
ASSESSMENT OF THE QUALITY OF INTERNAL AUDIT ACTIVITY

I. INTRODUCTION

The Quality Assurance and Improvement Program enables an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The Program is developed, implemented, monitored and updated by the chief audit executive. The basic requirements to the propose, responsibilities, contents and implementation of the Quality Assurance and Improvement Program as well as its communication are defined in the International Standards for the Professional Practice of Internal Auditing.

The Quality Assurance and Improvement Program should be comprehensive and adequate and effectively implemented. It must ensure the conducting of checks that should result in objective conclusion about the quality of internal audit activity and in the formulation of adequate recommendations. The checks must assess:

- ✓ Conformance with the Definition of Internal Auditing, the Standards and the Code of Ethics;
- ✓ Adequacy of the Internal Audit Unit Statute with the objectives, tasks, policies and procedures of internal audit;
- ✓ Contribution to the risk management processes, the control and management of the organisation;
- ✓ Compliance with the applicable legislation, regulations and other adopted standards;
- ✓ Effectiveness of activities to achieve continuous improvement and best practices adoption;
- ✓ Internal audit contribution to adding value and to improving the activities within the organisation.

As a result of the internal and external assessments recommendations the chief audit executive draws up action plans including measures, deadlines and persons responsible.

The chief audit executive must make the manager of the organisation and the audit committee, if one is set up, aware of:

- ✓ The results of the internal and external assessments made,
- ✓ The actions taken to improve the quality of the internal audit activity and the effect thereof.



It should be noted that small internal audit units (up to 3 persons) would not be able to adequately implement all quality assessment procedures and that they should develop a specific methodology appropriate for the conditions. Where there is only one internal auditor the correct internal audit realisation is doubtful and the quality assessments could be applied partially – in the form of assessment by other employees, holders of auditor certificate or by external qualified assessors.

II. INTERNAL ASSESSMENTS

Internal assessments are to be performed by the chief audit executive or by an internal auditor appointed by him/her and/or other persons within the organisation who are well versed in the Standards and internal audit practices. Internal assessments should cover the whole range of audit activity and they should include **ongoing supervision (day-to-day)** and **periodic reviews**.

1. Ongoing supervision (Day-to-day reviews)

1.1. Supervision over the work on the engagement

The supervision over the work on the engagement is performed during all stages of an audit engagement (planning, implementation, reporting and follow-up of recommendations) as a form of day-to-day review of audit activity. The chief audit executive is responsible for the quality of the overall audit activity, including the quality of the accomplished by the audit unit engagements. Supervision over an engagement is a key task of the chief audit executive whereby he/she must ensure the achievement of the audit engagement objectives (and of the internal audit activity) in compliance with the law (if any), the Standards, the unit Statute, the methodology, the internal rules of the unit, etc.

Continuously during the time of the engagement the chief audit executive exercises supervision that includes:

- ✓ Day-to-day instruction of internal auditors;
- ✓ In depth analysis and assessment of working documents;
- ✓ Day-to-day review of the work done at any given moment.

The chief audit executive has to develop specific supervision procedures, to include them in the IAU internal rules and to ensure their correct understanding and implementation.

The supervision over the accomplishment of the engagement could be exercised:

- ✓ **Only by the chief audit executive** – controls on a daily basis the work on the engagement at each stage of its implementation;
- ✓ **By the chief audit executive and another internal auditor** (for example the head of the audit team) or another auditor to whom the chief audit executive has delegated the function;

In any case the chief audit executive bears the ultimate responsibility for all substantial professional judgments made in the planning, factual check, reporting and follow-up stages of the engagement.

The supervision over the engagement implementation should ensure:

- ✓ Performance of the engagement only by auditors who have the necessary knowledge, skills and other qualifications therefor;
- ✓ Drawing up working documents corresponding to the checks planned;
- ✓ Appropriate instruction during engagement planning and approval of the working documents for its implementation;
- ✓ Implementation of the engagement audit plan and working programme(s);
- ✓ Adequate support of the findings, conclusions and recommendations made during the engagement by working documents containing sufficiently reliable, appropriate and useful information;
- ✓ Ensuring the accuracy, objectivity, clarity, precision, constructiveness and timeliness of the information provided relevant to the engagement;
- ✓ Ensuring the achievement of the engagement objectives;
- ✓ Creating conditions for improving the internal auditors' knowledge, skills and competences.