization chart, reviewing the internal audit activity's communication and reporting practices, interviews with the chief executive officer and audit committee, organization chart inclusion in the Annual September 30 Report if applicable, etc.	GC	PC	DNC		
<b>Standard 7.2: Chief Audit Executive Qualifications</b> The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. 1. A chief internal auditor meets the qualifications specified in the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10) and is appointed to a five-year term. 2. Board approval/endorsement of the Internal Audit Charter and Two-Year Internal Audit Plan. Review job description and appointment letter.	GC	PC	DNC		
<b>Principle 8: Overseen by the Board</b> The board oversees the internal audit function to ensure the function's effectiveness.	GC	PC	DNC		
<b>Standard 8.1: Board Interaction</b> The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.	GC	PC	DNC		
<b>Standard 8.2: Resources</b> The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.	GC	PC	DNC		

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<p><b>Standard 8.3: Quality</b> The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:</p> <ol style="list-style-type: none"> <li>External assessments. (See also Standard 8.4 External Quality Assessment.) The results of the external quality assessments must be reported when completed.</li> <li>Internal assessments. (See also Standard 12.1 Internal Quality Assessment.) At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management.</li> </ol>	GC	PC	DNC		
<p><b>Standard 8.4: External Quality Assessment</b> The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.</p> <ol style="list-style-type: none"> <li>SIAAB approved quality assessment review (QAR) team request</li> <li>QAR report validated by an independent assessor</li> <li>SIAAB letter of QAR acceptance</li> </ol>	GC	PC	DNC		
<p><b>Domain IV. Managing the Internal Audit Function</b> The chief audit executive is responsible for managing the internal audit function in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.</p>	GC	PC	DNC		
<p><b>Principle 9: Plans Strategically</b> The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.</p>	GC	PC	DNC		
<p><b>Standard 9.1: Understanding Governance, Risk Management, and Control Processes</b> To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.</p>	GC	PC	DNC		

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<p><b>Standard 9.2: Internal Audit Strategy</b> The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.</p>	GC	PC	DNC		
<p><b>Standard 9.3: Methodologies</b> The chief audit executive must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. The chief audit executive must evaluate the effectiveness of the methodologies and update them as necessary to improve the internal audit function and respond to significant changes that affect the function. The chief audit executive must provide internal auditors with training on the methodologies. (See also Principles 13 Plan Engagements Effectively, 14 Conduct Engagement Work, and 15 Communicate Engagement Results and Monitor Action Plans, and their standards.)</p>	GC	PC	DNC		
<p><b>Standard 9.4: Internal Audit Plan</b> The chief audit executive must create an internal audit plan that supports the achievement of the organization’s objectives. The chief audit executive must base the internal audit plan on a documented assessment of the organization’s strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive’s understanding of the organization’s governance, risk management, and control processes. The assessment must be performed at least annually.</p> <ol style="list-style-type: none"> <li>1. Approved two-year internal audit plan.</li> <li>2. Documented risk assessment and prioritization, including the inputs upon which the plan is based</li> </ol>	GC	PC	DNC		
<p><b>Standard 9.5: Coordination and Reliance</b> The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.</p>	GC	PC	DNC		
<p><b>Principle 10: Manages Resources</b> The chief audit executive manages resources to implement the internal audit function’s strategy and achieve its plan and mandate.</p>	GC	PC	DNC		

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<p><b>Standard 10.1: Financial Resource Management</b> The chief audit executive must manage the internal audit function's financial resources.</p> <ol style="list-style-type: none"> <li>1. The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools.</li> <li>2. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.</li> <li>3. The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.</li> <li>4. Approval of the Two-Year Audit Plan. Review of the Internal Audit Charter and/or the organization chart, written policies and procedures.</li> </ol>	GC	PC	DNC		

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<p><b>Standard 10.2: Human Resources Management</b> The chief audit executive must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.</p> <ol style="list-style-type: none"> <li>1. The chief audit executive must strive to ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. Appropriate refers to the mix of knowledge, skills, and abilities; sufficient refers to the quantity of resources; and effective deployment refers to assigning resources in a way that optimizes the achievement of the internal audit plan.</li> <li>2. The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitations. (See also Standard 8.2 Resources.)</li> <li>3. The chief audit executive must evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The chief audit executive must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring. (See also Standard 3.1 Competency.)</li> <li>4. The chief internal auditor reported periodically to the senior management and the board, if applicable, on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan including significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the board, if applicable.</li> </ol>	GC	PC	DNC		
<p><b>Standard 10.3: Technological Resources</b> The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.</p>	GC	PC	DNC		
<p><b>Principle 11: Communicates Effectively</b> The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.</p>	GC	PC	DNC		

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<p><b>Standard 11.1: Building Relationships and Communicating with Stakeholders</b> The chief audit executive must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and internal and external assurance providers and other consultants.</p>	GC	PC	DNC		
<p><b>Standard 11.2: Effective Communication</b> The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications.</p>	GC	PC	DNC		
<p><b>Standard 11.3: Communicating Results</b> The chief audit executive must communicate the results of internal audit services to the board and/or senior management periodically and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and/or senior management regarding the nature and timing of communications.</p>	GC	PC	DNC		
<p><b>Standard 11.4: Errors and Omissions</b> If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication.</p>	GC	PC	DNC		
<p><b>Standard 11.5: Communicating the Acceptance of Risks</b> The chief audit executive must communicate unacceptable levels of risk.</p> <p>When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization's risk appetite or risk tolerance, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.</p>	GC	PC	DNC		
<p><b>Principle 12: Enhances Quality</b> The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.</p>	GC	PC	DNC		



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<p><b>Standard 12.1: Internal Quality Assessment</b> The chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives.</p> <p>The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:</p> <ol style="list-style-type: none"> <li>1. Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.</li> <li>2. Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.</li> <li>3. Communication with the board and senior management about the results of internal assessments.</li> </ol>	GC	PC	DNC		
<p><b>Standard 12.2: Performance Measurement</b> The chief audit executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.</p> <ol style="list-style-type: none"> <li>1. The chief audit executive must develop a performance measurement methodology to assess progress toward achieving the function's objectives and to promote the continuous improvement of the internal audit function.</li> <li>2. When assessing the internal audit function's performance, the chief audit executive must solicit feedback from the board and senior management as appropriate.</li> <li>3. The chief audit executive must develop an action plan to address issues and opportunities for improvement.</li> </ol>	GC	PC	DNC		

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<p><b>Standard 12.3: Oversee and Improve Engagement Performance</b> The chief audit executive must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies.</p> <ol style="list-style-type: none"> <li>The chief audit executive or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm engagement workpapers adequately support findings, conclusions, and recommendations.</li> <li>To assure quality, the chief audit executive must verify whether engagements are performed in conformance with the Standards and the internal audit function’s methodologies.</li> <li>To develop competencies, the chief audit executive must provide internal auditors with feedback about their performance and opportunities for improvement.</li> <li>The extent of supervision required depends on the maturity of the internal audit function, the proficiency and experience of internal auditors, and the complexity of engagements.</li> <li>The chief audit executive is responsible for supervising engagements, whether the engagement work is performed by the internal audit staff or by other service providers. Supervisory responsibilities may be delegated to appropriate and qualified individuals, but the chief audit executive retains ultimate responsibility.</li> <li>The chief audit executive must ensure that evidence of supervision is documented and retained, according to the internal audit function’s established methodologies.</li> </ol>	GC	PC	DNC		
<p><b>Domain V. Performing Internal Audit Services</b> Performing internal audit services requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and/or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.</p>	GC	PC	DNC		
<p><b>Principle 13: Plan Engagements Effectively</b> Internal auditors plan each engagement using a systematic, disciplined approach.</p>	GC	PC	DNC		
<p><b>Standard 13.1L Engagement Communication</b> Internal auditors must communicate effectively throughout the engagement. (See also Principle 11 Communicate Effectively and its related standards and Standard 15.1 Final Engagement Communication.)</p>	GC	PC	DNC		

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<p><b>Standard 13.2: Engagement Risk Assessment</b> Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.</p> <ol style="list-style-type: none"> <li>The Two-Year Audit Plan was based on a risk assessment of the Agency.</li> <li>A sample of audits to ensure a preliminary assessment was completed to identify key criteria and risks.</li> </ol>	GC	PC	DNC		
<p><b>Standard 13.3: Engagement Objectives and Scope</b> Internal auditors must establish and document the objectives and scope for each engagement. The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.</p> <ol style="list-style-type: none"> <li>A sample of audits verifies engagement objectives were documented.</li> <li>A sample of audits to verify the preliminary assessment was performed to identify significant risks, applicable laws and regulations, and any other specific criteria was documented</li> </ol>	GC	PC	DNC		
<p><b>Standard 13.4: Evaluation Criteria</b> Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.</p>	GC	PC	DNC		
<p><b>Standard 13.5: Engagement Resources</b> Internal auditors must identify the types and quantity of resources necessary to achieve engagement objectives. Internal auditors should consider:</p> <ul style="list-style-type: none"> <li>The nature and complexity of the engagement.</li> <li>The time frame in which the engagement should be completed.</li> <li>Whether the available financial, human, and technological resources are appropriate and sufficient to achieve engagement objectives.</li> </ul> <p>If resources available are inappropriate or insufficient, internal auditors must discuss concerns with the chief audit executive.</p>	GC	PC	DNC		

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<p><b>Standard 13.6: Work Program</b> Internal auditors must develop and document an engagement work program to achieve the engagement objectives.</p> <p>The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.</p> <p>The engagement work program must identify:</p> <ol style="list-style-type: none"> <li>1. Criteria to be used to evaluate each objective.</li> <li>2. Tasks to achieve the engagement objectives.</li> <li>3. Methodologies, including the analytical procedures to be used, and tools to perform the tasks.</li> <li>4. Internal auditors assigned to perform each task.</li> <li>5. The chief audit executive must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.</li> </ol>	GC	PC	DNC		
<p><b>Principle 14: Conduct Engagement Work</b> Internal auditors implement the engagement work program to achieve the engagement objectives.</p>	GC	PC	DNC		
<p><b>Standard 14.1: Gathering Information for Analyses and Evaluation</b> To perform analyses and evaluations, internal auditors must gather information that is:</p> <ul style="list-style-type: none"> <li>▪ Relevant – consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.</li> <li>▪ Reliable – factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable. Reliability is strengthened when the information is: <ul style="list-style-type: none"> <li>○ Obtained directly by an internal auditor or from an independent source.</li> <li>○ Corroborated.</li> <li>○ Gathered from a system with effective governance, risk management, and control processes.</li> </ul> </li> <li>▪ Sufficient – when it enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.</li> </ul>	GC	PC	DNC		

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<p><b>Standard 14.2: Analyses and Potential Engagement Findings</b> Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders.</p> <ol style="list-style-type: none"> <li>1. Workpapers document analyses performed, test populations, sampling processes, and sampling methods.</li> <li>2. Workpapers are crossed referenced to the audit program.</li> <li>3. Final communication/report is documented.</li> <li>4. Evidence of supervisory review of audit workpapers</li> </ol>	GC	PC	DNC		
<p><b>Standard 14.3: Evaluation of Findings</b> Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.</p> <p>To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization’s governance, risk management, or control processes.</p> <p>If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding.</p>	GC	PC	DNC		
<p><b>Standard 14.4 Recommendations and Action Plans</b> Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:</p> <ol style="list-style-type: none"> <li>1. Resolve the differences between the established criteria and the existing condition.</li> <li>2. Mitigate identified risks to an acceptable level.</li> <li>3. Address the root cause of the finding.</li> <li>4. Enhance or improve the activity under review.</li> </ol>	GC	PC	DNC		
<p><b>Standard 14.5 Engagement Conclusions</b> Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management’s objectives. The engagement conclusion must summarize the internal auditors’ professional judgment about the overall significance of the aggregated engagement findings.</p>	GC	PC	DNC		

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<p><b>Standard 14.6 Engagement Documentation</b> Internal auditors must document information and evidence to support the engagement results.</p> <p>The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.</p> <p>Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The chief audit executive must review and approve the engagement documentation.</p> <p>Internal auditors must retain engagement documentation according to relevant laws and/or regulations as well as policies and procedures of the internal audit function and the organization.</p>	GC	PC	DNC		
<p><b>Principle 15: Communicate Conclusions and Monitor Action Plans</b> Internal auditors communicate the engagement results to the appropriate parties and monitor management’s progress toward the implementation of recommendations or action plans.</p>	GC	PC	DNC		
<p><b>Standard 15.1 Final Engagement Communication</b> For each engagement, internal auditors must develop a final communication that includes the engagement’s objectives, scope, recommendations and/or action plans, if applicable, and conclusions.</p> <p>The final communication for assurance engagements also must include:</p> <ul style="list-style-type: none"> <li>▪ The findings and their significance and prioritization.</li> <li>▪ An explanation of scope limitations, if any.</li> </ul> <p>The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.</p> <p>When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication.</p>	GC	PC	DNC		

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<p><b>Standard 15.2 Confirming the Implementation of Recommendations or Action Plans</b></p> <p>Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:</p> <ul style="list-style-type: none"> <li>▪ Inquiring about progress on the implementation.</li> <li>▪ Performing follow-up assessments using a risk-based approach.</li> <li>▪ Updating the status of management's actions in a tracking system.</li> </ul> <p>1. Internal Audit Annual Report prepared and remitted to chief executive officer by September 30 of each year (30 ILCS 10/2003(a)(1)).</p> <p>2. A routinely updated tracking system (for example, a spreadsheet, database, or other tool) that contains the finding, associated corrective action plan, status, and internal audit's confirmation.</p>	GC	PC	DNC		