

Study Unit One

Internal Audit Function

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This study unit covers **Section A. Internal Audit Operations, subsections 1.b-d. and 2.**, from The IIA's Part 3 CIA Exam Syllabus. This section is 25% of Part 3.

The **learning objectives** of Study Unit 1 are

- Describe methodologies for the planning, organizing, directing, and monitoring of internal audit operations
- Describe key activities for managing financial, human, and IT resources within the internal audit function

Internal auditors' primary responsibility is to provide assurance and advisory services that add value and improve the organization's operations by evaluating and enhancing the effectiveness of governance, risk management, and control processes. To fulfill this role effectively, internal auditors must have access to all relevant records, personnel, and physical properties.

This first of two study units on internal audit operations explores the strategic, operational, and administrative facets of the internal audit function. It emphasizes how these elements combine to enhance each internal auditor's effectiveness and add value to the organization. This approach describes the CAE's responsibilities for managing methodologies, monitoring operations, and balancing assurance and advisory services. Furthermore, it also explains the importance of (1) managing financial, human, and technological resources effectively and (2) updating methodologies in response to evolving standards and organizational objectives.

By understanding budgeting, team development, and leveraging technological tools, appropriate persons can appreciate how resources underlie an effective internal audit function. The result ultimately should be performing duties effectively, supporting organizational goals, and meeting stakeholder needs.

1.1 Introduction to Internal Auditing



Author's Note

Understanding the strategic, operational, and administrative aspects of the internal audit function is important for an internal auditor because it directly affects the effectiveness of their work and the value they create for the organization. Familiarity with the CAE's responsibilities, including managing methodologies, monitoring operations, and balancing assurance and advisory services, enables internal auditors to understand how their work is part of the broad context of governance, risk management, and control processes.

Recognizing the importance of updating methodologies in response to changes in standards, regulations, and organizational objectives ensures that internal audit practices remain relevant and effective. Furthermore, knowledge of the need for documented policies and procedures helps internal auditors maintain consistency, adhere to professional standards, and contribute to organizational goals.

This comprehensive understanding allows internal auditors to perform their duties effectively, support organizational objectives, and meet stakeholder needs.

The IIA's Global Internal Audit Standards (Standards) state that the chief audit executive (CAE) is responsible for managing the internal audit function and that this responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.

- The CAE is therefore responsible for monitoring internal audit operations to ensure that the established methodologies and resource commitments facilitate progress toward performance objectives.
- The CAE may delegate some of these responsibilities but retains ultimate responsibility.

Standard 9.3 Methodologies and **Standard 12.1 Internal Quality Assessment** address the ongoing monitoring requirements.

Standard 9.3 Methodologies

Requirements

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. . . .

Standard 12.1 Internal Quality Assessment

Requirements

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.

. . .

Ongoing monitoring involves the day-to-day supervision, review, and measurement of the internal audit function. Ongoing monitoring should be incorporated into the policies and practices used to manage the internal audit function.

Mechanisms used for monitoring of the efficiency and effectiveness of the internal audit function include

- Checklists or automated tools to provide assurance on internal auditors' compliance with established methodologies
- Feedback from internal audit stakeholders regarding the efficiency and effectiveness of the internal audit team
- Metrics indicating the adequacy of resource allocation (such as budget-to-actual variance), the timeliness of engagement completion, and the achievement of the internal audit plan

Nature of the Work of the Internal Audit Function

The internal audit function assists an organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **governance, risk management, and control processes**.

- Governance, risk management, and control processes implemented by management are related.
 - **Governance** – “The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.” (The IIA Glossary)
 - **Risk management** – “A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives.” (The IIA Glossary)
 - **Control processes** – “The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization’s risk tolerance.” (The IIA Glossary)
 - ▶ **Control** – “Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.” (The IIA Glossary)
 - ▶ Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

The CAE interviews the board and senior management about the responsibilities of each stakeholder.

An understanding of the organization also is necessary. Furthermore, established frameworks published globally (e.g., COSO) may be used in the internal auditors’ evaluations of the three processes. The framework may be that adopted by senior management. If the organization has not adopted such a framework, the CAE may recommend one.

- To acquire this understanding, the CAE ordinarily reviews the organization’s mission, strategic plan, key objectives, related risks and controls, and the minutes of the board.

After discussing with the board and senior management, the CAE may document in the internal audit charter the roles and responsibilities of the board, senior management, and the internal audit function.

When determining the strategy for assessing governance, risk management, and control, the CAE typically considers (1) the maturity of these processes, (2) the seniority of the persons responsible, and (3) the organizational culture.

Internal auditors may use their knowledge, experience, and best practices to provide findings of weaknesses and recommendations.

Furthermore, internal auditors always should be mindful of compliance. **Compliance** is defined in The IIA Glossary as “[a]dherence to laws, regulations, contracts, policies, procedures, and other requirements.” The internal audit function must evaluate the

- Risks involved in governance, operations, and information systems that relate to compliance
- Controls over compliance

Reasonable Assurance

Governance, risk management, and control processes are **adequate** if management has planned and designed them to provide reasonable assurance of achieving the organization's objectives efficiently and economically.

**Success Tip**

The IIA uses the term “adequate,” which can be interchangeable with the term “sufficient.” If “sufficient” is the term you prefer to use, realize that “adequate” is the preferred word choice for the CIA exam.

- **Efficient** performance accomplishes objectives in an accurate, timely, and economical fashion. **Economical** performance accomplishes objectives with minimal use of resources (i.e., cost) proportionate to the risk exposure.
- **Reasonable assurance** is provided if the most cost-effective measures are taken in the design and implementation of controls to reduce risks and restrict expected deviations to a tolerable level.

Optimizing Resources between Assurance and Advisory Engagements

The internal audit function's responsibility is to provide the organization with assurance and advisory services that will add value and improve the organization's operations. Striking the right balance between assurance and advisory services ensures that the internal auditing function meets stakeholder needs.

Each type of engagement requires a different level of resources. Since resources are limited, committing resources to one type of engagement means there are fewer resources for the other type of engagement.

The CAE must consider this balance each year when preparing the annual budget for the internal audit function to meet stakeholders' needs.

- **Advisory services** (also called consulting services) are ways that internal auditors offer guidance to an organization's stakeholders without guaranteeing results or taking on management roles. The specific type and amount of these services are decided in agreement with the relevant stakeholders. Internal auditors can also provide forensic services, conduct training sessions, and lead conversations about risks and how to manage them.
 - For example, internal auditors might help create and implement new policies, processes, systems, or products.
- **Assurance services** are conducted by internal auditors to objectively evaluate different areas to ensure everything is functioning correctly. These assurance services include checking compliance with laws and regulations, reviewing financial information, assessing how well operations are performing, and examining technology systems.
 - Depending on what they assess, when they do it, and how thorough their examinations are, internal auditors can offer either limited assurance or a higher level of assurance.

Catalysts for Revising Internal Audit Methodologies

According to **Standard 9.3 Methodologies**, the CAE must evaluate the effectiveness of internal audit methodologies and revise them if necessary to successfully meet the goals of the internal audit function.

Reasons for updating established methodologies include

- Significant changes in professional internal audit standards and guidance
- Legal and/or regulatory requirements, technology, and department size or composition
- A change of the chief audit executive or board chairperson

Changes to the methodologies should be well documented.

In addition to the three reasons noted above, the organization reviews and revises its current internal audit methodologies based on changes in strategy and business objectives. **Three principles** relate to review and revision.

1. The organization identifies and assesses **changes** that may substantially affect strategy and business objectives.
 - Changes in the organization's **business context** and **culture** are most likely to substantially affect strategy and business objectives.
 - Such changes may result from changes in the internal or external environment.
2. The organization reviews **entity performance** results and considers **risk**.
 - Performance results that deviate from target performance or tolerance may indicate
 - ▶ Unidentified risks,
 - ▶ Improperly assessed risks,
 - ▶ New risks,
 - ▶ Opportunities to accept more risk, or
 - ▶ The need to revise target performance or tolerance.
 - In reviewing performance, the organization seeks to answer questions such as
 - ▶ Has the entity performed as expected and achieved its target?
 - ▶ What risks are occurring that may be affecting performance?
 - ▶ Was the entity taking enough risks to attain its target?
 - ▶ Was the estimate of the amount of risk accurate?
3. The organization pursues improvement of enterprise risk management (ERM).
 - The organization must continually improve ERM at all levels, even if actual performance aligns with target performance or tolerance.

Importance of Reporting on the Internal Audit Function

Reporting completes a feedback loop to management and the board. It provides assurance about

- Governance
- Risk management
- Control

Periodic reports also are issued on the internal audit function's purpose, authority, responsibility, and performance.

Internal Audit Administrative Activities

The CAE is responsible for management of internal audit function resources in a manner that ensures fulfillment of its responsibilities. Like any well-managed department, the internal audit function should operate effectively and efficiently. Thus, the CAE is ultimately responsible for administrative activities such as well planned budgeting and human resources management.

Responsibility for Internal Audit Administrative Activities

The CAE is responsible for day-to-day operations, including the following administrative activities (activities listed are not all-inclusive):

- Creating an operating and financial budget
- Implementing policies and procedures to provide reasonable assurance that the internal audit function has sufficient personnel selected using well-developed criteria
 - They should have the qualifications, competence, capabilities, and commitment to perform internal audit engagements.
- Allocating the internal audit function's resources where they can be used most effectively
- Communicating internal audit activities and engagement findings to applicable stakeholders
- Preparing and monitoring time budgets to assist with meeting engagement deadlines or adjusting accordingly to projected time overruns
- Conducting internal audit personnel evaluations to determine (1) the knowledge, skills, and competencies of the staff; (2) training needs; (3) whether external resources are required; and (4) compensation adjustments based on position requirements and individual performance

Standard 9.3 Methodologies addresses the requirement that the CAE is responsible for developing methodologies to guide the internal audit function and for providing internal auditors with training on the methodologies.

Implementation

The form, content, level of detail, and degree of documentation of methodologies may differ based on the size, structure, complexity, industry/regulatory expectations, and maturity of the organization and the internal audit function.

- Methodologies may exist as individual documents (such as standard operating procedures) or may be collected into an internal audit manual or integrated into internal audit management software.

Internal audit methodologies supplement the Standards by providing specific instructions and criteria that help internal auditors implement the Standards and perform services with quality. Additionally, internal audit methodologies describes process and procedures for communicating, handling operational and administrative matters, and overseeing the internal audit function.

Policies and Procedures

There should be documented policies and procedures to guide the internal audit function.

A large, **mature** internal audit function may include detailed policies and procedures in a formal operations **manual**. If the activity is smaller or less mature, less detailed policies and procedures may be in separate documents or an audit management software program.

- A small internal audit function may be managed informally through daily close supervision and memos.

The following **content** generally is included in an operations manual or other separate documents:

- **Policies** on
 - Purposes and responsibilities of the internal audit function
 - Compliance with mandatory guidance
 - Independence of the internal audit function and objectivity of internal auditors
 - Ethics requirements
 - Maintaining the confidentiality of information
 - Retention of internal audit records
- **Procedures** for
 - Drafting the audit plan based on the risk assessment
 - Drafting plans and work programs for specific engagements
 - Performance and documentation of engagements
 - Communicating results of engagements
 - Monitoring and follow-up
- **Guidance** on the quality assurance and improvement programs

- **Management** of the internal audit function related to
 - Professional training and certification
 - Continuing professional education to obtain professional certifications and qualifications
 - Regular evaluations of auditors to aid professional development

Internal audit policies and procedures should be reviewed periodically by the CAE or another senior management member of the internal audit function.

1.2 Managing Financial, Human, and IT Resources Within the Internal Audit Function



Author's Note

An internal auditor must understand the management of financial, human, and technological resources.

These elements are the foundation of the effectiveness and efficiency of the internal audit function.

- Knowledge of financial resource management, including budgeting and variance analysis, enables the internal audit function to allocate resources in accordance with organizational objectives.
- Understanding human resources management is necessary for developing a competent audit team by recruiting, selecting, and developing internal auditors who possess the necessary skills and expertise.
- Familiarity with technological resources allows the internal audit function to use tools and systems that enhance audit processes, improve communication, and facilitate data analysis.

By understanding these administrative matters, an internal auditor contributes to an effective audit function that evaluates and improves governance, risk management, and control processes within the organization.

Financial Resources

The CAE is responsible for managing the financial resources of the internal audit function.

Standard 10.1 Financial Resource Management states that the CAE must manage the internal audit function's financial resources, including the development of a budget.

Standard 10.1 Financial Resource Management

Requirements

The chief audit executive must manage the internal audit function's financial resources.

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. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

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.



The CAE must develop a budget for the internal audit function and should

- Follow the budget processes established by the organization
- Periodically review the planned budget compared to the actual activity and analyze significant variances to determine whether adjustments are needed

An adequate budget should be approved by the board.

- Project budget adjustments need to be justified and approved by the CAE within the limits of the internal audit budget set by the board.
- Monitoring time budgets and schedules allows the CAE to control projects and avoid overruns.

Purposes of a Budget

In developing a budget, the CAE should consider the purposes of a budget. The budget is a

- **Plan.** It forces management to evaluate the assumptions used and the objectives identified in the budgetary process.
- **Control.** It helps control costs by setting guidelines and provides a framework for manager performance evaluations.
- **Motivator.** It helps to motivate employees. Employees are especially motivated if they help prepare the budget.
- **Means of communication and coordination.** It states the entity's objectives in numerical terms. It therefore requires interdependent segments of the entity to communicate, cooperate, and plan.

An internal audit function budget helps management allocate resources efficiently and ensure that the internal auditing function is effective in meeting its responsibilities.

In preparing the budget, the CAE should consider human resources and technology requirements.

The key steps of the budget process generally include

1. Defining the objective and scope of an engagement
2. Conducting resource analysis
3. Identifying budget components
4. Estimating costs
5. Developing the budget
6. Reviewing and seeking approvals
7. Implementing, monitoring, and controlling

An annual budget and engagement-specific budgets should be created.

Human Resources

The skill set of internal auditors is essential to the internal audit function's ability to help the organization achieve its objectives.



Standard 10.2 Human Resources Management

Requirements

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.

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The CAE must ensure that the internal audit function's human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan.

In formulating an approach for managing the internal audit function's human resources, the CAE should consider

- Organizational characteristics
- The internal audit budget
- The options available for obtaining the human resources needed

To support an approach for recruiting competent internal auditors, the CAE should

- Collaborate with the human resources function to develop job specifications
- Consider the benefits of recruiting internal auditors with diverse backgrounds
- Participate in recruitment activities, such as job fairs and job candidate interviews

The day-to-day management of the hiring process, however, is by the human resources department.

Internal auditors should be qualified and competent. Because the selection of a superior staff is dependent on the ability to evaluate applicants, selection criteria must be well-developed.

- Appropriate questions and forms should be prepared in advance to evaluate, among other things, the applicant's
 - Technical qualifications
 - Educational background
 - Communication ability
 - Analytical ability
 - Detail orientation
 - Intellectual curiosity
 - Motivation
 - Potential to contribute to the organization

Developing effective interviewing methods ensures that the internal audit function acquires the proper set of skills, capabilities, and technical knowledge needed to accomplish its goals.

Effective interviewing methods are structured interviews and behavioral interviews.

- **Structured interviews are designed to eliminate individual bias.**
 - These interviews use a set of job-related questions with standardized answers, which then are scored by a committee of three to six members. According to *Management* (Kreitner & Cassidy, 12th edition), interviewers can use four general types of questions:
 1. **Situational** – “What would you do if you saw two people arguing loudly in the work area?”
 2. **Job knowledge** – “Do you know how to create a risk and control matrix?”
 3. **Job sample simulation** – “Can you show us how to do a basic financial statement ratio analysis?”
 4. **Worker requirements** – “Are you able to spend 25 percent of your time on the road?”
- **Behavioral interviews determine how candidates managed past situations.** Past performance generally is indicative of future performance.

Selecting Internal Auditors for Engagements

The criteria for employee selection are the job specifications developed from each job description.

- All requirements, including selection tests, must be based on their relationship to the ability to perform successfully in a specific job.
- Employee information should be verified.

The selection process includes the following:

- Developing job descriptions and job specifications
- Writing and reviewing interview questions for fairness and legality
- Organizing and defining the roles and methods of interviewers
- Collecting information from applicants
- Evaluating applicant information
- Meeting to discuss information about applicants
- Deciding whether to offer employment

The roles (and responsibilities) of the team members of the internal audit function ordinarily include the following:

- **Audit Director** is a senior level position responsible for supervising the work of senior managers and managers.
- **Senior Managers/Managers** oversee the entire audit process, which includes but is not limited to creating and implementing audit plans, performing audit work, and creating audit reports of audit findings.
- **Senior Auditors** and **Staff Auditors** primarily perform audit work and evaluate audit findings. The work generally is performed under supervision by managers or directors.
- **Specialist Auditors** conduct audits much the same as other auditors. But the work of specialist auditors involves specific technical subjects, such as IT, forensics, finance, and compliance.

Training and Development

To develop and retain internal auditors, the CAE should

- Implement compensation, promotion, and recognition activities that support the achievement of the internal audit function's strategic objectives
- Implement methodologies for training, evaluating performance, and improving competencies
- Consider cross-functional sharing of knowledge and succession planning
- Cultivate an ethical, professional environment in which internal auditors are trained adequately and collaborate effectively

Training consists of organizational programs to prepare employees to perform currently assigned tasks.

- On-the-job training, for example, by job rotation, apprenticeships, and mentoring arrangements, is usually less costly than off-the-job training. However, it may disrupt the workplace and result in increased errors. It is suited to the acquisition of technical skills.
- Off-the-job training is provided, for example, in classroom lectures, film study, and simulations. It develops problem solving and interpersonal abilities and teaches complex skills.
- Computer-based training is a popular form of training.

Development programs prepare people to perform future tasks and learn new skills.

- The programs mostly develop human relations skills. Management coaching and mentoring enhance development.

Training and development programs succeed when the greatest retention (learning) of skills and knowledge is transferred to the job. The following is a model for learning:

- Establishing objectives (goal setting)
- Modeling the skills or making a meaningful presentation of facts
- Practicing the skills
- Obtaining feedback

Evaluation and appraisal help identify individual strengths and weaknesses. Also, jobs and markets change, leading to a need for workers with different skills. Organizations thrive when workers value lifelong learning.

- Viewing performance evaluation as a training and developmental process fosters a culture in which evaluation is sought.

Performance Evaluation and Objectives

Performance objectives direct employees toward achieving objectives without constant supervision.

- Evaluations are important to employees and the organization. They assess the available human resources and motivate employees. Thus, they provide opportunities for growth and promotion to employees and enable the organization to reward and retain valuable employees.
- Evaluations distinguish between effective and ineffective job performance.
- The organization develops employee strengths and identifies weaknesses.
- Evaluations can help set compensation.
- But separating performance evaluations from compensation decisions may be beneficial. An advantage is that more emphasis is on long-term objectives and other rewards, such as feelings of achievement and the recognition of superior performance.
- A disadvantage of separating performance evaluations from compensation decisions is that the employee may not be motivated immediately by a good appraisal because of the delay of any monetary reward.
 - The evaluation may not be taken seriously by the employee if compensation is not correlated with performance.
- Evaluations identify promotable employees.
- Internal promotions motivate employees and are less difficult and expensive than external hiring. But they may result in social inbreeding.
- Many firms hire external candidates because they have a different perspective on the organization's problems and may have more up-to-date training or education.

Management Methodologies to Enhance the Internal Audit Function

For the internal audit function to operate effectively, senior management should cultivate a professional environment in which internal auditors are highly motivated to fulfill the mission of the internal auditing function. Management methodologies that can enhance the internal audit function include job design, rewards, work schedules, mentoring, coaching, and constructive feedback.

Job Design

Job design links tasks to particular jobs using motivational research to increase productivity and employee satisfaction.

One approach is to adapt people to jobs. For example, job rotation is a change in boring, highly specialized jobs. It also may have such benefits as cross-functional training.

Another job design method is to adapt the jobs to the people performing them.

- **Job enlargement** is primarily intended to reduce boredom in repetitive or fast-paced jobs through the assignment of a variety of simple tasks as part of one job. Such jobs are horizontally loaded.
- **Job enrichment** structures jobs so that each worker participates in planning and controlling. The purpose is satisfaction of social and ego needs and avoidance of routine work.
 - Job enrichment should improve motivation by vertically loading the job, that is, increasing its complexity, challenge, and opportunities (e.g., for growth, recognition, and achievement).

Jobs can be enriched by

- Increasing the variety of skills required
- Communicating the importance of the job and its effect on the organization
- Providing a certain level of autonomy
- Giving feedback
- Providing training and development opportunities

The goal of a job design program is to increase motivation and job satisfaction, which in turn should lead to high performance, low turnover, and low absenteeism.

Rewards

Motivation is the set of internal and external forces that stimulate enthusiasm to start and continue in goal-directed behavior. Rewards, if properly designed and consistently applied, can increase motivation and enhance the internal audit function.

Extrinsic rewards are received from others.

- Financial rewards such as bonuses are based on performance. Stock options relate to the success of the organization.
- Social rewards normally include acknowledgment of employee achievement through actions, such as solicitation of advice.
- Token rewards are normally nonrecurring. They show appreciation for the role of the employee. Examples are additional time off with pay, a stipend for employee of the month, etc.
- Extrinsic threats and punishments use fear to motivate. An example is telling an employee (s)he will not receive a raise if performance is not as expected.

Intrinsic rewards are the internal satisfactions that result from certain actions. Examples are enjoyable work and accomplishment of fulfilling tasks.

- Managers may exploit intrinsic anxieties and self-doubts, for example, the fear of unemployment during a recession. But this approach has a negative long-term effect on morale.

Work schedules

For many workers juggling work and personal responsibilities is a source of work-related stress. This stress can affect work performance, as well as increase absenteeism and turnover.

Introducing flexibility into work scheduling can positively affect worker motivation and performance. Examples of this flexibility include

- Allowing employees to work around child-care needs and doctors' appointments
- Offering flex hours
- Offering the option to work from home several days a week

Flexible work schedules are effective only if employees are treated fairly, and the needs of the organization are met. Internal auditor work schedule flexibility can enhance the internal audit function, but ensuring that performance objectives are timely met is important.

Mentoring and Coaching

Mentoring is systematic development of leadership by providing career counseling and social nurturing. It requires intensive tutoring, coaching, and guidance.

Some organizations have formal mentoring programs that assign mentors to junior employees.

However, some research indicates that a mentoring arrangement that occurs informally and voluntarily may have better results.

Mentoring serves career and psychosocial functions.

- Career functions include sponsorship, visibility, coaching, protection, and assigning challenges.
- Psychosocial functions include role modeling, acceptance, confirmation, counseling, and friendship.
- Mentoring can be helpful in any working environment, even a negative one.

Internal audit mentorship programs offer on-the-job experiences through which less experienced internal auditors can follow and directly observe knowledgeable staff performing engagements.

Constructive Feedback

Constructive employee feedback is a positive motivator. The feedback should be specific and tied to work expectations and goals. The feedback can be completely positive in nature and also constructive in the sense of explaining how the employee can do better in meeting goals.

Goals serve as motivators because they (1) focus on specific results, (2) require continuous effort to achieve (persistence), and (3) are incentives for developing strategies and action plans.

Specific feedback on progress toward goals improves performance compared with lack of feedback.

The internal audit function should include sufficient opportunities for internal auditors to receive constructive feedback from more experienced internal auditors in supervisory roles.

- Feedback may be provided through written or oral comments in supervisory reviews.
- The ongoing monitoring and periodic self-evaluations in the internal quality assessments provide additional opportunities for internal auditors to receive feedback and suggestions to increase their effectiveness.

Technological Resources

The CAE is also responsible for ensuring the internal audit function has the technology needed to perform their function effectively and efficiently (**Standard 10.3 Technological Resources**).



Standard 10.3 Technological Resources

Requirements

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.

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The internal audit function should use technology to improve its effectiveness and efficiency. Examples of such technology include

- Audit management systems
- Governance, risk management, and control process mapping applications
- Tools that assist with data science and analytics
- Tools that assist with communication and collaboration

The CAE is responsible for reporting technology limitations of the effectiveness and efficiency of the internal audit function to the board and senior management.

In assessing the feasibility of acquiring new technologies, the CAE must consider the financial budget constraints.

Key considerations for technological resources include

- Hardware requirements
- Software requirements
- Data requirement
- Regulatory/legal/compliance requirements (no piracy, data privacy breaches), etc.
- Staff training considerations
- Ongoing software support
- Integration with existing systems
- Scalability of the software/hardware