

PROFESSIONALISM IN PRACTICE

EXTERNAL QUALITY ASSESSMENTS



THE EXTERNAL QUALITY ASSESSMENT APPROACH

There are two accepted methods of conducting external quality assessments, regardless of an organization's industry or the internal audit activity's complexity or size, which meet the requirement of Standard 1312. The first approach is an independent team assessment which involves an outside team under the leadership of an experienced and qualified audit professional. The second approach requires an objective outside assessor for independent validation of an internal self assessment and report completed by the IA activity.

THE INDEPENDENT TEAM REVIEW

This approach provides for a qualified, independent team lead by a qualified audit professional as the team leader. Team members should also be competent professionals who are well versed in the *Standards*, assessment methodology, and successful internal audit practices. The review team works onsite at the internal audit activity headquarters using the Quality Assessment Manual to conduct interviews, surveys, benchmarking, and a review of work papers. A report is also drafted by the review team stating the IA activity's conformance or nonconformance with the *Standards* and any recommendations for improvement opportunities.

THE VALIDATION OF A SELF ASSESSMENT

This method brings in a competent, independent evaluator who is well versed in quality assessment methodology to validate the self-assessment and conformance report completed by the IA activity using the Quality Assessment Manual. In addition to reviewing the self-assessment, the validator substantiates some of the work done by the self-assessment team, makes an on-site visit, interviews senior management, and either co-signs the CAE's report regarding conformance to the *Standards*, or issues a separate report on the disparities. Although the self assessment with independent validation requires more resources of the IA activity, this approach is usually more economical than an independent team review.

Integral to both external QA approaches is the element of objectivity. Without this, the *Standards* have not been met. The CAE should fully explain to the audit committee why the QA is necessary and valuable, how the approaches to external QAs differ, and which of the two is deemed most appropriate for the organization.

EXTERNAL QUALITY ASSESSMENTS FROM THE IIA: THE VALUE PROPOSITION

The goal of The IIA is to help validate and strengthen internal audit (IA) activities, enhance effectiveness, efficiency, and successful practice implementation. The value proposition is delivered through using qualified audit professionals, a global benchmarking database, and a repository of successful practices. As an industry leader, The IIA provides cost-effective external quality assessments to organizations of all sizes. The IIA has helped hundreds of organizations, in various industries, and around the world, by conducting external quality assessments, and would like to help you!

Internal Audit Profession's Knowledge & Guidance Authority

Quality Assessment Methodology Experts Certified
Practitioners &
Audit Professionals

Key Metric & Benchmarking Database Successful Practice & Value Added Repository

INTERNAL AND EXTERNAL QUALITY ASSESSMENTS

WORK TOGETHER

All IA activities, regardless of industry, sector, or size of audit staff — even those outsourced or co-sourced — must maintain a Quality Assurance and Improvement Program that contains both internal and external assessments. Quality assessments enhance value, as they enable the IA activity to evaluate: conformance with the *Standards*; internal audit and audit committee charters; the organization's risk and control assessment; the effective use of resources; and the use of successful practices.

Internal assessments are ongoing, internal evaluations of the IA activity, coupled with periodic self-assessments and/or reviews. If you have not yet established a Quality Assurance and Improvement Program, a good first-step on the path to quality is to conduct an internal quality assessment. This will establish a benchmark of the IA activity that can be used to establish metrics. Over time these metrics will indicate improvement in areas of partial conformance or nonconformance with the *Standards* and successful practices.

STANDARDS REQUIRE AN EXTERNAL QUALITY ASSESSMENT ONCE EVERY FIVE YEARS

Internal assessments, while beneficial, cannot provide full objectivity, which is why external quality assessments are required. External quality assessments, like those provided by The IIA, build stakeholder confidence by documenting the IA activity's commitment to quality and successful practices, as well as the internal audit team's mindset for professionalism. An external quality assessment can also provide evidence to the board, management, and staff that the IA activity understands the organization's governance, risk management, and control processes.

IA activities must have an external quality assessment conducted by an independent team or independent assessor, such as The IIA, at least once every five years to conform to the *Standards*. There are certain criteria that these independent teams and assessors must meet, including: independence from the organization, competence, certification, professional knowledge of the *Standards*, relative technical expertise, and training in quality assessment methodology — *The IIA is the recognized authority!*

Upon completion of an external assessment a report containing an opinion on the IA activity's conformance with the *Standards* should be issued. The results of external and periodic internal assessments should be communicated to senior management and the board.

RELEVANCE OF QUALITY

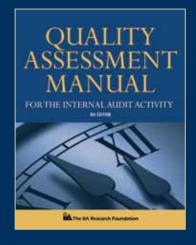
- Conformance with the Definition of Internal Auditing
- Adherence to the profession's Code of Ethics
- Practicing in accordance with the Standards
- GAIN Benchmarking
- Client Quality Surveys

ASSURANCE OF QUALITY

- Evaluate quality objectively measure internal audit processes through internal assessments
- Maintain quality fully commit to professional growth and improvement with ongoing periodic feedback
- Ensure quality maintain a Quality
 Assurance and Improvement Program

BENEFITS OF QUALITY

- Satisfies requirements of the Standards
- Assurance for the oversight body
- Successful Practices
- Value Added processes
- Client perception of Internal Audit
- Recognition
- Enhance effectiveness and efficiencies



THE METHODOLOGY QUALITY ASSESSMENT MANUAL 6TH EDITION

As the internationally recognized authority, acknowledged leader, and principal educator for the internal audit profession, The IIA promulgates the accepted global methodology for assessing internal audit quality. The Quality Assessment Manual provides practical guidance, model documents, and assessment tools for establishing and maintaining a quality program, as well as assessing the program.

When the internal audit activity successfully completes an external quality assessment through The IIA, using the methodology of the Quality Assessment Manual 6th edition, it will receive a distinctive plaque recognizing conformance with the *Standards*.



The IIA offers external quality assessment services to organizations of all sizes and will organize a team of qualified audit professionals to conduct an assessment using the approach that best suits the organization. The IIA uses the most up-to-date global methodology established for conducting these reviews aligned with the *Standards*.

To learn more about external quality assessments, receive a free no obligation proposal, or learn more about establishing and maintain a quality assurance and improvement program, visit www.theiia.org/quality, e-mail quality@theiia.org, or call 407-937-1399.

FREE ONLINE RESOURCES

The IIA provides a variety of resources for improving the quality of internal audit, including: samples, models, and step by step guides, based on leading audit practices. Visit www.theiia.org/quality to access these valuable tools:

- Model Internal Audit Activity Charter
- Model Audit Committee Charter
- Model Management Control Policy
- Model Quality Assurance and Improvement Program
- Quality Assessment Manual excerpts
- Self-assessment Guide
- Audit Customer Survey
- Internal Audit Staff Survey

- Sample Request for Proposal
- Path to Quality
- FAQs