

**Peer Review Guide for Assessing
Conformance with International Standards for the
Professional Practice of Internal Auditing
2011**

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

ASSOCIATION OF LOCAL GOVERNMENT AUDITORS

Peer Review Guide

For Assessing Conformance with International Standards for the Professional Practice of Internal Auditing, 2011

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Purpose and Objectives

ALGA Peer Review Guide for Assessing Conformance 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 conformance 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 Conformance 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 Conformance 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

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

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 Conformance 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 conformance with IIA Standards. In addition, the reviewers meet with audit management to discuss their conclusions. The team assesses the overall level of conformance: full conformance, partial conformance, or nonconformance, 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 Conformance 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 should coordinate with ALGA Member Services for team member travel, hotel and rental car arrangements. Organizations should fully execute the review agreement before making travel arrangements.
- ***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 conformance.
- ***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 conformance.*** The peer review process is designed to assess the audit organization’s overall level of conformance 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 conformance. There are no quantitative criteria for determining the overall level of conformance. 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 conformance: Conformance, Partial conformance, or nonconformance.

Conformance. The term "conformance" means the practices of the internal audit activity, taken as a whole, satisfy the requirements of the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. Conformance 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 conformance.

Partial conformance. In concluding that the audit organization was in partial conformance 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 nonconformance with IIA Standards, although the majority of its work complied with IIA Standards. The degree of “partial conformance” with individual standards should also be expressed in the opinion.

Nonconformance. 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 conformance or nonconformance, the management letter should describe identified deficiencies in detail and make recommendations to bring the organization into full conformance with IIA Standards. In cases of full conformance, 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 conformance, 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

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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 conformance, 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

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(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 Conformance with International Standards for the Professional Practice of Internal Auditing, 2011 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 conforming 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 (Audit Organization) will pay reasonable expenses incurred by the review team members relating to the review. Meal and incidental travel expenses will be reimbursed based on the United States Federal Government GSA Schedule for the respective region. Air travel, hotel accommodations, rental car transportation, meal and incidental costs will be coordinated and arranged through ALGA Member Services. The value of each review team member's time will not be paid by the (Audit Organization). Instead, the (Audit Organization) 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 Conformance with International Standards for the Professional Practice of Internal Auditing*, 2011 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 Conformance with International Standards for the Professional Practice of Internal Auditing*, 2011 Edition.

Signed: _____

Date: _____

C. Review Leader Checklist

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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: _____

<u>Review Item:</u>	<u>Date Completed</u>
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 conformance 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 conformance 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 Conformance 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	_____	_____

F. Audit Organization Description of Quality Control System - 2011 Revised Red Book Standards

ATTRIBUTE STANDARD ON PURPOSE, AUTHORITY, AND RESPONSIBILITY:

1. The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. (AS 1000)

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

RECOGNITION OF THE DEFINITION OF INTERNAL AUDITING, THE CODE OF ETHICS, AND THE STANDARDS IN THE INTERNAL AUDIT CHARTER:

4. The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the Standards must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the Standards with senior management and the board. (AS 1010)

P&P Document Reference: _____

QCS Description:

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

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Organizational Independence

5. The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. (AS 1110)

P&P Document Reference: _____

QCS Description:

6. The chief audit executive must confirm to the board, at least annually, the

organizational independence of the internal audit activity. (AS 1110)

Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- *Approving the internal audit charter;*
- *Approving the risk based internal audit plan;*
- *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the chief audit executive; and*
- *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

Direct Interaction with the Board

8. The chief audit executive must communicate and interact directly with the board. (AS 1111)

P&P Document Reference: _____

QCS Description:

Individual Objectivity

9. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. (AS 1120)

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing

interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

P&P Document Reference: _____

QCS Description:

Impairment to Independence or Objectivity

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

Interpretation:

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

P&P Document Reference: _____

QCS Description:

11. Internal auditors must 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:

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

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

14. If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must 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 must be performed with proficiency and due professional care. (AS 1200)

Proficiency

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

Interpretation:

Knowledge, skills, and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other

designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

P&P Document Reference: _____

QCS Description:

16. The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement. (1210.A1)

P&P Document Reference: _____

QCS Description:

17. Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are 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:

18. Internal auditors must have sufficient 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:

19. The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack 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

20. Internal auditors must 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:

21. Internal auditors must 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 governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits. (1220.A1)

P&P Document Reference: _____

QCS Description:

22. In exercising due professional care internal auditors must consider the use of technology-based audit tools and other data analysis techniques. (1220.A2)

P&P Document Reference: _____

QCS Description:

23. Internal auditors must 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:

24. Internal auditors must 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; and
 - Cost of the consulting engagement in relation to potential benefits. (1220.C1)

P&P Document Reference: _____

QCS Description:

Continuing Professional Development

25. Internal auditors must 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 must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. (AS 1300)

Interpretation:

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

Requirements of the Quality Assurance and Improvement Program

26. The quality assurance and improvement program must include both internal and external assessments. (AS 1310)

P&P Document Reference: _____

QCS Description:

Internal Assessments

27. Internal assessments must include:

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

Interpretation:

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

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

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

P&P Document Reference: _____

QCS Description:

External Assessments

28. External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.

The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest. (AS 1312)

Interpretation:

A qualified reviewer or review team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical

learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of a review team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether a reviewer or review team demonstrates sufficient competence to be qualified.

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

P&P Document Reference: _____

QCS Description:

Reporting on the Quality Assurance and Improvement Program

29. The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. (AS 1320)

Interpretation:

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

P&P Document Reference: _____

QCS Description:

Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

30. The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement. (AS 1321)

Interpretation:

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

P&P Document Reference: _____

QCS Description:

Disclosure of Nonconformance

31. When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board. (AS 1322)

P&P Document Reference: _____

QCS Description:

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

Interpretation:

The internal audit activity is effectively managed when:

- *The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;*
- *The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and*
- *The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.*

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Planning

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

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consultation with senior management and the board.

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

34. The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions. (2010.A2)

P&P Document Reference: _____

QCS Description:

35. 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. Accepted engagements must be included in the plan. (2010.C1)

P&P Document Reference: _____

QCS Description:

Communication and Approval

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

P&P Document Reference: _____

QCS Description:

Resource Management

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

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

P&P Document Reference: _____

QCS Description:

Policies and Procedures

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

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

P&P Document Reference: _____

QCS Description:

Coordination

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

P&P Document Reference: _____

QCS Description:

Reporting to Senior Management and the Board

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

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

P&P Document Reference: _____

QCS Description:

[Standard 2070 not addressed by ALGA as peer review is only available to members]

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

Governance

41. The internal audit activity must 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;
- Communicating risk and control information to appropriate areas of the organization; and

- Coordinating the activities of and communicating information among the board, external and internal auditors and management. (2110)

P&P Document Reference: _____

QCS Description:

42. The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities. (2110.A1)

P&P Document Reference: _____

QCS Description:

43. The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives. (2110.A2)

P&P Document Reference: _____

QCS Description:

Risk Management

44. The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. (2120)

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- *Organizational objectives support and align with the organization's mission;*
- *Significant risks are identified and assessed;*
- *Appropriate risk responses are selected that align risks with the organization's risk appetite; and*

- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

P&P Document Reference: _____

QCS Description:

45. The internal audit activity must 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 and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts. (2120.A1)

P&P Document Reference: _____

QCS Description:

46. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk. (2120.A2)

P&P Document Reference: _____

QCS Description:

47. During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. (2120.C1)

P&P Document Reference: _____

QCS Description:

48. Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes. (2120.C2)

P&P Document Reference: _____

QCS Description:

49. When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks. (2120.C3)

P&P Document Reference: _____

QCS Description:

Control

50. The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. (2130)

P&P Document Reference: _____

QCS Description:

51. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts. (2130.A1)

P&P Document Reference: _____

QCS Description:

52. Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes. (2130.C1)

P&P Document Reference: _____

QCS Description:

Engagement Planning

53. Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. (2200)

P&P Document Reference: _____

QCS Description:

Planning Considerations

54. In planning the engagement, internal auditors must 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 processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes. (2201)

P&P Document Reference: _____

QCS Description:

55. When planning an engagement for parties outside the organization, internal auditors must 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:

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

P&P Document Reference: _____

QCS Description:

Engagement Objectives

57. Objectives must be established for each engagement. (2210)

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

59. Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives. (2210.A2)

P&P Document Reference: _____

QCS Description:

60. Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria. (2210.A3)

P&P Document Reference: _____

QCS Description:

61. Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client. (2210.C1)

P&P Document Reference: _____

QCS Description:

62. Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives. (2210.C2)

P&P Document Reference: _____

QCS Description:

Engagement Scope

63. The established scope must be sufficient to satisfy the objectives of the engagement. (2220)

P&P Document Reference: _____

QCS Description:

64. The scope of the engagement must 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:

65. 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:

66. In performing consulting engagements, internal auditors must 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 must be discussed with the client to determine whether to continue with the engagement. (2220.C1)

P&P Document Reference: _____

QCS Description:

67. During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues. (2220.C2)

P&P Document Reference: _____

QCS Description:

Engagement Resource Allocation

68. Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. (2230)

P&P Document Reference: _____

QCS Description:

Engagement Work Program

69. Internal auditors must develop and document work programs that achieve the engagement objectives. (2240)

P&P Document Reference: _____

QCS Description:

70. Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly. (2240.A1)

P&P Document Reference: _____

QCS Description:

71. 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:

Performing the Engagement and Identifying Information

72. Internal auditors must identify, analyze, evaluate and document sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. (PS 2300, 2310)

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

P&P Document Reference: _____

QCS Description:

Analysis and Evaluation

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

P&P Document Reference: _____

QCS Description:

Documenting Information

74. Internal auditors must document relevant information to support the conclusions and engagement results. (PS 2330)

P&P Document Reference: _____

QCS Description:

75. The chief audit executive must control access to engagement records. The chief audit executive must 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:

76. The chief audit executive must develop retention requirements for engagement records regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements. (2330.A2)

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

Engagement Supervision

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

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of

the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

P&P Document Reference: _____

QCS Description:

COMMUNICATING RESULTS

Internal auditors must communicate the engagement results. (PS 2400)

Criteria for Communicating

79. Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. (PS 2400, 2410)

P&P Document Reference: _____

QCS Description:

80. Final communication of engagement results must, where appropriate, contain the internal auditor's opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information. (2410.A1)

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

83. 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

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

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

P&P Document Reference: _____

QCS Description:

Errors and Omissions

85. If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication. (PS 2421)

P&P Document Reference: _____

QCS Description:

Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”

86. Internal auditors may report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” only if the results of the quality assurance and improvement program support the statement. (PS 2430)

P&P Document Reference: _____

QCS Description:

Engagement Disclosure of Nonconformance

87. When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Code of Ethics or *Standard(s)* with which full conformance was not achieved,
- Reason(s) for nonconformance, and
- Impact of nonconformance on the engagement and the communicated engagement results. (PS 2431)

P&P Document Reference: _____

QCS Description:

Disseminating Results

88. The chief audit executive must communicate results to the appropriate parties. (PS 2440)

Interpretation:

The chief audit executive or designee reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated.

P&P Document Reference: _____

QCS Description:

89. 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:

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

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

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

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

P&P Document Reference: _____

QCS Description:

Overall Opinions

93. When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information. (2450)

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains;*
- *Scope limitations;*
- *Consideration of all related projects including the reliance on other assurance providers;*
- *The risk or control framework or other criteria used as a basis for the overall opinion; and*
- *The overall opinion, judgment or conclusion reached.*

The reasons for an unfavorable overall opinion must be stated.

P&P Document Reference: _____

QCS Description:

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

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

P&P Document Reference: _____

QCS Description:

95. The chief audit executive must 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:

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

P&P Document Reference: _____

QCS Description:

RESOLUTION OF SENIOR MANAGEMENT'S ACCEPTANCE OF RISKS (PS 2600)

97. 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 must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution. (PS 2600)

P&P Document Reference: _____

QCS Description:

G. Review of Audit Organization's Quality Control System - 2011 Revised Red Book Standards

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 conformance 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 conformance 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 conformance 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 Carried Out and Complied 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 an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards?				
Is the internal audit charter periodically reviewed by the CAE and presented to senior management and the board for approval? (AS 1000)	_____	_____	_____	
2. Is the nature of assurance services defined in the internal audit charter? If assurances are provided to parties outside the organization, is the nature of these assurances also defined in the charter? (AS 1000.A1)	_____	_____	_____	
3. Is the nature of consulting services defined in the internal audit charter? (AS 1000.C1)	_____	_____	_____	
4. Is the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the Standards recognized in the internal audit charter (i.e., does the charter or another Internal Audit document establish the expectation that audit staff will conform to the IIA's Code of Ethics)? (AS 1010)	_____	_____	_____	
Independence				
5. Does the chief audit executive report to a level within the organization that allows the internal audit activity to fulfill its responsibilities? (AS 1110)	_____	_____	_____	
6. Do procedures require the chief audit executive confirm the organizational independence of the internal audit activity to the board at least annually?	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Was it done for the years under review? (AS 1110)	_____	_____	_____	
7. Is the internal audit activity free from interference in determining the scope of internal auditing, performing work, and communicating results? (AS 1110.A1)	_____	_____	_____	
8. Does the chief audit executive communicate and interact directly with the board? (AS 1111)	_____	_____	_____	
Individual Objectivity				
9. Do procedures help ensure internal auditors have an impartial, unbiased attitude and avoid any conflict of interest? (AS 1120)	_____	_____	_____	
Impairments to Independence or Objectivity				
10. If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to appropriate parties? (AS 1130)	_____	_____	_____	
11. Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year? (AS 1130.A1)	_____	_____	_____	
12. Does a party outside the internal audit activity oversee assurance engagements for functions over which the Chief Audit Executive has responsibility? (AS 1130.A2)	_____	_____	_____	
13. Internal auditors may provide consulting services relating to				

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
operations for which they had previous responsibilities? (AS 1130.C1)	_____	_____	_____	
14. Are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services? (AS 1130.C2)	_____	_____	_____	
Proficiency				
15. 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)	_____	_____	_____	
16. Does the chief audit executive obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement? (AS 1210.A1)	_____	_____	_____	
17. Do the internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization? (NOTE: Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.) (AS 1210.A2)	_____	_____	_____	
18. Do the internal auditors have sufficient knowledge of key information technology risks and controls and available technology-based audit				

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
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.) (AS 1210.A3)	_____	_____	_____	
19. Does the chief audit executive decline consulting engagements or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement? (AS 1210.C1)	_____	_____	_____	
Due Professional Care				
20. Do the internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor? (AS 1220)	_____	_____	_____	_____
21. 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 governance, risk management, and control processes? • Probability of significant errors, fraud, or noncompliance? • Cost of assurance in relation to potential benefits? (AS 1220.A1) 	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
22. In exercising due professional care, does the internal auditor consider the use of technology-based audit tools and other data analysis techniques? (AS 1220.A2)	_____	_____	_____	
23. 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)	_____	_____	_____	
24. Do the internal auditors exercise due professional care during a consulting engagement by considering the: <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? (AS 1220.C1) 	_____	_____	_____	
Continuing Professional Development				
25. Do the internal auditors enhance their knowledge, skills, and other competencies through continuing professional development? (AS 1230)	_____	_____	_____	
Quality Assurance and Improvement Program				
26. Does the quality assurance and improvement program include both				

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
internal and external assessments? (AS 1310)	_____	_____	_____	
Internal Assessments				
27. Do internal assessments include:				
<ul style="list-style-type: none"> • Ongoing monitoring of the performance of the internal audit activity; and • Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices? (AS 1311) 	_____	_____	_____	
External Assessments				
28. Are external assessments conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization?				
Does the chief audit executive discuss the need for more frequent external assessments; and the qualifications and independence of external reviewers [including potential conflict of interest] with the board? (AS 1312)	_____	_____	_____	
Reporting on the Quality Program				
29. Does the chief audit executive communicate the results of the quality assurance and improvement program to senior management and the board? (AS 1320)	_____	_____	_____	
Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing "				
30. Does the chief audit executive state that internal audit activity "conforms with the <i>International Standards for the Professional Practice of Internal</i>				

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
<i>Auditing</i> ” only if the results of the quality assurance and improvement program support this statement? (AS 1321)	_____	_____	_____	
Disclosure of Nonconformance				
31. When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, does the chief audit executive disclose the nonconformance and impact to senior management and the board? (AS 1322)	_____	_____	_____	
Managing the Internal Audit Activity				
32. 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)	_____	_____	_____	
33. Is the internal audit activity's plan of engagements based on a documented risk assessment, undertaken at least annually; and is the input of senior management and the board considered in this process? (PS 2010.A1)	_____	_____	_____	
34. Does the chief audit executive identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions. (2010.A2))	_____	_____	_____	
35. 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? (PS 2010.C1)	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Communication and Approval				
36. Does the chief audit executive communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval? Has the chief audit executive also communicated the impact of resource limitations? (PS 2020)	_____	_____	_____	
Resource Management				
37. Does the chief audit executive ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan? (PS 2030)	_____	_____	_____	
Policies and Procedures				
38. Has the chief audit executive established policies and procedures to guide the internal audit activity? (PS 2040)	_____	_____	_____	
Coordination				
39. Does the chief audit executive share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts? (PS 2050)	_____	_____	_____	
Reporting to Senior Management and the Board				
40. Does the chief audit executive report periodically to senior management and the board on the internal audit	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
<p>activity's purpose, authority, responsibility, and performance relative to its plan? Does the reporting include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board? (PS 2060)</p>	_____	_____	_____	
<p>[2070 not applicable]</p>				
<p>Governance</p>				
<p>41. Does the internal audit activity assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> a. Promoting appropriate ethics and values within the organization? b. Ensuring effective organizational performance management and accountability? c. Communicating risk and control information to appropriate areas of the organization? d. Coordinating the activities of and communicating information among the board, external and internal auditors, and management? (2110) 	_____	_____	_____	
<p>42. Does the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities? (2110.A1)</p>	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
43. Does the internal audit activity assess whether the information technology governance of the organization supports the organization's strategies and objectives? (2110.A2)	_____	_____	_____	
Risk Management	_____	_____	_____	
44. Does the internal audit activity evaluate the effectiveness and contribute to the improvement of risk management processes? (2120)	_____	_____	_____	
45. 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 efficiency of operations and programs? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures, and contracts? (2120.A1) 	_____	_____	_____	
46. Does the internal audit activity evaluate the potential for the occurrence of fraud and how the organization manages fraud risk? (2120.A2)	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
47. 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? (2120.C1)	_____	_____	_____	
48. Do the internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes? (2120.C2)	_____	_____	_____	
49. When assisting management in establishing or improving risk management processes, do the internal auditors refrain from assuming any management responsibility by actually managing risks? (2120.C3)	_____	_____	_____	
Control				
50. Does the internal audit activity assist the organization in maintaining effective controls by evaluating their effectiveness and by promoting continuous improvement? (2130)	_____	_____	_____	
51. Does the internal audit activity evaluate the adequacy and effectiveness of controls in responding to risks within 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 efficiency of operations and programs? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures, and contracts? (2130.A1)	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
52. Do the internal auditors incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes? (2130.C1)	_____	_____	_____	
Engagement Planning				
53. Do the internal auditors develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations? (2200)	_____	_____	_____	
Planning Considerations				
54. Do procedures require auditors to consider the following when planning the 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 processes compared to a relevant control framework or model? • The opportunities for making significant improvements to the activity's risk management and control processes? (2201) 	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
55. 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)	_____	_____	_____	
56. 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)	_____	_____	_____	
Engagement Objectives				
57. Do procedures require objectives to be established for each engagement? (2210)	_____	_____	_____	
58. 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)	_____	_____	_____	
59. Do procedures require the internal auditor to consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives? (2210.A2)	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
60. Do procedures require the internal auditor to ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria. (2210.A3)	_____	_____	_____	
61. Do procedures require consulting engagement objectives to address governance, risk management, and control processes to the extent agreed upon with the client? (2210.C1)	_____	_____	_____	
62. Do procedures require consulting engagement objectives to be consistent with the organization's values, strategies, and objectives? (2210.C2)	_____	_____	_____	
Engagement Scope				
63. Do procedures address establishing scope sufficient to satisfy the objectives of the engagement? (2220)	_____	_____	_____	
64. Do procedures address consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties, in setting the scope? (2220.A1)	_____	_____	_____	
65. 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	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
communicated in accordance with consulting standards? (2220.A2)	_____	_____	_____	
66. 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)	_____	_____	_____	
67. In performing consulting engagements, do the internal auditors address controls consistent with the engagement's objectives and remain alert to significant control issues? (2220.C2)	_____	_____	_____	
Engagement Resource Allocation				
68. Do the internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources? (2230)	_____	_____	_____	
Engagement Work Program				
69. Do the internal auditors develop and document work programs to achieve the engagement objectives? (2240)	_____	_____	_____	

Section	Internal Controls Carried Out and Complied With Standards			Reviewer Comments
	Yes	No	N/A	
70. Do the work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement? Is the work program approved prior to its implementation, and any adjustments approved promptly? (2240.A1)				
71. 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							
72. Do the internal auditors identify, analyze, evaluate and document sufficient, reliable, relevant, and useful information to achieve the engagement's objectives? (PS 2300, 2310)							
Analysis and Evaluation							
73. Do procedures require auditors to base conclusions and engagement results on appropriate analyses and evaluations? (PS 2320)							
Recording Information							
74. Do procedures require auditors to document relevant information to support the conclusions and engagement results? (PS 2330)							

Section	Internal Controls Carried Out and Complied With Standards						Reviewer Comments
	Yes	No	N/A				
75. 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)							
76. 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)							
77. Has the chief audit executive developed policies governing the custody and retention of consulting 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							
78. Were engagements properly supervised to ensure objectives are achieved, quality is assured, and staff is developed? (PS 2340)							
Communicating Results							
Criteria for Communicating							
79. Do procedures require engagement communications to include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans? (PS 2400, 2410)							

Section	Internal Controls Carried Out and Complied With Standards						Reviewer Comments
	Yes	No	N/A				
80. Do procedures require the final communication of engagement results, where appropriate, to contain the internal auditor's opinion and/or conclusions, supported by sufficient, reliable, relevant, and useful information and taking into account the expectations of senior management, the board, and other stakeholders? (2410.A1)							
81. Do procedures encourage engagement communications to acknowledge satisfactory performance? (2410.A2)							
82. Do procedures require communicating limitations on distribution and use of results when releasing engagement results to parties outside the organization? (2410.A3)							
83. Do procedures provide for meeting the needs of the client in communicating the progress and results of consulting engagements? (2410.C1)							
Quality of Communications							
84. Do procedures require communications to be accurate, objective, clear, concise, constructive, complete, and timely? (2420)							
Errors and Omissions							
85. If a final communication contains a significant error or omission, do procedures require the chief audit executive to communicate corrected information to all parties who received the original communication? (2421)							

Section	Internal Controls Carried Out and Complied With Standards						Reviewer Comments
	Yes	No	N/A				
Engagement Disclosure of Nonconformance with the Standards							
86. Do procedures provide for the inclusion of “Conduct in Conformance with the International Standards for the Professional Practice of Internal Auditing” if results of the Quality Assurance and Improvement Program support the statement? (2430)							
87. Do procedures require disclosure of nonconformance with the Definition of Internal Auditing, the Code of Ethics or the Standards in specific engagement, including: <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved, • Reason(s) for nonconformance, and • Impact of nonconformance on the engagement and the communicated engagement results? (2431) 							
Disseminating Results							
88. Do procedures require the chief audit executive to communicate results to the appropriate parties? (2440)							
89. Do procedures require the chief audit executive to communicate the final results to parties who can ensure that the results are given due consideration? (2440.A1)							
90. If not otherwise mandated by legal, statutory or regulatory requirements, do procedures							

Section	Internal Controls Carried Out and Complied With Standards						Reviewer Comments
	Yes	No	N/A				
<p>require the chief audit executive to consider the following before releasing results to parties outside the organization:</p> <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) 							
91. Do procedures require the chief audit executive to communicate the final results of consulting engagements to clients? (2440.C1)							
92. Do procedures require the chief audit executive to communicate to senior management and the board, significant governance, risk management and control issues identified during consulting engagements? (2440.C2)							
Overall Opinions							
93. Do procedures require that an overall opinion, when issued, be supported by sufficient, reliable, relevant, and useful information while also taking into account the expectations of senior management, the board, and other stakeholders? (2450)							
Monitoring Progress							
94. Has the chief audit executive established and maintained a system to monitor the disposition of results communicated to management? (2500)							

Section	Internal Controls Carried Out and Complied With Standards						Reviewer Comments
	Yes	No	N/A				
95. 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)							
96. 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 Senior Management's Acceptance of Risks							
97. 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 resolved, does the chief audit executive report the matter to the board for resolution? (PS 2600)							

H. Review of Assurance and Consulting Engagements

ALGA Peer Review Guide – 2011 Revised Red Book Standards

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 conformance 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 conformance with relevant IIA standards, the review team should examine audit/engagement documentation to determine whether the control weakness resulted in nonconformance 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 conformance 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 any conflict of interest? (AS 1120) (QCS question 9)	_____	_____	_____	
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 10)	_____	_____	_____	
3. Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year? (1130.A1) (QCS question 11)	_____	_____	_____	
4. Does a party outside the internal audit activity oversee assurance services for functions over which the Chief Audit Executive has responsibility? (1130.A2) (QCS question 12)	_____	_____	_____	
5. Are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services? (1130.C2) (QCS question 14)	_____	_____	_____	

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? (AS 1220) (QCS question 20)	_____	_____	_____	
7. Do the internal auditors exercise due professional care by considering the: <ul style="list-style-type: none"> a. Extent of work needed to achieve the engagement's objectives? b. Relative complexity, materiality, or significance of matters to which assurance procedures are applied? c. Adequacy and effectiveness of governance, risk management, and control processes? d. Probability of significant errors, fraud, or noncompliance? e. Cost of assurance in relation to potential benefits? (1220.A1) (QCS question 21) 	_____	_____	_____	
8. In exercising due professional care, does the internal auditor consider the use of technology-based audit tools and other data analysis techniques? (1220.A2) (QCS question 22)	_____	_____	_____	
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 23)	_____	_____	_____	

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 24) 	_____	_____	_____	
Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"				
<p>11. Do the internal auditors report that their activities "conform 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 conformance with the <i>Standards</i>? (AS 1321) (QCS question 30)</p>	_____	_____	_____	
Disclosure of Nonconformance				
<p>12. When nonconformance with the Definition of Internal Auditing, the <i>Code of Ethics</i>, or the Standards impacts the overall scope or operation of the internal audit activity, is the nonconformance and impact disclosed to senior management and the board? (AS 1322) (QCS question 31)</p>	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
13. During consulting engagements, do internal auditors address risk consistent with the engagement's objectives, and are they alert to the existence of other significant risks? (2120.C1) (QCS question 47)	_____	_____	_____	
	_____	_____	_____	
Engagement Planning/Planning Considerations				
14. 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 processes compared to a relevant control framework or model? • The opportunities for making significant improvements to the activity's risk management and control processes? (2201) (QCS question 54) 	_____	_____	_____	
15. 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 55)	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
16. 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 56)	_____	_____	_____	
Engagement Objectives				
17. Were objectives established for each engagement? (2210) (QCS question 57)	_____	_____	_____	
18. 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 58)	_____	_____	_____	
19. Did the internal auditor consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives? (2210.A2) (QCS question 59)	_____	_____	_____	
20. Did the internal auditor ascertain the extent to which management had established adequate criteria to determine whether objectives and goals were accomplished? Did the internal auditor use the criteria in their evaluation, or if inadequate, did the internal auditor work with management to develop appropriate evaluation criteria? (2210.A3) (QCS question 60)	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
21. Did consulting engagement objectives address governance, risk management, and control processes to the extent agreed upon with the client? (2210.C1) (QCS question 61)	_____	_____	_____	
22. Were consulting engagement objectives consistent with the organization's values, strategies, and objectives? (2210.C2) (QCS question 62)	_____	_____	_____	
Engagement Scope				
23. Was the established scope sufficient to satisfy the objectives of the engagement? (2220) (QCS question 63)	_____	_____	_____	
24. 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 64)	_____	_____	_____	
25. 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 65)	_____	_____	_____	
26. In performing consulting engagements, did the internal auditors ensure that the	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
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 66)	_____	_____	_____	
27. If a consulting engagement, did the auditor address controls consistent with the engagement's objectives and was the auditor alert to significant control issues? (2220.C2) (QCS question 67)	_____	_____	_____	
Engagement Resource Allocation				
28. Did the internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources? (2230) (QCS question 68)	_____	_____	_____	
Engagement Work Program				
29. Did the internal auditors develop and document work programs that achieved the engagement objectives? (2240) (QCS question 69)	_____	_____	_____	
30. Did the work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement? Was the work program approved prior to its implementation, and any adjustments approved promptly? (2240.A1) (QCS question 70)	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
31. 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 71)	_____	_____	_____	
Performing the Engagement				
Identifying Information				
32. Did the internal auditors identify, analyze document and evaluate sufficient, reliable, relevant, and useful information to achieve the engagement's objectives? (2300, 2310) (QCS question 72)	_____	_____	_____	
Analysis and Evaluation				
33. Did internal auditors base conclusions and engagement results on appropriate analyses and evaluations? (PS 2320) (QCS question 73)	_____	_____	_____	
Documenting Information				
34. Did internal auditors document relevant information to support the conclusions and engagement results? (2330) (QCS question 74)	_____	_____	_____	
Engagement Supervision				
35. Were engagements properly supervised to ensure objectives were achieved, quality was assured, and staff was developed? (PS 2340) (QCS question 78)	_____	_____	_____	
Communicating Results				
Criteria for Communicating				
36. Did engagement communications include the engagement's objectives and scope				

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
as well as applicable conclusions, recommendations, and action plans? (2400, 2410) (QCS question 79)	_____	_____	_____	
37. Did the final communication of engagement results, where appropriate, contain the internal auditor's opinion and/or conclusions based on sufficient, reliable, relevant, and useful information, and take into account the expectations of senior management, the board, and other stakeholders? (2410.A1) (QCS question 80)	_____	_____	_____	
38. Did engagement communications acknowledge satisfactory performance? (2410.A2) (QCS question 81)	_____	_____	_____	
39. 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 82)	_____	_____	_____	
40. For consulting engagements, was the form and content of communications appropriate given the nature of the engagement and the needs of the client? (2410.C1) (QCS question 83)	_____	_____	_____	
Quality of Communications				
41. Were communications accurate, objective, clear, concise, constructive, complete, and timely? (2420) (QCS question 84)	_____	_____	_____	
Errors and Omissions				
42. 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? (2421) (QCS question 85)	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
Engagement Disclosure of Nonconformance with the Standards				
43. When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the <i>Standards</i> impacts a specific engagement, communication of the results did the review results disclose the: <ul style="list-style-type: none"> ▪ Principle or rule of conduct of the Code of Ethics or <i>Standard(s)</i> with which full conformance was not achieved, ▪ Reason(s) for nonconformance, and ▪ Impact of nonconformance on the engagement and the communicated engagement results. (2431) (QCS question 87) 	_____	_____	_____	
Disseminating Results				
44. Did the chief audit executive communicate results to the appropriate parties? (2440) (QCS question 88)	_____	_____	_____	
45. 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 89)	_____	_____	_____	
46. 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 appropriate? • Control dissemination by restricting the use of the results? (2440.A2) (QCS question 90) 	_____	_____	_____	

Section	Internal Controls Carried Out & Complied With Standards			Reviewer Comments
	Yes	No	N/A	
47. Did the chief audit executive communicate the final results of the consulting engagement to clients? (2440.C1) (QCS question 91)				
48. If this was a consulting engagement did the chief audit executive communicate to senior management and the board, any significant governance, risk management, and control and governance issues that were identified? (2440.C2) (QCS question 92)				
49. If an overall opinion was issued, was it based on sufficient, reliable, relevant, and useful information, and did the opinion take in to account the expectations of senior management, the board, and other stakeholders? (2450) (QCS question 93)				

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 - Conformance

ALGA Peer Review Guide for Assessing Conformance 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 Conformance with International Standards for the Professional Practice of Internal Auditing*, published in July 2011 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 conformance 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, conformance 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 conformance 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 Conformance

ALGA Peer Review Guide for Assessing Conformance 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 Conformance with International Standards for the Professional Practice of Internal Auditing*, published in July 2011 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 conformance 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, conformance 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 conformance 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 - Nonconformance

ALGA Peer Review Guide for Assessing Conformance 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 Conformance with International Standards for the Professional Practice of Internal Auditing*, published in July 2011 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 conformance 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, conformance 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 conformance 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 Conformance 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 conformance to *International Standards for the Professional Practice of Internal Auditing*:

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

- Observation 1
Suggestion 1

¹ Use this language for full conformance reports.

² Use this language for partial conformance or nonconformance reports.

- Observation 2

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.