

Attribute standards:

Concept	Standard	Interpretation/Implementation
The internal audit charter	1000	<ul style="list-style-type: none"> • The internal audit charter should clearly state the internal auditor's responsibility and authority to conduct tests of controls within the organisation. • The charter should authorise access to records, personnel and physical properties relevant to performing tests of controls. • If tests of controls result in assurances to be provided to parties outside the organisation, the charter must define the nature of these assurances.
Assurance & consulting services	1000	<ul style="list-style-type: none"> • The nature of assurance and consulting services involving tests of controls should be defined in the charter. (For a better understanding of the difference between assurance and consulting services, read the section "Assurance and Consulting Services" in Reding et al, chapter 2.)
Organisational independence	1110	<ul style="list-style-type: none"> • When testing controls, the internal audit activity must be free from interference when determining the scope of such testing, the procedures applied to do the testing and communicating the results of such testing. • To accomplish this, the chief internal auditor should report to a level within the organisation that allows the internal audit function to accomplish its responsibilities and have direct interaction with the board and audit committee.
Individual objectivity	1120	<ul style="list-style-type: none"> • An internal auditor should have no conflicting interests that may influence or may appear to be influencing his or her ability to perform tests of controls objectively.
Impairment to independence and/or objectivity	1130	<ul style="list-style-type: none"> • If independence or objectivity is impaired in fact or appearance, the details of the impairment (i.e. conflict of interest, scope limitation, restriction on access to records, personnel and properties and resource limitations) must be disclosed to appropriate parties. • Internal auditors must refrain from performing tests of controls as part of assurance engagements in areas they were previously responsible for – at least for one year.

<p>Proficiency</p>	<p>1210</p>	<ul style="list-style-type: none"> • Internal audit activities and individual internal auditors involved in the testing of controls should possess the knowledge, skills and other competencies needed to conduct tests of controls. • Practice Advisory 1210-1 elaborates on the proficiency requirements for internal auditors. • Where an internal audit activity lacks competencies to conduct a specific assurance engagement, the competencies should be obtained elsewhere. • Internal auditors must have sufficient knowledge to evaluate the risk of fraud when performing tests of controls. • Internal auditors should have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work.
<p>Due professional care</p>	<p>1220</p>	<ul style="list-style-type: none"> • When performing tests of controls, the internal auditor should exercise due professional care by considering the <ul style="list-style-type: none"> - extent of work needed to achieve the engagement's objectives - relative complexity, materiality or significance of matters to which testing procedures are applied - adequacy and effectiveness of governance, risk management and control processes - probability of significant errors, fraud or non-compliance - cost of controls/assurance provided in relation to the potential benefit • When performing tests of controls the internal auditor must consider the use of technology-based audit and other data analysis techniques. • Internal auditors must be alert to potential risks that might affect objectives, operations or resources when testing controls. • When performing tests of controls as part of a consulting engagement, internal auditors should consider <ul style="list-style-type: none"> - the needs and expectations of clients, including the nature, timing, and communication of engagement

		<p>results</p> <ul style="list-style-type: none"> - relative complexity and extent of work needed to achieve the engagement's objectives - cost of the consulting engagement in relation to potential benefits
	1311	<ul style="list-style-type: none"> • Tests of controls should be subjected to ongoing monitoring which should form an integral part of the day-to-day supervision, review, and measurement of the internal audit activity.
Using the statement: "Conforms with the International standards for the Professional Practice of Internal Auditing"	1340	<ul style="list-style-type: none"> • When reporting the results of an audit of controls, the auditor may only state that the audit was performed in conformance with the Standards if the results of the quality assurance and improvement programme support this statement.

Performance standards:

Concept	Standard	Interpretation/Implementation
<u>Risk</u> based planning	2010	Test of control audits should form part of the internal audit activity's risk-based plans. In developing a risk-based plan for the internal audit activity, the CAE takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation.
<u>Coordination</u> of activities with other assurance providers	2050	The internal auditors should share information and coordinate activities with regard to control testing with other internal and external assurance providers and consulting services to ensure proper coverage and minimise duplication of efforts.
Using a systematic and disciplined approach	2100	The internal audit activity must use a systematic and disciplined approach when performing tests of controls. This approach will be discussed in more detail in topic 3 of this module.
Assessing and improving governance processes	2110	Where deemed necessary the internal audit function will perform tests of controls to assess and make recommendations that will improve the organisation's governance processes. In doing this the internal audit

		<p>activity aims to</p> <ul style="list-style-type: none"> - promote appropriate ethics and values within the organisation - ensure effective organisational performance management and accountability - communicate risk and control information to appropriate areas of the organisation and - coordinate the activities of and communicate information among the board, external and internal auditors and management
Evaluating and improving risk management processes	2120	<p>Where deemed necessary the internal audit function will perform tests of controls to assess and make recommendations that will improve the organisation's risk management process. In performing these tests the internal audit activity will assess whether or not the</p> <ul style="list-style-type: none"> - organisational objectives support and align with the organisation's mission - significant risks are identified and assessed - appropriate risk responses are selected that align risks with the organisation's risk appetite - relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities
Assisting in maintaining effective controls	2130	<p>Where deemed necessary the internal audit function will perform tests of controls to help the organisation maintain effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. To this effect, the internal audit activity evaluates risk exposures and evaluates the design adequacy and operating effectiveness of controls regarding the</p> <ul style="list-style-type: none"> - reliability and integrity of financial and operational information - effectiveness and efficiency of operations - safeguarding of assets - compliance with laws, regulations and contracts
Engagement planning	2200	<p>A plan should be documented for test of control engagements. The plan should include the engagement's objectives, scope, timing and resource</p>
Establishing	2210	

engagement objectives		allocations. In planning such an engagement the auditor should consider
Engagement scope	2220	<ul style="list-style-type: none"> - the objectives of the activity being reviewed and the means by which the activity controls its performance - the significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level - the adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model - the opportunities for making significant improvements to the activity's risk management and control processes
Resource allocation	2230	
Work programmes	2240	
Identifying sufficient, reliable, relevant and useful information	2310	
Analysing and evaluating engagement results	2320	Conclusions and opinions should be based on appropriate analysis and evaluations.
Documenting information	2330	Relevant information should be documented to support conclusions reached.
Supervision	2340	Proper supervision must ensure that objectives are achieved, quality is assured and staff are developed.
Communicating results	2400	<p>For test of control engagements to be of value, results should be communicated timely to appropriate users. Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</p> <p>Communications must be accurate, objective, clear, concise, constructive, complete and timely.</p> <p>Corrected information should be communicated to all parties who received the original communication. The statement per Standard 2430 may only be used if the results of the quality assurance and improvement programme support the statement.</p>
Criteria for communicating	2410	
Quality of communication	2420	
Errors and omissions	2421	
"Conducted in accordance with the Standards"	2430	
Disseminating results	2440	The CAE must report internal audit engagement results to appropriate parties.
Monitoring progress	2500	For assurance engagements this implies that the CAE

		<p>must ascertain that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p> <p>For consulting engagements, the internal audit activity must monitor the disposition of results to the extent agreed upon with the customer.</p>
Resolution of senior management's acceptance of risks	2600	<p>When an unacceptable level of residual risk is believed to exist, the CAE must discuss the matter with senior management and if the matter is not resolved, the CAE must report the matter to the board.</p>