

# Internal Audit Quality Assurance and Improvement

STANDARDS & CERTIFICATIONS



Closer Look

A Call to Action

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**CBOK**  
The Global Internal Audit  
Common Body of Knowledge

# About CBOK

## SURVEY FACTS

Respondents 14,518\*  
Countries 166  
Languages 23

## EMPLOYEE LEVELS

Chief audit executive (CAE) 26%  
Director 13%  
Manager 17%  
Staff 44%

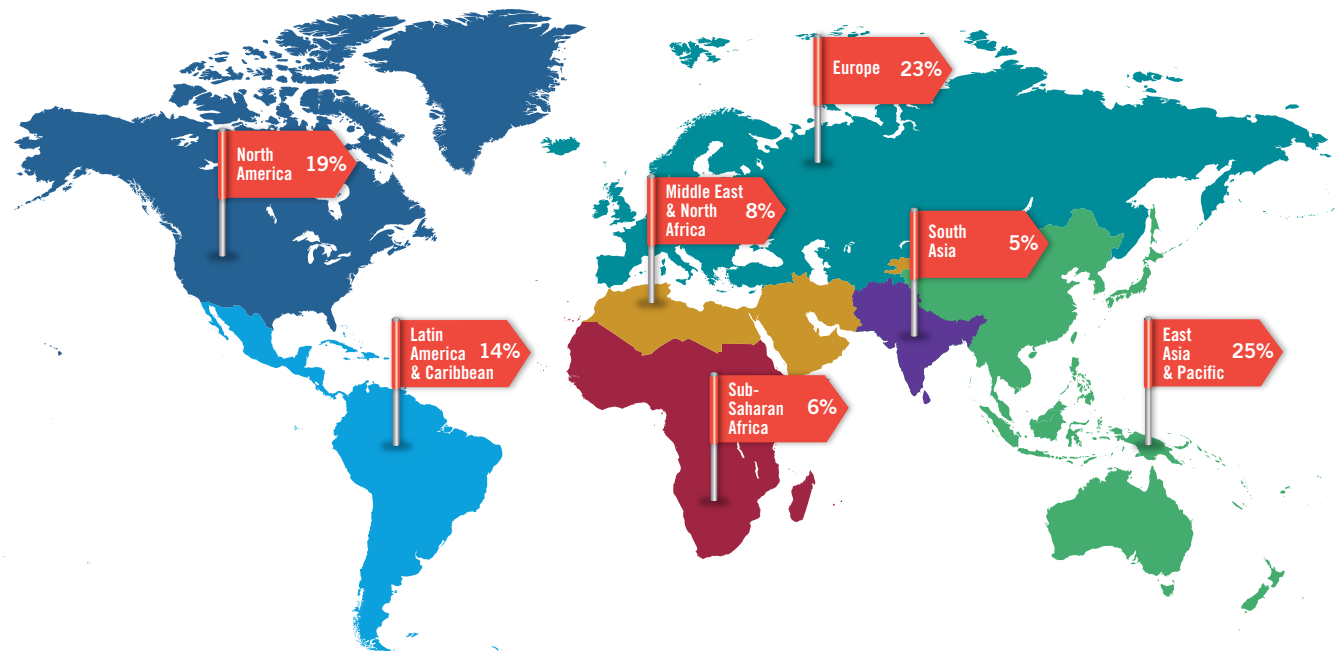
\*Response rates vary per question.

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession, including studies of internal audit practitioners and their stakeholders. One of the key components of CBOK 2015 is the global practitioner survey, which provides a comprehensive look at the activities and characteristics of internal auditors worldwide. This project builds on two previous global surveys of internal audit practitioners conducted by The IIA Research Foundation in 2006 (9,366 responses) and 2010 (13,582 responses).

Reports will be released on a monthly basis through 2016 and can be downloaded free of charge thanks to the generous contributions and support from individuals, professional organizations, IIA chapters, and IIA institutes. More than 25 reports are planned in three formats: 1) core reports, which discuss broad topics, 2) closer looks, which dive deeper into key issues, and 3) fast facts, which focus on a specific region or idea. These reports will explore different aspects of eight knowledge tracks, including technology, risk, talent, and others.

Visit the CBOK Resource Exchange at [www.theiia.org/goto/CBOK](http://www.theiia.org/goto/CBOK) to download the latest reports as they become available.

## CBOK 2015 Practitioner Survey: Participation from Global Regions



Note: Global regions are based on World Bank categories. For Europe, fewer than 1% of respondents were from Central Asia. Survey responses were collected from February 2, 2015, to April 1, 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were included in analysis as long as the demographic questions were fully completed. In CBOK 2015 reports, specific questions are referenced as Q1, Q2, and so on. A complete list of survey questions can be downloaded from the CBOK Resource Exchange.

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Perspective**



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**Technology**



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# Executive Summary

This report provides an overview of the results from the 2015 Global Internal Audit Common Body of Knowledge (CBOK) Practitioner Survey regarding internal audit quality assurance and improvement programs (QAIPs), and evaluates the internal audit profession's conformance with professional standards related to QAIPs.

The 2015 CBOK practitioner survey found significant and troubling differences between approved professional standards and actual internal audit practices. Although *The International Standards for the Professional Practice of Internal Auditing* requires development and maintenance of QAIPs covering all aspects of internal audit activity, only 34% of participating chief audit executives (CAEs) stated that they fully conform with this requirement. Many CAEs who reported that they do not conform with this requirement also do not disclose their nonconformance to their audit committees or other governing bodies.

The internal audit profession's failure to abide by its own quality standards may have profound consequences because internal audit functions with fully developed QAIPs tend to be different from other internal audit functions. Compared to other CAEs in the CBOK study, those reporting conformance to professional standards related to internal audit quality:

- Were more likely to report functionally to a board, audit committee, or equivalent
- Were more likely to have complete and unrestricted access to information as appropriate for the performance of audit activities
- Worked in organizations with more highly developed risk management processes
- Used a wider variety of resources to develop audit plans
- Made more use of technology in internal audit processes
- Were more likely to have documented procedures in an internal audit manual
- Received more hours of training and were more likely to have formalized training programs
- Were more likely to report that funding for the internal audit function was "completely sufficient"

# Introduction

A QAIP is an ongoing program designed to assess the efficiency and effectiveness of an internal audit function and identify opportunities for improvement. QAIPs are intended to enhance the quality and value of internal audit services. They provide evaluations of the internal audit function's conformance with relevant policies, procedures, standards, core values, and codes of ethics.

This report provides an overview of the results from the 2015 CBOK practitioner survey regarding QAIPs, and evaluates the internal audit profession's conformance with professional standards related to QAIPs. The 2015 CBOK survey identified significant and troubling differences between approved standards and actual internal audit practices.

## The Call for Quality

Throughout the internal audit profession, there is strong support for quality programs—at least in concept. The minimum requirements for internal audit QAIPs are defined by Standards 1300-1322 of the *Standards*.<sup>\*</sup> These requirements were approved by the entire profession through a vigorous exposure draft process in which comments were sought from internal auditors and their stakeholders throughout the world. The exposure process determined that internal auditors and all major stakeholder groups supported mandatory standards regarding internal audit quality.

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**Key Point:** Most internal auditors support mandatory requirements for QAIPs. Internal audit stakeholder groups also support these requirements.

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It should be noted that 11% of the CAEs who participated in the 2015 CBOK practitioner survey stated that they do not use the *Standards*. In many cases, however, internal auditors who do not use the *Standards* follow alternative standards, and these alternative standards normally include provisions related to QAIPs. For example, in India, *Standards on Internal Audits* requires independent quality assessments at least once every three years, in contrast with the five-year requirement found in the *Standards*. In the United States, CAEs who conform with *Government Auditing Standards* also must undergo external assessments at least once every three years. In the United Kingdom, *Public Sector Internal Audit Standards* is based on the *Standards* and includes all quality requirements found in the *Standards*, but goes a step further to specify additional quality requirements not found in the *Standards*.

Regardless of the professional standards used by various groups of internal auditors throughout the world, the internal audit profession and its stakeholders clearly have determined that QAIPs should be in place in all internal audit functions, regardless of industry, department size, or location.

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<sup>\*</sup> For the full text of Standards 1300-1322, see **appendix A**.

## THE THREE COMPONENTS OF QAIPs

A QAIP covers the entire spectrum of assurance and consulting work performed by the internal audit activity. QAIPs include three components:

- **Ongoing monitoring** is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the *Standards*.
- **Periodic self-assessments** are conducted to evaluate whether or not the internal audit activity operates efficiently and effectively, and to evaluate conformance to the Code of Ethics and the *Standards*. These assessments also evaluate the internal audit activity's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
- **External assessments** should be conducted at least once every five years by a qualified assessor or an independent assessment team from outside the organization.

# 1 Widespread Nonconformance: Impacts and Implications

The 2015 CBOK practitioner survey data indicates that in practice, internal auditors' conformance to professional standards is inconsistent and cannot be taken for granted—especially when it comes to quality requirements.

Despite widespread support for QAIPs, only 34% of CAEs participating in the survey stated that their internal audit departments fully conformed to Standard 1300, which requires that CAEs develop and maintain QAIPs covering all aspects of the internal audit activity (see exhibit 1). A full 29% of CAEs surveyed reported that their QAIP was “nonexistent or ad hoc,” and an additional 37% stated that their program was “in the process of development.” Only about one-third of CAEs participating in the CBOK study described their QAIP as “well-defined” and in full conformance with Standard 1300.

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**Key Point:** Despite widespread support for mandatory requirements, most internal audit departments do not conform with professional standards related to internal audit quality.

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## Exhibit 1 QAIP Development

QAIP Development	%
Well-defined, including external quality review + Well-defined, including external quality review and a formal link to continuous improvement and staff training activities	34%
In the process of development	37%
Nonexistent or ad hoc	29%
<b>TOTAL</b>	<b>100%</b>

Note: Q47: How developed is the QAIP in your organization? CAEs only. *n* = 2,875

## Potential Consequences of Nonconformance

The internal audit profession's failure to abide by and enforce its own quality standards may have significant consequences. Nonexistent or ineffective QAIPs may increase the risk that internal audits will fail to identify and address significant issues. They also may lead to inefficient or ineffective use of resources, not just within the internal audit function, but as a result of ineffective auditing throughout the organization. In some jurisdictions, boards of directors are starting to face increased liability if internal auditors do not conform with professional standards.

Some people believe that internal auditing will not universally be considered a true profession until internal auditors not only have mandatory professional standards, but also begin to apply and follow those standards consistently. The IIA's *Quality Assessment Manual for the Internal Audit Activity* points out that one of internal audit's major assets is its credibility with stakeholders. According to the manual:

*“To provide credible assistance and constructive challenge to management, internal auditors must be perceived as professionals. Professionalism requires conforming to a set of professional standards.”\**

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**Key Point:** Failure to conform with quality standards may have severe repercussions—both for the profession and for the organizations served by internal auditors.

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\* Copeland, Patrick, Donald Espersen, Martha Catherine, Judith Grobler, and James Roth, *Quality Assessment Manual for the Internal Audit Activity*. Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation.

## The Conformance Challenge

At first glance, the percentage of internal auditors who fail to implement their own professional standards may seem surprising. In addition to the inclusion of specific standards related to internal audit quality, there is a growing emphasis on audit quality in other parts of the International Professional Practices Framework (IPPF). In 2015, after the close of the CBOK practitioner survey, the IPPF was updated to include a new mission statement and a set of core principles for the professional practice of internal auditing.\* The 10 core principles, taken as a

whole, are intended to articulate internal audit effectiveness. One of the new IPPF core principles simply states, “Demonstrates quality and continuous improvement.”

Most professions have rules that establish minimum acceptable levels of performance, and in fields such as accounting, medicine, and law, failure to conform with professional standards is considered unusual. But in this regard, internal auditing is different from most other professions. The practice of internal auditing varies considerably between organizations. One reason for this is because the profession is largely self-regulated and most internal audit stakeholders are internal to the organization.

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\* See <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx> (accessed Sept. 2016).



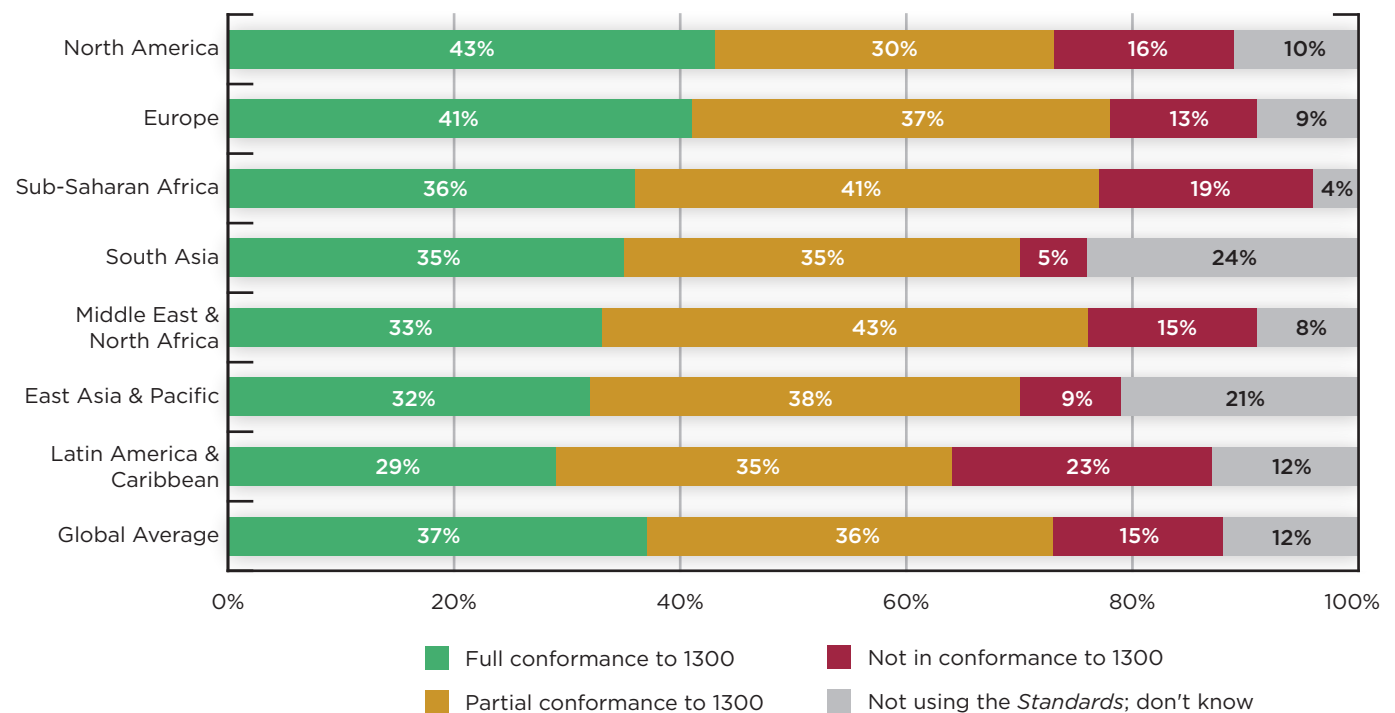
# 2 Global Conformance Rates: Inconsistencies Abound

According to the CBOK practitioner survey, levels of conformance to quality standards vary between geographic regions and are affected by various factors, such as department size, adequacy of the internal audit budget, industry, and even the CAE's number of years of experience. The survey results indicate that conformance may be particularly challenging for very small internal audit departments.

## Conformance Worldwide

CAEs were generally more likely to report that their QAIIPs were in full conformance with Standard 1300 in North America (43%) and Europe (41%) than in other regions. QAIIPs were least likely to be in full conformance with Standard 1300 in the Middle East & North Africa (33%), East Asia & Pacific (32%), and Latin America & Caribbean (29%) regions (see **exhibit 2**).

**Exhibit 2 Conformance with Standard 1300: Regional Differences**



Note: Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,478.

**Key Point:** Conformance to quality requirements is inconsistent, and only about a third of CAEs report having a well-defined QAIP.

The CBOK practitioner survey found significant variations in the existence and maturity of QAIPs—not just between defined regions—but also between specific countries within those regions. For example, in the East Asia & Pacific region, the Pacific countries, including Australia and New Zealand, reported 42% full conformance with Standard 1300, while only about 16% of CAEs in East Asia (Japan and Korea) reported full conformance.

As shown in **exhibit 3**, conformance rates for specific requirements in the quality standards also vary significantly by region. In Europe, for example, 51% of CAEs reported that their QAIPs include periodic internal assessments, and then external assessments are performed at least once every five years. In South Asia, 43% include periodic internal assessments, but only 27% have an external assessment performed at least once every five years.

According to Judy Grobler, managing director, IA Professionals, and one of the authors of *Quality Assessment Manual for the Internal Audit Activity*, her experience as an independent reviewer in South Africa is that most organizations focus on conducting risk assessments and producing their annual audit plan. “In those processes, they focus

**Exhibit 3 QAIP Components Implemented (Among Those Who Use the Standards)**

Component	Europe	North America	Sub-Saharan Africa	Middle East & North Africa	East Asia & Pacific	South Asia	Latin America & Caribbean	Global Average
Ongoing internal assessment (Standard 1311)	44%	43%	48%	36%	39%	35%	30%	40%
Periodic internal assessment (Standard 1311)	51%	47%	44%	44%	40%	43%	33%	44%
External assessment at least once every five years (Standard 1312)	51%	48%	42%	39%	27%	27%	26%	39%
Reporting on the program to the board at least annually (Standard 1320)	46%	47%	40%	36%	39%	27%	27%	40%
Disclosure of nonconformance (Standard 1322)	28%	33%	28%	20%	22%	18%	13%	25%
None/I don't know/Not applicable/Not using the Standards	26%	31%	25%	33%	37%	44%	46%	33%

Note: Q100: What components of a quality assurance and improvement program (QAIP) have been implemented in your internal audit department? (Choose all that apply.) n = 9,229.

on the Performance Standards (2000 series) and not the Attribute Standards (1000 series). Therefore, the process does not include or focus on conformance with the 1300 series of the *Standards*. Ongoing monitoring happens in some way, but periodic internal assessments are not performed and reported on in most cases.”

Grobler and Andrew Cox, manager, Quality Services, IIA–Australia, both believe that the 1300 series of the *Standards* is the least understood of all the *Standards*. According to Grobler, “There is no reason for an ongoing and periodic quality program not to be conducted in every internal audit activity. The QAIP should be built into, and not onto, internal audit processes.” Cox recommends that annual periodic self-assessments be done internally, and that a written report be produced to communicate the results of the QAIP to senior management and the board of directors.

Based upon his global experience conducting external validations and reviews, Cox reports that few CAEs produce documentation regarding a QAIP. Such a document often does not exist in the internal audit activity’s procedures manual. Although the manual may contain a copy of the 1300 series of the *Standards*, the document may not be specifically tailored to the internal audit function.

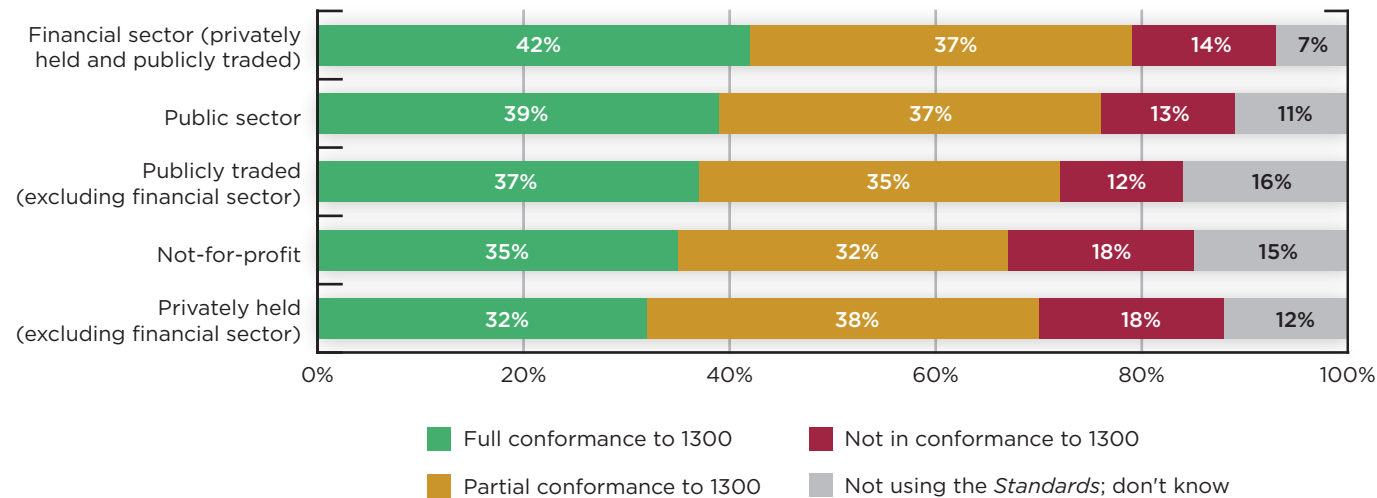
“What needs to change are the perceptions about the resources required to conduct a QAIP when the three components are implemented and carried out routinely. Some CAEs and their stakeholders [management, boards, audit committees, et al.] presume that a QAIP is a bureaucratic exercise, time sink, and needless expense.”

—Judy Grobler, Managing Director,  
IA Professionals, South Africa

**Industry Variations in Conformance**

CAEs in the financial services industry and in public-sector organizations were more likely than other CAEs to report that their internal audit functions complied with Standard 1300. Even within these industry groups, however, most CAEs did not rate their QAIPs as being well-defined. CBOK survey participants working in privately held (excluding financial sector) and not-for-profit organizations were less likely to report conformance than their peers in other industries (see **exhibit 4**).

**Exhibit 4 Standard 1300 Conformance and Organization Type**



Note: Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,513.

Although the CBOK survey data indicates existence of industry variations in QAIP maturity, the study did not address why these variations occur. Two primary factors lead to these variations. First, QAIPs seem to be more common in highly regulated industries, where specific regulations or support from regulatory groups may enhance conformance rates.

Second, industry-specific peer review programs may have a direct beneficial impact on internal audit quality. In many areas, internal auditors working in financial services, insurance, universities, and government have created internal audit peer review programs to help ensure that independent quality assessments are easily obtainable, even for internal audit departments with limited funding. The CBOK study did not examine the impact of industry-based peer review programs on QAIPs, but it may be no coincidence that CAEs in these industries are more likely to consider their QAIPs to be well-defined. Additional research may be warranted to determine whether the presence of affordable industry-based peer review programs tend to enhance the maturity of QAIPs or to improve conformance to the related quality standards.

**The Small-Department Quality Challenge**

As shown in **exhibit 5**, only 28% of CAEs working in one- to three-person internal audit departments report that they fully conform with Standard 1300. In contrast, 58% of CAEs in internal audit departments of 50 or more are in full conformance.

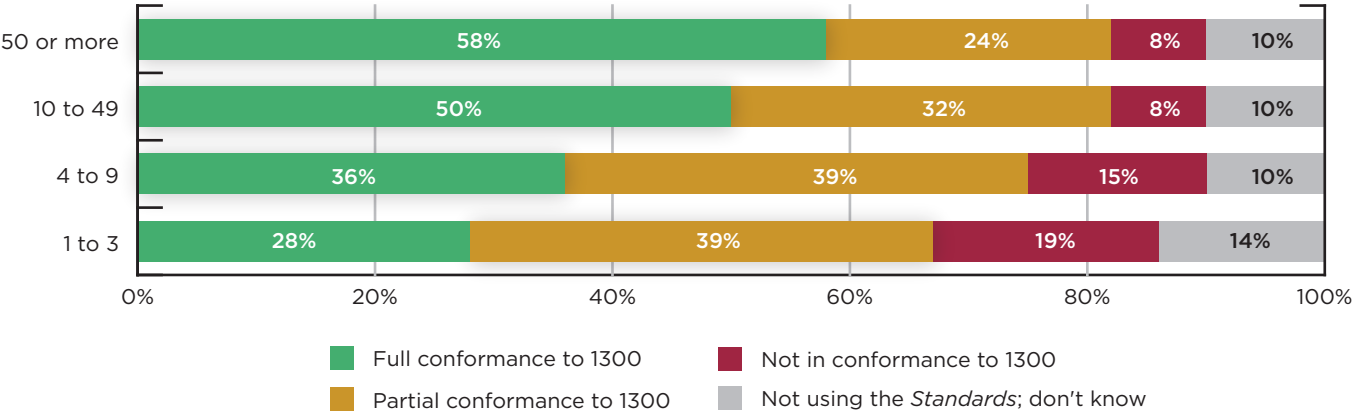
While all internal audit activities should be expected to conform with Standard 1300, conformance is undeniably more challenging for smaller departments. Many small-department CAEs who have achieved conformance say that smaller organizations can implement a QAIP effectively and affordably, but that different approaches may be necessary for smaller internal audit functions. Fortunately, several resources are now available that can ease the “quality challenge” for smaller internal audit departments (see **appendix B**).

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**Key Point:** The *Standards* are designed to be appropriate in all internal audit departments regardless of size; but, smaller departments are significantly less likely to be in conformance.

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**Exhibit 5 Standard 1300 Conformance and Department Size**



Note: Q99: Is your organization in conformance with the Standards? Topic: 1300—Quality Assurance and Improvement Program. CAEs only. n = 2,437.

## VOICES FROM THE FIELD: THE SMALL-DEPARTMENT QUALITY PERSPECTIVE

The following comments are representative of remarks made by small-department CAEs who have successfully implemented QAIPs.

*“It’s difficult for small departments to find the resources necessary to implement QAIPs. We were fortunate that other internal auditors near us were willing to participate in peer reviews because that made it much easier to get approval for our independent assessment.”*

*“Of course we need a QAIP. We have only three internal auditors on staff, but if we don’t use defined procedures and have documented processes, how can we expect our stakeholders to have any confidence in our reports?”*

*“We never managed to find the time for an independent quality assessment until we added the internal audit department to our audit universe and made an independent assessment a formal part of the annual auditing plan. But when you think about it, it only makes sense to include internal auditing in the audit universe. After all, we are an important part of our company’s internal control system, and we would never allow any other essential component of the control system to go unaudited for more than five years.”*

*“Independent quality assessments are especially important for people in one-person internal audit departments because we work in isolation, without feedback from other more experienced auditors. For me, getting an independent validation was like a sanity check that proved that I was on the right track.”*

# 3 The Quality Difference: How Conforming Internal Audit Functions Compare to Peers

Internal audit functions that conform with Standard 1300 seem to be different from other internal audit functions in many ways. Compared to other internal audit departments, those reporting full conformance to Standard 1300:

- Were more likely to have complete and unrestricted access to information as appropriate for the performance of audit activities (see **exhibit 7**)
- Worked in organizations with more highly developed risk management processes, especially processes for enterprise risk management (see **exhibit 8**)
- Used a wider variety of resources to develop audit plans (see **exhibit 9**)
- Made more use of technology in internal audit processes (see **exhibit 10**)
- Were more likely to have documented procedures in an internal audit manual (see **exhibit 11**)
- Received more hours of training and were more likely to have formalized training programs (see **exhibits 12 and 13**)
- Were more likely to report that funding for the internal audit function was “completely sufficient” (see **exhibit 14**)

It should be noted that the extent to which these differences result from QAIPs has not been determined. Any of these differences might result from having an effective QAIP; conversely, having an effective QAIP might result from some of these differences. It seems likely that both are factors in the correlation. In any event, the evidence is clear: internal audit functions that fully conform with Standard 1300 tend to be different from other internal audit functions.

# 4 Quality and Oversight of the Internal Audit Function

The CBOK survey data indicates that there is a strong link between internal audit reporting lines and conformance to Standard 1300. More than 40% of CAEs who said that they were in full or partial conformance to Standard 1300 reported functionally to a board, audit committee, or equivalent. At organizations where these functional reporting lines were not in place, only 14% of CAEs said that they were in full or partial conformance (see **exhibit 6**).

The link between audit committee oversight and conformance to the *Standards* should come as no surprise. In a separate CBOK survey, internal audit stakeholders were asked whether or not they had knowledge of the *Standards*; and if so, whether or not they believed that the *Standards* have value for the performance of internal auditing. Roughly half (53%) knew of the *Standards*, and nearly all of these believed that there was value

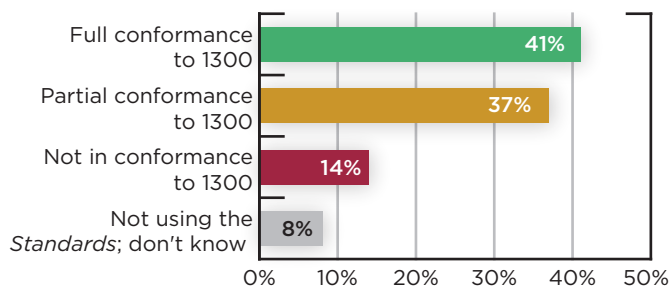
in conformance to the *Standards* (94%).\* As a board member in the United States stated, “Conformance to the *Standards* is expected and must occur.”

**Key Point:** More than 40% of CAEs who fully conform with Standard 1300 report functionally to a board, audit committee, or equivalent, compared to 14% of CAEs who do not conform.

“I believe internal auditing is of high importance to strengthening the corporate governance framework in any organization. However, it is not enough to have an internal audit function in place; it should be a good internal audit function, and the QAIP helps ensure this.”

—Jorge Badillo Ayala,  
Internal Audit Manager of Sierra Gorda SCM Santiago,  
Chile, and President of the Board of the Latin  
American Federation of Internal Auditors (FLAI)

**Exhibit 6 Standard 1300 Conformance and Functional Reporting to the Board, Audit Committee, or Equivalent**



Note: Q74: What is the primary functional reporting line for the chief audit executive (CAE) or equivalent in your organization? Compared to Q99: Is your organization in conformance with the *Standards*? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,474.

## Disclosure of Nonconformance

Active oversight of the internal audit function is essential for assuring internal audit quality, but active oversight is impossible if oversight bodies do not receive the information they need to fulfill their responsibilities. The 2015 CBOK survey data indicates that in a dismaying number of organizations where CAEs are not in conformance with the quality standards, their nonconformance may not be

\* Angela Witzany and Larry Harrington, *Voice of the Customer—Stakeholders’ Messages for Internal Audit: A Component of the CBOK Study* (Altamonte Springs, FL: The IIA Research Foundation, 2016).

disclosed to the audit committee or any other oversight body.

In the Latin America & Caribbean region, for example, 74% of CAEs stated that they had not yet “implemented” the requirement to have an external assessment at least once every five years. Most CAEs also indicated that they had not implemented requirements regarding ongoing and periodic internal assessments. Despite these low conformance levels, only 13% of CAEs who said that they used the *Standards* indicated that they had implemented Standard 1322 regarding disclosure of nonconformance (see **exhibit 3**).

Standard 1322 states that when nonconformance with the *Standards* impacts the overall scope or operation of the internal audit activity, “the chief audit executive must disclose the nonconformance and the impact to senior management and the board.” As shown in Sections 2 and 4, failure to implement a QAIP can have a significant impact on the overall scope or operation of the internal audit activity.

After the close of the CBOK practitioner survey, The IIA’s Practice Advisory 1322-1: Disclosure of Nonconformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* was revised to provide specific examples of nonconformance that should be reported under Standard 1322. The revised Practice Advisory specifically lists “Not performing an external quality assessment once every five years” as a typical example of nonconformance that should be reported to senior management and the board.\*

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**Key Point:** Even when they report that they use the *Standards*, many CAEs who are not in conformance fail to disclose their nonconformance to the audit committee or board.

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\* The Institute of Internal Auditors International Professional Practices Framework Practice Advisory 1322-1, revised May 2015.



# Conclusion

There is general agreement in the literature and among the practitioners engaged in producing this report that continuous, ongoing QAIPs add value to internal audit services. A robust QAIP:

- Facilitates continuous improvement
- Improves and monitors conformance to the *Standards*
- Assesses performance by measuring and evaluating key performance indicators
- Facilitates effective oversight of internal audit processes
- Provides regular independent external evaluations of internal audit's work
- Helps ensure that the CAE, the audit committee, and senior management have a consistent vision of what the internal audit function should aspire to accomplish
- Improves the efficiency and effectiveness of internal auditing, and enhances the value of internal audit services
- Helps ensure internal audit's success

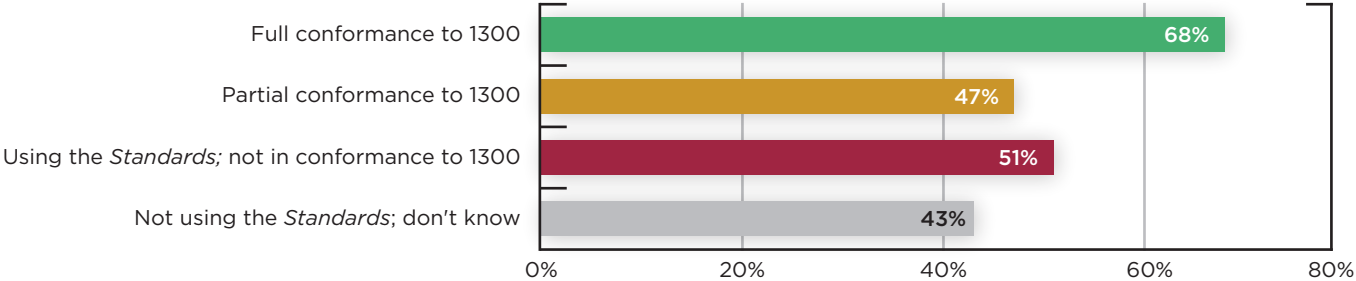
Despite widespread support for mandatory quality standards, the 2015 CBOK practitioner survey found significant and troubling differences between actual internal audit practices and those described in the *Standards*. These differences may have profound implications for the profession of internal auditing and its stakeholders.

The time has come for internal auditors to work together to enhance both conformance to the *Standards* and enforcement of these essential expectations. It is only in this way that we can advance as a profession:

- Where ongoing monitoring is not being performed, we must establish monitoring processes.
- Where periodic internal assessments are not taking place, we must add them to audit plans and schedules.
- When we are aware of internal audit departments that have not undergone an external assessment, we must volunteer to help them prepare for an assessment or independent validation, or we must volunteer to help perform the assessment or validation for them.
- Where internal audit peer review programs are not available, we must work to improve their availability.
- We must open the lines of communication with audit committees and other stakeholders and communicate the results of QAIPs to ensure that they are aware of all significant areas of nonconformance.

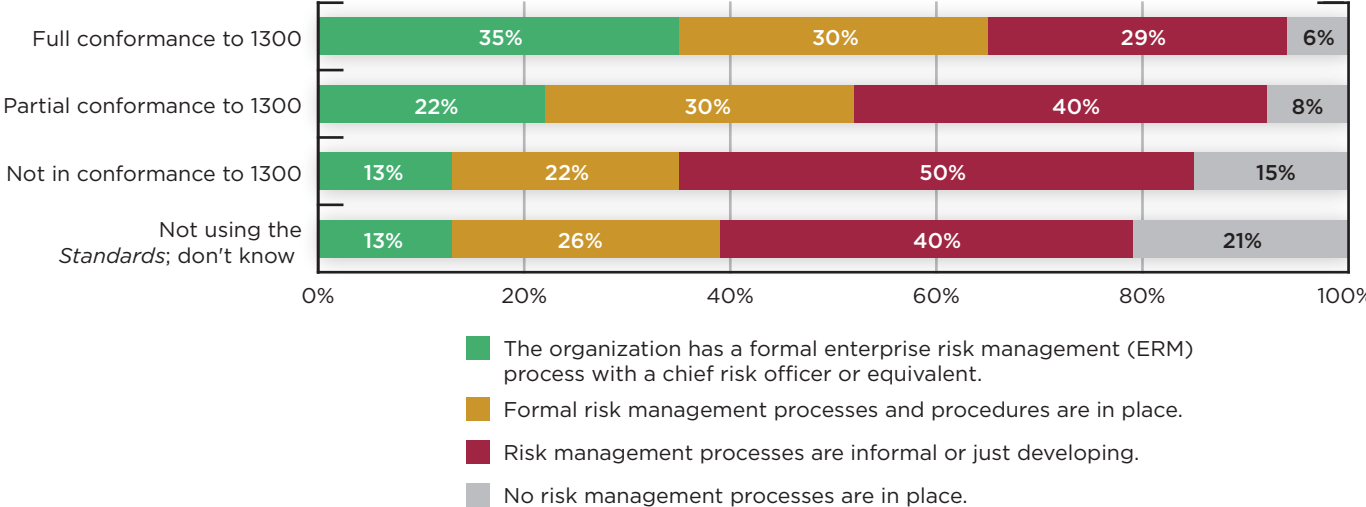
The practitioners who participated in the 2015 CBOK survey attest to the effectiveness of an ongoing QAIP, which adds value to and strengthens the internal audit function in a variety of ways. **Exhibit 7** through **exhibit 14** identify areas in which internal audit functions that conform with Standard 1300 are constructively different from other internal audit functions.

**Exhibit 7 Standard 1300 Conformance and Unrestricted Access to Information**



Note: Q53: In your opinion, to what extent does the internal audit department at your organization have complete and unrestricted access to employees' property and records, as appropriate for the performance of audit activities? Compared to Q99: Is your organization in conformance with the *Standards*? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,439.

**Exhibit 8 Standard 1300 Conformance and Development of Risk Management Processes**



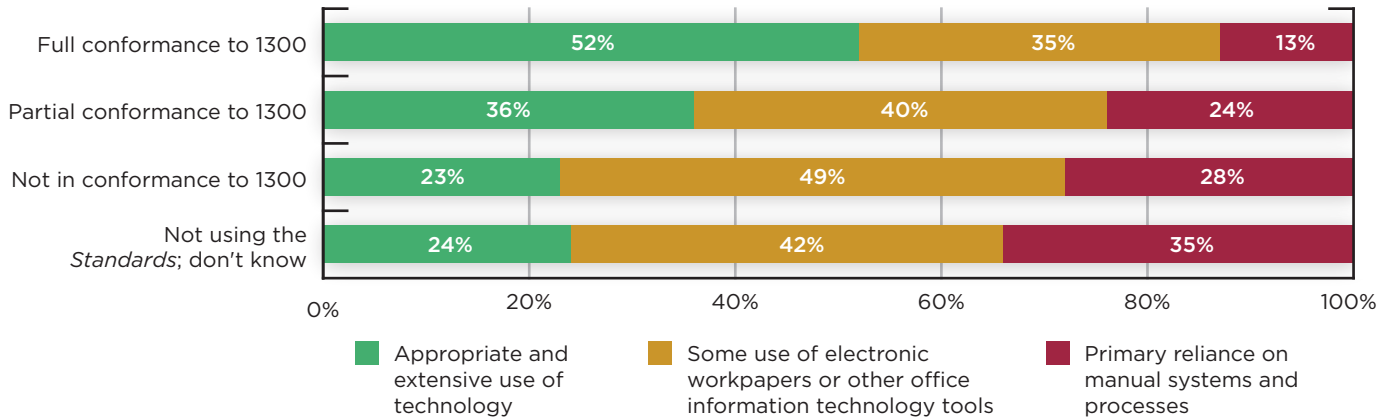
Note: Q58: What is your organization's level of development for its risk management processes? CAEs only. n = 2,462.

**Exhibit 9 Resources Used to Establish the Audit Plan**

Audit Plan Resource	Full conformance to 1300	Partial conformance to 1300	Not in conformance to 1300*	Not using the <i>Standards</i> ; don't know	Average
A risk-based methodology	94%	88%	83%	69%	87%
Requests from management	78%	74%	78%	61%	75%
Analysis of the organization's strategy or business objectives	76%	68%	58%	47%	67%
Compliance/regulatory requirements	70%	61%	59%	54%	63%
Consultations with divisional or business heads	70%	64%	64%	45%	64%
Requests from the audit committee	66%	57%	59%	37%	58%
The previous year's audit plan	64%	62%	60%	62%	63%
Consultations with external auditors	35%	26%	20%	18%	28%
Requests from external auditors	22%	18%	15%	20%	19%
Other	6%	4%	6%	7%	5%

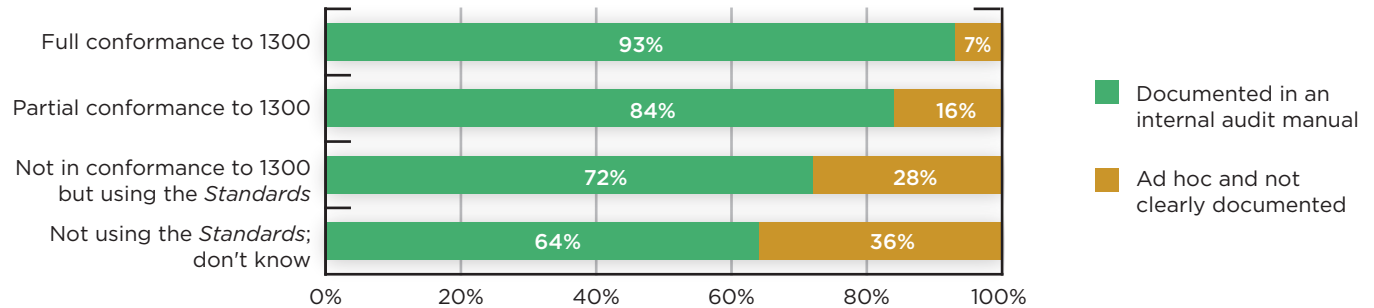
Note: Q48: What resources do you use to establish your audit plan? (Choose all that apply.) Compared to Q99: Is your organization in conformance with the *Standards*? (Response options were: Yes, full conformance; Yes, partial conformance; No, not in conformance; I don't know.) *n* = 2,512. \*But using the *Standards*.

**Exhibit 10 Standard 1300 Conformance and Use of Technology**



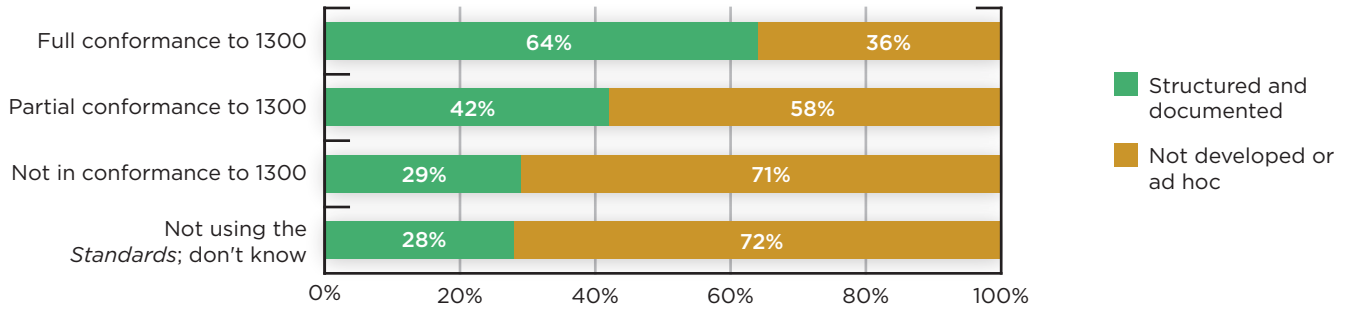
Note: Q44: How would you describe the use of technology to support internal audit processes at your organization? (CAEs only). Compared to Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,452.

**Exhibit 11 Standard 1300 Conformance and Internal Audit Operating Procedures**



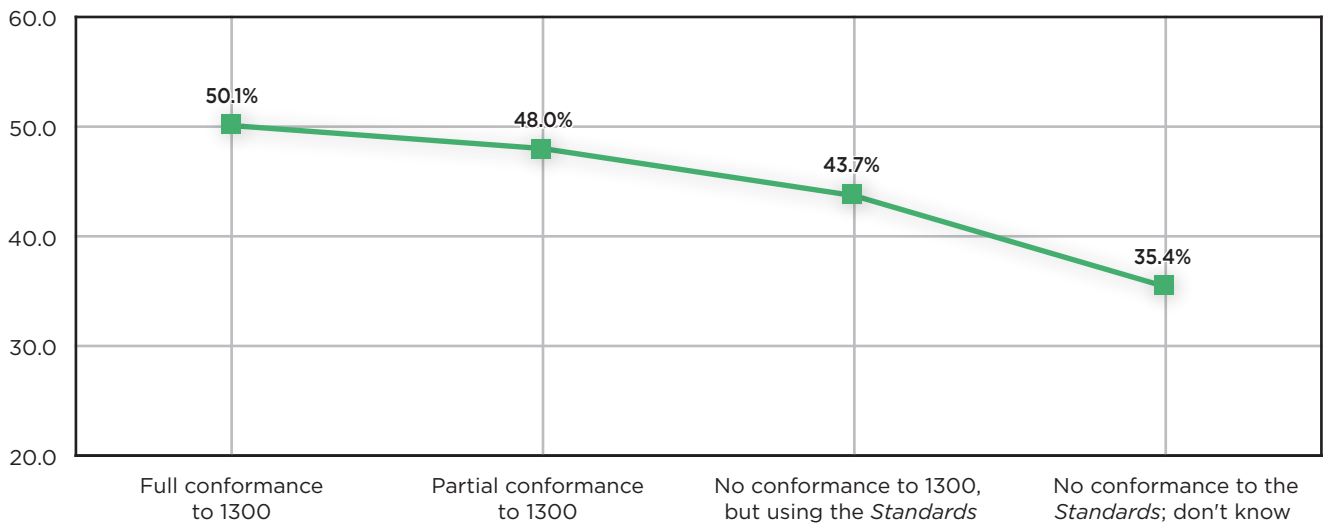
Note: Q39: How would you describe internal audit operating procedures at your organization? Compared to Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,454.

**Exhibit 12 Standard 1300 Conformance and Formalization of Internal Audit Training Programs**



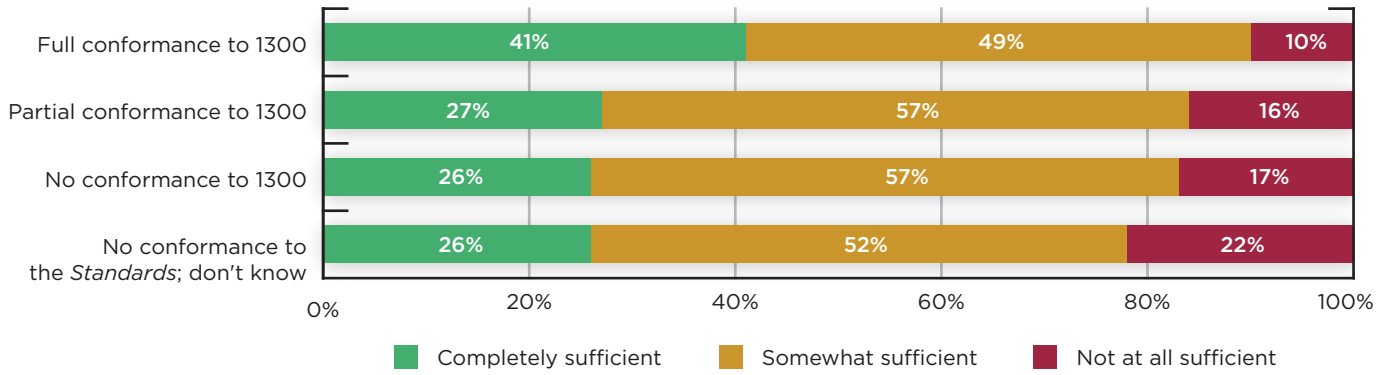
Note: Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,374.

**Exhibit 13 CAE Conformance with Standard 1300 and Hours of Internal Audit Training per Year**



Note: Q14: How many hours of formal training related to the internal audit profession do you receive per year? CAEs only. n = 2,512.

**Exhibit 14 Standard 1300 Conformance and Funding Sufficiency**



Note: Q28: In your opinion, how sufficient is the funding for your internal audit department relative to the extent of its audit responsibilities? CAEs only. Compared to Q99: Is your organization in conformance with the Standards? Topic: 1300: Quality Assurance and Improvement Program. CAEs only. n = 2,418.

## Appendix A

# Quality Requirements from the *International Standards for the Professional Practice of Internal Auditing*

### **1300 – Quality Assurance and Improvement Program**

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

#### **Interpretation:**

*A quality assurance and improvement program is designed to enable 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 also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.*

### **1310 – Requirements of the Quality Assurance and Improvement Program**

The quality assurance and improvement program must include both internal and external assessments.

### **1311 – Internal Assessments**

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

#### **Interpretation:**

*Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.*

### **1312 – External Assessments**

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

**Interpretation:**

*External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.*

*A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.*

*An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.*

**1320 – Reporting on the Quality Assurance and Improvement Program**

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

**Interpretation:**

*The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the*

*internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.*

**1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”**

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement.

**Interpretation:**

*The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics, and Standards. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.*

**1322 – Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.



## Appendix B

# Additional Resources

Bailey, James A, *IIA Standards: Conformance and Trends: A Component of the CBOK Study* (Altamonte Springs, FL: The IIA Research Foundation, 2016).

Copeland, Patrick, Espersen, Donald, Grobler, Martha Catherine Judith, and James Roth. 2013. *Quality Assessment Manual for the Internal Audit Activity*. (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2013).

IIA Practice Guide, Assisting Small Internal audit activities in implementing the International Standards for the Professional Practice of Internal Auditing (Altamonte Springs, FL: The Institute of Internal Auditors, 2011).

IIA Practice Guide, Quality Assurance and Improvement Program (Altamonte Springs, FL: The Institute of Internal Auditors, 2012).

International Professional Practices Framework (IPPF) (Altamonte Springs, FL: The Institute of Internal Auditors, 2013, edition-updated; Mission and Core Principles added July 1, 2015).

MacRae, Elizabeth, *Internal Audit Capability Model (IA-CM) for the Public Sector* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2009).

Pitt, Sally-Anne, *Internal Audit Quality: Developing a Quality Assurance and Improvement Program* (Wiley, 2014).

The IIA's website, "Quality Toolkit" of templates, guidance, presentations, a model Quality policy, Capacity Model matrix, and other materials useful to those implementing an on-going QAIP process, <https://www.iiia.org.au/quality/QualityToolkit.aspx>.

*Supplemental Guidance: Implementing a New Internal Audit Function in the Public Sector* (Altamonte Springs, FL: The Institute of Internal Auditors, 2012). Accessed at <https://na.theiia.org/standards-guidance/Public%20Documents/SG%20-%20Implementing%20a%20New%20Internal%20Audit%20Function.pdf>.

The IIA's website, "Quality Assurance," September 2016, <https://na.theiia.org/services/quality/Pages/Quality-Assurance.aspx>.

*The Value of Quality Assurance and Improvement Programs: A Global Perspective* (Altamonte Springs, FL: The IIA Research Foundation, 2014). Accessed at <https://na.theiia.org/special-promotion/PublicDocuments/The-Value-of-Quality-Assurance-and-Improvement-Programs.pdf>.

# About the Authors

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