

**Addendum B – Internal Audit Charter**  
**The Institute of Internal Auditors**  
**International Standards for the Professional Practice of Internal Auditing**

## **Attribute Standards**

### **1000 - Purpose, Authority, and Responsibility**

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

### **1010 - Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter**

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.

### **1100 - Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

### **1110 - Organizational Independence**

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

### **1111 - Direct Interaction with the Board**

The chief audit executive must communicate and interact directly with the board.

### **1112 – Chief Audit Executive Roles Beyond Internal Auditing**

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

### **1120 - Individual Objectivity**

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

### **1130 - Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

### **1200 - Proficiency and Due Professional Care**

Engagements must be performed with proficiency and due professional care.

### **1210 - Proficiency**

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

### **1220 - Due Professional Care**

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

### **1230 - Continuing Professional Development**

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

### **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.

### **1310 - Requirements of the Quality Assurance and Improvement Program**

The quality assurance and improvement program must include both internal and external assessments.

### **1311 - Internal Assessments**

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

### **1312 - External Assessments**

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

### **1320 - Reporting on the Quality Assurance and Improvement Program**

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

### **1321 - Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"**

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.

### **1322 - Disclosure of Nonconformance**

When nonconformance with the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

## **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.

### **2010 - Planning**

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

### **2020 - Communication and Approval**

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

### **2030 - Resource Management**

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

### **2040 - Policies and Procedures**

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

### **2050 – Coordination and Reliance**

The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

### **2060 - Reporting to Senior Management and the Board**

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the *Standards*. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

### **2070 - External Service Provider and Organizational Responsibility for Internal Auditing**

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

### **2100 - Nature of Work**

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

### **2110 - Governance**

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: Promoting appropriate ethics and values within the organization; Making strategic and operational decisions; Overseeing risk management and control; Ensuring effective organizational performance management and

accountability; Communicating risk and control information to appropriate areas of the organization; Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

#### **2120 - Risk Management**

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

#### **2130 - Control**

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

#### **2200 - Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.

#### **2201 - Planning Considerations**

In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

#### **2210 - Engagement Objectives**

Objectives must be established for each engagement.

#### **2220 - Engagement Scope**

The established scope must be sufficient to achieve the objectives of the engagement.

#### **2230 - Engagement Resource Allocation**

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

#### **2240 - Engagement Work Program**

Internal auditors must develop and document work programs that achieve the engagement objectives.

#### **2300 - Performing the Engagement**

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

#### **2310 - Identifying Information**

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

### **2320 - Analysis and Evaluation**

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

### **2330 - Documenting Information**

Internal auditors must document relevant information to support the conclusions and engagement results.

### **2340 - Engagement Supervision**

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

### **2400 - Communicating Results**

Internal auditors must communicate the engagement results.

### **2410 - Criteria for Communicating**

Communications must include the engagement's objectives and scope and results.

### **2420 - Quality of Communications**

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

### **2421 - Errors and Omissions**

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

### **2430 - Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"**

Indicating that engagements are "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing" is appropriate only if supported by the results of the quality assurance and improvement program.

### **2431 - Engagement Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the: Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved; Reason(s) for nonconformance; and Impact of nonconformance on the engagement and the communicated engagement results.

### **2440 - Disseminating Results**

The chief audit executive must communicate results to the appropriate parties.

### **2450 - Overall Opinions**

When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organization; as well as expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

### **2500 - Monitoring Progress**

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

### **2600 - Communicating the Acceptance of Risks**

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.