Implementation Guide 2040

Standard 2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

Revised *Standards,* Effective 1 January 2017

Getting Started

To establish the policies and procedures that guide the internal audit activity, the chief audit executive (CAE) considers several factors. It is essential to ensure that internal audit policies and procedures are aligned with the Mandatory Guidance of the International Professional Practices Framework (IPPF). Additionally, alignment with the internal audit charter helps ensure that stakeholder expectations are addressed.

The CAE may begin to develop policies and procedures by gathering information, examples, and templates, such as those available through The IIA. Templates can be customized to fit the organization and the needs of the specific internal audit activity.

It is important for the CAE to consider the organization's existing strategies, policies, and

processes, including whether organizational leadership expects to review and/or approve internal audit policies and procedures.

Considerations for Implementation

The CAE's implementation of Standard 2040 will depend largely on the structure, maturity, and complexity of the organization and the internal audit activity. While a large, mature internal audit activity may have a formal internal audit operations manual that includes the policies and procedures, a smaller or less mature organization may not. Instead, policies and procedures may be published as separate documents or integrated as part of an audit management software program.

The following topics are generally included in an internal audit manual or otherwise documented to help guide the internal audit activity:

- Internal audit policies.
  - The overall purpose and responsibilities of the internal audit activity.
  - Adherence to the Mandatory Guidance of the IPPF.
  - Independence and objectivity.
  - Ethics.
  - Protecting confidential information.
  - Record retention.
- Internal audit procedures.
  - Preparing a risk-based audit plan.
  - Planning an audit and preparing the engagement work program.
  - Performing audit engagements.
  - Documenting audit engagements.
  - Communicating results/reporting.
  - Monitoring and follow-up processes.
- Quality assurance and improvement program.
- Administrative matters.
  - Training and certification opportunities.
  - Continuing education requirements.

○ Performance evaluations.

To ensure internal audit personnel are properly informed about internal audit policies and procedures, the CAE may issue individual documents, training materials, or a comprehensive manual; and training sessions may be conducted to review the information. The CAE may request that internal auditors sign forms of acknowledgement, indicating that they have read and understand the policies and procedures.

Internal audit policies and procedures should be reviewed periodically, either by the CAE or an internal audit manager assigned to monitor internal audit processes and emerging issues. Such reviews may be included in the internal audit activity's internal assessments (Standard 1311) and the external assessment that occurs at least once every five years (Standard 1312).

Suggestions for operational changes may arise in response to the quality assurance and improvement program or feedback from internal auditors or audited entities (e.g., via a client satisfaction survey). If procedural changes are made, they may be communicated in writing and/or discussed during internal audit staff meetings to help ensure that the changes are understood. Training may also be conducted (e.g., to demonstrate new procedures).

Considerations for Demonstrating Conformance

Documentation of policies and procedures evidences conformance with Standard 2040. Evidence that internal audit policies and procedures have been clearly communicated to internal audit personnel may include internal audit staff meeting agendas and minutes, emails, signed acknowledgements, a training schedule, or similar documentation.

About The IIA

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About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing* (*Standards*).

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

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