

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Performance Standards

2000 – Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;*
- The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and*
- The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.*

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2400 – Communicating Results

Internal auditors must communicate the engagement results.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2600 – Resolution of Management's Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

GLOSSARY

Charter – The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity’s position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Code of Ethics – The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Governance – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Residual Risk – The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Appendix E

The IIA Code of Ethics

Introduction

The purpose of The Institute’s Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Institute’s Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics together with The Institute’s Professional Practices Framework and other relevant Institute pronouncements provide guidance to internal auditors serving others. “Internal auditors” refers to Institute members, recipients of or candidates for IIA professional certifications, and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

For Institute members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute’s Bylaws and Administrative Guidelines. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles

Internal auditors are expected to apply and uphold the following principles:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

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 judgments.

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.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

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

3. Confidentiality

Internal auditors:

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

4. Competency

Internal auditors:

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

Appendix F

Internal Audit–Related Organizations and Links

The Institute of Internal Auditors	www.theiia.org
The Institute of Internal Auditors IT Audit	www.itaudit.org
American Institute of CPAs	www.aicpa.org
Financial Accounting Standards Board	www.fasb.org
American Accounting Association	www.aaa-edu.org
Chief Financial Officers Council	www.cfoc.gov
Association of Inspectors General	www.inspectorsgeneral.org
Government Accountability Office	www.gao.gov
Information Systems Audit and Control Association	www.isaca.org
Institute of Management Accountants	www.imanet.org
Institute of Management and Administration	www.ioma.com
International Federation of Accountants	www.ifac.org
Canadian Institute of Chartered Accountants	www.cica.ca
Association of Certified Fraud Examiners	www.cfenet.com
Association of Healthcare Internal Auditors	www.ahia.org
Association of Public Pension Fund Auditors	www.appfa.org
Association of College and University Auditors	www.acua.org
Corporate Executive Board	www.executiveboard.com
MIS Training Institute	www.misti.com
Financial Executives International	www.financialexecutives.org
The ISO 27000 Directory	www.27000.org
U.S. Securities and Exchange Commission	www.sec.gov
Public Company Accounting Oversight Board	www.pcaobus.org
Committee of Sponsoring Organizations of the Treadway Commission (COSO)	www.coso.org

Other Online Resources

www.knowledgeleader.com – 30-day free trials are available to this unique online service providing information, tools, templates and other resources to those involved with internal audit, security and other business and technology risk issues.

www.auditnet.org – Auditnet is an electronic resource for the worldwide audit community. Its purpose is to provide auditors with access to their peers around the world as well as provide access to relevant information vital to the auditing industry.

www.accounting.rutgers.edu – Audit-related mailing lists and links to audit resources.

Appendix G

The IIA's Internal Auditing Education Partnership (IAEP)

The IIA sponsors The Internal Auditing Education Partnership (IAEP) to respond to the growing interest in internal audit education at institutions of higher learning. The IAEP is designed to support universities and colleges at three levels of participation: Center for Internal Auditing Excellence, Partner, and Basic. At each level, the school receives a distinct amount of support and resources, and in return must meet specific requirements. There are IAEP schools throughout the United States and in China, France, Lebanon, Malaysia, the Netherlands, South Africa, Thailand, and the United Kingdom.

A list of IAEP schools, including contact information and website links, follows:

(Source: www.theiia.org/guidance/academic-relations/iaaaf/iaep-schools/)

Centers for Internal Auditing Excellence

A Center for Internal Audit Excellence is committed to sustaining a comprehensive internal audit program. All educators must be Certified Internal Auditors (CIA). All students in the program will be required to sit for the CIA exam and are encouraged to participate in an internship as part of their course of study.

Erasmus Universiteit Rotterdam The Netherlands

Ron de Korte, RA, RE, RO, CIA

E-mail: r.de.korte@acs.nl

Website: www.esaa.nl/opl/postinit/iaa/index.htm

University of Texas – Dallas United States

Mark Salamasick, CIA, CISA, CSP

E-mail: Mark.Salamasick@utdallas.edu

Website: <http://som.utdallas.edu/iaep/index.htm>

Louisiana State University United States

Glenn E. Sumners, DBA, CIA

E-mail: gsumners@hotmail.com

Website: www.bus.lsu.edu/centers/cia/

Universiteit van Amsterdam The Netherlands

A.J.G. Driessen, RO, CIA

E-mail: a.j.g.driessen@uva.nl

Website: www.abs.uva.nl/emia/home.cfm

University of Pretoria South Africa

Philna Coetzee

E-mail: philna.coetzee@up.ac.za

Website: <http://web.up.ac.za/default.asp?ipkCategoryID=484>

Partner

Schools at the Partner Level offer an internal audit curriculum to students in various educational disciplines.

Bentley College **United States**

Priscilla A. Burnaby, Ph.D.
E-mail: pburnaby@bentley.edu
Website: www.bentley.edu/accountancy/programs.cfm

Birmingham City University **United Kingdom**

Robin Pritchard
E-mail: robin.pritchard@bcu.ac.uk
Website: www.business.uce.ac.uk/

Bradley University **United States**

Simon Petravick
E-mail: simonp@bradley.edu
Website: [www.bradley.edu/fcba/undergraduate/
accounting/index.shtml](http://www.bradley.edu/fcba/undergraduate/accounting/index.shtml)

Chulalongkorn University **Thailand**

Dr. Pornanong Budsaratagoon
E-mail: pornanong@acc.chula.ac.th
Website: www.chula.ac.th/cuweb_en/

Eastern Michigan University **United States**

Robert Okopny, Ph.D., CIA
E-mail: robert.okopny@emich.edu
Website: www.accfm.emich.edu/degree.html

Nanjing Audit University **China**

Dr. Shi Xian
E-mail: Xianshixian001@yahoo.com.cn
Website: <http://english.nau.edu.cn/index.jsp>

Northern Illinois University **United States**

David Sinason, Ph.D.
E-mail: dsinason@niu.edu
Website: www.cob.niu.edu/

Old Dominion University **United States**

Douglas E. Ziegenfuss, Ph.D., CIA
E-mail: dziegenf@odu.edu
Website: <http://bpa.odu.edu>

Pittsburg State University **United States**

Rebekah Heath, Ph.D., CIA, CPA
E-mail: rheath@pittstate.edu
Website: www.pittstate.edu/acctg/programs.html

University at Buffalo **United States**

Alex Ampadu
E-mail: ampadu@buffalo.edu
Website: <http://academicprograms.buffalo.edu/mgtbp.php>

Université Aix-Marseille **France**

Jacques Vera, Ph.D.
E-mail: jacques.vera@iae-aix.com
Website: www.iae-aix.com/

University of Alabama at Birmingham **United States**

Deborah W. Tanju, Ph.D., CIA
E-mail: dtanju@uab.edu
Website: www.business.uab.edu//

University of New Orleans **United States**

Joyce C. Lambert, Ph.D.
E-mail: jlambert@uno.edu
Website: <http://business.uno.edu/acct/>

University of North Texas **United States**

Raymond Clay, DBA, CPA
E-mail: clay@unt.edu
Website: www.unt.edu/pais/insert/ubusiness.htm

University of Pisa **Italy**

Giuseppe D'Onza
E-mail: gdonza@ec.unipi.it
Website: www.masteraudit.it/

University of South Africa **South Africa**

Prof. J.J. (Kobus) Wentzel
E-mail: WENTZJJ@unisa.ac.za
Website: [www.unisa.ac.za/Default.asp?Cmd=ViewContent&
ContentID=189](http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=189)

University of Tennessee **United States**

Jack E. Kiger, Ph.D.
E-mail: jkiger@utk.edu
Website: <http://bus.utk.edu/undergrad>

University of Texas – Austin **United States**

Urton L. Anderson, Ph.D., CIA
E-mail: urton@mail.utexas.edu
Website: www.mcombs.utexas.edu/dept/accounting

Basic

Schools at the Basic Level include internal audit components in their programs.

Baruch College United States

Jan Sweeney
E-mail: Jan_Sweeney@baruch.cuny.edu
Website: www.baruch.cuny.edu/ugradprograms/acc.htm

Boise State University United States

Thomas English
E-mail: tenglish@boisestate.edu
Website: <http://ac.boisestate.edu/>

California State University – San Bernardino United States

Linvol G. Henry, M.S., CPA
E-mail: lhenry@csusb.edu
Website: www.cbpa.csusb.edu/

Cleveland State University United States

Heidi Hylton Meier, DBA
E-mail: h.meier@csuohio.edu
Website: [www.csuohio.edu/academic/majors/
accounting.html](http://www.csuohio.edu/academic/majors/accounting.html)

Florida Atlantic University United States

Alan Friedberg, Ph.D.
E-mail: friedber@fau.edu
Website: www.business.fau.edu

Grand Valley State University United States

David Cannon
E-mail: cannond@gvsu.edu
Website: [www.gvsu.edu/business/index.cfm?id=000E578C-
F8CB-1EDD-993580E715660000](http://www.gvsu.edu/business/index.cfm?id=000E578C-F8CB-1EDD-993580E715660000)

Indiana University – Purdue University Indianapolis United States

Eric Johnson
E-mail: erijohns@iu.edu
Website: <http://kelly.iupui.edu/home.cfm>

Kennesaw State University United States

Richard Clune
E-mail: rclune@kennesaw.edu
Website: <http://coles.kennesaw.edu/KSUColes>

Missouri State University United States

M. Virginia Cerullo, Ph.D.
E-mail: MVCerullo@MissouriState.edu
Website: www.missouristate.edu/registrar/dept_ac.html

San Francisco State University United States

John J. O'Shaughnessy, Ph.D., CIA
E-mail: jshaun@sfsu.edu
Website: <http://cob.sfsu.edu/cob/index.cfm>

Southern Illinois University – Carbondale United States

Marcus Odom
E-mail: modom@cba.siu.edu
Website: www.siu.edu/pres/int_audit.html/

Texas A&M University United States

L. Murphy Smith, DBA, CPA
E-mail: Lmsmith@tamu.edu
Website: <http://acct.tamu.edu/smith/eiap.htm>

Tshwane University of Technology South Africa

Houdini Fourie
E-mail: fourieh@tut.ac.za
Website: [www.tut.ac.za/Students/facultiesdepartments/
EconomicsFinance/departments/Documents/auditing.pdf](http://www.tut.ac.za/Students/facultiesdepartments/EconomicsFinance/departments/Documents/auditing.pdf)

University of Malaya Malaysia

Nurmazilah Mahzan
E-mail: nurmazilah@um.edu.my
Website: www.um.edu.my/

University of Texas at Arlington United States

Martin Taylor, Ph.D.
E-mail: mtaylor@uta.edu
Website: www.uta.edu/business/

Valdosta State University United States

Leisa Marshall
E-mail: lmarshall@valdosta.edu
Website: www.valdosta.edu/lcoba/acctfin/current.shtml

Widener University United States

Lori Fuller, Ph.D.
E-mail: lrfuller@mail.widener.edu
Website: www.widener.edu/sba

Appendix H

About The Institute of Internal Auditors

Established in 1941, The IIA serves approximately 150,000 members in internal auditing, governance and internal control, IT audit, education, and security worldwide. The world's leader in certification, education, research, and technological guidance for the profession, The Institute serves as the profession's watchdog and resource on significant auditing issues around the globe.

Presenting important conferences and seminars for professional development, producing leading-edge educational products, certifying qualified auditing professionals, providing quality assurance reviews and benchmarking, and conducting valuable research projects through The IIA Research Foundation are just a few of The Institute's many activities.

The IIA also provides internal audit practitioners, executive management, boards of directors and audit committees with standards, guidance, and information on best practices in internal auditing.

The Institute is a dynamic international organization that meets the needs of a worldwide body of internal auditors. The history of internal auditing has been synonymous with that of The IIA and its motto, "Progress Through Sharing."

For more information, please contact:

The Institute of Internal Auditors

247 Maitland Ave.

Altamonte Springs

Florida 32701-4201, United States

Phone: +1.407.937.1100

Fax: +1.407.937.1101

www.theiia.org

E-mail: iia@theiia.org

Appendix I

Sample Job Description

Title:

Vice President, Internal Audit

Duties:

The Vice President, Internal Audit reports functionally to both the CEO and the Audit Committee of the Board of Directors. This individual will be responsible for the design and implementation of the Company's worldwide internal audit program. Working with the senior management team, he/she will have primary leadership responsibility to develop and maintain a world-class internal control environment.

This individual must have a proven track record of managing an audit function in a large, complex organization. This individual must have credibility and be viewed as an authoritative source by the senior management team and all of the business operating units.

This individual must be capable of building and leveraging internal and external alliances while driving for results.

Specific responsibilities include:

- Develops and executes a comprehensive audit program that is responsive to the operational, financial and control risks within the Company.
- Presents to the Audit Committee the annual audit plan, including periodic updates of status and changes required in the plan.
- Organizes, directs and controls the Internal Audit department and the work of all internal audit staff.
- Communicates information to and from the Audit Committee and others as appropriate on the executive management team regarding the audit function.
- Works in partnership with Company executives to design and implement cost-effective procedures to ensure that internal controls are effective and to eliminate redundant or inefficient procedures where necessary.
- Determines that the Company's operating units are in compliance with corporate standard operating procedures and other operating policies.
- Disseminates and shares knowledge on best practices to both senior management and the Board's Audit Committee.
- Coordinates scope and coverage with the Company's independent external auditors.
- Recruits, trains and mentors a high-performing organization that will be seen as a superb training group for future Company financial leadership.
- Ensures the Audit function is viewed as a "value add" in helping the organization achieve its operational and financial goals.
- Works with the Vice President and Corporate Controller to satisfy the requirements of Sarbanes-Oxley.
- Reviews existing as well as new products, services and procedures to ensure compliance with appropriate regulatory authorities. Suggests policy and procedure changes or reviews as appropriate.
- Reviews and records actions and plan taken by management to correct conditions reported by audit findings.
- Maintains audit files by documenting the audit procedures used and each of the audit reports completed.
- Investigates potential fraud situations within the organization.

Education:

Undergraduate degree in accounting, finance or other business-related field. A CIA or CPA is required; an advanced degree is highly desirable.

Experience:

The ideal candidate will be a seasoned financial executive with at least ___ years of total business experience, including a proven track record of managing a "Best in Class" audit function, preferably with initial training at a "Big Four" accounting firm. He/she must be technically strong especially in operating finance and processes to enable him/her to conduct operational and financial audits effectively.

Experience working with government contracts or in a regulated environment is preferred. This individual must possess strong communication skills and executive presence as demonstrated through crisp writing, speaking and thinking. He/she must be comfortable and credible presenting to senior management and the Board of Directors. The successful candidate must be a high potential executive with the ability to build, develop and motivate a first-rate audit capability.

Key Assessment Criteria:

- Outstanding financial acumen blended with business partnership and leadership
- Ability to provide sound business judgment, strategic thinking, and broad financial and business perspective across the organization
- Highly refined analytical skills to quickly review and analyze business processes to identify control deficiencies as well as business operating problems and opportunities
- Strong and engaging presence, inspiring a spirit of cooperation among the management team and all outside constituencies
- Demonstrated track record of attention to detail, time management and prioritization skills
- Ability to challenge norms and processes and relentlessly look for ways to add value and position the organization for success
- Thorough understanding of U.S. GAAP, PCAOB and IIA *Standards for the Professional Practice of Internal Auditing*
- Excellent written and verbal communication and presentation skills and the ability to frame and interpret issues for internal clients
- High level of energy and commitment
- Proven track record of process improvement and experience with financial systems and process change initiatives
- Strong organizational and leadership skills with the ability to attract, retain and develop exceptional global talent
- Strong interpersonal skills and teamwork; ability to cope with complexity and change
- Passionate, visionary leader, capable of driving speed and discipline throughout the organization
- High personal standards and professional ethics with a commitment to excellence

Appendix J

Protiviti's Internal Audit Capabilities and Needs Survey

Protiviti conducted its Internal Audit Capabilities and Needs Survey in 2006 and 2007 to determine where internal audit professionals currently see a need for improvement, and how they prioritize those needs. Respondents answered questions in three subject areas: General Technical Knowledge, Audit Process Knowledge, and Personal Skills and Capabilities. Following are the knowledge/skills in each of these areas respondents were asked to assess.

General Technical Knowledge – Issues/Areas of General Knowledge

Standards for the Professional Practice of Internal Auditing (IIA <i>Standards</i>)	ISO 9000 (quality management and quality assurance)
COSO internal control framework	Gramm-Leach-Bliley Act (GLBA)*
COSO enterprise risk management framework	Basel II
Fraud Risk Management	Six Sigma
Enterprise Risk Management	Corporate Governance Standards*
PCAOB Auditing Standard No. 5 (An Audit of ICFR That Is Integrated With an Audit of Financial Statements)*	ISO 14000 (environmental management)
Sarbanes-Oxley Section 301 (Complaints regarding accounting, internal controls or auditing matters)*	FDICIA*
Sarbanes-Oxley Section 302 (Disclosure controls and procedures)*	COBIT
Sarbanes-Oxley Section 404 (ICFR)*	ISO 27000 (information security)
SEC Interpretive Guidance for management regarding its evaluation and assessment of ICFR	AU Section 322 – The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements
U.S. GAAP	FIN 48 (Tax Uncertainties)
Tax Laws (in your applicable region/country)	Fair Value Accounting (FAS 159, Fair Value <i>Option for Financial Assets and Liabilities</i>)
International Financial Accounting Standards (IFRS)	

*or country equivalent

Audit Process Knowledge – Issues/Areas of General Knowledge

<p>Assessing risk</p> <ul style="list-style-type: none"> • Entity level • Process, location, transaction level 	Use of self-assessment techniques
<p>Audit planning</p> <ul style="list-style-type: none"> • Entity level • Process, location, transaction level 	Conducting opening/closing meetings
<p>Assessing controls design (entity level)</p> <ul style="list-style-type: none"> • Company-level controls • Monitoring controls • Tone/Soft controls 	Developing recommendations
<p>Assessing controls operating effectiveness (entity level)</p> <ul style="list-style-type: none"> • Company-level controls • Monitoring controls • Tone/Soft controls 	Internal quality assessment (ongoing assessment)
<p>Assessing controls design (process level)</p> <ul style="list-style-type: none"> • Compliance controls • Financial controls • Operational controls 	Internal quality assessment (periodic review)
<p>Assessing controls operating effectiveness (process level)</p> <ul style="list-style-type: none"> • Compliance controls • Financial controls • Operational controls 	External quality assessment (IIA Standard 1312)
<p>Auditing IT</p> <ul style="list-style-type: none"> • Security • Change control • Computer operation • Program development • Continuity 	Interviewing
Top-down, risk-based approach to assessing ICFR	Marketing internal audit internally
<p>Operational auditing</p> <ul style="list-style-type: none"> • Risk-based approach • Effectiveness, efficiency and economy of operations approach • Value cost improvement and fair characteristics of effective processes 	Planning audit strategy
<p>Fraud</p> <ul style="list-style-type: none"> • Fraud risk management/prevention • Fraud detection/investigation • Monitoring • Auditing 	Presenting to senior management
Continuous auditing	Presenting to the audit committee
<p>Data analysis tools</p> <ul style="list-style-type: none"> • Statistical analysis • Data manipulation • Sampling 	Report writing
Computer-Assisted Audit Tools (CAATs)	Resource management (hiring, training, managing)

Personal Skills/Capabilities – Issues/Areas of General Knowledge

Change management	Leveraging others' expertise
Coaching/Mentoring	Negotiation
Creating a learning internal audit function	Personnel performance evaluation
Developing audit committee relationships	Presenting (public speaking)
Developing other board committee relationships	Presenting (small groups)
Developing rapport with senior executives	Persuasion
Developing outside contacts/networking	Strategic thinking
Leadership (within your organization)	Time management
Leadership (within the internal audit profession)	Written communication

Appendix K NYSE Internal Audit Rule

From Section 303A, which revised the NYSE listing standards to incorporate new corporate governance rules (approved by the SEC on November 4, 2003):

Every listed company must have an internal audit function.

Commentary: Listed companies must maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. A company may choose to outsource this function to a third-party service provider other than its independent auditor.

Glossary of Commonly Used Acronyms and Terms

AICPA – The American Institute of Certified Public Accountants.

AMEX – The American Stock Exchange.

Auditing Standard No. 2 (AS2) – Issued by the PCAOB on March 9, 2004, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*. Superseded by Auditing Standard No. 5 (see below).

Auditing Standard No. 5 (AS5) – Issued by the PCAOB on May 24, 2007, *An Audit of ICFR That Is Integrated With an Audit of Financial Statements*.

CAE – Chief audit executive.

CBOK – Common Body of Knowledge. A survey conducted by The IIA Research Foundation focused on the internal audit profession and how the profession is being practiced worldwide.

CIA – Certified Internal Auditor.

CISA – Certified Information Systems Auditor.

CoCo – The Criteria of Control Board of the Canadian Institute of Chartered Accountants (CICA).

COSO – The Committee of Sponsoring Organizations of the Treadway Commission.

COSO ERM framework – The enterprise risk management framework, developed by COSO, bolsters support and extends aspects of the original COSO internal control framework.

COSO Internal Control – Integrated Framework – Developed by COSO, the definitive standard for public companies to follow in connection with Section 404 of the Sarbanes-Oxley Act.

CPE – Continuing professional education.

CSA – Control self-assessment.

ERP – Enterprise resource planning.

FDICIA – Federal Deposit Insurance Corporation Improvement Act.

GAAP – Generally accepted accounting principles.

GAAS – Generally accepted auditing standards.

GAIN – The IIA's Global Auditing Information Network.

GRC – Governance, risk and compliance.

IASB – The IIA's Internal Auditing Standards Board.

ICFR – Internal control over financial reporting. Generally refers to the company's internal control structure and procedures over financial reporting.

The IIA – The Institute of Internal Auditors.

The IIA Code of Ethics – The Institute of Internal Auditors’ Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe the behavior expected of internal auditors.

The IIA Standards – The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

IT – Information technology.

NASDAQ – The computerized stock exchange established by the National Association of Securities Dealers.

NYSE – The New York Stock Exchange.

PCAOB – The Public Company Accounting Oversight Board. Established by the Sarbanes-Oxley Act, the PCAOB oversees the audits of the financial statements of public companies through rigorous registration, standard-setting, inspection and disciplinary programs.

Professional Practices Framework – Professional standards promulgated by The IIA consisting of three categories of guidance: *Standards and Code of Ethics*, *Practice Advisories*, and *Development and Practice Aids*.

QAR – Quality assessment review.

Sarbanes-Oxley – The Sarbanes-Oxley Act of 2002 – corporate governance and oversight legislation signed into law on July 30, 2002.

SAS 65 – The AICPA’s Statement on Auditing Standards No. 65, *The Auditor’s Consideration of the Internal Audit Function in an Audit of Financial Statements*.

SAS 99 – The AICPA’s Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*.

SEC – The U.S. Securities and Exchange Commission.

SEC interpretive guidance – Provides guidance for management regarding its evaluation and assessment of internal control over financial reporting. The guidance sets forth an approach by which management can conduct a top-down, risk-based evaluation of internal control over financial reporting.

Section 301 – Refers to Section 301 of the Sarbanes-Oxley Act, which addresses public company audit committees.

Section 302 – Refers to Section 302 of the Sarbanes-Oxley Act, which addresses certifications by the principal executive officer (the CEO) and principal financial officer (usually the CFO).

Section 303A – Refers to Section 303A of the New York Stock Exchange Internal Audit Requirement. Section 303A also contains a number of new listing rules related primarily to the board of directors and related board committee issues. See Question 72 for more information.

Section 404 – Refers to Section 404 of the Sarbanes-Oxley Act, which addresses ICFR.

About Protiviti Inc.

Protiviti (www.protiviti.com) is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services. We help solve problems in finance and transactions, operations, technology, litigation, governance, risk, and compliance. Our highly trained, results-oriented professionals provide a unique perspective on a wide range of critical business issues for clients in the Americas, Asia-Pacific, Europe and the Middle East.

Protiviti is proud to be a Principal Partner of The IIA. More than 1,000 Protiviti professionals are active members of The IIA, and these members are involved with local, national and international leadership to provide thought leadership, speakers, best practices, training and other resources that develop and promote the internal audit profession.



Protiviti has more than 60 locations worldwide and is a wholly owned subsidiary of Robert Half International (NYSE symbol: RHI). Founded in 1948, Robert Half International is a member of the S&P 500 index.

Internal Audit Solutions

Protiviti works with companies of virtually any size, public or private, to assist them with their internal audit activities. This can include starting and running the activity for them on a fully outsourced basis or working with an existing internal audit function to supplement their team when they lack adequate staff or skills. Protiviti's services also include providing clients with highly specialized resources such as IT Security, Business Continuity and Fraud Detection, among many others, and assisting with internal audits in multiple countries.

One of Protiviti's key features is that we are not an audit/accounting firm; thus, there is never an independence issue in the work we do for our clients. Protiviti is able to use all of our consultants to work on internal audit projects – this allows us at any time to bring in our best experts in various functional and process areas.

In addition, Protiviti can conduct an independent review of a company's internal audit function – such a review is called for every five years under standards from The Institute of Internal Auditors.

Among the services Protiviti's internal audit practice provides are:

- Audit committee advisory
- Co-sourcing and specialized resource enhancement
- Full outsourcing
- Internal audit technology and tool implementation
- Internal audit quality assessments and readiness reviews
- Internal audit transformation
- Information technology audit services
- Start-up and development advice

For more information about Protiviti's internal audit solutions, please contact:
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KnowledgeLeaderSM provided by protiviti®

KnowledgeLeaderSM is a subscription-based website that provides information, tools, templates and resources to help internal auditors, risk managers and compliance professionals save time, stay up-to-date and manage business risk more effectively. The content is focused on business risk, technology risk and internal audit, and is updated weekly.

The tools and resources available on KnowledgeLeader include:

- **Audit Programs** – A wide variety of sample internal audit and IT function audit work programs are available on KnowledgeLeader. These work programs, along with the other tools listed below, are all provided in downloadable versions so they can be repurposed for use in your organization.
- **Checklists, Guides and Other Tools** – More than 600 checklists, guides and other tools are available on KnowledgeLeader. They include questionnaires, best practices, templates, charters and more for managing risk, conducting internal audits and leading an internal audit department.
- **Policies and Procedures** – KnowledgeLeader provides more than 200 sample policies to help in reviewing, updating or creating company policies and procedures.
- **Articles and Other Publications** – Informative articles, survey reports, newsletters and booklets produced by Protiviti and other parties (including *Compliance Week* and Auerbach) about business and technology risks, internal audit and finance.
- **Performer Profiles** – Interviews with internal audit executives who share their tips, techniques and best practices for managing risk and running the internal audit function.

Key topics covered by KnowledgeLeader:

- Business Continuity Management
- Control Self-Assessment
- Corporate Governance
- COSO
- Credit and Operational Risk
- Enterprise Risk Management
- Fraud and Ethics
- Internal Audit
- Sarbanes-Oxley Act
- Security Risk
- Technology Risk

KnowledgeLeader has an expanding library of methodologies and models – including the robust Protiviti Risk ModelSM, a process-oriented version of the Capability Maturity Model, the Six Elements of Infrastructure Model, and the Sarbanes-Oxley 404 Service Delivery Model.

With a KnowledgeLeader membership, subscribers have access to AuditNet Premium (Paid) Content; discounted certification exam preparation material from ExamMatrix; discounted MicroMash CPE Courses to maintain your professional certification requirements; audit, accounting and technology standards and organizations; certification and training organizations and information; brief review of applicable laws and regulations; and best business links.

To learn more about KnowledgeLeader, sign up for a complimentary 30-day trial by visiting our website at www.knowledgeleader.com. Protiviti clients and alumni, and members of The IIA, ISACA and AHIA, are eligible for a subscription discount. Additional discounts are provided to groups of five or more.

KnowledgeLeader members have the option of upgrading to KLplusSM (KL+). KL+ provides all of the benefits of KnowledgeLeader, plus full access to Protiviti's suite of online courses.

Protiviti's Governance Portal for Internal Audit

Protiviti's Internal Audit Portal is a web-based audit management system designed to improve the efficiency and effectiveness of your audit department. The Internal Audit Portal is an electronic work paper package that facilitates the audit process from risk assessment through issue tracking. Our advanced reporting engine will provide transparency, real-time status updates and a streamlined audit reporting experience.

Our clients are able to configure the solution to fit their approach and methodology, positioning both small and large internal audit functions to meet their objectives. When combined with our professionals and content, Protiviti will help you create a personalized response to your audit tool needs.

The Internal Audit Portal is an integrated module within the Protiviti Governance Portal that can be used independently or in conjunction with other modules to create a true governance, risk and compliance (GRC) platform. This enterprise solution allows you to leverage frameworks and build a common language and repository that brings internal audit information into a GRC context. Additional modules of the Governance Portal include:

- **Controls Management** – A framework that supports control documentation (e.g., Sarbanes-Oxley), evaluation, documentation and testing.
- **Risk Management** – A framework for assessing inherent, tolerable, and residual risk across defined enterprise categories.
- **Assessment Management** – An integrated survey engine that supports a sustainable self-assessment process across multiple GRC programs and modules of the Governance Portal.
- **Incident Management** – A system that captures actual, near-miss and potential events that can result in operational and financial losses.

For more information, about Protiviti's Governance Portal for Internal Audit, please contact:
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