

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

Performance Standards (PS) 2000 – MANAGING THE INTERNAL AUDIT ACTIVITY

The ~~chief audit executive~~CAE ~~should~~ must effectively manage the internal audit activity to ensure it adds value to the organization.

Examples of Evidence: policies and procedures, established audit processes, IA budget, audit plan, risk assessment, annual report, status reports, project budget to actual time comparisons, and interviews and surveys with management.

When reviewing policies and procedures of an Internal Audit Department, reviewers should consider the size of the department when drawing conclusions about compliance with this standard. For small departments, the auditors may rely upon checklists and technical guidelines provided by professional associations, regulatory organizations, or other less formal practices. Detailed policies and procedures for the department may not be cost effective or required for a small department.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|---------|--|-----|----|----------|------|
| PS 2010 | Planning – Has the chief audit executive CAE established risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals? | | | | |
| 2010.A1 | Is the internal audit activity's plan of engagements based on a <u>documented</u> risk assessment, undertaken at least annually, and is the input of senior management and the board considered in this process? | | | | |
| 2010.C1 | Does the chief audit executive CAE 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 <u>accepted</u> engagements that have been accepted included in the plan? | | | | |
| | <u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.) | | | | |
| * | a. Has the internal audit department defined the audit entity or universe in terms of departments, activities, programs, operations, functions, accounts, or fund groups? | | | | |
| * | b. Has the internal audit department used the risk factors such as interval since last audit, financial data, and changes in organization, when assessing the audit risks of selected areas? | | | | |

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| * | c. As part of developing a risk assessment or audit plan, has the internal audit department surveyed or involved management? | | | | |
| * | d. Has the internal audit department ranked the areas assessed? | | | | |
| | <u>Related Practices</u> (A minimum of four of the following practices is recommended. Highly effective practices are signified by an *.) | | | | |
| * | a. Has the internal audit department developed an audit plan? | | | | |
| | b. Does the audit plan assign hours reserved or estimated as needed to each audit? | | | | |
| | c. Does the audit plan identify the types of audits, e.g., reliability and integrity of financial and operating information, safeguarding of assets, compliance..., etc.? | | | | |
| * | d. Have the results of the risk assessment been used to develop the audit plan? | | | | |
| | e. Does the audit planning document or report present the methodology for developing the audit plan? For example, has the internal audit department discussed how the plan was developed through the use of risk factors, management surveys, etc? | | | | |
| | f. Does the audit plan include a discussion of the high risk areas or activities that could not be audited due to lack of audit resources? | | | | |
| | g. Does the audit plan provide statistics or financial data pertaining to the areas, such as the audit universe and proposed audit areas? | | | | |
| | h. Does the audit plan relate audit coverage provided by the internal auditors with that coverage provided by the external auditors? | | | | |
| | i. Has the internal audit department prepared a long range audit plan extending beyond one year? | | | | |
| | j. Is the mix of audit types in the audit plan reasonable given the audit charter, the skills of the audit staff, and the size of the audit department? | | | | |

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| Moved to 2020 Related Practices b. | k. Has the internal audit department obtained approval of the audit plan from the Board and/or management? | | | | |
| PS 2020 | Communication and Approval – Does the chief audit executive CAE communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval? Has the chief audit executive also communicated the impact of resource limitations? | | | | |
| | Has the CAE also communicated the impact of resource limitations? | | | | |
| | <u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.) | | | | |
| * | a. Prepared an audit plan for the year? (See Standard 300 for related issues.) | | | | |
| | b. Has the internal audit department obtained approval of the audit plan from the Board and/or management? | | | | |
| | b.c. Developed a financial budget for the year? | | | | |
| * | e.d. Developed a budget showing the total available audit hours for the department? | | | | |
| | d.e. Prepared a status or activity report for the year? | | | | |
| | e.f. Explained any deviations from the audit plan in his or her status report? | | | | |
| * | f.g. Established a system to identify, on a timely basis, the audit hours spent on given projects? | | | | |
| PS 2030 | Resource Management – Does the chief audit executive CAE ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan? | | | | |
| PS 2040 | Policies and Procedures – Has the chief audit executive CAE established policies and procedures to guide the internal audit activity? | | | | |

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| | <u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) | | | | |
| * | a. Established policies and procedures for conducting audits and managing the department? These policies and procedures do not have to be in a formal policies and procedures manual. | | | | |
| | b. Documented those policies and procedures? | | | | |
| * | c. Made the staff aware of the policies and procedures? | | | | |
| PS 2050 | Coordination – Does the chief audit executive <u>CAE</u> share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts? | | | | |
| | <u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) The term “external auditor” refers to those auditors performing the annual audit of the institution’s financial statements and does not refer to auditors of Federal audit agencies or other types of external auditors associated with the institution. | | | | |
| * | a. Has the internal audit director <u>CAE</u> met with the external auditors to discuss matters of mutual interest? | | | | |
| | b. Have the internal and external auditors exchanged audit reports? | | | | |
| | c. Do the internal and external auditors have access to each other’s audit workpapers? | | | | |
| * | d. Has the internal audit department coordinated its audit plan with the external auditors? | | | | |

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|--------------------|---|-----|----|------------|-----------|
| PS 2060 | <p>Reporting to the Board and Senior Management <u>and the Board</u> – Does the chief audit executive<u>CAE</u> report periodically to the board and to senior management <u>and the board</u> on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan?</p> <p>Does the reporting include significant risk exposures and control issues, corporate including fraud risks, governance issues, and other matters needed or requested by the board and senior management <u>and the board</u>?</p> | | | | |
| | Related Practices (A minimum of two of the following practices is recommended.) | | | | |
| | a. Has the internal audit department conducted audits in all areas planned? If not, is there sufficient documentation to explain the reasons for not completing the audit plan? | | | | |
| | b. Has the internal audit department communicated the status or accomplishment of its plan to: -Board? - Management? - Board? | | | | |
| | c. Has the internal audit department made provisions for carrying unfinished audits forward to the following year's audit plan? | | | | |
| CONCLUSIONS | | | | YES | NO |
| | PS 2000 Managing the Internal Audit Activity – Does the chief audit executive <u>CAE</u> effectively manage the internal audit activity to ensure it adds value to the organization? | | | | |
| Comments: | | | | | |

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PS 2100 – Nature of Work

The internal audit activity ~~should~~ must evaluate and contribute to the improvement of governance, risk management, and control, ~~and~~ ~~governance~~ processes using a systematic and disciplined approach.

NOTE: This standard requires audits to include a review the adequacy of the system of internal control to ascertain whether the system provides reasonable assurance that the organization’s objectives will be met efficiently and economically.

Examples of Evidence: risk assessment, annual audit plan, and planning documents for specific audits.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|--|--|-----|----|----------|------|
| <u>PS 2110</u> | <p><u>Governance</u> – 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"> • <u>Promoting appropriate ethics and values within the organization?</u> • <u>Ensuring effective organizational performance management and accountability?</u> • <u>Communicating risk and control information to appropriate areas of the organization?</u> • <u>Coordinating the activities of and communicating information among the board, external and internal auditors, and management?</u> | | | | |
| <u>PS 2110</u> <u>(Moved to 2120)</u> | <p><u>Risk Management</u> – Does the internal audit activity assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems?</p> | | | | |
| <u>2110.A1</u> | <p><u>Does the internal audit activity monitor and evaluate the effectiveness of the organization's risk management system?</u></p> | | | | |
| <u>2110.A1</u> | <p><u>Does the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities?</u></p> | | | | |

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| <u>2110.A2</u> | <u>Does the internal audit activity assess whether the information technology governance of the organization sustains and supports the organization's strategies and objectives?</u> | | | | |
| <u>2110.C1</u> | <u>Are consulting engagement objectives consistent with the overall values and goals of the organization?</u> | | | | |
| <u>PS 2120</u> | <u>Risk Management – Does the internal audit activity evaluate the effectiveness and contribute to the improvement of risk management processes?</u> | | | | |
| 2120.A2 <u>1</u> | 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? • Safeguarding of assets? • Compliance with laws, regulations, and contracts? | | | | |
| <u>2120.A2</u> | <u>Does the internal audit activity evaluate the potential for the occurrence of fraud and how the organization manages fraud risk?</u> | | | | |
| 2120.C1 | 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.C2 | Do the internal auditors incorporate their knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures <u>their evaluation</u> of the organization's <u>risk management processes</u> ? | | | | |
| <u>2120.C3</u> | <u>When assisting management in establishing or improving risk management processes, do the internal auditors refrain from assuming any management responsibility by actually managing risks?</u> | | | | |
| PS 21230 | Control – Does the internal audit activity assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement? | | | | |

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|---------------------------------------|--|-----|----|----------|------|
| 21230.A1 | <p>Based on the results of the risk assessment, d Does the internal audit activity evaluate the adequacy and effectiveness of controls <u>in encompassing-responding to risks within</u> the organization's governance, operations, and information systems?</p> <p>Does this include evaluation of the:</p> <ul style="list-style-type: none"> • Reliability and integrity of financial and operational information? • Effectiveness and efficiency of operations? • Safeguarding of assets? • Compliance with laws, regulations, and contracts? | | | | |
| 21230.A2 | Do the internal auditors ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization? | | | | |
| 21230.A3 | Do the internal auditors review operations and programs to ascertain the extent to which results are consistent with established goals and objectives in order to determine whether operations and programs are being implemented or performed as intended? | | | | |
| 2120.A4 2210.A3 (moved to 2200) | <p>Do the internal auditors ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished?</p> <p>If adequate, do internal auditors use such criteria in their evaluation?</p> <p>If inadequate, do internal auditors work with management to develop appropriate evaluation criteria?</p> | | | | |
| | <p>Related Practices (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.)</p> <p>Did the internal auditor:</p> | | | | |
| * | a. Ascertain whether management had identified relevant objectives and goals and had developed a system for measuring their accomplishment? | | | | |

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| | b. Ascertain whether management had established criteria for evaluating their program's effectiveness? | | | | |
| | c. Ascertain whether management had determined whether their objectives and goals were met? | | | | |
| | d. Assess the appropriateness of the techniques and data used by management to measure effectiveness? | | | | |
| | e. Review for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals? | | | | |
| | f. Ascertain whether management had estimated the costs and benefits of not meeting goals? | | | | |
| * | g. Identify key controls designed to ensure compliance? | | | | |
| * | h. Test the key controls that were designed to ensure compliance with these items or indicate why the controls were not tested? | | | | |
| 21230.C1 | During consulting engagements, do internal auditors address controls consistent with the engagement's objectives, and are they alert to the existence of any significant control weaknesses <u>issues</u> ? | | | | |
| 21230.C2 | Do the internal auditors incorporate knowledge of controls gained from consulting engagements into the process of identifying and evaluating <u>evaluation of significant risk exposures</u> of the organization's control processes ? | | | | |

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| PS 2130 <u>(Moved to 2110)</u> | <p>Governance—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"> ◆Promoting appropriate ethics and values within the organization? ◆Ensuring effective organizational performance management and accountability? ◆Effectively communicating risk and control information to appropriate areas of the organization? • Effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management? | | | | |
| 2130.A1 <u>(Moved to 2100)</u> | <p>Does the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities?</p> | | | | |
| 2130.C1 <u>(Moved to 2100)</u> | <p>Are consulting engagement objectives consistent with the overall values and goals of the organization?</p> | | | | |

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PS 2200 – Engagement Planning

Internal auditors ~~should~~must develop and ~~record~~document a plan for each engagement, including the ~~scope~~engagement's, objectives, scope, timing, and resource allocations.

Examples of Evidence: planning memos, audit programs, engagement letters, audit budgets, workpaper notes, and other documents.

NOTE: This section should be completed to summarize the results of the Working Paper Review Tool.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|-----------------------|--|-----|----|----------|------|
| <u>PS 2201</u> | <p><u>Planning Considerations</u> – In planning the engagement, do internal auditors consider:</p> <ul style="list-style-type: none"> • <u>The objectives of the activity being reviewed and the means by which the activity controls its performance?</u> • <u>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?</u> • <u>The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model?</u> • <u>The opportunities for making significant improvements to the activity's risk management and control processes?</u> | | | | |
| <u>2201.A1</u> | <u>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?</u> | | | | |
| <u>2201.C1</u> | <u>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?</u> | | | | |

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|-----------------------|---|-----|----|----------|------|
| | <u>Related Practices</u> (A minimum of four of the following practices is recommended. Highly effective practices are signified by an *.) Did the planning include: | | | | |
| * | a. Establishing audit objectives and scope of work? | | | | |
| | b. Obtaining background information about the activities to be audited, such as the mission statement, objectives, budget, organization charts, policies and procedures manuals? | | | | |
| | c. Estimating the hours required to conduct the audit? | | | | |
| * | d. Communicating with the auditee and any others who needed to know about the audit? | | | | |
| | e. Performing a preliminary survey to: become familiar with the activities and controls to be audited; identify areas for audit emphasis by assessing the associated risks of the activities, events, or transaction processes being reviewed; and invite auditee comments and suggestions? | | | | |
| | f. Preparing a planning memorandum? | | | | |
| * | g. Preparing a written audit program? | | | | |
| | h. Determining and communicating with the auditee how, when, and to whom audit results will be communicated? | | | | |
| | i. Obtaining approval of the audit work plan | | | | |
| <u>PS 2210</u> | <u>Engagement Objectives – Are objectives established for each engagement?</u> | | | | |
| <u>2210.A1</u> | <u>Did the Internal auditors conduct a preliminary assessment of the risks relevant to the activity under review and did the engagement objectives reflect the results of this assessment?</u> | | | | |
| <u>2210.A2</u> | <u>Did the internal auditors consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives?</u> | | | | |

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| <u>2210.A3</u> | <p><u>Do the internal auditors ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished?</u></p> <p><u>If adequate, do the internal auditors use such criteria in their evaluation?</u></p> <p><u>If inadequate, do the internal auditors work with management to develop appropriate evaluation criteria?</u></p> | | | | |
| <u>2210.C1</u> | <p><u>Did the consulting engagement objectives address governance, risk management, and control process to the extent agreed upon with the client?</u></p> | | | | |
| | <p>Related Practices (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.)</p> <p>Did the internal auditor:</p> | | | | |
| * - | <p><u>a. Ascertain whether management had identified relevant objectives and goals and had developed a system for measuring their accomplishment?</u></p> | | | | |
| | <p><u>b. Ascertain whether management had established criteria for evaluating their program's effectiveness?</u></p> | | | | |
| | <p><u>c. Ascertain whether management had determined whether their objectives and goals were met?</u></p> | | | | |
| | <p><u>d. Assess the appropriateness of the techniques and data used by management to measure effectiveness?</u></p> | | | | |
| | <p><u>e. Review for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals?</u></p> | | | | |
| | <p><u>f. Ascertain whether management had estimated the costs and benefits of not meeting goals?</u></p> | | | | |

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| * - | <u>g. Identify key controls designed to ensure compliance?</u> | | | | |
| * - | <u>h. Test the key controls that were designed to ensure compliance with these items or indicate why the controls were not tested?</u> | | | | |

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|----------------|---|-----|----|----------|------|
| <u>2220</u> | <u>Engagement Scope – Is the established scope sufficient to satisfy the objectives of the engagement?</u> | | | | |
| <u>2220.A1</u> | <u>Does the scope of the engagement include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties?</u> | | | | |
| <u>2220.A2</u> | <u>If significant consulting opportunities arise during an assurance engagement, is there a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations reached? Are the results of the consulting engagement communicated in accordance with consulting standards?</u> | | | | |
| <u>2220.C1</u> | <u>Does the internal auditor ensure that the scope of the consulting engagement is sufficient to address the agreed-upon objectives? If internal auditors develop reservations about the scope during the engagement, were these reservations discussed with the client to determine whether to continue with the engagement?</u> | | | | |
| <u>PS 2230</u> | <u>Engagement Resource Allocation – Did the internal auditors determine that appropriate and sufficient resources to achieve engagement objectives were based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources?</u> | | | | |
| <u>PS 2240</u> | <u>Engagement Work Program – Did the Internal auditors develop and document work programs that achieve the engagement objectives?</u> | | | | |
| <u>2240.A1</u> | <u>Did the work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement?</u> <u>Was the work program approved prior to its implementation, and were any adjustments approved promptly?</u> | | | | |
| <u>2240.C1</u> | <u>Did the work programs for consulting engagements vary in form and content depending upon the nature of the engagement?</u> | | | | |

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PS 2300 – Performing the Engagement

Internal auditors ~~should~~ must identify, analyze, evaluate, and ~~record~~ document sufficient information to achieve the engagement's objectives.

Examples of Evidence: well-developed and adhered-to audit program, a planning memo, and clear and complete workpapers.

Supervision:

Supervision practices are typically evidenced by signatures and dates on workpapers, planning memos, review notes, and signed and dated review checklists. If no written evidence is available, supervision can be confirmed through interviews of staff auditors. Furthermore, in small operations, evidence of a properly directed audit can consist of documents such as auditor programs, self review checklists, and planning memos.

Review selected workpapers and determine if supervision or direction was provided on a timely basis as indicated by the dates of signatures or initials. Alternative evidence can be obtained by interviewing staff auditors or reviewing supporting supervisory logs or memorandums. Supervision or direction should take place at critical points when there is still time to expand the scope or obtain additional information without creating a disruption for either the auditor or the auditee.

Review a sample of audit projects and review for items such as the following: workpapers were reviewed before the release of (a) a draft report, and (b) the official report; the report draft contained evidence that all conclusions, detailed findings, and management representations have been cross referenced to the workpapers.

NOTE: This section should be completed to summarize the results of the Working Paper Review Tool.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|----------------|--|-----|----|----------|------|
| <u>PS 2310</u> | <u>Identifying Information – Did the internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives?</u> | | | | |
| <u>PS 2320</u> | <u>Analysis and Evaluation – Did the internal auditors base conclusions and engagement results on appropriate analyses and evaluations?</u> | | | | |
| | <u>Related Practices (A minimum of six of the following practices is recommended. Highly effective practices are signified by an *.)</u> <u>Did the internal auditor:</u> | | | | |

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| | a. <u>Prepare working papers that supported the audit conclusions reached?</u> | | | | |
| | b. <u>Prepare working papers that were organized, clearly labeled (noting the purpose, scope, and source), and cross-referenced as appropriate?</u> | | | | |
| * - | c. <u>Prepare an appropriate scope (time period, audit areas, etc.) given the audit objectives?</u> | | | | |
| | d. <u>Use audit techniques sufficient to fulfill the audit scope and objectives, such as interviewing individuals and obtaining an understanding of the audit areas through the use of flowcharts and questionnaires?</u> | | | | |
| * - | e. <u>Use audit tests pertaining to the items to be tested, attributes to be examined, size of sample, and method of obtaining sample that were appropriate given the audit scope and objectives?</u> | | | | |
| | f. <u>Generate and collect audit evidence on matters related to the audit objectives and scope of work such as flowcharts, questionnaires, and sample documents?</u> | | | | |
| | g. <u>Collect reliable (suitable and sufficient) information that supported audit findings and recommendations and was consistent with the audit objectives?</u> | | | | |
| | h. <u>Collect relevant (applicable and related) information that supported audit findings and recommendations and was consistent with the audit objectives?</u> | | | | |
| | i. <u>Collect useful (insights that can be acted upon or be of assistance to) information that helped the auditor meet the audit objectives?</u> | | | | |
| <u>PS 2330</u> | <u>Recording-Documenting Information</u> – Did the Internal auditors document relevant information to support the conclusions and engagement results? | | | | |

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| <u>2330.A1</u> | <u>Did the CAE control access to engagement records and did the CAE obtain approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate?</u> | | | | |
| <u>2330.A2</u> | <u>Did the CAE develop retention requirements for engagement records, regardless of the medium in which each record is stored?</u> <u>Are these retention requirements consistent with the organization's guidelines and any pertinent regulatory or other requirements?</u> | | | | |
| <u>2330.C1</u> | <u>Did the CAE develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties?</u> <u>Are these policies consistent with the organization's guidelines and any pertinent regulatory or other requirements?</u> | | | | |
| <u>PS 2340</u> | <u>Engagement Supervision – Were engagements properly supervised to ensure objectives are achieved, quality is assured, and staff is developed?</u> | | | | |
| | <u>Related Practices</u> (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.) Did the supervision or direction provided include: | | | | |
| * | a. Developing a clear and complete audit program? | | | | |
| | b. Completing the approved audit program unless deviations were both justified and authorized? | | | | |
| * | c. Preparing a planning memorandum clearly listing audit objectives and scope? | | | | |
| * | d. Conducting a preliminary survey of the activity to be audited? | | | | |
| | e. Monitoring on a timely basis the time charged to the audit project for reasonableness? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|--------|---|-----|----|----------|------|
| * | f. Cross referencing report to supporting workpapers? | | | | |
| * | g. Conducting a self/supervisory review of audit programs, workpapers, and reports as evidenced by signatures on workpapers or on "self review" checklists? | | | | |
| | h. Documenting and retaining evidence of appropriate supervision or direction? | | | | |
| | Reliability and Integrity of Information Related Practices (A minimum of three of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| * | a. Determine if transactions had been properly reviewed and approved? | | | | |
| | b. Determine if information systems produced data that was useful, accurate, complete, timely and relevant? | | | | |
| * | c. Identify and document key internal controls? | | | | |
| * | d. Test the key controls that were identified or indicate why the controls were not tested? | | | | |
| | Economical and Efficient Use of Resources Related Practices (A minimum of four of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| * | a. Identify operating standards? | | | | |
| | b. Determine whether the standards were appropriate in keeping with the entity's goals and objectives? | | | | |
| | c. Determine whether the information used by management to measure its success was accurate, current and relevant? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|--------|--|-----|----|----------|------|
| * | d. Determine whether management had procedures to ensure that they met their standards? | | | | |
| * | e. Determine whether management had identified and analyzed deviations from the standards? | | | | |
| | f. Determine whether management had discussed deviations with the appropriate individuals? | | | | |
| | g. Identify inefficient or uneconomic use of resources? | | | | |
| * | h. Identify key controls designed to ensure compliance with the auditee's goals, measures, or targets? | | | | |
| | i. Test key controls designed to ensure compliance with these items or indicate why controls were not tested? | | | | |
| | Safeguarding of Assets Related Practices (A minimum of four of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| * | a. Adequacy of the separation of duties? | | | | |
| | b. Rotation of sensitive duties among employees? | | | | |
| * | c. Adequacy of reconciliation procedures: -Timely? -Thorough? -Appropriate reviewer? | | | | |
| * | d. Adequacy of management's periodic surprise reviews? | | | | |
| | e. Review and approval of transactions by authorized individuals. | | | | |
| * | f. Adequacy of the physical protection of assets and records? | | | | |
| * | g. Identification of key controls to prevent or detect errors and irregularities? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|----------------------------|--|-----|----|----------|------|
| | h. Testing of key controls designed to ensure compliance with these items or indicate why the controls were not tested? | | | | |
| | i. Appropriate verification of such assets or disclose why a verification was not performed? | | | | |
| | Compliance with Policies, Plans, Procedures, Laws, and Regulations Related Practices (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| * | a. Obtain background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items that could have a significant impact on operations? | | | | |
| * | b. Identify key internal controls? | | | | |
| * | c. Test key controls designed to ensure compliance with these items or indicate why controls were not tested? | | | | |
| | d. Determine (if required by the scope) if the organization was in compliance with in compliance with the relevant policies, plans, procedures, laws, and regulations? | | | | |
| <u>Move to 2310</u> | Examining and Evaluating Information Related Practices (A minimum of six of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| | a. Prepare working papers that supported the audit conclusions reached? | | | | |
| | b. Prepare working papers that were organized, clearly labeled (noting the purpose, scope, and source), and cross-referenced as appropriate? | | | | |
| * | c. Prepare an appropriate scope (time period, audit areas, etc.) given the audit objectives? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|--------|---|-----|----|----------|------|
| | d. Use audit techniques sufficient to fulfill the audit scope and objectives, such as interviewing individuals and obtaining an understanding of the audit areas through the use of flowcharts and questionnaires? | | | | |
| * | e. Use audit tests pertaining to the items to be tested, attributes to be examined, size of sample, and method of obtaining sample that were appropriate given the audit scope and objectives? | | | | |
| | f. Generate and collect audit evidence on matters related to the audit objectives and scope of work such as flowcharts, questionnaires, and sample documents. | | | | |
| | g. Collect competent (suitable and sufficient) information that supported audit findings and recommendations and was consistent with the audit objectives? | | | | |
| | h. Collect relevant (applicable and related) information that supported audit findings and recommendations and was consistent with the audit objectives? | | | | |
| | i. Collect useful (insights that can be acted upon or be of assistance to) information that helped the auditor meet the audit objectives? | | | | |

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| CONCLUSIONS | YES | NO |
|---|-----|----|
| PS 2300 Performing the Engagement – Do the internal auditors identify, analyze, evaluate, and record <u>document</u> sufficient information to achieve the engagement's objectives? | | |
| Comments: | | |

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PS 2400 – Communicating Results

Internal auditors ~~should~~ must communicate the engagement results.

Examples of Evidence: management responses to audit findings, memos exchanged during audit assignments, results of auditee surveys, interviewing management, and audit reports.

NOTE: This section should be completed to summarize the results of the Working Paper Review Tool.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|----------------|--|-----|----|----------|------|
| <u>PS 2410</u> | <u>Criteria for Communicating – Did communications include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans?</u> | | | | |
| <u>2410.A1</u> | <u>Did the final communication of engagement results, where appropriate, contain internal auditors’ overall opinion and/or conclusions?</u> | | | | |
| <u>2410.A2</u> | <u>Were the Internal auditors encouraged to acknowledge satisfactory performance in engagement communications?</u> | | | | |
| <u>2410.A3</u> | <u>When releasing engagement results to parties outside the organization, did the communication include limitations on distribution and use of the results?</u> | | | | |
| <u>2410.C1</u> | <u>Did the communication of the progress and results of the consulting engagements vary in form and content depending upon the nature of the engagement and the needs of the client?</u> | | | | |
| | Communicating Results <u>Related Practices</u> (A minimum of five of the following practices is recommended. Highly effective practices are signified by an *.) | | | | |
| | a. Were interim reports presented either verbally or in writing? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|--------|---|-----|----|----------|------|
| * | b. Did the internal auditor discuss conclusions and recommendations with appropriate levels of management before issuing the final written report? Auditors may have telephone conferences, exchange memorandums, or hold exit conferences to facilitate this exchange of information. | | | | |
| * | c. Did the report present the (a) background, (b) purpose, (c) scope, and (d) results of the audit; and, where appropriate, (e) and expression of the auditor's opinion? | | | | |
| | d. Did the report include recommendations for improvements? | | | | |
| * | e. Did the report acknowledge satisfactory performance? | | | | |
| | f. Did the report acknowledge corrective action on prior audit findings? | | | | |
| | g. Were the findings adequately developed? Did they include, when appropriate, a statement or description of the condition, criteria, cause and effect? | | | | |
| | h. Were the recommendations adequately developed and clearly stated? | | | | |
| | i. Were the recommendations justified given the nature of the findings and audit work performed? | | | | |
| * | j. Did the report include the auditee's views about audit conclusions or recommendations? | | | | |
| | k. Did the internal audit director-CAE or designee review and approve the final audit report before issuance? | | | | |
| | l. Did the conclusions reached by the auditor address each of the objectives raised in the statement of objectives? | | | | |
| * | m. Was a signed, written report issued after the audit examination was completed? | | | | |
| | n. Was the final report timely issued? If not, were interim reports given either verbally or in written form? | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|-----------------------|---|-----|----|----------|------|
| <u>PS 2420</u> | <u>Quality of Communications</u> – Were communications accurate, objective, clear, concise, constructive, complete, and timely? | | | | |
| <u>PS 2421</u> | <u>Errors and Omissions</u> – Did the final communication contain a significant error or omission and did the CAE communicate corrected information to all parties who received the original communication? | | | | |
| <u>PS 2430</u> | <u>Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"</u> – Did the Internal auditors report that their engagements are "conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ", only if the results of the quality assurance and improvement program support the statement? | | | | |
| <u>PS 2431</u> | <u>Engagement Disclosure of Nonconformance</u> – When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the <i>Standards</i> impacts a specific engagement, did the CAE in the communication of the results disclose the: <ul style="list-style-type: none"> • <u>Principle or rule of conduct of the Code of Ethics or <i>Standard(s)</i> with which full conformance was not achieved?</u> • <u>Reason(s) for nonconformance?</u> • <u>Impact of nonconformance on the engagement and the communicated engagement results?</u> | | | | |
| <u>PS 2440</u> | <u>Disseminating Results</u> – Did the CAE communicate results to the appropriate parties? | | | | |
| <u>2440.A1</u> | <u>Was the CAE responsible for communicating the final results to parties who can ensure that the results are given due consideration?</u> | | | | |

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| Source | Standards and Practices | Yes | No | Comments | Ref. |
|----------------|--|-----|----|----------|------|
| <u>2440.A2</u> | <p><u>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization, did the CAE:</u></p> <ul style="list-style-type: none"> • <u>Assess the potential risk to the organization?</u> • <u>Consult with senior management and/or legal counsel as appropriate?</u> • <u>Control dissemination by restricting the use of the results?</u> | | | | |
| <u>2440.C1</u> | <u>Was the CAE responsible for communicating the final results of consulting engagements to clients?</u> | | | | |
| <u>2440.C2</u> | <u>During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, were they communicated to senior management and the board?</u> | | | | |
| | <p>Human Relations and Communications</p> <p>Related Practices (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.)</p> | | | | |
| * | a. Did the auditors clearly, effectively, and timely convey such matters as audit objectives, conclusions, and recommendations to the auditee? | | | | |
| | b. Were the reports written in a constructive and impartial manner? | | | | |
| | c. Overall, did the auditors maintain satisfactory relationships with auditees? | | | | |

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| CONCLUSIONS | YES | NO |
|--|-----|----|
| PS 2400 Communicating Results – Do the internal auditors properly communicate the engagement results? | | |
| Comments: | | |

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PS 2500 – Monitoring Progress

The ~~chief audit executive~~ CAE ~~should~~ must establish and maintain a system to monitor the disposition of results communicated to management.

Examples of Evidence: policies and procedures, follow up process, reports, documentation from a tracking system.

| Source | Standards and Practices | Yes | No | Comments | Ref. |
|---------|---|-----|----|----------|------|
| 2500.A1 | Has the chief audit executive <u>CAE</u> 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? | | | | |
| | <u>Related Practices</u> (A minimum of two of the following practices is recommended. Highly effective practices are signified by an *.) Did the internal auditor: | | | | |
| * | a. Obtain a written response from management? | | | | |
| * | b. Obtain from management, in their response to each audit finding, the specification of planned or actual dates for corrective actions? | | | | |
| * | c. Evaluate management's written response for adequacy and completeness? That is, did the written response clearly address each finding and related elements or sub-components raised by the auditors in their report? | | | | |
| | d. Obtain explanations from management for any recommendations rejected? | | | | |
| * | e. Determine that corrective action was taken? | | | | |
| * | f. Determine that the corrective action had achieved the desired results or that management has assumed the risk of not taking the corrective action? | | | | |
| 2500.C1 | Does the internal audit activity monitor the disposition of results of consulting engagements to the extent agreed upon with the client? | | | | |

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| CONCLUSIONS | YES | NO |
|--|-----|----|
| PS 2500 Monitoring Progress – Has the chief audit executive <u>CAE</u> established and maintained a system to monitor the disposition of results communicated to management? | | |
| Comments: | | |

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2600 – Resolution of Senior Management’s Acceptance of Risks

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

Examples of Evidence: interviews and surveys of ~~Chief Audit Executive~~CAE and organization management.

CONCLUSIONS

YES

NO

2600 Resolution of Management’s Acceptance of Risks – When the ~~chief-audit-executive~~CAE believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, does the ~~chief-audit-executive~~CAE discuss the matter with senior management? If the decision regarding residual risk is not resolved, ~~do-did~~ the ~~chief-audit-executive~~CAE and senior management report the matter to the board for resolution?

Comments:

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List of Practice Advisories

| | Practice Advisories Index: By Number | Release Date |
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| 4 | Practice Advisory 1000-1: Internal Audit Charter | Jan. 5, 2001 |
| 2 | Practice Advisory 1000.C1-1: Principles Guiding the Performance of Consulting Activities of Internal Auditors | May 15, 2001 |
| 3 | Practice Advisory 1000.C1-2: Additional Considerations for Formal Consulting Engagements | Jan. 7, 2002 |
| 4 | Practice Advisory 1000.C1-3: Additional Considerations for Consulting Engagements in Government Organizational Settings <i>NEW</i> | Sep. 29, 2005 |
| 5 | Practice Advisory 1100-1: Independence and Objectivity | Jan. 5, 2001 |
| 6 | Practice Advisory 1110-1: Organizational Independence | Jan. 5, 2001 |
| 7 | Practice Advisory 1110.A1-1: Disclosing Reasons for Information Requests | Jan. 5, 2001 |
| 8 | Practice Advisory 1110-2: Chief Audit Executive (CAE) Reporting Lines | Dec. 3, 2002 |
| 9 | Practice Advisory 1120-1: Individual Objectivity | Jan. 5, 2001 |
| 10 | Practice Advisory 1130-1: Impairments to Independence or Objectivity | Jan. 5, 2001 |
| 11 | Practice Advisory 1130.A1-1: Assessing Operations for Which Internal Auditors were Previously Responsible | Jan. 5, 2001 |
| 12 | Practice Advisory 1130.A1-2: Internal Audit Responsibility for Other (Non-Audit) Functions | Feb. 1, 2003 |

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| 13 | Practice Advisory 1200-1: Proficiency and Due Professional Care | Jan. 5, 2001 |
| 14 | Practice Advisory 1210-1: Proficiency | Jan. 5, 2001 |
| 15 | Practice Advisory 1210.A1-1: Obtaining Services to Support or Complement the Internal Audit Activity | Jan. 5, 2001 |
| 16 | Practice Advisory 1210.A2-1: Auditor's Responsibilities Relating to Fraud Risk Assessment, Prevention, and Detection | Rev. Apr. 27, 2006 Jan. 5, 2001 |
| 17 | Practice Advisory 1210.A2-2: Auditor's Responsibilities Relating to Fraud Investigation, Reporting, Resolution and Communication | Rev. Apr. 27, 2006 Jan. 5, 2001 |
| 18 | Practice Advisory 1220-1: Due Professional Care | Jan. 5, 2001 |
| 19 | Practice Advisory 1220-2 CAATS | April 22, 2005 |
| 20 | Practice Advisory 1230-1: Continuing Professional Development | Jan. 5, 2001 |
| 21 | Practice Advisory 1300-1: Quality Assurance and Improvement Program | May 25, 2004 |
| 22 | Practice Advisory 1310-1: Quality Program Assessments | Rev. May 25, 2004 Dec. 19, 2001 |
| 23 | Practice Advisory 1311-1: Internal Assessments | Rev. May 25, 2004 Dec. 19, 2001 |
| 24 | Practice Advisory 1311-2 Establishing Measures (Quantitative Metrics and Qualitative Assessments) to Support Reviews of Internal Audit Activity Performance <i>NEW</i> | Sep. 29, 2005 |

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| 25 | Practice Advisory 1312-1: External Assessments | Rev. May 25, 2004 Dec. 19, 2001 |
| 26 | Practice Advisory 1312-2: External Assessment – Self Assessment with Independent Validation | May 25, 2004 |
| 27 | Practice Advisory 1320-1: Reporting on the Quality Program | Rev. May 25, 2004 Jan. 5, 2001 |
| 28 | Practice Advisory 1330-1: Use of "Conducted in Accordance with the Standards" | Rev. May 25, 2004 Feb. 21, 2003 |
| 29 | Practice Advisory 2000-1: Managing the Internal Audit Activity | Jan. 5, 2001 |
| 30 | Practice Advisory 2010-1: Planning | Jan. 5, 2001 |
| 30 | Practice Advisory 2010-2: Linking the Audit Plan to Risk and Exposures | March 7, 2001 |
| 32 | Practice Advisory 2020-1: Communication and Approval | Jan. 5, 2001 |
| 33 | Practice Advisory 2030-1: Resource Management | Jan. 5, 2001 |
| 34 | Practice Advisory 2040-1: Policies and Procedures | Jan. 5, 2001 |
| 35 | Practice Advisory 2050-1: Coordination | Jan. 5, 2001 |
| 36 | Practice Advisory 2050-2: Acquisition of External Audit Services | Feb. 7, 2002 |
| 37 | Practice Advisory 2060-1: Reporting to Board and Senior Management | Jan. 5, 2001 |

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| 38 | Practice Advisory 2060-2: Relationship with the Audit Committee | Dec. 3, 2002 |
| 39 | Practice Advisory 2100-1: Nature of Work | Jan. 5, 2001 |
| 40 | Practice Advisory 2100-2: Information Security | Feb. 1, 2001 |
| 41 | Practice Advisory 2100-3: Internal Audit's Role in the Risk Management Process | March 7, 2001 |
| 42 | Practice Advisory 2100-4: Internal Audit's Role in Organizations Without a Risk Management Process | March 7, 2001 |
| 43 | Practice Advisory 2100-5: Legal Considerations in Evaluating Regulatory Compliance Programs | March 28, 2001 |
| 44 | Practice Advisory 2100-6: Control and Audit Implications of e-Commerce Activities | June 12, 2003 |
| 45 | Practice Advisory 2100-7: The Internal Auditor's Role in Identifying and Reporting Environmental Risks | June 12, 2003 |
| 46 | Practice Advisory 2100-8: The Internal Auditor's Role in Evaluating An Organization's Privacy Framework | Feb. 12, 2004 |
| 47 | Practice Advisory 2100-9 Applications Systems Review | April 22, 2005 |
| 48 | Practice Advisory 2100-10 Audit Sampling | April 22, 2005 |
| 49 | Practice Advisory 2100-11 Effect of Pervasive IS Controls | April 22, 2005 |
| 50 | Practice Advisory 2100-12 Outsourcing of IS Activities | April 22, 2005 |
| 51 | Practice Advisory 2100-13 Effect on Third Parties on an Organization's IT Controls | April 22, 2005 |

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| 52 | Practice Advisory 2100-14: Audit Evidence Requirement | April 22, 2005 |
| 53 | Practice Advisory 2110-1: Assessing the Adequacy of Risk Management Processes | March 7, 2004 |
| 54 | Practice Advisory 2110-2: The Internal Auditor's Role in the Business Continuity Process | June 12, 2003 |
| 55 | Practice Advisory 2120.A1-1: Assessing and Reporting on Control Processes | June 18, 2004 |
| 56 | Practice Advisory 2120.A1-2: Using Control Self-assessment for Assessing the Adequacy of Control Processes | June 18, 2004 |
| 57 | Practice Advisory 2120.A1-3: The Internal Auditor's Role in Quarterly Financial Reporting, Disclosures, and Management Certifications | Feb. 20, 2003 |
| 58 | Practice Advisory 2120.A1-4: Auditing the Financial Reporting Process | June 12, 2003 |
| 59 | Practice Advisory 2120.A4-1: Control Criteria | Jan. 5, 2004 |
| 60 | Practice Advisory 2130-1: Role of the Internal Audit Activity and Internal Auditor in the Ethical Culture of an Organization | Feb. 1, 2004 |
| 61 | Practice Advisory 2200-1: Engagement Planning | Jan. 5, 2004 |
| 62 | Practice Advisory 2210-1: Engagement Objectives | Jan. 5, 2004 |
| 63 | Practice Advisory 2210.A1-1: Risk Assessment in Engagement Planning | Jan. 5, 2004 |
| 64 | Practice Advisory 2230-1: Engagement Resource Allocation | Jan. 5, 2004 |

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| 65 | Practice Advisory 2240-1: Engagement Work Program | Jan. 5, 2001 |
| 66 | Practice Advisory 2240.A1-1: Approval of Work Programs | Jan. 5, 2001 |
| 67 | Practice Advisory 2300-1: The Internal Auditor's Use of Personal Information in Conducting Audits | Feb. 12, 2004 |
| 68 | Practice Advisory 2310-1: Identifying Information | Jan. 5, 2001 |
| 69 | Practice Advisory 2320-1: Analysis and Evaluation | Jan. 5, 2001 |
| 70 | Practice Advisory 2330-1: Recording Information | Jan. 5, 2001 |
| 71 | Practice Advisory 2330.A1-1: Control of Engagement Records | Jan. 5, 2001 |
| 72 | Practice Advisory 2330.A1-2: Legal Considerations in Granting Access to Engagement Records | March 28, 2001 |
| 73 | Practice Advisory 2330.A2-1: Retention of Records | Jan. 5, 2001 |
| 74 | Practice Advisory 2340-1: Engagement Supervision | Jan. 5, 2001 |
| 75 | Practice Advisory 2400-1: Legal Considerations in Communicating Results | March 28, 2001 |
| 76 | Practice Advisory 2410-1: Communication Criteria | Jan. 5, 2001 |
| 77 | Practice Advisory 2420-1: Quality of Communications | Oct. 4, 2001 |
| 78 | Practice Advisory 2440-1: Recipients of Engagement Results | Jan. 5, 2001 |

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| 79 | Practice Advisory 2440-2: Communications Outside the Organization | May 15, 2001 |
| 80 | Practice Advisory 2440-3: Communicating Sensitive Information Within and Outside of the Chain of Command | June 12, 2003 |
| 81 | Practice Advisory 2500-1: Monitoring Progress | Jan. 5, 2001 |
| 82 | Practice Advisory 2500.A1-1: Follow-up Process | Jan. 5, 2001 |
| 83 | Practice Advisory 2600-1: Management's Acceptance of Risks | Jan. 5, 2001 |

~~Professional Practices Pamphlets Under Consideration for Revision to Practice Advisories~~

~~98-3 Automating the Audit Workpaper Process~~

~~98-2 A Perspective on Control Self-Assessment~~

~~97-1 Electronic Commerce and the Internet~~

~~IIA Position Paper on the Audit Committee in the Public Sector—~~

~~IIA Position Paper on Whistleblowing~~

~~Internal Audit and the Audit Committee: Working Together Toward Common Goals~~