

Manual
2020

Internal Audit Manual

Our way of working
September 2020

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Introduction

Purpose of this Manual

This manual describes the internal audit processes of **Business Name**, including aspects such as the audit charter, code of practice, team structure objectives of internal audit, code of ethics for Internal Auditors, annual planning, audit approach, documentation, issuance of reports, follow-up of audit recommendations, and performance management.

The purpose of this manual is to act as a quick reference guide for all internal auditors in relation to the internal audit methodology and to have uniformity in reporting. This document sets out our ways of workings and minimum expectations which should be adhered to in all instances.

Applicability

The methodologies described in this manual are mandatory. If the Internal Auditor believes that application of the methodology is not appropriate for a particular project, or it will be inefficient to apply the standard methodology, then this should be discussed with the Head of Internal Audit and the outcome documented accordingly. Where the Head of Internal Audit waives the requirements to use the standard methodology, this should be documented on the appropriate project file.

Updates to the Manual

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Distribution

This manual shall be distributed to all Internal Audit staff and appointed Internal Auditors for their reference. This document should not be distributed to any person outside of Internal Audit or outside of the business without prior written consent from the Head of Internal Audit.

Confidentiality

The contents of this manual are confidential. Copies or extracts of this manual may not be provided to any person who does not belong to internal audit department, without prior permission from the Head of Internal Audit.

Using this document

This manual has been designed to cover all audit processes and explain these in a simple and easy to understand manner. Where applicable, references to any standards from the International Standards for the Professional Practice of Internal Auditing (Standards) have been included. Additionally, links to templates which will help ensure compliance with the manual have also been included.

Internal Audit Department

The success of our Department is built upon the people in our team, and the processes we have embedded. We consider this through the purpose, activities and scope of Internal Audit.

Internal Audit is independent from the business and reports directly to the Audit Committee, consistent with the Three Lines of Defense model. Internal Audit should have the support of the executive within **Business Name** and all employees. The business and its management should ensure Internal Audit is sufficiently supported to carry out its objectives and responsibilities in line with its purpose.

A copy of our team structure / organisation chart can be found at **Appendix 1**.

Internal Audit Charter

The purpose, activities and scope of Internal Audit are all documented within the Internal Audit Charter. The Internal Audit Charter should be reviewed in an annual basis, with any changes to the Charter documented and communicated to the Audit Committee as part of our annual review update.

The purpose of Internal Audit

Our purpose and how we achieve this is demonstrated below. This should be read in conjunction with the Internal Audit Charter.

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operating across all entities of the business and the safeguarding and mitigation of risks.

reviews.

Ensuring effectiveness

We ensure that all controls are operating effectively and that teams under review are operating efficiently whilst meeting company goals.

Continual Improvement

We seek to continually improve within the audit team, but also help areas under review to succeed and improve their ways of working.

Evaluation

We understand the design and implementation of controls and identify instances where the design or implementation is not appropriate or where control coverage is insufficient.

Code of Practice

Internal Audit is compliant with the Code of Practice as issued by the Institute of Internal Auditors. As part of the annual review update, Internal Audit must present to the Audit Committee an assessment on our compliance with the Code of Practice.

A copy of the Code of Practice can be [read here](#).

Code of Ethics

The Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The Code of Ethics is provided by the Institute of Internal Auditors and is mandatory for all auditors within **Business Name**'s Internal Audit team.

Rule	Principle
Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
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 judgements
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.
Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

All audit team members must sign the annual declaration which states they will uphold the Code of Ethics. A copy of the Annual Declaration is included at **Appendix 2**.

The Code of Ethics is explained in more detail below:

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Objectivity Principle

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 judgements.

Rules of Conduct

Internal auditors:

- 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 organisation.
- Shall not accept anything that may impair or be presumed to impair their professional judgement.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality Principle

Principle 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.

Rules of Conduct

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- 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 organisation.

Competency Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- Shall continually improve their proficiency and the effectiveness and quality of their services.

Selection, recruitment and retention

It is important that Internal Audit hires and retains the correct team members. In order to achieve this, consideration is given to the Internal Audit Competency Framework issued by the Institute of Internal Auditors. The Competency Framework can be [read here](#).

Recruitment and retention of audit team members must be done in compliance with **Business Name**'s relevant policies and procedures regarding recruitment and performance management.

This section sets the minimum standards required for each role which should be considered in the selection, recruitment and retention of audit team members.

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University degree in accounting or business	-	✓	✓	✓	✓	✓	✓	-
Post graduate qualification in accounting or audit (i.e. Certified Internal Auditor or Chartered Accountant).	-	✓	✓	✓	✓	-	-	-
Role specific qualification (i.e. CISA for IT auditors).	-	✓	✓	✓	✓	-	-	-
Years of Experience	-	10	8	7	6	4	-	-

Roles and Responsibilities

Expectations and responsibilities are set for each role which are outlined in the role description. A summarised version of the roles and responsibilities are included below. These are consistent with the role descriptions included in **Appendix 3** and agree to the Competency Framework set by the Institute of Internal Auditors.

Roles and responsibilities should be reviewed each year and included in the annual review update to the Audit Committee. Any updates to role descriptions should be confirmed with HR before being processed.

When reviewing the below matrix, the following legend should be applied.

Accountable	Reviewer	Doer	Informed
-------------	----------	------	----------

Annual Planning

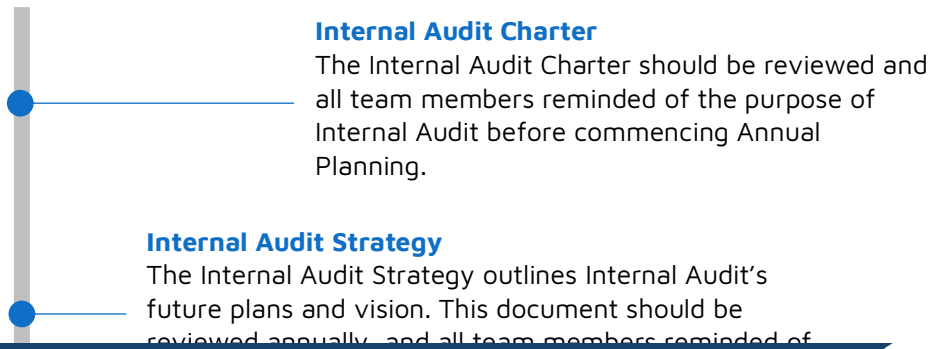
Annual Planning is critical to ensuring we deliver a risk based plan which provides the audit committee and management with comfort that controls are operating as designed and effectively within the business. In order to achieve this, whilst delivering value to the business, our annual planning methodology, as detailed below, must be followed.

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Annual Planning Methodology

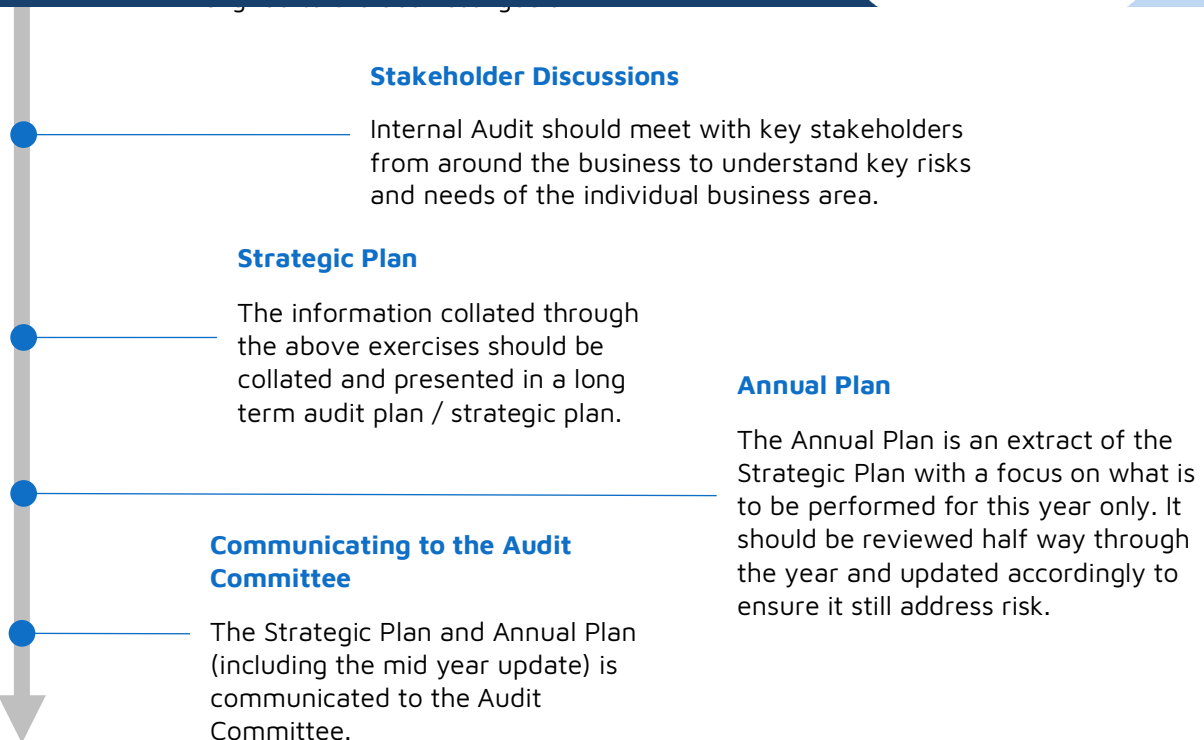
The below diagram outlines the Annual Planning process which must be followed:



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Internal Audit Charter

The Internal Audit Charter sets the roles and responsibilities of Internal Audit. Furthermore, it also sets the expectations from management and clearly outlines our ways of working.

The Internal Audit Charter should be reviewed and updated accordingly. All team members involved in the Annual Planning process should then be made aware of the Internal Audit Charter.

At the beginning of the Annual Planning process, the Internal Audit Charter should be communicated to key stakeholders.

Internal Audit Strategy

The Internal Audit Strategy outlines what Internal Audit aims to achieve, what its vision is, and how it will fulfill this. Where appropriate, the Internal Audit Strategy should be updated and all team members should be aware of the Strategy and how this links to the annual planning process.

Internal Audit Universe

A review of the Audit Universe should be performed to ensure it is up to date and correctly reflects the current status of all audits and provides an accurate history. Once complete and up to date, the Audit Universe should identify a series of audits and auditable entities which are earmarked / due for a review. This list will include any entities and audit topics which have not previously been reviewed, or audit topics which have reached their audit cycle.

This list of audit topics should be extracted and included in the Annual Planning meeting deck which will be presented to key stakeholders for their consideration. There should be one annual planning meeting deck per

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documents, as issued by the Big 4 and the Institute of Internal Auditors. These risks, and any others which the Internal Audit team has identified, should be documented and included in the annual planning meeting deck.

Stakeholder Discussions

A register should be maintained which shows all key stakeholders in the annual planning process, and when a meeting has been scheduled and held with the relevant stakeholder. Stakeholders to be considered should include, but not limited to, executives from each auditable entity and business areas, the Audit Committee and senior management of the company.

The annual planning meeting deck should be presented to each key stakeholder. The annual planning meeting deck should include:

- A copy of the Internal Audit Charter, or a link to it.
- A list of all potential audit topics as per the Audit Universe.
- A list of key activities identified from the organisational strategy and possible risks for each activity.
- A list of possible risks impacting the business and industry, as well as risks identified by external parties.
- A discussion point whereby the key stakeholder informs us of future plans.
- A discussion point whereby the key stakeholder informs us of what challenges and risks they see.
- A discussion point whereby the key stakeholder informs us of what audit topics they would like.

It is critical that we obtain a preliminary list of audit topics from the key stakeholder.

Strategic Plan

Based on research and the abovementioned procedures performed, we develop a strategic Internal Audit Plan which extends over 5 years. This draft plan is communicated to all key stakeholders for their review and input. Adjustments should be made as necessary before being presented to the Audit Committee for final approval.

Annual Plan

The Annual Plan is a subset of the abovementioned Strategic Plan. To ensure all key stakeholders have reviewed and approved the proposed Strategic Plan and Annual Plan, email or documented approval should be obtained and saved on file.

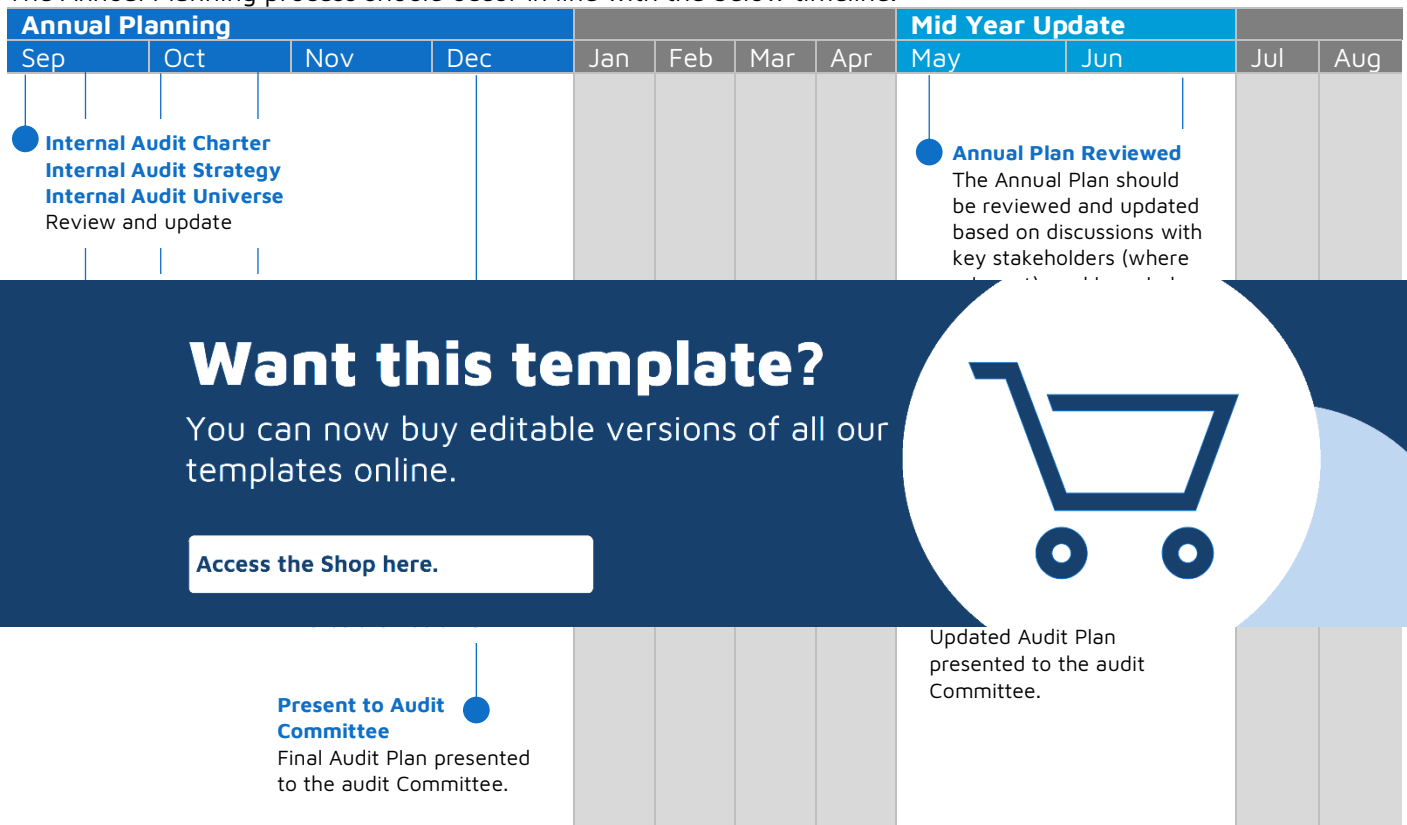
The Annual Plan should be accompanied by a budget and resource allocation working paper.

Communicating to the Audit Committee

The Strategic Plan and Annual Plan should only be communicated to the Audit Committee once all management and key stakeholders have bought into the plan and have approved it. The Plan should be outlined at the Audit Committee, including an overview of the key drivers to the plan and the anticipated benefits of the plan.

Timelines

The Annual Planning process should occur in line with the below timeline.



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The above timeframes may change depending on the timing of the Audit Committee.

Roles and responsibilities

Tasks to be completed and associated responsibilities are documented below:

Accountable	Reviewer	Doer	Informed
-------------	----------	------	----------

Activity	Team Assistant	Head of Audit	Director	Senior Manager	Manager	Senior Auditor	Auditor	Graduate
Annual Planning								
Internal Audit Charter								
Internal Audit Strategy								
Internal Audit Universe								
Organisational Strategy and External Information								

Activity	Team Assistant	Head of Audit	Director	Senior Manager	Manager	Senior Auditor	Auditor	Graduate
Stakeholder Discussions								
Strategic Plan and Annual Plan								
Presentation to the Audit Committee								
Communicate Plan to the Internal Audit Team								

Documentation and Workpaper Standards

It is important that all aspects of the annual planning process are documented and stored centrally on the audit network. The below table represents what documents should exist for each stage of the planning process.

Stage in Planning Process	Expected Documentation
Internal Audit Charter	<ul style="list-style-type: none"> Internal Audit Charter Evidence of review of the Internal Audit Charter Evidence of approval for any changes made to the Charter.
Internal Audit Strategy	<ul style="list-style-type: none"> Internal Audit Strategy Evidence of review of the Internal Audit Strategy Evidence of approval for any changes made to the Strategy..
Internal Audit Universe	<ul style="list-style-type: none"> Internal Audit Universe Evidence of review of the Audit Universe and cross check to

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Strategic Plan and Annual Plan	<ul style="list-style-type: none"> Copy of draft strategic plan including evidence of review and explanations as to why audit topics may have been reviewed. Final copy of the strategic and annual plan. Calculations for audit budget and resourcing.
Presentation to the Audit Committee	<ul style="list-style-type: none"> Final Audit Committee deck Final Strategic Audit Plan an Annual Plan.

Reporting and Communication

Transparency is critical at all stages of the process, however the following documents must be reviewed by the Head of Internal Audit before being communicated:

- Internal Audit Charter
- Internal Audit Strategy
- Internal Audit Strategic Plan
- Internal Audit Annual Plan
- Audit Committee Deck.

Mid-Year Review

As part of the mid-year review, the audit team should re-use the same Key Stakeholder register as used in the annual planning process. Each stakeholder should be met informally and questioned if there have been any changes which the Internal Audit team should be aware of. Where necessary, updates should be made to the annual plan.

All meetings should be documented and minutes saved on the file accordingly.

The updated annual plan should be communicated to all key stakeholders and approval sought for any changes.

The updated annual plan, overview of any changes and reasons for those changes should be presented to the Audit Committee.

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Internal Audit Audit Methodology

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The below diagram outlines the Annual Planning process which must be followed:

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Phase	Week	Key Activities
Planning	Week 1	<ul style="list-style-type: none"> Intro to Audit Kit to be sent to business area. Welcome meeting to be held with business area.
	Week 2	<ul style="list-style-type: none"> Complete Background Research and Planning workpaper Complete Previous Reviews workpaper. Commence Risk and Controls workpaper. Arrange Planning with Business meetings.
	Week 3	<ul style="list-style-type: none"> Continue with Planning with Business meetings. Complete all Process Walkthroughs and Process Mapping. Complete Risk and Controls Workpaper.
	Week 4	<ul style="list-style-type: none"> Conduct Audit Team Planning Meeting. Issue draft Terms of Reference for review. Issue draft Audit Budget for review. Issue draft Audit Work Program for review. Planning File Review completed. Issue Terms of Reference

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Field	Week 9	<ul style="list-style-type: none"> Conduct Audit Status Update Meeting. Conclude Audit Fieldwork.
	Week 10	<ul style="list-style-type: none"> Conduct Audit Status Update Meeting. Preliminary observations and possible recommendations should be discussed here. Provide Potential Issues List to key stakeholders. Fieldwork File Review completed.
Reporting	Week 11	<ul style="list-style-type: none"> Conduct Team Wrap Up Meeting. Conduct Findings and Actions Workshop. Issue Draft Report for internal review.
	Week 12	<ul style="list-style-type: none"> Issue Draft Report to Management for review.
	Week 13	<i>This period should be used to finalise the audit report. Management have 7 days from the first draft to provide management responses.</i>
Close	Week 14	<ul style="list-style-type: none"> Final Audit Report issued. Issue Internal Audit Survey. Reporting File Review completed.
	Week 15	<ul style="list-style-type: none"> Perform a Team Debrief. Enter Findings in the Action Tracking Database. Formal File Close Out performed by manager.

A detailed breakdown on each of the activities to be performed is included below.

Planning

Planning for every audit should commence as soon as possible, however the auditor should use their personal judgement to determine if there is a need to perform 'top up procedures' should the gap between planning and fieldwork be greater than 2 weeks.

As per the above audit methodology, the below timeframe and guide should be applied when performing the planning phase of an audit:

Phase	Week	Key Activities
Planning	Week 1	<ul style="list-style-type: none"> Intro to Audit Kit to be sent to business area. Welcome meeting to be held with business area.
	Week 2	<ul style="list-style-type: none"> Complete Background Research and Planning workpaper Complete Previous Reviews workpaper. Commence Risk and Controls workpaper. Arrange Planning with Business meetings.
	Week 3	<ul style="list-style-type: none"> Continue with Planning with Business meetings. Complete all Process Walkthroughs and Process Mapping. Complete Risk and Controls Workpaper.
	Week 4	<ul style="list-style-type: none"> Conduct Audit Team Planning Meeting. Issue draft Terms of Reference for review. Issue draft Audit Budget for review. Issue draft Audit Work Program for review. Planning File Review completed. Issue Terms of Reference

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Manager with the key stakeholders.

At week one of the audit timeline, the key stakeholders should be provided with an Intro to Audit Kit. The Intro to Audit Kit should explain at a minimum:

- What Internal Audit is
- Why we are performing this review.
- Who the key auditors are.
- What our audit process is.
- Scope for the review and our approach to planning.

This Kit should be sent out in advance of the Welcome Meeting.

Welcome Meeting

A Welcome Meeting should be held between the audit team and key stakeholders such as the head of the business area and any other key people.

The Welcome Meeting should walk through the Intro to Audit Kit and answer any questions which the business and stakeholders may have about the review.

The Agenda for this meeting should include at a minimum:

- Introduction to audit and the Intro to Audit Kit.
- Introduction of the Audit team.
- Explanation of our planning process.
- Risks or Concerns from the business area.

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The meeting agenda should be sent out with the meeting invite.

Background Research and Planning workpaper

The Background Research and Planning template should be completed by the junior member of the audit team and should provide sufficient insights into the area to be reviewed based on easily accessible information. This workpaper considers information which can be obtained from:

- Company website and annual report.
- Company intranet or SharePoint sites.
- Government agencies or regulators.
- Industry groups, or institutions such as the Institute of Internal Auditors.

This workpaper is designed to increase the auditors' understanding of the audit topics and consider risks which may be applicable to the process and the broader business.

This workpaper should be reviewed by a Manager or Senior Manager.

Previous Reviews workpaper.

The Previous Review workpaper leverages off the Audit Universe and Action Tracking Database. Team members completing the workpaper should be able to identify when a similar or previous review was performed, what observations and recommendations arose from the review and the current status of the recommendations.

This workpaper should be reviewed by a Manager or Senior Manager.

Risk and Controls workpaper.

Internal Audit should meet with the relevant risk partners and compliance teams in order to complete this

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Planning with Business Meetings.(including Process Maps)

Meeting should be arranged with all key stakeholders involved in the review. The purpose of the meetings is to, at a minimum:

- Understand the end to end process.
- Identify controls and risks throughout the process.
- Understand key systems.
- Understand key stakeholders in the process.

For each process, the Internal Audit team should document a process map which clearly identifies all risks and controls.

This workpaper should be reviewed by a Manager or Senior Manager.

Audit Team Planning Meeting.

The Audit Team Planning meeting must involve all members of the audit team, including the Director / Head of Internal Audit and all audit management. The purpose of this meeting is to, at a minimum:

- Summarise the key processes identified and walked through during the planning process.
- State identified risks and controls, with particular attention to any unmitigated risks.
- Outline the potential audit scope and reasons for this scope.

The Audit team should receive feedback from the Director / Head of Internal Audit and follow up on any raised questions.

Terms of Reference

The Terms of Reference document should summarise the work performed during the planning phase of the review. The scope and objectives of the review should align with those discussed during the Team Planning Meeting.

The Terms of Reference should be reviewed by the Head of Internal Audit. A copy of the email from the Head of Internal Audit stating the Terms of Reference has been reviewed and approved to be issued, should be saved on the audit file.

The Terms of Reference should be emailed to:

INCLUDE HERE A LIST OF PEOPLE WHO SHOULD RECEIVE THE TERMS OF REFERENCE.

Audit Budget

The Audit Budget should align to the budget set within the Annual Plan. The Internal Audit team should complete the Audit Budget template and correctly allocate team members to each activity and task to be completed during the review.

The budget should be updated on a weekly basis by a junior member of the Internal Audit team. This workpaper should be reviewed by a Manager or Senior Manager. T

Audit Work Program

The Audit Work Program should outline the tasks and audit activities to be completed for each audit objective. Against each audit objective. The Audit Work Program should also state which controls and risks exist against each objective.

This workpaper should be reviewed by a Manager or Senior Manager. T

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point, any outstanding requests or unresolved book matters will be reported as such within the book report. This single rule is applied and no adjustments are made in order to protect the integrity and methodology in which our audits are applied.

As per the audit methodology above, the timeline for fieldwork is presented below.

Phase	Week	Key Activities
Fieldwork	Week 7	<ul style="list-style-type: none"> Conduct Audit Kick Off Meeting. Commence Audit Fieldwork. Conduct Audit Status Update meeting.
	Week 8	<ul style="list-style-type: none"> Continue Audit Fieldwork. Conduct Audit Status Update Meeting.
	Week 9	<ul style="list-style-type: none"> Continue Audit Fieldwork. Conduct Audit Status Update Meeting.
	Week 10	<ul style="list-style-type: none"> Conclude Audit Fieldwork. Conduct Audit Status Update Meeting. Preliminary observations and possible recommendations should be discussed here. Provide Potential Issues List to key stakeholders. Fieldwork File Review completed.

An explanation for each of the key activities in the fieldwork phases is included below.

Audit Kick Off Meeting

At the commencement of fieldwork, the Internal Audit team should arrange a kick off meeting with all key stakeholders. Key stakeholders for this meeting should include:

INCLUDE HERE A LIST OF PEOPLE WHO SHOULD RECEIVE THE TERMS OF REFERENCE.

The Kick Off meeting is designed to formally introduce the review and explain what audit activities are to be completed. The meeting should be used as the basis for each weekly status update going forward.

Audit Status Update (including Potential Issues List)

The Internal Audit Team should provide a weekly status update. The status update should be provided before the meeting where the audit team will walk the key stakeholders through the deck and current audit status. At each audit status update meeting, any potential observations must be communicated to the business area and key stakeholders.

At the final audit fieldwork status update, the potential issues list should be provided to the business area in full.

The potential issues list saved on the audit file should link the observations identified to the relevant audit workpaper and the relevant audit objective.

This workpaper should be reviewed by a Manager or Senior Manager. T

Testing Workpapers

All testing workpapers should contain the following components:

- Workpaper title
- Workpaper reference
- Auditor Name
- Date Completed
- Reviewer Name
- Date Reviewed

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Please refer to Sampling below for details on the sample selection.

Sampling

We follow guidance issued by the Institute of Internal Auditors which can be [found here](#).

Below is a list of sampling methods auditors should consider when developing test plans:

Type	Explanation
Random sampling	Selection is not governed by predetermined considerations; every unit in the population has an equal chance of being selected.
Monetary Unit Sampling (MUS)	Used to identify monetary misstatement(s) that may exist in an account balance.
Stratified sampling	Used to segregate the entire population into subgroups usually a random selection from each of the subgroups is selected for review.
Attribute sampling	Used to determine the characteristics of a population being evaluated.
Variable sampling	Used to determine the monetary impact of characteristics of a population.
Judgemental sampling	Based on the auditor's professional judgment; meant to focus and confirm a condition that is reasonably thought to exist.
Discovery sampling	Used where evidence of a single error or instance would call for intensive investigation.

When performing controls testing, the Random Sampling method must be chosen by default unless agreed and approved otherwise by the Head of Audit. The below table must be used when determining the parameters for sample selection:

Frequency of Control	Risk of Failure / Amount to be tested		
	Low	Moderate	High
Annual	1	1	1
Quarterly	1	1	2
Monthly	2	3	5
Fortnightly	8	9	10
Weekly	5	10	15
Daily	15	20	25

By default, there is a high risk of failure for all controls. The risk of failure can only be reduced where there is sufficient evidence to demonstrate the control is designed and operating effectively. Sufficient evidence can include:

- Results of testing provided by the external auditor;
- Results of SOX / Internal Control testing; and
- Results from an external regulator regarding the specific control.

The sample size must be reviewed and approved by the audit manager prior to the sample being selected and supporting information requested from the business area.

When performing testing over account balances, the Monetary Unit Sampling (MUS) method must be chosen by default unless agreed and approved otherwise by the Head of Audit. The sample selection must be done using our internal MUS sampling tool.

The sample size must be reviewed and approved by the audit manager prior to the sample being selected and supporting information requested from the business area.

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Reporting	4			
	5	Draft report to be provided to Management.		
	6			
	7			
	8			
	Week 12	9		
		10		Management to provide comments, recommendations, responsible owners and timeframes for completion back to the Audit team.
	Week 13	11	Follow up email to be sent if no draft report received.	
		12		
		13	Follow up email (with Head of Audit and Exec cc'd in if no draft report received.	
		14		
	Week 14	15		
		16		
		17		
		18		
		19		
		20	Final report to be issued to Management.	

Report Format

The following sections are mandatory within every audit report, and should contain the following content:

Report section	Required content
Executive Summary	An overview of the audit report and topic, including: <ul style="list-style-type: none"> • Audit scope and objectives • Context, such as impacted business areas, dollar values or quantities associated with the topics • Key risks and challenges • Reason for the audit • Areas which the business area has done well.
Audit Outcomes	A reconciliation of the observations and their ratings.
Key Findings	A high level summary of each individual audit observations which is to be included in the Audit Outcomes (detailed) section. The summary should be no longer than 2 lines and be short and to the point.
Audit Outcomes <i>Detailed</i>	Detailed audit outcomes (individual findings and recommendations) should be ranked in order of rating, from most severe to least severe. The individual observation should include: <ul style="list-style-type: none"> • Background - What did we do? • Observation - What did we find? • Risk - What is the risk? • Implication What could happen? The recommendation should include: <ul style="list-style-type: none"> • Suggested action • Management response • Responsible owner • Due date

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	<ul style="list-style-type: none"> • Test procedures performed and associated results • Sample selected for testing • Matrix of key business areas
	These appendices should all be presented before the following three appendices.
Appendix Audit scope, objectives and approach	This should be a direct copy from the Audit Terms of Reference (Audit Scope). Wording in this page should be changed to past tense and should be adjusted to reflect the actual procedures performed. Where there are variances between the planned audit work and the final audit work, this should be documented in our Appendix 'Transparency in our audit'.
Appendix Audit ratings and classifications	This Appendix should not be changed and should remain consistent with the rating criteria presented in this audit manual.
Appendix Transparency in our audit	In order to remain open and honest in our ways of working and communicating, this template within the audit report template should be completed and presented.
Disclaimer	The disclaimer is already included in the audit report template and should not be removed or edited under any circumstances. Any changes to the disclaimer must be made by the Head of Audit with the written consent of the Legal department.

In addition to the above required sections of the audit report, the audit team are encouraged to include any additional information which they believe will add value to the users understanding, and provide context and explanation to our observations and associated recommendations.

EXAMPLE ONLY

Finding Ratings

All the observations should be rated as critical, major or moderate based on the matrix defined below:

Risk Factor	Critical	High	Medium	Low
Action to be completed within	1-2 months	2-3 months	3 to 6 months	12 months
Financial				
Legal and Regulatory				
Policy				
Compliance				
System and Tools				
People				
Business Improvement Recommendation				

Report Ratings

The overall rating of the audit should be reflective of the individual finding ratings and how, when combined together, reflect on the end to end process or entirety of the business area. The appropriate rating as per the below definitions should be applied.

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the audit team must consider which business areas the audit report covers directly. These business areas and the 'All reports' columns must be included in the distribution list.

To / CC	Report distribution list				
	All reports	Finance	People	Business Area 1	Business Area 2
To		CFO Deputy CFO			
CC	Head of Internal Audit Audit Team				

THIS LIST SHOULD BE UPDATED TO MATCH YOUR ORGANISATION.

Close

The close phase of the review should performed immediately after the final report is issued. The close phase should take no longer than one week to complete.

As per the audit methodology above, the timeline for fieldwork is presented below.

Phase	Week	Key Activities
Close	Week 15	<ul style="list-style-type: none"> Perform a Team Debrief. Enter Findings in the Action Tracking Database. Formal File Close Out performed by manager.

Manual

2020

An explanation for each of the key activities in the fieldwork phases is included below.

Team Debrief

At the conclusion of each audit, a debrief should be held with the audit team and led by the audit manager. It should be reminded to all team members that the team debrief is not an exercise to point blame, but rather focus on the following key areas:

- What went well?
- What were the biggest challenges?
- How can the challenges be better handled or avoided?
- What were our success stories and what should we keep doing?

Should the survey be completed by the business area and received in time for the debrief, the results of the survey should be analysed and included in the debrief discussion.

Meeting minutes or a summary of the debrief should be saved on the audit file. The minutes should not identify who said what.

The audit manager is responsible for ensuring any actions arising from the debrief are completed.

Action Database

The Internal Audit Action Tracking Database should be updated with each recommendation and all details from the audit report. The Internal Audit Action Tracking Database includes the below table. All information is available from the audit report.

Finding Ref	No	Audit Report	Report Issue Date	Finding Title	Background What did we do	Observation What did we find	Risk	Implication What could happen
Report Ref								

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Refer to 'Action Tracking' for details on the monthly Action Tracking process.

Formal File Close Out

Once all components of the audit have been completed and all checklists have been completed, the audit manager must prepare a file note and certify that they have reviewed the file and the requirements of this audit manual have been maintained.

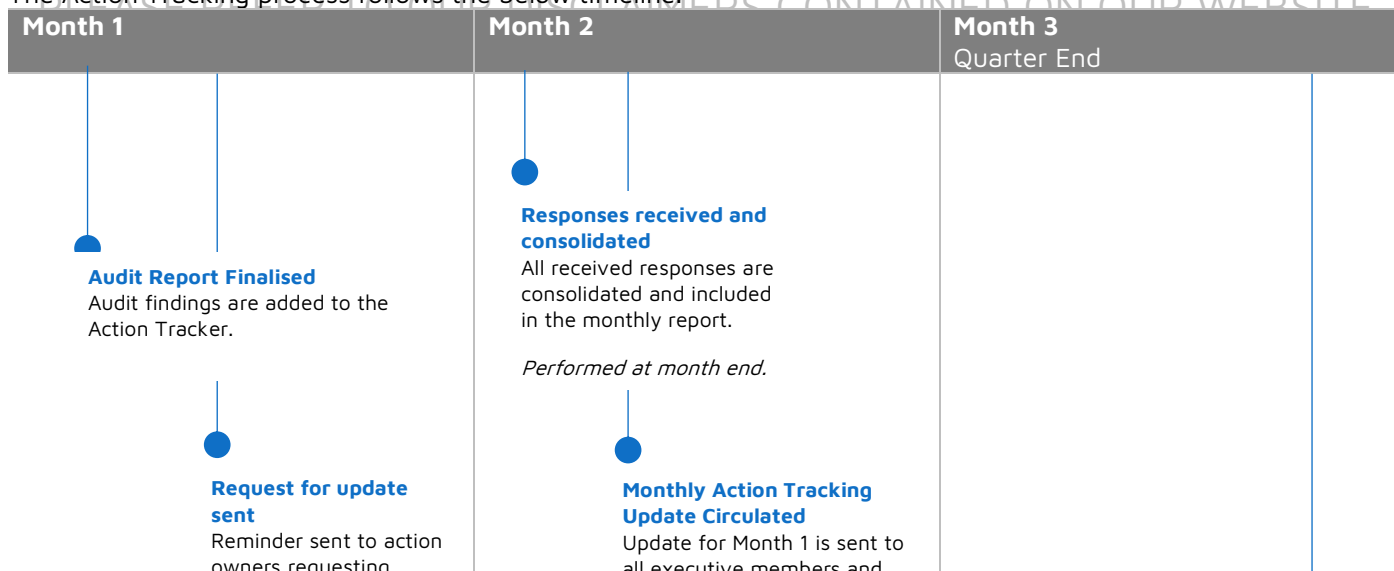
Once this component has been completed, the audit manager should rename the audit file (Audit Reference – Audit Name – Completed). For example: 2020-01 – Accounts Receivable – Completed.

This indicates that all components of the review have been completed and the audit managers Formal File Close Out memo has been completed.

Action Tracking

Action Tracking is critical to ensuring both the recommendations issued in our audit reports are addressed, but also that the risks to the organisation are being appropriately addressed and mitigated.

The Action Tracking process follows the below timeline.



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Monthly Monitoring

Once all actions from finalised reports have been included in the Action Tracking Database, the following process will occur:

Request for update (*Approximately 15th of each month, or two weeks before month end*)

The Action Tracking Database should be filtered by Business Area and saved as a separate file. The file should be restricted so that editing can only be performed in the update cells. The update cells (which sit after the audit finding cells) as per the Tracker are presented in the table below.

Update Date	Update provided by	Date provided	Update	Extension Request Completed	Extension Approved by	Extension Evidence	Closure Evidence	Status	Ageing
			What action has been completed since last month?						
			Is the action still on track? If not, why not?						
			When is the action expected to be completed?						

One each Business Area has their own Action Tracking file, the file should be sent to the relevant PA for that Business Area. It is the responsibility of that PA to coordinate and collect responses for all actions within that Business Area. The Business Area file should be sent to the PA, with relevant responsible owners and the Head of Internal Audit cc'd into the email. Below is a copy of the email to be sent. The email should be accompanied with an overview of the Action Tracking process.

To: Business Area PA
CC: Internal Audit; Action Owners
Subject: Internal Audit – Request for Update
Attachments: Internal Audit Action Database – Business Area Name

EXAMPLE ONLY

Dear NAME

Please find attached the current list of open audit actions for BUSINESS AREA. As per our Internal Audit and Action Tracking processes, you are required to:

- Provide an update for all open action items.
- Where an extension is required, the Request for Extension Form should be completed and sent to your Divisional Head for Approval. The Request for Extension Form and Approval must be provided to Internal Audit along with your update.
- Where the action has been completed or closed, the Request for Closure form must be completed and provided to Internal Audit along with evidence to demonstrate that the recommendation has been completed.

Your updates and any other supporting evidence are required by DATE. Failure to provide updates by this date will result in your name and recommendations being recorded as No Update Provided and communicated as such to the Executive and, when applicable, to the Audit Committee. Internal Audit maintains a log on the number of times no update has been provided, or an extension has been requested.

Please send your responses to RETURN EMAIL ADDRESS.

Should you have any questions, please contact a member of the Internal Audit team or refer to the attached

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All responses should then be consolidated and updated in the Action Tracking Database. Once updated, the Action Tracking Database should be saved as a new version for the current month.

When updating the Action Tracking Database, the Status column should be updated using the criteria below:

Status	Definition	Action to be taken by Audit team
On Track	Action is on track to be completed within the original due date.	No action required. This option will auto populate.
On Track Extended	Action is on track to be completed by the approved extension date. An extension can only be provided twice and must still meet the criteria as set out in the Findings Rating Matrix.	No action required. This option will auto populate.
Overdue	Action has passed the due date.	No action required. This option will auto populate.
Risk Accepted	This risk has been through the formal risk acceptance process and is no longer being tracked.	Status will need to be manually entered into the cell.
Closed	Where an action is marked as closed, the audit team must provide additional detail as to why the action is closed. An action can be closed where it is deemed no longer relevant or is mitigated by other actions / work being performed.	Status will need to be manually entered into the cell.
Complete	The agreed action has been successfully implemented and can be demonstrated by sufficient evidence.	Status will need to be manually entered into the cell.

Commentary should be included in the Action Tracking Database by the Internal Audit team as appropriate to support the current status or provide any additional information which may help the audit team in the future.

Monthly Action Tracking Update Circulated

Using the current month Action Tracking Database, the graphs on the dashboard should be updated and refreshed. Once refreshed, the new graphs should be populated in the Monthly Action Tracking Update. The Head of Internal Audit should review the Monthly Action Tracking Update to ensure its completeness and accuracy.

Once all reviews are completed, the Monthly Action Tracking Update should be attached to the below email:

To: Executive Team Members
CC: Internal Audit, Action Owners, Business Area PAs
Subject: Internal Audit – Monthly Action Tracking Update
Attachments: Internal Audit Action Database – Business Area Name

Dear NAME

Please find attached the Monthly Action Tracking Update for MONTH. Please note, there were:

- X actions which are now overdue.
- X actions where no response was received.

It would be appreciated if you can please review the attached report in detail as all updates will eventually be communicated to the Audit Committee in line with our Action Tracking Process.

Should you have any questions, please contact a member of the Internal Audit team or refer to the attached Action Tracking Process document.

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to accept the risk.

In a situation where the risk and recommendation are needed to be reviewed, the Business Area must complete the Risk Acceptance Request form. This form must be completed in its entirety and signed by the relevant divisional head.

The completed and signed form must then be provided to Internal Audit where the Head of Internal Audit must review the form and provide approval before the risk can be accepted. The Head of Internal Audit's assessment and final decision must be documented on the Risk Acceptance Request form. The Head of Internal Audit is responsible for communicating via email to both the responsible owner for the action and the divisional head of the final outcome.

If the action is risk accepted, the Action Tracking Database must be updated and the completed form and approval appropriately referenced.

If the action is not risk accepted, the Action Tracking Database should be updated to acknowledge this assessment has been performed and the completed form should be reference. If the Business Area disagrees with the outcome of the decision made by the Head of Internal Audit, the action should be escalated to the CEO and flagged at the audit committee. The CEO must state their position on the matter. The CEO's position, the position of the responsible owner, and the position of Internal Audit must then be communicated to the Audit Committee who provide a final decision. At this point, the Business Area can no longer challenge the outcome and is responsible for completing the action within the agreed timeframe as per the final report.

Reporting

There are two reports which must be completed. These reports, the content of each report, the timing of the report, and the distribution list, are presented below:

Report	Content	When to be issued	Distribution List
Monthly Action Tracking Update	<ul style="list-style-type: none"> Summary of the current action tracking: <ul style="list-style-type: none"> No of Open Actions No of Overdue actions Reconciliation on last month No of actions with no response or update Ageing of recommendations Recommendations per business area Count of types of recommendations based on risk rating List of actions and responsible owners with no response or update. List of all actions and the current status. <p>Any actions within known issues must be flagged in this report.</p>	First week of each month.	All executive team members Responsible owners Internal Audit
Audit Committee	Within the audit committee deck, one slide should be dedicated to the Action Tracking Update. This slide will	Included with Audit	Audit Committee members.

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There may be instances where the business area is not complying with the requirements of the Audit Action Tracking Process. Examples of non-compliance can include:

- No update provided for open recommendations.
- Recommendation has fallen overdue and no acceptable reason provided.
- Recommendation has received two extensions and is requesting a third (only two extensions are permissible).

Where an issue has arisen, the below actions should be taken by the Head of Internal Audit:

Stage	Action to be taken by Internal Audit
Stage 1	Email sent to the responsible owner and division head stating the issue and action to be taken. Head of Internal Audit is to be cc'd in this email. Email should clearly state when the action is due to be completed by. The Action Tracking and Issue Escalation process should be attached to the email.
Stage 2	Failure of the business area to address the action as required in the stage 1 email will result in the initial email being resent with a warning that failure for the action to be addressed within 5 days will result in the CEO being notified.
Stage 3	Failure of the business area to address the action within 5 days will result in the email being forwarded to the CEO. The responsible owner and division head must be included in the email. The CEO should be reminded of our Action Tracking process and issue escalation process. This information should be attached to the email. The business area should be notified that the issue to be highlighted in the Monthly Tracking Update and the Audit Committee. Internal Audit must wait for an action / decision on next steps to be provided by the CEO.

Please note, this process does not override the escalation process to be taken where the action is being risk accepted. Please refer to the risk acceptance section for further details.

Performance Monitoring

To ensure the effective performance and continued improvement of the Internal Audit team, the below measures are in place to monitor the performance of the Internal Audit department.

PLEASE REFER TO OUR DISCLAIMERS CONTAINED ON OUR WEBSITE

Below is a list of KPIs which are monitored within the Internal Audit team. For each KPI, the target, measure of success and who it is communicated to, are presented below:

KPI Ref	KPI	Target	Measure of success	Communicated to
Internal Audit Policies and Procedures				
PP1	Adherence and adoption of IPPF	100%	Internal Audit Manual meets all requirements of the IPPF.	Audit Committee as part of the Annual Review.
PP2	Adherence and adoption of the Code of Ethics.	100%	All team members have signed the Annual Declaration within 1 week of joining or start of the new year.	Audit Committee as part of the Annual Review.
PP3	Adherence and adoption of the Code of Practice.	100%	All requirements of the Code of Practice are met.	Audit Committee as part of the Annual Review.
PP4	External Quality Assessment completed and satisfactory.	Sat	Satisfactory result from external assessor.	Audit Committee as part of the Annual Review.

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	views and opinions of the business area.			
AP4	Number of completed reviews v planned reviews as per Annual Plan.	95%	Monitoring of audits against the annual plan.	Quarterly Audit Committee deck and performance / quality update.
Internal Audit Planning, Fieldwork and Reporting				
IA1	The business area was consulted sufficiently in advance of the planning phase of the audit.	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.
IA2	Audit Terms of Reference was issued two weeks before the planned start of fieldwork.	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.
IA3	Document Request List was issued two weeks before the planned start of fieldwork.	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.
IA4	Draft Audit report was issued within 5 days of the Close Out Meeting	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.
IA5	Comments reviewed from management within 10 days of the draft audit report being provided.	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.

KPI Ref	KPI	Target	Measure of success	Communicated to
IA6	Final report issued within 5 days of management comments being provided to Internal Audit.	95%	Internal Audit Database monitoring.	Quarterly Audit Committee deck and performance / quality update.
IA7	Internal Audit team was well organised and prepared.	95%	Internal Audit Survey.	Quarterly Audit Committee deck and performance / quality update.
IA8	Internal Audit had the skills and knowledge to satisfactorily complete the audit.	95%	Internal Audit Survey.	Quarterly Audit Committee deck and performance / quality update.
IA9	How would you rate the overall work of the Internal Audit team.	Very Good	Internal Audit Survey.	Quarterly Audit Committee deck and performance / quality update.
Audit Function Management				
FM1	All vacant positions are filled.	100%	Team organisation chart.	Quarterly Audit Committee deck and performance / quality update.
FM2	Completed audits per auditor	<8	Internal Audit Database	Quarterly Audit

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KPIs should be discussed and reviewed annually with both the Audit Committee and CEO to ensure they remain appropriate and relevant to the needs of the business.

Survey

There are two survey's which must be conducted throughout the year. The below table identifies the type of survey, the frequency of the survey, and the intended audience.

Survey	Objective of the survey	When to be issued	Required respondents
Annual Planning Survey	To ensure key stakeholders were consulted sufficiently during the planning process and the annual plan (and strategic plan), sufficiently and appropriately addresses the risks and challenges faced by the business.	With the first draft of the annual plan.	Key stakeholders involved in the annual planning process.
Audit Satisfaction Survey	To understand stakeholder satisfaction and feedback following the completion of an internal audit.	With the final report.	Key stakeholders as per the final report.

The content / questions included in the survey should be reviewed annually, with any changes made to be approved by the Head of Internal Audit. The nature of the questions should not differ substantially, so as to allow for year on year comparisons.

Reporting

The results of our performance should be analysed and communicated regularly.

On an ongoing basis, the Audit Satisfaction Survey results should be reviewed as part of the team debrief exercise, but also through Weekly Team Meetings and in the preparation of the Audit Committee Deck. In analysing the results, the audit team should consider what worked well, and what could be improved. Through analysis, any resolutions or actions identified should be documented accordingly and included in either the team debrief action log, or the weekly team meeting action log, where the action is assigned and addressed accordingly.

When preparing the slide for presentation in the audit committee deck, the internal audit team should strive for continual improvement and seek to better the result of the prior year.

In addition to the audit committee deck, the results of internal audits performance against KPIs should be communicated in the Internal Audit Newsletter. This is to demonstrate the transparency in the way we work and also encourage internal audit to continuously improve and operate at a high standard.

On an annual basis, Internal Audit should prepare one deck for presentation at the audit committee which demonstrates our performance against KPIs and other performance standards. The deck should appropriately present the current year results and a prior year comparative. Explanations should be provided for all KPIs and performance measures that have not improved on prior year results. The deck should also include a list of actions designed to improve the quality of audit processes and performance results. Lastly the deck should contain performance standards for the forward year which are to be agreed by the audit committee and executive.

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Audit Function Management

To ensure the continued success of the Internal Audit Function, it is important that all team members are aware of which activities must be completed on a regular basis, their role, and expectations with each of these activities.

Key activities to be performed within the Internal Audit Function are documented below. Additional or ad-hoc activities may be required which are not documented in this manual. Any new or additional activities should be added as part of the Internal Audit Manual annual review process.

Audit Committee Deck

Each quarter, Internal Audit must prepare a deck / status update, to be presented to the Audit Committee. The deck must include the following sections:

- Executive Summary – Updates on activity since the prior Audit Committee Deck.
- Status against annual audit plan.
- Reports issued since last audit committee.
- Action Tracking Update.
- Internal Audit Quality / KPI update.
- Learning Update.
- Audit Update – can include changes to the Audit Standards, or insights which may be applicable to your entity and audit team.

The following items should be communicated to the Audit Committee once annually at the relevant time:

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For each Audit Committee, a copy of reports issued since the prior Audit Committee must be provided.

Internal Audit Newsletter

On a monthly basis, Internal Audit should provide a newsletter to all key stakeholders. The newsletter should be distributed alongside the Monthly Action Tracking Update email.

The newsletter is the responsibility of the Senior Manager and should include the following key areas:

- Update on Action Tracking
- Update on the Annual Plan and future planned audits
- Introduction to an audit team member
- Pro tip (i.e. what is something the business can do to ensure good controls – such as spreadsheet controls).

The newsletter should also be uploaded to the company intranet page.

Weekly Meetings

Weekly team meetings should be held at the start of the week and following the below format:

- Update on team members work priorities
- Update on tracking against the audit plan
- Update on action tracking
- Update on admin tasks
- Update on learning
- Update on priorities of audit management

- Update on time management
- Other

The meetings should have a rotational chair, with team members taking it in turn to lead the team meetings. The meeting minutes should also be taken by a rotating team member.

Both the meeting minutes and meeting agenda are to be saved on the shared drive where the audit manager is responsible for reviewing the meeting minutes and providing sign off.

Learning and Training

Internal Audit team members are expected to maintain their skill set, but also seek to continuously learn and develop. As such, it is the responsibility of the audit manager to develop an annual learning plan. The plan must feature a minimum of 20 hours learning, presented across the following three formats:

- Online learning
- Lunch and Learns
- Formal Classroom training.

The audit manager is responsible for maintaining a record of who has attended the training and the results of any tests or exams at the completion of the training.

Learning and Training should also focus on the key skills and competencies expected of all team members at their respective levels. The annual learning plan must accurately link the planned learning to a relevant skill or competency for the training to be deemed relevant.

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Where necessary, the performance manager or senior manager of audit and above, may drill into timesheets to analyse the performance of individual team members. It is expected that all team members including manager and below, must spend 75% of their weekly hours on an audit engagement on average over the course of 12 months.

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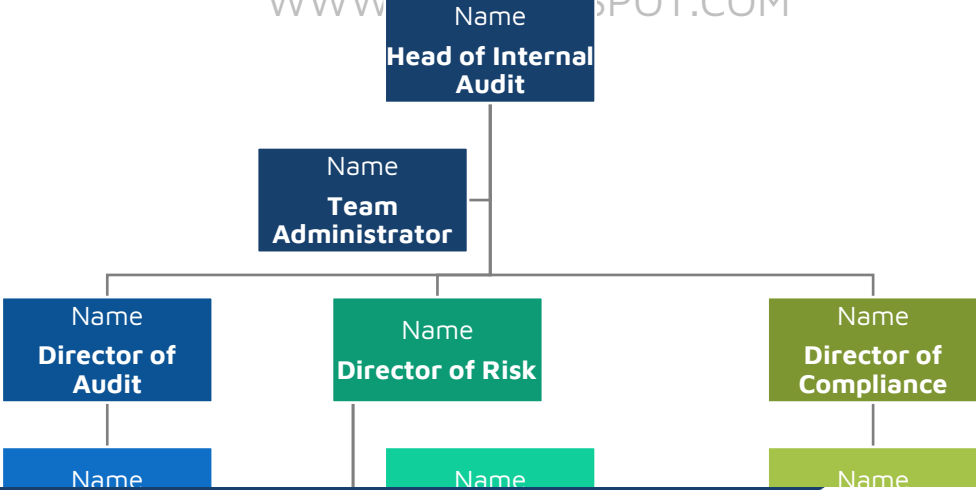
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Appendix

Appendix 1. Organisations Chart

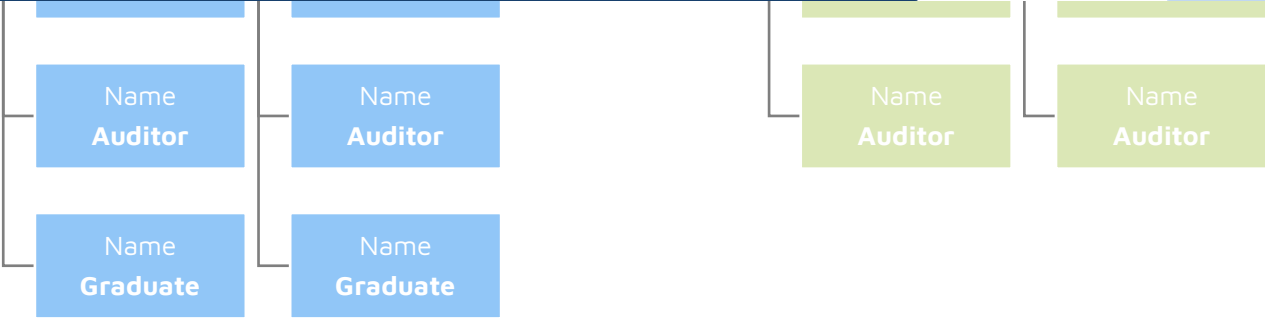
A copy of our team organisational chart is presented below:



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Appendix 2.

Annual Declaration

Please Note:

This example Annual Declaration has been adapted from the Institute of Internal Auditors Australia

Source: https://iia.org.au/sf_docs/default-source/quality/pdf-toolkit/annual-declaration-template.pdf?sfvrsn=2

Name	Team member name
For the period	DD Month Year to DD Month Year

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Introduction

This declaration is to be signed annually by all Internal Audit team members and any external service providers. This declaration is to certify:

1. Conformance to the Values of **Business Name**. **(Remove if training is performed elsewhere)**
2. Conformance to the Code of Conduct. **(Remove if Code of Conduct training is performed elsewhere)**
3. Conformance to requirements set out in the Internal Audit Manual.
4. Conformance to the IIA Code of Ethics.
5. Conflicts of interest.

The audit team member must read this document carefully and provide a signed copy back to their Personal Assistant for the Head of Internal Audit.

1. Values (Remove if training is performed elsewhere)

I declare I have conformed to the Values of **Business Name**. Our company values and accompanying explanation can be viewed here.

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- Internal Audit Code of Practice
- Internal Audit Charter
- Internal Audit Strategy
- Internal Audit Annual Plan
- Internal Audit Strategic Plan
- International Standards for the Professional Practice of Internal Auditing
- Core Principles for the Professional Practice of Internal Auditing.
- Definition of Internal Auditing.

4. IIA Code of Ethics

I declare I have conformed to the IIA Code of Ethics principles:

Rule	Principle
Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
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 judgements
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.
Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

5. 5. Conflicts of Interest

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 fulfil 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.

Internal Auditors are not to provide audit services for work for which they may previously have been responsible. Internal Audit may provide assurance services where they had previously performed consulting services, provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Instances of perceived or actual conflict of interest by Internal Audit staff and service providers shall immediately be reported it to the Chief Audit Executive or the Chair of the Audit Committee.

I declare I have read and understood **business name's** Conflict of Interest Policy and have completed all required training allocated to me.

I declare I have:

Not had any conflicts of interest.

OR

I have reported conflicts of interest to the for the following conflict(s) of interest:

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Job title	
Date	DD Month Year

Appendix 3.

Job Descriptions

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Job Title	Internal Auditor
Location	City
Job Purpose	Protects assets for a company or organisation, ensures compliance with internal procedures, and maintains knowledge of federal and local regulations.

- Job Duties**
- Ensures a company or organisation complies with internal regulations and established control protocol
 - Examines documentation, including reports, statements, records, and memos to gather information
 - Reconciles documentation with actual inventory or assets to ascertain accuracy
 - Completes standard paperwork and questionnaires to confirm internal controls
 - Participates in meetings with individuals and departments to update auditees on findings and the audit process
 - Prepares reports and preserves documentation pertaining to audits for internal record
 - Presents summarised findings concerning audit results and trends for internal groups
 - Analyses audit results to determine methods for increasing profits and decreasing unnecessary costs
 - Makes recommendations for the best ways for a company to avoid fraud and reduce waste
 - Assesses best financial practices for an organisation and makes relevant, informed suggestions

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Teamwork, written and verbal communication, interpersonal communication.

This is an example job description from monster.co.uk. This should be updated and replaced with a job description relevant to your business.

Appendix 4.
Title

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