

**HOUSTON AREA SCHOOL DISTRICT INTERNAL AUDITORS (HASDIA)
 MASTER ~~PEER~~ QUALITY ASSESSMENT REVIEW PROGRAM**

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See the Strongly Recommended Guidance provided by the Institute of Internal Auditors (IIA) that includes Position Papers, Practice Advisories and Practice Guides. These items may be found on the IIA’s website at www.theiia.org/guidance/standards-and-guidance.

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IIA CODE OF ETHICS

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

Examples of Evidence: a written charter, job descriptions, policies and procedures, other documentation demonstrating emphasis on the IIA's Code of Ethics.

Source	Standards and Practices	Yes	No	Comments	Ref.	
	Does the charter or another Internal Audit document establish the expectation that audit staff will conform to the Institute of Internal Auditor's Code of Ethics?					
	<u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.)					
*	a. Has the Code of Ethics been provided or discussed with staff members during their orientation?					
	b. Do position descriptions require compliance with the Code of Ethics?					
	c. Does the charter give reference to the Code of Ethics?					
	d. Do auditors' evaluations include an assessment of elements of professionalism addressed in the Code of Ethics?					
CONCLUSIONS					YES	NO
Does the Charter or another Internal Audit document establish the expectation that audit staff will conform to the Institute of Internal Auditor's Code of Ethics?						
Comments:						

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ATTRIBUTE STANDARDS (AS) 1000 – PURPOSE, AUTHORITY, AND RESPONSIBILITY

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

Examples of Evidence: internal audit charter, policies and procedures, and board minutes.

Source	Standards and Practices	Yes	No	Comments	Ref.
AS 1000	Are the purpose, authority, and responsibility of the internal audit activity formally defined in <u>an internal audit</u> charter, consistent with the <u>Definition of Internal Auditing, the Code of Ethics, and the Standards</u> ?				
	<u>Does the chief audit executive CAE periodically review the internal audit charter and present it to senior management and approved by</u> the board <u>for approval</u> ?				
	<u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.)				
*	a. Does the internal audit department have a formal written charter?				
*	b. Has management or the Board approved this charter?				
	c. Has the charter established the position of the internal audit department within the organization?				
	d. Does the charter authorize access to records, personnel, and properties?				
	e. Does the charter describe the scope or operating range available to the internal audit department?				
AS 1000.A1	Is the nature of assurance services defined in the <u>internal</u> audit charter? If assurances are provided to parties outside the organization, is the nature of these assurances also defined in the <u>internal audit</u> charter?				
AS 1000.C1	Is the nature of consulting services defined in the internal audit charter?				

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Source	Standards and Practices	Yes	No	Comments	Ref.	
<u>AS 1010</u>	<p><u>Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter</u></p> <ul style="list-style-type: none"> • <u>Is the Definition of Internal Auditing included in the charter?</u> • <u>Is the Code of Ethics included in the charter?</u> • <u>Are the Standards included in the charter?</u> • <u>Are the above items discussed with senior management and the board?</u> • <u>If yes, when and describe discussion.</u> 					
CONCLUSIONS					YES	NO
<p>AS1000 Purpose, Authority, and Responsibility - Are the purpose, authority, and responsibility of the internal audit activity formally defined in a charter, consistent with the <u>Definition of Internal Auditing, the Code of Ethics, and the Standards</u>; <u>Does the CAE periodically review the internal audit charter and present it to senior management and approved by the board for approval?</u></p>						
<p>Comments:</p>						

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AS 1100 ~~--~~ INDEPENDENCE and OBJECTIVITY

The internal audit activity ~~should~~must be independent, and internal auditors ~~should~~must be objective in performing their work.

Examples of Evidence: a written charter, organizational charts, board minutes, audit plans, activity reports, position descriptions, memorandums, independence statements, and peer review interviews.

NOTE: The reviewer administering this section should also consider *Standard 1000 – Purpose, Authority, and Responsibility*.

Source	Standards and Practices	Yes	No	Comments	Ref.
AS 1110	Organizational Independence: Does the chief audit executive <u>CAE</u> report to a level within the organization that allows the internal audit activity to fulfill its responsibilities?				
	<u>Does the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity?</u>				
1110.A1	Is the internal audit activity free from interference in determining the scope of internal auditing, performing work, and communicating results?				
	<u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.)				
*	a. Does the internal audit director <u>CAE</u> report to an acceptable level—such as the board, President, or Chief Financial Officer—who has sufficient authority to support the audit function and require appropriate action on audit recommendations?				
	b. Does the internal audit director have <u>CAE have</u> formal access to members of the Board?				
*	c. Does the internal audit director <u>CAE</u> directly communicate with the Board (or Audit Committee) at least annually?				
	d. Does the appointment or removal of the internal audit director <u>CAE</u> require the concurrence of the Board?				
*	e. Are the purpose, authority and responsibility of the internal audit department defined in a formal written and approved document (<u>internal</u> audit charter)?				

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Source	Standards and Practices	Yes	No	Comments	Ref.
*	f. Does the internal audit director CAE -submit the following items for approval by management and/or the Board on an ongoing regular basis? <ul style="list-style-type: none"> ➤ Audit plan. ➤ Staffing levels and needs. ➤ Budget and financial needs. 				
*	g. Does the internal audit director CAE submit activity or status reports that highlight significant audit findings, recommendations, audit accomplishments, coverage, and status of the audit plan to senior management and/or the Board?				
<u>AS 1111</u>	<u>Direct Interaction With the Board: Does the CAE communicate and interact directly with the board?</u>				
<u>AS 1120</u>	Individual Objectivity: Do the internal auditors have an impartial, unbiased attitude and avoid <u>any</u> conflicts of interest?				
	<u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.)				
*	a. Is the internal audit department free of operating responsibilities which would thereby impair its ability, either in fact or appearance, to objectively assess the operations being audited? If internal auditors have assumed operating responsibilities, are they of such a limited or isolated nature so as not to impair ones' objectivity for the areas that have been or are supposed to be audited?				
*	b. Does the internal audit director CAE have periodic discussions with internal audit staff over the importance of maintaining an independent mental attitude when conducting audits?				
	c. Does the internal audit director CAE -periodically query the internal audit staff about information concerning potential conflicts of interest and bias?				

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Source	Standards and Practices	Yes	No	Comments	Ref.	
AS 1130	Impairments to Independence or Objectivity: If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to appropriate parties? (The nature of the disclosure will depend upon the impairment.)					
1130.A1	Do the internal auditors refrain from assessing specific operations for which they were previously responsible within the previous year?					
1130.A2	Does a party outside the internal audit activity oversee assurance services over functions that for which the Chief Audit Executive <u>CAE</u> has been responsible?					
1130.C1 1130.C2	If Internal auditors provide consulting services relating to operations for which they had previous responsibilities, are potential impairments to independence or objectivity disclosed to the client prior to performing consulting services?					
CONCLUSIONS					YES	NO
AS 1100 Independence and Objectivity – Is the internal audit activity independent, and are the internal auditors objective in performing their work?						
Comments:						

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AS 1200 – PROFICIENCY and DUE PROFESSIONAL CARE

Engagements ~~should~~ must be performed with proficiency and due professional care.

Examples of Evidence: planning memos, audit programs, analytical reviews, risk assessments, audit tests and procedures, audit conclusions, staff resumes, professional certifications, hiring requirements, and training records.

NOTE: The reviewer administering this section should also consider *Standard 2300 – Performing the Engagement* with specific attention to the proficiency of individual auditors on specific audits.

For knowledge, skills, and disciplines of individual auditors, consider whether it was evident that the auditors understood the objectives, scope, and audit steps performed. A good indication of this understanding is found in internally consistent conclusions. Determine whether the audit work supports conclusions and accomplishes objectives and scope.

For the department as a whole, consider whether knowledge, skills, and disciplines are proficient for the audits planned as well as the audits actually performed.

In analyzing due professional care, determine whether the internal auditors demonstrated sound judgment in their decisions. Determine whether the audit steps were adequate to provide reasonable assurance that the audit objectives were accomplished.

Source	Standards and Practices	Yes	No	Comments	Ref.
AS 1210	Proficiency – Do internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities?				
	<u>Does the internal audit activity collectively possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities?</u>				
AS 1210.A1	Does the CAE obtain competent advice and assistance if the internal auditor <u>s</u> staff <u>lacks</u> the knowledge, skills, or other competencies needed to perform all or part of the engagement?				
1210.A2	Do the internal auditors have sufficient knowledge to identify-evaluate the <u>indicators-of-risk of fraud and the manner in which it is managed by the organization</u> ? (NOTE: Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.)				

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Source	Standards and Practices	Yes	No	Comments	Ref.
1210.A3	Do the internal auditors have <u>sufficient</u> knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work? (NOTE: Not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.)				
1210.C1	Does the chief audit executive CAE decline the consulting engagement or obtain competent advice and assistance if the internal auditors staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement?				
	<u>Related Practices</u> (Both of the following practices are recommended.) Has the internal audit department:				
	a. Established suitable criteria of education and experience required for each audit position?				
	b. Obtained reasonable assurance of the prospective auditor's qualifications and proficiency?				
	<u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) Did the auditors appear to be:				
*	a. Proficient in applying internal auditing standards, procedures, and techniques?				
	b. Proficient in accounting principles and techniques?				
*	c. Familiar with management principles?				
	d. Appreciative of the fundamentals of such subjects as economics, commercial law, taxation, finance, quantitative methods, and computerized information <u>technology</u> systems?				
*	e. Proficient in the knowledge, skills, and disciplines necessary to conduct audits of specific subject, e.g., if the audit pertained to construction, did the auditors have appropriate knowledge, skills, and disciplines for performing construction audits?				

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Source	Standards and Practices	Yes	No	Comments	Ref.
	<u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.)				
	a. Does the internal audit staff collectively possess the education, knowledge and skills essential to the practice of internal auditing within the organization?				
*	b. When the staff has not possessed the required expertise, has the department obtained that expertise either in-house through training, or e externally through the use of consultants? (For example, has the department sent an auditor to a workshop, hired a consultant, or sought the advice of an expert in order to address an audit issue or to conduct an audit?)				
	c. From your workpaper review of a sample of audits (Exhibit E - Workpaper Audit Program) did the audit team for each audit possess the knowledge, skills, and disciplines appropriate for the work required?				
AS 1220	Due Professional Care – Do the internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor? (NOTE: Due professional care does not imply infallibility.)				
1220.A1	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 <u>governance</u>, risk management, <u>and control</u>, and governance processes? • Probability of significant errors, irregularities<u>fraud</u>, or noncompliance? • Cost of assurance in relation to potential benefits? 				
1220.A2	In exercising due professional care, does the internal auditor <u>s</u> consider the use of computer-assisted technology-based audit tools and other data analysis techniques?				

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Source	Standards and Practices	Yes	No	Comments	Ref.
1220.A3	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.C1	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? 				
	<u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.)				
*	a. Did the auditor identify the at -risk areas, if any, such as areas sensitive to theft, omission, inefficiencies, waste, or conflict of interest?				
	b. Was the auditor's consideration of the at -risk areas adequate, given the scope and nature of the audit?				
*	c. Was the audit work performed adequate given the results of the risk assessment?				
	d. Did the auditor document his or her assessment of the at -risk areas? For example, were the risks documented in a planning memo, preliminary survey, or audit program?				
AS 1230	Continuing Professional Development – Do the internal auditors enhance their knowledge, skills, and other competencies through continuing professional development?				
	<u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.)				

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Source	Standards and Practices	Yes	No	Comments	Ref.
	a. Are auditors kept informed about improvements and current developments in internal auditing standards, procedures, and techniques?				
*	b. Are auditors provided with time to take continuing educational courses sufficient to maintain professional certifications?				
*	c. Does the internal audit department pay for the cost of training and/or conference fees, including travel costs?				
*	d. Are auditors allowed work times to participate in professional organizations?				
*	e. Are auditors encouraged to obtain professional certification through the provision of time, materials, or registration fees to study and pass certification exams?				
*	f. Have auditors met the minimum continuing education requirements?				
	Personnel Management and Development <u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) Has the internal audit director <u>CAE</u> :				
*	a. Maintained an updated written job description for each level of audit staff?				
	b. Provided training and continuing educational opportunities for each auditor?				
*	c. Ensured that each auditor is evaluated at least once a year?				
	d. Rotated auditors' assignments so as to develop either specialization or breadth of competence beneficial to the auditor and internal audit department?				

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AS 1300 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The chief audit executive ~~should~~ must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, ~~and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics.~~

Examples of Evidence: working paper review checklists, periodic evaluations of auditors, auditor position descriptions, written results of internal self-assessments, and written external review reports.

NOTE: An internal review program, particularly in smaller internal audit departments, will require adaptations that take into consideration the structure of the department and the degree of the ~~director's~~ CAE's involvement in individual audits.

Source	Standards and Practices	Yes	No	Comments	Ref.
AS 1310	Requirements of the Quality Assurance and Improvement Program Assessments – Does the internal audit activity have a process to monitor and assess the overall effectiveness of the <u>quality assurance and improvement program, and does it</u> include both internal and external assessments?				
AS 1311	Internal Assessments – Do internal assessments include: <ul style="list-style-type: none"> • Ongoing reviews <u>monitoring</u> of the performance of the internal audit activity; and • Periodic reviews performed through self-assessment or by other persons within the organization who have <u>sufficient</u> knowledge of internal audit practices and the Standards? 				
AS 1312	External Assessments – Are external assessments, such as quality assurance reviews, conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization? <u>Did the chief audit executive-CAE 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?</u>				

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Source	Standards and Practices	Yes	No	Comments	Ref.
AS 1320	Reporting on the Quality Assurance and Improvement Program – Does the chief audit executive CAE communicate the results of external assessments the quality assurance and improvement program to senior management and the board?				
AS 4330 <u>1321</u>	Use of "Conducted in Accordance Conforms with the International Standards for the Professional Practice of Internal Auditing" – Does the internal auditors report that their activities are "conducted in accordance chief audit executive CAE 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? assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the Standards?				
AS 4340 <u>1322</u>	Disclosure of Noncompliance Nonconformance - Although the internal audit activity should achieve full compliance with the Standards, and internal auditors should fully comply with the Code of Ethics, when instances in which full compliance is not achieved 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 CAE must disclose the nonconformance and the impact is disclosure made to senior management and the board?				

