



Implementation Guide

Standard 2500



Standard 2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

Revised Standards, Effective 1 January 2017

Getting Started

To fulfill this standard, the chief audit executive (CAE) starts by attaining a clear understanding of the type of information and level of detail the board and senior management expect with regard to the internal audit activity's monitoring of the results of engagements. Results typically refer to the observations developed in assurance and consulting engagements that have been communicated to management for corrective action.

Given that periodic interactions will be required with the management responsible for implementing corrective actions, it is generally helpful to solicit management's input on ways to create an effective and efficient monitoring process.

Further, the CAE may want to benchmark with other CAEs or compliance functions that monitor outstanding issues to identify leading practices that have proven effectiveness. These discussions may address areas such as:

- The levels of automation and detail.
- The types of observations monitored (i.e., all or just higher risk observations).
- How and with what frequency the status of outstanding corrective actions is determined.
- When internal audit independently confirms the effectiveness of corrective actions.
- The frequency, style, and level of reporting performed.

Considerations for Implementation

Monitoring processes can be sophisticated or rather simple, depending on a number of factors, including the size and complexity of the audit organization and the availability of exception tracking software. Whether sophisticated or simple,

it is important for the CAE to develop a process that captures the relevant observations, agreed corrective action, and current status. For outstanding observations, the information tracked and captured typically includes:

- The observations communicated to management and their relative risk rating.
- The nature of the agreed corrective actions.
- The timing/deadlines/age of the corrective actions and changes in target dates.
- The management/process owner responsible for each corrective action.
- The current status of corrective actions, and whether internal audit has confirmed the status.

Often, the CAE will develop or purchase a tool, mechanism, or system to track, monitor, and report on such information. Based on information provided to internal audit by the responsible management, the status of the corrective actions is updated in the system periodically and often directly by management using a shared exception tracking system.

The frequency and approach to monitoring (the extent of audit staff work to verify that corrective action was taken) is determined based on the CAE's professional judgment, as well as the expectations set by the board and senior management. For example, some CAEs may choose to inquire periodically, such as quarterly, about the status of all corrective actions that were due to be completed in the prior period. Others may choose to perform periodic follow-up engagements for audits with significant recommendations to specifically assess the quality of the corrective actions taken. Others may choose to follow up on outstanding actions during a future audit scheduled in the same area of the organization. The approach is determined based on the adjudged level of risk, as well as the availability of resources.

Similarly, the form of reporting is determined based on the CAE's judgment and the agreed expectations. Some CAEs will report the status of every observation for every engagement in a detailed manner. Others will report only on observations rated higher risk, perhaps summarized by business process or executive owner, noting statistics such as percentage of corrective actions on track, overdue, and completed on time. In some instances, the CAE may be asked to report on not just whether the corrective action has been completed, but also whether the action taken has corrected the underlying issue. Capturing and measuring positive improvement based on the execution of corrective actions is considered a leading practice.

Considerations for Demonstrating Conformance

Conformance is typically evidenced by the existence of a routinely updated exception tracking system, which could be a spreadsheet, database, or other tool that contains the prior audit observations, associated corrective action plan, status, and internal audit's confirmation, as described above. Also, there are typically corrective action status reports prepared for senior management and the board.

About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit www.globaliia.org.

Disclaimer

The IIA publishes this document for informational and educational purposes. This material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends seeking independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this material.

Copyright

Copyright © 2016 The Institute of Internal Auditors, Inc. All rights reserved. For permission to reproduce, please contact copyright@theiia.org.



The Institute of
Internal Auditors

Global Headquarters

The Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401
Lake Mary, FL 32746, USA
Phone: +1-407-937-1111
Fax: +1-407-937-1101