



**Utah State Board of Education  
INTERNAL AUDIT DEPARTMENT**

**Policies and Procedures Manual**

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**I. PURPOSE AND AUTHORITY**

**1. Purpose**

The purpose of the Internal Audit Department’s (the Department) Internal Audit Policies and Procedures Manual (manual) is to outline and formalize the following:

1. Legal establishment and structure of the internal audit function under the Utah State Board of Education (the Board).
2. Adherence by the Department to The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (the standards).
3. Department audit administration processes and procedures
4. Quality assurance procedures and Department administrative policy.
5. Various policies and procedures regarding employment with the State of Utah and specifically how they are followed in the Internal Audit Department.

The audit administration section outlines the audit services and processes of the Department and provides guidelines to bring “a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” (IIA Definition of Internal Auditing).

This manual includes Appendix A, which outlines each IIA Attribute and Performance Standard, details those requirements, and references to the manual section where these professional standards are addressed. References are made to the IIA standards throughout the manual.

Each internal auditor will be given access to and training on this manual and is expected to perform as outlined in the manual.

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**2. Legal Establishment**

The Internal Audit Department of the Board is authorized and established as outlined in the *Utah Code*, Utah Internal Audit Act, [Title 63I-5-201](#) and [Administrative Rule 277-116](#). The Internal Audit Charter, as required by standards, also formalizes and outlines the purpose, responsibilities and objectives of the Internal Audit Department. Consult the aforementioned documents for additional detail regarding the legal establishment of the Internal Audit Department.

The duties of the Internal Audit Department are outlined in the governing documents noted above and are further detailed in this manual.

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**3. Organizational Independence**

The Director of Internal Audit is the Chief Audit Executive (CAE) for the Board. The Director of Internal Audit reports directly to the Audit Committee of the Board in compliance with IIA standards (IIA [1110](#) and IIA [1111](#)), which indicates that the CAE is required to report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.

The Director of Internal Audit:

- Is accountable to those charged with governance;
- Collaborates with the State Superintendent of Public Instruction to ensure efficient and effective audit practices;
- Reports the audit results to both the head of the entity and to those charged with governance;
- Is located organizationally outside the staff or line-management function of the entity;
- Has access to those charged with governance for communication and interaction; and
- Is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal.

The Department is free from interference in determining the scope of internal auditing, performing work, and communicating results (IIA [1110.A1](#)). The Department has been authorized by the Board to audit all programs, sections, divisions, and offices governed by the Board or receiving resources from the Board, including the Board's Office, the USOR, the USDB, the SCSB, and all LEAs and other subrecipients. Additionally, the audit function is organizationally independent of areas subject to audit and auditors do not take on responsibilities that effect operations of audit areas.

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#### **4. Professional Standards**

The Department conducts its work in accordance with relevant professional standards, including the [IIA Standards for the Professional Practice of Internal Auditing](#) (IIA Standards), and with professional standards of conduct as outlined in the Code of Ethics. These fundamental principles of professional behavior and Code of Ethics are discussed in the subsections below.

##### **Independence and Objectivity (IIA [1100](#))**

In all matters relating to audit work, internal auditors must be free from personal, external, and organizational impairments to independence, which includes avoiding the appearance of such impairments of independence. Specifically, internal auditors must:

- Maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and be viewed as impartial.
- Be capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.
- Decline to perform audit work if an impairment affects or can be perceived to affect independence. If the Department cannot decline to perform the work because of a legislative requirement or other reasons, the impairment must be disclosed.
- Have an impartial, unbiased attitude and avoid conflicts of interest (IIA [1120](#)).

Internal auditors are required to sign the Department “Statement of Independence and Compliance with IIA Ethics” at the beginning of each fiscal year certifying that they are aware of, understand, and will comply with the Department’s independence policies and the IIA Code of Ethics. The statement also requires auditors to list potential conflicts of interest or personal impairments. This annual certification, which is used in assigning audit projects, provides reasonable assurance that individual internal auditors maintain independence in fact and appearance.

##### **Personal Impairments**

Personal impairments to independence result from relationships or beliefs that might cause internal auditors to limit the extent of inquiry, limit disclosure, or weaken or slant audit findings in any way. This includes, but is not limited to the following:

- Having an immediate or close family member who is a director, officer or an employee of the audit area, or who is in a position to exert direct and significant influence over the area under audit.

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- Assessing or auditing specific operations for which the auditor was previously responsible within the last year (IIA [1130.A1](#)). However, auditors may provide consulting services relating to operations for which they had previous responsibilities (IIA [1130.C1](#)).
- Having a financial interest that is direct, or is significant/material though indirect, in the audited entity or program.
- Being responsible for managing an entity or making decisions that could affect operations of the entity or program being audited. For example, serving as a director, officer, or other senior position of the activity or program being audited, or as a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under audit.
- Having the same individual perform audit functions who previously maintained the official accounting records of the entity being audited (especially when such services involved preparing source documents or originating data, posting, authorizing or executing transactions, maintaining an entity's bank account or otherwise having custody of the audited entity's funds, or otherwise exercising authority on behalf of the entity, or having authority to do so).
- Having preconceived ideas toward individuals, groups, organizations, or objectives of a specific program that could bias the audit.
- Having biases, including those resulting from political, ideological, or social convictions that result from membership or employment in, or loyalty to, a particular type of policy, group, organization, or level of government.
- Seeking employment during the performance of the audit with an audited entity.

When the Department identifies a personal impairment to independence prior to or during an audit, resolution to the impairment will occur in a timely manner. In situations in which the personal impairment is applicable only to an individual auditor, the Department may be able to eliminate the personal impairment. Individual auditors must notify the Director of Internal Audit whenever there is a potential impairment on assigned audit projects. If the personal impairment cannot be eliminated, the Department should withdraw from the audit or must disclose the impairment in accordance with IIA [1130](#) or for consulting engagements, IIA [1130.C2](#). Engagements for functions over which the Director of Internal Audit has responsibility must be overseen by a party outside the internal audit function (IIA [1130.A2](#)).

**Code of Ethics**

The Department and the individuals performing internal audit functions adhere to the following ethical principles included the [IIA Code of Ethics](#) (see Appendix A for detail on these principles).

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1. Integrity
2. Objectivity
3. Confidentiality
4. Competency

*The Public Interest*

Auditors will observe integrity, objectivity, and independence in discharging their professional responsibilities of serving the public interest and honoring the public trust. The public interest is the collective well being of the community of people and the entities the auditors serve. This principle is fundamental and critical in the government environment.

When nonconformance impacts the overall scope or operation of the internal audit activity, disclosure will be made to the Audit Committee of the Board in accordance with IIA [1322](#) and they can take further action as determined necessary.

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**5. Charter**

The purpose, authority, and responsibility of the Internal Audit Department are formally defined in the Internal Audit Charter (the charter) (IIA [1000](#) and [GAGAS 3.19](#)). In accordance with IIA [1010](#), the charter recognizes the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the IIA Standards. The Audit Committee approves the charter and it is signed by an appointed Utah State Board of Education member and the Director of Internal Audit. At least annually, the Director of Internal Audit will review the charter and present any changes to the Audit Committee for approval (IIA [1000](#)).

The charter provides a framework for conducting the business of internal audits. The charter authorizes the Director of Internal Audit to direct a broad and comprehensive internal audit program under the direction of the Audit Committee. The charter further authorizes full, free, and unrestricted access to any and all of the computer files, records, physical property, and personnel relevant to any audit activity under the direction of the Audit Committee. The charter also outlines the types of audit services (ie. the nature of assurance and consulting services within the entity and to parties outside the organization), the process for audit reports, duties and responsibilities of the Department, and the quality assurance and improvement program for the Department. (IIA [1000.A1](#) and IIA [1000.C1](#))

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## II. AUDIT ADMINISTRATION

### 1. Roles and Responsibilities

The Internal Audit team consists of the Director of Internal Audit and internal audit staff. The Director of Internal Audit, audit supervisor, staff auditor, and quality assurance reviewer have specific roles and responsibilities within the internal audit function. Delineating roles and responsibilities assists the Department in assuring professional standards are met. These roles and responsibilities, in general and specific to each staff level, are outlined below.

#### General Responsibilities

Audit engagements must be performed with proficiency and due professional care (IIA [1200](#)). Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility though (IIA [1220](#)). Continuing professional education is required as discussed in [Section V](#) of this manual.

#### Director of Internal Audit

- Annually reviews the internal audit charter and presents it to the Audit Committee for approval (IIA [1000](#)).
- Discusses the IIA Definition of Internal Auditing, Code of Ethics, and Standards with the Board and management (IIA [1010](#)).
- Confirms to the Board on an annual basis the organizational independence of the internal audit activity (IIA [1110](#)).
- Ensures the Internal Audit Department collectively possesses or will obtain the knowledge, skills, and other competencies needed to perform its responsibilities. (IIA [1210](#) and [GAGAS 3.40](#))
  - a. Knowledge, skills, and competencies include:
    - i. Knowledge of standards applicable to the type of work they are assigned and the education, skills, and experience to apply this knowledge to the work being performed.
    - ii. General knowledge of the environment in which the audited entity operates and the subject matter under review.
    - iii. Skills to communicate clearly and effectively, both orally and in writing.
  - b. If the Internal Audit Department lacks requisite knowledge, skills, or competencies to perform all or part of the audit, the Director of Internal Audit must obtain competent advice (IIA [1210.A1](#)) or if it is a consulting engagement, the Director of Internal Audit may decline the engagement (IIA [1210.C1](#)).

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- Develops and maintains a quality assurance and improvement program covering all aspects of the internal audit activity (IIA [1300](#)). Also see Section [IV](#) of this manual.
- Discusses with the Audit Committee:
  - a. The form and frequency of the required external assessment of the Internal Audit Department and the qualifications of the assessor, including potential conflicts of interest (IIA [1312](#)).
  - b. The results of the quality assurance and improvement program (IIA [1320](#)).
- Effectively manages the internal audit activity to ensure it adds value to the organization and that the results contribute to the effectiveness and efficiency of governance, risk management, and control processes (IIA [2000](#)).
- Establishes an annual risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organization’s goals (IIA [2010](#)).
- Identifies and considers the expectations of the Board, management, and other stakeholders for internal audit opinions and other conclusions (IIA [2010.A2](#))
- Communicates with the Audit Committee and management regarding the Internal Audit Department’s plans and resource requirements, including significant interim changes, and the impact of resource limitations (IIA [2020](#)).
- Ensures internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan (IIA [2030](#)).
- Establishes policies and procedures to guide the internal audit activity (IIA [2040](#)).
- Shares information and coordinates activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication (IIA [2050](#)).
- Communicates with the Audit Committee and management the purpose, authority, responsibility, and performance of internal audit activities relative to its plan of engagements (IIA [2060](#)), including:
  - a. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Superintendency and the Audit Committee.
- Determines appropriate and sufficient resources to achieve audit objectives on an evaluation of the nature and complexity of the engagement, time constraints, and available resources (IIA [2230](#)).
- Supervises audit engagements, whether performed by or for the internal audit activity, or designates appropriately experienced members of the internal audit activity to perform the review.

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- Ensures audits are conducted in accordance with professional auditing standards and include the appropriate statement that the audit was conducted in accordance with those standards ([Utah Code 63I-5-401\(3\)\(a\)](#)).
- Ensures the public release of audit findings comply with the conditions specified by state laws and rules governing the state agency ([Utah Code 63I-5-401\(3\)\(b\)](#)).
- Ensures copies of all reports of audit findings issued by the internal audit staff are available to the Offices of the Legislative Auditor General and the State Auditor upon written request ([Utah Code 63I-5-401\(3\)\(c\)](#)).
- Ensures that significant audit matters that cannot be appropriately addressed by the agency internal audit office are referred to either the Office of Legislative Auditor General or the Office of the State Auditor ([Utah Code 63I-5-401\(3\)\(d\)](#)).
- Maintains a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce.
- Reviews or assigns a designee to review and approve the final engagement communication before issuance and decides to whom and how it will be disseminated ([IIA 2440](#)).
- Oversees the preparation of formal audit reports and participates in or holds meetings to clarify, resolve, and settle audit issues.
- Provides consultary technical assistance on agency issues, services, and program(s) when requested by senior management or the Board.

**Audit Supervisor (Supervisor)**

The Audit Supervisor must meet the responsibilities of the Staff Auditor (see below) as well as the following:

- Uses professional judgment in preparing the audit planning documents to ensure that planned procedures are sufficient to achieve the audit objectives and adjusts the audit plan as necessary to address any unanticipated issues.
- Ensures the most proficient use of time and resources by making assignments to assigned audit staff, and when needed, collaborates with staff to determine the best methodology for performing the required testwork.

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- Oversees the day-to-day fieldwork of the audit project to ensure that objectives are achieved, quality is assured, and provides functional supervision to subordinate staff for their development (IIA [2340](#)).
- Uses professional judgment in preparing the audit results and reports and presents that information to management and the Audit Committee as requested.
- Reviews assigned staff auditors' testwork documentation and provides feedback and technical assistance or training as needed. Also gives input on performance, hiring, and discipline as requested by the Director of Internal Audit.
- Has regular meetings with the Director of Internal Audit to discuss the progress of the audit.
- The supervisor is responsible for the audit project; therefore, staff should generally discuss project issues, questions, and changes in approach or the program with the supervisor first; however, outstanding or unresolved items may be brought to the Director of Internal Audit.
- Schedules and holds entrance and exit conferences with audit clients as required or considered necessary. Potential findings should be discussed with the appropriate level of management of the audit client prior to report preparation and the draft report should be reviewed during the exit conference.
- Prepares the report, ensuring that all references, amounts, etc. are tied back to workpapers to ensure accuracy and appropriate evidence for all conclusions made.
- Presents a brief report of completed audits they supervised to the Board and answers questions as appropriate.

Note: Due to the small size of the Department, the Director of Internal Audit may also act as the Supervisor on engagements.

**Staff Auditor**

- Evaluates the risk of fraud and the manner in which it is managed by the organization, but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud (IIA [1210.A2](#)).
- Exercises knowledge of key information technology risks and controls and uses available technology-based audit techniques to perform assigned work but is not expected to have the expertise of an auditor whose primary responsibility is information technology auditing (IIA [1210.A3](#)).

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- Conducts audits and reviews, including but not limited to: reviewing and analyzing available information; identifying potential issues; preparing audit workpapers, summaries and reports; and making recommendations for improvement.
- Exercises proficiency and due professional care by considering the:

Assurance Services (IIA [1220.A1](#), [1220.A3](#))

- a. Extent of work needed to achieve the project'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 audits in relation to potential benefits.
- f. Use of technology-based audit and other data analysis techniques.

Consulting Engagements (IIA [1220.C1](#))

- g. Needs and expectations of clients, including the nature, timing, and communication of engagement results.
  - h. Relative complexity and extent of work needed to achieve the engagement's objectives.
  - i. Use of technology-based audit and other data analysis techniques.
- Maintains awareness of the significant risks that might affect objectives, operations, or resources (IIA [1220.A3](#)).
  - Documents significant decisions affecting the audit's objectives, scope, methodology, findings, conclusions, and recommendations according to Department policy and procedures.
  - Uses professional judgment in performing audits and attestation engagements and in reporting the results.
  - Provides assistance and/or on-the-job training as necessary.

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- Enhances knowledge, skills, and other competencies through continuing professional development ([IIA 1230](#)).

**Quality Assurance Reviewer**

Note: Due to the small size of the Department, the Director of Internal Audit generally performs this review though it may be assigned to a different supervisor than the project audit supervisor.

- Performs a detail review of the documentation for planning, testwork for areas where issues were noted, reports, and final wrap-up after the audit supervisor's review on assigned projects.
- Verifies that audit objectives have been satisfied based on the testwork performed and ensures that the testwork has been adequately documented in accordance with standards and procedures outlined in this manual.
- Provides feedback and technical assistance for the audit supervisor; review notes must be cleared prior to finalizing the engagement.
- Reviews the draft and final report to ensure all significant audit issues have been addressed and audit objectives have been met. This should include consideration of the exit conference, the audit client response and helping to resolve any client concerns.

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**2. Audit Activities**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach (IIA [2100](#)). This is to accomplish the following objectives (IIA [2110](#)):

- Promote appropriate ethics and values (i.e., culture);
- Ensure effective performance management and accountability;
- Communicate risk and control information to appropriate areas; and
- Coordinate activities of and communicate information among the Board, external and internal auditors, and the Superintendency.

Additional audit activities to evaluate include the design, implementation, and effectiveness of ethics-related objectives, programs and activities and information technology governance (IIA [2110.A1](#) and IIA [2110.A2](#)).

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. See Section [III](#) in this manual for additional information about how this is accomplished.

To accomplish the above, the risk assessment and annual audit plan processes noted below are utilized.

**Annual Audit Plan**

The prioritized annual audit plan process is designed to evaluate and contribute to the improvement of governance, risk management, and control processes for entities governed by the Board. The Director of Internal Audit develops an annual audit plan based on a risk assessment (see below) and the objectives of the Board (IIA [2010](#)). The Audit Committee then gives input as to the priority of projects for the year. The audit plan is subject to change as new or updated information becomes available, special requests or allegations are received, etc. Any resulting changes to the prioritized audit plan will be submitted at the next Audit Committee meeting for approval. Any projects currently in process most likely will not be affected by the risk assessment updates; however, the priority of any project not currently assigned could be modified. Full updates of all identified risks in the entities governed by the Board or receiving resources from the Board will be shared with the Audit Committee and Superintendency for review and follow-up. During each of the scheduled Audit Committee meetings, the Director of Internal Audit will also communicate the status of current projects and the need to make any changes to the approved audit plan, as necessary.

The Director of Internal Audit will consider proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve operations. Those formal engagements that have been accepted by the Audit Committee may be included in the prioritized audit plan (IIA [2010.C1](#)).

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The Director of Internal Audit will ensure that internal audit resources are appropriate, sufficient, and effectively deployed in a way that optimizes achievement of the approved plan (IIA [2030](#)). Any deficiencies in resources noted will be communicated to the Audit Committee.

**Risk Assessment**

The Internal Audit Department will collaborate with the Superintendency on the on-going risk assessment. The risk assessment structure will be established by the Superintendency in collaboration with Internal Audit and subject to Board input. It should include inquiry with the Board, management, section/division directors and others, knowledge gained from prior and current internal and external audit projects, analysis of data, etc. As requested and necessary, internal audit staff will help obtain input and gather information regarding existing risks, issues, and potential areas of concern (IIA [2120](#)). Risk management will be the purview of the Superintendency as assigned by the Board; the risk assessment should be communicated to the Audit Committee for discussion and input and Internal Audit will utilize the risk assessment in preparing the annual prioritized audit plan.

When participating in the risk assessment, the Internal Audit Department must evaluate risk exposures for activities noted above and the adequacy, effectiveness, and efficiency of controls in responding to risks within the organization's governance, operations, and information systems regarding (IIA [2120.A1](#), [2130](#), and [2130.A1](#)):

- 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.

Auditors must also incorporate knowledge of controls gained from consulting engagements into the risk assessment evaluation of the organization's control processes (IIA [2130.C1](#)).

Additionally, internal audit must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk (IIA [2120.A2](#)) and incorporate knowledge of risks gained from consulting engagements into their evaluation of the risk management processes (IIA [2120.C2](#)).

Consistent with concepts in Section [I.4](#) Personal Impairments, when assisting management in establishing or improving risk management processes, internal audit will refrain from assuming any management responsibility by actually managing risks (IIA [2120.C3](#)).

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**3. Audit Services**

The Department provides the following services:

*Audits (Assurance Services)*

Audits are a comprehensive examination of an operating unit, program, account, etc. Audits may evaluate finances, performance (efficiency and effectiveness), compliance with specified requirements, effectiveness of controls, etc. Audits help provide assurance to stakeholders regarding objectives and operations.

*Follow-up Audits*

Audits assigned by the Audit Committee to follow-up on an issues identified in a previously completed audit.

*Consultation Reviews*

Consultation reviews are a non-audit service where auditors provide technical advice, training, counsel or assistance upon formal request. The results of these reviews will not result in auditors making management decisions or performing management functions. Consultation reviews include a formal scope of work according to the nature of the agreement and the needs of the auditee. Internal audit will communicate, as appropriate, with requestors and the Board to clarify that the scope of work performed does not constitute an audit under Generally Accepted Government Auditing Standards (GAGAS). The Department may also provide informal consulting for minor issues (i.e., identifying regulations, identifying appropriate personnel for discussions, discussing controls, etc.); informal consulting items will be tracked on the Informal Consulting Log.

*Other Reviews/Analysis*

Other reviews or analysis are performed as requested or approved by the Audit Committee.

*Hotline Requests*

The Internal Audit Department maintains a hotline (801-538-7813 or [audit@schools.utah.gov](mailto:audit@schools.utah.gov)) for citizens, educators, employees, and other stakeholders to request an audit or review of a program, function, account, internal control, compliance requirement. The hotline may also be used to report misuse of assets, funds, or resources, non-compliance with regulations, policies, or rules, fraud, waste, abuse, or unethical behavior.

Calls are forwarded to the Director of Internal Audit and audit supervisor's phones and emails are sent to a shared account that the Internal Audit Director and audit supervisors have access too. All complaints received are assigned a number and logged on the Hotline Tracking List for the current fiscal year; details of allegations are recorded and any supporting documentation is referenced to the assigned hotline number and maintained in the Hotline folder on the Internal Audit shared drive. Allegations are reviewed in the order they are received and according to staff availability. After a preliminary review,

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Internal Audit will determine if the allegation should be researched (remain open), referred internally or externally, has insufficient data, or if it should be closed (for IA purposes) if not legitimate. The Hotline Tracking List actions will be reviewed at least quarterly by the Internal Audit Director. Items that could result in projects will be added to the emerging risk list and will be presented to the Audit Committee for prioritization in the Audit Plan. Once a hotline item is referred to the emerging risk list it will be closed on the Hotline Tracking List. For items being researched, if we need additional information and we have contact information, after three unsuccessful attempts to contact the complainant for the additional pertinent information and/or follow-up, we will close the allegation pending further contact by the complainant.

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**4. Security**

Audit workpapers serve as a record of the results of the audit and the basis for the information contained in the final report. Audit workpapers are the property of the Internal Audit Department. Precautions must be taken to protect them and they should only be accessible to authorized persons because of their importance. In compliance with [Utah Code 63G-2](#) (Government Records Access and Management Act), USBE Legal Counsel will review the requests for project files and will coordinate with the Director of Internal Audit to remove all workpapers, or redact all information, that could be considered private, controlled, or protected. Project files will only be released to internal and/or external parties after the Director of Internal Audit has obtained the approval of the Audit Committee and legal counsel (IIA [2330.A1](#), [2330.C1](#)).

Workpapers, including electronic files, should remain under the Internal Audit Department's control at all times. Workpapers should be kept out of sight when not in the immediate custody or use of the auditor. After work hours, all paper workpapers and supporting documentation should be stored out of sight and locked when feasible. Exceptions to this policy will be rare and require the advance approval of the Director of Internal Audit.

In 2014, the Internal Audit Department began using the Creative Solutions Accounting (CSA) to organize all workpapers electronically; projects are saved by year and project number. These electronic project file documents are stored on the agency's servers and are protected from outside attacks by a firewall. All files are backed up according to agency data policies. Internal Audit staff should ensure that laptops and electronic workpapers are kept secured and locked when not in use.

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**5. Record Retention**

The Utah Division of Archives and Records Service ([www.archives.utah.gov](http://www.archives.utah.gov)) maintains the record retention schedules for state agencies. The record retention schedule for the Board of Education indicates the following for internal audit reports and workpapers:

**AGENCY:** Board of Education

**SERIES:** 28861

**TITLE:** Internal audit reports

**DATES:** 1990-

**ARRANGEMENT:** Chronological by year, thereunder numerically

**DESCRIPTION:** These records support the agency's function to evaluate and recommend improvements for each program administered by the agency (Utah Code 63I-5-201(4)(2014)). Reports include the conclusions of the financial, compliance, and performance audits for all entities governed by the agency.

**RETENTION**

Retain 10 years after the completion of the publication or report.

**DISPOSITION**

Transfer to the State Archives with authority to weed.

**FORMAT MANAGEMENT**

Paper: Retain in Office for 1 year after completion of the publication or report and then transfer to State Records Center. Retain in State Records Center for 9 years and then transfer to State Archives with authority to weed.

Computer data files: Retain in Office for 10 years after completion of the publication or report and then transfer to State Archives with authority to weed.

**AGENCY:** Board of Education

**SERIES:** 22660

**TITLE:** Internal audit work papers

**DATES:** 1990-

**ARRANGEMENT:** Chronological by year, thereunder numerically

**ANNUAL ACCUMULATION:** 2.00 cubic feet.

**DESCRIPTION:** These records support the agency's function to evaluate programs and recommend financial, performance, and compliance improvements for each program administered by the agency (Utah Code 63I-5-201(4)(2014)). Records generated by the agency's Internal Audit Unit provide documented support for each issued audit report and may include personnel records, student information, minutes of legally closed meetings, interviews, legal research, copies of applicable laws, administrative rules and policies, findings and recommendations.

**RETENTION**

Retain 10 years after the completion of publication or report.

**DISPOSITION**

Destroy.

**RETENTION AND DISPOSITION AUTHORIZATION**

Retention and disposition for this series is authorized by Archives general schedule SG 1, Item 81.

**AUTHORIZED:** 04/18/2016

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Paper: Retain in Office for 1 year after completion of publication or report and then transfer to State Records Center. Retain in State Records Center for 9 years and then destroy.

Computer data files: Retain in Office for 10 years after completion of publication or report and then delete.

Records may be retained with the agency for longer periods of time if audit finding resolution requires it. The above schedule pertains to both hardcopy and electronic documents. The series and box numbers used will be tracked on the Internal Audit Record Retention list.

Retrieval and use of archived workpapers should be coordinated through the Director of Internal Audit (IIA [2330.A2](#), [2330.C1](#)).

**Workpaper Backup**

Official audit workpapers are secured and maintained as outlined in the Security section of this manual. On occasion auditors may obtain or use hardcopy documentation in an audit that does not need to be included in the official audit workpapers, but that is helpful in completing audit testwork. At the end of each audit, staff on each audit should give this information to the supervisor and the documentation will be kept together in a central filing area and retained for 3 years. Electronic documentation should be saved in the project folder.

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### III. AUDIT PROCEDURES

#### 1. General Audit Planning

##### **Audit Assignments**

Internal audit assists the Board by gaining an understanding of and evaluating the effectiveness and efficiency of internal controls, and by promoting continuous improvement (IIA [2130](#)). A risk-based prioritized audit plan is updated as described in the Prioritized Audit Plan section covered in Part II.2 of this manual. The Director of Internal Audit assigns staff to projects based on available resources, staff independence, and staff expertise. Each fiscal year an audit plan is used to assist with managing project resource needs, timelines, and workload. Flexibility in the schedule is allowed to consider items that arise during the course of the year that impact the audit plan.

##### **Audit Project Organization**

The audit project file is organized in CSA according to the Audit File Index, which has individual folders labeled with the following sections:

##### General

##### *GA – Planning*

Includes all workpapers prepared in the planning stage of the audit, including documentation of the opening conference, the engagement letter, and other related documentation.

##### *GC – Completion*

Includes any audit completion documents including initial and final versions of reports, audit briefs, auditee’s responses to the initial report, closing conference documents, etc.

##### Testwork

##### *TA – Tx*

Contains the audit program, and workpapers with proposed findings/observations and recommendations in numerical order. A testwork folder may be setup for each area to be tested; therefore, there may be multiple testwork folders.

##### Reference

##### *RA – Rx*

Consists of general reference information that is utilized during testwork such as organizational charts, accounting codes, laws and regulations, policies and procedures, approved cost allocation

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plans, contracts, and control documentation – only items specifically related to testwork should be included. Reference folders should correlate with the Testwork folder they provide support for.

**Objectives, Scope, and Nature**

The audit supervisor develops and prepares the Planning Document for each audit project, which includes the engagement’s objectives, scope, timing, and resource allocations (IIA [2200](#)). The document should outline the specific objective(s) to be achieved for each audit project and must be consistent with the overall values and goals of the Board (IIA [2210](#) and [2210.C2](#)). Audit objectives must consider and reflect the results of a preliminary assessment of the risks relevant to the activity under review, and the probability of significant errors, fraud, noncompliance, and other exposures (IIA [2210.A1](#) and [2210.A2](#)).

The Planning Document must define the scope of the audit project to satisfy the objectives of the engagement (IIA [2220](#)). The scope of the audit must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties (IIA [2220.A1](#)). If internal auditors develop reservations about the scope during a consulting engagement, these reservations must be discussed with the client to determine whether to continue with the audit (IIA [2220.C1](#)).

The Planning Document should also include a brief description of the nature of the client, program, section, or entity to be audited and its principal services, schedules or statements covered by the engagement, specific critical objectives of the project, the depth of coverage, the period to be audited, and any client service considerations or requests. The supervisor should also prepare the engagement letter, proposal, and/or other equivalent documents that define the project as outlined in the Engagement Letter subsection of this section of the manual.

In planning the project, internal auditors must consider (IIA [2201](#)):

- The objectives of the activity and the means by which the activity controls its performance.
- The significant risks to the activity, its objectives, resources, operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and the effectiveness of the activity’s risk management and control processes compared to a relevant control framework or model.

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- The opportunities for making significant improvements to the activity’s risk management and control processes.

During consulting engagements, auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks (IIA [2120.C1](#)). Auditors must also address governance and control processes to the extent agreed upon with the client (IIA [2210.C1](#)).

During the planning of an audit, the audit supervisor and the Director of Internal Audit meet as necessary to plan the project. The audit program and planning documents must be approved by the Director of Internal Audit prior to initiating significant testwork.

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 (IIA [2220.A2](#)).

**Engagement Letter**

The engagement letter informs clients and documents our understanding about the audit objectives, scope, respective responsibilities, and other auditee expectations for the audit project. For parties outside the governance of the Board, the engagement letter should include restrictions on distribution of the results of the engagement and access to engagement records. The letter should be reviewed and signed by the Audit Committee Chair. Generally, the engagement letter is addressed to the governing body or director over the program or area being audited. A copy of the signed engagement letter is included in the planning section of the audit project file (IIA [2201.A1](#), [2201.C1](#)). Issuance of the engagement letter may occur after the opening conference in order to document and include any suggested audit areas from the client personnel in the engagement letter.

**Opening Conference**

When an audit project is assigned, the audit supervisor generally arranges for an opening conference with the appropriate client personnel and audit staff. The following items may be covered during this meeting:

- Introductions of the engagement client personnel and the internal audit staff.
- Understanding of the engagement as outlined in the engagement letter, which may be hand-delivered in this meeting.
- The scope of the audit, the projected fieldwork period, and anticipated report date.

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- Discussion of or identification of any areas that the client feels have increased risk and/or areas the client would like to be reviewed during the course of the audit.
- Discussion of the current status of any problems noted in previous audits.
- Information about the finding/observation and recommendation process as well as corrective action.
- Information on the report process.
- Establishment of a key engagement contact and frequency and mode of communication.
- Outline of the type of assistance needed from the auditee.

The items discussed in the opening conference, including auditee requests or special conditions, should be documented in the planning section of the audit project file.

**Preliminary Review of Auditee**

The audit supervisor directs a preliminary review of the auditee to help review relevant risks and establish the audit objectives. The purpose of the preliminary review is to gain sufficient knowledge of the auditee, program, entity, or section to be audited so that the auditor can design an audit program to accomplish the project objectives (IIA [2210.A1](#)).

Elements of the preliminary review should contain the following:

- Reviewing previous internal audit report(s) to assess risks and the impact on the internal audit project, including whether evaluation of the implementation of the corrective actions should be incorporated into planned testwork.
- Gaining a general understanding of relevant systems, records, personnel, and physical properties, including those under the control of third parties (IIA [2220.A1](#)).
- Considering results of any examinations done by governmental authorities, regulatory agencies, legislative auditors, and/or legislative fiscal analysts and assessing the impact on the internal audit project.

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- Identifying potential problem areas in programs, activities, and functions that are significant to the auditee and/or have the following characteristics:
  - a. Susceptible to fraud, abuse, or mismanagement.
  - b. Large dollar volume of transactions, large amounts of funds received or large investments in assets that are subject to loss if not controlled.
  - c. Concerns expressed by the Board or Superintendency or client management.

The audit supervisor should consider any potential problem areas identified and plan audit testwork accordingly to address these risk areas and ensure audit objectives are achieved.

**Audit Program**

The audit program contains the audit objectives, testwork steps, and a findings/conclusion summary (IIA [2240](#)). The audit program guides the project and allows the audit supervisors and quality assurance reviewer to supervise audit planning to determine whether the testwork steps and methodology are adequate to achieve the objectives and determine whether the proposed testwork addresses the audit scope and identified risks. The program should also be used by the audit supervisor to control the progress of the audit project since workpapers are referenced to related testwork steps. The audit program and workpapers should be referenced as outlined in the audit file index.

The audit supervisor is responsible for preparing the audit program as part of audit planning process. This includes the procedures for identifying, analyzing, evaluating, and documenting information during the engagement to meet the scope and objectives of the project (IIA [2240.A1](#) and [2240.C1](#)). Revisions may occur during both planning and fieldwork as considered necessary; however, the Director of Internal Audit or quality assurance reviewer must approve all audit programs prior to performing significant testwork (IIA [2240.A1](#)). Sign offs should be done in CSA.

The sections of the audit program are detailed below:

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*Audit Objectives and Scope*

Audit objectives identify audit subject matter and performance aspects to be included in the audit testwork. The objectives in the audit program should mirror those identified in the Planning Document discussed in the Objectives, Scope, and Nature subsection above. The scope must be sufficient to satisfy the objectives of the audit.

*Testwork*

The testwork section outlines the specific steps and audit procedures to perform to achieve the audit objectives. Auditors design the steps to reduce audit risk to an acceptable level, to address issues identified while planning the audit, and to provide reasonable assurance that the evidence is sufficient and appropriate to support any findings and conclusions. The testwork steps should be specific enough so that another auditor would be able to complete the audit step.

*Finding Summary*

The finding summary section should include a summary of each finding identified during testwork (ie. if the conclusion on a workpaper includes a finding or an observation to be included in the report, it should be listed here). This summary is helpful to ensure all areas of concern are identified and reviewed by the quality assurance reviewer.

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**2. Audit Fieldwork**

Audit fieldwork is the performance of the audit procedures outlined in the audit program, which when completed, identify if the section/division, program, account, etc. is meeting acceptable standards or if there are areas for improvement that can be provided to management. The auditor must identify sufficient, reliable, relevant, and useful information in order to analyze, evaluate, and document information to achieve the engagement's objectives (IIA [2300](#) and [2310](#)).

In conducting fieldwork, auditors should avoid interference with investigations or legal proceedings. At the point an auditor becomes aware of possible legal proceedings, the auditor should assess whether the engagement should be withdrawn or deferred, either in its entirety or a portion of the engagement. In conducting an engagement, the Director of Internal Audit will report to the Board and Superintendency any potential acts of fraud, waste, abuse, other illegal acts, and violations of contract provisions or grant agreements. The Director of Internal Audit will consult with legal counsel to determine if there is a duty to notify outside parties in certain circumstances.

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**3. Audit Workpapers**

Audit workpapers document the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in an audit engagement. The term “workpaper” can apply to various documents.

**Workpaper Guidelines**

Consider the following requirements when preparing workpapers:

- Each workpaper should include a purpose statement or reference to the audit program step. Before deviating from the objectives and scope outlined in the audit program, the auditor should discuss the circumstances with the audit supervisor; the audit program will then be modified if considered necessary.
- Each workpaper should have a conclusion or summary indicating either that no errors/exceptions were noted (NEN, NMEN) or a reference to a finding/observation(s).
- All supporting documentation attached to a workpaper should reference the source of the information (i.e. person & title, computer system, etc.), which would enable another person to obtain the same information. If downloaded information is included in the workpaper, consider including the entire results if reasonable.
- Workpapers should contain the following:
  - a. Sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation that the evidence supports the auditors’ judgments and conclusions. Also, audit documentation should contain support for findings, conclusions, and recommendations. (IIA [2330](#))
  - b. Appropriate analyses and evaluations for conclusions and engagement results (IIA [2320](#)).
- Workpapers should be significantly completed prior to report preparation to avoid inefficiencies and inaccuracies.

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### Workpaper Elements

Workpapers contain the following general elements. All workpapers must have the first six elements listed below.

1. *Heading* – All workpapers should have a heading containing the project name, project number, and a descriptive title. This should be in the upper left hand corner or center of the document.
2. *Workpaper Number* – Each workpaper should have a workpaper number in the upper right hand corner. Workpaper numbering should follow the guidance in the Audit File Index. There may be gaps in numbering (e.g. **TA-05**, **TA-10**, **TA-10A**, etc.) but each should be unique and not duplicated.
3. *Purpose* – Reference the audit program step and/or state why the workpaper is being completed.
4. *Testwork* – This section details the work the auditor performed, sufficient to allow an experienced auditor to reperform the testwork and draw the same conclusions. This area also includes details for any findings/observations. Findings and observations should never contain information that isn't in the workpaper.
5. *Summary* – This section indicates either that no errors/exceptions were noted or references finding/observation(s) that are discussed in the testwork section.
6. *Tickmarks* – Tickmarks are symbols used to reduce duplicate notations on audit tests. Tickmarks should be explained in a tickmark legend in sufficient detail for an experienced auditor to be able to reperform the testwork and with a disposition if appropriate.
7. *Notes (General or Specific)* – Notes explain the disposition of exceptions or other necessary information for understanding the testwork documented on that workpaper. Notes are generally preceded by a circled, red letter, unless computer printed, in which case the letter should be bolded. Notes should always include a disposition or conclusion.
8. *Sign offs* – Sign offs should be completed electronically in CSA for every workpaper when the testwork is complete (by right clicking the document, and scrolling to “Document Sign Off”). Sign offs are completed by the staff completing the testwork, the audit supervisor, and the quality assurance reviewer.

Additional Guidelines:

It is important that, if applicable, every column/row on a workpaper has a descriptive column heading and documentation of the source of the information. Hidden columns/rows should be avoided.

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Some commonly used acronyms are: PBC (Prepared by Client), NCN (Not Considered Necessary), NEN (No Exceptions Noted), and NMEN (No Material Errors Noted).

### **Workpaper Referencing**

#### *One-Way References*

Use one-way or narrative references for referencing to a policy or another workpaper within a narrative. An example of a one-way reference might read “Except as noted on **TA-10**, all authorizations were adequately supported and properly documented.” In this case, no corresponding cross-reference would be needed on **TA-10**.

#### *Two-Way References*

Two-way references are those references used to indicate rolling an amount, figure, workpaper number from one place to another place. “To” references are always placed under or to the right of the amount, figure, etc. while “from” references go to the left of or above the figure. If a reference can’t be placed in its proper position, the words “to” or “from” should be written out. References should generally be in red and **BOLD** to easily find the reference.

A circled number or tickmark can be used to cross-reference figures that appear more than once on the same workpaper.

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#### **4. Audit Sampling**

Audit sampling is the application of audit procedures to less than 100% of the population to enable the auditor to evaluate audit evidence about some characteristic of the items selected to form or assist in forming a conclusion concerning the population. Audit sampling makes the assumption that a representative sample can be extrapolated to the population. The auditor must accept the risk that the sample selected does not necessarily represent the population.

The objective of audit sampling is to corroborate the accuracy of the data or to evaluate the effect of controls in processing data. Audit sampling is used in the following three types of audit tests:

1. *Test of Controls* – Provide evidence on the effectiveness of the design or operation of a control in preventing/detecting misstatements.
2. *Substantive Test* – Provide evidence about the validity and propriety of the accounting treatment of transactions and balances or to detect misstatements.
3. *Dual-Purpose Test* – Provide evidence for both of the above purposes. The resulting sample size becomes the larger of the two samples determined for the separate purposes.

#### **Statistical vs. Nonstatistical Sampling**

Sampling should be used when determined to be efficient based on the objective of the audit procedure. Once a decision has been made to use sampling, the auditor must choose between statistical and non-statistical sampling. Statistical sampling enables mathematical conclusions about the population and uses the laws of probability to measure sampling risk. Non-statistical sampling is not statistically based and results should not be used to extrapolate an error rate or dollar amount error for the population.

#### **Sampling Considerations**

When designing the size and structure of an audit sample, the specific objectives of the test, the nature of the population, and the sampling and selection methods should be considered. In designing a sample, the following elements should be determined and documented:

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*Population*

The entire set of data from which the sample is selected in order to reach a conclusion on the population. The population should be appropriate for the specific objective and should be tied out for completeness before selecting a sample. If significant items (high dollar or other) are pulled from the population and tested individually, they would no longer be considered part of the ‘sample’ population.

*Sampling Unit*

The unique identifier or one item in the population.

*Sample Size*

The size of the sample should be sufficient to meet the audit objective without significantly reducing efficiency. The calculated sample size is based on sampling risk, tolerable error, and expected error. For small populations, a sample size of 10% is generally acceptable.

*Sampling Risk*

Sampling risk is the possibility that the auditor’s conclusion may be different from the conclusion that would be reached if the entire population were subjected to the same audit procedure. There are two types of sampling risk:

1. Risk of Incorrect Acceptance – Assessed material misstatement is unlikely, when in fact the population is materially misstated.
2. Risk of Incorrect Rejection – Assessed material misstatement is likely, when in fact the population is not materially misstated.

*Tolerable Error*

The maximum error in the population that the auditor is willing to accept and still conclude that the audit objective is achieved. For substantive tests, tolerable error is related to the auditor’s judgment about materiality. In compliance tests, tolerable error is the maximum rate of deviation from a prescribed control procedure that the auditor is willing to accept.

*Expected Error*

Known and/or expected errors in the population. Estimates of expected error are based on error levels identified in previous audits and changes in procedures, controls, or personnel. There is a direct relationship between expected population error and the resulting sample size.

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A sample may be stratified or divided into subpopulations with similar characteristics explicitly defined so that each sampling unit can belong to only one stratum. Stratification can assist in the efficient and effective design of a sample.

**Sampling Methods**

There are generally four sampling selection methods, two for each sampling type as defined in the following table:

Statistical Sampling	Non-Statistical Sampling
<i>Random Sampling</i> – Ensures that each sampling unit in the population has an equal chance of selection and involves the use of computer-generated random numbers or a random number table to select sample items.	<i>Haphazard Sampling</i> – Selects sample items without following a structured technique; however, conscious bias or predictability should be avoided.
<i>Systematic Sampling</i> – Involves selecting sampling units using a fixed interval between selections with a random start for the first interval.	<i>Judgmental Sampling</i> – Selects sample items using a defined bias.

The methodology used to select the sample should be documented.

**Sampling Documentation**

The audit workpapers must include sufficient detail to clearly describe the sampling objective and the sampling process used. The workpapers include the source of the population, the sampling method used, sampling parameters (e.g., random start number or method by which random start was obtained, sampling interval), items selected, details of audit tests performed and conclusions reached.

Document sampling procedures for tests of controls and substantive tests in the workpapers as follows:

- *Tests of Controls*
  - Description of the control being tested or objective of the sample.
  - Definition of the population and sampling unit, including consideration of population completeness.

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- Definition of the deviation condition.
- Risk of assessing control risk too low, the tolerable deviation rate, and the expected population deviation rate.
- Determination of sample size.
- Method of sample selection.
- Description of the performance of the sampling procedure and a list of deviations identified in the sample.
- Evaluation of the sample and a summary with the overall conclusion.
- *Substantive Tests*
  - Objectives of the test and a description of any other audit procedures related to those objectives.
  - Definition of the population and the sampling unit, including determination of population completeness.
  - Definition of a misstatement.
  - Risk of incorrect acceptance, the risk of incorrect rejection, and the tolerable misstatement.
  - Method of sample selection.
  - Description of the performance of the sampling procedures and a list of misstatements identified in the sample.
  - Evaluation of the sample and a summary with the overall conclusion.

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**Evaluation of Sample Results**

After performing the sample audit procedures, any deviations or exceptions detected in the sample should be analyzed to determine whether they are actually errors and, if appropriate, the nature and cause of the errors. If the auditor finds one or more deviations in the sample, the sample size may need to be increased. The qualitative aspects of the error should be considered, including the possible effect on the other aspects of the audit. The auditor should also determine whether there is a need to perform alternate procedures to obtain sufficient audit evidence on a specific item.

Consideration should be given to projecting the results of the sample to the population with a method of projection consistent with the sample selection method. The projection of the sample may involve estimating probable errors in the population and estimating errors that might not have been detected because of the imprecision of the audit sampling technique, along with the qualitative aspects of the errors found.

The auditor should consider whether errors in the population might exceed the tolerable error by comparing the projected population error rate to the tolerable error, taking into account the results of other audit procedures relevant to the audit objective. When the projected population rate exceeds the tolerable error, the auditor should reassess the sampling risk and if that risk is unacceptable, consider extending the audit procedure or performing alternative audit procedures.

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**5. Documentation of Internal Controls**

One of the important steps in an audit is documenting internal controls. The auditor develops an understanding of internal controls by inquiry with the client and from observation of the processes being analyzed. There are several forms and methods used for documenting controls and identifying any potential control weaknesses. Auditors shall ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization. Auditors shall also review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

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

During consulting engagements, auditors must address controls consistent with the engagement's objectives and be alert to any significant control issues (IIA [2220.C2](#)).

The source(s) of control information should always be included as part of the control documentation in order to properly identify a contact person for subsequent updates or additional information. The following sections discuss various methods for documenting the auditor's understanding of internal controls.

**Control Point Worksheets**

The "Control Point Worksheet" should be completed in conjunction with a control point flowchart or control narrative. Generally, auditors should only document and test those controls which they plan to rely on to prevent or detect errors in processes. The controls are referenced between the flowchart or narrative and the worksheet using the coded identifiers (e.g. P-1, A-1, R-1, etc.) where P = population control, A = accuracy control, R = reconciliation.

Population controls ensure the integrity of the number of items of information processed. The assertions related to population controls are:

- *Existence or Occurrence* – The recorded assets/liabilities/data exist or the recorded transactions occurred. Therefore, the population (not value) of the account balance or transaction class is not overstated.

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- *Completeness* – All assets/liabilities/data that exist or all the transactions that occurred are recorded (captured). Therefore, the population (not value) of the account balance or transaction class is not understated.

Accuracy controls prevent or detect discrepancies between data processed and events represented. The assertions related to accuracy controls are:

- *Valuation or Allocation* – The value of the account balance or transaction(s) is proper. Also, the proper value is allocated to the proper period and/or based on an appropriate method of allocation/estimation.
- *Classification* – The account balance or transaction(s) is properly categorized to the appropriate fund, account, line item, object class, function, activity, grant, etc.

Reconciliation controls can detect both the occurrence of population and accuracy errors because these controls verify the accuracy and completeness of the processing steps in two separate streams of information flows. However, reconciliation controls do not identify the sources of the errors discovered and serve as back-up controls to detect errors not prevented or detected by the other processing controls.

Compliance controls prevent or detect noncompliance with state/federal laws related to allowability and eligibility. Controls related to compliance other than allowability and eligibility are generally administrative controls rather than controls related to an accounting stream. The compliance assertion implies that the transaction(s) complies with applicable laws and regulations related to allowability and eligibility that could have a material effect on the financial statements.

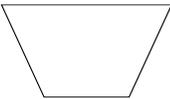
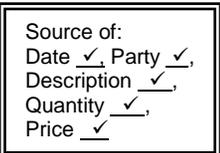
For each control referenced on the worksheet, the auditor should mark the appropriate assertions covered by the control, including compliance. A reference is also included to the audit program step where the control is tested. Evidence of each control should also be documented; however, in reperforming controls ensure that the control is tested not just a review for the evidence of a control.

**Control Point Flowcharts**

A flowchart provides a visual picture of systems and processes. Flowcharts facilitate the identification of critical processes and controls and are generally easier to update than a narrative. Flowcharting syntax consists of standardized terminology, symbols, and rules for arranging the symbols. The control point flowchart may include the following symbols:

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<b>Major Flowchart Symbols and Definitions</b>		
<i>Terminology</i>	<i>Symbol</i>	<i>Represents</i>
Account		Represents a general ledger account or line item in the financial statements.
Documents		Represents a document where data affecting the financial statements or system process are stored, and can represent individual documents or reports.
Process		This symbol represents any process affecting the flow of accounting or other information, such as the transfer of information between documents or the collection/dispersion of information.
Control Point		This symbol appears on either side of every process box on the control point flowchart. The control point is a location or step in the process where a population or accuracy control should exist. Depicted by a circle with a coded identifier inside the circle. The position of each control point circle in relation to a process symbol indicates the type of potential error represented: population errors to the left, accuracy errors to the right. Reconciliation controls generally detect both population and accuracy errors and can be shown in both the left and right control point symbols.
Source of Process Information		This information always appears at the bottom of a documented information stream below the first process box. It indicates the information that is captured at the first process of the exchange data. There are five possible check-off items listed beneath the bottom process box: date, party, description, quantity, and price. Those items that appear on the document or are captured in the system should always be checked off. This point is called the boundary. This information is gathered from several documents or processes that together comprise the boundary.

Some processes have several controls to prevent or detect errors. For flowcharting and control testwork, controls should be limited to those that are the most significant and could cover multiple processes; this allows for more efficient control testwork and audit coverage.

Failure to identify a control over a process means that a control weakness is discovered. A note reference should be included in the control point circle with a corresponding discussion when a process is missing a control. The note should address the resulting conclusion (i.e. finding/observation issued or identification of an adequate compensating control).

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The five steps in preparing a flowchart are:

1. Document accounts.
2. Trace the direct flow of accounting or other information.
3. Insert document and Electronic Data Processing (EDP) medium symbols.
4. Insert process boxes and control points.
5. Document Source of Process Information.

For each process the frequency should be identified on the bottom right side and the position of the person performing the process should be identified in the top left side. Controls and processes performed by the same person are not considered adequate internal controls due to lack of independence and ability to override the performance of the control.

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6. **Audit Findings and Observations**

Exceptions and errors found as the audit progresses are noted as findings in the audit workpapers. As the auditor identifies potential problems, the auditor should discuss them with the client and also consider discussing them with the supervisor or quality assurance reviewer to ensure that the perceived problem is, in fact, a problem that should be documented as a finding. Each finding should be detailed in the workpaper where it is identified, should be concisely written in the finding as it might appear in the report, and should be listed in the findings and observation summary section of the audit program. At the conclusion of fieldwork, the findings in each relevant workpaper summary will be used to prepare the preliminary audit report to be communicated to the Board, management, and others in accordance with professional standards (Note: Observations do not require follow-up.). Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Findings are consecutively numbered using **FR-xx** (FR stands for finding and recommendation). The FR number identifies the item as a finding and “xx” is the finding number. Observations are consecutively numbered in a similar manual using **O-xx**.

Dates, amounts, and policy sections or regulatory documents referenced in the report should be cross-referenced with the appropriate audit workpapers (including page #'s) where the finding is noted and the testwork was documented. The supervisor and quality assurance reviewer should document their review of each finding by signing off on the applicable workpaper in CSA.

Each finding should have a descriptive title along with information related to the following finding elements, written as concisely as possible:

- *Condition* – Explanation of what happened or what is the problem.
- *Criteria* – Details the standards or basis used to identify and evaluate the condition.
- *Cause* – Explanation on why the condition happened. Efforts should be made to discuss this with the client to ensure the focus of the recommendation is appropriate.
- *Effect* – Outlines the impact of the condition and explains the “so what” question. Where an effect cannot be determined, the auditor should evaluate whether or not the finding should be issued. The significance of the finding is usually judged by the effect.
- *Recommendation* – Relates to fixing the condition and/or cause; however, specific action is generally not included in the recommendation but is rather the responsibility of the client contact in preparing their response. The recommendation should also only include items specific to the condition and/or its cause(s).

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- *Evaluation of Fraud Risk(s)*- Each finding should be evaluated for potential fraud risk(s) and/or the existence of fraud. The evaluation and the outcome should be documented on the workpaper and appropriately included in the audit report.

Each finding should be discussed with the appropriate client contact(s) to validate findings and prevent misunderstandings. Discussions with clients, and the client response, should be documented as part of the finding in the workpaper summary or notes. Once a finding has been substantiated it should be presented to the Audit Committee and Superintendency at the next Audit Committee meeting to facilitate feedback and timely resolution of this issue (IIA [2010.A2](#)). These discussions generally occur prior to preparation of the draft report to ensure that the auditee is aware of all findings that might be reported.

If a finding is verbal (communicated orally to the appropriate parties) or waived (because of other circumstances found such as compensating controls or additional information is received), the reason must be documented in the summary with the finding. The supervisor and quality assurance reviewer consult together in determining which findings will be issued in the preliminary audit report.

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**7. Draft Audit Report**

A written draft audit report, which is a protected document as it has not been finalized, is prepared by the audit supervisor and is reviewed by the quality assurance reviewer and/or the Director of Internal Audit. The initial draft report is the basis for the exit conference with the audit client, which should include the appropriate level of management. After revisions are made, based on the exit conference discussion, the report is provided to the Audit Committee and then the full Board and Superintendent’s Office (IIA [2400](#)).

The draft audit report process begins with the supervisor accumulating and prioritizing the findings/observations and recommendations. A draft report with cross references back to the workpapers should be included as a workpaper in the completion section of the general audit file.

Audit reports generally include the following sections and information:

- *Audit Brief* – Executive Summary of the Audit that should be kept to one-page, front and back if possible.
- *Audit Report Cover Page* – Identifies the report title, project number, and review period.
- *Preliminary Management Report Letter* – Addressed to the main contact person. Distribution lists or "cc" notations should be included if the report is distributed to additional parties.

Internal auditors should report that their “engagements are conducted in conformance to the *International Standards for the Professional Practice of Internal Auditing*” (IIA [1321](#) and IIA [2430](#)). However, this statement may only be used in audit reports when the assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with those professional standards.

- *Table of Contents* – Optional based on the number of recommendations and/or the number of pages in the report. Consider a table of contents if the report is more than five pages in length.
- *Background/Objectives/Introduction* – Gives information to help the audience understand the body of the report that follows.
- *Findings and Recommendations/Observations* – Details each finding and recommendation and should include the relevant finding elements and corrective action. Findings should be prioritized in the report according to importance or significance. Group common findings together where reasonable.

Place the findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the finding. To give the reader a basis for judging the

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prevalence and consequences of these findings, auditors should, as applicable, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value or other measures, as appropriate. If the results cannot be projected, auditors should limit their conclusions appropriately.

The following items should be reported:

1. Significant deficiencies in internal control, identifying those considered to be material weaknesses (refer to GAGAS 6.34 for specific criteria);
2. Instances of fraud and illegal acts;
3. Violations/noncompliance of provisions of regulation, policy, contracts or grant agreements, and abuse that could have a material effect on the audited area;
4. Performance improvements, efficiencies, etc.

When findings concern violations of provisions of contracts, grant agreements, or abuse that has an effect on the subject matter that is less than material but more than inconsequential, they should be included in the audit report. Determining whether and how to communicate fraud, illegal acts, violations of provisions of contracts or grant agreements, abuse, or internal control deficiencies that is inconsequential is a matter of professional judgment and should be coordinated with the Director of Internal Audit; this communication should be documented.

- *Appendices* – Gives additional reference information that will help the reader understand the report. Also helps keep the body of the report concise by not including excessive detail information.
- *Corrective Action/Management Response* - The audit supervisor should include a cover letter with the draft audit report. The letter should indicate a date by which responses, with corrective action, including the contact individual and anticipated correction date, to the findings and recommendations are needed and is typically two weeks after the issuance date. The supervisor should coordinate resolution of any disagreements on the findings during the draft report stage of the audit.

While preparing the draft report, the following general report standards and guidelines should be followed or considered:

- The report must clearly state the audit objectives, audit scope, the auditor’s conclusion about the subject matter in relation to the criteria against which the subject matter was evaluated, and the auditor’s conclusions about the engagement and subject matter (including recommendations and action plans) (IIA [2410](#)).

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- 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. (IIA [2410.C1](#))
- When an overall opinion or conclusion is issued in a report, it must take into account the expectations of the Board, the Audit Committee, senior management, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information (IIA [2410.A1](#), [2450](#)).
- Auditors are encouraged to acknowledge satisfactory performance (IIA [2410.A2](#)) and look for opportunities to give management credit for improvements or corrections.
- The audit report must be accurate, objective, clear, concise, constructive, complete, and timely. These terms are defined as follows (IIA [2420](#)):
  - 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.
- The report title should specifically state what was audited.
- The report should include a “Draft” watermark so that it is clearly delineated as a draft copy. It should also include language that it is a protected document under GRAMA and as such distribution is limited.
- The report should not include any language that would need to be deleted in the final report. Position titles rather than individual names should generally be used. The draft report should generally be the final version excluding responses.
- The report sections should be consistent (i.e. headers and alignment).
- If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary.

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- Considering the broad public interest in the program or activity under review assists auditors when deciding whether to exclude certain information from publicly available reports. When circumstances call for omission of certain information, auditors should evaluate whether this omission could distort the engagement results or conceal improper or illegal practices.
- When audit organizations are subject to public records laws, auditors should determine whether public records laws could influence the availability of classified or limited-official-use reports and determine whether other means of communicating with management and those charged with governance would be more appropriate. For example, the auditors may communicate general information in a written report and communicate detailed information verbally. The auditor may consult with legal counsel regarding applicable public records laws.

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**8. Final Audit Report**

**Requesting Client Responses**

Once the preliminary draft report has been sent to the client and an exit conference has been held, a final draft audit report incorporating any additional information from the exit conference should be prepared. The final draft audit report should be sent to the audit client with a formal request for a response that includes the following:

- Due date for the response to be included in the audit, generally 14 calendar days from the request date as per R277-116.
- Corrective Action that will be taken to address any findings; observations do not require a response
- Signature from a member of the governing body; this may be in addition to a signature from the entity's administration.

**Reporting Client Responses**

When auditors receive a written response from the main contact or engagement client, they should include in their report a copy of the written comments, or a summary of the comments received. When only oral comments are provided, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responder to verify that the comments are accurately stated. The responses obtained through the draft report process, including the responsible person's name and anticipated correction date, should be incorporated into the report and follow the finding and recommendation or could be reported in a *Management Response* section at the end of the report.

When the client's comments are inconsistent or in conflict with the report's findings, conclusions, or recommendations, or when planned corrective actions do not adequately address the auditors' recommendations, the auditors should evaluate the validity of the engagement client's comments. If auditors disagree with the comments, they should address the disagreement with the client prior to finalizing the audit report and add concluding remarks when appropriate. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported with sufficient, appropriate evidence.

If the client refuses to provide comments or is unable to provide comments within a reasonable period, auditors may issue the report without receiving comments from the entity. In such cases, the auditors should indicate in the report that the client did not provide comments.

**Preparation and Distribution**

The final report should include client responses, incorporate feedback from individuals who received the draft report and all "cc" notations, if the report is distributed to additional parties.

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The final report is distributed to members of the Audit Committee, the State Superintendent of Public Instruction, and other responsible parties as needed and appropriate. The Audit Committee will then make a motion to release the final report, if appropriate, to the full Board, who will in turn release the report to the public. (IIA [2440](#)) Once released to the public the Director of Internal Audit will ensure that reports are placed on the Internal Audit Department's website. The report should be put in the fiscal year folder that corresponds with the year the report was released; this may not be the same as the project number year.

Audit results of assurance and consulting projects should be reported to parties who can ensure that the results are given due consideration; in most cases this is the Audit Committee, full Board, and Superintendent's Office (IIA [2440.A1](#) and [2440.C1](#)). In consulting engagements, significant issues of governance, risk management and control must be communicated to the Board and Superintendent's Office (IIA [2440.C2](#)).

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the IIA *Standards* impacts a specific engagement, communication of the results should disclose the (IIA [2431](#)):

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

If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, the Director of Internal Audit must (IIA [2440.A2](#)):

- 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 and indicating the intended users in the report.

When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results (IIA [2410.A3](#)). Confidential reports should be clearly identified and properly safeguarded. For approval to release other documentation contained in audit project files refer to Section II.4 **Security**, of this manual.

If a final communication contains a significant error or omission, the Director of Internal Audit must communicate corrected information to all parties who received the original communication (IIA [2421](#)).

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**9. Final Audit Wrap-Up**

**Completion Procedures**

The audit supervisor should complete sections II - IV of the audit planning document **GA-00** in the General folder of the audit file in CSA. This includes ensuring that audit findings and observations are included in the Audit Project Tracking Database, so that appropriate follow-up may be done; see Audit Findings Resolution section below. Review, approval and release of the final report by the Audit Committee and Board should also be documented electronically in CSA.

All significant changes in the audit plan should also be documented on the audit planning document or audit program, including a brief, but clear description of the effect of the change on the audit. Responses to audit findings, the identification of additional significant unusual accounting, auditing or reporting matters, as well as subsequent changes in client circumstances may all be reasons for changes to the plan.

When a project is complete the final audit wrap up process in CSA should be run to finalize and close the project. Once finalized, the complete audit file should be saved as a pdf document and saved on the IAudit drive in the Completed Projects folder for the appropriate fiscal year.

**Terminated Projects**

If an engagement is terminated before it is completed and a report is not issued, auditors should document the results of the work to the date of termination and why the engagement was terminated. Determining whether and how to communicate the reason for terminating the engagement to those charged with governance, appropriate officials of the entity, the entity contracting for or requesting the engagement, and other appropriate officials will depend on the facts and circumstances and, therefore, is a matter of professional judgment.

**Audit Findings Resolution**

The main client contact receiving the audit report is responsible for ensuring that progress is made toward correcting findings. Internal audit is responsible for tracking and evaluating the action taken to resolve audit findings; therefore, all assurance audit findings, both internal and external will be included in the Audit Project Database (IIA [2500](#)). Audit findings from consulting engagements may also be included in the Audit Project Database as agreed upon with the client (IIA [2500.C1](#)). This list will be regularly monitored and updated. During the risk assessment process and preparation of the audit plan that is approved by the Audit Committee, risk related to both resolved and unresolved findings will be considered (IIA [2500.A1](#)).

The audit supervisor will ensure findings are included in the Audit Project Database with a corrective action deadline. The list includes each finding, action deadline, and the resolution status along with information

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presented by the internal audit staff or main client contact at Audit Committee or other Board meetings. The Deputy Superintendent of Business and Operations and other appropriate individuals will be given limited access to the Audit Project Database to update corrective action. Reports from the Audit Project Database, will be presented each month to the Audit Committee and are available to all Board members on the extranet at anytime to view the disposition of audit findings and status of audits.

The main client contact may be invited to report on the resolution of audit findings to the Audit Committee until all findings are resolved or the Audit Committee determines further action is not necessary. The Director of Internal Audit is responsible to discuss with senior management or the Audit Committee if a level of residual risk may be unacceptable to the organization. If resolution does not occur the matter is reported to the Audit Committee and the Board (IIA [2600](#)).

In addition to tracking the resolution status of findings, Internal Audit will obtain appropriate documentation to support the final resolution status of audit report findings as applicable from the responsible personnel. This documentation will be retained and referenced as part of the Audit Project Database in order to substantiate the completion of planned corrective action and/or final resolution status.

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## IV. QUALITY ASSURANCE

### 1. Workpaper Review

Quality control occurs within each individual audit. All planning files must be detail reviewed and approved by the assigned quality assurance reviewer prior to performing substantial audit testwork. Workpapers are also subject to review by the supervisor and the quality assurance reviewer. All reviews are documented electronically in CSA as evidenced by a signoff. Reviews performed by the supervisor should be completed before the quality assurance level review is performed. In addition, each staff auditor reviews and signs off on completed workpapers prior to the supervisor review. These reviews ascertain that the scope of work defined in the audit program has been carried out, that evidence of this work is contained in the workpapers, and that any significant matters or problems noted have been properly considered and resolved. These reviews also ensure that all applicable standards and policies contained in this manual have been followed throughout the engagement. Therefore, each workpaper must be subject to at least one detailed review by the supervisor and/or the quality assurance reviewer.

In addition, other quality assurance or detail reviews may be performed by a different supervisor or the Director of Internal Audit as needed in cases where the supervisor and/or Director of Internal Audit were involved in performing testwork on a particular engagement.

Results and ideas for improvement that are identified from the ongoing monitoring process of the Internal Audit activity should be reported to the Audit Committee at least annually.

#### **Detailed Review**

Generally the audit supervisor completes the detailed review; however, if the supervisor completed testwork, the quality assurance reviewer should complete the detailed review of that work. A detailed workpaper review includes, but is not limited to, the following:

- Determining that all audit steps in the audit program, have been adequately completed and were appropriately signed-off. Whoever performs the initial or primary detailed workpaper review needs to sign off on all the individual workpapers in CSA.
- Determining that the audit program objectives have been met.
- Checking references to the extent necessary for the reviewer to gain an understanding that there is an adequate audit trail of audit work to support audit conclusions.
- Reading every comment, note, finding/observation summary, and conclusion on the workpaper for clarity, conciseness, and accuracy.

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- Determining that the nature and extent of the work performed is clear and adequately documented.
- Determining that the workpapers are neat, relevant, clear, self-explanatory, and do not require amplification or clarification.
- Assuring that all exceptions are adequately resolved and documented.
- Determining that all review notes are adequately cleared and pending items have all been resolved. Review notes are not retained as part of the audit documentation; therefore, resolution of review notes is documented through written changes directly on the workpapers.
- Generally reviewing the project file to ensure that all necessary planning forms, findings, and recommendations, miscellaneous items, etc., are complete and included in the project file.
- Checking all references to laws, policies, and regulations in findings and recommendations and resulting preliminary draft report.
- Assuring that all sample sizes, assumptions, criteria, and selections are adequately documented and populations are tied out as needed.
- Assuring that relevant sources are documented and tickmarks are explained.

**Quality Assurance Review**

The quality assurance reviewer will review workpapers in order to develop an understanding of the content of the workpapers on which audit reports, opinions, and findings are based. The quality assurance reviewer will also review workpapers as needed to evaluate individual performance of auditors.

The audit supervisor and quality assurance reviewer/Director of Internal Audit should perform their respective workpaper reviews with the understanding that they each have ultimate responsibility for the entire audit project and that they each need to be knowledgeable about the audit areas and issues.

All workpaper reviews should be completed and documented before the report is issued.

**Resolving Differences that are Material to an Engagement**

Differences invariably occur, ideas are not always mutually accepted, and the validity of criticisms may be questions. There is an established process for working through unresolved differences between members of the department, the Director, and the Audit Committee.

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In cases where there is an unresolved difference between a staff member and a supervisor that will materially or significantly impact an audit or consulting conclusion, the supervisor will request that the staff member set forth his/her idea, criticism, or difference, outlining his/her understanding of the facts, analysis of those facts, and conclusions drawn. Most issues can be resolved at this point through a discussion of the facts by the parties. If the issue is not resolved at the supervisor level, the staff and supervisor – in the same manner outlined for the staff - will submit both views to the other supervisor and Internal Audit Director. If resolution cannot be reached by the Director and other supervisor, the matter will be brought to the Audit Committee for a final decision. Unresolved differences between a supervisor and Director will be handled similarly, by having the other supervisor review all information and upon continued non-resolution, the matter will be brought before the Audit Committee for a final decision.

The process outlined above and final conclusion should be documented in the project workpapers. The performance evaluation for any employee engaging in the above process will not be impacted as disclosing concerns as noted above is a professional requirement for internal audit.

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**2. Quality Assurance and Improvement Program (QAIP)**

The QAIP must include both internal (self-assessments) and external (peer reviews) assessments (IIA [1310](#)).

The internal assessment includes on-going monitoring and periodic review of the performance of the internal audit activity through self-assessment or by other persons in the organization with sufficient knowledge of internal audit practices (IIA [1311](#)). On-going monitoring is conducted through audit and workpaper processes reviews as explained in Sections [III](#) and [IV.1](#) of this manual. The annual self-assessment review is a comprehensive internal review to:

1. Evaluate the overall effectiveness and performance of the Department.
2. Improve operations.
3. Provide assurance that the Department is in compliance with professional standards.

The annual self-assessment must produce a documented review of conformance with each area of the mandatory guidance of the IIA. It should also lead to a conclusion regarding whether the internal audit activity is adding value to the organization. See the IIA Practice Guide “Measuring Internal Audit Effectiveness and Efficiency” for examples of efficiency and effectiveness measures that could be used in performing this self-assessment.

An external peer review must be conducted every five years by a qualified, independent assessor or assessment team from outside the organization and should be performed in accordance with IIA [1312](#). This standard allows the external review to be in the form of a full external assessment, or a self-assessment with independent external validation.

Results of the annual self-assessment and/or external peer review should be documented and provided to the Audit Committee ([IIA 1320](#)).

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## **V. DEPARTMENT ADMINISTRATION**

### **1. Work Time and Dress Policy**

Internal Audit Department staff will work in accordance with DHRM Rule R477-8-1. Because Internal Audit staff attend Board Committee meetings and potentially other meetings that are outside of the regular work schedule, Internal Audit staff have some flexibility with their schedules, subject to Internal Audit Director approval. Internal Audit staff should request time off for annual, sick, etc. from the Internal Audit Director as far in advance as is possible, as well as keeping their email calendar up-to-date.

Staff are required to report actual hours worked and actual leave taken in the State SAP system on [employeegateway.utah.gov](http://employeegateway.utah.gov) as required by the established DHRM and State Finance/Payroll schedules.

#### **Telecommuting**

While telecommuting is an option available per R477-8-2, it is not anticipated that Internal Audit staff will telecommute. However, upon occasion staff may work from home if it is the most efficient, productive use of work time and subject to Internal Audit Director approval. For example, if a training or audit responsibility off-site ends and it is faster for staff to go home and work for an hour rather than driving back to the office, staff may consider working from home instead; again with Internal Audit Director approval.

If staff wish to telecommute as per the rule noted above, all DHRM and agency telecommuting policies and procedures, including completing appropriate HR and agency forms, must be followed. Staff participation will be documented in their UPM.

#### **Exercise Time**

DHRM Rule R477-8-3 and agency policy allow for staff exercise time during a pay period. If staff choose to participate in this program, all applicable forms with approvals must be in place. Internal Audit staff should monitor their workload when participating in exercise time and the Internal Audit Director will also monitor use of this provision. Exercise time will be documented in the staff's UPM and the benefit subject to suspension by the Internal Audit Director or Audit Committee.

#### **Lunch or Other Activities**

DHRM Rule R477-8-3 outlines that "each full time work day may include a minimum of 30 minutes noncompensated lunch period, at the discretion of management." It also provides that lunches of less than 30 minutes must be documented in the UPM. Staff should discuss this provision with the Internal Audit Director and reflect lunch appropriately on timesheets. The Internal Audit Director will notify staff of Department activities that may be allowed as work time (i.e., team building activities,

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recognition lunches, etc.). Staff may count 30 minutes of Employee Action Committee (EAC) activities as work time; however, time in excess of 30 minutes should not be counted as work time.

**Dress**

The dress standard for Internal Audit is business casual, with the following exceptions:

- Board meeting - If staff attend board meeting or will be in the meeting rooms or hallways near board meeting for an extended amount of time when the meeting is in session, dress is business professional.
- Board committee meetings - If staff attend board committee meetings, dress is business professional; however, a suit coat or equivalent is not required unless Internal Audit staff will be presenting.
- Audit Committee - dress is business professional
- Client meetings (i.e., exit conference or other planned meetings) – dress is business professional; staff should exercise judgment in determining if the meeting is at a level where a suit coat should be worn.
- On-site at clients – dress is business casual

Friday exception – If staff work on Friday, will not be attending board meeting or in proximity of the meeting and will not be meeting clients, they may wear casual clothes (i.e., jeans); however, staff should exercise professional judgment with what is worn to ensure we maintain an appropriate professional demeanor. If there is a question about what is appropriate, please consult the Internal Audit Director.

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**2. Board and Committee Meetings**

At the beginning of each calendar year, the Internal Audit Director will assign staff to attend the committee meetings each month to ensure we have coverage to assess risk, monitor governance, and identify responsibilities. Generally the Director attends Finance Committee, but may attend other committees as necessary or requested. Internal Audit staff may switch committee assignments with other staff, but must notify the Director and update the schedule. The Internal Audit Director is required to attend Board meeting; however, if unavailable, will assign staff to attend in her place.

**Audit Committee**

The Audit Committee is composed of the Board Chair and Vice Chair and board members who serve on all three standing committees of the Board (see Board Bylaws XI.C); these members are appointed by Board leadership and a member is selected to chair the committee. The Committee should always have less than a quorum of Board members to ensure that it is not subject to the Open and Public Meeting Act, and is in effect –though not by definition – a closed meeting so that confidential items and audits in process may be discussed freely. See Administrative Code R277-116 for information regarding the Audit Committee, consistent with the Utah Internal Audit Act in Utah State Code. The State Superintendent of Public Instruction and Deputy Superintendents may also attend the monthly Audit Committee meeting along with Board legal counsel and communications personnel as approved by the Audit Committee. The Internal Audit Director and internal audit staff constitute the staff for the committee; a secretary is also assigned.

The Audit Committee meets each month as required in Board Bylaws and the meeting schedule is determined by the committee each year; the schedule is made available to the Board and is included on the Board calendar. The meeting room should also be scheduled early to ensure availability.

The Audit Committee agenda is prepared by the Internal Audit Director; however, the order of agenda items is subject to change subject to committee determination. The agenda is required, per Board Bylaws, to include the following:

- a) Confidential Discussion with the Internal Audit Division
- b) Confidential Discussion with the Internal Audit Director
- c) Confidential Discussion with the Internal Audit Director and Superintendency

The Internal Audit Director will communicate with the Superintendency, School Children Land Trust, and any others attending the meeting, while preparing the agenda, to ensure all necessary items are included. Materials for each agenda item are prepared by Internal Audit staff or other appropriate individuals. The Internal Audit Director will hold an Audit Committee Prep meeting with Internal Audit staff each month, or as considered necessary, to ensure adequate preparation and alignment prior to the meeting.

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To ensure members of the committee will have ample time to review material before each meeting, the following schedule will generally be adhered to:

For meetings on Thursday evening:

- 1) Materials for the meeting should be prepared and sent to the Director of Internal Audit the Wednesday of the week prior to the Thursday meeting.
- 2) The Director, or staff as assigned, will then assemble materials and finalize the agenda.
- 3) The agenda and meeting materials will be emailed to all relevant parties the Friday of the week prior to the Thursday meeting, realizing that some meeting participants may not need all agenda materials. Relevant parties include:
  - i. Audit Committee members
  - ii. Any other Board members that request the materials; all Board members receive an abbreviated agenda
  - iii. The Board Secretary (agenda only)
  - iv. Legal Counsel
  - v. The Superintendent and Deputy Superintendents (and secretaries as requested
  - vi. Others as determined necessary based on agenda items.
- 4) Materials for the meeting will be printed by the Tuesday before the Thursday meeting. Internal Audit will print materials they prepare; however, if other individuals prepare materials they should plan to print them and bring sufficient number of copies.

The Audit Committee meeting materials are confidential. Internal Audit staff will monitor discussions and motions made to ensure appropriate action is taken once the meeting has been completed. Internal Audit staff prepare Audit Committee meeting minutes; all motions should indicate the vote by name or if unanimous, listing names is not necessary if members present is tracked.

The Internal Audit Director will review the meeting minutes and the Audit Committee Summary of Actions as well as any memos and documentation for Board meeting will be prepared and provided to the Board Secretary. The Audit Committee Summary of Actions should be marked as Confidential and should not include information from the portion of the meeting with discussions between the Internal Audit Director/staff and the committee.

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**3. Board and Internal Policy Application**

For consistency, the Internal Audit Department of USBE generally follows both Board and Internal policies and procedures. However, because Internal Audit reports directly to the Board there are times when the policies and procedures cannot be complied with as outlined. Therefore, the policy and procedure governing what is required in those circumstances are outlined here.

**Approvals**

Often Board and internal policies and procedures indicate Superintendency approval of transactions, budgets, allocations, performance evaluations, etc. In policies, procedures, or practices where the Superintendency is indicated as the pre-approval authority, depending on the policy and Internal Audit staff involved, either the Internal Audit Director, the Audit Committee Chair, or the full Audit Committee will be the pre-approval authority; if there is a question, the Audit Committee will dictate the approval authority

Examples of the above include:

- Memberships for Internal Audit staff are approved by the Internal Audit Director
- Memberships for the Internal Audit Director are approved by the Audit Committee Chair
- Salary increases, incentive awards and educational assistance are approved by the Audit Committee
- Out-of-state travel for continuing professional education for Internal Audit staff and the Director is approved by the Audit Committee Chair

**Administrative Leave**

DHRM Administrative Rule R477-7-7 makes provision for administrative leave. Administrative leave includes a) administrative leave, b) protected leave, c) reward in lieu of cash, and d) employee educational assistance.

Administrative (Holiday)

R477-7-7 indicates that administrative leave may be granted consistent with agency policy during management decisions that benefit the organization or for other reasons consistent with agency policy.

Board policy 3003 USOE Incentive Policy indicates that two days of holiday (administrative) leave will be granted during the holidays, subject to date provisions to ensure appropriate coverage. In the course of performing required duties (i.e., attending committee meetings) Internal Audit staff sometimes works non-regular work hours; additionally Internal Audit has been directed to work how, where and when it makes sense. All Internal Audit staff have cell phones and are available via phone and/or email. Given these circumstances, Internal Audit's application of the above policy will be that staff will receive the same amount of leave granted to other USBE staff; if the time is used, it must be used between Thanksgiving and New Year's Eve.

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Reward in Lieu of Cash (Incentive Award)

Board Policy 3003 USOE Incentive Policy states with regards to incentive awards (i.e., a reward in lieu of cash) that, “An incentive award may not exceed four hours of paid administrative time.” It also stipulates that “Only members of the Superintendency may award administrative leave.” Internal Audit’s application of the above policy will be that the Audit Committee will approve requests for incentive awards; requests will be presented by the Internal Audit Director to the Audit Committee when they meet and any approvals of time will be monitored by the Internal Audit Director.

Employee Educational Assistance

See Professional Development Section for information on this area.

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**4. Required Employee Trainings**

The Division of Human Resource Management (DHRM) provides human resource services and assistance to the agency and Internal Audit Department.

As identified on DHRM's website (<https://dhrm.utah.gov/training/statewide-required-training>), new employees are required to complete the following trainings within two months of being hired:

- Driver Training (also required to be completed by employees every 2 years)
- New Employee DHRM Rules Training
- Security Awareness Training – generally only applies to agencies under DTS and Education is actually under UEN; however, the training is a good reminder; therefore, Internal Audit Department employees are encouraged to take the training
- Workplace Harassment/Anti-Bullying Training (also required to be completed by employees every year)

Staff are also required to participate in USBE's new employee orientation and take the Small Purchase Training administered by the State Division of Purchasing to ensure appropriate knowledge of purchasing regulations.

At the completion of each training, staff are required to log the training in the training database. To ensure trainings are taken as required, the Internal Audit Director will monitor employee completion of trainings as tracked in the database.

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5. Professional Development

The Internal Audit Department encourages ongoing professional development of staff that will enable them to fulfill assigned responsibilities through agency, general, and industry-specific continuing professional education and other professional development activities.

This is accomplished through the following:

- Annual employee evaluation using the Utah Performance Management (UPM) System;
- Periodic staff meetings/Audit Committee preparation meetings;
- Internal training courses;
- Courses, programs, seminars, and conferences;
- Individual study programs as approved by the Director of Internal Audit.

**Performance Management**

The Director of Internal Audit is subject to an annual evaluation by the Utah State Board of Education. Each year as directed, the Director receives an evaluation form, which is completed and returned to the Board secretary. Associated with a subsequent Board meeting, the Board considers that response and evaluates the Director. Board leadership will then meet with the Director to discuss the evaluation and any proposed raises or promotions.

Internal audit staff must participate in the Utah Performance Management System (UPM) found at <https://dhrm.utah.gov/employment/upm-utahperformancemanagement>. UPM helps individuals align their priorities and goals with the agencies objectives; thus ensuring the individual is adding value to the organization. UPM is also the basis for discretionary salary increases – see Internal Policy and Procedures *Discretionary Salary Increases for Employees*, subject to policy application as noted in Subsection 3 Board and Internal Policy Application above.

Generally, the UPM process is as follows:

1. Annually, generally in May, the Internal Audit Director will create a UPM plan for internal audit staff and supervisors. This plan will include common goals for all employee and each employee should also determine at least one personal professional goal to work on during the next fiscal year. Goals should consider the SMART (specific, measurable, action-oriented, realistic, time-bound) methodology.

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2. The Internal Audit Director will meet with each supervisor or staff to discuss the plan and the personal goal(s) and then activate the plan. This will occur in June in preparation for the new fiscal year. If circumstances dictate, additional items may be added to the plan during the year or a new plan created during the year.
3. Plans will be evaluated at least semi-annually, but may be discussed more often as determined by the Director.
4. The final evaluation must be completed as required (generally April-May) to meet the internal policy deadline of June 8 so the discretionary salary process can continue. The process includes that the director will be notified of the available amount to allocate to staff under the general parameters that employees achieving a 3 – exceptional may receive between a 3-5% salary increase and employees achieving a 2 – successful may receive between a 1-2% salary increase; employees achieving a 1 – unsuccessful may not receive an increase. The above is subject to budget availability, approval by the Internal Audit Director and Audit Committee, and based on an allocated general increase of 2% per employee by the Legislature. There is an employee appeals process outlined in the *Discretionary Salary Increases for Employees* policy.
5. As part of the evaluation process both the Director and employee are able to include comments and must certify that the plan and evaluation were discussed with the Director, prior to the Director finalizing the plan.

If additional questions or concerns regarding employee performance are noted, DHRM for USBE should be contacted to ensure appropriate resolution.

**Educational or Certification Assistance**

Educational assistance is subject to State Finance Accounting Policies and Procedures (see 05-03\_04) and DHRM rules (see R477-10). Educational assistance is also subject to any general agency policies and procedures. Educational assistance or other professional development items discussed below are also subject to the availability of funds in the Department budget and appropriate approvals and may require repayment if the employee leaves state employment within a certain time period.

Educational Program/Degrees

Employees requesting educational assistance, other than the normal CPE courses, should consult with the Director of Internal Audit to ensure appropriate documentation (see the Educational Assistance Form) and approvals are obtained. Approval will be based upon conditions established by DHRM and the agency, including (the below was taken from a pending policy provided by HR):

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- a) All arrangements shall be on an approved written basis (contract) prior to registration; appropriate forms must be completed and approved.
- b) Upon approval the employee pays for the tuition and fees personally.
- c) Following course completion the employees must obtain a tuition payment receipt and submit it with a final grade report. The employee must be employed by USBE at the time of successful completion to be eligible for reimbursement.
- d) The Board may pay up to one-half of the cost of tuition, subject to available finances, of an approved job-related course taken on an employee’s own initiative when it is completed. The maximum assistance allowable in any one calendar shall not exceed the limits established by DHRM. The employee must disclose all sources of funding received for the educational program. Reimbursement will be calculated only upon those eligible expenses directly paid by the employee that are not reimbursed or covered from other sources.
- e) No payment will be made by the Board except on documented proof of acceptable grades and completion of the course(s). An acceptable grade is defined by DHRM as a “C” or better, “passing” on a pass/fail system, or a “2.0” on a four-point grading system; however, if a program establishes a different scale for an acceptable grade, the employee will be held to that standard.
- f) The employee must agree in advance to remain employed by the state for at least one year after the completion of the course(s) or the employee shall repay any assistance received pro-rated by the percent of days worked after successfully completing the course prior to leaving employment.

Also see DHRM limitations related to educational assistance.

Licenses or Certifications

The Department may reimburse the employee for up to 100% of the cost of approved certification (CPA, CIA, CFE, etc.) review courses, subject to Internal Audit Director and Audit Committee Chair approval and budget availability; employees should complete the Certification Review Course Materials Agreement. Employees taking exams for professional certifications must cover the cost of examination fees; based on the discretion of the Director of Internal Audit, some study time may be made available during working hours. Subject to budget availability and approval of the Audit Committee, the Department may provide a one-time, cash-only award for passing an approved professional license/certification exam(s) and receiving professional designation as substantiated by appropriate documentation. Suggested amounts are as follows:

<b>Certification</b>	<b>Amount</b>
CPA	\$1,700
CIA	\$1,500
CFE	\$1,500
Other	As determined and approved by the Director of Internal Audit

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If an employee leaves the Department within six months of the payment for a review course or within 6 months of receiving the award, the employee will reimburse the Department 100% of the amount of the course or the award received. If an employee leaves the office between 6 – 12 months, the employee will reimburse the Department 50% of the course or award received. The total awards for all types of incentives that are given to an individual cannot exceed the maximum amount allowed by State policy in any one calendar year.

Payment of CPA license fees and/or other approved continuing certification costs will be reimbursed for 100% of the cost by the Department, subject to budget availability and approval by the Director of Internal Audit. If an employee leaves the Department after licensure fees or other fees have been paid in behalf of the employee, the employee is expected to reimburse the Department on a pro-rata basis for the remaining membership/licensure period covered.

**Continuing Professional Education (CPE)**

Auditors must enhance their knowledge, skills, and other competencies through continuing professional education (IIA [1230](#)). Continuing professional education also helps auditors to enhance their ability to perform audit engagements, maintain professional licenses/certifications, and enable them to stay up-to-date on professional standards and regulations. Individual auditors are responsible for improving their own competencies, meeting CPE requirements, tracking their fulfillment of CPE requirements, and retaining documentation of all completed CPE.

Auditors in the Department shall obtain a sufficient number of education hours to fulfill CPE requirements for licenses and certifications they hold (e.g., 80 hours of CPE every two years for a CPA license) or to ensure compliance with IIA standards as noted above. The Department will cover costs of CPE subject to budget availability and Director approval. CPE should be relevant to the work the auditor performs and should be cost-beneficial to the extent possible, meaning auditors should participate in in-house, group webinar, or other trainings where possible.

Auditors designated as supervisor or director may attend one out-of-state CPE event each year, subject to availability of budget and approval of the Director of Internal Audit and Audit Committee Chair.

**Membership in Professional Organizations**

Membership and participation in approved professional organizations (e.g., the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), the Utah Association of Certified Public Accountants (UACPA), Association of Certified Fraud Examiners (ACFE), Information Systems Audit and

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Control Association (ISACA), etc.) are strongly encouraged as a mechanism for each employee to further professional development and enhance the professional status and quality assurance efforts of the Section.

Internal Audit Department funds may be available and budgeted to pay for the employee's full membership dues in up to two approved organizations, subject to appropriate approvals. Employees are encouraged to serve as a member of a committee or on the executive board of any of approved organizations; subject to approval of the Director of Internal Audit after considering the time commitment and cost.

If an employee leaves the Department after professional membership dues or other fees have been paid in behalf of the employee, the employee is expected to reimburse the Department on a pro-rata basis for the remaining membership/licensure period covered.

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## **6. External Audits**

External audits are those performed by entities not governed by or receiving resources from the Board, such as Federal regulatory agencies, the Office of the Utah State Auditor, or the Office of the Utah Legislative Auditor General.

Administrative Rule R277-116-3 instructs that the Internal Audit Director is the external audit liaison and is required to present information regarding external audits to the Audit Committee for their review. Additionally, the rule indicates that the Superintendent is to notify the Audit Director of all external audits and that the agency is also to provide information regarding external audits to the Audit Director.

To ensure appropriate reporting of external audits, the following procedure should be followed:

- 1) Upon receiving notification that an audit or review will be done by an external entity, the Superintendent, section, division, program, etc. receiving the notification should notify the Director of Internal Audit of the coming audit/review by filling out and emailing the External Audit Notification Form to the Internal Audit Director (audit@schools.utah.gov). The form includes information such as:
  - Section/division/program contact individual
  - Entity performing the audit/review
  - Objective of the audit/review (e.g. what will be reviewed)
  - Frequency of the audit/review (e.g. one-time review, annual, bi-annual, etc.)
  - Estimated start and completion date
- 2) Internal Audit will be available during the audit to help facilitate any of the following as requested by the section/division/program being audited:
  - Identifying appropriate personnel to answer questions or provide information
  - Locating on-site work space if needed
  - Contacting IT to help facilitate technology needs
  - Resolving concerns regarding rules, laws, or regulations of the program
  - Resolving concerns regarding the audit process or audit personnel
- 3) A draft copy of the audit or review must be provided to the Internal Audit Department and the Audit Committee, in addition to appropriate members of the Superintendency and the Section/Division.
- 4) Board leadership, a member of the Audit Committee, the appropriate member of the Superintendency, and the Internal Audit Director should be invited to all exit/closing conferences.
- 5) If responses from the section/division/program are requested by the external audit agency, a copy of the draft response should be provided to the Internal Audit Department prior to submission. This will facilitate consistency in our responses and help follow-up of corrective

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actions, which the Internal Audit Department is required to track and report on to the Audit Committee.

- 6) A copy of the final report should be provided to the Director of Internal Audit and the Audit Committee.
- 7) The Internal Audit Department will either present the final report to the Audit Committee via an External Audit Brief or if considered necessary, request the section/division/program that was audited to come present the report to the Audit Committee.
- 8) All audit findings and corrective action will be tracked in the audit tracking database. The Internal Audit Department will follow-up with staff identified as the contact for the finding in accordance with deadlines established in the corrective action plan.
- 9) Regular reports from the audit tracking database will be provided to the Audit Committee to ensure appropriate resolution of findings.

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**7. Media Requests**

Upon occasion auditors may receive requests from the media regarding audits or other items. All media requests should be given to the Internal Audit Director, who will consider the request and respond accordingly considering available public information, Board knowledge of requested information, etc. The Internal Audit Director should consider providing known information such as audit scope, length of audit, if the audit was in conjunction with any other offices, why the audit was done, etc. If detail questions are asked regarding the audit that may require Board response, those inquiries should be directed to the Board chair or Audit Committee chair. The Board's communication specialist is also available to help with media requests as necessary.

Internal Audit staff may provide media personnel with information regarding where they may find audit reports; however, they should avoid giving any extended information.

**APPENDIX A**  
**2012 Institute of Internal Auditors Standards (IIA)**  
**Requirements Applicable to USBE Internal Audit**

IIA Attribute Standard	Requirement	Compliance Reference
Purpose, Authority, and Responsibility 1000	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.	<a href="#">Section I.5</a> & <a href="#">Section II.1 Subsection Roles &amp; Responsibility</a>
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.	
1000.A1	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.	<a href="#">Section I.5</a>
1000.C1	The nature of consulting services must be defined in the internal audit charter.	<a href="#">Section I.5</a>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Recognition of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> in the Internal Audit Charter 1010</p>	<p>The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> 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 <i>Standards</i> with senior management and the board.</p>	<p><a href="#">Section I.5</a> &amp; <a href="#">Section II.1 Subsection Roles &amp; Responsibilities</a></p>
<p>Independence and Objectivity 1100</p> <p>Interpretation</p>	<p>The internal audit activity must be independent, and internal auditors must be objective in performing their work.</p> <p>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.</p> <p>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.</p>	<p><a href="#">Section I.4 Subsection Independence and Objectivity</a></p>

<b>IIA Attribute Standard</b>	<b>Requirement</b>	<b>Compliance Reference</b>
Organizational Independence 1110	The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.	<a href="#">Section 1.3</a>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Interpretation</p> <p>1110.A1</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• Approving the internal audit charter;</li> <li>• Approving the risk based internal audit plan</li> <li>• Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;</li> <li>• Approving decisions regarding the appointment and removal of the chief audit executive; and</li> <li>• Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scopes or resource limitations.</li> </ul> <p>The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.</p>	<p><a href="#">Section I.3</a></p>
<p>Direct Interaction with the Board</p> <p>1111</p>	<p>The chief audit executive must communicate and interact directly with the board.</p>	<p><a href="#">Section I.3</a></p>
<p>Individual Objectivity</p> <p>1120</p> <p>Interpretation</p>	<p>Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</p> <p>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><a href="#">Section I.4 Subsection Independence and Objectivity</a></p>
<p>Impairment to Independence or Objectivity</p> <p>1130</p> <p>Interpretation</p>	<p>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.</p> <p>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.</p> <p>The determination of appropriate parties to which the</p>	<p><a href="#">Section I.4 Subsection Personal Impairments</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
1130.A1	<p>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>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.</p>	<p><a href="#">Section I.4 Subsection Personal Impairments</a></p>
<p>Impairment to Independence or Objectivity (Cont.)</p> <p>1130.A2</p> <p>1130.C1</p> <p>1130.C2</p>	<p>Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.</p> <p>Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.</p> <p>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.</p>	<p><a href="#">Section I.4 Subsection Personal Impairments</a></p> <p><a href="#">Section I.4 Subsection Personal Impairments</a></p> <p><a href="#">Section I.4 Subsection Personal Impairments</a></p>
<p>Proficiency and Due Professional Care</p> <p>1200</p>	<p>Engagements must be performed with proficiency and due professional care.</p>	<p><a href="#">Section II.1 Subsection General Responsibilities</a></p>
<p>Proficiency</p> <p>1210</p> <p>Interpretation</p>	<p>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.</p> <p>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><a href="#">Section II.1 Subsection Director of Internal Audit</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
<p>1210.A1</p> <p>1210.A2</p>	<p>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.</p> <p>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.</p>	<p><a href="#">Section II.1 Subsection Director of Internal Audit</a></p> <p><a href="#">Section II.1 Subsection Auditor</a></p>
<p>Proficiency (Cont.)</p> <p>1210.A3</p> <p>1210.C1</p>	<p>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.</p> <p>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.</p>	<p><a href="#">Section II.1 Subsection Auditor</a></p> <p><a href="#">Section II.1 Subsection Director of Internal Audit</a></p>
<p>Due Professional Care</p> <p>1220</p> <p>1220.A1</p>	<p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p> <p>Internal auditors must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>• Extent of work needed to achieve the engagement's objectives;</li> <li>• Relative complexity, materiality, or significance of matters to which assurance procedures are applied;</li> <li>• Adequacy and effectiveness of governance, risk management, and control processes;</li> <li>• Probability of significant errors, fraud, or noncompliance; and</li> <li>• Cost of assurance in relation to potential benefits.</li> </ul>	<p><a href="#">Section II.1 Subsection General Responsibilities</a></p> <p><a href="#">Section II.1 Subsection Auditor</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Due Professional Care (Cont.) 1220.A2 1220.A3  1220.C1	<p>In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.</p> <p>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.</p> <p>Internal auditors must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>• Needs and expectations of clients, including the nature, timing, and communication of engagement results;</li> <li>• Relative complexity and extent of work needed to achieve the engagement's objectives; and</li> <li>• Cost of the consulting engagement in relation to potential benefits.</li> </ul>	<p><a href="#">Section II.1 Subsection Auditor</a></p> <p><a href="#">Section II.1 Subsection Auditor</a></p> <p><a href="#">Section II.1 Subsection Auditor</a></p>
Continuing Professional Development 1230	<p>Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.</p>	<p><a href="#">Section V Subsection Continuing Professional Education</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Quality Assurance and Improvement Program 1300 Interpretation</p>	<p>The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p> <p>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 <i>Standards</i> 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.</p>	<p><a href="#">Section II.2 Subsection Director of Internal Audit</a></p>
<p>Requirements of the Quality Assurance and Improvement Program 1310</p>	<p>The quality assurance and improvement program must include both internal and external assessments.</p>	<p><a href="#">Section IV.2</a></p>
<p>Internal Assessments 1311</p>	<p>Internal assessments must include:</p> <ul style="list-style-type: none"> <li>• Ongoing monitoring of the performance of the internal audit activity; and</li> <li>• Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.</li> </ul>	<p><a href="#">Section IV.2</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
<p data-bbox="164 279 326 352">1311 Interpretation</p> <p data-bbox="164 779 326 873">External Assessments 1312</p> <p data-bbox="164 1108 326 1140">Interpretation</p>	<p data-bbox="370 279 1057 520">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 <i>Standards</i>.</p> <p data-bbox="370 541 1057 636">Periodic reviews are assessments conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i>.</p> <p data-bbox="370 657 1057 741">Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.</p> <p data-bbox="370 779 1057 894">External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:</p> <ul data-bbox="407 915 1024 1073" style="list-style-type: none"> <li>• The form and frequency of external assessment; and</li> <li>• The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.</li> </ul> <p data-bbox="370 1108 1057 1203">External Assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p data-bbox="370 1245 1057 1675">A qualified assessor or assessment 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 an assessment 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 an assessor or assessment team demonstrates sufficient competence to be qualified.</p> <p data-bbox="370 1686 1057 1801">An independent assessor or assessment 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 data-bbox="1089 779 1357 936"><a href="#">Section IV.2</a> &amp; <a href="#">Section II.2</a> <a href="#">Subsection Director of Internal Audit</a></p>
<p data-bbox="164 1843 326 1900">Reporting on the Quality</p>	<p data-bbox="370 1843 1057 1900">The chief audit executive must communicate the results of the quality assurance and improvement program to</p>	<p data-bbox="1146 1843 1292 1875"><a href="#">Section IV.2</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Assurance and Improvement Program 1320 Interpretation	<p>senior management and the board.</p> <p>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 <i>Standards</i>, 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>	
Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> " 1321	<p>The chief audit executive may state that the internal audit activity conforms 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 this statement.</p>	<a href="#">Section III.7 Preliminary Audit Report</a>
Interpretation:	<p>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 also have the results of external assessments.</p>	
Disclosure of Nonconformance 1322	<p>When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the <i>Standards</i> 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.</p>	<a href="#">Section I.4 Subsection Code of Ethics</a>

IIA Attribute Standard	Requirement	Compliance Reference
Managing the Internal Audit Activity 2000 Interpretation	<p>The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.</p> <p>The internal audit activity is effectively managed when:</p> <ul style="list-style-type: none"> <li>• The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;</li> <li>• The internal audit activity conforms with the Definition of Internal Auditing and the <i>Standards</i>; and</li> <li>• The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the <i>Standards</i>.</li> </ul> <p>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.</p>	<a href="#">Section II.1 Subsection Director of Internal Audit</a>
Planning 2010	<p>The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.</p>	<a href="#">Section II.1 Subsection Director of Internal Audit</a>
Interpretation  Planning (Cont.)  2010.A1  2010.A2  2010.C1	<p>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>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.</p> <p>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.</p> <p>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.</p>	<a href="#">Section II.2 Subsection Risk Assessment</a>  <a href="#">Section III.6</a>  <a href="#">Section II.2 Subsection Annual Audit Plan</a>
Communication	<p>The chief audit executive must communicate the internal</p>	<a href="#">Section II.1</a>

IIA Attribute Standard	Requirement	Compliance Reference
and Approval 2020	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.	<a href="#">Subsection Director of Internal Audit</a>
Resource Management 2030  Interpretation	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.  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.	<a href="#">Section II.1 Subsection Director of Internal Audit</a>

IIA Attribute Standard	Requirement	Compliance Reference
Policies and Procedures 2040  Interpretation	<p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p> <p>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>	<a href="#">Section II.1 Subsection Director of Internal Audit</a>
Coordination 2050	<p>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.</p>	<a href="#">Section II.1 Subsection Director of Internal Audit</a>
Reporting to Senior Management and the Board 2060  Interpretation	<p>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.</p> <p>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>	<a href="#">Section II.1 Subsection Director of Internal Audit</a>
External Service Provider and Organizational Responsibility for Internal Auditing 2070  Interpretation	<p>When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.</p> <p>This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.</p>	Not Applicable
Nature of Work 2100	<p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.</p>	<a href="#">Section II.2 Subsection Audit Activities</a>
Governance 2110	<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> <li>• Promoting appropriate ethics and values within the organization;</li> <li>• Ensuring effective organizational performance management and accountability;</li> <li>• Communicating risk and control information to appropriate areas of the organization; and</li> </ul>	<a href="#">Section II.2 Subsection Audit Activities</a>

IIA Attribute Standard	Requirement	Compliance Reference
2110.A1	<ul style="list-style-type: none"> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors, and management.</li> </ul> <p>The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.</p>	<a href="#">Section II.2 Subsection Audit Activities</a>
2110.A2	<p>The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.</p>	<a href="#">Section II.2 Subsection Audit Activities</a>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Risk Management 2120</p> <p>Interpretation</p>	<p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p> <p>Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:</p> <ul style="list-style-type: none"> <li>• Organizational objectives support and align with the organization's mission;</li> <li>• Significant risks are identified and assessed;</li> <li>• Appropriate risk responses are selected that align risks with the organization's risk appetite; and</li> <li>• 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.</li> </ul> <p>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.</p> <p>Risk management processes are monitored through ongoing management activities, separate evaluations, or both.</p>	<p><a href="#">Section II.2 Subsection Risk Assessment</a></p>
<p>2120.A1</p>	<p>The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> <li>• Reliability and integrity of financial and operational information;</li> <li>• Effectiveness and efficiency of operations and programs;</li> <li>• Safeguarding of assets; and</li> <li>• Compliance with laws, regulations, policies, procedures, and contracts.</li> </ul>	<p><a href="#">Section II.2 Subsection Risk Assessment</a></p>
<p>2120.A2</p>	<p>The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.</p>	<p><a href="#">Section II.2 Subsection Risk Assessment</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Risk Management (Continued) 2120.C1</p> <p>2120.C2</p> <p>2120.C3</p>	<p>During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.</p> <p>Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.</p> <p>When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.</p>	<p><a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a></p> <p><a href="#">Section II.2 Subsection Risk Assessment</a></p> <p><a href="#">Section II.2 Subsection Risk Assessment</a></p>
<p>Control 2130</p> <p>2130.A1</p>	<p>The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Reliability and integrity of financial and operational information;</li> <li>• Effectiveness and efficiency of operations and programs;</li> <li>• Safeguarding of assets; and</li> <li>• Compliance with laws, regulations, policies, procedures, and contracts.</li> </ul>	<p><a href="#">Section II.2 Subsection Audit Activities</a></p> <p><a href="#">Section II.2 Subsection Risk Assessment</a></p>
<p>2130.C1</p>	<p>Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.</p>	<p><a href="#">Section II.2 Subsection Risk Assessment</a></p>
<p>Engagement Planning 2200</p>	<p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.</p>	<p><a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Planning Considerations 2201	In planning the engagement, internal auditors must consider: <ul style="list-style-type: none"> <li>• The objectives of the activity being reviewed and the means by which the activity controls its performance;</li> <li>• 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;</li> <li>• The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and</li> <li>• The opportunities for making significant improvements to the activity's risk management and control processes.</li> </ul>	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2201.A1	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.	<a href="#">Section III.1 Subsection Engagement Letter</a>
2201.C1	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.	<a href="#">Section III.1 Subsection Engagement Letter</a>
Engagement Objectives 2210	Objectives must be established for each engagement.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>

IIA Attribute Standard	Requirement	Compliance Reference
Engagement Objectives (Continued) 2210.A1	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.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a> & <a href="#">Subsection Preliminary Review of Auditee</a>
2210.A2	Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2210.A3	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.	<a href="#">Section III.5 Documentation of Internal Controls</a>
2210.C1	Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2210.C2	Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
Engagement Scope 2220	The established scope must be sufficient to satisfy the objectives of the engagement.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
Engagement Scope (Continued) 2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2220.A2	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.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2220.C1	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.	<a href="#">Section III.1 Subsection Objectives, Scope, and Nature</a>
2220.C2	During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.	<a href="#">Section III.5 Documentation of Internal Controls</a>
Engagement	Internal auditors must determine appropriate and	<a href="#">Section II.1</a>

IIA Attribute Standard	Requirement	Compliance Reference
Resource Allocation 2230	sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.	<a href="#">Subsection Director of Internal Audit</a>
Engagement Work Program 2240  2240.A1   2240.C1	Internal auditors must develop and document work programs that achieve the engagement objectives.  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.  Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.	<a href="#">Section III.1 Subsection Audit Program</a>  <a href="#">Section III.1 Subsection Audit Program</a>  <a href="#">Section III.1 Subsection Audit Program</a>
Performing the Engagement 2300	Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	<a href="#">Section III.2</a>
Identifying Information 2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	<a href="#">Section III.3</a>
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.	
Analysis and Evaluation 2320	Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.	<a href="#">Section III.3 Subsection Workpaper Guidelines</a>
Documenting Information 2330 2330.A1  2330.A2	Internal auditors must document relevant information to support the conclusions and engagement results.  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.  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.	<a href="#">Section III.3</a>  <a href="#">Section II.4</a>  <a href="#">Section II.5</a>

IIA Attribute Standard	Requirement	Compliance Reference
Documenting Information (Continued) 2330.C1	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.	<a href="#">Section II.4</a> & <a href="#">Section II.5</a>
Engagement Supervision 2340  Interpretation	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.  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.	<a href="#">Section II.1 Subsection Audit Supervisor</a>
Communicating Results 2400	Internal auditors must communicate the results of engagements.	<a href="#">Section III.7</a>

IIA Attribute Standard	Requirement	Compliance Reference
<p>Criteria for Communicating 2410</p> <p>2410.A1</p> <p>Interpretation</p> <p>2410.A2</p> <p>2410.A3</p> <p>2410.C1</p>	<p>Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.</p> <p>Final communication of engagement results must, where appropriate, contain the internal auditors' 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.</p> <p>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>Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.</p> <p>When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.</p> <p>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.</p>	<p><a href="#">Section III.7</a></p> <p><a href="#">Section III.7</a></p> <p><a href="#">Section III.7</a></p> <p><a href="#">Section III.8 Subsection Preparation and Distribution</a></p> <p><a href="#">Section III.7</a></p>
<p>Quality of Communications 2420</p>	<p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p>	<p><a href="#">Section III.7</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
<p>2420 Interpretation</p>	<p>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>Errors and Omissions 2421</p>	<p>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.</p>	<p><a href="#">Section III.8 Subsection Preparation and Distribution</a></p>
<p>Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>” 2430</p>	<p>Internal auditors may 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.</p>	<p><a href="#">Section III.7</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Engagement Disclosure of Nonconformance 2431	<p>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 must disclose the:</p> <ul style="list-style-type: none"> <li>• Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved;</li> <li>• Reason(s) for nonconformance; and</li> <li>• Impact of nonconformance on the engagement and the communicated engagement results.</li> </ul>	<a href="#">Section III.8 Subsection Preparation and Distribution</a>
Disseminating Results 2440  Interpretation  2440.A1  2440.A2	<p>The chief audit executive must communicate results to the appropriate parties.</p> <p>The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.</p> <p>The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.</p> <p>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:</p> <ul style="list-style-type: none"> <li>• Assess the potential risk to the organization;</li> <li>• Consult with senior management and/or legal counsel as appropriate; and</li> <li>• Control dissemination by restricting the use of the results.</li> </ul>	<a href="#">Section III.8 Subsection Preparation and Distribution</a>   <a href="#">Section III.8 Subsection Preparation and Distribution</a>   <a href="#">Section III.8 Subsection Preparation and Distribution</a>

IIA Attribute Standard	Requirement	Compliance Reference
Disseminating Results (Continued) 2440.C1 2440.C2	<p>The chief audit executive is responsible for communicating the final results of consulting engagements to clients.</p> <p>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.</p>	<p><a href="#">Section III.8 Subsection Preparation and Distribution</a></p> <p><a href="#">Section III.8 Subsection Preparation and Distribution</a></p>
Overall Opinions 2450  Interpretation	<p>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.</p> <p>The communication will identify:</p> <ul style="list-style-type: none"> <li>• The scope, including the time period to which the opinion pertains;</li> <li>• Scope limitations;</li> <li>• Consideration of all related projects including the reliance on other assurance providers;</li> <li>• The risk or control framework or other criteria used as a basis for the overall opinion; and</li> <li>• The overall opinion, judgment, or conclusion reached.</li> </ul> <p>The reasons for an unfavorable overall opinion must be stated.</p>	<p><a href="#">Section III.7</a></p>
Monitoring Progress 2500  2500.A1  2500.C1	<p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p>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.</p> <p>The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.</p>	<p><a href="#">Section III.9 Subsection Audit Findings Resolution</a></p> <p><a href="#">Section III.9 Subsection Audit Findings Resolution</a></p> <p><a href="#">Section III.9 Subsection Audit Findings Resolution</a></p>
Resolution of Senior Management's Acceptance of Risks 2600  Interpretation	<p>When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</p> <p>The identification of risk accepted by management may be observed through an assurance or consulting</p>	<p><a href="#">Section III.9 Subsection Audit Findings Resolution</a></p>

<b>IIA Attribute Standard</b>	<b>Requirement</b>	<b>Compliance Reference</b>
	engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.	

IIA Attribute Standard	Requirement	Compliance Reference
<p>Code of Ethics Principles</p>	<p>Internal auditors are expected to apply and uphold the following principles:</p> <ol style="list-style-type: none"> <li>1. Integrity The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.</li> <li>2. Objectivity Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.</li> <li>3. Confidentiality Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.</li> <li>4. Competency Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.</li> </ol>	<p><a href="#">Section I.4 Subsection Code of Ethics</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Code of Ethics Rules of Conduct	<p>1. Integrity Internal auditors:</p> <p>1.1 Shall perform their work with honesty, diligence, and responsibility.</p> <p>1.2 Shall observe the law and make disclosures expected by the law and the profession.</p> <p>1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.</p> <p>1.4 Shall respect and contribute to the legitimate and ethical objectives of the organization.</p> <p>2. Objectivity Internal auditors:</p> <p>2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.</p> <p>2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.</p> <p>2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.</p>	<p><a href="#">Section I.4</a> <a href="#">Subsection Code of Ethics</a></p> <p><a href="#">Section I.4</a> <a href="#">Subsection Code of Ethics</a></p>

IIA Attribute Standard	Requirement	Compliance Reference
Code of Ethics Rules of Conduct <b>(Continued)</b>	<p>3. Confidentiality Internal auditors:</p> <p>3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.</p> <p>3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.</p> <p>4. Competency Internal auditors:</p> <p>4.1 Shall engage only in those services for which they have the necessary knowledge, skills, and experience.</p> <p>4.2 Shall perform internal auditing services in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i>.</p> <p>4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.</p>	<p><a href="#">Section I.4 Subsection Code of Ethics</a></p> <p><a href="#">Section I.4 Subsection Code of Ethics</a></p>

AGA Ethics Handbook Standard	Requirement	Compliance Reference
Confidentiality	Respect the confidentiality of information acquired during the course of performing professional services and do not disclose or use any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.	<a href="#">Section I.4</a> <a href="#">Subsection Code of Ethics</a>
The Public Interest	Auditors will observe integrity, objectivity, and independence in discharging their professional responsibilities of serving the public interest and honoring the public trust. The public interest is the collective well being of the community of people and the entities the auditors serve. This principle is fundamental and critical in the government environment.	<a href="#">Section I.4</a> <a href="#">Subsection Code of Ethics</a>

## APPENDIX B

