

GLOBAL BEST PRACTICES[®]
Internal Audit Benchmarking Questionnaire



CI-CI-03-0101

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Introduction

The internal audit (IA) department performs a critical role in the organization by examining business processes that contribute in significant ways to the productivity and profitability of the company. In recent years, internal audit organizations in many successful companies have grown in terms of their roles and responsibilities. Once regarded by audit customers as investigators searching for business risks and establishing business controls, they can now be regarded as operational consultants. Because of the multiple challenges facing today's typical internal audit department, PricewaterhouseCoopers' Global Best Practices[®] is offering this benchmarking questionnaire.

Consider how valuable it might be to gain insights into the following issues:

- How your internal audit department costs compare to those of other organizations
- Whether your department is as customer-focused as other IA departments
- How your internal audit's planning and reporting processes compare to those of other organizations

Participating in the Global Best Practices internal audit benchmarking questionnaire will provide you with valuable information on these and many other internal audit topics. Performance measures will be computed based on your responses and a customized benchmark report will be sent to you. The report is presented in an easy-to-read graphical format and helps you to pinpoint opportunities for improving your internal audit department, to motivate change through measurement, and to learn and share information about this important function.

Please complete the questionnaire and fax it to Global Best Practices at **1 813 281 6766**.

Confidentiality and data reporting

Information gathered from this questionnaire is aggregated to create benchmark databases for comparison purposes. As a respondent, it is your responsibility to ensure that the data provided is accurate. The data you provide will not be associated with your company, nor will it be shared with any other party except as provided for in the statement of confidentiality (see Appendix B). PricewaterhouseCoopers LLP does not guarantee the information in the output report. The output report is provided to you by PricewaterhouseCoopers LLP "as is" as provided for in the statement of responsibility (see Appendix B).

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Questions?

If you have questions or comments, contact us at 1 800 223 0535 or 1 813 351 6469, or e-mail us at help@globalbestpractices.com.

Thank you for your consideration.

Performance measures

Performance measures list for the internal audit function

Cost statistics

Total internal audit department cost as a percentage of revenue
Total internal audit department cost per internal audit full-time equivalent
Internal audit department cost components

Staffing statistics

Internal audit staff as a percentage of total employees
Staff backgrounds by title
Staff profile
Department specializations
Profile of staff joining internal audit in the last three years
Profile of staff leaving internal audit in the last three years
Staff turnover by title
Allocation of training budgets
Average days of staff training
Functional areas as a part of the internal audit department
Impact of using external resources

Strategy and structure

Mission, strategy, and objectives
Age of the department (in years)
Internal audit department structure
Internal audit department funding allocation

Audit planning and tools

Relevance of key activities
Stakeholders' risk awareness
Resources devoted to audit activities
Audit plan coverage
Stakeholder involvement in audit planning
Automated tools used by the internal audit department

Audit reporting

Frequency in reporting to the audit committee
Format of audit reports
Nature of audit recommendations
Monitoring recommendation implementation
Frequency and method of reporting implementation of recommendations

Value added

Formal program to achieve key activities

Use of performance measures

Sources of best practices

Member of benchmarking discussion group

Perception of internal audit

Value-added measurement tactics

Questionnaire

Survey information

Date survey completed: _____

Name of individual completing this survey: _____

Signature _____

Business address:

Street _____

City _____

State/province _____ Zip/postal code _____

Country _____

Telephone number:

Country code _____ City/area code _____ Local number _____

Facsimile number:

Country code _____ City/area code _____ Local number _____

E-mail address: _____

Date of survey information (fiscal year end, quarter or month) _____

Currency used for questionnaire: _____

Report information

Currency for final report: _____

Selection of benchmarking group (please select up to three (3) reports to be generated provided a minimum of 10 companies exist to meet the criteria. If a report cannot be generated, the next closest report type will be substituted).

_____ Worldwide _____ Combination of country and specific industry

_____ Country _____ Combination of country and general industry

_____ Region _____ Combination of region and specific industry

_____ Specific industry _____ Combination of region and general industry

_____ General industry

_____ Revenue range (please specify) _____ to _____

Company information

Company name: _____

Business unit name (if applicable): _____

Indicate the type of organization the survey data pertains to:

_____ Organization function/department _____ Business unit function/department

Industry classification (see Appendix A):

Industry code/name _____

Business address (if different from above):

Street _____

City _____

State/province _____ Zip/postal code _____

Country _____

Fiscal year end: _____

Company contacts:

Name _____ Name _____

Title _____ Title _____

Phone _____ Phone _____

Engagement information

PricewaterhouseCoopers engagement contact:

Partner name _____

Office address:

Street _____

City _____

State/province _____ Zip/postal code _____

Country _____

Telephone number:

Country code _____ City/area code _____ Local number _____

Facsimile number:

Country code _____ City/area code _____ Local number _____

E-mail address: _____

Manager name _____

Office address:

Street _____

City _____

State/province _____ Zip/postal code _____

Country _____

Telephone number:

Country code _____ City/area code _____ Local number _____

Facsimile number:

Country code _____ City/area code _____ Local number _____

E-mail address: _____

Section A.

Note: When recording information concerning the company/operating division, this should be the business unit or entire entity for which you are completing the questionnaire. All information should represent that entity.

- 1. What was the total revenue for the company/operating division for the most recently completed fiscal year? (Note: If your unit did not have revenue, use the revenue of your company or of the operating operating division you will be completing the questionnaire for.) **revenue**

- 2. What is the total number of all employees (head count) at the company/operating division? (Include both part- and full-time employees in all departments. Please calculate an average for the last 12 months if head count fluctuates in your company.) **employees**

Section B.

- 1. Does your internal audit department have a mission statement?
 - yes
 - no

- 2. Does your internal audit department have a formal strategy? (e.g., audit charter, terms of reference)
 - yes
 - no

If yes, is it approved by the board?

 - yes
 - no

- 3a. Does your internal audit department have formally recognized objectives?
 - yes
 - no

- 3b. How frequently are these objectives reviewed for change?
 - never
 - annually
 - Other (please specify) _____

- 4. How long has your company had an internal audit department substantially in its current form? **years**

5. To what extent do you have a formal program to carry out the following key activities in your internal audit department?
(Use a scale of 1 to 5, with 1=no program to 5=very formal program)

No program	1	2	3	4	5	Very formal program
a. Identify and validate customers' needs and expectations						1 2 3 4 5
b. Establish business partner relationships with audit customers to proactively help auditees						1 2 3 4 5
c. Develop communication strategies to effectively communicate audit findings to stakeholders						1 2 3 4 5
d. Position internal audit as an agent of change						1 2 3 4 5
e. Continually improve the audit process						1 2 3 4 5
f. Integrate technology into the audit process						1 2 3 4 5
g. Mix audit and operational expertise to maximize performance						1 2 3 4 5
h. Enhance audit staff job satisfaction						1 2 3 4 5
i. Other key strategic activities (please specify) _____						1 2 3 4 5
j. Other _____						1 2 3 4 5
k. Other _____						1 2 3 4 5

6. Do you measure your department's performance in your key activity areas?
 yes
 no

7a. Which sources do you use to identify internal audit best practices ideas?
(Use a scale of 1 to 5, with 1=not used at all to 5=used extensively)

Not used at all	1	2	3	4	5	Used extensively
a. Personal networks						1 2 3 4 5
b. Conferences						1 2 3 4 5
c. Internal working parties						1 2 3 4 5
d. Consultants						1 2 3 4 5
e. Other (please specify) _____						1 2 3 4 5

7b. Do you belong to an industry or similar benchmarking discussion group?
 yes
 no

If yes, please specify _____

8. Please weight the perception of your internal audit role from the perspective of the following stakeholders:

	head of internal audit	audit committee	operations line management	finance director
Policeman	_____	_____	_____	_____
Trouble-shooter	_____	_____	_____	_____
Consultant/advisor	_____	_____	_____	_____
Consultant/implementer	_____	_____	_____	_____
Total (should equal 100%)	100%	100%	100%	100%

9. Which of the following is the most appropriate description of the structure of your internal audit department?

- Centralized
- Centralized with regional branches
- Decentralized with consistent objectives and methodologies
- Decentralized with discrete objectives and methodologies

10. To what extent are the following activities considered relevant to your organization's internal audit department?
(Use a scale of 1 to 5, with 1=not relevant to 5=extremely relevant)

	1	2	3	4	5	
Not relevant -peripheral activity, if at all						Extremely relevant -key activity
a. Identify process inefficiencies	1	2	3	4	5	
b. Contribute to strategic planning	1	2	3	4	5	
c. Identify business risk	1	2	3	4	5	
d. Measure business risk	1	2	3	4	5	
e. Manage business risk	1	2	3	4	5	
f. Identify control weaknesses						
-Operations	1	2	3	4	5	
-Financial processes	1	2	3	4	5	
-Existing IT systems	1	2	3	4	5	
-Planned IT systems	1	2	3	4	5	
g. Develop solutions to control weaknesses	1	2	3	4	5	
h. Implement process changes	1	2	3	4	5	
i. Other key strategic activities (please specify)	1	2	3	4	5	
j. Other _____	1	2	3	4	5	
k. Other _____	1	2	3	4	5	

11. In your view, how aware are the following stakeholders of all the significant risks facing the business? (Use a scale of 1 to 5, with 1=not all aware to 5=totally aware)

Not at all aware	1	2	3	4	5	Totally aware
a. Head of internal audit						1 2 3 4 5
b. Audit committee						1 2 3 4 5
c. External auditor						1 2 3 4 5
d. Board						1 2 3 4 5
e. Finance director						1 2 3 4 5
f. Operations line management						1 2 3 4 5

12. What percentage of total available resources does your internal audit department devote to the following activities?

Planned projects	percent
Risk assessment and planning	_____
Planning individual projects	_____
Carrying out audit work	_____
Preparing and agreeing reports	_____
Following up on recommendations	_____
Conducting unplanned audit projects	_____
Conducting fraud investigations	_____
Conducting best practices/process reviews	_____
Reporting to the audit committee	_____
Implementing process and controls changes	_____
Training	_____
Carrying out department administration	_____
Other (please specify) _____	_____
Total (should equal 100%)	100%

13. How many years does your audit plan cover? _____ **years**

14. How would greater use of external resources – sourcing through a service service bureau, outsourcing, or co-sourcing – impact the following areas of the internal audit function? (Use a scale of 1 to 5, with 1=very bad impact to 5=very good impact)

Very bad impact 1 2 3 4 5 Very good impact

Internal audit's knowledge of the business	1	2	3	4	5
Access to best practices	1	2	3	4	5
Predictability of costs	1	2	3	4	5
Overall cost of internal audit	1	2	3	4	5
Access to quality staff	1	2	3	4	5
Access to specialists	1	2	3	4	5
Flexibility of resources	1	2	3	4	5
Staff training/career progression	1	2	3	4	5
Control over the function	1	2	3	4	5
Other attributes (please specify) _____	1	2	3	4	5
Other (please specify) _____	1	2	3	4	5

15. To what degree are the following involved in determining the audit plan for a particular year?

Not involved at all 1 2 3 4 5 Fully involved

Head of internal audit	1	2	3	4	5
Audit committee	1	2	3	4	5
External auditor	1	2	3	4	5
Finance director	1	2	3	4	5
Chief executive	1	2	3	4	5
Operations line management	1	2	3	4	5
Other (please specify) _____	1	2	3	4	5

16. Are the following part of the internal audit department?
If no, please describe the relationship with that department.

	yes	no	describe
Business risk management	<input type="checkbox"/>	<input type="checkbox"/>	_____
Insurance risk management	<input type="checkbox"/>	<input type="checkbox"/>	_____
IT risk management	<input type="checkbox"/>	<input type="checkbox"/>	_____
Treasury risk management	<input type="checkbox"/>	<input type="checkbox"/>	_____
Fraud prevention	<input type="checkbox"/>	<input type="checkbox"/>	_____
Fraud investigation	<input type="checkbox"/>	<input type="checkbox"/>	_____
Security	<input type="checkbox"/>	<input type="checkbox"/>	_____
Environmental audit	<input type="checkbox"/>	<input type="checkbox"/>	_____
Ethical audit	<input type="checkbox"/>	<input type="checkbox"/>	_____
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	_____

21a. How often is the implementation status of audit recommendations checked and through what method(s)?

method	never	monthly	qtrly.	annual	at next audit	other	please specify
Update by auditee							
Sample check by internal audit							
100% by internal audit							
Other (please specify)							

21b. How often and to whom is this implementation status of audit recommendations reported?

	never	monthly	qtrly.	annual	at next audit	other	please specify
Finance Director							
Audit Committee							
Other (please specify)							

22. How do you measure the value added to your business by internal audit (e.g., quantitative and qualitative benefits resulting from your projects)?

- Estimated savings resulting from the correction of identified risks
- Changes in costs of control-related losses over time
- Customer satisfaction questionnaires
- Reduction in total cost of risk
- Other (please specify) _____

23. How are your costs allocated?

- Charged to central internal audit budget
- Allocated to auditee departments based on audits carried out
- Allocated to business based on revenue or similar
- Other (please specify) _____

24. What are the annual costs in your internal audit department (all locations) for each of the following categories?

	direct costs
Internal audit department direct labor (wages, overtime, benefits)	_____
Contracted services (temporary and contract labor)	_____
Operating expenses (supplies and other locally controllable costs)	_____
Training costs	_____
Traveling costs	_____
Outsourcing costs (service bureau and contract fees)	_____
IT costs (equipment rental, depreciation and other costs)	_____
Consultancy costs (please specify area used)	_____
Personnel costs	_____
Recruitment costs	_____
Other, please specify _____	_____
Total direct costs	_____
	allocated overheads
Rent, rates, and service charges	_____
Depreciation	_____
Other overheads	_____
Total internal audit department costs	_____

25. Please indicate number of full-time equivalents (FTEs) in each department in each area.

Audit area	Dedicated internal audit staff	Staff on Loan to internal audit (e.g. secondments, assignments)	Purchased services (e.g. temps, contractors)
Internal audit - operational	_____	_____	_____
Internal audit - financial	_____	_____	_____
Treasury	_____	_____	_____
IT	_____	_____	_____
Insurance	_____	_____	_____
Fraud auditors	_____	_____	_____
Other (please specify)	_____	_____	_____
<hr/>			
Total	_____	_____	_____

26. What was the staff experience prior to joining the internal audit department? Estimate the percentage of staff at each level recruited (internally and externally) from the following backgrounds:

	manager	supervisor	auditor
Accounting, finance	_____	_____	_____
IT	_____	_____	_____
Consulting	_____	_____	_____
Purchasing	_____	_____	_____
Sales, marketing	_____	_____	_____
Human resources	_____	_____	_____
Production	_____	_____	_____
Quality control	_____	_____	_____
Other (please specify)	_____	_____	_____
Total	100%	100%	100%

27. What is the staff turnover?

	staff turnover levels*	% transferring internally^
Managers	_____	_____
Supervisors	_____	_____
Auditors	_____	_____
Assistants	_____	_____
Administration	_____	_____

* Expressed as the percentage of people at the relevant level who may leave internal audit in a typical year.

^ The percentage of staff at the relevant level leaving internal audit who transfer to another part of the organization, as a proportion of the total leaving internal audit.

28. What percentage of internal audit staff moves (both into and out of the department) during the last three years could be classified into each of the following categories?

	over the last 3 years
Into internal audit	
External recruit	_____
Permanent internal transfer in	_____
Secondments	_____
Total	100%
Out of internal audit	
Left the company	_____
Permanent internal transfers out	_____
Secondments	_____
Total	100%

29. What percentage of your training budget is spent in each of the following categories?

	percent
Internal audit specific (e.g. technical/ functional skills)	_____
Company general skills (e.g. personal skills)	_____
Business risk management	_____
IT training	_____
Other, please specify	_____
Total	100%

30. How many days of training per year, does the staff receive on average?

	days
Managers	_____
Supervisors	_____
Auditors	_____
Assistants	_____
Administrators	_____

Thank you for completing this questionnaire.
Please fax the questionnaire to Global Best Practices at 1 813 281 6766

Instructions

Approach to using the questionnaire

This questionnaire is intended as a high level diagnostic to highlight opportunities for improvement. It does not provide the detail necessary to perform an in-depth project review to support specific recommendations for improvement.

- The **questionnaire** has been developed to capture data for input into the diagnostic benchmarking database.
- The **instructions** provide definitions of terms and activities, likely sources for the data, and suggestions for using estimation or sampling, in the event your organization does not track the information.

A series of output graphs will plot the results against the results of other organizations within the database.

Instructions for completing the questionnaire

Use the following instructions as a guide for completing the questionnaire.

Survey information

- This section requires information about the individual completing the survey. Include the date the survey is completed and contact information: name, address, telephone and fax numbers, and e-mail address.
- Sign the signature line indicating that you (the respondent) agree to the Statement of Responsibility located in Appendix B of these instructions. Your survey will not be processed without a signature.
- The date of the survey information (fiscal year end, quarter, or month) is based upon the sample that has been identified for the benchmarking study.
- Indicate the currency used for the questionnaire. The currency within the survey needs to be consistent for all data presented.

Report information

Indicate the currency used for the final report. The currency you indicated on the survey does not need to be consistent with the currency used on the report.

- Select the benchmarking group for your reports. Up to three reports can be generated, provided at least 10 companies exist to meet the criteria in the group. If a report cannot be generated, the next closest report type will be substituted.
- A description of the various benchmarking groups follows:

- **Worldwide:** Represents all companies that exist in the database.
- **Country or countries:** Represents only those companies particular to a country or countries that you select. You may select a country that is different than the country in which your company is located.
- **Region(s):** Represents only those companies particular to a geographic region or regions that you select. You may select a region that is different than the region in which your company is located.
- **Specific industry:** Represents only those companies particular to a specific industry that you select. See Appendix A for a listing of the specific and general industries.
- **General industry:** Represents only those companies particular to the general industry that you select. See Appendix A for a listing of the general and specific industries.
- **Revenue range:** Represents only those companies that have the revenue amount within the range that you select.
- The combination benchmarking groups represent a combination of the aforementioned descriptions.

Company information

This section requires information about the organization or business unit that the survey represents, if applicable.

Indicate to which of the following the respondent data pertains:

- Organization function/department—data represents the company overall (consolidated information from business units)
- Business unit function/department—data represents a particular business unit within a larger organization

See Appendix A for a list of industry classifications. If your business has diverse revenue streams, select an industry code that represents the primary driver for annual revenue or that more accurately describes your business activities.

Indicate the organization's address if it is different from the address included in Survey information section.

Include in company contacts the names of all individuals who assisted in preparing the survey or gathering information. (These fields are optional.)

Engagement information

If your company is working with a PricewaterhouseCoopers engagement team or a PricewaterhouseCoopers engagement team is completing the survey with a client, include information about those individuals in this section for contact purposes.

Guidance on completing the questionnaire

In determining the sample, consider the following factors:

- Balance the degree of reliability of the data with the amount of time required to perform the sample. Consider using three-to-six months as a general guideline. Keep in mind that the more limited the sample size, the greater the risk that data may not be representative of the process and conclusions may not be appropriate.
- Counter the affect of seasonality on transaction flow by selecting months both in and out of the peak period(s).

Answer all applicable questions. If you cannot answer a question or if a question does not apply, enter N/A (Not Applicable). Do not enter a zero unless the actual value is zero.

Note that the tool may ask a series of questions in order to derive the number of FTEs for the process. This is done in order to mitigate the potential of omitting any personnel who may perform activities related to the process. Only the FTE amount is actually used in the calculation of the performance measures. It is important to distinguish between management and staff personnel because these data elements are used individually when computing certain performance measures.

A key to abbreviations for values is as follows:

k = thousand = 1,000
m = million = 1,000,000
b = billion = 1,000,000,000

Appendix B

Statement of confidentiality

Other than as provided herein, neither PricewaterhouseCoopers LLP nor any individual member firm of the PricewaterhouseCoopers global network of firms (each referred to as a “member firm”) will disclose the name of any participating respondent or any individual company data. Notwithstanding the foregoing or anything else contained herein, each of PricewaterhouseCoopers LLP or any individual member firm may disclose individual company data in accordance with a judicial or other governmental order, provided that such party shall use reasonable commercial efforts to give you reasonable notice prior to (or, in the event that it cannot give such notice prior to, as soon as commercially reasonable after) such disclosure and shall comply with any applicable protective order or equivalent. In addition, each of PricewaterhouseCoopers LLP and any individual member firm may and reserves the right to transfer all data in its possession, including individual company data, to a successor-in-interest to its business or assets provided any such successor-in-interest adheres to the confidentiality provisions hereof.

Statement of responsibility

PricewaterhouseCoopers LLP does not guarantee the information in the output report, which is based upon third-party sources and does not purport it to be complete or error-free. PricewaterhouseCoopers LLP has not verified, validated, or audited the data. Neither PricewaterhouseCoopers LLP nor any individual member firm makes any representations or warranties with respect to the accuracy of the information contained in the output report or endorses or guarantees the completeness, accuracy, integrity or timeliness of any such information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness or utility of such information.

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Other than as expressly stated in the statement of confidentiality, neither PricewaterhouseCoopers LLP nor any individual member firm will disclose the name of any respondent or any individual company data.

Contact information

Insights and improvements are just a click away. To learn more about how we can help your business evolve to be more competitive, please visit:

www.globalbestpractices.com

You may also contact Global Best Practices at 1 800 223 0535 or 1 813 351 6469, or e-mail them at help@globalbestpractices.com

www.pwc.com

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