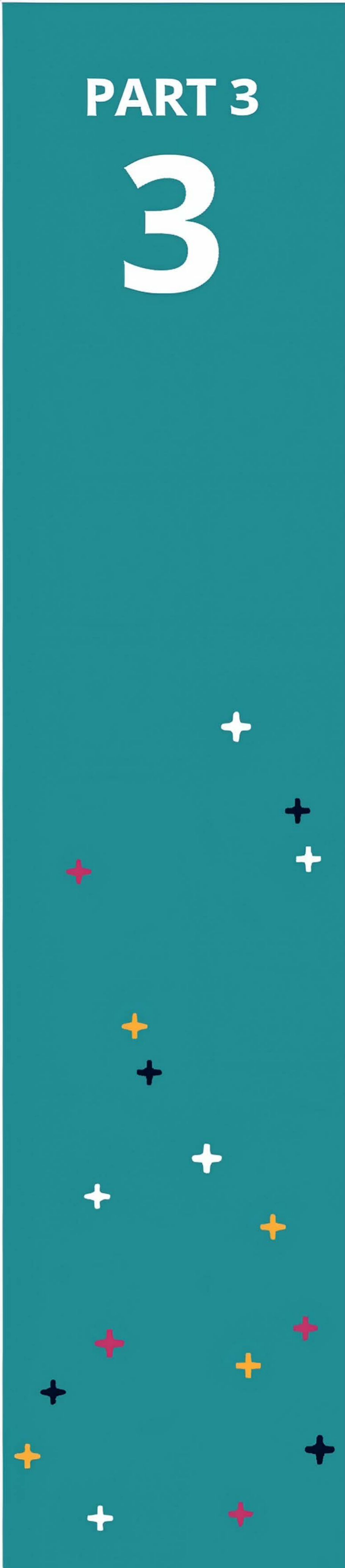


Quality of the Internal Audit Function

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NOTES

This module covers the following topics from the *CIA examination syllabus*:

CIA Syllabus—Section C: Quality of the Internal Audit Function

1. Describe the required elements of the quality assurance and improvement program
May include but is not limited to:
 - a. Recognize the key components of quality assurance
 - b. Recognize the applicability of Topical Requirements
 - c. Explain the purpose of a quality assurance and improvement program
 - d. Recognize the chief audit executive's responsibility for communicating to the board the results of the quality assurance and improvement program
 - e. Compare the elements of internal and external assessments
 - f. Recognize acceptable qualifications of quality assessors
 - g. Describe key components of ongoing monitoring and periodic self-assessments
2. Identify appropriate disclosure of nonconformance with The IIA's Global Internal Audit Standards
May include but is not limited to:
 - a. Identify the information that must be communicated, such as the circumstances, actions taken, impact, and rationale for nonconformance
 - b. Describe the key steps for communicating nonconformance to senior management and the board

1 Overview and Purpose of the Quality Assurance and Improvement Program



Requirements

Standard 8.3 Quality

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

- External assessments.
- Internal assessments.

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function's conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

Essential Conditions

Board

- Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually.
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
 - Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
 - Considering the results of the internal audit function's quality assurance and improvement program.
 - Determining the extent to which the internal audit function's performance objectives are being met.

Senior Management

- Provide input on the internal audit function's performance objectives.
- Participate with the board in an annual assessment of the chief audit executive and internal audit function.

As outlined in Principle 12: Enhance Quality of the *Global Internal Audit Standards* (the Standards), "The chief audit executive is responsible for ensuring that the internal audit function is continuously seeking improvement. This requires developing measures to assess the performance of internal audit engagements, internal auditors, and the internal audit function. These measures form the basis for evaluating progress toward performance objectives including continuous improvement."

The combined measures that the chief audit executive (CAE) uses to assess the quality of the internal audit function focus on two main elements:

- conformance with the *Global Internal Audit Standards*; and
- achievement of the internal audit function's performance objectives.

These measures are the foundation of a quality assurance and improvement program (sometimes referred to as QAIP) that covers all aspects of the internal audit function. As defined in the Standards, "A quality assurance and improvement program is a program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the *Global Internal Audit Standards*, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments." The QAIP is tailored based on an organization's size, key stakeholder requirements, and the preferred methods to demonstrate ongoing conformance.

The CAE is responsible for developing, implementing, and maintaining the program, which is discussed with the board (governing body). The internal audit function's performance objectives, which are an element of the quality assurance and improvement program, are developed by the CAE with input from senior management and approved by the board at least annually.

Additionally, the CAE communicates the results of the assessment at least annually to the board and senior management. The board and senior management assess the effectiveness and efficiency of the internal audit function as well as the CAE.



Pass Key

The purpose of the quality assurance and improvement program is to evaluate the internal audit function's:

- conformance with the *Global Internal Audit Standards*; and
- progress toward achievement of performance objectives.

The program also helps ensure that the internal audit function promotes and pursues continuous performance improvements.