Internal Audit Quality Assessment

Presented To:

Houston Independent School District

October 2015

The Institute of Internal Auditors

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List of Acronyms

CAE	**Chief Audit Executive**
EQA	**External Quality Assessment**
HISD	**Houston Independent School District**
IIA	**The Institute of Internal Auditors**
Internal Audit	**Office of Internal Audit**
IPPF	*International Professional Practices Framework*
QAIP	**Quality Assurance and Improvement Program**
Standards	*International Standards for the Professional Practice of Internal Auditing*

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Executive Summary

Under the *International Standards for the Professional Practice of Internal Auditing ("Standards"),* an external quality assessment ("EQA") of an internal audit activity must be conducted at least once every five years by a qualified assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the EQA process. The Houston Independent School District ("HISD") Office of Internal Audit ("Internal Audit") selected the Institute of Internal Auditors ("IIA") Quality Services, LLC to lead their review. The EQA was concluded on October 16, 2015 and provides management and the Audit Committee with information about Internal Audit as of that date. Future changes in environmental factors and actions by personnel, including actions taken to address recommendations, may have an impact upon the operation of Internal Audit in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the findings and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently, and draw different conclusions.

Opinion as to Conformance to the *Standards*, the IIA Code of Ethics, and the Definition of Internal Auditing

It is our overall opinion that Internal Audit <u>generally conforms</u> to the *Standards*, the IIA Code of Ethics, and the Definition of Internal Auditing. A detailed list of conformance to individual *Standards* is shown on page 6 of this report.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform.*"* <u>"Generally Conforms" is the top rating </u>and means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the *Standards*, the IIA Code of Ethics, or the Definition of Internal Auditing in all material respects. Detailed definitions for rating criteria associated with "Generally Conforms", "Partially Conforms", and "Does Not Conform" are described in Attachment A found on page 16 of this report and are consistent with the guidance provided by the IIA in their *Quality Assessment Manual.*

 Objectives / Scope / Methodology

- The principal objectives of the EQA were to (1) assess Internal Audit conformance to the *Standards*, the IIA Code of Ethics, and the Definition of Internal Auditing; (2) assess the effectiveness of Internal Audit in providing assurance and advisory services to the Audit Committee, senior executives, and other interested parties; and (3) identify opportunities, offer recommendations for improvement, and provide counsel to the Chief Audit Executive ("CAE") and Internal Audit staff for improving their performance and services and promoting the image and credibility of Internal Audit.

- The scope of the EQA included Internal Audit, as set forth in the Internal Audit charter. The Internal Audit charter, approved by the Audit Committee, defines the authority, responsibility, and accountability of the activity.

- To accomplish the objectives, the external independent assessment team reviewed information prepared by Internal Audit at the team's request; conducted interviews with selected key stakeholders to Internal Audit including the Audit Committee chair, senior executives of the HISD administration, the external auditors, and Internal Audit management; reviewed a sample of audit projects and associated work papers and reports; reviewed benchmark and survey data; and prepared diagnostic tools consistent with the methodology established for an EQA in the IIA *Quality Assessment Manual.*

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Observations Specific to Internal Audit

Internal Audit Generally Conforms to the *Standards*, the IIA Code of Ethics, and the Definition of Internal Auditing. They operate in a very dynamic environment and their ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the organization into focused audit plans, will continue to be critical to their success and value to the organization. The internal quality processes they have in place demonstrate a strong commitment to continuous improvement and alignment with the *Standards.* Their annual risk assessment process has identified Internal Audit priorities consistent with areas of highest risk impacting HISD. Significant progress has been made to address areas of non-conformance or partial conformance with the *Standards* as noted in the prior external assessment conducted in March 2013.

Attribute Standards

Internal Audit has the infrastructure in place to support sustainability of internal audit processes in a quality and consistent manner. Their charter is comprehensive and is foundational to all their activities. The functional and administrative reporting relationships are appropriate and support organizational independence and objectivity. Internal Audit management and staff, together with third party resources, collectively possess the knowledge, skills, and other competencies necessary to demonstrate professional proficiency; and work is performed with due professional care that includes an appropriate level of supervisory review and approval. Training and professional development processes support proficiency of Internal Audit management and staff. The CAE has established a Quality Assurance and Improvement Program ("QAIP") that promotes quality and continuous improvement.

Performance Standards

Internal Audit is appropriately managed and the annual audit plan is supported by a risk assessment process that incorporates input from Internal Audit stakeholders including HISD administration and the Audit Committee and that is linked to HISD's strategies and objectives. Internal Audit resource levels and skills sets are appropriate to meet objectives established for the approved annual audit plan. Deviations from the approved plan resulting from specific audit requests and areas of emerging or changing risks should be clearly communicated to and approved by the Audit Committee to ensure continued alignment of Internal Audit resources with the audit plan. Documentation of policies and procedures for Internal Audit infrastructure and key processes support sustainability, consistency, and quality. Periodic reports to the Audit Committee are of a high quality and appropriately communicate Internal Audit activities, but should be enhanced to include status of established performance metrics and open observations. Engagement level planning is supported by engagement level risk assessment to focus audit activities. Objectives evaluate technology, operational, financial, and compliance components as appropriate for individual engagements. Individual audits are performed consistent with underlying audit plan objectives. Audit reports are consistent with the underlying work product and focus the reader on those areas of highest relevance. A monitoring and follow-up process needs to be established to track reported observations through to resolution. Results of monitoring and follow-up should be reported to HISD administration and the Audit Committee on a periodic basis.

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Standards Conformance Summary

		GC	PC	DNC	NA
OVERALL		X			
ATTRIBUTE STANDARDS		X			
1000	**Purpose, Authority, and Responsibility**	X			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the *Standards* in the Internal Audit Charter	X			
1100	**Independence and Objectivity**	X			
1110	Organizational Independence	X			
1111	Direct Interaction with the Board	X			
1120	Individual Objectivity	X			
1130	Impairments to Independence or Objectivity	X			
1200	**Proficiency and Due Professional Care**	X			
1210	Proficiency	X			
1220	Due Professional Care	X			
1230	Continuing Professional Development	X			
1300	**Quality Assurance and Improvement Program**	X			
1310	Requirements of the Quality Assurance and Improvement Program	X			
1311	Internal Assessments	X			
1312	External Assessments	X			
1320	Reporting on the Quality Assurance and Improvement Program	X			
1321	Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"	X			
1322	Disclosure of Nonconformance	X			

		GC	PC	DNC	NA
PERFORMANCE STANDARDS		X			
2000	**Managing the Internal Audit Activity**	X			
2010	Planning	X			
2020	Communication and Approval	X			
2030	Resource Management	X			
2040	Policies and Procedures	X			
2050	Coordination	X			

		GC	PC	DNC	NA
2060	Reporting to Senior Management and the Board	X			
2070	External Service Provider and Organizational Responsibility for Internal Auditing				X
2100	**Nature of Work**	X			
2110	Governance	X			
2120	Risk Management	X			
2130	Control	X			
2200	**Engagement Planning**	X			
2201	Planning Considerations	X			
2210	Engagement Objectives	X			
2220	Engagement Scope	X			
2230	Engagement Resource Allocation	X			
2240	Engagement Work Programs	X			
2300	**Performing the Engagement**	X			
2310	Identifying Information	X			
2320	Analysis and Evaluation	X			
2330	Documenting Information	X			
2340	Engagement Supervision	X			
2400	**Communicating Results**	X			
2410	Criteria for Communicating	X			
2420	Quality of Communications	X			
2421	Errors and Omissions	X			
2430	Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"	X			
2431	Engagement Disclosure of Nonconformance	X			
2440	Disseminating Results	X			
2450	Overall Opinions				X
2500	**Monitoring Progress**		X		
2600	**Communicating the Acceptance of Risks**	X			

		GC	PC	DNC	NA
IIA CODE OF ETHICS		X			
DEFINITION OF INTERNAL AUDITING		X			

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During the EQA, several areas were noted where Internal Audit is operating in a successful internal audit practice manner. In addition, one area was noted where there was a gap to conformance with the *Standards* and several areas were noted where opportunities for continuous improvement to enhance efficiency and effectiveness of Internal Audit processes exist. Detailed observations, recommendations, and Internal Audit responses to this gap to conformance with the *Standards* or these opportunities for continuous improvement are included in the following section of this report.

Successful Internal Audit Practices Noted

Standard 1000 *Purpose, Authority, and Responsibility* – The Internal Audit charter is comprehensive and contains all the mandatory elements of the *International Professional Practices Framework ("IPPF")*.

Standard 1130 *Impairment to Independence and Objectivity* – Internal Audit management and staff sign an "Annual Statement of Professional Conduct" on an annual basis and an "Auditor Assignment & Independence Statement" for each Internal Audit project.

Standard 2040 *Policies and Procedures* – The Internal Audit Manual that documents the underlying policies, procedures, and infrastructure supporting the Internal Audit methodology is particularly well done.

Gap to Conformance with the *Standards* Noted

Standard 2500 *Monitoring Progress* – Develop and implement an active monitoring and follow-up process to ensure that open observations are addressed in a timely manner.

Opportunities for Continuous Improvement Noted

Standard 1220 *Due Professional Care* – Consider developing a strategy to enhance the use of data analytics in support of Internal Audit risk assessment, planning, and engagement execution.

Standard 1230 *Continuing Professional Development* – Enhance the continuing professional development process within Internal Audit by fully implementing a project level feedback process for each staff member assigned to an engagement.

Standard 1311 *Internal Assessments* – Consider defining, implementing, measuring, and reporting key performance indicators as an inherent component of the ongoing internal monitoring of performance process.

Standard 1311 *Internal Assessments* – Consider enhancing the periodic internal assessment process by evaluating conformance with all *Standards* on an annual basis.

Standard 2000 *Managing the Internal Audit Activity* – Consider defining and implementing a multi-year strategic plan for Internal Audit that supports the very dynamic nature of HISD and that will guide activities of Internal Audit in a proactive, thoughtful, systematic, and practical manner.

Standard 2020 *Communication and Approval* – Report significant interim changes in the annual audit plan and associated changes to resource requirements to the Audit Committee for review and approval.

Standard 2060 *Reporting to Senior Management and the Board* – Consider adopting a "Required Communications with the Audit Committee Checklist" to demonstrate that all requirements are met in the appropriate time frames.
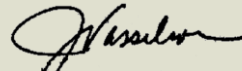
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Thank you for the opportunity to be of service to Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.

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Successful Internal Audit Practices Noted

Successful Internal Audit Practice	Description
Standard 1000 – Purpose, Authority, and Responsibility – The Internal Audit charter is comprehensive and contains all the mandatory elements of the *IPPF*.	Especially noteworthy are the following: (1) There is specific language that recognizes the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the *Standards*; (2) The charter is reviewed and approved on an annual basis by the Audit Committee. As a result, the charter is updated in a timely manner when changes in the *IPPF* become effective. Additionally, this demonstrates an appropriate "tone at the top" related to the Audit Committee fiduciary oversight over Internal Audit; (3) The charter appropriately establishes the functional and administrative reporting relationship of the CAE, and specifically describes the nature of the functional relationship consistent with the *Standard 1000 – Purpose, Authority, and Responsibility* requirement; (4) The charter requires the CAE to confirm the organizational independence of Internal Audit to the Audit Committee on an annual basis; and (5) The charter describes the responsibility of the CAE to report results of the established QAIP.
Standard 1130 – Impairment to Independence and Objectivity – Internal Audit management and staff sign an "Annual Statement of Professional Conduct" on an annual basis and an "Auditor Assignment & Independence Statement" for each Internal Audit project.	The "Annual Statement of Professional Conduct acknowledges agreement with the following statements: • I have read and will comply with the *IPPF* and Practice Advisories of the IIA. • My work product will be unbiased and impartial with respect to presentation of any findings, recommendation, or deliverable. • I will not serve as an advocate or adversary of any special interest party and will not allow such to impact my judgment or depth of reporting. • I will disclose to Internal Audit management any official, professional, personal, or financial relationship that might affect my independence in fact and/or the appearance of my independence or objectivity over the course of my employment, but before the commencement or any project or deliverable. The "Auditor Assignment & Independence Statement" requires a signature to the following statement from each auditor assigned to a project: • By my signature below, I acknowledge my assignment to the above project and profess I know of nothing that might impair my independence and impartiality on the project. Requiring a positive confirmation for critical aspects of professional conduct on an annual basis, including disclosure of potential impairments to independence or objectivity in fact and/or appearance, and positively confirming independence and objectivity for individual engagements are successful internal audit practices.

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Successful Internal Audit Practices Noted

Successful Internal Audit Practice	Description
Standard 2040 – Policies and Procedures – The Internal Audit Manual that documents the underlying policies, procedures, and infrastructure supporting the Internal Audit methodology is particularly well done.	This manual is comprehensive and includes all required elements that are embedded in the *Standards* as well as good business practice. The manual supports sustainability, consistency, and quality in the performance of audit work as well as the on-boarding of new personnel. The manual is reviewed and updated on an annual basis to ensure changes in the *IPPF* are appropriately captured and incorporated into the manual.

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Gap to Conformance with the *Standards* Noted

Gap to Conformance with the *Standards*	Internal Audit Response
Standard 2500 – Monitoring Progress – Develop and implement an active monitoring and follow-up process to ensure that open observations are addressed in a timely manner. A process should be established to accumulate, monitor, and report the status of all open observations. This process should be fully documented in the Internal Audit Manual. The status of open issues, that includes an aging and resolution, should be periodically reported to both the HISD administration and the Audit Committee. Reporting of open issues is consistent with successful internal audit practice and provides evidence that the follow-up process is functioning effectively.	We concur. We self-reported this requirement to the Audit Committee during a previous meeting and have committed to utilizing the built in feature of the Team Central module within TeamMate that was recently implemented. The Audit Manual includes the basic requirements for conducting follow-up reviews, but will be expanded as necessary. Prior to TeamMate, the department monitored outstanding recommendations on a manual basis with a focus on critical, high profile findings. We are currently uploading all recommendations from January 2015 through the current date so we can utilize the benefits provided by TeamMate. We plan to include sufficient time in the 2016 Audit Plan to conduct a follow-up of key recommendations. Follow-up reviews will be conducted effective January 2016, with updates provided to the Audit Committee and the administration.

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Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
Standard 1220 – Due Professional Care – Consider developing a strategy to enhance the use of data analytics in support of Internal Audit risk assessment, planning, and engagement execution. Internal Audit management has identified expanding the effective use of data analytics as an opportunity for improvement in their function. For individual engagements, data analytics can effectively identify observations and support root-cause analysis for those observations reported to management. Expanding data analytics capability is consistent with successful internal audit practice and provides the opportunity to (1) enhance the audit process so it is faster and more efficient and effective, (2) shorten the audit cycle time to provide more timely risk and control assurance, (3) achieve greater audit coverage without the need to expand Internal Audit resource requirements, (4) audit 100% of data populations rather than a sample, (5) improve the quality of assurance through the use of data and transactional analysis, and (6) enhance the value to management, the Audit Committee, and audit clients.	We concur. Use of analytics by the department is addressed in the audit manual. The department has used ACL software to review key controls of the district's Pro-Card process and agree that its use can be expanded. To my knowledge, this is the first use of ACL by internal audit. We have successfully trained four employees in developing scripts and have found the tool to be very useful. We have previously shared the benefits of this tool with the Audit Committee as well as our future plans. We believe this tool will be helpful in the identification of campus grading trends and the identification of accounts payable anomalies, and other areas. We will develop a formal strategy for review and approval by the Audit Committee by April 2016.
Standard 1230 – Continuing Professional Development – Enhance the continuing professional development process within Internal Audit by fully implementing a project level feedback process for each staff member assigned to an engagement. The Internal Audit Manual requires feedback forms to be filled out after each project for staff participants that rates performance against budget and the identification of risk issues with meaningful recommendations as feedback metrics. The engagement level feedback process has not been fully implemented at this time. Providing feedback on performance specific to an engagement is a successful internal audit practice that supports continuing professional development and that links actual engagement performance with the annual evaluation process.	We concur. The individual staff evaluation for each engagement will be implemented effective February 2016.

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Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
Standard 1311 – Internal Assessments – Consider defining, implementing, measuring, and reporting key performance indicators as an inherent component of the ongoing internal monitoring of performance process.	We agree and have reported this concept to the Audit Committee in a prior meeting. KPIs and balanced scorecards will be developed after consultation with the Audit Committee, the administration, and after review of the practice guide. We are planning to implement by April 2016 and communicate the results to the committee and administration periodically.
Consider developing a balanced scorecard with input from key stakeholders including senior management and the Audit Committee as these metrics are being defined. The IIA Practice Guide *"Measuring Internal Audit Effectiveness and Efficiency"* (December 2010) might be considered a resource when developing this approach. Using a balanced scorecard to measure and report internal audit effectiveness is a successful internal audit practice.	
Standard 1311 – Internal Assessments – Consider enhancing the periodic internal assessment process by evaluating conformance with all *Standards* on an annual basis. Conclusions drawn as a result of periodic internal assessment, should be based upon a process that evaluates all aspects of the *Standards* – both *Attribute and Performance Standards.* The current process performed by Internal Audit is focused on reviewing a sample of audit projects on a periodic basis to evaluate the level of conformance with the defined Internal Audit methodology and certain *Performance Standards*. While this is done very effectively, it translates into a partial view of conformance with *Performance Standards* rather than a full evaluation of *Attribute* and *Performance Standards*. Performing periodic assessment in a holistic manner that evaluates all aspects of the *Standards* is a requirement of *Standard 1311 – Internal Assessments* and ensures that infrastructure and processes are kept current with changes in internal auditing professional guidance. This is especially relevant over the near-term as significant changes in the *International Professional Practices Framework*, recently approved in July 2015, will result in changes to *Standards* that will require modification of Internal Audit processes and supporting infrastructure.	We focused on performance standards to assist us with building our process within TeamMate since it was most urgent at the time. We will alter our current internal assessments to capture both attribute and performance standards effective April 2016.

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Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
Standard 2000 – Managing the Internal Audit Activity – Consider defining and implementing a multi-year strategic plan for Internal Audit that supports the very dynamic nature of HISD and that will guide activities of Internal Audit in a proactive, thoughtful, systematic, and practical manner. While Internal Audit has established goals and objectives for the activity, developing and documenting a formalized strategic plan for Internal Audit is an emerging and evolving leading practice that supports Internal Audit activities operating in very dynamic environments. The strategic plan to be developed might have a 3-year planning horizon that is adjusted on an annual basis and presented to senior management and the Audit Committee in conjunction with the annual risk assessment and audit plan for review and approval. Strategic plans and related initiatives are generally supported by a "Strengths, Weaknesses, Opportunities, Threats" analysis. Consider establishing strategies in the 3-year rolling Strategic Plan to (1) ensure internal audit resources are aligned with the annual plan requirements from an organizational, staffing and on-boarding, credentials and experience, and professional development perspective – especially critical as organizations implement risk-based internal audit plans; and (2) enhancing execution of data analytics for engagement planning and execution. The IIA Practice Guide "*Developing the Internal Audit Strategic Plan*" (July 2012) might be considered as a resource when developing this plan.	This is a great improvement opportunity for the department that should enable us to achieve best practices. As suggested, this effort will require considerable planning with the Audit Committee and the administration to be successful. We desire to accomplish this by October 2016.
Standard 2020 – Communication and Approval – Report significant interim changes in the annual audit plan and associated changes to resource requirements to the Audit Committee for review and approval. Deviations from the approved plan resulting from specific audit requests and areas of emerging or changing risks should be clearly communicated to and approved by the Audit Committee to ensure continued alignment of Internal Audit resources with the audit plan.	We do share changes in the Audit Plan with the Audit Committee as evidenced by meeting minutes. We do sometimes get sidetracked with special requests from the administration and individual board members as a natural part of any organization. We agree to improve the alignment of resources with the approved audit plan. To accomplish this, the department will suggest in February 2016, that all special requests be evaluated

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Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
Standard 2060 – Reporting to Senior Management and the Board – Consider adopting a "Required Communications with the Audit Committee Checklist" to demonstrate that all requirements are met in the appropriate time frames. While communications appear to take place as required, documentation that demonstrates they occur is maintained in different places and at different times. An efficient and effective way to demonstrate required communication is by using a checklist that is integrated into the annual Audit Committee agenda and that is updated as changes to *Standards* become effective. When combined with Audit Committee minutes, this checklist provides documentation that all required communications are considered and take place in the appropriate time frames. An example of this checklist in included as Attachment B to this report.	This is currently handled on the internal audit department calendar since there are many different requirements and time periods involved. We will implement the checklist effective February 2016 when the new Audit Committee is formed.

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Attachment A
Conformance Rating Criteria

GC – "Generally Conforms" means the assessor has concluded the following:
- For individual standards, that the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

PC – "Partially Conforms" means the assessor has concluded the following:
- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – "Does Not Conform" means the assessor has concluded the following:
- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the IIA Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

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Attachment B

Required Communications with the Audit Committee Checklist
Example of Documentation

Standard	Communication Requirement	Annual Communication Documentation
1000	The CAE <u>must</u> periodically review the Internal Audit Department Charter and present it to Senior Management and the Audit Committee for review and Audit Committee approval.	The Internal Audit charter was amended and presented to senior management and the Audit Committee for review and approval at the January XX, 20XX, Audit Committee Meeting.
1010	The CAE <u>should</u> discuss the Definition of Internal Auditing, the Code of Ethics, and the IIA *Standards* with Senior Management and the Audit Committee.	The Definition of Internal Auditing, the Code of Ethics, and the *Standards* were discussed with senior management and the Audit Committee in conjunction with the Internal Audit charter review at the January XX, 20XX, Audit Committee meeting.
1110	The CAE <u>must</u> confirm to the Audit Committee, at least annually, the organizational independence of the internal auditing activity.	As the CAE, I hereby confirm the organizational independence of the internal audit activity as of May XX, 20XX.
1111	The CAE <u>must</u> communicate and interact directly with the Audit Committee.	As the CAE, I confirm that an appropriate level of communication and interaction has taken place between me and the Audit Committee.
1312	The chief audit executive <u>must</u> discuss with the Audit Committee the form and frequency of external assessment as well as the qualifications and independence of the external assessor or assessment team, including any potential conflicts of interest.	Discussions were held at the November XX, 20XX, Audit Committee Meeting related to the need for and the frequency of the periodic external assessments, the form of the external assessment, and the qualification and independence of the external assessor.
1320	The CAE <u>must</u> communicate the results of the quality assurance and improvement program to senior management and the Audit Committee. 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.	Results of the Continuous Monitoring and Annual Internal Quality Assessment Review of Internal Audit was communicated to Executive Management on January XX, 20XX, and to the Audit Committee on January XX, 20XX. The results of the external quality assessment performed by XXXX was communicated to Executive Management and the Audit Committee on February XX, 20XX.
2020	The CAE <u>must</u> communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Audit Committee for review and approval. The CAE <u>must</u> also communicate the impact of resource limitations.	Communication of status of internal audit plans and resource requirements was reported on at least a quarterly basis to the Audit Committee. At the November XX, 20XX, Audit Committee Meeting, Internal Audit reported that there were no audits below the resource cut line on the Proposed 20XX Audit Plan that Internal Audit believed were necessary to be performed in 20XX. Accordingly, there were no material impacts associated with resource limitations.
2060	The CAE <u>must</u> report periodically to senior management and the Audit Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting <u>must</u> also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.	Communication of Internal Audit's purpose, authority, and responsibility was reported to the Audit Committee on January XX, 20XX. On a periodic basis, the CAE also reports significant risk exposures and control issues, including fraud risks, governance issues, and other matters at the request of the Audit Committee.

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