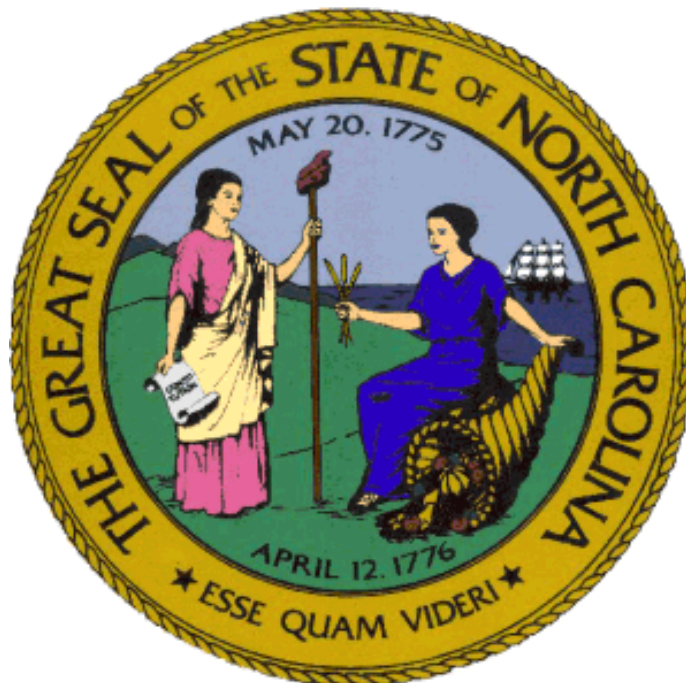# COUNCIL OF INTERNAL AUDITING

Peer Review Program

Administered by OSBM Internal Audit Section

Guidelines, Policies and Procedures for Statewide
External Quality Assessment/Peer Review Program

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

ACKNOWLEDGMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Effective Date: June 15, 2009   **Updated: December 22, 2020**

I. OVERVIEW

A. Peer Review Program Purpose

The Council of Internal Auditing Peer Review Program is a cooperative external review program required by the Internal Audit Act, G.S.143-747(c)(6). This program helps state agencies and universities comply with The Institute of Internal Auditors (IIA) *International Professional Practice Framework (Standards[1])*. In order to comply with the Standards, internal auditing functions are required to have an independent external assessment at least once every five years. The purpose of an external assessment is to evaluate and express an opinion on an Internal Audit function's compliance with the *Standards*. The opinion is expressed as one of three possible ratings: "generally complies", "partially complies", or "does not comply."

1. Generally complies - means that the relevant structures, policies, and procedures of the activity, as well as processes by which they are applied, comply with the requirements of the individual *Standard* or element of the *Code of Ethics* material.
2. Partially complies – means that the Internal Audit organization is making good faith efforts to comply with the *Standards* and the *Code of Ethics* but has fallen short of achieving some of their major objectives.
3. Does not comply – means the Internal Audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the *Standards* or elements of the *Code of Ethics*.

The Peer Review Program enables State agencies[2] to obtain their external assessment in a method that is cost-effective and educational.

B. Peer Reviewer Qualifications

Internal auditors in State agencies who meet the minimum requirements for conducting external reviews have the opportunity to volunteer in the Peer Review Program. Participating on Peer Review Teams provides training opportunities for internal auditors both performing and receiving peer reviews. The process offers a chance to network with other professionals from State agencies and provides insights into best practices peer reviewers can take back to their own internal audit functions.

The OSBM OIA (OIA) coordinates Quality Assurance Training in accordance with IIA quality review requirements. Internal auditors must meet minimum requirements in order to participate as a team member or team lead for external reviews.

---

[1] The International Professional Practice Framework has three mandated elements which included the IIA's Definition of Internal Auditing, the Code of Ethics and the Standards for the Professional Practice of Internal Auditing.
[2] State agency means each department created pursuant to Chapter 143A or 143B of the General Statutes, the Judicial Branch, The University of North Carolina, and the Department of Public Instruction.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Team Lead Requirements
1. A certified audit professional (CIA, CGAP, CISA, etc.) with current in-depth knowledge of the Standards.
2. Is well versed in the best practices of the profession.
3. Has at least five years of recent experience in the practice of internal auditing or consulting at a management level.
4. Has at least five years of recent experience in the practice of leading an audit engagement.

Team Member Requirements
1. Current in-depth knowledge of the Standards; and/or
2. Has at least two years of recent experience in the practice of leading an audit engagement.

Qualified Internal Auditors interested in participating in the Council's Peer Review Program should download and complete the Peer Reviewer Volunteer Application located on the OIA's website.

C. Roles and Responsibilities

Council of Internal Auditing
The Council of Internal Auditing has the overall responsibility for the external peer review program. Specific functions performed by the Council are to provide guidance in the form of policies, and resolve potential disputes that exist once all grievance processes have been exhausted, and to ensure the consistency of Council's external peer reviews.

OSBM Office of Internal Audit
The OIA is responsible for the day-to-day operation of the peer review program. The OIA has responsibility in two major areas:
1. Administration of the review process on a daily basis.
    a. Coordination and assignment of review teams.
    b. Conducting a quality assurance review of Quality Assurance Review (QAR) workpapers.
    c. Maintain final workpapers and reports.
2. Training of review team members.

The Internal Audit Director/ Chief Audit Officer (IAD/CAO)[3], or designee, has been charged with the overall responsibility of performing these functions. This individual manages the daily program activities in compliance with the policies and procedures approved by the Council of Internal Auditing. In addition, the Director, or designee, coordinates QAR training for volunteers as appropriate based on the need and the budget.

---

[3] For the Peer Review Program, the Internal Audit Director/Chief Audit Officer refers to the audit professional who oversees the internal audit function in the State agency.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

The Director, or designee, will assist in organization of the review team, coordination between the review team and the agency internal audit function, and coordination in peer review documentation.

Peer Review Committee
The Peer Review Committee consists of three volunteers who may serve as:
1. An arbitrator in the event of a disagreement regarding the outcome of a review.
2. A quality reviewer of the Peer Review Program process which will be conducted every five years.
3. A quality reviewer of OSBM peer review.
4. A reviewer of any updates to the Peer Review manual.

Every three years, the members who have served on this committee will rotate off and be replaced by representatives from other member agencies' internal audit staff, as selected by the OIA Director, or designee, and agreed upon by the committee members. Committee members will rotate off on a staggered basis to provide continuity of the committee process.

Agency Internal Audit Function
It is the responsibility of each IAD/CAO to obtain required external reviews. To participate in the Peer Review Program, State agencies are required to contribute:
1. Peer Review Team travel expenses when receiving a peer review.
2. Team members for conducting a peer review based on a required number of participation points. For more information on participation points, see Section II.A. Reciprocity Participation Policy and Procedure.

Peer Review Teams
Although the time involved in performing a peer review will vary, peer review team members are estimated to spend 100 to 120 hours on-site completing a peer review. Peer Review Team Leads are estimated to spend additional time (140 - 175 hours total) planning the review, scheduling interviews, distributing surveys, compiling survey results, spending time on-site, and drafting and finalizing the report.

Peer Review Teams evaluate stakeholder and staff surveys, interview selected members of the State agency being reviewed, review engagement work papers and other documents, evaluate the conformance to the Standards, review quality and process improvements, provide a summary of observations and recommendations (if appropriate), and draft a review report.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

II. PROGRAM POLICIES AND PROCEDURES

A. Reciprocity Participation

Purpose
The purpose of this policy is to provide the Peer Review Program participating State agency internal audit functions with guidance on providing equitable reciprocal participation on Peer Review Teams.

Policy
All participating State agency internal audit functions must reciprocate resources at the same level as that needed to conduct an effective peer review of its own internal audit function. Peer Review Teams, at a minimum, will be comprised of a Team Lead and one Team member. The OIA Director, or designee, is responsible for maintaining records of participation.

Procedures
To ensure proper reciprocation of resources a participation point system will be used. A State agency internal audit function earns points as followed:
1. Team Lead for a peer review earns a credit of 4 points.
2. Team member for a peer review earns a credit of 2 points.
3. Peer Review Committee earns a credit of 1 point.
4. Mediator, per the Dispute Resolution Policies and Procedures, earns a credit of 3 points.
5. Peer Review Committee members that performs a QAR of Council's Peer Review Program earns 3 points for their internal audit function.
6. Volunteer to participate on a workgroup related to the improvement of the peer review process earns 2 points.
7. An internal audit function that provides a volunteer to develop or improve peer review templates, surveys, questionnaires or programs earns 1 point.
8. Volunteer to assist with peer review training earns 1 point.
9. Volunteer to provide a training session on the QAR process earns 6 points.

For example, if the internal audit function's last Peer Review Team consisted of one lead and one member, the State agency must accumulate 6 participation points within five years of its most recent peer review.

Below are minimum guidelines for the number of persons to include on a Peer Review Team:
1. Small internal audit function (1-2 professional persons audit shop): Requires a one or two Person Peer Review Team (Team Lead – 4 points and Team Member – 2 points)
2. Medium internal audit function (3-8 professional persons audit shop) – Two Person Peer Review Team (Team Lead – 4 points, Team Member – 2 points)
3. Large internal audit function (more than 8 professional persons audit shop) – Three Person Peer Review Team (Team Lead – 4 points, Team Members – 2 points each).

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

To ensure <u>objectivity and independence</u> in fact and appearance, the following rules apply:
1. Former auditors of the internal audit function under review will not serve as Team Leads or Members until their previous internal audit function State agency has received a peer review or two years have passed, whichever is first.
2. Internal auditors cannot serve as a Team Lead or Member on a peer review conducted on their own internal audit function.
3. Each University Peer Review Team must include one State agency internal auditor.
4. Reciprocal reviews are not allowed. Example: if a DOT auditor participates on a Peer Review Team that is performing a QAR at OSBM then all OSBM auditors must refrain from participating on a Peer Review Team performing a QAR at DOT. This limitation is in place until OSBM receives a subsequent peer review provided by a Peer Review Team which does not include DOT auditors.

Additional requirements and guidelines are:
1. An internal audit function that has auditors participating in peer reviews as a Team Lead or Team Members are entitled to their credits for participation unless the peer review is terminated prior to conducting the preliminary meeting.
2. The OIA will assist IAD/CAOs in coordinating Team Members for his/her internal audit function's peer review.
3. The OIA will maintain a tracking system to record and monitor points used and earned. The system will maintain the internal audit function's point balance and each individual's participation. At the end of a peer review, individual participation and internal audit function's points will be recorded.
4. Point sharing is allowed. Any State agency may donate points to another participating State agency. The donating State agency must, in writing, inform OIA of the number of points being donated and the State agency that will receive the points.

B. Dispute Resolution

<u>Purpose</u>
The purpose of this policy is to provide participating State agency internal audit functions with guidance for resolving disputes that may arise in conjunction with Peer Reviews performed by OIA volunteer peer reviewers.

<u>Policy</u>
The participants who comprise the Peer Review Program membership are committed to communicating and interacting on a professional basis throughout all peer review activities. When difficulties arise during a peer review, the IAD/CAO and the Team Lead will make every reasonable attempt to reach consensus on actions needed.

The Peer Review Program membership recognizes that occasionally some differences could benefit from third-party intervention and assistance. The OIA Peer Review Committee is available to assist with dispute resolution of peer review issues involving member agencies. Persons serving in the role of Mediator as described below earn a credit of 3 points, per the Reciprocity Participation Policies and Procedures.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Procedures
State agencies that desire dispute resolution assistance from the Peer Review Committee will follow the procedures outlined below:

1. Both the Team Lead and IAD/CAO will submit a written request for assistance from the Peer Review Committee Chair if third party intervention and assistance is needed regarding a Peer Review. This request should describe the nature of the disagreement, the issues involved, and authoritative support as appropriate. The request will be submitted to the OIA Director, or designee. The OIA Director is responsible for providing this information to the Peer Review Committee Chair or Committee member if the Chair is involved in the peer review, within one working day.
2. Within five business days of receiving the request, the Peer Review Committee Chair or Committee member if the Chair is involved in the peer review, will assign a Committee member who is independent of the dispute to serve as a Mediator for the project. The Mediator will certify in writing that he or she does not have a conflict of interest with either party involved in the dispute by completing the Statement of Independence for Mediators on the OIA's Website under QAR Assessment Map – A5
3. Within five working days of receiving the assignment, the Mediator will communicate with both the Peer Review Team Lead and the IAD/CAO for the purpose of determining the facts of the dispute. This may be done individually or jointly at the discretion of the Mediator. This can be done via phone, internet, or in-person.
4. Both parties to the dispute will provide additional documentation as requested by the Mediator within three working days.
5. The Mediator will meet with the parties and provide a recommended solution in writing within ten working days of receiving either all requested documents (Step 4 above) or determining the facts (step 3 above). A copy must be forwarded to the Peer Review Committee Chair and the OIA.
6. The parties will accept the Mediator's recommendation or develop an alternative solution that maintains the integrity of the peer review process and meets internal auditing standards and the IIA Code of Ethics.
7. The recommended solution and final resolution will be part of the workpapers.
8. The Mediator will notify OIA when the dispute resolution has been completed so the points that were earned will be tracked for reciprocity purposes.

C. Confidentiality of Information

Purpose
The purpose of this policy is to provide participating State agency internal audit functions with guidance on confidentiality requirements.

Policy
The Peer Review Team Lead, Team Members, and any individual participating in a dispute resolution or quality assurance review will not disclose, verbally or in writing, information

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

concerning the reviewed internal audit function or any of its clients without authorization from the Internal Audit Director of the internal audit function under review. The only exception is compliance with public records laws and Records Retention Policies and Procedures.

Procedure
Internal audit functions and Peer Review Teams participating in the Peer Review Program process will follow the procedures outlined below:

1. The Peer Review Team and dispute resolution participants, quality reviewers of the peer review program and the OIA Director, or designee, will not discuss any information reviewed, identified or created during the peer review with anyone other than the IAD/CAO of the internal audit function under review.
2. The IAD/CAO of the internal audit function under review can authorize the Peer Review Team to disclose certain information to specific individuals such as management, governing board members or Peer Review Committee members (to comply with Dispute Resolution Policies and Procedures).
3. The Peer Review Team will keep secure all workpapers developed during the peer review and only disclose workpapers to the IAD/CAO of the internal audit function under review or the OIA. At the completion of the peer review all peer review workpapers, documents, and reports will be submitted to the OIA (to comply with Records Retention Policies and Procedures).
4. No Peer Review Team member will retain copies of the peer review workpapers unless approved by the IAD/CAO of the internal audit function under review.
5. If questions or concerns about confidentiality arise during the peer review process, contact the OIA Director, or designee, for clarification.

D. Records Retention

Purpose
The purpose of this policy is to provide participating State agencies internal audit function with guidance on how to maintain workpapers for peer reviews.

Policy
Ownership of peer review workpapers remain with the OIA. The Peer Review Team Lead is responsible for control of the workpapers during the Peer Review. Workpapers will be maintained for a period of ten (10) years.

Procedure
Internal audit functions and Peer Review Teams participating in the Peer Review Program process will follow the procedures outlined below:

1. Workpapers maintained by the Peer Review Team will be kept secured and will not be released to anyone during or after completion of the peer review except the OIA.
2. The Peer Review Team Lead will submit the peer review workpapers/report to the OIA no later than ten (10) business day after the exit conference.
3. The Peer Review Team will provide workpapers/report in electronic format on the SharePoint.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

4. The Peer Review Team will not retain any of the peer review workpapers after completion of the review. After submission of workpapers to OSBM, the Peer Review Team will delete/destroy all electronic or manual workpaper.
5. The OSBM OIA Director, or designee, will retain the peer review workpapers for a period of ten (10) years.
6. The peer review report should be kept in the internal audit function's permanent files.

E. Conformance with Standards

<u>Purpose</u>
The purpose of this policy is to provide participating State agency internal audit functions with a definition and understanding of conformance with the IIA Standards.

<u>Policy</u>
Conformance with Standards does not mean the ideal situation or best practice. Instead, the Peer Review Team should consider the degree an internal audit function conforms, in spirit and intent, to the Standards. Ratings provided by the Peer Review Team will be one of the three following:

Generally Conforms: The Peer Review Team has concluded that the relevant structures, policies, and procedures of the internal audit function, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the internal audit function has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, "best practice," etc.

Partially Conforms: The Peer Review Team has concluded that the internal audit function is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit function and may result in recommendations to senior management or the board of the State agency.

Does Not Conform: The Peer Review Team has concluded that the internal audit function is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the internal audit function's effectiveness and its potential to add value to the State agency. These may

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

also represent significant opportunities for improvement, including actions by senior management or the board.

Procedure
Peer Review Teams will consider the size and the maturity of an internal audit function. Small audit functions may have less supervisory reviews or documented policies and procedures than larger internal audit functions.

Peer Review Team members should:
1. Consider each individual standard and conclude as to the degree of conformity to Standards.
2. Consider each section of the Standards and conclude as to the degree of conformity based on the individual Standards within the section.
3. Consider both major categories, Attribute and Performance, and conclude as to the degree of conformity based on all sections within that major category.
4. Consider the four principles and related rules of conduct in the Code of Ethics and conclude whether or not the internal audit function management and staff uphold these principles and related rules.

F. Quality Assurance Review of Peer Review Program

Purpose
The purpose of this policy is to provide the Peer Review Committee with guidance on how to conduct a review of the Peer Review Program.

Policy
The Peer Review Committee is responsible for providing a quality assurance review of the Peer Review Program every five (5) years.

Procedure
1. The OIA Director, or designee, will request a quality assurance review from the Peer Review Committee.
2. The OIA Director, or designee, will provide a list of all peer review projects, within the scope of the review, to the Peer Review Committee.
3. The Peer Review Committee will select a sample of peer review projects for the quality assurance review.
4. Peer review workpapers will be reviewed for adequacy and completeness.
5. A report/letter will be issued to the Council of Internal Auditing communicating the results of the review.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

III. Peer Review Procedures

An outline of the peer review steps and each of the entities responsibility throughout the process can be seen in Appendix A.

A. Peer Review Preparation

Preparing for the peer review is essential to facilitating a more efficient and effective peer review. Internal self-assessments are recommended to ensure your internal audit function is appropriately positioned for a formal QAR. A sample self-assessment checklist can be downloaded from the OIA's website and may assist you with an internal self-assessment. A self-assessment should be completed at least 12 months prior to the QAR request. This will help identify any gaps or issue and provide time to implement process changes which will allow the QAR review team to measure the internal audit function on the new processes.

Prior to requesting a QAR, a State agency's internal audit function must review the Peer Review Program Guidelines, notify the appropriate agency management of the peer review process and <u>MUST</u> complete the A-6b Planning Questionnaire and A-6a Document List, including having **all supporting documents listed in the A-6a document** ready to place into the SharePoint.

It is <u>highly recommended</u> the internal audit functions start completing the Planning Tools anywhere from three to six months prior to the need for a peer review. The questionnaire is a lengthy and comprehensive document that must be completed when the Requesting a Review form is submitted.

Owner	Peer Review Preparation Responsibilities
IAD/CAO	• Review Peer Review Guidelines. • Consider the self-assessment checklist. • Start completing the Planning Questionnaire to ensure you are prepared for a peer review. • Notify appropriate agency management.

B. Planning Questionnaire

The Planning Questionnaire and Document List provides the foundation for the internal audit function's peer review.   It is <u>required</u> that the requesting internal audit function <u>complete this before the initial request</u> is made since it is a lengthy and comprehensive document.

The comprehensive document is to be completed by the Director of Internal Audit or designee. Completing the planning questionnaire should facilitate a more efficient and effective peer review for both the peer review volunteers and the internal audit function being reviewed. The tool is based on the questionnaire in the Quality Assessment Manual published by the IIA. The Internal audit function being reviewed should respond to all questions, requests for information, and requests for evaluative comments. The planning tool is comprehensive and internal audit functions being reviewed should plan adequate time to complete the tool prior to

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

requesting the review. The A-6b Planning Questionnaire and A-6a Document List can be downloaded from the OIA's and should be fully completed, all supporting document must be available at the time of the request.

Owner	Planning Tool Responsibilities
IAD/CAO	• Complete the Planning Tools and have all supporting document ready for submission to OIA upon request.
OIA	• Assist the IAD/CAO with any questions he/she may have while completing the tool.

C. Requesting a Review

After reviewing the Peer Review Program Guidelines and completing the Planning tools, the requesting internal audit function completes the request form found on the OSBM OIA website (Peer Review Request) and submits it to internalauditinfo@osbm.nc.gov **along with the A6b Questionnaire**. Exhibits or other supporting document are not required to be submitted at the time of request but **must be ready to provide upon request**.

The OIA Director, or designee, within one week of receipt of the request, reviews the request, identifies team members, and informs team members and internal audit function director (Director) of the selection. If the Director has a valid reason why an individual should not be on the review team, the Director will inform OIA of the reason for dismissing the individual from the review. OIA will contact the selected members and determine if there are any independence / objective impairments.

Internal audit functions are encouraged to submit a request at least three to four months in advance of their need for an external review. Review teams will be based upon the requesting internal audit function's size, types of audits completed, prior external review, type of State agency and volunteer availability.

Owner	Requesting a Review Responsibilities
IAD/CAO	• Complete the Planning Questionnaire and all supporting documents. • Complete the Peer Review Request Form and submit the form and A6b Questionnaire to the OIA at least three to four months before the requested review date. • Accepts team members.
Office of Internal Audit (OIA)	• Confirm receipt of the request form. • Review the request form and A6b Questionnaire for any additional information needed from the IAD/CAO. • Identify and notify team members and provide to IAD/CAO. • Contact team members and determine independence status. • Document Peer Review Team member and request in tracking system.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

D. Independence Statement

Once the Review Team has been selected, all team members must complete the Independence Statement (A-4 Independence Statement). The Independence Statement is intended to document the professional qualifications and independence of the team members in accordance with the *Standard* and as defined in Reciprocity Participation of this manual.

Team Members should complete the form and email a copy to the OIA. Once reviewer's independence is confirmed, OIA will set up a Shared Point site. OIA will provide the Shared Point link to the requesting internal audit function and review team members. It is the responsibility of the requesting IAD/CAO/chief audit officer to upload all supporting documents included in the A6a Document List along with the A6b Questionnaire.
OIA will upload all tools and templates, along with the completed independence statements.

The OIA will provide a training session to the team members. The session will include an overview of the QAR process, timeframes for completion and how to use the tools and templates.

Owner	Independence Statement Responsibilities
IAD/CAO	• Upload the A6a document list, all supporting document and the A6b questionnaire.
Team Lead	• Complete the Independence Statement and submit to OIA. • Attend training on the process, tools, and templates to the review team
Team Members	• Complete the Independence Statement and submit to OIA. • Attend training on the process, tools, and templates to the review team
OIA	• Set up a Share Point Site. • Provide Share Point Site to IAD/CAO. • Upload all tools and templates to Shared Point • Upload the Independence Statement to Shared Point. • Provide training on the process, tools, and templates to the review team

E. Memorandum of Understanding

Once a Review Team is organized and agreed upon, the requesting State agency internal audit function and Team Lead drafts a Memorandum of Understanding (A3 MOU). This should be completed ten to 12 weeks prior to on-site visit.

The MOU specifies the purpose and scope of the peer review, who will conduct the review, when it will be conducted, and how any expenses will be handled. The internal audit function being reviewed is responsible for working directly with the Peer Review Team to coordinate travel arrangements. The MOU should be signed and executed before making travel arrangements.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

The requesting State agency's IAD/CAO is responsible for determining the review period and is the owner of the MOU. In order to have a representative sample of engagements for review, the IAD/CAO must select the most recent 12-month period or the last fiscal year as the review period. There must be at least eight completed engagements to allow for a representative sample to be selected by the review teams.

Owner	MOU Responsibilities
IAD/CAO	• Coordinate and draft a MOU with the identified Peer Review Team Lead. • Sign MOU in DocuSign
Team Lead	• Assist the IAD/CAO with drafting the MOU. • Notify OIA that Memo is ready for signature. • Sign MOU in DocuSign
Team Member	• Sign the MOU and return to Team lead.
OIA	• Place the MOU in DocuSign for signatures. • Sign the MOU • Place MOU in SharePoint, completed document folder

F. Preliminary Meeting

For planning purposes, the Team Lead may use the Peer Review Program Checklist (A7) to ensure all requirements of the peer review is completed timely.   Use of these tools is optional; however, it is highly recommended to ensure all required steps are completed.

After reviewing the Planning documents, the Peer Review Team and the IAD/CAO coordinate a preliminary meeting which may be via conference call, virtual meeting or in person. (A10a preliminary meeting).
 The purpose of the meeting is to:
1. Introduce the internal audit staff members and Peer Review Team members.
2. Discuss the Review Process (Team Lead) including:
   o Sending out surveys; and
   o Scheduling interviews.
3. Request list of names and contact information for all the State agency managers who have been involved in internal audits during the review period, internal audit staff, and individuals that the IAD/CAO report to functionally and administratively.
4. Confirm the review period (determined by the IAD/CAO).
5. Discussed the process for selecting a representative sample of audit workpapers for reviewed. A template is located on the OIA's website – see QAR Assessment Map – A10b for obtaining the necessary data to make a selection.
6. Familiarize the Peer Review Team with the policies and procedures of the internal audit function.
7. Select and/or confirm the date for on-site visit.
8. Discuss availability of office space and parking.
9. Discuss travel arrangements, if necessary.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

During or immediately following the preliminary meeting, the IAD/CAO provides the following:

1. Send a list of names and contact information for all of the agency managers who have been involved in internal audits during the time period being reviewed to the Team Lead (Template A10b of the QAR Assessment Map).
2. Send a list of names and contact information of individuals the IAD/CAO reports to functionally and administratively, if not in A6-Questionaire.
3. Send a list of all internal audit staff names and contact information.
4. Send a list of all internal audits completed during the selected review period (if different than items listed in A6).
5. Send an e-mail notification to the individuals listed in steps F.1 through F.3 above that a peer review is occurring and that they may be contacted to complete a survey or an interview. The Peer Review Lead should be copied on this email.

A preliminary meeting should be held six to eight weeks before the on-site visit. This meeting may be utilized as the entrance conference if agreed upon by the Peer Review Team and IAD/CAO.

Owner	Preliminary Meeting Responsibilities

IAD/CAO	• Coordinate a preliminary meeting with the Peer Review Team.
	• Confirm the review period for the peer review.
	• Work with the Team Lead to select exact dates for on-site work.
	• During or immediately after the meeting provide:
	  o A list of all internal audits completed during the cope of the review, client names, auditor that completed the engagement, etc… (use the A10b engagement template);
	  o A list of names and contact information of individuals the IAD/CAO reports to functionally and administratively (if not in A6); and
	  o A list of internal audit staff names and contact information.
	• Immediately after the meeting, send:
	  o An e-mail notification to all individuals included on lists above and copy the Peer Review Team Lead. The notification should inform the individuals that a peer review is occurring and that they may be contacted for an interview or to complete a survey; and
	  o If requested by Team Lead, start scheduling interviews.
	• Discuss travel arrangements, if necessary.

Team Lead	• Coordinate a preliminary meeting with the IAD/CAO. • Discuss the review process during the meeting. • Work with the IAD/CAO and Team Members to select exact

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

	dates for on-site work.
	• Immediately after the meeting, or sooner after provide names to IA Director to schedule interviews.
	• Immediately after the meeting, start modify the survey instructions and email (B1, B2, B3) tools.
	• Discuss travel arrangements, if necessary.
Team Members	• Attend the preliminary meeting.
	• Work with the IAD/CAO and Team Lead to select exact dates for on-site work.
	• Discuss travel arrangements, if necessary.

G. Travel Arrangements

During the COVID-19 all QAR will be conducted virtually using SharePoint, Teams, Zoom, or WebEx, or phone calls.

The State agency internal audit function being reviewed is responsible for working directly with the Peer Review Team to coordinate travel arrangements. The requesting State agency internal audit function must reimburse Peer Review Team members for travel expense based on the State rates and requirements.

Owner	Travel Arrangements Responsibilities
IAD/CAO	• Work directly with the Review Team to coordinate travel arrangements.
	• Reimburse team members for meals, travel, and other reasonable expenses.
Team Lead	• Work with the IAD/CAO to coordinate travel arrangements.
	• Submit expenses as requested by the IAD/CAO.
Team Members	• Work with the IAD/CAO to coordinate travel arrangements.
	• Submit expenses as requested by the IAD/CAO.

H. Peer Review Plan

Approximately seven to eight weeks prior to the on-site work, the Peer Review Team Lead should start to develop the peer review plan. This plan should be finalized with two weeks of the on-site visit. The Peer Review Program Checklist (A7) may be used as the plan, along with the Work Assignment Template (A8)

The Peer Review Team should become familiar with all the forms and tools. To the extent possible, the Peer Review Team should start completing the following Tools by using the information obtained in the Planning tools (A6) and the preliminary meeting:
1.   Governance (D1).
2.   Staff (D2).
3.   Management (D3).
4.   Process (D4).

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   Updated: December 22, 2020

Owner	Peer Review Plan Responsibilities
IAD/CAO	• Assist with scheduling interviews. • Assist with survey notification.
Team Lead	• Develop a plan to ensure all required review steps are completed timely. • Get familiar with all forms and tools and to the extent possible, start completing D1 through D4. • Identify individuals for interviews. • Inform IA Director of individuals to schedule for interviews and email surveys. • Select a sample of engagements to review. • Notify IAD/CAO of selected engagements under review.
Team Member	• Get familiar with all forms and tools and provide assistance to the Team Lead if requested. • Assist Team Lead with scheduling interviews.

I. Survey Questionnaires

Surveys for internal audit staff, clients and senior management are available in Survey Monkey which is maintained by OIA. Program Development Officer will establish a link for survey distribution. All requests for a survey link should be sent to the following e-mail address: internalauditinfo@osbm.nc.gov.

At least six to eight weeks prior to the on-site visits, the Team Lead will send out the survey link and correspondence to the IAD/CAO for the senior management and clients surveys. The IAD/CAO will email the link to all individual identified by the Team Lead. The IAD/CAO will assist with any additional requests to senior management or client to complete the survey if necessary.

The Team Lead or Team Member must send the survey directly to the internal audit staff.

It is suggested to provide survey respondents, two weeks to respond to the survey.

The Team Lead can request information on the number of responses from the Program Development Officer at any time. Once the deadline for submission has passed, the Team Lead will request the results from Program Development Officer e-mail address: internalauditinfo@osbm.nc.gov. When the survey results are submitted to the Team Lead, OIA will remove the IAD/CAO from the Shared Point site.

The IAD/CAO will complete the Senior Management/Client survey based on how they think the respondents will reply to the questions on the survey.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

The Team Lead will summarize the results of the surveys for senior management and clients only. This information will be provided to the IAD/CAO. The staff survey results **will not** be provided to the IAD/CAO but the Team Lead can provide verbal feedback if necessary.

Owner	Survey Questionnaires Responsibilities
IAD/CAO	• Responsible for completing the survey. • Responsible for emailing surveys to senior management and clients. • Responsible for following up on surveys not submitted.
Team Lead	• Responsible for requesting a survey link. • Send surveys to internal audit staff members (this could be assigned to the Team member). • Request summary of responses received from Program Development Officer and summarize the survey results. • Upload survey results to the Shared Point. • Develop potential observations based on survey results.
Team Members	• Assist the Team Lead as requested. • Review survey result summary.
Program Development Officer	• Establish link for surveys when requested by Team Lead and mark as opened noting the specific QAR in the title. • Distribute updates on completion rates and the survey result summary to Team Lead upon request. • Remove the IAD/CAO and any staff from the SharePoint access.

J. On-Site Preparation

The peer review plan should be finalized within two weeks of the on-site visit. This includes identifying individuals for interviews, scheduling interviews and selecting a sample of engagements for review. The Peer Review Team coordinates on-site work with the IAD/CAO including contacts with State agency management and board members. The IAD/CAO will schedule all senior management and client interviews for the Team Reviewers and may assist with scheduling internal audit staff interviews. The Team Lead is responsible for assigning the Team Members' activities prior to arriving on-site (A8). In addition, the Team Lead prepares and/or copies necessary paperwork for the site visit.

Owner	On-Site Preparation Responsibilities
IAD/CAO	• Prepare for the Peer Review Team's arrival. • Assist with scheduling interviews. • Pull engagement workpapers for review.
Team Lead	• Identify individuals for interviews. • Contact State agency individuals to schedule interviews. • Select a sample of engagements to review. • Notify IAD/CAO of selected engagement under review.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

	• Finalize necessary paperwork for on-site work.
	• Assign Team Members with interview and engagements.
Team Members	• Assist Team Lead with scheduling interviews.
	• Assist Team Lead with finalizing on-site documents.
	• Review documents and questionnaires to be used on-site.

K. On-Site Work

The on-site work is the most comprehensive part of the peer review. The work is usually conducted for a period of one week, depending on the scope of the work, and involves the review of the internal audit function including:

1. Audits and consulting engagements.
2. Reports and supporting documentation.
3. Administrative and operating policies, procedures, and records.
4. Staffing knowledge and skills.
5. Risk assessment.
6. Controls monitoring.
7. Interaction with governance participants.
8. Best practices.
9. Other evidence of continuous improvement.

During the on-site work, the IAD/CAO assists the Peer Review Team in a timely manner throughout the process. This includes actions such as assisting with any rescheduling of interviews; providing the team with requested workpapers; providing the team with requested documents; and scheduling entrance (the preliminary meeting may replace the entrance conference if agreed upon by the Peer Review Team and IAD/CAO) and exit conferences.

The Peer Review Team performs work in a timely manner throughout the on-site process and completes work promptly in accordance with agreed upon schedules. In addition, the Peer Review Team Lead maintains open communication with the IAD/CAO during the peer review regarding project status and results.

The Peer Review Team performs on-site work, including review of administrative policies and procedures, consideration of enterprise risk, governance and audit risk assessment in audit planning, workpaper and report reviews for selected audits and consulting projects, review of the number and skills of staff and their continuing professional education, and evaluation of the capabilities and adequacy of audit coverage in information technology areas.

The Peer Review Team <u>must</u> select engagements conducted by contracted staff via the State's term contract 961A-Internal Audit Supplemental Staffing for review.

During the on-site work, all members involved in the review complete the following process:
1. Hold an entrance conference with the IAD/CAO, Internal Audit Staff, if the IAD/CAO deems necessary, and Peer Review Team Members to discuss the on-site process.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

2. The Review Team conducts interviews. Sample interview questions are included in the Shared Point but **must be reviewed and modified as appropriate**.
    a. A sample of Board members, preferably including the Chair and an Audit Committee representative (C2).
    b. Executive Management (C2).
    c. A sample of agency managers who received audits or consulting engagements during the time period begin reviewed (C2).
    d. Director of Internal Audit (C1), the Team lead will determine if this interview is necessary since the preliminary meeting, entrance conference and survey information may suffice.
    e. Internal Audit staff (C3).
    f. External auditors, if relevant and cost-effective (C4).
3. Review results of interviews to determine or support notable accomplishments or observations.
4. The Peer Review Team evaluates the internal audit function using the following forms:
    a. Governance Section (QAR Assessment Map – D1).
    b. Staff Section (QAR Assessment Map – D2).
    c. Management Section (QAR Assessment Map – D3).
    d. Process Section (QAR Assessment Map – D4).
    These forms are all inclusive. The Team members must document supporting items reviewed to support conclusions, any best practice identified, observations for nonconformance with a Standard or process improvements, criteria, recommendations and a reference to the location in the report or verbal observation sheet.

As team members complete the on-site work, any observations and issues realized through the peer review process are recorded in each individual program spreadsheet (see D1-D4). The Observations and Issues Worksheet (E1) must be used for any verbal observation and recommendations. The Observations and Issues Worksheets may be used for formal observation but is not necessary since these observations will be included in the individual program and the formal report.

Owner	On-Site Work Responsibilities
IAD/CAO	• Assist the Peer Review Team in a timely manner throughout the onsite process. This includes actions such as providing office space for the team members; rescheduling interviews, if necessary; providing the team with requested workpapers; providing the team with additional documents; and scheduling exit conferences.
Team Lead	• Plan and conduct on-site work. • Coordinate interviews with the IAD/CAO's assistance. • Provide guidance to team members as necessary.
Team Members	• Conduct on-site work as directed by the Team Lead.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009	**Updated: December 22, 2020**

L. Evaluation and Closing Conference

The members of the Peer Review Team should use the Standard Conformance form (E2) to evaluate conformance with each Standard. There are two methods for determining the Standards rating:

1. Each Team Member can complete the Standard Conformance document and the Team Lead review and consolidate the evaluations in to the Standard Conformance document located on the OIA's website under QAR Assessment Map – E2a.
2. The Team Lead and Member(s) can review the form together and discuss each standard and come to a census as to the rating for each Standard and fill out the Standard Conformance document.

This Standard Conformance document should be completed prior the closing conference unless the draft report is provided at this time. Each verbal observation (E1 form) should be completed prior to the closing conference.

The Peer Review Team meets near the end of the on-site work to provide a summary of issues and recommendations and to hold a closing conference with the IAD/CAO and/or other requesters of the peer review. The purpose of the closing conference is to:

1. Share the formal or verbal observations and recommendations with the IAD/CAO.
2. Obtain any feedback to the recommendations.
3. Provide a copy of the Standard Conformance document or draft report is completed.
4. Provide copies of all verbal observations.

Owner	Evaluation and Providing Issues and Recommendations Responsibilities
IAD/CAO	• Coordinate the necessary people to attend a closing conference with the Peer Review Team.
Team Lead	• Gather Team Members to discuss overall results and issues and recommendations gathered during the on-site work. • Determine final overall ratings based on all the peer review the work conducted. • Summarize the issues and recommendations for the closing conference. • Complete all verbal observation on form E1. • Conduct closing conference.
Team Members	• Provide input to the team lead for observations and recommendations. • Participate in the determination of the overall conformance rating. • Draft any verbal observations. • Attend the closing conference.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

M. Drafting the Report

Following completion of the on-site work and closing conference, the Team Lead drafts a final report (E4) which will be provided to the IAD/CAO within two weeks. The report should contain the following:

1. A transmittal letter.
2. Scope and Objective of the review.
3. Conformance with the *Standards*, Code of Ethics, Definition of Internal Auditing and the Internal Audit Act.
4. Identification of any individual standards rated less than Generally Conforms, including observation details, recommendations for improvement and management action plans.
5. An appendix listing all Standards and their individual conformance.
6. Definition of term used in the conformance evaluation, i.e. Genreally Conforms, Partial Conforms, and Does Not Conform.
7. Identification of noteworthy accomplishments.
8. Process improvement opportunities to help the internal audit function add value.

The IAD/CAO prepares written comments and forwards to the Team Lead within two weeks of the draft report issue date. The Team Lead then incorporates the IAD/CAO's comments into the report, obtains signature(s) of the Team member(s), and issues a final report to the IAD/CAO no later than four weeks from the last day of on-site fieldwork/closing conference. The Team Lead must send the original peer review workpapers and final report to the OIA within one week of providing the final report to the IAD/CAO.

Following submission of the final report, the IAD/CAO communicates the results of the review, the recommendations, and the necessary action plan to senior management, as appropriate, and to the governing board. The communication must include an opinion on the internal audit function's compliance with the Standards and Internal Audit Act, based on a structured rating process.

Owner	Drafting the Report Responsibilities
IAD/CAO	• Provide written comments to the Team Lead within two weeks of receiving the draft report. • Communicate the results of the review, the recommendations, and the necessary action plan to senior management, as appropriate, and to the board. Include an opinion on the internal audit activity's compliance with the Standards.
Team Lead	• Send a draft report to the IAD/CAO within two weeks of the closing conference. • Incorporate the written response into the report, obtain signatures of the Team members, and issue the final report. • Submit final report and original workpapers to OIA.
Team Members	• Provide input to the Team Lead as requested. • Sign the final report.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   Updated: December 22, 2020

N. Quality Assurance Review

The Team Lead should submit notify OIA once the workpapers are completed. This should occur as soon as possible after completion of the site visit. The OIA is responsible for conducting a quality review (E3) of the peer review workpapers for completeness and reasonableness. OIA will ensure all steps have been completed by the Peer Review Team and recommendations/conclusion are reasonable and supported by the work performed for the internal audit function. This assurance review will be completed within five business days of notification by the Team Lead. The OIA will provide an electronic copy of the Quality Assurance document to the Team Lead if issues are identified and the Team Lead address all issues.

Owner	Evaluation and Providing Issues and Recommendations Responsibilities
Team Lead	• Notify OIA that workpapers are ready for review within required timeframe. • Notify OIA when draft report is ready for review within required timeframe. • Respond to any issues identified through the quality assurance review.
OIA	• Review workpapers for completeness. • Ensure recommendations are reasonable. • Complete quality assurance review document.

O. Closing Items

To close out the peer review process, complete the following steps:

1. *Complete the Peer Review Survey*: All Team Members and the IAD/CAO participating in the peer review process should complete the Client Satisfaction Survey (E5). The Team Lead must request a link for the survey from the Program Development Officer. The Team Lead should also request a link from the Program Development Officer for Peer Review.

2. *Thank you notes*: the IAD/CAO may send thank you notes to Board members, clients, and senior management for their cooperation's and participation during the peer review process.

3. *Workpapers*: The Team Lead uploads the final report to the Shared Point and notifies OIA within one week of issuing the final report. The OIA retains the peer review workpapers after the final report has been issued, in accordance with the Records Retention Policies and Procedures. **The Team Lead and members MUST not maintain any document related to the peer review. Any and all documents maintain outside the Shared Point must be deleted included the final report. Results of the review MUST not be discussed with anyone outside the review process.**

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009　　　　　　　　**Updated: December 22, 2020**

Owner	Closing Items Responsibilities
IAD/CAO	• Complete Client Satisfaction Survey. • Send thank you letters.
Team Lead	• Complete the Peer Review Survey. • Ensure all document are included in the Shared Point • Delete any electronic documents related to the peer review from their computer or destroy hard copy documents related to the review.
Team Members	• Complete the Peer Review Survey. • Delete any electronic documents related to the peer review from their computer or destroy hard copy documents related to the review.
OIA	• Gather the surveys and summarize results. • Retain workpapers and a copy of the final report.

Effective Date: June 15, 2009   **Updated: December 22, 2020**

APPENDIX A

Table A1 identifies the timing of activities to be conducted by the Peer Review Team.

Table A1 – Timing of Activities for Peer Review Team		
Complete Planning and Surveys *Prior to onsite work*	**Conduct Interviews and Document Review** *During onsite work*	**Report Draft and Review** *After onsite work*
- Review Planning Questionnaire and document list. - Develop work assignments - Conduct surveys: - Senior management - Clients of the IA activity during the timeline within scope of the review - Internal Audit Staff - IAD/CAO - Summarize results - Select engagements for review - Develop Interview Questionnaires - Schedule interviews - Finalize peer review plan - If possible, start completing Program D1, D2, D3, and D4.	- Review engagement documents - Conduct interviews: - Board/Audit Committee Member (if applicable) - IAD/CAO's boss - Senior management - CIO - Management - Clients - IAD/CAO - Internal Audit Staff - External Auditor, if necessary - Summarize interview results - Complete program tools - Evaluate overall compliance - May drafting report - Develop verbal observations - Conduct closing conference	- Finalize draft report - Inform OIA to conduct the quality assurance review. - Respond to OIA quality review (if necessary) - Incorporate response from the IAD/CAO into draft report - Finalize report and provide to appropriate individuals - Notify OIA that all workpapers and copy of final report is uploaded to Shared Point - Complete Peer Review Program - Use Peer Review Program and Client Satisfaction Surveys result for improving the Peer Review Process

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Table A2 outlines the peer review steps, timeframe, forms and each entities responsibility throughout the process.

Table A2 – Outline of Peer Review Process					
			Responsibility		
Peer Review Step	**Timeframe**	**Forms**	**Agency Internal Audit Function**	**Peer Review Team**	**OSBM Office of Internal Audit (OIA)**
A. Peer Review Preparation Self-Assessment	1 to 2 years prior to the need of a QAR, (optional)	Peer Review Guidelines A8: Self-Assessment Checklist	The internal audit function conducts the self-assessment. This will help identify gaps and implement changes.		
B. Planning Tool Questionnaire and Document List	Lengthy process can take 3 months to complete. Must be completed by time of request.	A6a: Document List A6b: Planning Questionnaire	Informs management of the upcoming review, including participation requirements and steps Internal audit function has completed the A6 Planning forms at the time of the request.		
C. Requesting a Review	3 to 4 months (12 weeks) prior for the need of a review	A2: Peer Review Request form A6: Planning Tool Questionnaire and Document List	The internal audit function completes the formal request form for a peer review and submits it to OIA with the A6b questionnaire. Retains A6a documents		OIA reviews, prioritizes, schedules peer review requests. Identify team members for review. Contact individuals selected as members of the review team.

Table A2 – Outline of Peer Review Process					
			Responsibility		
Peer Review Step	**Timeframe**	**Forms**	**Agency Internal Audit Function**	**Peer Review Team**	**OSBM Office of Internal Audit (OIA)**
D. Independence Statement	Eleven to Twelve weeks prior to on-site visit.	A4: Statement of Independence		Team Lead and Team Members complete statements and submit to OIA. Team Lead and Team members review QAR manual.	Receives signed independence statements and informs IA Director as to the individual on the review team. Creates Shared Point site and folders with the Shared Point. Uploads all tools and templates.
E. Memorandum of Understanding (MOU)	Ten to Twelve weeks prior to on-site visit	A3: Memorandum of Understanding	Prepares draft agreement and coordinates with Peer Review Team Lead to execute. Uploads A6 Planning Questionnaire to Team Lead.	Team Lead works with internal audit function being reviewed to complete MOU. The Peer Review Team reviews the information and corresponding documentation and prepares for the site visit.	Signs the MOU and provides uploads to Shared Point.
F. Preliminary Meeting	Eight to Ten weeks prior to on-site visit		Coordinates with Peer Review Team schedules for the Preliminary Meeting.	Initiates scheduling the preliminary meeting with the Peer Review Team Lead via conference call.	
G. Travel Arrangements			Assists with travel arrangements and coordinates with Team Members.	Make travel arrangements if not performed by IAD/CAO	
H. Peer Review Plan	Eight weeks prior to on-site visit	A7: Peer Review Program Checklist		Start developing the peer review plan	

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Table A2 – Outline of Peer Review Process					
			Responsibility		
Peer Review Step	**Timeframe**	**Forms**	**Agency Internal Audit Function**	**Peer Review Team**	**OSBM Office of Internal Audit (OIA)**
I. Survey Questionnaires	Six to eight weeks prior to on-site visit (Three week process)	B1: IA Director B2: Client & Sr. Management B3: IA Staff B4: Survey Response Results Summary	Provides names and contact information of clients, if requested. Send out survey link. Assist with follow-up of surveys not submitted timely.	Request link from Program Development Officer (PDO) Send link to IAD/CAO with example of email correspondence. Request results summary from PDO when survey closes.	Create link for surveys vi Survey Monkey. Send summary of results to Team Leader.
J. On-Site Preparation	Two weeks prior to on-site visit		Assist with interview scheduling.	Finalize work program, assignments, and on-site work.	

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Table A2 – Outline of Peer Review Process					
Peer Review Step	**Timeframe**	**Forms**	**Responsibility**		
			Agency Internal Audit Function	**Peer Review Team**	**OSBM Office of Internal Audit (OIA)**
K. On-Site Work	This should take approximately one week	C1-C8 Questionnaire: - C1: Board member - C2: Executive Management - C3: Management - C4: CIO - C5: IA Director - C6: IA Staff - C7: External Auditor C8: Interview Summary Testing Tools: - D1: Governance - D2: Staff - D3: Management - D4: Process	Works with the Peer Review Team to provide necessary information and respond to requests.	Conducts on-site work including interviewing personnel, reviewing internal audit engagements, and identifying issues and recommendations.	Respond to any questions from Team Lead
L. Evaluation and Closing Conference	Last day of on-site visit	E1: Observation & Issues (optional) E2: Conformance with Standards Evaluation Summary (may include E4)	Coordinate the necessary people to attend a closing conference with the Peer Review Team.	Summarize the issues and recommendations and hold a closing conference. May provide draft if completed.	
M. Drafting the Report	• Two weeks to draft report after on-site visit. • Two weeks to	E4: Draft Report	Provide written comments to the Team Lead within two weeks of receiving the draft report; communicate the results	Draft report within 10 days of closing conference and finalize the written report within 30 days from the last day of the on-site work.	

Effective Date: June 15, 2009   **Updated: December 22, 2020**

Table A2 – Outline of Peer Review Process					
Peer Review Step	**Timeframe**	**Forms**	**Responsibility**		
			Agency Internal Audit Function	**Peer Review Team**	**OSBM Office of Internal Audit (OIA)**
	provide written responses after receiving draft. • One day to incorporate responses into final report (four week process)		of the review.		
N. Quality Assurance Review	Three weeks after on-site visit or sooner (One week process)	E3: Quality Assurance Review		Notify OIA either 5 days after draft report or 15 days after on-site visit for quality review.	Review peer review workpapers within 5 days.
O. Closing Items	• One week to respond to survey • One week to submit all workpapers and final report	E5: Client Satisfaction Survey E6: Peer Review Survey To be completed through Survey Monkey (see Program Development Officer) All workpapers and final report	Send thank you notes, as appropriate. Complete the Peer Review Program Survey.	Complete the Peer Review Program Survey. Submit all workpapers and final report. Delete all document related to review (member should not retain any peer review documents)	Sent out survey link. Document the survey findings and make changes to the review process if necessary. File final report and supporting workpapers. Close Shared Point site.

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING
OFFICE OF INTERNAL AUDIT
PEER REVIEW PROGRAM MANUAL

Effective Date: June 15, 2009   **Updated: December 22, 2020**

APPENDIX B

QUALITY ASSESSMENT MAP

A. Planning

A1 – Peer Review Volunteer Application

A2 – Peer Review Request Form

A3 – Memo of Understanding

A4 – Independence Statement

A5 – Independence Statement Mediator

A6a – Document List

A6b – Planning Questionnaire

A7 – Peer Review Guide/Checklist

A8 – Work Assignment

A9 – Self Assessment Checklist

A10a – Preliminary Meeting

A10b – Engagement List

B. Surveys

B1 – Sample Email Message – IAD/CAO

B2 – Sample Email Message – Board Member, Senior Management, and Clients

B3 – Sample Email Message – Internal Audit Staff

B4a – Board Member, Senior Management, and Clients Survey Response Summary

B4b – Internal Audit Staff Survey Response Summary

C. Interviews

C1 – Sample Interview Questionnaire – IAD/CAO

C2 – Sample Interview Questionnaire – Board Member, Senior Management, and Clients

C3 – Sample Interview Questionnaire – Internal Audit Staff

C4 – Sample Interview Questionnaire – External Auditor

D. Programs

D1 – Governance

D2 – Staff

D3 – Management

D4 – Process

E. Evaluation Summary and Reports

E1 – Observations and Issues Worksheet

E2 – Standards Conformance Evaluation

E3 – Quality Assurance Review

E4 –Draft Report Sample