



Association of Local Government Auditors

**For Assessing Compliance with
International Standards for Professional
Practice of Internal Auditing, 2007**

Peer Review Guide

For use in self-assessment with verification
described in IIA Practice Advisory 1312-2

**Peer Review Guide for Assessing
Compliance with International Standards for the
Professional Practice of Internal Auditing
2007**

**For use in self-assessment with verification described in IIA
Practice Advisory 1312-2**

ASSOCIATION OF LOCAL GOVERNMENT AUDITORS

Peer Review Guide
For Assessing Compliance with International Standards for the Professional Practice of Internal Auditing, 2007

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Purpose and Objectives

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

The Association of Local Government Auditors (ALGA) is committed to improving the quality of auditing in local government. We encourage local auditors to adopt and follow either *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States or *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) issued by the Institute of Internal Auditors. We recognize that some government audit organizations are mandated to follow IIA Standards or have chosen to follow IIA Standards to meet their organizations' needs. ALGA's peer review program is intended to help member organizations in their efforts to meet either or both sets of standards.

Peer review is a benefit of ALGA membership. The Peer Review Committee has developed two separate peer review guides to assist member organizations to meet the external quality control standard for either GAS or IIA Standards. It is our view that GAS and IIA Standards are compatible, but do not correlate one for one. Therefore, organizations that follow both sets of standards should use this guide along with the most current *Peer Review Guide*, which assesses compliance with GAS.

IIA Standards require audit organizations to have an external peer review at least once every five years. This guide is intended to assist member organizations in complying with IIA Standards and is consistent with IIA practice advisory 1312-2, which describes requirements for self-assessment with verification. ALGA does not provide broader scoped peer reviews as described in IIA practice advisory 1312-1. All references to the peer review guide in this document refer to the ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing. We encourage members to use this guide to self-assess, to make preparations, and to undergo a peer review.

The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies and procedures were complied with to provide the audit organization with reasonable assurance of conforming to applicable professional standards. We have designed the forms contained in this guide to assist reviewers in making this determination. Audit organizations should take remedial, corrective actions as needed based on the results of the peer review.

An audit organization can use the *ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Audit* as a tool to conduct a self-assessment. By completing the Audit Organization Description of its Quality Control System (QCS Description), an organization can identify weaknesses in its internal quality control system and develop improved procedures to help ensure

compliance with standards. Audit organizations are advised to conduct such an assessment and have controls in place before undergoing an external peer review.

ALGA would like to acknowledge the members of Peer Review Committee for their efforts in preparing the *Peer Review Guide*:

- Alan Ash, Review Coordinator, Audit Director, Toronto, ON
- Mike Edmonds, Review Coordinator, Supervising Auditor, San Jose, CA
- David Givans, At-Large Member, County Internal Auditor, Deschutes County, OR
- Bill Greene, Review Coordinator, Deputy City Auditor, Phoenix, AZ
- LaVonne Griffin-Valade, At-Large Member, County Auditor, Multnomah County, OR
- Drew Harmon, At-Large Member, Municipal Auditor, Roanoke, VA
- Theresa McGrady, At-Large Member, Audit Director, Fairfax County Public Schools, VA
- Amanda Noble, Chair, Deputy City Auditor, Atlanta, GA
- Mike Taylor, Review Coordinator, City Auditor, Stockton, CA

If you have questions regarding the ALGA Peer Review Program, the ALGA Peer Review Guide, or if you would like to schedule a peer review, please contact a current Peer Review Committee member. Peer Review Committee member contact information can be obtained from the ALGA web site or Member Services.

Overview of the Peer Review Process

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

There are three major peer review phases: (1) preparation, (2) the site visit, and (3) reporting.

Phase 1: Preparation

The audit organization should contact ALGA at least six months before the review. In the preparation phase, a review coordinator assembles a team consisting of a team leader and, depending on the nature and extent of the review, a number of review members. The coordinator works with the audit organization and team leader to ensure that the review agreement is signed and travel arrangements are made. The audit organization sends the completed background information and description of its internal quality control system to the team members.

Phase 2: The Site Visit

During the site visit phase, the review team examines the organization's internal quality control system and a sample of the audit organization's work for compliance with IIA Standards. In addition, the reviewers meet with audit management to discuss their conclusions. The team assesses the overall level of compliance: full compliance, partial compliance, or noncompliance, and begins drafting their report. The site visit should generally last five days.

Phase 3: Reporting

The audit organization prepares a written response to the reviewers' conclusions. The reviewers complete and issue their final report. From the date of the exit conference, audit management has two weeks to prepare their written response, and reviewers have four weeks to issue their report.

Please see the "INSTRUCTIONS" section for more detail on the peer review process.

Instructions

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

This section of the Peer Review Guide provides instructions for audit organizations that are preparing for peer review. It also provides instructions for peer review teams to prepare for and conduct the review and report the results. The chart, Summary of Steps and Forms, summarizes each major step in the peer review process and shows who is responsible for each step and when it is to be completed.

Organizations Undergoing Peer Review

In order to prepare for the peer review, the audit organization should:

- ***Become familiar with ALGA's peer review process and assess its readiness for review.*** Thoroughly reviewing the Peer Review Guide and talking to the review coordinator is the best way to accomplish this. (Members can find out how to reach their coordinator by calling member services or from ALGA's web site). Before undergoing review for the first time, many organizations send someone to attend ALGA's peer review training, participate in a review of another organization, or review their own work using ALGA's Peer Review Guide. Members can also talk to organizations that have had a peer review and obtain peer review reports from other jurisdictions on ALGA's web site.
- ***Set the review period.*** The review period establishes the scope of the peer review. The review team will select assurance and consulting engagements issued during the review period to assess the extent to which the work complied with IIA Standards. Most organizations select a five year review period because IIA Standards require a peer review at least once every five years. However, organizations may undergo peer review more often, and organizations that are undergoing their first review may select a shorter time period for review.
- ***Contact ALGA to schedule the review.*** The review coordinator is responsible for selecting peer review team members with the audit organization's input. IIA Standards require that members of the peer review team are competent in the practice of internal auditing and the peer review process, are independent of the organization undergoing the review, have integrity and objectivity, and exercise professional judgment. The reviewers should be competent, certified (e.g., CIA, CPA, CA, CISA) audit professionals. The coordinator will recruit a team that meets these requirements. In order to meet the organization's needs, the coordinator may ask for background information, such as the size of the organization, what types of work it conducts, whether the organization has had a review before and what it has done to prepare for a review. The coordinator will make an effort to accommodate requests – such as recruiting team members with specific skills or experience or from nearby jurisdictions to reduce travel costs.

- ***Sign the review agreement.*** Once the coordinator has recruited a team and confirmed that members are available for the requested time, the audit organization is responsible for entering into a written agreement with ALGA. The agreement specifies the purpose and scope of the peer review, who will conduct the review, when it will be conducted, and how expenses will be handled. Peer review is a benefit of ALGA membership. Member organizations taking advantage of the peer review program do not pay reviewers for their time but agree to provide personnel for peer reviews of other member organizations. A Standard Review Agreement is provided with this Peer Review Guide, or an electronic copy is available from the coordinator or ALGA's web site.

- ***Coordinate travel arrangements.*** The organization is responsible for working directly with the individuals on the peer review team to coordinate travel arrangements. We encourage organizations to arrange and pay directly for air travel, hotel accommodations, and rental car transportation in order to avoid tax repercussions for reviewers. Organizations should reimburse reviewers for meals and other reasonable expenses. Per Diem reimbursement rates are preferred if allowed by the organization. Organizations should enter into the review agreement before making travel arrangements.

- ***Complete and send Background and QCS Description forms to the peer review team members.*** The organization is responsible for sending the completed forms and requested supporting documents to the team members at least one month before the site visit.

The Background Form provides the team with information about the organization such as the number of staff, size of budget, audit authority, types of work performed, and time spent on each type of work. The Background Form also requires the organization to list all assurance and consulting, and other types of work completed during the review period. This information is necessary for the team leader to plan the review.

The QCS Description Form provides the team with a narrative description of how the organization ensures that it complies with IIA Standards. Use the form to describe what the organization does and supplement the descriptions with references to policies and procedures or other relevant documents. The team will use the QCS description to begin assessing the organization's internal control system. Developing an understanding of procedures before the site visit will allow the team to conduct engagement reviews effectively.

Keep in mind that the Peer Review Guide and forms summarize the requirements in the standards. If uncertain about the intent of a question or step, please review the standards and practice advisories and feel free to ask the coordinator questions at any time during the review.

During the on-site portion of the peer review, the audit organization should:

- ***Provide work space.*** The organization should provide the review team with adequate work space, including opportunities for private discussions. The team will need access to a computer for writing the report. Internet access may also be helpful for the team to access peer review forms, templates and guidance.
- ***Participate in an entrance conference.*** The entrance conference provides an opportunity for audit management to meet the team and discuss any issues or concerns about the review.
- ***Ensure requested staff and documents are available to reviewers.*** The organization should ensure that requested staff and documents are available in a timely manner. The organization should alert the team leader before the on-site portion of the review if workpapers for some engagements are not stored on site or are not easily accessible. The organization should ensure that prior peer review workpapers, if applicable, are available to the team.
- ***Discuss preliminary findings and conclusions with team.*** The review team will meet with audit management to discuss their preliminary conclusions. This meeting should provide an opportunity for the organization to respond to the team's questions and offer additional information as needed.
- ***Exit conference.*** The review team will brief audit management on its final conclusions during the exit conference. The team should share a draft report or outline before or during the meeting. Audit management may provide additional comments at this time. The exit conference also provides an opportunity for reviewers to share informal comments.

After the on-site portion of the peer review, the audit organization should:

- ***Prepare written response to the report.*** Management's response is appended as part of the final written report. The organization is responsible for preparing the written response and sending it to the review team leader within two weeks after the review. Organizations are often able to complete the response while the team is still on site.
- ***Make report available.*** IIA Standards require the chief audit executive to communicate the results of the peer review to the governing body of the organization.
- ***Complete travel reimbursements.*** The organization should reimburse expenses according to the terms established in the review agreement within a reasonable amount of time.

- ***Retain peer review workpapers.*** The peer review team will compile a set of workpapers documenting their review. The workpapers are the property of ALGA. Audit organizations are responsible for maintaining the workpapers at least until completion of the following peer review.
- ***Provide feedback about the review to the ALGA Peer Review Committee.*** The Peer Review Committee appreciates feedback from organizations undergoing review. Please complete the Peer Review Survey form contained in this Peer Review Guide and send it to the Peer Review Committee Chair. The Peer Review Committee will use the information to improve the peer review process and tailor training to address identified needs.

Peer Review Team

Before the on-site portion of the review, the team leader and team members should:

- ***Complete the Qualifications and Independence Statement.*** The team leader and members of the review team are responsible for completing a Qualifications and Independence Statement, which is provided with this Peer Review Guide. The Qualifications and Independence Statement documents that each member or the team meets the IIA Standards requirements for members of an external peer review team. Members should send copies of the completed Qualifications and Independence Statement to the team leader, the review coordinator, and the organization under review. It is acceptable to send the forms by email. The team leader will retain signed copies for the peer review workpapers.
- ***Coordinate with the audit organization on travel arrangements.*** The audit organization is responsible for making travel and hotel accommodations for reviewers. We encourage organizations to pay directly for airfare, hotel, and rental car expenses, if needed, in order to avoid tax repercussions for reviewers.
- ***Review the Peer Review Guide, IIA Standards, and Practice Advisories.*** Members of the review team should review the Peer Review Guide and QCS and engagement review forms prior to the review. Team members should keep in mind that the Peer Review Guide and forms summarize the requirements in the standards. If a member is uncertain about the intent of a question or step, he or she should read the standard and talk to the team leader.
- ***Review completed Background and QCS Description forms.*** The audit organization is responsible for sending completed Background and QCS Description forms to team members at least one month before the on-site portion of the peer review. All members should review the documents to understand the audit organization's procedures, the environment in which it operates, and the types of work the organization conducts. The team leader should use the documents to begin assessing the quality control system and to plan the review – including types of engagements to be reviewed, additional documents to be checked, and potential interview questions. The team leader should consider

whether to test the completeness of the list of engagements using operational reports issued by the organization (e.g., annual reports, audit plans, etc.) or internal management records (e.g., time reports, engagement numbering control logs, etc.).

- ***Select engagements for review.*** The team leader is responsible for selecting engagements for review. The engagements should represent a reasonable cross-section of types of work, audit supervisors, and time span. The review should be sufficiently comprehensive to provide a reasonable basis for concluding whether the audit organization complied with its system of quality control and whether the system provided reasonable assurance that the organization's work complied with standards.

Once on site, the peer review team should:

- ***Conduct a team planning meeting.*** The reviewers should hold a team planning meeting prior to their entrance conference with the audit organization. The meeting provides an opportunity for the team leader to orient team members, make assignments, and set a timeline for completing the QCS and audit engagement reviews. The team leader should follow the Team Leader Checklist contained in this Peer Review Guide to ensure all review steps are completed.
- ***Conduct entrance conference.*** The team is responsible for holding an entrance conference with the audit organization to introduce the team, provide an overview of the process, and discuss any issues or concerns the organization may have about the review.
- ***Conduct peer review fieldwork, including QCS and engagement reviews.*** The peer review team should complete the QCS and engagement reviews. The purpose of the QCS review is to assess whether the organization's system of internal control is adequate to ensure that the organization is following applicable IIA Standards. The team leader normally completes this form by reviewing the QCS description, and checking relevant policies and procedures, and other documents as necessary (training records, personnel files, etc) to confirm that procedures are followed. The team leader should also interview management and staff as necessary to clarify actual practices and assess their understanding of controls. The team leader should also follow-up on prior peer reviews, if applicable. The organization should make workpapers from the prior peer review available to the team if applicable.

The purpose of the review of audit engagements is to test whether the organization followed its system of internal control and complied with applicable IIA Standards on a representative sample of engagements conducted throughout the review period. Peer review team members complete one form for each engagement selected by reviewing the report and supporting working papers. The reviewers should also interview the auditor in charge or audit staff as necessary.

Frequent communication with management and staff throughout the review is helpful to prevent misunderstanding.

- ***Complete Summary of Exceptions form.*** The review team records exceptions (items marked “No” on the QCS and engagement reviews) on the Summary of Exception form and considers whether the exception was likely to have had a negative impact on audit quality. Team members should use professional judgment when making these determinations. Keep in mind that the nature and extent of an organization’s quality control system depends on a number of factors – including the size of the shop, experience of staff, and type of work performed. The team should also consider what compensating controls are in place. It is useful to group the exceptions by the standard being reviewed in order to identify patterns. For example, the team should record all exceptions relating to planning together on one sheet. The team will then review the exceptions to identify potential weaknesses in the organization’s internal quality control system and to assess the organization’s overall level of compliance.
- ***Discuss preliminary findings and conclusions with management.*** The review team is responsible for meeting with audit management to discuss their preliminary conclusions. This meeting should provide an opportunity for the organization to respond to the team’s questions and offer additional information as needed.
- ***Determine the overall level of compliance.*** The peer review process is designed to assess the audit organization’s overall level of compliance with IIA Standards based on the answers to two questions:
 1. Did the audit organization have an internal quality control system that provided reasonable assurance that audit work was conducted in accordance with applicable IIA Standards?
 2. Did the audit organization follow its system of internal control and comply with applicable IIA Standards in the work it conducted during the period under review?

The QCS review and related testing is designed to answer the first question. The engagement reviews and related testing are intended to answer the second question. The answers to these questions help the team develop their opinion of the overall level of compliance. There are no quantitative criteria for determining the overall level of compliance. The peer review team must exercise professional judgment in considering the pattern, pervasiveness, and significance of exceptions given the overall size and nature of the audit shop being reviewed.

The ALGA peer review process can result in three levels of compliance: Compliance, Partial compliance, or noncompliance.

Compliance. In concluding that the audit organization was in full compliance with IIA Standards over the review period, reviewers are expressing their professional opinion that the practices of the internal audit activity, taken as a whole, satisfy the requirements of the Standards. Compliance does not necessarily imply that the organization complied with IIA Standards in every case – individual judgment and performance vary and can affect the extent of compliance.

Partial compliance. In concluding that the audit organization was in partial compliance with IIA Standards over the review period, reviewers are expressing their professional opinion that the audit organization had some deficiencies in its quality control system that resulted in recurring instances of noncompliance with IIA Standards, although the majority of its work complied with IIA Standards. The degree of “partial compliance” with individual standards should also be expressed in the opinion.

Noncompliance. In concluding that the audit organization did not comply with IIA Standards over the review period, reviewers are expressing their professional opinion that the impact and severity of the deficiencies in the practice of the internal audit activity are so significant that they impair the internal audit activity’s ability to discharge its responsibilities.

- ***Develop comments for management letter.*** The management letter provides an opportunity for the team to provide formal feedback to the organization – both to recognize strengths and to make recommendations for improvements. In cases of partial compliance or noncompliance, the management letter should describe identified deficiencies in detail and make recommendations to bring the organization into full compliance with IIA Standards. In cases of full compliance, the team may prepare a management letter to make recommendations to strengthen or streamline existing controls or address potential problems that are not significant enough to warrant a qualified opinion. A management letter is not required in cases of full compliance, but most audit organizations appreciate the feedback from their peers. The team should develop comments based on their review work, summary of exceptions, and feedback from audit management. Management letter comments should refer to a specific standard. Comments or observations that are not related to a specific standard or are not based on the peer review fieldwork should be provided orally in discussions with management. The team leader should talk to the review coordinator or another member of the peer review committee about the proposed comments and recommendations before drafting the management letter or should ask the coordinator or other member of the peer review committee to review a draft of the management letter before sharing it with the audit organization.
- ***Draft reports.*** The peer review team should draft the opinion report and management letter or draft outlines of the reports prior to the exit conference. Suggested formats for the report and management letter are included in this Peer

Review Guide. IIA Standards require that the team prepare a written report. The report should indicate the scope of the review, any limitations to scope, and should express an opinion on whether the organization's system of quality control was adequate and was being complied with during the review period to provide the organization with reasonable assurance of conforming to applicable IIA Standards. The opinion report should refer to the management letter if one is issued.

- ***Conduct an exit conference.*** The review team will brief audit management on its final conclusions during the exit conference. The team should share a draft report or outline before or during the meeting. Audit management may provide additional comments at this time. The exit conference also provides an opportunity for reviewers to share informal comments.

After the on site portion of the peer review, the peer review team should:

- ***Prepare the final report(s).*** The review team leader has four weeks from the exit conference to issue the team's final report(s), which includes the audit organization's written response. Reports are addressed to the head of the audit organization and printed on ALGA letterhead (available on ALGA's web site). The report should state that the team conducted the review in accordance with standards for conducting an ALGA peer review and used the Peer Review Guide. A template for a report cover is also available on ALGA's web site. Teams are often able to complete the final report while still on site. The team leader is responsible for distributing copies of the final report to the audit organization, the chair of the peer review committee, and the review coordinator.
- ***Compile workpapers.*** The team leader is responsible for compiling workpapers. A suggested workpaper index is provided with this Peer Review Guide. At a minimum, workpapers should include: a copy of the signed review agreement, copies of the reviewers' Qualification and Independence statements, all Peer Review Guide forms completed as part of the review, summaries of major items discussed at the entrance and exit conferences, and copies of the opinion report, management letter, and audit management's formal written response. The team leader should complete workpapers to the extent possible while still on site. The audit organization is responsible for retaining the workpapers.

Summary of Steps and Forms

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

Step/Form	Audit Organization	Peer Review Team	ALGA
(1) Assess readiness and request review	Reviews guide and talks to review coordinator.		Review coordinator recruits team and confirms dates.
(2) Qualifications and Independence Statement	Receives copies to ensure team members meet needs.	Team leader ensures members complete prior to site visit. Copies to review coordinator and audit organization.	Review coordinator receives copies to ensure team members meet IIA requirements.
(3) Review Agreement	Prepares terms and signs.	Consults with Organization and Review Coordinator on terms of agreement.	Executes agreement and forwards copies to team members.
(4) Travel Arrangements	Makes arrangements and coordinates with team members.		
(5) Background and QCS Description	Completes and sends to review team 1 month before site visit.	Reviews and prepares for site visit.	Review coordinator available to answer questions.
(6) Team planning meeting		Team leader orients team, plans work, finalizes engagements selected for review, follows checklist	
(7) Entrance conference	Discusses questions and concerns.	Introduces team and describes process.	
(8) QCS review	Makes staff and documents available.	Completes based on QCS Description, documents, and interviews.	Review coordinator available to answer questions.
(9) Review of Audit Engagements	Makes staff and documents available.	Completes based on workpapers and interviews.	Review coordinator available to answer questions.
(10) Summary of Exceptions		Completes based on QCS and engagement reviews and interviews.	Review coordinator available to answer questions.

Step/Form	Audit Organization	Peer Review Team	ALGA
(11) Meeting of management and reviewers	Responds to review team's preliminary conclusions, provides additional information and documentation as needed.	Briefs management on preliminary findings and conclusions.	
(12) Assess compliance, prepare comments and draft report(s)		Members reach agreement on overall opinion and develop recommendations. Use sample reports to prepare drafts.	Review coordinator reviews report(s) to provide feedback.
(13) Exit conference	Discuss report(s) and recommendations.	Share draft or outline. Discuss report(s) and recommendations.	Review coordinator available to answer questions.
(14) Written response	Prepares and delivers to team leader within 2 weeks.	Attaches to final report.	Review coordinator available to answer questions.
(15) Final report		Copies to Audit Organization, Peer Review Committee Chair, and Review Coordinator within 4 weeks.	
(16) Workpapers	Retain at least until next review is completed. Make available for subsequent peer review.	Team leader compiles workpaper file using suggested index.	
(17) Evaluation	Complete evaluation form and send to Peer Review Committee Chair.		Peer Review Committee reviews to assess whether process is working as intended and to identify training topics.

A. Standard Review Agreement

ALGA Peer Review Guide Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

(Letterhead of Organization Under Review)

(Date)

(ALGA Review Coordinator Name and Address)

Dear (Mr./Ms. ALGA Review Coordinator Name):

I would like to thank you for coordinating the peer review for the (Organization Under Review). This letter confirms our understanding of the arrangements for the review. The review team will consist of (Team Leader Name) as team leader, with (Member Name) and (Member Name) as team members.

The scope of the review will be to conduct a peer review following guidelines contained in the *ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing, 2006 Edition*. The objectives of the review will be to determine whether, during the period (Date Range), the (Organization Under Review)'s internal quality control system was (1) suitably designed and (2) operating effectively to provide reasonable assurance of complying with applicable *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

The review team will prepare a signed report and a letter to management, if appropriate, stating their conclusions. The review team will follow the reporting guidelines contained in the *ALGA Peer Review Guide – IIA Standards*.

During the course of the review, the review team will have full access to the (Office Name) policies and procedures, documents regarding the background, education, training and performance of the audit staff, audit and assurance reports, supporting work papers, documents relating to consulting services, and any other reports, correspondence, files, documents, etc. deemed pertinent by the review team. (Organization Under Review) personnel will also be available for interview by the review team.

The on-site portion of the review will be conducted during the period (Date Range). The final report will be issued on ALGA letterhead and will be delivered no later than (Date).

The (Organization Under Review) will pay reasonable expenses incurred by the review team members relating to the review. Reasonable meal and incidental travel expenses will be reimbursed directly to each review team member. Air travel, hotel accommodations, and rental car transportation will be arranged and paid directly by the (Organization Under Review). The value of each review team member's time will not be paid by the (Organization Under Review). Instead, the (Organization Under Review) will commit audit personnel to conduct peer reviews coordinated by ALGA for its members.

(Organization Under Review) agrees to hold ALGA and all of its officers and the review team harmless of any liability arising from actions of the review team members during the course of the review and/or resulting from the review, except for liability arising from the willful misconduct or the negligence of the review team members.

If this letter correctly expresses your understanding, please sign and return to me at your earliest convenience.

Sincerely,

(Audit Director Name and Title)

Accepted by: _____
ALGA Review Coordinator

Date: _____

B. Qualifications and Independence Statement

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This form is to be completed and signed by each review team member. It is intended to document the professional qualifications, independence, knowledge, and willingness to conduct the review in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) issued by the Institute of Internal Auditors and the *ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, 2006 Edition.

Audit Organization Under Review: _____

Review Period: _____

MEMBER QUALIFICATIONS

Name/Title: _____

Employer: _____

Phone: _____ E-mail: _____

Address: _____ Yrs. Experience: Auditing

_____ Supervisory

Degrees: _____

Certifications: _____

Types of Audits Conducted: _____

Types of Entities Audited: _____

Brief description of audit, supervisory, and peer review experience including peer review training, if any:

STATEMENT OF INDEPENDENCE, KNOWLEDGE AND AGREEMENT

I certify the following regarding a peer review of the organization and for the review period cited above:

I have no personal impairments that might cause me to limit the extent of the inquiry, limit disclosure, or weaken or slant findings in any way;

As required by Section 1312 of IIA Standards, I am not aware of any possible impairment to my independence, in fact or appearance, in conducting the review;

I have current knowledge of IIA Standards; and

I agree to perform the review under the direction of the ALGA Review Coordinator and in accordance with the *ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, 2006 Edition.

Signed: _____

Date: _____

C. Review Leader Checklist

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

This checklist is to be completed by the review team leader and is intended to assist him/her in planning, organizing, and conducting the peer review.

Audit Organization Under Review: _____

Name of Review Team Leader: _____

Review Item:	Date Completed
1. Obtain copy of signed Review Agreement from Review Coordinator.	_____
2. Ensure each review team member completes and signs a Qualifications and Independence Statement; keep one copy for working papers and provide audit organization and Review Coordinator with copies. Also, ensure each review team member has copies of the <i>Peer Review Guide</i> and current IIA Standards.	_____
3. Remind audit organization that it needs to provide you and all team members with completed Audit Organization Background Information and QCS Description forms at least one month prior to site visit.	_____
4. Coordinate with the audit organization concerning travel and hotel arrangements, team member reimbursements, and other administrative matters. Inquire if the organization would like a formal presentation of the peer review report and/or a meeting with the officials to whom the organization reports.	_____
5. Upon receipt of completed Background Information and QCS Description forms, tentatively complete the Review of Audit Organization's Quality Control System form prior to on-site arrival. Forward copies of the Background information and QCS Description forms to the peer review team.	_____
6. Direct review team members to study the <i>Peer Review Guide</i> and the organization's Background Information and QCS Description forms. Help reviewers understand the ALGA review process and coordinate with them as needed in preparation for the site-visit.	_____

7. Hold an initial review team planning meeting prior to the entrance conference with audit organization. Orient review team members; assign responsibilities for conducting the QCS Review and Audit / Engagement Reviews; select a sample of work for review (assurance and consulting engagements), and set timeline for completing review. Develop questions for the entrance conference.

8. Hold an entrance conference with managers of the audit organization. Discuss objectives, process, and review timeline. Resolve any initial questions developed by the review team. Remind the audit organization to complete Peer Review Survey at the conclusion of the review and send to the Peer Review Committee Chair.

9. Follow-up on issues identified in the audit organization's most recent peer review report and assess whether any uncorrected weaknesses from the previous review will impact the current review procedures, report and/or management letter.

10. Assess completeness of the Audits / Engagements Completed and Consulting Services Performed listing, which is included as part of the Background Information.

11. Complete the QCS Review Form. This should include discussions with various levels of professional staff to assess their understanding of and compliance with the audit organization's internal quality control system.

12. Oversee completion of Audit / Engagement Review forms by other team members.

13. Oversee completion of Summary of Exception forms.

14. Meet with review team to evaluate Summary of Exception forms, assess audit organization's overall compliance with IIA Standards, and develop management letter comments.

15. Discuss preliminary findings and conclusions with Review Coordinator.

16. Meet with managers of the audit organization to discuss your preliminary conclusions and obtain their input.

17. Prepare a draft report and management letter. Fax copies to the Review Coordinator for input.

18. Hold exit conference with managers of the audit organization to discuss team's final conclusions and the nature of the draft report. Share informal suggestions and comments on audit practices.

19. Review teams should complete and sign the report and management letter. _____
20. Complete working papers using suggested indexing system and leave in the custody of the audit organization. _____
21. Obtain management response within two weeks following the exit conference and provide audit organization with report cover, report and management letter within four weeks following the exit conference. _____
22. Remind audit organization to mail final report packet (i.e. report cover, report, management letter, and management response) to each member of the review team, the Review Coordinator and the Peer Review Committee Chair. _____

D. Suggested Workpaper Index

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

The following organization and indexing methodology is recommended in documenting work performed during an ALGA peer review. The index should be modified to accommodate work specific to each review.

- A. Report Files
 - A-1 Report
 - A-2 Management Letter
 - A-3 Management's Response

- B. Administrative Files
 - B-1 Review Agreement
 - B-2 Qualifications & Independence Statement
 - B-3 Review Leader Checklist
 - B-4 Miscellaneous Correspondence

- C. Preliminary Peer Review Information
 - C-1 Audit Organization Background Information
 - C-2 Audit Organization Quality Control System Description
 - C-3 Entity Codes and Ordinances
 - C-4 Audit Committee Policies
 - C-5 Organization Charts

- D. Review of Audit Organization's Quality Control System
 - D-1 QCS Checklist
 - D-2 Audit Organization's Risk Assessment
 - D-3 Audit Organization's Audit Plan
 - D-4 Staff Education and Experience
 - D-5 CPE Review
 - D-6 Follow-up on Issues from Prior Peer Review
 - D-7 Discussions with Audit Organization Employees

- E. Review of Audit Organization's Audit/Engagements
 - E-1 Audit/Engagement Review Summary Work Paper
 - E-2 Audit/Engagement Review Checklist
 - E-3 Audit/Engagement Review Checklist
 - E-4 Audit/Engagement Review Checklist

- F. Summary of Exceptions
 - F-1 Consolidated Listing of Exceptions
 - F-2 Individual "Summary of Exceptions" Checklists

- G. Meeting Notes
 - G-1 Initial Review Team Planning Meeting
 - G-2 Entrance Conference
 - G-3 Meeting with Audit Director
 - G-4 Meeting(s) with Audit Committee Member(s)
 - G-5 Discussion of Preliminary Results with Review Coordinator
 - G-6 Discussion of Preliminary Results with Audit Director
 - G-7 Exit Conference

E. Audit Organization Background Information

The audit organization uses this form to provide the quality assurance team with information regarding the audit organization's operating environment and type of work performed. Attach additional pages as required to adequately respond to the information requested in this form.

The audit organization should complete this form and provide a copy to each member of the review team at least one month prior to the site visit.

1. Briefly describe the major activities of the organization and attach a copy of your most recent annual report.

2. Provide the following summary information about the audit organization.

a. Number of employees in the organizations you audit:	_____	0
b. Number of Professional Auditors on Staff:	_____	0
c. Number of Administrative Support Staff:	_____	0
d. Number of Contracted Auditors:	_____	0
e. Number of Other Audit Staff [interns, etc.]	_____	0

3. Financial Information:

a. Current Year Budget for the Audited Organizations:	_____	0
b. Current Year Capital Budget for Organizations:	_____	0
c. Current Year Budget for your Audit Department:	_____	0

4. Attach a copy of your Audit Organization's policies and procedures manual.

5. Attach a copy of the Audit Committee's charter or similar document relating to board oversight of the audit organization and other monitoring functions in the organization.

6. Name and title of the Chief Audit Executive (CAE): _____

7. Department Name and Address:

Name: _____
Address: _____
City, St. Zip _____

8. Name and title of the person to whom the CAE administratively reports:

9. Attach the entity's organization chart showing placement of the audit organization.

10. Briefly describe your audit organization's external quality assurance review history including the number of times reviewed, overall period covered by these reviews, professional standards within the scope of the reviews, and entities conducting the reviews. Attach a copy of the report relating to your audit organization's most recent peer review, regardless of whether ALGA conducted the review, and describe corrective actions taken by your audit organization to address the results of the peer review.

Description:

11. For all work performed and/or services provided by your audit organization, list the number of activities and the approximate percentage of total staff time spent on each type of activity during the review period.

<u>Types of Activities:</u>	<u>Number:</u>	<u>Percent of Time:</u>
- Assurance Activities	_____	_____
- Consulting Activities	_____	_____
- Other	_____	_____

LISTING OF COMPLETED ENGAGEMENTS

Project No.	Engagement Name / Description	Type ¹	Supervisor	Auditor-in-Charge	Start Date	Issue/End Date	Total Hours

¹ A - Assurance, C - Consulting, AC - Assurance and Consulting, O - Other Audit Work

F. Audit Organization Description of Quality Control System

ALGA Peer Review Guide for Assessing Compliance With International Standards for the Professional Practice of Internal Auditing Standards

The audit organization uses this form to describe its system of internal quality control for assuring compliance with the *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) issued by the Institute of Internal Auditors.

The audit organization should briefly describe how it assures compliance with each standard and cite references to its written policy and procedures manual or other supporting documents. For items that are not applicable to the audit organization, the response should state that the item is “Not Applicable” and briefly explain why the item does not apply.

The organization should complete this form and provide a copy to each member of the review team at least one month prior to the site visit.

Audit Organization

Under Review:

Date Form Completed:

Name & Title of Person (s)

Completing the Form:

ATTRIBUTE STANDARD ON PURPOSE, AUTHORITY, AND RESPONSIBILITY: The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with the Standards, and approved by the board. (AS 1000)

1. The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with the Standards, and approved by the board. (AS 1000)

P&P Document Reference: _____

QCS Description:

2. The nature of assurance services provided to the organization should be defined in the audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances should also be defined in the charter. (1000.A1)

P&P Document Reference: _____

QCS Description:

3. The nature of consulting services should be defined in the audit charter. (1000.C1)

P&P Document Reference: _____

QCS Description:

ATTRIBUTE STANDARD ON INDEPENDENCE AND OBJECTIVITY: The internal audit activity should be independent, and internal auditors should be objective in performing their work. (AS 1100)

Independence

4. The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. (AS 1100)

P&P Document Reference: _____

QCS Description:

5. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results. (1110.A1)

P&P Document Reference: _____

QCS Description:

Individual Objectivity

6. Internal auditors should have an impartial, unbiased attitude and avoid conflicts of interest. (AS 1120)

P&P Document Reference: _____

QCS Description:

Impairments to Independence or Objectivity

7. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. (AS 1130)

P&P Document Reference: _____

QCS Description:

8. Internal auditors should refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year. (1130.A1)

P&P Document Reference: _____

QCS Description:

9. Assurance engagements for functions over which the chief audit executive has responsibility should be overseen by a party outside the internal audit activity. (1130.A2)

P&P Document Reference: _____

QCS Description:

10. Internal auditors may provide consulting services relating to operations for which they had previous responsibilities (1130.C1)

P&P Document Reference: _____

QCS Description:

11. If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the engagement client prior to accepting the engagement. (1130.C2)

P&P Document Reference: _____

QCS Description:

ATTRIBUTE STANDARD ON PROFICIENCY AND DUE PROFESSIONAL CARE: Engagements should be performed with proficiency and due professional care. (AS 1200)

Proficiency

12. Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. (AS 1210)

P&P Document Reference: _____

QCS Description:

13. The chief audit executive should obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement. (1210.A1)

P&P Document Reference: _____

QCS Description:

14. The internal auditor should have sufficient knowledge to identify the indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. (1210.A2)

P&P Document Reference: _____

QCS Description:

15. Internal auditors should have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing. (1210.A3)

P&P Document Reference: _____

QCS Description:

16. The chief audit executive should decline the consulting engagement or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement. (1210.C1)

P&P Document Reference: _____

QCS Description:

Due Professional Care

17. Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. (AS 1220)

P&P Document Reference: _____

QCS Description:

18. The internal auditor should exercise due professional care by considering the:
- Extent of work needed to achieve the engagement's objectives.
 - Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
 - Adequacy and effectiveness of risk management, control, and governance processes.
 - Probability of significant errors, irregularities, or noncompliance.
 - Cost of assurance in relation to potential benefits. (1220.A1)

P&P Document Reference: _____

QCS Description:

19. In exercising due professional care the internal auditor should consider the use of computer-assisted audit tools and other data analysis techniques. (1220.A2)

P&P Document Reference: _____

QCS Description:

20. The internal auditor should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified. (1220.A3)

P&P Document Reference: _____

QCS Description:

21. The internal auditor should exercise due professional care during a consulting engagement by considering the:
- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
 - Relative complexity and extent of work needed to achieve the engagement's objectives.
 - Cost of the consulting engagement in relation to potential benefits. (1220.C1)

P&P Document Reference: _____

QCS Description:

Continuing Professional Development

22. Internal auditors should enhance their knowledge, skills, and other competencies through continuing professional development. (AS 1230)

P&P Document Reference: _____

QCS Description:

ATTRIBUTE STANDARD ON QUALITY ASSURANCE AND IMPROVEMENT PROGRAM: The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics. (AS 1300)

Quality Program Assessments

23. The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments. (AS 1310)

P&P Document Reference: _____

QCS Description:

Internal Assessments

24. Internal assessments should include:

- Ongoing reviews of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal audit practices and the Standards. (AS 1311)

P&P Document Reference: _____

QCS Description:

External Assessments

25. External assessments, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. (AS 1312)

P&P Document Reference: _____

QCS Description:

Reporting on the Quality Program

26. The chief audit executive should communicate the results of external assessments to the board. (AS 1320)

P&P Document Reference: _____

QCS Description:

Use of "Conducted in Accordance with the Standards"

27. Internal auditors are encouraged to report that their activities are "conducted in accordance with the International Standards for the Professional Practice of Internal Auditing." However, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the Standards. (AS 1330)

P&P Document Reference: _____

QCS Description:

Disclosure of Noncompliance

28. Although the internal audit activity should achieve full compliance with the Standards and internal auditors with the Code of Ethics, there may be instances in which full compliance is not achieved. When noncompliance impacts the overall scope or operation of the internal audit activity, disclosure should be made to

senior management and the board. (AS 1340)

P&P Document Reference: _____

QCS Description:

PERFORMANCE STANDARD ON MANAGING THE INTERNAL AUDIT ACTIVITY: The chief audit executive should effectively manage the internal audit activity to ensure it adds value to the organization. (PS 2000)

Planning

29. The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. (PS 2010)

P&P Document Reference: _____

QCS Description:

30. The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. The input of senior management and the board should be considered in this process. (2010.A1)

P&P Document Reference: _____

QCS Description:

31. The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Those engagements that have been accepted should be included in the plan. (2010.C1)

P&P Document Reference: _____

QCS Description:

Communication and Approval

32. The chief audit executive should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The chief audit executive should also communicate the impact of resource limitations. (PS 2020)

P&P Document Reference: _____

QCS Description:

Resource Management

33. The chief audit executive should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. (PS 2030)

P&P Document Reference: _____

QCS Description:

Policies and Procedures

34. The chief audit executive should establish policies and procedures to guide the internal audit activity. (PS 2040)

P&P Document Reference: _____

QCS Description:

Coordination

35. The chief audit executive should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts. (PS 2050)

P&P Document Reference: _____

QCS Description:

Reporting to the Board and Senior Management

36. The chief audit executive should report periodically to the board and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting should also include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the board and senior management. (PS 2060)

P&P Document Reference: _____

QCS Description:

PERFORMANCE STANDARD ON THE NATURE OF WORK: The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach. (PS 2100)

Risk Management

37. The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. (PS 2110)

P&P Document Reference: _____

QCS Description:

38. The internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system. (2110.A1)

P&P Document Reference: _____

QCS Description:

39. The internal audit activity should evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts. (2110.A2)

P&P Document Reference: _____

QCS Description:

40. During consulting engagements, internal auditors should address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. (2110.C1)

P&P Document Reference: _____

QCS Description:

41. Internal auditors should incorporate knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization. (2110.C2)

P&P Document Reference: _____

QCS Description:

Control

42. The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. (PS 2120)

P&P Document Reference: _____

QCS Description:

43. Based on the results of the risk assessment, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems. This should include:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts. (2120.A1)

P&P Document Reference: _____

QCS Description:

44. Internal auditors should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization. (2120.A2)

P&P Document Reference: _____

QCS Description:

45. Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. (2120.A3)

P&P Document Reference: _____

QCS Description:

46. Adequate criteria are needed to evaluate controls. Internal auditors should ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors should use such criteria in their evaluation. If inadequate, internal auditors should work with management to develop appropriate evaluation criteria. (2120.A4)

P&P Document Reference: _____

QCS Description:

47. During consulting engagements, internal auditors should address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. (2120.C1)

P&P Document Reference: _____

QCS Description:

48. Internal auditors should incorporate knowledge of controls gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization. (2120.C2)

P&P Document Reference: _____

QCS Description:

Governance

49. The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Effectively communicating risk and control information to appropriate areas of the organization.
- Effectively coordinating the activities of and communicating information among the board, external and internal auditors and management. (PS 2130)

P&P Document Reference: _____

QCS Description:

50. The internal audit activity should evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities. (2130.A1)

P&P Document Reference: _____

QCS Description:

51. Consulting engagement objectives should be consistent with the overall values and goals of the organization. (2130.C1)

P&P Document Reference: _____

QCS Description:

Engagement Planning

PERFORMANCE STANDARD ON ENGAGEMENT PLANNING: Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations. (PS 2200)

Planning Considerations

52. In planning the engagement, internal auditors should consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model.
- The opportunities for making significant improvements to the activity's risk management and control systems. (PS 2201)

P&P Document Reference: _____

QCS Description:

53. When planning an engagement for parties outside the organization, internal auditors should establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records. (2201.A1)

P&P Document Reference: _____

QCS Description:

54. Internal auditors should establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding should be documented. (2201.C1)

P&P Document Reference: _____

QCS Description:

Engagement Objectives

55. Objectives should be established for each engagement. (PS 2210)

P&P Document Reference: _____

QCS Description:

56. Internal auditors should conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives should reflect the results of this assessment. (2210.A1)

P&P Document Reference: _____

QCS Description:

57. The internal auditor should consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives. (2210.A2)

P&P Document Reference: _____

QCS Description:

58. Consulting engagement objectives should address risks, controls, and governance processes to the extent agreed upon with the client. (2210.C1)

P&P Document Reference: _____

QCS Description:

Engagement Scope

59. The established scope should be sufficient to satisfy the objectives of the engagement. (PS 2220)

P&P Document Reference: _____

QCS Description:

60. The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties. (2220.A1)

P&P Document Reference: _____

QCS Description:

61. If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards. (2220.A.2)

P&P Document Reference: _____

QCS Description:

62. In performing consulting engagements, internal auditors should ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations should be discussed with the client to determine whether to continue with the engagement. (2220.C1)

P&P Document Reference: _____

QCS Description:

Engagement Resource Allocation

63. Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. (PS 2230)

P&P Document Reference: _____

QCS Description:

Engagement Work Program

64. Internal auditors should develop work programs that achieve the engagement objectives. These work programs should be recorded. (PS 2240)

P&P Document Reference: _____

QCS Description:

65. Work programs should establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The work program should be approved prior to its implementation, and any adjustments approved promptly. (2240.A1)

P&P Document Reference: _____

QCS Description:

66. Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement. (2240.C1)

P&P Document Reference: _____

QCS Description:

**PERFORMANCE STANDARD ON PERFORMING THE ENGAGEMENT:
Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives. (PS 2300)**

Identifying Information

67. Internal auditors should identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. (PS 2310)

P&P Document Reference: _____

QCS Description:

Analysis and Evaluation

68. Internal auditors should base conclusions and engagement results on appropriate analyses and evaluations. (PS 2320)

P&P Document Reference: _____

QCS Description:

Recording Information

69. Internal auditors should record relevant information to support the conclusions and engagement results. (PS 2330)

P&P Document Reference: _____

QCS Description:

70. The chief audit executive should control access to engagement records. The chief audit executive should obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate. (2330.A1)

P&P Document Reference: _____

QCS Description:

71. The chief audit executive should develop retention requirements for engagement records. These retention requirements should be consistent with the organization's guidelines and any pertinent regulatory or other requirements. (2330.A2)

P&P Document Reference: _____

QCS Description:

72. The chief audit executive should develop policies governing the custody and retention of engagement records, as well as their release to internal and external parties. These policies should be consistent with the organization's guidelines and any pertinent regulatory or other requirements. (2330.C1)

P&P Document Reference: _____

QCS Description:

Engagement Supervision

73. Engagements should be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. (PS 2340)

P&P Document Reference: _____

QCS Description:

PERFORMANCE STANDARD ON COMMUNICATING RESULTS: Internal auditors should communicate the engagement results. (PS 2400)

Criteria for Communicating

74. Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. (PS 2410)

P&P Document Reference: _____

QCS Description:

75. Final communication of engagement results should, where appropriate, contain the internal auditor's overall opinion and or conclusions. (2410.A1)

P&P Document Reference: _____

QCS Description:

76. Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications. (2410.A2)

P&P Document Reference: _____

QCS Description:

77. When releasing engagement results to parties outside the organization, the communication should include limitations on distribution and use of the results. (2410.A3)

P&P Document Reference: _____

QCS Description:

78. Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. (2410.C1)

P&P Document Reference: _____

QCS Description:

Quality of Communications

79. Communications should be accurate, objective, clear, concise, constructive, complete, and timely. (PS 2420)

P&P Document Reference: _____

QCS Description:

Errors and Omissions

80. If a final communication contains a significant error or omission, the chief audit executive should communicate corrected information to all parties who received

the original communication. (PS 2421)

P&P Document Reference: _____

QCS Description:

Engagement Disclosure of Noncompliance with the Standards

81. When noncompliance with the Standards impacts a specific engagement, communication of the results should disclose the:

- Standard(s) with which full compliance was not achieved,
- Reason(s) for noncompliance, and
- Impact of noncompliance on the engagement. (PS 2430)

P&P Document Reference: _____

QCS Description:

Disseminating Results

82. The chief audit executive should communicate results to the appropriate parties. (PS 2440)

P&P Document Reference: _____

QCS Description:

83. The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration. (2440.A1)

P&P Document Reference: _____

QCS Description:

84. If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, the chief audit executive should:

- Assess the potential risk to the organization.

- Consult with senior management and/or legal counsel as appropriate.
- Control dissemination by restricting the use of the results. (2440.A2)

P&P Document Reference: _____

QCS Description:

85. The chief audit executive is responsible for communicating the final results of consulting engagements to clients. (2440.C1)

P&P Document Reference: _____

QCS Description:

86. During consulting engagements, risk management, control, and governance issues may be identified. Whenever these issues are significant to the organization, they should be communicated to senior management and the board. (2440.C2)

P&P Document Reference: _____

QCS Description:

PERFORMANCE STANDARD ON MONITORING PROGRESS: The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management. (PS 2500)

87. The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management. (PS 2500)

P&P Document Reference: _____

QCS Description:

88. The chief audit executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. (2500.A1)

P&P Document Reference: _____

QCS Description:

89. The internal audit activity should monitor the disposition of results of consulting engagements to the extent agreed upon with the client. (2500.C1)

P&P Document Reference: _____

QCS Description:

PERFORMANCE STANDARD ON THE RESOLUTION OF MANAGEMENT'S ACCEPTANCE OF RISKS (PS 2600)

90. When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution. (PS 2600)

P&P Document Reference: _____

QCS Description:

CODE OF ETHICS

91. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance.

P&P Document Reference: _____

QCS Description:

G. Review of Audit Organization's Quality Control System

The peer review team, typically the review team leader, uses this form in evaluating whether the audit organization's system of internal quality control is suitably designed to reasonably assure compliance with applicable standards contained in the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA Standards).

The review team should review the audit organization's completed Description of Quality Control System form, interview audit organization management and staff, and review reports, work papers, records, files, etc., as deemed appropriate to assess whether adequate internal controls were in place during the review period to reasonably assure compliance with relevant IIA Standards. For each item, the review team should indicate on the form whether "yes" adequate controls were in place or "no" adequate controls were not in place during the period under review. There may be some items in this form that are not applicable to the audit organization. In such cases, the review team should indicate that the item is "N/A". The column on the far right of the form should be used by the review team to provide explanatory information or comments such as references to policies and procedures or other governing documents, descriptions of test work, the reason why a particular item does not apply to the audit organization, existing compensating controls, etc.

Those items marked "no" on this form should be recorded on the Summary of Exception form relating to the standard under review. For each exception on the Summary of Exception forms, the review team should indicate the degree of likelihood that audit quality may have been impacted. The team will then review the exceptions to identify potential weaknesses in the organization's internal quality control system and to assess the organization's overall level of compliance with IIA Standards.

The audit organization is asked to provide a completed Description of Quality Control System form to each member of the review team at least one month prior to his or her scheduled arrival. This allows the review team to preliminarily assess the audit organization's system of internal quality control and begin completing this form.

Audit Organization
Under Review: _____

Date Form Completed: _____

Name of Reviewer(s)
Completing Form: _____

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Purpose, Authority, And Responsibility				
1. Are the purpose, authority, and responsibility of the internal audit activity formally defined in a charter, consistent with the Standards, and approved by the board? (AS 1000)	_____	_____	_____	_____ _____
2. Is the nature of assurance services defined in the audit charter? If assurances are provided to parties outside the organization, is the nature of these assurances also defined in the charter? (1000.A1)	_____	_____	_____	_____ _____
3. Is the nature of consulting services defined in the audit charter? (1000.C1)	_____	_____	_____	_____
Independence				
4. Does the chief audit executive report to a level within the organization that allows the internal audit activity to fulfill its responsibilities? (AS 1100)	_____	_____	_____	_____ _____
5. Is the internal audit activity free from interference in determining the scope of internal auditing, performing work, and communicating results? (1110.A1)	_____	_____	_____	_____ _____
Individual Objectivity				
6. Do the internal auditors have an impartial, unbiased attitude and avoid conflicts of interest? (AS 1120)	_____	_____	_____	_____ _____

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Impairments to Independence or Objectivity				
7. If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to appropriate parties? (AS 1130)	_____	_____	_____	_____ _____
8. Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year? (1130.A1)	_____	_____	_____	_____ _____
9. Does a party outside the internal audit activity oversee assurance services over functions for which the Chief Audit Executive has been responsible? (1130.A2)	_____	_____	_____	_____ _____
10. Are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services? (1130.C2)	_____	_____	_____	_____ _____
Proficiency				
11. Do internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities? Does the internal audit activity collectively possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities? (AS 1210)	_____	_____	_____	_____ _____

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
12. Does the chief audit executive obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement? (1210.A1)				
13. Do the internal auditors have sufficient knowledge to identify the indicators of fraud? (NOTE: Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.) (1210.A2)				
14. Do the internal auditors have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work? (NOTE: Not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.) (1210.A3)				
15. Do the internal auditors have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work? (NOTE: Not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.) (1210.A3)				
Due Professional Care				
16. Do the internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor? (NOTE: Due professional care does not imply infallibility.) (AS 1220)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
<p>17. Do the internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives? • Relative complexity, materiality, or significance of matters to which assurance procedures are applied? • Adequacy and effectiveness of risk management, control, and governance processes? • Probability of significant errors, irregularities, or noncompliance? • Cost of assurance in relation to potential benefits? (1220.A1) 				
<p>18. In exercising due professional care, does the internal auditor consider the use of computer-assisted audit tools and other data analysis techniques? (1220.A2)</p>				
<p>19. Are the internal auditors alert to the significant risks that might affect objectives, operations, or resources? (NOTE: Assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.) (1220.A3)</p>				
<p>20. Do the internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing, and communication of engagement results? • Relative complexity and extent of work needed to achieve the engagement's 				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
objectives? <ul style="list-style-type: none"> Cost of the consulting engagement in relation to potential benefits? (1220.C1) 				
Continuing Professional Development				
21. Do the internal auditors enhance their knowledge, skills, and other competencies through continuing professional development? (AS 1230)				
Quality Program Assessments				
22. Does the internal audit activity have a process to monitor and assess the overall effectiveness of the quality program, and does it include both internal and external assessments? (AS 1310)				
Internal Assessments				
23. Do internal assessments include: <ul style="list-style-type: none"> Ongoing reviews of the performance of the internal audit activity; and Periodic reviews performed through self-assessment or by other persons within the organization who have knowledge of internal audit practices and the <i>Standards</i>? (AS 1311) 				
External Assessments				
24. Are external assessments, such as quality assurance reviews, conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization? (AS 1312)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Reporting on the Quality Program				
25. Does the chief audit executive communicate the results of external assessments to the board? (AS 1320)				
Use of "Conducted in Accordance with the Standards"				
26. Do the internal auditors report that their activities are "conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> " only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the <i>Standards</i> ? (AS 1330)				
Disclosure of Noncompliance				
27. Although the internal audit activity should achieve full compliance with the <i>Standards</i> , and internal auditors should fully comply with the <i>Code of Ethics</i> , when instances in which full compliance is not achieved impact the overall scope or operation of the internal audit activity, is disclosure made to senior management and the board? (AS 1340)				
Managing the Internal Audit Activity				
28. Has the chief audit executive established risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals? (PS 2010)				
29. Is the internal audit activity's plan of engagements based on a risk assessment, undertaken at least annually, and is the input of senior management and the board considered in this process? (2010.A1)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
30. Does the chief audit executive consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations? Are engagements that have been accepted included in the plan? (2010.C1)				

Communication and Approval

31. Does the chief audit executive communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval? Has the chief audit executive also communicated the impact of resource limitations? (PS 2020)				
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Resource Management

32. Does the chief audit executive ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan? (PS 2030)				
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Policies and Procedures

33. Has the chief audit executive established policies and procedures to guide the internal audit activity? (PS 2040)				
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Coordination

34. Does the chief audit executive share information and coordinate activities with other internal and external providers of				
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Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts? (PS 2050)				
Reporting to the Board and Senior Management				
35. Does the chief audit executive report periodically to the board and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan? Does the reporting include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the board and senior management? (PS 2060)				
Risk Management				
36. Does the internal audit activity assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems? (PS 2110)				
37. Does the internal audit activity monitor and evaluate the effectiveness of the organization's risk management system? (2110.A1)				
38. Does the internal audit activity evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the: <ul style="list-style-type: none"> • Reliability and integrity of financial and operational information? • Effectiveness and 				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
efficiency of operations? <ul style="list-style-type: none"> Safeguarding of assets? Compliance with laws, regulations, and contracts? (2110.A2) 				
39. During consulting engagements, do the internal auditors address risk consistent with the engagement's objectives, and are they alert to the existence of other significant risks? (2110.C1)				
40. Do the internal auditors incorporate their knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization? (2110.C2)				
41. Does the internal audit activity assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement? (PS 2120)				
42. Based on the results of the risk assessment, does the internal audit activity evaluate the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems? Does this include evaluation of the: <ul style="list-style-type: none"> Reliability and integrity of financial and operational information? Effectiveness and efficiency of operations? Safeguarding of assets? 				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
<ul style="list-style-type: none"> Compliance with laws, regulations, and contracts? (2120.A1) 				
43. Do the internal auditors ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization? (2120.A2)				
44. Do the internal auditors review operations and programs to ascertain the extent to which results are consistent with established goals and objectives in order to determine whether operations and programs are being implemented or performed as intended? (2120.A3)				
45. Do the internal auditors ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished? If adequate, do internal auditors use such criteria in their evaluation? If inadequate, do internal auditors work with management to develop appropriate evaluation criteria? (2120.A4)				
46. During consulting engagements, do internal auditors address controls consistent with the engagement's objectives, and are they alert to the existence of any significant control weaknesses? (2120.C1)				
47. Do the internal auditors incorporate knowledge of controls gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization? (2120.C1)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Governance				
48. Does the internal audit activity assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:				
<ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organization? • Ensuring effective organizational performance management and accountability? • Effectively communicating risk and control information to appropriate areas of the organization? • Effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management? (PS 2130) 				
49. Does the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities? (2130.A1)				
50. Are consulting engagement objectives consistent with the overall values and goals of the organization? (2130.C1)				
Engagement Planning				
Planning Considerations				
52. Do procedures require auditors to consider the following when planning the				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
engagement: <ul style="list-style-type: none"> The objectives of the activity being reviewed and the means by which the activity controls its performance? The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level? The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model? The opportunities for making significant improvements to the activity's risk management and control systems? (PS 2201) 				
53. When planning an engagement for parties outside the organization, do procedures require the internal auditors to establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records? (2201.A1)				
54. Do procedures require the internal auditors to establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations? Is this understanding documented for significant engagements? (2201.C1)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Engagement Objectives				
55. Do procedures require objectives to be established for each engagement? (PS 2210)				
56. Do procedures require the internal auditors to conduct a preliminary assessment of the risks relevant to the activity being reviewed? Do engagement objectives reflect the results of this assessment? (2210.A1)				
57. Do procedures require the internal auditor to consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives? (2210.A2)				
58. Do procedures require consulting engagement objectives to address risks, controls, and governance processes to the extent agreed upon with the client? (2210.C1)				
Engagement Scope				
59. Do procedures address establishing scope sufficient to satisfy the objectives of the engagement? (PS 2220)				
60. Do procedures address consideration of relevant systems, records, personnel, and				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
physical properties, including those under the control of third parties, in setting the scope? (2220.A1)				
61. If significant consulting opportunities arose during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations reached and the results of the consulting engagement communicated in accordance with consulting standards? (2220.A2)				
62. In performing consulting engagements, do the internal auditors ensure that the scope of the engagement is sufficient to address the agreed-upon objectives? Do procedures require auditors to discuss reservations about the scope that arise during the engagement with the client to determine whether to continue with the engagement? (2220.C1)				
Engagement Resource Allocation				
63. Do the internal auditors determine appropriate resources to achieve engagement objectives? Is staffing based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources? (PS 2230)				
Engagement Work Program				
64. Do the internal auditors develop work programs to achieve the engagement objectives? Are these work programs recorded? (PS 2240)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
65. Do the work programs establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement? Is the work program approved prior to its implementation, and any adjustments approved promptly? (2240.A1)				
66. Are work programs developed for consulting engagements that are appropriate for the nature of the engagement? (Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.) (2240.C1)				
Performing the Engagement				
Identifying Information				
67. Do the internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives? (PS 2310)				
Analysis and Evaluation				
68. Do procedures require auditors to base conclusions and engagement results on appropriate analyses and evaluations? (PS 2320)				
Recording Information				
69. Do procedures require auditors to record relevant information to support the conclusions and engagement results? (PS 2330)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
70. Does the chief audit executive control access to engagement records? Does the chief audit executive obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate? (2330.A1)				
71. Has the chief audit executive developed retention requirements for engagement records that are consistent with the organization's guidelines and any pertinent regulatory or other requirements? (2330.A2)				
72. Has the chief audit executive developed policies governing the custody and retention of engagement records, as well as their release to internal and external parties that are consistent with the organization's guidelines and any pertinent regulatory or other requirements? (2330.C1)				
Engagement Supervision				
73. Were engagements properly supervised to ensure objectives are achieved, quality is assured, and staff is developed? (PS 2340)				
Communicating Results Criteria for Communicating				
74. Do procedures require engagement communications to include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans? (PS 2410)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
75. Do procedures require the final communication of engagement results, where appropriate, to contain the internal auditor's overall opinion and or conclusions? (2410.A1)				
76. Do procedures require engagement communications to acknowledge satisfactory performance? (2410.A2)				
77. Do procedures require communications limiting distribution and use of results when releasing engagement results to parties outside the organization? (2410.A3)				
78. Do procedures provide for meeting the needs of the client in the communication for consulting engagements? (Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.) (2410.C1)				
Quality of Communications				
79. Do procedures require communications to be accurate, objective, clear, concise, constructive, complete, and timely? (ps2420) (QCS 79)				
Errors and Omissions				
80. If a final communication contained a significant error or omission, did the chief audit executive communicate corrected information to all parties who received the original communication? (PS 2421)				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
Engagement Disclosure of Noncompliance with the Standards				
81. Do procedures require disclosure of non-compliance with the <i>Standards</i> in specific engagement, including: <ul style="list-style-type: none"> Standard(s) with which full compliance was not achieved, Reason(s) for non-compliance, and Impact of non-compliance on the engagement? (PS 2430) 				
Disseminating Results				
82. Do procedures require the chief audit executive to communicate results to the appropriate parties? (PS 2440)				
83. Do procedures require the chief audit executive to communicate the final results to parties who could ensure that the results were given due consideration? (2440.A1)				
84. If not otherwise mandated by legal, statutory or regulatory requirements, do procedures require the chief audit executive to consider the following before releasing results to parties outside the organization: <ul style="list-style-type: none"> Assess the potential risk to the organization? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results? (2440.A2) 				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
85. Do procedures require the chief audit executive to communicate the final results of consulting engagements to clients? (2440.C1)				
86. Do procedures require the chief audit executive to communicate to senior management and the board, any significant risk management, control, and governance issues that were identified during consulting engagements? (2440.C2)				
Monitoring Progress				
87. Has the chief audit executive established and maintained a system to monitor the disposition of results communicated to management? (PS 2500)				
88. Has the chief audit executive established a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action? (2500.A1)				
89. Does the internal audit activity monitor the disposition of results of consulting engagements to the extent agreed upon with the client? (2500.C1)				
Resolution of Management's Acceptance of Risks				
90. When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, does the chief audit executive discuss the matter with senior management? If the decision regarding residual risk is not				

Section	Internal Controls Suitably Designed to Comply With Standards			Reviewer Comments
	Yes	No	N/A	
resolved, do the chief audit executive and senior management report the matter to the board for resolution? (PS 2600)				
91. Does the charter or another Internal Audit document establish the expectation that audit staff will conform to the Institute of Internal Auditor's Code of Ethics?				

H. Review of Assurance and Consulting Engagements

ALGA Peer Review Guide

The peer review team uses this form in evaluating whether the audit organization complied with its established system of internal quality control to reasonably assure compliance with applicable standards contained in the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA Standards).

A Review of Audit/Engagement Documentation form should be completed for each audit/engagement selected by the review team. The review team should review reports, work papers, records, files, etc., and interview audit organization management and staff, as deemed appropriate, to assess whether established internal controls were carried out during the review period. For each item, the review team should indicate on the form whether “yes” controls were carried out or “no” controls were not carried out during the period under review. There may be some items in this form that are not applicable to the audit organization or to this specific engagement. In such cases, the review team should indicate that the item is "N/A". The column on the far right of the form should be used by the review team to provide explanatory information or comments such as references to policies and procedures or other governing documents, descriptions of test work, the reason why a particular item does not apply to the audit organization, etc.

In the event that the audit organization has not established an adequate system of internal quality control to reasonably assure compliance with relevant IIA standards, the review team should examine audit/engagement documentation to determine whether the control weakness resulted in noncompliance with IIA standards during the audit/engagement.

Those items marked “no” on this form should be recorded on the Summary of Exception form relating to the standard under review. For each exception on the Summary of Exception forms, the review team should indicate the degree of likelihood that audit quality may have been impacted. The team will then review the exceptions to identify potential weaknesses in the organization’s internal quality control system and to assess the organization’s overall level of compliance with IIA standards.

Audit Organization

Under Review: _____

Engagement

Under Review: _____

Date Form Completed: _____

Name of Reviewer(s)

Completing Form: _____

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Individual Objectivity				
1. Do the internal auditors have an impartial, unbiased attitude and avoid conflicts of interest? (AS 1120) (QCS question 6)				
Impairments to Independence or Objectivity				
2. If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to appropriate parties? (AS 1130) (QCS question 7)				
3. Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year? (1130.A1) (QCS question 8)				
4. Does a party outside the internal audit activity oversee assurance services over functions that for which the Chief Audit Executive has been responsible? (1130.A2) (QCS question 9)				
5. Are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services? (1130.C2) (QCS question 11)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Due Professional Care				
6. Do the internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor? (NOTE: Due professional care does not imply infallibility.) (AS 1220) (QCS question 17)				
7. Do the internal auditors exercise due professional care by considering the: <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives? • Relative complexity, materiality, or significance of matters to which assurance procedures are applied? • Adequacy and effectiveness of risk management, control, and governance processes? • Probability of significant errors, irregularities, or noncompliance? • Cost of assurance in relation to potential benefits? (1220.A1) (QCS question 18) 				
8. In exercising due professional care, does the internal auditor consider the use of computer-assisted audit tools and other data analysis techniques? (1220.A2) (QCS question 19)				
9. Are the internal auditors alert to the significant risks that might affect objectives, operations, or resources? (NOTE: Assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.) (1220.A3) (QCS question 20)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
<p>10. Do the internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> Needs and expectations of clients, including the nature, timing, and communication of engagement results? Relative complexity and extent of work needed to achieve the engagement's objectives? Cost of the consulting engagement in relation to potential benefits? (1220.C1) (QCS question 21) 				
Use of "Conducted in Accordance with the Standards"				
<p>11. Do the internal auditors report that their activities are "conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i>" only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the <i>Standards</i>? (AS 1330) (QCS question 27)</p>				
Disclosure of Noncompliance				
<p>12. Although the internal audit activity should achieve full compliance with the <i>Standards</i>, and internal auditors should fully comply with the <i>Code of Ethics</i>, when instances in which full compliance is not achieved impact the overall scope or operation of the internal audit activity, is disclosure made to senior management and the board? (AS 1340) (QCS question 28)</p>				
Risk Management				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
13. During consulting engagements, do the internal auditors address risk consistent with the engagement's objectives, and are they alert to the existence of other significant risks? (2110.C1) (QCS question 40)				
14. During consulting engagements, do internal auditors address controls consistent with the engagement's objectives, and are they alert to the existence of any significant control weaknesses? (2120.C1) (QCS question 47)				
Engagement Planning/Planning Considerations				
15. In planning the engagement, did the internal auditors consider: <ul style="list-style-type: none"> The objectives of the activity being reviewed and the means by which the activity controls its performance? The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level? The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model? The opportunities for making significant improvements to the activity's risk management and control systems? (PS 2201) (QCS question 52) 				
16. When planning an engagement for parties outside the organization, did the internal auditors establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records? (2201.A1) (QCS question 53)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
17. Did the internal auditors establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations? For significant engagements, was this understanding documented? (2201.C1) (QCS question 54)				
Engagement Objectives				
18. Were objectives established for each engagement? (PS 2210) (QCS question 55)				
19. Did the internal auditors conduct a preliminary assessment of the risks relevant to the activity being reviewed? Did engagement objectives reflect the results of this assessment? (2210.A1) (QCS question 56)				
20. Did the internal auditor consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives? (2210.A2) (QCS question 57)				
21. Did consulting engagement objectives address risks, controls, and governance processes to the extent agreed upon with the client? (2210.C1) (QCS question 58)				
Engagement Scope				
22. Was the established scope sufficient to satisfy the objectives of the engagement? (PS 2220) (QCS question 59)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
23. Did the scope of the engagement include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties? (2220.A1) (QCS question 60)				
24. If significant consulting opportunities arose during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations reached and the results of the consulting engagement communicated in accordance with consulting standards? (2220.A2) (QCS question 61)				
25. In performing consulting engagements, did the internal auditors ensure that the scope of the engagement was sufficient to address the agreed-upon objectives? If internal auditors developed reservations about the scope during the engagement, were these reservations discussed with the client to determine whether to continue with the engagement? (2220.C1) (QCS question 62)				
Engagement Resource Allocation				
26. Did the internal auditors determine appropriate resources to achieve engagement objectives? Was staffing based on an evaluation of the nature and complexity of the engagement, time constraints, and available resources? (PS 2230) (QCS question 63)				
Engagement Work Program				
27. Did the internal auditors develop work programs that achieved the engagement objectives? Were these work programs recorded? (PS 2240) (QCS question 64)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
28. Did the work programs establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement? Was the work program approved prior to its implementation, and any adjustments approved promptly? (2240.A1) (QCS question 65)				
29. Were work programs developed for consulting engagements that were appropriate for the nature of the engagement? (Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.) (2240.C1) (QCS question 66)				
Performing the Engagement				
Identifying Information				
30. Did the internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives? (PS 2310) (QCS question 67)				
Analysis and Evaluation				
31. Did internal auditors base conclusions and engagement results on appropriate analyses and evaluations? (PS 2320) (QCS question 68)				
Recording Information				
32. Did internal auditors record relevant information to support the conclusions and engagement results? (PS 2330) (QCS question 69)				
Engagement Supervision				
33. Were engagements properly supervised to ensure objectives are achieved, quality is assured, and staff is developed?				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
(PS 2340) (QCS question 73)				
Communicating Results				
Criteria for Communicating				
34. Did engagement communications include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans? (PS 2410) (QCS question 74)				
35. Did the final communication of engagement results, where appropriate, contain the internal auditor's overall opinion and or conclusions? (2410.A1) (QCS question 75)				
36. Did engagement communications acknowledge satisfactory performance? (2410.A2) (QCS question 76)				
37. When releasing engagement results to parties outside the organization, did the communication include limitations on distribution and use of the results? (2410.A3) (QCS question 77)				
38. Did the communication for consulting engagements meet the need of the client? (Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.) (2410.C1) (QCS question 78)				
Quality of Communications				
39. Were communications accurate, objective, clear, concise, constructive, complete, and timely? (PS 2420) (QCS question 79)				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Errors and Omissions				
40. If a final communication contained a significant error or omission, did the chief audit executive communicate corrected information to all parties who received the original communication? (PS 2421) (QCS question 80)				
Engagement Disclosure of Noncompliance with the Standards				
41. If non-compliance with the <i>Standards</i> impacted the engagement, did communication of the results disclose the: <ul style="list-style-type: none"> Standard(s) with which full compliance was not achieved, Reason(s) for non-compliance, and Impact of non-compliance on the engagement? (PS 2430) (QCS question 81) 				
Disseminating Results				
42. Did the chief audit executive communicate results to the appropriate parties? (PS 2440) (QCS question 82)				
43. Did the chief audit executive communicate the final results to parties who could ensure that the results were given due consideration? (2440.A1) (QCS question 83)				
44. If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, did the chief audit executive: <ul style="list-style-type: none"> Assess the potential risk to the organization? Consult with senior management and/or legal counsel as 				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
<p>appropriate?</p> <ul style="list-style-type: none"> Control dissemination by restricting the use of the results? (2440.A2) (QCS question 84) 				
45. Did the chief audit executive communicate the final results of the consulting engagement to clients? (2440.C1) (QCS question 85)				
46. If this was a consulting engagement did the chief audit executive communicate to senior management and the board, any significant risk management, control, and governance issues that were identified? (2440.C2) (QCS question 86)				

I. Summary of Exceptions

SUMMARY OF EXCEPTIONS

ALGA Peer Review Guide

*Standard Under Review: _____

Audit Organization: _____

Preparer(s): _____

Date: _____

Page ___ of ___

Briefly describe EXCEPTION ("No" items in QCS and Engagement Review Forms)	Review Form Item #	Indicate "QCS" or engagement	Likelihood of Negative Impact on Audit Quality		
			Not Likely	Fairly Likely	Very Likely

*Independence and Objectivity, Proficiency and Due Professional Care, Quality Assurance and Improvement Program, Managing the Internal Audit Activity, Nature of Work, Planning, Performing the Engagement, Communication, Monitoring, and Resolution.

J-1. Suggested Report Format – Compliance

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Mr./Ms. Audit Director Name),

We have completed a peer review of the (Organization Under Review) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, published in July 2007 by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *the International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors as part of their *Professional Practices Framework*. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the (Organization Under Review's) internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *the Standards* for assurance and consulting engagements during the (Review Period).

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system. (This sentence is optional and appropriate if a management letter is issued.)

(Report Signed by the Following)

(Team Leader)

(Leader Organization)

(Team Member)

(Member Organization)

(Team Member)

(Member Organization)

J-2. Suggested Report Format - Partial Compliance

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Mr./Ms. Audit Director Name),

We have completed a peer review of the (Organization Under Review) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, published in July 2007 by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *the International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by The Institute of Internal Auditors. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that, except for the deficiencies noted below, the (Organization Under Review's) internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *the Standards* for assurance and consulting engagements during the (Review Period).

Deficiencies found in your internal quality control system include (Cite/List Deficiencies). These control deficiencies resulted in recurring nonconformance with (Cite/List Standards). We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

(Report Signed by the Following)

(Team Leader)

(Leader Organization)

(Team Member)

(Member Organization)

(Team Member)

(Member Organization)

J-3. Suggested Report Format - Noncompliance

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Mr./Ms. Audit Director Name),

We have completed a peer review of the (Organization Under Review) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, published in July 2007 by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *the International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors as part of their *Professional Practices Framework*. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the (Organization Under Review's) internal quality control system was not suitably designed and was not operating effectively to provide reasonable assurance of compliance with *the Standards* for assurance and consulting engagements during the (Review Period).

We found serious deficiencies in your internal quality control system relating to (Cite/List Deficiencies). These control deficiencies resulted in recurring nonconformance with (Cite/List Standards). We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

(Report Signed by the Following)

(Team Leader)
(Leader Organization)

(Team Member)
(Member Organization)

(Team Member)
(Member Organization)

K. Suggested Management Letter Format

ALGA Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Mr./Ms. Audit Director Name),

We have completed a peer review of the (Organization Under Review) for the period (Review Period) and issued our report dated (Date of Report). We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Point 1
- Point 2
- Point 3

¹We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *International Standards for the Professional Practice of Internal Auditing*:

²We offer the following observations and suggestions to help your organization achieve full compliance with *International Standards for the Professional Practice of Internal Auditing*:

- Observation 1
Suggestion 1
- Observation 2

¹ Use this language for full compliance reports.

² Use this language for satisfactory or noncompliance reports.

Suggestion 2

- Observation 3

Suggestion 3

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

(Management Letter Signed by the Following)

(Team Leader)
(Leader Organization)

(Team Member)
(Member Organization)

(Team Member)
(Member Organization)

L. Peer Review Survey

ALGA Peer Review Guide

QUESTIONS	YES	NO	N/A
The review objectives were clearly communicated to me.			
The disruption of daily activities was minimized as much as possible during the review.			
My concerns and perspectives were adequately considered during the review.			
Communication of review results and status to me during the review was timely and adequate.			
The review team demonstrated courtesy, professionalism and a constructive approach.			
The review team’s conclusions and opinions were supported.			
The review report and management letter was clearly written and logically organized.			
Report recommendations were constructive and actionable.			
Overall, the review provided “value added” to my operations.			

Overall Feedback:

My perception of the peer review process is more/less (circle one) positive as a result of this experience. Please comment.

In what areas would you suggest improvement to the process?

What aspect of the peer review process would you like to see continued?

Additional Comments:

The ALGA Peer Review Committee would like to post copies of ALGA peer review reports to ALGA's web site. Does the Peer Review Committee have your permission to post your peer review report, management letter and response to the web site (circle one)?

Yes

No

Overall, your satisfaction with the ALGA Peer Review Process was (circle one):

Very Good

Good

Poor

Very Poor

Completed By: _____ **Date:** _____

Audit Agency: _____

Your feedback helps us to improve the peer review process. Upon completion of the survey, please fax, mail or e-mail it to the ALGA Peer Review Committee Chair. The fax number can be obtained from your Review Coordinator, the ALGA web site, or Member Services.