



# Internal Self-Assessments

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## ACUA Kick Starter

**ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS**

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## Background

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The Institute of Internal Auditors (IIA) provides Internal Audit functions with guidance for the effective performance of internal audit activities within any organization. The IIA's *International Professional Practices Framework* (Framework), also known as the "Red Book," organizes this guidance into Mandatory and Recommended Guidance. Mandatory guidance within the Framework includes Core Principles, the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* (Standards).

To fully comply with the *Standards*, Internal Audit functions must develop and maintain a quality assurance and improvement program (QAIP) that includes internal and external assessments to ensure the activity is following the *Standards* and is effective. The *Standards* specifically require:

- Internal quality assurance that includes ongoing monitoring of the performance of the internal audit activity and periodic self-assessments; and
- External quality assessment reviews (QAR) every five years. (There is a separate ACUA Kick Starter on QARs).

The Framework and *Standards* are currently being reevaluated, with proposed updates scheduled to be released for public comment on March 1, 2023, and an expected publication date in late 2023. The new Standards are expected become effective 12 months from the release date. For the most current information, visit <https://www.theiia.org/ippfevolution>. Periodic self-assessments will need to be tailored to the new guidance.

## Key Risks

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An Internal Audit function that does not follow the *Standards* may be ineffective at providing value to its organization. Choosing not to perform periodic self-assessments can increase the following risks:

- The Internal Audit function is at risk for receiving an unfavorable external quality assessment review (QAR) or is unprepared for such a review.
- Best practices for audit planning and engagement performance are not followed, resulting in inefficiencies, audit errors, and/or inconsistent work.
- An outdated or incomplete Charter leaves Internal Audit without explicit authority, independence, access to records and personnel, or a defined scope in the internal audit activities.
- Lack of staff guidance and instruction in the performance of engagements.
- Inadequate supervision leads to poor quality control and lack of staff development.
- The audit plan and work performed do not align with key risks and university initiatives.
- Key audit information is not shared with senior management and the Board.

## Key Controls

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Performing regular self-assessments will identify areas of improvement and allow for corrective changes. A self-assessment will verify the following key controls are in place:

- External QARs are performed when required and outstanding issues are addressed timely.
- Day-to-day monitoring and supervision are occurring for quality control and education.
- Sufficient documentation is retained to demonstrate the *Standards* are being followed.
- Governing documents, such as the Charter or Procedure Manual, are routinely updated, approved, and follow the *Standards*.
- Annual audit planning is risk-based and includes input from senior management.
- The CAE regularly meets and shares key information with senior management and the Board, including the audit plan, progress against the plan, and engagement results.

## Audit Tests

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Review internal documents and test adherence to the *Standards* in the following groups. Consider using the checklist in the reference section below.

### GOVERNANCE

- Review the Internal Audit Charter to ensure it reflects the current practices, aligns with the IIA Framework, and has been approved by the Board or Audit Committee.
- Verify independence both at the departmental level, such as reporting functionally to the Board and administratively to the Chancellor/President, and at the auditor level.
- Ensure the audit team follows the IIA Code of Ethics, such as with an attestation.
- Verify the QAIP is documented, assessments have been performed timely, results were shared with senior management and the Board, and deficiencies were addressed.

### STAFF

- Review staff proficiency through assessment of collective team knowledge and skills, professional certifications, and experience.
- Evaluate whether subject matter experts were utilized where necessary.
- Assess due professional care by reviewing engagements for appropriate audit techniques, adequate supervisory review, and sufficient information technology (IT) and data analytics knowledge where needed.
- Verify continuous professional development is taking place through annual appraisals, training requirements and records, and participation in professional organizations.

## MANAGEMENT

- Review the Annual Audit Plan and verify it was based on a documented risk assessment that included input from key leaders and resource management and was approved by senior management and the Board.
- Review the department's Procedures Manual and verify it is current, complete, aligns with the *Standards*, and is being followed by team members (through workpaper review).
- Ensure key information has been reported to senior management and the Board, including the audit charter, the audit plan and progress against the plan, audit reports, and any unacceptable risks identified.
- Review governance, risk management, and control structures within the organization and how internal audit helps evaluate and contribute recommendations for improvements.

## PROCESS

- Select a sample of recent engagements from different auditors, topics, and business clients and evaluate the workpapers and reports for the following:
  - Engagements were adequately planned with documented risk-based objectives, appropriate scope and resources, and an approved work plan.
  - Determine whether sufficient information to support engagement objectives was identified, analyzed, and reviewed.
  - Review the final communications to ensure findings and recommendations were accurate, objective, clear, concise, constructive, complete, and timely. An overall opinion is optional. Acknowledging satisfactory or positive performance is recommended.
- Verify there is a documented finding/recommendation monitoring process and that open items are addressed in a timely manner.

## Data Analytics

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- Calculate audit report timeliness by comparing start dates to report issuance dates with a correlation to hours expended and review the number of audits completed against the audit plan. Identify root causes of delays or incompletions and determine if there are any opportunities for improvement.
- Calculate the percentage of outstanding issues that are past due. Identify root causes of untimely follow-up and determine any opportunities for improvement.

## Common Audit Findings

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- The Internal Audit Procedure Manual is outdated, lacks detail, or is not consistently followed by staff.

- The Audit Charter is not current, is not approved, or lacks purpose, authority, and the nature of audit and consulting services.
- The methodology for developing the Annual Audit Plan is not documented, does not align with university risks, or lacks input from key leaders.
- Engagement work plans are not reviewed and approved prior to fieldwork.
- Supervision is not taking place or there is no evidence to demonstrate supervision has taken place, such as workpaper signoffs, review notes, or edited draft reports.
- Audit evidence in the workpapers is insufficient and/or audit testing is inadequate or inconclusive to support reported results.
- There is a lack of sufficiently competent resources for IT audits and data analytics.
- Outstanding issues are not followed up in a timely manner or are not resolved.

## Tips & Tricks

- Use the self-assessment checklist from the resources below, or a similar resource from your state's peer review or QAR program, if available.
- Internal self-assessments can be performed all at once, or each section can be performed in a staggered approach depending on auditor availability.
- Perform the internal self-assessment at least one year before the external QAR to allow time for making corrections and enhancements.
- The CAE may perform the internal self-assessment or may delegate it to an experienced auditor, preferably with a Certified Internal Auditor designation.
- Use a team approach where possible. Have auditors evaluate different projects so that they can learn the *Standards* and increase their knowledge base.
- The CAE and team must be open and willing to acknowledge opportunities for improvement, put a corrective plan in place, and report results to senior management.
- Don't assign blame for any deficiencies identified; keep the process positive.

## Resources

- ACUA Resource Library. Self-Assessment Checklist: <https://connect.acua.org/viewdocument/self-assessment-checklist>
- Institute of Internal Auditors *Standards*: <https://www.theiia.org/en/standards/>
- ACUA Journal Article “*Performing an Internal Self-Assessment of your Internal Audit Department*”: <https://acua.org/College-and-University-Auditor-Journal/Summer-2022/Performing-an-Internal-Self-Assessment-of-your-Int>