Practice Advisory 1300-1: Quality Assurance and Improvement Program

Primary Related Standard

1300: Quality Assurance and Improvement Program
The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:
A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Practice Advisory 1300-1:

A quality assurance and improvement program (QAIP) covers the entire spectrum of assurance and consulting work performed by the internal audit activity as prescribed in the internal audit charter. A QAIP includes internal and external assessments. Internal assessments include ongoing monitoring and periodic self-assessments. External assessments may take the form of a full external assessment or a self-assessment with independent validation.

The primary objective of a QAIP is to promote continuous improvement. A QAIP presumes that quality is built into — and not onto — the structure of the internal audit activity.

The QAIP should be considered during annual planning activities. Individual sections of the program should be updated continuously.

Issued: May 2015:
Practice Advisory 1311-1:  
Internal Assessments

Primary Related Standard

1311 – Internal Assessments  
Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:
Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

Practice Advisory 1311-1:

The chief audit executive (CAE) is required to develop and implement a quality assurance and improvement program (QAIP), which includes internal and external assessments. Internal assessments are comprised of two interrelated parts: ongoing monitoring and periodic self-assessments. These provide an effective structure for the continuous assessment of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards; and identification of improvement opportunities. One way to address this is through ongoing monitoring and periodic self-assessments at the internal audit activity-level and the individual audit engagement-level and cover all Attribute and Performance Standards.

Ongoing Monitoring:

Ongoing monitoring determines whether processes are delivering quality on an engagement-by-engagement basis. Ongoing monitoring is primarily achieved through:

- Standard working practices.
- Engagement planning.
- Supervision.
- Assessing the audit engagement action plan prior to fieldwork.
- Using checklists or automation tools to provide assurance on compliance with established practices and procedures.
- Working paper procedures and signoff by engagement supervisors.
- Review of reports and supporting documentation for comments.
- Feedback from internal audit clients and other stakeholders.
- Using performance measures appropriate and relevant to the internal audit activity.

Adequate supervision is the most fundamental element of any quality assurance process. Supervision begins with planning and continues throughout the performance and communication phases of the engagement. Improvement opportunities can be addressed continuously.

**Periodic Self-assessment:**

Periodic self-assessments focus on evaluating whether the internal audit activity:
- Conforms with:
  - IPPF mandatory guidance: the Definition of Internal Auditing, the Code of Ethics, and the Standards (Attribute and Performance).
  - The internal audit activity’s charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
- Operates efficiently and effectively as measured through an assessment of the internal audit activity’s:
  - Processes and infrastructure.
  - Mix of knowledge, experience, and expertise.

Periodic self-assessments may be conducted through:
- An assessment of the internal audit activity’s performance against QAIP established criteria.
- Regular review and approval of the internal audit charter and other relevant documents.
- Review of the annual audit plan in relation to the risks of the organization.
- Workpaper reviews conducted on a sample basis by staff not directly involved in the engagement.
- Review of internal audit performance metrics.

Following a periodic self-assessment, where appropriate, an action plan can be developed to address all identified improvement opportunities.

A periodic self-assessment performed within a short time before an external assessment can serve to facilitate and reduce the level of effort and time required to complete an external assessment. The periodic self-assessment also can serve as the self-assessment portion of the external assessment when the external assessment takes the form of a self-assessment with independent external validation.

The IIA’s Quality Assessment Manual, or a comparable set of guidance and tools, may serve as a guide for periodic self-assessments.
Assessors / Assessment Team:

Periodic self-assessments are generally conducted by:
- Experienced, competent internal auditors within the internal audit activity.
- Certified internal auditors or other competent audit professionals from within or outside of the internal audit activity.

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Practice Advisory 1312-1:
External Assessments

Primary Related Standard

1312 – External Assessments
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive (CAE) must discuss with the board:

- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

*External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.*

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The CAE uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

Practice Advisory 1312-1:
The CAE is required to develop and implement a quality assurance and improvement program (QAIP), which includes internal and external assessments. External assessments may be accomplished using either of two different approaches:

- A full external assessment conducted by a qualified, independent external assessor or assessment team. The team should be comprised of competent professionals under the leadership of an experienced and professional project team leader.
- An internal audit activity self-assessment with independent external validation.

External assessments assess conformance with International Professional Practices Framework (IPPF) mandatory guidance: the Definition of Internal Auditing and the Standards and an evaluation of whether the internal auditors apply the Code of Ethics.

In determining the nature of any external assessment, the CAE and board may also consider:
- Whether the assessment should result in an expressed opinion or conclusion on conformance.
- The scope of work performed by the internal audit activity to be covered by the assessments.
• Whether the assessment will cover conformance with the internal audit activity’s charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
• Whether the assessment will consider the efficiency and effectiveness of the internal audit activity as measured through an assessment of the internal audit activity’s:
  o Processes and infrastructure, including the QAIP.
  o Mix of knowledge, experience, and expertise.
• Whether the assessment will consider the extent to which the internal audit activity meets expectations of the board, senior management, and operations management, and adds value to the organization.

The scope may be agreed upon by the CAE, the executive to whom the CAE reports, and the board. The CAE should ensure that the scope clearly identifies external assessment deliverables.

Assessors/Assessment Team:

A qualified, independent external assessor or assessment team should be selected in consultation with the executive to whom the CAE reports, and the board. Assessors/assessment teams must be competent in two main areas:
• The professional practice of internal auditing, including in-depth knowledge of the IPPF.
• The external quality assessment process.

Preferred qualifications and competencies include:
• A competent certified internal audit professional such as a certified internal auditor (CIA).
• Current in-depth knowledge of the IPPF.
• Knowledge of leading internal auditing practices.
• At least three years of recent experience in the practice of internal auditing at a senior level that demonstrates a working knowledge and application of the IPPF.

In addition, preferred competencies of assessment team leaders and independent validators may include:
• An additional level of competence and experience gained from previous external quality assessment work, and/or completion of The IIA’s quality assessment training course or similar training.
• CAE or comparable senior internal audit management experience.
• Relevant technical expertise and industry experience.

Individuals with expertise in other areas may provide assistance as appropriate. Examples include specialists in enterprise risk management, IT auditing, statistical sampling, monitoring systems, and control self-assessment.

External assessors/assessment teams and their organizations should be free from conflicts of interest that could impair objectivity. The CAE, the executive to whom the CAE reports, and the board should consider:

• Actual, potential, or perceived conflicts of interest related to past, present, or future business relationships for services, such as:
  o The external audit of financial statements.
  o Consulting services in governance, risk management, financial reporting, internal control, or other related areas.
  o Assistance to the internal audit activity.
The significance and amount of work performed should be considered.

- Actual, potential, or perceived conflicts of interest with assessors who are former employees of the internal audit activity’s organization. Consideration should be given to the length of time the assessor has been independent. Independent means not having a conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

- Actual, potential, or perceived conflicts of interest with the assessor due to past, present, or future relationships with the organization or its internal audit activity, including the assessors’ participation in internal quality assessments.

- Reciprocal assessments among three or more peer organizations may be considered independent. Peer organizations are organizations within the same industry, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members will be able to fully exercise their responsibilities.
  - Reciprocal peer assessors/assessment teams should possess the skills, experience, and knowledge previously described.
  - Reciprocal peer assessments between two organizations are not independent.

Assessor/assessment team independence and conflicts of interest should be discussed with the board. The CAE should assess the level of independence of the assessment team and monitor whether an agreed methodology, such as The IIA’s Quality Assessment Manual, is followed throughout the process.

Further guidance on the independence of external assessment teams is provided in practice advisories:
- 1312-3: Independence of External Assessment Team in the Private Sector.
- 1312-4: Independence of External Assessment Team in the Public Sector.

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Practice Advisory 1312-2:
External Assessments:
Self-assessment with Independent External Validation (SAIV)

Primary Related Standard

1312 – External Assessments
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:
• The form and frequency of external assessment; and
• The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real nor an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

Practice Advisory 1312-2:

Practice Advisory 1312-1: External Assessments, including guidance on the selection of the independent assessor(s), applies to a self-assessment with independent external validation (SAIV).

The chief audit executive (CAE) is required to develop and implement a quality assurance and improvement program (QAIP) that includes internal and external assessments. External assessments may be accomplished using either of two approaches:
• A full assessment conducted by a qualified, independent, external assessor or assessment team. This approach involves an outside team of competent professionals under the leadership of an experienced and professional project team leader.
• An internal audit activity self-assessment with independent external validation.

Self-assessment with Independent External Validation
In some circumstances, the CAE may determine that a SAIV is more practical or beneficial than a full external assessment. Rationale in support of a SAIV may include:
The internal audit activity is subject to extensive industry regulation and/or external supervision.
The internal audit activity is otherwise subject to extensive external oversight and direction related to governance and internal controls.
An independent, external provider recently benchmarked the internal audit activity against leading practices.
In a mature organization with a strong QAIP, the CAE judges that a self-assessment provides staff development opportunities that outweigh the benefits of a full external assessment.

Key features of a SAIV include:
- A comprehensive and fully documented self-assessment process that emulates the full external assessment process, at least with respect to the evaluation of conformance with the Definition of Internal Auditing, Code of Ethics, and Standards.
- An independent, on-site validation by a qualified, independent assessor.
- Potential reduced cost but limited attention to other areas such as benchmarking; review, consultation, and employment of leading practices; and interviews with senior and operations management.

An individual or team under the direction of the CAE performs and fully documents the self-assessment process.

A qualified, independent assessor or assessment team subsequently performs sufficient tests to evaluate the level of conformance with the Definition of Internal Auditing, Code of Ethics, and Standards, as well as other self-assessment findings. The independent validation may follow the process outlined in The IIA’s Quality Assessment Manual or a similar comprehensive methodology.

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Practice Advisory 1312-3:
Independence of the External Assessment Team in the Private Sector

Primary Related Standard

1312 – External Assessments
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

• The form and frequency of external assessment; and
• The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

Practice Advisory 1312-3:

The private sector includes organizations that are not government-related, publicly controlled, or publicly funded agencies, enterprises and other entities that deliver public programs, goods, or services.

All members of the external assessment team should be independent from the organization and its personnel. In particular, members of the assessment team should be free from actual, potential, or perceived conflicts of interest with the organization and its personnel. Key considerations include:

• Independence from the organization means not being under the influence of the personnel of the organization whose internal audit activity is being assessed.
• The selection process for an external assessor should consider the candidate’s actual, potential, or perceived conflicts of interest arising from past, present, or potential future
relationships with the organization or its personnel. Relationships to be considered include those of a personal or commercial nature, or both.

- Individuals in another department of the organization, or in a related organization, although organizationally separate from the internal audit activity, are not considered independent for purposes of conducting an independent external assessment. Therefore, reciprocal external assessments among departments or related organizations are not acceptable. A “related organization” may be a parent organization; an affiliate in the same group of entities; or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization.

- Reciprocal external assessment teaming arrangements among three or more organizations (e.g., within an industry or affinity group, regional association, or other group of organizations) may be structured in a way that achieves the independence objective. Care should be taken to ensure that the issue of independence does not arise and that all team members are able to fully exercise their responsibilities without limitation due to matters of confidentiality, etc. Reciprocal external assessments performed between two organizations are not acceptable for the purpose of an external assessment.

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Practice Advisory 1312-4: Independence of the External Assessment Team in the Public Sector

Primary Related Standard

1312 – External Assessments
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:
- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

Practice Advisory 1312-4:

The public sector includes all tiers of government (national, state/province, county, or city government) and government-owned or controlled authorities or enterprises (the entity). In the public sector, internal audit activities in different tiers of government may be independent for the purpose of external assessments.

Quasi-governmental bodies including organizations that are owned or controlled by multiple governments, such as the United Nations and the European Commission, should follow PA 1312-3: Independence of the External Assessment Team in the Private Sector.

All members of the assessment team who perform the external assessment should be independent of that organization and its internal audit personnel. In particular, members of the assessment team should have no actual, potential, or perceived conflicts of interest with the organization.
and/or its personnel. Areas to consider in assessing independence of the assessment team include:

- Independence from the organization means not being under the influence of the personnel of the organization whose internal audit activity is being assessed.

- The selection process for an external assessor should consider the candidate’s actual, potential, or perceived conflicts of interest arising from past, present, or potential future relationships with the organization. Relationships to be considered include those of a personal or commercial nature, or both.

- Where internal audit activities within the same tier of government report to the same chief audit executive (CAE), individuals are not considered independent for the purpose of performing external assessments even if they work in separate entities.

- Reciprocal assessments among three or more peer organizations may be considered independent if the CAE documents that the assessor does not have a conflict of interest nor is under the control of the organization to which the internal audit activity belongs.

- Peer organizations are organizations within the same tier of government, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members are able to fully exercise their responsibilities.
  - Reciprocal peer assessors/assessment teams should possess the skills, experience, and knowledge previously described.
  - Reciprocal peer assessments between two organizations are not independent.

The independence of the assessment team, including actual, potential, or perceived conflicts of interest, should be discussed with the board and with the executive to whom the CAE reports administratively.

When selecting the external assessment team, the CAE should consider the extent of the candidates’ public sector experience.

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Practice Advisory 1320-1
Reporting Results of the
Quality Assurance and Improvement Program

Primary Related Standard

1320 – Reporting on the Quality Assurance and Improvement Program
The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

Interpretation:
The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Practice Advisory 1320-1:

Internal Assessments
At least annually, the chief audit executive (CAE) should establish a means for communicating internal assessment results that enhances credibility and objectivity. Generally, those assigned responsibility for conducting ongoing monitoring and periodic self-assessments communicate the results directly to the CAE while performing the assessments. In a smaller internal audit activity, the CAE may take a greater direct role in the internal assessment process. The CAE should report on both ongoing and periodic internal assessment results for all attribute and performance standards as well as the Definition of Internal Auditing and the Code of Ethics, and where appropriate corrective action plans and implementation progress, to the executive to whom the CAE reports administratively and to the board.

External Assessments

Full External Assessments
The assessor/assessment team should discuss preliminary results with the CAE during the assessment process.

In determining the nature of the external assessment report, the CAE and board may consider:

- Whether the full external assessment should result in an expressed opinion or conclusion on conformance.
- The degree to which the final report will consider the efficiency, effectiveness, and value-add of the internal audit activity.
- The scope of work performed by the internal audit activity to be covered by the full external assessment.
Self-assessment with Independent External Validation
As part of the independent validation, the independent external validator — upon completion of a rigorous assessment of the self-assessment team’s evaluation of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards — should:

- Review the draft report and attempt to reconcile unresolved issues (if any).
- If in agreement with the conclusion of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, add wording (as needed) to the report, concurring with the self-assessment process and conclusion and — to the extent deemed appropriate — with the report’s findings, conclusions, and recommendations.
- If not in agreement with the evaluation, add wording to the report specifying the points of disagreement and — to the extent appropriate — with the significant findings, conclusions, recommendations, and opinions in the report.
- Alternatively, prepare a separate independent validation report — concurring or expressing disagreement as outlined above — to accompany the report of the self-assessment.

Final Reports
The final report of a full external assessment or a self-assessment with independent external validation should be signed by the qualified, independent external assessor.

The nature of the final communication should be agreed to by the CAE and board and may include:

- A conclusion on the engagement based on the objectives established at the beginning of the external assessment and agreed to with the board.
- A conclusion on the internal audit activity’s conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards based on an assessment against a rating scale, such as outlined in The IIA’s Quality Assessment Manual or a similar scale.
  - A conclusion on the internal audit activity’s conformance/compliance with its charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
  - An assessment and evaluation of the use of best practices, both those observed during the assessment and others potentially applicable to the activity.
  - An assessment of the efficiency and effectiveness of the internal audit activity in carrying out its charter and meeting the expectations of stakeholders.
  - Recommendations for improvement, where appropriate.
  - Response from the CAE that includes, where appropriate, an action plan and implementation dates.

The expression of an opinion or conclusion on the results of the external assessment should be based on application of sound business judgment, integrity, and due professional care. The CAE and board may agree to the rating scale used for the external assessment. An example of a rating scale is:

- “Generally Conforms” — the top rating and means that an internal audit activity has a charter, policies, and processes, execution and results of which are judged to be in conformance with the Standards.
- “Partially Conforms” — means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities.
- “Does Not Conform” — means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Reporting the Results of the Overall Quality Assurance and Improvement Program (QAIP)
To provide accountability and transparency, the CAE should communicate the results of the QAIP annually to the board and the executive to whom the CAE reports. The results of the QAIP include, where appropriate, corrective action plans and progress on completion. The distribution of QAIP reporting may include various stakeholders of the activity, such as senior management, the board, and the external auditors.

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Practice Advisory 1321-1:
Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

Primary Related Standard

1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”
The chief audit executive may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.

Interpretation:
The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics, and Standards. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

Practice Advisory 1321-1:

One of the objectives of a quality assurance and improvement program is to evaluate the internal audit activity’s conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

If the internal assessments demonstrate conformance during the first five years of an internal audit activity’s existence, and this has been communicated to the board, the chief audit executive (CAE) may state that the audit activity conforms with the Standards.

If an external quality assessment or a self-assessment with independent external validation (SAIV) identifies that conformance is not achieved, the internal audit activity must cease stating that it conforms until such time as its quality assurance and improvement program confirms that the deficiencies have been corrected adequately.

If an external quality assessment or a SAIV is not conducted within the required time frame, the internal audit activity must cease stating that it conforms until one or the other is completed indicating that conformance is achieved.

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Practice Advisory 1322-1:
Disclosure of Nonconformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*

**Primary Related Standard**

1322: Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

**Practice Advisory 1322-1:**

The chief audit executive is responsible for disclosing instances of the failure to conform with the Definition of Internal Auditing, the Code of Ethics, or the Standards where these nonconformances affect the overall scope and operation of the internal audit activity. Typical examples of nonconformance include:

- Assigning auditors to undertake an engagement who do not meet objectivity requirements.
- Failing to consider risk in the preparation of the annual audit plan.
- Undertaking engagements beyond the collective knowledge, skills, and experience of the internal audit activity.

Not performing an external quality assessment once every five years leads to not being in a position to state that the internal audit activity “conforms to the *International Standards for the Professional Practice of Internal Auditing.*” This effect of nonconformance should be disclosed to senior management and the board.

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