



International Professional
Practices Framework

Implementation Guide 1320

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. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

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 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.

Revised *Standards*, Effective 1 January 2017



Getting Started

Standard 1320 communicates the minimum criteria that the chief audit executive (CAE) must communicate to senior management and the board related to the quality assurance and improvement program (QAIP). Reviewing the requirements related to each element in the standard may help the CAE prepare to implement this standard.

As this standard indicates, the CAE is responsible for communicating results of the entire program. To do this, the CAE must understand the requirements of the QAIP (see Standard 1300 – Quality Assurance and Improvement Program). Typically, the CAE meets regularly with senior management and the board to understand and agree upon the expectations for communications surrounding the internal audit activity, including those regarding the QAIP. The CAE also considers the responsibilities related to the QAIP that are outlined in the internal audit charter.

The CAE should be aware of any internal assessments, including periodic assessments and ongoing monitoring, as well as completed external assessments. As such, the CAE should have an understanding of the internal audit activity's degree of conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and The IIA's Code of Ethics.

Considerations for Implementation

Typically, details regarding the QAIP are documented in the policies and procedures manual for the internal audit activity (see Standard 2040 – Policies and Procedures) and the internal audit charter (see Standard 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter). The CAE may begin by reviewing this information to understand the communication requirements related to reporting on the QAIP, which include four core elements:

- Scope and frequency of internal and external assessments.
- Qualifications and independence of the assessors.
- Conclusions of assessors.
- Corrective action plans.

Scope and Frequency of Internal and External Assessments

The scope and frequency of both internal and external assessments must be discussed with the board and senior management (see Standard 1311 – Internal Assessments and Standard 1312 – External Assessments). The scope should consider the responsibilities of the internal audit activity and the CAE, as contained in the internal audit charter. The scope may include board and senior management expectations of the internal audit activity, as well as expectations expressed by other stakeholders. It may also include internal audit practices assessed against the *Standards*, as well as any other regulatory requirements that may impact the internal audit activity. The frequency of external assessments varies depending on the size and maturity of the internal audit activity.

Internal Assessments

The CAE should establish a means for communicating the results of internal assessments at least annually to enhance the credibility and objectivity of the internal audit activity. The Interpretation of Standard 1320 states that the results of periodic internal assessment should be communicated upon completion of such assessments, and the results of ongoing monitoring should be completed at least annually.

Periodic internal assessments may include an evaluation of the internal audit activity's conformance with the *Standards* to support the internal audit activity's statement of conformance (see Standard 1321 – use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"). Larger organizations may conduct periodic internal assessments annually, while smaller or less mature internal audit activities, may perform them less frequently (e.g., every two years). For example, the internal audit activity may perform a periodic assessment over a multi-year period, and report on the results of the work conducted during each period separately.

Ongoing monitoring typically includes reporting on internal audit key performance indicators. The CAE may provide an annual report to senior management and the board regarding the results of ongoing monitoring and include any recommendations for improvement.

Generally, those assigned responsibility for conducting ongoing monitoring and periodic internal 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 results of internal assessments include, where appropriate, corrective action plans and progress against completion. The CAE may distribute internal assessment reports to various stakeholders, including senior management, the board, and external auditors.

Implementation Guide 1311 – Internal Assessments provides additional detail regarding ongoing monitoring and periodic internal assessments.

External Assessments

The CAE must discuss the frequency of external assessments with senior management and the board. The *Standards* require the internal audit activity to undergo an external assessment at least once every five years. However, upon discussing these requirements with the senior management and the board, the CAE may determine that it is appropriate to conduct an external assessment more frequently. There are several reasons to consider a more frequent review, including changes in leadership (e.g., senior management or the CAE), significant changes in internal audit policies or procedures, the merger of two or more audit organizations into one internal audit activity, or significant staff turnover. Additionally, industry-specific or environmental issues may warrant more frequent review.

Qualifications and Independence of the Assessors

When selecting an external assessor or assessment team, the CAE typically discusses with senior management and the board the qualifications of the potential assessor(s) and several factors related to independence and objectivity, including actual, potential, or perceived conflicts of interest. Afterward, when reporting the results of the external assessment, the CAE typically confirms the qualifications and independence of the external assessor or assessment team. Any actual, potential, or perceived conflicts of interest should be reported to senior management and the board. Implementation Guide 1312 – External Assessments provides additional details regarding qualification and independence of external assessors.

Conclusion of Assessors

External assessment reports include the expression of an opinion or conclusion on the results of the external assessment. In addition to concluding on the internal audit activity's overall

degree of conformance with the *Standards*, the report may include an assessment for each standard and/or standard series. The CAE should explain the rating conclusion(s) to senior management and the board, as well as the impact from the results. An example of a rating scale that may be used to show the degree of conformance is:

- **Generally conforms** – This is the top rating, which means that an internal audit activity has a charter, policies, and processes, and the execution and results of these are judged to be in conformance with the *Standards*.
- **Partially conforms** – Deficiencies in practice are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities.
- **Does not conform** – Deficiencies in practice are judged to be so significant that they seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Corrective Action Plans

During an external assessment, the assessor may provide recommendations to address areas that were not in conformance with the *Standards*, as well as opportunities for improvement. The CAE should communicate to senior management and the board any action plans to address recommendations from the external assessment. The CAE may also consider adding the external assessment recommendations and action plans to the internal audit activity's existing monitoring processes related to internal audit engagement findings (see Standard 2500 – Monitoring Progress). After recommendations identified during the external assessment have been implemented, the CAE generally communicates this to the board, either as part of the internal audit activity's monitoring progress or by following up separately through the next internal assessment (Standard 1311), as part of the QAIP.

Considerations for Demonstrating Conformance

Multiple items may indicate conformance with Standard 1320, including board meeting minutes or minutes from other meetings to document the discussions with senior management and the board related to the scope and frequency of both internal and external assessments. Minutes from board or other meetings should also provide documentation to support the qualifications



and independence of the external assessor or assessment team. Additionally, procurement documentation may show the process related to any bidding requirements to obtain services.

Other documentation may indicate conformance with the standard, specifically related to the communication of periodic internal and external assessments. Internal audit communications may include a copy of the external assessment report. This report typically provides the details that support the assessor's conclusion, and may include a rating for each standard. The external assessor may provide a presentation to senior management and the board, or the CAE may communicate the QAIP results directly.

About The IIA

The Institute of Internal Auditors (The 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 180,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla. For more information, visit www.globaliia.org or www.theiia.org.

About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

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