FIU | FLORIDA
INTERNATIONAL
UNIVERSITY

Office of Internal Audit

Quality Assurance Review

2019

To: The Florida International University (FIU) Management Team,
    Trustees and Internal Audit Staff:

I have completed a Quality Assurance Review (QAR) of the FIU Office of
Internal Audit (OIA). The primary objective was to assess the department's
operations regarding its conformance to the Institute of Internal Auditors
(IIA) International Professional Practices Framework (IPPF).

In acting as an independent reviewer, I am fully independent of FIU and
have the necessary knowledge and skills to undertake this engagement (see
Appendix Reviewer Background). The review consisted primarily of
reviewing policies, procedures and practices. Additionally, I interviewed
audit team members and several key administrators and/or Board members.
These interviews helped me gain a better understanding of the internal
control environment within which the audit department operates.

I have reviewed the QAR results audit management. It has been determined
that overall, the audit department "Generally Conforms" with auditing
Standards. This report provides additional information on the purpose and
scope of the review, highlights successful practices and denotes process
improvement recommendations.

Robert Berry

Robert Berry

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Executive Summary

Overall Opinion

I was contracted by the Florida International University (FIU) to conduct a Quality Assurance Review (QAR) of the Office of Internal Audit (OIA). Based on the information evaluated, it is my opinion that the FIU Office of Internal Audit "Generally Conforms" with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (the *Standards*). This opinion is the highest of the three possible ratings.

Background

The IIA *Standards* require an external QAR to assess compliance with the *Standards*. The review may be (1) a full external assessment, (2) peer review, or (3) independent validation of a self-assessment (SAIV) and should occur at least once every five years. FIU has chosen option 3.

Objective(s), Scope and Methodology .

The primary objective of the review is to evaluate FIU's Office of Internal Audit for compliance with auditing standards. Additional objectives included identifying commendable practices as well as areas where improvement may be needed to further enhance the audit function.

Tasks performed included:

- Evaluating the department's self-assessment.
- Interviewing audit staff, executive management and others.
- Reviewing and evaluating select audit projects.
- Reviewing administrative and support documentation, including policies and procedures, risk assessments, audit plans, the audit charter, and other relevant documents.
- Comparing practices to the *Standards* requirements.
- Comparing operations to suggested IIA best practices.

Executive Summary

Report Rating Descriptions

The IIA's Quality Assessment Manual suggests a three scale rating system – "generally conforms," "partially conforms," and "does not conform."

Generally Conforms (GC) is the top rating and means that an Internal Audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

Partially Conforms (PC) means some practices deviate from the Standards, but these deficiencies do not preclude the department from performing its responsibilities in an acceptable manner.

Does Not Conform (DNC) means operational deficiencies seriously impair or preclude the department from performing adequately in all or in significant areas of its responsibilities.

The standards are divided into logical subsections describing the attributes (Attribute Standards) and expected performance (Performance Standards) for compliance. The IIA further divides the Standards into logical topical sections and subsections. Reviewers rate these subsections to determine compliance by topic and for the department as a whole. See Appendix Item Detailed Conformance Matrix

Report Structure

Executive Summary – Brief summary providing at a glance information.

Report Details – In depth review information.
- **Partial Conformance Areas** – Areas that do not fully conform to standards
- **Areas for Operational Improvement** – Items conform to standards but could improve operations.

Appendix
- **Stakeholder Interview Listing** – Summary of the stakeholders interviewed.
- **Survey Results** – Summary survey results from management and audit staff.
- **Detailed Conformance Matrix** – Detailed account of conformance status with each individual *Standard*.
- **Audit Maturity Matrix** – A measure of the maturity of the audit function.
- **Reviewer qualification(s)** – Background on the reviewer(s).

Executive Summary

Commendable Areas

1. There is strong support from executive management and the audit committee. The executive team spoke highly of the function and fully supports its operations. In a recent survey, management rated its' satisfaction with the function at 4.53/5. (Appendix Item Survey Results – Executive Management)

2. The department abandoned its flat structure for a more layered approach that will help promote a career progression path for employees.

3. The department demonstrated healthy stakeholder responsiveness by building and implementing, at the audit committee's request, a system for more efficient audit issue follow-up.

4. Employee satisfaction is good. In a recent survey, the department scored 4.42/5. See Appendix Survey Results – Internal Audit Staff

5. FIU has a moderately mature audit function. A rating of Generally Conforms indicates that a department meets minimum requirements. As departments mature, they introduce best in class process to improve operations. Using the Internal Audit Maturity Matrix, the audit department is one performing above the minimum requirements. See Appendix Internal Audit Maturity Matrix.

Partial Conformance Areas

1. The audit department charter needs updating to include the following required items: (a) reference to The IIA Code of Ethics, (b) the definition of Internal Auditing and (c) acknowledgement of the mandatory nature of the standards. *Attribute Standards 1000, 1010*

2. The audit department does not have periodic performance measurement tools such as required internal assessments. *Attribute Standard 1311 - Internal Assessments*

Areas for Operational Improvement

1. Increasing the audit charter review frequency would better align with the spirit of *Attribute Standard 1000 – Purpose, Authority, and Responsibility* and corresponding *Implementation Guidance*.

2. The individual engagement conflict of interest attestation process is inconsistent. Staff does not declare independence and objectivity prior to every engagement.

3. The department currently performs rudimentary data analysis. A more structured process should improve efficiency and assurance effectiveness.

– End Executive Summary –

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Report Details

Partial Conformance Areas

Item Number	1	Responsible Party	Office of Internal Audit

Item	Recommendation	Action Plan
The audit function partially conforms with the International Standards for the Professional Practice of Internal Auditing (*Standards*) Attribute Standard (AS) 1000 Purpose, Authority, and Responsibility. Specifically, the internal audit charter does not reference the Institute of Internal Auditors (IIA) code of ethics or the definition of auditing as required. Additionally, the charter does not acknowledge the mandatory nature of the standards. The internal audit charter is a formal document that defines internal audit's purpose, authority, responsibility and position within the organization. It is a mutual agreement outlining the work internal audit will perform and the support it will receive.	Audit management should review the charter to ensure it contains required elements. At minimum, the charter should be updated to recognize/reference: • The IIA Code of Ethics • The definition of Internal Auditing • The fact that compliance with the standards is mandatory The Audit Committee should review/approve the newly revised charter. The IIA's model audit charter provides a good benchmark for charter language and content.	I have commenced a review of the Office of Internal Audit Policy and Charter for compliance with applicable professional standards and Board of Governors' (BOG) regulations. The revised Charter will be presented to the FIU Board of Trustees Audit and Compliance Committee for review and approval by the BOT in June 2020. The planned revisions will include recognition of the IIA's Code of Ethics, definition of Internal Auditing, and compliance with the mandatory elements of the International Professional Practice Framework, among other changes.

Report Details

Item Number	2	Responsible Party	Office of Internal Audit

Item	Recommendation	Action Plan
The Institute of Internal Auditors' Standard 1311 - Internal Assessments requires the ongoing monitoring of Internal Audit department activity to ensure it provides quality services. This is typically achieved through (a) practices embedded within audit processes (i.e. templates, checklists and reviews) combined with (b) periodic measurable feedback (i.e. key performance indicators, feedback surveys) and (c) periodic internal assessments. The audit department has several good practices embedded within audit processes. However, it does not have periodic measurement tools such as key performance indicators nor the required periodic internal assessments.	The audit department should implement periodic internal assessments to measure the effectiveness of activities. Additionally, audit management should report internal assessment results to the audit committee at minimum annually.	Beginning at the end of the 2019-2020 Fiscal Year, the Office of Internal Audit will perform an annual assessment of its audit function. This assessment will include a determination of the Office's compliance with its policies and procedures and professional standards. The results of our assessment will be presented to the Audit and Compliance Committee upon its completion, annually.

Operational Improvement Areas

Areas For Operational Improvement

Audit Charter Review

The internal audit charter is a formal document that defines internal audit's purpose, authority, responsibility and position within the organization. It is a mutual agreement outlining the work internal audit will perform and the support it will receive. The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) number **1000 – Purpose, Authority, and Responsibility** requires a periodic charter review. Florida International University (FIU) has a 3 year review cycle.

While this time frame does generally comply with the Standards, the IIA's **Implementation Guide** suggest creating a "standing annual agenda item to discuss, update, and approve the internal audit charter as needed." Implementation Guides assist internal auditors in applying the Standards and Code of Ethics. They collectively address internal auditing's approach, methodologies, and consideration, but do not detail processes or procedures.

The intent is to ensure audit department, management and Board expectations are commonly understood and clearly communicated. And while a 3-year cycle complies with the *Standards*, an annual charter review (or at minimum inclusion as an agenda item) would be a better business practice.

Independence and Objectivity

The Office of Internal Audit generally conforms to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) on Independence and Objectivity. There are, however, some practices that further support and enhance conformance.

(1) The Standards require the Chief Audit Executive (CAE) to report independence and objectivity impairments to the Board. Currently the reporting is by exception (i.e. when/if impairments occur). A better practice would be to include it as an annual agenda item and provide and independence and objectivity status update (i.e. disclose no impairments or disclose the nature of any impairments). This provides consistent and transparent communication on the subject matter.

(2) Additionally, the CAE must consider independence and objectivity prior to assigning staff to individual engagements. He is only aware of issues when/if notified. The department communicates impairments using an individual engagement independence acknowledgement form, however, while reviewing audit workpapers, it was determined staff does not consistently use the form when performing engagements.

Operational Improvement Areas

Proficiency and Due Professional Care

(1) The Office of Internal Audit currently uses rudimentary data analysis techniques (i.e. excel pivot tables) when planning or executing audits. Auditing standard 1220.A2 (Due Professional Care) encourages auditors to consider using data analysis techniques during engagements. Embedding advanced data analytics into the internal audit process will allow the auditors to examine larger volumes of data in less time which can lead to greater efficiency, better quality audits, improved assurance and greater audit coverage.

There are several staff members interested in data analysis which makes this the perfect opportunity to enhance the department's data analysis capabilities. As such, the department should explore increasing data analysis capabilities and embedding elements of data analysis in audit processes where possible.

(2) The department does not have a full career development strategy. Recently, the department created a layered structure, updated job description and hired several new employees. University and department management support training and continuing education. These are good steps in building a sustainable audit function.

The Institute of Internal Auditors' Implementation Guide 1230 - Continuing Professional Development, suggests creating professional development plans to guide employees towards individual and organizational goals. This may include a) Self-assessments against a competency framework or benchmark, b) Professional development and training plans, and c) Subscriptions to sources of professional information.

– End Report Details –

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Appendix

Stakeholders Interview Listing – Executive Management

Name	Position
Michelle Palacio	Vice President Governmental Relations
Sandra Gonzalez-Levy	Senior Vice President for External Relations, Strategic Communications and Marketing
Javier Marques	Vice President for Operations & Safety / Chief of Staff
Pablo Ortiz	Vice President, Regional Academic Locations & Institutional Development
Carlos B. Castillo	General Counsel
El pagnier K. Hudson	Vice President Human Resources
Kenneth G. Furton	Provost and Chief Operating Officer
Kenneth Jessell	Senior Vice President and Chief Financial Officer
Andres Gil	Vice President for Research
Robert Grillo	Chief Information Officer
Howard Lipman	SVP University Advancement
Kevin Coughlin	VP Enrollment Management
Saif Ishoof	Vice President for Engagement
Elizabeth Bejar	Vice President of Academic & Student Affairs
Pete Garcia	Executive Director of Sports and Entertainment

Appendix

Stakeholders Interview Listing – Audit Staff

Name	Position
Trevor Williams	Chief Audit Executive
Henley Louis-Pierre	Senior Information Systems Auditor
Maria Lopez	Audit Information Systems Manager
Stephanie Price	Audit Project Manager
Lillian Faye Spell	Audit Manager
Manuel Sanchez	Assistant Audit Director
Vivian Ferradaz Gonzalez	Assistant Audit Director
Tranae Rey	Audit Manager

Appendix

Survey Results – Internal Audit Staff

Question for Measurement	Average Score
I understand the department's goals and objectives	5
I understand the Audit Committee's expectations.	4
I understand Management's expectations of the audit department.	4
I am aware of and understand the department's policies and procedures.	4
I have a solid knowledge of the organization's operations and processes.	4
I have a solid knowledge of the Institute of Internal Auditors (IIA) Auditing Standards	5
I have a solid knowledge of general auditing tools/techniques	5
I receive sufficient training through in house providers.	4
I receive sufficient training through outside seminars (i.e. conferences, etc)	5
I receive sufficient on the job training	5
I receive sufficient membership/participation in professional organizations	4
Rate your opinion on the department's ability to consult and partner with management	5
Rate your satisfaction with the performance review process	4
Rate your career satisfaction	4
Score	**4.42**

Appendix

Survey Results – Executive Management

Question for Measurement	Average Score
Internal audit is a valued member of the management team.	5
The organizational placement of the internal audit activity ensures its independence and promotes its ability to fulfill its responsibilities.	5
Auditors have free and unrestricted access to records, information, locations, and employees during the performance of their engagements.	5
The internal audit activity provides quality services.	4
Auditors perform work in an objective manner.	5
The auditors are professional.	5
Auditors are knowledge of your industry/organization/processes/success factors.	4
Please rate the quality of relationship and rapport between auditors and your department(s).	5
Audit projects cover important areas or topics.	5
Auditors often include your suggestions for areas or topics to review.	4
Auditors provide relevant feedback to you on emerging issues during audits.	5
The duration of audit engagements is appropriate.	4
Reports are delivered timely	4
Issues in reports are accurate.	4
Reports are clear and concise	4
Reports are useful in improving business process and controls.	4
I understand the mission and function of an internal audit department	5
Score	**4.53**

Appendix

Detailed Conformance Matrix

AS 1000	Authoritative Reference — Purpose, Authority, and Responsibility	Conclusion		
		GC	PC	DNC
AS 1000.A1		**GC**	**PC**	DNC
AS 1000.C1		**GC**	**PC**	DNC
AS 1010	Recognizing Mandatory Guidance in the Internal Audit Charter	GC	**PC**	DNC

Comments: (If the conclusion is PC or DNC, an explanation is required)

PC
1. The audit function partially conforms with Attribute Standard (AS) 1000 Purpose, Authority, and Responsibility. Specifically, the internal audit charter does not reference the Institute of Internal Auditors (IIA) code of ethics or the definition of auditing as required. Additionally, the charter does not acknowledge the mandatory nature of the standards.

Other
2. Auditing standards require a periodic charter review. FIU has a 3 year review cycle. The IIA's Implementation Guide suggests creating a "standing annual agenda item to discuss, update, and approve the internal audit charter as needed" annually.

AS 1100	Authoritative Reference — Independence and Objectivity	Conclusion			
		GC	PC	DNC	
AS 1110	Organizational Independence	**GC**	PC	DNC	
AS 1110.A1		**GC**	PC	DNC	
AS 1111	Direct Interaction with the Board	**GC**	PC	DNC	
AS 1112	Chief Audit Executive Roles Beyond Internal Auditing	GC	PC	DNC	**NA**
AS 1120	Individual Objectivity	**GC**	PC	DNC	
AS 1130		**GC**	PC	DNC	
AS 1130.A1	Impairment to Independence or Objectivity	**GC**	PC	DNC	NA
AS 1130.A2		**GC**	PC	DNC	NA
AS 1130.A3		**GC**	PC	DNC	NA
AS 1130.C1		**GC**	PC	DNC	NA
AS 1130.C2		**GC**	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Other Items
The Office of Internal Auditing generally conforms with the Independence and Objectivity standards. There are, however, some practices that further support and enhance conformance.

For example, the **Standards** require the Chief Audit Executive (CAE) to report independence and objectivity impairments to the Board. Currently the reporting is by exception (i.e. when/if impairments occur). A better practice is to disclose independence annually (i.e. we maintained independence throughout the year or we experienced the following independence impairments). This provides transparent and consistent communication.

Additionally, the CAE must consider independence and objectivity prior to assigning staff to individual engagements. He is only aware of issues when/if notified. There is an individual engagement independence acknowledgement form, however, while reviewing audit workpapers, it was determined that the form is not consistently applied/used.

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Authoritative Reference		Conclusion			
AS 1200	**Proficiency and Due Professional Care**	**GC**	**PC**	**DNC**	
AS 1210		GC	PC	DNC	
AS 1210.A1		GC	PC	DNC	
AS 1210.A2	Proficiency	GC	PC	DNC	
AS 1210.A3		GC	PC	DNC	
AS 1210.C1		GC	PC	DNC	NA
As 1220		GC	PC	DNC	
AS 1220.A1		GC	PC	DNC	
AS 1220.A2	Due Professional Care	GC	PC	DNC	
AS 1220.A3		GC	PC	DNC	
AS 1220.C1		GC	PC	DNC	NA
AS 1230	Continuing Professional Development	GC	PC	DNC	

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Other Items

(1) Auditing standard 1220.A2 (Due Professional Care) encourages auditors to consider using data analysis techniques. The OIA uses rudimentary data analysis techniques (i.e. excel pivot tables) when planning or executing audits. There are several staff members interested in data analysis. This is the perfect opportunity to enhance the department data analysis capabilities.

(2) Standard 1230 – Continuing Professional Development requires internal auditors to enhance knowledge through continuing professional development. The department generally complies with this standard, but does not have a full career development strategy. Recently, the department created a layered structure, updated job description and hired several new employees. University and department management support training and continuing education. These are good steps in building a sustainable audit function.

The Institute of Internal Auditor's Implementation Guide 1230 - Continuing Professional Development, suggests creating professional development plans to guide employees towards individual and organizational goals. This may include a) Self-assessments against a competency framework or benchmark, b) Professional development and training plans, and c) Subscriptions to sources of professional information.

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Authoritative Reference	Conclusion		
AS 1300 Quality Assurance and Improvement Program	GC	PC	DNC
AS 1310 Requirements of the Quality Assurance and Improvement Program	GC	PC	DNC
AS 1311 Internal Assessments	GC	PC	DNC
AS 1312 External Assessments	GC	PC	DNC
AS 1320 Reporting on the Quality Assurance and Improvement Program	GC	PC	DNC
AS 1321 Use of "Conforms with the *Internal Standards for the Professional Practice of Internal Auditing*"	GC	PC	DNC
AS 1322 Disclosure of Nonconformance	GC	PC	DNC

Comments: (If the conclusion is PC or DNC, an explanation is required)

Partial Conformance

The Institute of Internal Auditors' Standard 1311 - Internal Assessments requires the ongoing monitoring of Internal Audit department activity to ensure it provides quality services. This is typically achieved through (a) practices embedded withing audit processes (i.e. templates, checklists and reviews) combined with (b) periodic measurable feedback (i.e. key performance indicates, feedback surveys) and (c) periodic internal assessments.

The audit department has several good practices embedded within audit processes. However, it does not have periodic measurement tools such as key performance indicators nor periodic internal assessments.

Authoritative Reference	Conclusion			
PS 2000 Managing the Internal Audit Activity	GC	PC	DNC	
PS 2010	GC	PC	DNC	
PS 2010.A1 Planning	GC	PC	DNC	
PS 2010.A2	GC	PC	DNC	
PS 2010.C1	GC	PC	DNC	NA
PS 2020 Communication and Approval	GC	PC	DNC	
PS 2030 Resource Management	GC	PC	DNC	
PS 2040 Policies and Procedures	GC	PC	DNC	
PS 2050 Coordination and Reliance	GC	PC	DNC	
PS 2060 Reporting to Senior Management and the Board	GC	PC	DNC	
PS 2070 External Service Provider and Organizational Responsibility for Internal Auditing	GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Appendix

Authoritative Reference

PS 2100	Nature of Work	Conclusion			
		GC	PC	DNC	
PS 2110	Governance	GC	PC	DNC	
PS 2110.A1		GC	PC	DNC	
PS 2110.A2		GC	PC	DNC	
PS 2120		GC	PC	DNC	
PS 2120.A1	Risk Management	GC	PC	DNC	
PS 2120.A2		GC	PC	DNC	
PS 2120.C1		GC	PC	DNC	NA
PS 2120.C2		GC	PC	DNC	NA
PS 2120.C3		GC	PC	DNC	NA
PS 2130	Control	GC	PC	DNC	
PS 2130.A1		GC	PC	DNC	
PS 2130.C1		GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Authoritative Reference

PS 2200	Engagement Planning	Conclusion			
		GC	PC	DNC	
PS 2201	Planning Considerations	GC	PC	DNC	
PS 2201.A1		GC	PC	DNC	
PS 2201.C1		GC	PC	DNC	NA
PS 2210		GC	PC	DNC	
PS 2210.A1	Engagement Objectives	GC	PC	DNC	
PS 2210.A2		GC	PC	DNC	
PS 2210.A3		GC	PC	DNC	
PS 2210.C1		GC	PC	DNC	NA
PS 2210.C2		GC	PC	DNC	NA
PS 2220	Engagement Scope	GC	PC	DNC	
PS 2220.A1		GC	PC	DNC	
PS 2220.A2		GC	PC	DNC	
PS 2220.C1		GC	PC	DNC	NA
PS 2220.C2		GC	PC	DNC	NA
PS 2230	Engagement Resource Allocation	GC	PC	DNC	
PS 2240		GC	PC	DNC	
PS 2240.A1	Engagement Work Program	GC	PC	DNC	
PS 2240.C1		GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Appendix

PS 2300	Performing the Engagement	Conclusion			
		GC	PC	DNC	NA
PS 2310	Identifying Information	GC	PC	DNC	
PS 2320	Analysis and Evaluation	GC	PC	DNC	
PS 2330		GC	PC	DNC	
PS 2330.A1	Documenting Information	GC	PC	DNC	
PS 2330.A2		GC	PC	DNC	
PS 2330.C1		GC	PC	DNC	NA
PS 2340	Engagement Supervision	GC	PC	DNC	

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

PS 2400	Communicating Results	Conclusion			
		GC	PC	DNC	NA
PS 2410		GC	PC	DNC	
PS 2410.A1		GC	PC	DNC	
PS 2410.A2	Criteria for Communicating	GC	PC	NA	
PS 2410.A3		GC	PC	DNC	
PS 2410.C1		GC	PC	DNC	NA
PS 2420	Quality of Communications	GC	PC	DNC	
PS 2421	Errors and Omissions	GC	PC	DNC	NA
PS 2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	GC	PC	DNC	
PS 2431	Engagement Disclosure of Nonconformance	GC	PC	DNC	
PS 2440		GC	PC	DNC	
PS 2440.A1	Disseminating Results	GC	PC	DNC	
PS 2440.A2		GC	PC	DNC	
PS 2440.C1		GC	PC	DNC	NA
PS 2449.C2		GC	PC	DNC	NA
PS 2450	Overall Opinions	GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Appendix

Authoritative Reference		Conclusion			
PS 2500	**Monitoring Progress**				
PS 2500.A1		GC	PC	DNC	
PS 2500.C1		GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Authoritative Reference		Conclusion			
PS 2600	**Communicating the Acceptance of Risks**				
		GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Authoritative Reference		Conclusion			
Code of Ethics	**Principles and Rules of Conduct**				
		GC	PC	DNC	NA

Comments: (If the conclusion is PC, DNC, or NA, an explanation is required)

Appendix

Internal Audit Maturity Matrix

Internal Audit Maturity Rating	Standard 1000 Purpose, Authority and Responsibility	Standards 1100,1130 Independence and Objectivity	Standard 1200 Proficiency and Due Professional Care	Standard 1300 Quality Assurance and Improvement Program	Standard 2000 Managing the Internal Audit Activity	Standard 2100 Nature of Work
Optimized	Committee approved audit charter linked to corporate governance objectives with annual review and best in class reporting practices	Reporting arrangements defined in Internal Audit Charter and in line with good practice, independence and objectivity defined therein and a requirement for an annual conflict of interest disclosure	Internal Audit resources are credentialed, specialist resources are available when required, annual Risk Assessment conducted, ongoing and periodic Quality Assurance processes in place, training programs reinforce Internal Audit credentials and support execution of Internal Audit work	Documented ongoing and periodic Quality Assurance Program in place, Quality Assurance activities occur for internal audit engagements, Internal Assessment conducted annually, External Assessment conducted at least every 5 years	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought, performance measures in place and used to drive continuous improvement	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise–wide view of risk and plans are periodically adjusted, Internal Audit uses recognized control frameworks in its work
Managed	Committee approved audit charter linked to corporate governance objectives with annual review	Reporting arrangements defined in Internal Audit Charter and in line with good practice, independence and objectivity defined therein and a requirement for conflict of interest disclosure	Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing and periodic Quality Assurance processes in place	Documented ongoing and periodic Quality Assurance Program in place, Quality Assurance activities occur for internal audit engagements, Internal Assessment conducted annually	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise–wide view of risk and plans are periodically adjusted
Implemented	Committee approved audit charter with periodic review	Reporting arrangements defined in Internal Audit Charter and in line with good practice	Some Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing Quality Assurance processes in place	Ongoing and periodic Quality Assurance Program elements in place, Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements	Internal Audit focuses on controls, risk and governance
Defined	Committee approved audit charter	Reporting arrangements defined in Internal Audit Charter, but some elements not in line with good practice	Internal Audit resources are partially credentialed, specialist resources may be available, annual Risk Assessment conducted, some ongoing Quality Assurance processes in place	Some ongoing Quality Assurance Program elements in place, some Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives	Internal Audit focuses on controls and risk
Initial	No Internal Audit Charter or in draft or not approved by Audit Committee	Reporting arrangements not defined in Charter or reporting arrangements not in line with good practice	Internal Audit resources not credentialed, no specialist resources, no annual Risk Assessment, limited ongoing Quality Assurance processes in place	No formal Quality Assurance Program in place, some Quality Assurance activities may occur for internal audit engagements	No Internal Audit policies and procedures in place, Internal Audit plans not linked to corporate objectives	Internal Audit focuses on controls

Appendix

Internal Audit Maturity Rating	Standard 2200 Engagement Planning	Standard 2300 Performing the Engagement	Standard 2400 Communicating Results	Standard 2500 Monitoring Progress	Standard 2600 Communicating the Acceptance of Risks	Code of Ethics
Optimized	Planning performed in collaboration with stakeholders, planning adjusted for differing circumstances, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, automated audit working paper system in place, CAATs and other audit techniques actively used	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, management input to reporting is actively sought, reports contain management comments and agreed actions, Internal Audit prepares reports that show systemic issues found through its work	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations, automated system for receiving progress updates from management, high rate of audit recommendation clearance	Escalation protocol defined, process clearly understood by Internal Audit and management, collaborative approach to resolution, clear definition of level of risk that can be assumed by Management that precludes need for escalation protocol	Organization Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted, Internal Audit staff complete annual Code of Ethics declaration
Managed	Planning performed in collaboration with stakeholders, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, may have automated audit working paper system in place	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, reports contain management comments and actions to implement recommendations	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations	Escalation protocol defined, process clearly understood by Internal Audit and Management, collaborative approach to resolution	Organization Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted
Implemented	Planning performed and documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently	Escalation protocol defined, process clearly understood by Internal Audit and Management	Organization Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies
Defined	Planning performed and documented; consistent methodology applied to internal audit engagements	Some elements of Internal audit engagement process defined; standard Audit Work Plans used	Reporting protocol established for communicating results, reporting done inconsistently from content and format perspective	Follow-up protocol established, follow-up on implementation of audit recommendations occurs but not performed consistently	No escalation protocol established; Management may assume inappropriate level of risk	Organization Code of Conduct established, IIA Code of Ethics receives some attention
Initial	Planning not performed or documented, no consistent methodology applied to internal audit engagements	Internal audit engagement process not clearly defined or Audit Work Plans not prepared for internal audit engagements	Reporting protocol not established for communicating results, reporting is ad hoc	No follow-up protocol established, follow-up on implementation of audit recommendations not performed consistently or not performed	No escalation protocol established	Organization Code of Conduct not established, IIA Code of Ethics does not receive formal attention

Appendix

Reviewer Background

Mr. Robert Berry, CPA, CIA, CISA, MBA

Robert believes that an auditor's primary role is help improve an organization's people, processes and profits. For over 20 years, he has held positions in internal audit, risk management, accounting and compliance in the private and public sectors. Some of his experience includes (1) Director of Sarbanes Oxley for a multi-billion dollar financial institution, (2) Assistant Vice President of Internal Auditing for multi-million dollar bank, (3) Consultant at a Big 4 public accounting firm, (4) Accountant and Internal Auditor at a Fortune 500 retail grocer and (5) Audit Director in the higher education industry. He frequently presents at various training conferences throughout the country and has been published in various trade journals. Robert is a Certified Public Accountant, Certified Internal Auditor, and Certified Information Systems Auditor, and has a Master's in Business Administration.