**Quality assessment and improvement of the internal audit function**

1. **Introduction**

The Good Practice Internal Audit Manual Template, developed by the Internal Audit CoP of Pempal, confirms the reliance of many stakeholders on the work of internal audit. According to the internationally accepted internal auditing standards, but also to good professional practices, internal audit shall have a quality assessment and improvement program in place. This program shall consist of

 an internal quality assessment performed by the internal audit unit itself;

 an external quality assessment performed by the CHU;

 an independent external quality assessment performed by an external, independent party[[1]](#footnote-1).

1. **Internal quality assessment performed by the internal audit unit**

The quality assessment program performed by the internal audit unit shall consist of the following components:

* ongoing supervision;
* periodic self-assessment by the internal audit unit or an assessment facilitated by other people within the organization;
* an audit entity survey.

***Ongoing supervision***

Supervision is an integral part of the quality program within the internal audit function. Supervision implies the ongoing monitoring and coaching of auditors. Many principles can be taught in advance, but for most internal auditors the real training happens on-the-job.

Ongoing supervision shall be built into the job descriptions and operating routines of the internal audit department. Specific guidelines for supervisors can be included in the internal audit manual. Supervisors may also need some specific training.

Supervision does not only apply to internal audit engagements, but also to various administrative and educational aspects.

Supervision related to audit engagements shall be documented in the audit working papers.

Ongoing supervision shall be considered internal audit's own set of controls that provide a window into the quality of the audit work performed.

In most circumstances we may expect the senior and junior internal auditors to develop the detailed audit program and to execute it. The team leader will give directions and supervise the work of the senior and junior auditors. The head of the internal audit unit will approve all major steps in the audit process and exercise overall control over the internal audit engagement.

The head of internal audit must determine by whom and at what level the supervision of the audit engagement should be performed. Usually it is the responsibility of the most experienced auditor of the team/organization.

The following functions will be involved in the ongoing internal audit supervision:

* Every internal auditor, member of the audit engagement team will continuously assess his/her work to assure it is in compliance with the applicable professional internal audit methodology.
* The team leader has the responsibility to guide and coach the internal audit team. In that role the team leader will be mostly involved with the ongoing supervision of the team members with regard to the audit engagement.
* The head of internal audit is responsible for the overall quality of the internal audit department. In that role he/she will review the work of the team leader, to assure that the team leader has exercised due ongoing supervision. The head will usually also supervise compliance with overall internal audit policies.
* Special attention shall be given to ways to deal with the concept of supervision in the case of small or even single person internal audit functions. It is important to maintain the principle of quality control with regard to supervision. This can be achieved in other ways, for instance by inviting a head of internal audit from another public sector entity to have a closer look at the working papers or by asking the CHU for a specific review.

During the various steps of the internal audit engagement, the ongoing supervision should focus on the following quality criteria:

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| 1. Audit engagement planning (IIA standard 2200)
	1. Are individual audits adequately resourced and properly supervised and coached?
	2. Has a ‘declaration of independence’ been signed by all auditors on the team?
	3. Are the auditors familiar with the process under review?
	4. Have critical risks been identified during the preliminary survey and recognized in the audit objectives?
	5. Will the audit objectives allow the auditors to provide assurance at the end of the audit engagement?
	6. Are the audit objectives in line with the annual audit plan and are these objectives approved by the head of the internal audit unit?
	7. Is the audit scope sufficient to satisfy the audit objectives?
	8. Will the audit program allow internal audit to achieve the audit objectives and reach a conclusion?
	9. Are the various steps in the audit program sufficient to reach a conclusion on the quality of the internal control system?
	10. Is the audit program developed according to the internal audit methodology and has the program been approved?
	11. Are changes to the audit objectives, the audit scope and the audit program justified and authorized?
	12. Have the auditees been informed about the planned audit?
	13. Were the audit objectives clearly explained to auditees during the kick-off meeting?
2. Audit engagement execution (IIA standard 2300)
	1. Are all audit steps properly documented in the working papers?
	2. Has the current internal audit methodology been applied throughout the audit engagement and have appropriate audit techniques been used?
	3. Have the auditors properly assessed the auditees’ procedures with regard to the process under review?
	4. In case there are no auditees’ procedures, have the auditors discussed with the auditees what the assessment criteria should be?
	5. Is the evidence obtained during the audit engagement sufficient to express an opinion?
	6. Do the auditors differentiate between critical and less critical (minor) findings?
	7. Were findings immediately communicated and discussed with the auditees?
	8. Has the work program been carried out as approved?
	9. Are changes to audit objectives, scope and work program justified and properly approved?
3. Audit engagement reporting (IIA standard 2400)
	1. Were the findings and final conclusion presented to the auditees at a closing meeting?
	2. Do the recommendations address the root cause of the findings?
	3. Are the recommendations appropriate and practical?
	4. Did the audit achieve its objectives for the purpose of giving negative or positive assurance?
	5. Has a draft report been sent to the auditees, allowing them to review and comment on the findings and recommendations?
	6. Did the auditors incorporate the comments of the auditees in the final report?
	7. Did the auditees agree on the recommendations?
	8. Is the audit report accurate, objective, clear, concise, constructive and timely?
	9. Has the audit report been signed according to the internal policies and procedures?
	10. Have audit objectives been met within allocated resource budgets and by agreed target dates as far as possible?
	11. Has the internal audit unit undertaken a final review whether all mandatory audit templates are duly incorporated in the working papers?
4. Audit engagement follow-up (IIA standard 2500)
	1. Have the auditors monitored whether the deadlines of the action plan were respected?
	2. Have the auditors assessed whether a follow-audit may be needed?
	3. Have follow-up activities been duly executed by the auditors?
5. General topics of supervision
	1. Do internal auditors comply with mandatory training requirements?
	2. Do internal auditors respect organization and internal audit policies on timesheets and expense reports?
	3. Do internal auditors comply with the code of conduct of the organization and with the code of ethics for internal auditors?
	4. Did internal auditors achieve their personal objectives?
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***Periodic self-assessment by the internal audit unit***

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| ***BOX VISUALISING PERIODIC SELF-ASSESSMENT*** |

***Audit entity survey***

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| ***BOX VISUALISING AUDIT ENTITY SURVEY*** |

1. **External quality assessment performed by the CHU**
2. **Independent external quality assessment performed by a external, independent party**
1. The term “third party” does not refer to the CHU or to Financial Inspection [↑](#footnote-ref-1)