IIA Audit Tool

Governance Toolkit

Category: Certified

Purpose: How To

Gather Information → Risk Assessment → Planning → Engagement Execution → Reporting

The Institute of Internal Auditors

Introduction

Overview

This toolkit is designed to assist internal auditors in planning an engagement of corporate governance processes. It is based on the 8 Guiding Principles of Corporate Governances, which were developed jointly by The IIA and the Neel Corporate Governance Center. In forming the toolkit, it is assumed that corporate governance does not allow for a one-size-fits-all approach and that organizations will need to find their own best practices based on various factors including organization age, size, complexity, and extent of international operations. In developing their specific approach to performing an engagement related to governance, internal auditors should leverage the Guiding Principles and this toolkit. They also must apply their judgement, their knowledge of their organization, and ensure conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing*.

Background

In 2018, The IIA and the Neel Corporate Governance Center at the University of Tennessee's Haslam College of Business in Knoxville, Tenn., collaborated on an ambitious project to develop principles and an annual index to measure the quality and effectiveness of corporate governance among publicly held companies in the United States. The Neel Corporate Governance Center was founded in 2003 in the wake of corporate scandals that preceded the Sarbanes-Oxley Act. Its mission is to conduct and disseminate nationally recognized research on corporate governance with a focus on public policy. The American Corporate Governance Index is released annually and is based on results of a survey conducted with chief audit executives in publicly traded companies within the U.S. The ACGI survey is based on the Guiding Principles.

The Guiding Principles are based on a compendium of relevant guidance and principles advanced by experts in the field including the National Association of Corporate Directors, the New York Stock Exchange, the Committee of Sponsoring Organizations of the Treadway Commission, the Business Roundtable, the Investor Stewardship Group, UT's Neel Corporate Governance Center, The IIA, and others. The ACGI gauges the extent to which companies are effectively achieving each of the Guiding Principles.

The Guiding Principles of Corporate Governance define core actions and responsibilities that promote successful, ethical, and sustainable corporate governance. They go beyond the publicly observable measures of corporate governance, such as the number of board meetings, biographical information for directors, and executive compensation disclosures, which alone fail to capture the effectiveness of an organization's corporate governance system. Prescriptive solutions have not been proposed because corporate governance does not allow for a one-size-fits-all approach, and companies will need to find their own best practices based on the company's age, size, complexity, extent of international operations, etc. Companies should seek legal advice before implementing specific corporate governance policies and procedures to ensure compliance with applicable laws and regulations, including securities exchange listing requirements.

Definition

Corporate governance is the overarching set of policies, procedures, and relationships that enable an organization to establish objectives, set ethical boundaries to the acceptable means with which those objectives will be met, monitor the achievement of objectives, reward successful achievements, and discipline unsuccessful or inappropriate attempts to meet objectives, in order to keep the organization aligned with the needs and interests of its primary stakeholders.

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Governance, Principle 1

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Principle 1

Effective corporate governance requires regular and constructive interaction among key stakeholders, the board, management, internal audit, legal counsel, and external audit and other advisors.

Goal: Clear communication across organization

Attribute 1

Communications between each of the members of senior leadership are clear, actionable, and collaborative.

Evidence/documentation to demonstrate support of the attribute

- Frequency and nature of meetings along with participants included (CEO and CEO's direct reports only or CEO, C-suite and other senior leaders).
- Documented meeting minutes from various meetings (operations, town hall).
- Timing of senior leadership meetings or amount devoted for meetings; timing of information presented to and reviewed by senior leadership.
- Nature, length and quality of information presented (i.e., only text, no visuals, no dashboards, long packets, not-concise, quantity vs quality) to and reviewed by senior leadership and subsequently presented to the board.
- Internal reporting around risk management (e.g., ERM action plans and status, key risk indicators).
- Internal periodic financial and operational reporting (e.g., budgets, outlooks, financial performance, operational key performance indicators, EHS reports, HR [headcounts, attrition, hires]).
- Internal periodic compliance reporting (e.g., misconduct matters, investigations conclusions).
- Corporate policies.
- Executive leadership team meeting minutes.
- CAE observations of interactions among executive leadership team members.
- Surveys of or interviews with board members, executive leadership, management, and employees.

Attribute 2

Communications between senior leadership and the board are clear, actionable, and collaborative.

Evidence/documentation to demonstrate support of the attribute

- Obtain executive committee materials, and validate communication date is sufficiently in advance of meetings.

- Validate executive committee meeting minutes and assigned actions and accountabilities.
- Frequency of board meetings is reasonable or complies with charter, regulations, calendars, etc.
- Agenda for standing and ad hoc meetings:
  - Comprehensive agendas with time limits, attendance options (remote or in-person).
  - Speakers for line items.
  - Guest speakers, if any, noted (e.g., outside advisors, other executives).
  - Executive sessions with CAE, CCO, external auditors.
  - Completeness of meeting agenda items.
- Approved minutes for standing and ad hoc meetings.
- Action items and status for follow up after meetings.
- Nature, length, and quality of information presented by management to the board.
- Timing of information presented and discussed by management and the board.
- Board or board committee engagement of special advisors, if applicable.
- Nature of relationship between chairman and CEO.
- Collaboration, resources, and for board to engage external special advisors.
- Surveys of or interviews with the board, executive leadership, management, and employees.
- Executive leadership team meeting minutes.
- Meeting notes including attendees, takeaways, actions, and follow-up assignments.

Attribute 3

Management structures are effective at getting the right information to the right decision-makers in a timely manner.

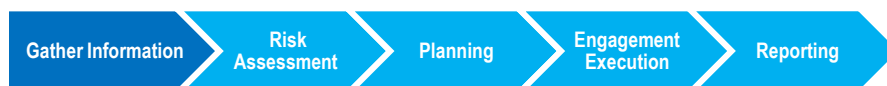**Evidence/documentation to demonstrate support of the attribute**

- Organizational charts for CEO, CEO direct reports and other senior leadership related functions.
- Job descriptions for senior and executive management positions.
- Professional backgrounds (CVs, qualifications, etc.) for personnel in management positions.
- Clear role statement for lead director (chairperson), committee chairs, CEO and CFO, if applicable.
- Sources/systems for information prepared by entity (financial, compliance, actuarial, Sarbanes-Oxley, etc.).
- Process maps around information preparation and review.
- Disclosure controls and procedures in place (financial statement reporting).
- Interview notes with CHRO and other appropriate senior leaders on desired flow of communication and decisioning.
- Review of organizational charts including spans and layers.
- Evidence that prior key decisions were made timely, collaboratively, unilaterally, etc.

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Governance, Principle 2

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Principle 2

The board should ensure that key stakeholders are identified and, where appropriate, stakeholder feedback is regularly solicited to evaluate whether corporate policies meet key stakeholders' needs and expectations.

Goal: Meeting shareholder/stakeholder expectations

Attribute 1

The company considers a wide range of stakeholder interests when making business decisions.

Evidence/documentation to demonstrate support of the attribute

- Organization's strategic plans and risk assessments.
- Strategies, plans and decisions incorporating internal (staff, managers, officers, directors, shareholders) and external (non-executive directors, customers, suppliers, investors, regulators, pressure groups, local communities and public at large) stakeholders.
- Annual strategic plan taking into account, among other things, the opportunities and risks of the organization along with subsequent review of results against the plan.
- Corporate governance policies.
- Code of Ethics/Business Conduct.
- Employee manual/handbook.
- Health, environment, and safety management programs.
- Charter for specific board committee around health, environment, safety and sustainability (e.g., EHS and Sustainability Committee).
- Investor presentations and other investor materials; recorded calls of investor/analyst meetings.
- List of organization's participation in conferences (both investor conferences and non-deal roadshows.
- Investor relations information on organization's external facing corporate website.
- Awards received by the organization.
- Employee satisfaction surveys and responses around improvement areas.
- Organization's credit ratings.
- Organization's analysis around alignment with United Nations Sustainable Development Goals (SDGs).
- Social media reviews and comments.
- Professional development, support, and work-life balance programs available to employees.

Attribute 2

There is a consensus among the board and senior leadership on who the key stakeholders are in your company.

Evidence/documentation to demonstrate support of the attribute

- Board meeting minutes.
- Organization's strategic plan.
- Evidence of openness and comprehensive stakeholder engagement.
- Surveys of or interviews with board members and senior leaders; consistency and consensus of responses.
- Strategies, plans and decisions incorporating internal (staff, managers, officers, directors, shareholders) and external (non-executive directors, customers, suppliers, investors, regulators, pressure groups, local communities and public at large) stakeholders.
- Organizational chart for corporate affairs, external communications, government relations and investor relations functions.
- Policies on who may speak on behalf of the company.
- Charters and meeting minutes for any internal committees around shareholder engagement, sustainability, social welfare, public affairs, government relations, disclosures, risk management and similar committees or advisory councils.
- Organization's memberships in industry and/or advocacy groups.
- Organization's participation or membership in trade associations.

Attribute 3

In your daily jobs, you and other key leadership members are cognizant of the impact your corporate operations have on social and environmental issues and you are actively pursuing ways to minimize any negative impacts.

Evidence/documentation to demonstrate support of the attribute

- Required vs. voluntary environmental, social, governance (ESG) and/or sustainability reports issued by the company.
- ESG training, programs, inclusion in job descriptions.
- Board and or town hall-type meeting minutes including ESG initiatives.
- ESG risks noted in ERM universe and programs.
- Code of conduct.
- Evidence of specific activities to mitigate/reduce potential negative impacts.
- Observations of open and comprehensive stakeholder engagement; anecdotal knowledge.
- External and community outreach initiatives.
- Social and political contributions approved budgets.
- Analysis and other supporting documentation around examination of occupational, environmental, health, social and safety components for capital and operational expenditures.
- Delegation of authority matrix/policy (including transactional and functional approvers).

- Human rights policy.

- Matching contributions programs.

- Historical records, fines, litigation or enforcement actions from regulators on occupational safety and health or environmental matters.

- Presence of diversity and inclusion policies in mission statement, corporate vision, social justice statements, HR, etc.

Attribute 4

The company has not been subject to shareholder proposals, proxy advisor "against" recommendations, "vote no" campaigns, proxy fights, or shareholder litigation.

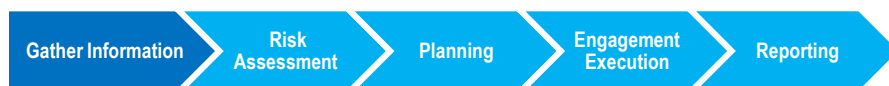**Evidence/documentation to demonstrate support of the attribute**

- Most recent and historical proxy statements (focus on proposals and board vote recommendation for each proposal).

- Historical records, fines, litigation or enforcement actions from regulators on occupational safety and health or environmental matters.

- List of outside counsel engaged (including nature of services provided).

- Commitments and contingencies accruals, estimates and provisions.

- Public disclosures and filings (Forms 8K, 10Q, 10K).

- Related party transactions policy.

- Conflict of interest policy and acknowledgement.

- Insider trading policy.

- External communications policy.

- Confidential information policy.

- Shareholder's confidential voting policy.

- Confirmation from chief counsel and appropriate legal team members.

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Governance, Principle 3

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Principle 3

Board members should act in the best interest of the company and the shareholders while balancing the interests of other key external and internal stakeholders.

Goal: Board performance, monitoring management

Attribute 1

Your board has sufficient technical expertise to oversee areas of current or emerging risk.

Evidence/documentation to demonstrate support of the attribute

- Board policy manual including defined skills and criteria.

- Nomination process and existing BOD member skill sets reviewed for compliance with defined criteria.

- Criteria used to recruit current and future board members.

- Defined process for making changes to criteria in light of emerging risks.

- Board minutes indicating discussions of current or emerging risks.

- Annual proxy statements with biographies/CVs of board members.

- Board member training programs with robust curricula.

- CVs of board and committee members indicating relevant competencies.

- Skills matrix indicating coverage of key areas or exposing gaps.

- Analysis of board members backgrounds and experience against competencies and skills.

- Role statements or "job descriptions" for lead directors and committee chairs.

- Board and committee charters describing areas such as composition, nomination, refreshment, and responsibilities.

- Board interlocks and disclosure of same.

- Elections of board members by a majority of votes cast.

- Board and board committee charters.

- Annual reviews of board members, committee members, and individual directors.

- Term limit policies.

- Comprehensive orientation program for new directors and committee member roles.

- Directors and officers and/or errors and omissions insurance policies.

- Framework(s) implemented by organization for risk management and resulting frequency and quality of information around current and emerging risks.

- Management and board member succession planning.

Attribute 2

Board members present diverse perspectives when discussing issues.

Evidence/documentation to demonstrate support of the attribute

- Observations of board and appropriate committee meeting(s).

- Surveys of and interviews with board members and senior leaders.

- Board agendas and minutes indicating members have sufficient time to present perspectives and whether discussions are encouraged and actually occur.

- Board orientation materials with evidence that diverse opinions are encouraged.

- Board committees' composition, tenure, and refreshment requirements along with technical or regulatory membership requirements (e.g., financial expertise, cybersecurity, human capital, compensation).

- Nature, length, and quality of information presented to and reviewed and discussed by board and board committees.

- Agenda for standing and ad hoc meetings.

- Approved minutes for standing and ad hoc meetings.

- Timing of information presented and discussed by management and the board.

- Board or board committee engagement of special advisors.

- Board and committee meetings vs board and committee member attendance records (i.e., number of meetings held in a year vs. number of meetings attended).

- Board diversity and inclusion initiatives.

- Regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

- Board executive sessions with CAE, CCO, and other relevant members of management.

Attribute 3

Board members are compensated in a way that aligns with long-term strategic goals.

Evidence/documentation to demonstrate support of the attribute

- Compensation practices (e.g., long-term incentive plans, pay-for-performance philosophy) and meaningful director stock ownership guidelines.

- Historical or new shared-based compensation plans.

- Disclosures around compensation in proxy statement.

- Nominating committee charter and/or compensating committee charter and meeting minutes of same.

- Nominating and compensating committees' composition, roles, and responsibilities.

- Nature, length, and quality of information presented to and reviewed and discussed by board and board committees (agenda for standing and ad hoc meetings and approved minutes for standing and ad hoc meetings).

- Timing of information presented and discussed by management and the board.

- Board or board committee engagement of special advisors (remuneration, pay practices).

- Strategic planning indicating alignment of board compensation with strategic goals.

Attribute 4

The board probes into sufficient detail for most topics.

Evidence/documentation to demonstrate support of the attribute

- Board and board committees' agendas for standing and ad hoc meetings.

- Board and committee meeting minutes.

- Frequency and nature of meetings along with participants included (CEO and CEO's direct reports only or CEO, C-suite, and other senior leaders) and non-executive sessions.

- Timing of senior leadership meetings or amount devoted for meetings.

- Nature, length, and quality of information presented to and reviewed by senior leadership.

- Surveys of or interviews with board members.

- Review of Board minutes against risk assessment assuring coverage of topics.

- CAE observations.

Attribute 5

Board members have the necessary time and attention to fulfill their responsibilities.

Evidence/documentation to demonstrate support of the attribute

- Board interlocks.

- Board and board committee compositions.

- Board members' and nominees' backgrounds and other current responsibilities.

- Agenda for standing and ad hoc meetings showing ample time for topic discussion.

- Approved minutes for standing and ad hoc meetings.

- Levels of participation from individual members.

- Nature, length, and quality of information presented by management to the board.

- Timeliness of information reviewed by board members.

- Accessibility to outside advisors.

- CAE observations and discussions with C-suite.

Attribute 6

Your board conducts a thoughtful, robust evaluation of the entire board and/or individual board members on an annual basis.

Evidence/documentation to demonstrate support of the attribute

- Existence of evaluations.
- Nature, extent, timing, frequency, and objectives of evaluations (e.g., focusing on effectiveness, performance, and contribution; annual; including board as a whole, individual directors, chairs, and committees and not just the board).
- Internal participants in the evaluation process (include CEO, senior leadership, and others with direct access to the board and committees to provide feedback in the evaluation process).
- External participants in the evaluation process (e.g., include shareholders, investors, major customers or suppliers, government representatives).
- Information gathering techniques (interviews, surveys, self-evaluations).
- Annual performance reviews.
- Meeting minutes, including governance and nominations committees.
- Criteria of annual performance reviews and self-assessments of board members.

Attribute 7

Your board commits, and follows through, to improve upon any weaknesses identified in the annual board and/or committee evaluations.

Evidence/documentation to demonstrate support of the attribute

- Nature and structure of evaluations.
- Results from evaluations and action plans and board's approach to weaknesses or improvement areas.
- Periodic reporting to board and/or board committees on status for weaknesses or improvement areas and action plans.
- Disclosures in proxy statement or other materials around board evaluation process and results.
- Meeting agendas and minutes indicating timely reviews of identified weaknesses and action plans for remediation.
- Discussions with general counsel.

Attribute 8

Board members are not afraid to offer opinions that are contradictory to or conflict with those of the CEO.

Evidence/documentation to demonstrate support of the attribute

- Separation between chairman and CEO roles.
- Diversity and inclusion initiatives and programs.
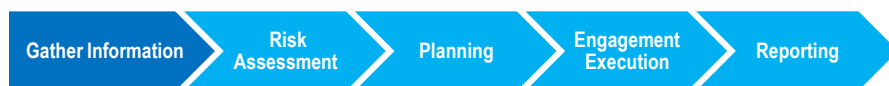- Results from evaluations and board's approach to weaknesses or improvement areas.

- Periodic reporting to board and/or board committees on status for weaknesses or improvement areas and action plans.

- Disclosures in proxy statement or other materials around board evaluation process and results.

- Bylaws, independence acknowledgements, conflict of interest acknowledgements.

- Board minutes and inquiries or surveys of board members.

- CAE observations.

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Governance, Principle 4

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Purpose: How To

| Gather Information | Risk Assessment | Planning | Engagement Execution | Reporting |

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Principle 4

The board should ensure that the company maintains a sustainable strategy focused on long-term performance and value.

Goal: Incentivizing performance with sustainable long-term strategies

Attribute 1

The company's objectives and long-term strategic goals are clearly communicated to and well-known across the company.

Evidence/documentation to demonstrate support of the attribute

- Organizations mission, vision, and values (e.g., as presented on its Code of Business Conduct and external facing corporate website).

- Strategies, plans, and decisions incorporating internal (staff, managers, officers, directors, shareholders) and external (non-executive directors, customers, suppliers, investors, regulators, pressure groups, local communities, and public at large) stakeholders.

- Performance highlights and reviews of results around various areas (strategic, financial, operational, safety and environmental, sustainability, diversity and inclusion).

- Organizational chart for corporate affairs, external communications, government relations, and investor relations functions if applicable.

- Charters and meeting minutes for any internal committees around shareholder engagement, sustainability, social welfare, public affairs, government relations, disclosures, risk management and similar committees or advisory councils.

- Employee manual/handbook.

- Organization's membership in industry and advocacy groups.

- Organization's participation or membership in trade associations.

- Compensation practices (e.g., long-term incentive plans, pay-for-performance philosophy) for management, employees and directors.

- Historical or new shared-based compensation plans.

- Disclosures around compensation in proxy statement.

- Communications, including videos, press releases, etc., from CEO or delegate to enterprise on strategic goals and priorities throughout organization and, if applicable, to the public.

- Repetition of consistent messaging.

■ Acknowledgement of employees' receipt of messaging of annual plans, goals, and objectives (sign-offs on communications, trainings, etc.).

Attribute 2

The board is willing to discipline and take corrective action when necessary by replacing key members of senior leadership and/or adjusting compensation structures.

Evidence/documentation to demonstrate support of the attribute

■ Historical or new shared-based compensation plans (including no dividend equivalents on unvested awards).

■ Disclosures around compensation in proxy statement.

■ Allocation of direct compensation elements and compensation mix (base salary, annual cash incentive, share-based, other perks).

■ Compensation practices (e.g., long-term incentive plans, pay-for-performance philosophy) for management, employees and directors.

■ Action plans for senior leaderships on instances of misconduct (e.g., firing).

■ Compensation clawback provisions in the event of misconduct.

■ No hedging or derivative transactions allowed.

■ No golden parachute payments allowed.

■ No repricing of stock options allowed.

■ Ethics policies and codes of conduct outlining disciplinary actions.

■ Policies on criteria or circumstances requiring escalation for board review.

■ Charters of board and committees.

■ Meeting minutes.

■ Interviews with HR, chief counsel, chief compliance officers for privileged discussions.

Attribute 3

Your company is not willing to sacrifice long-term strategy for the benefit of short-term interests.

Evidence/documentation to demonstrate support of the attribute

■ Strategies, plans and decisions incorporating internal (staff, managers, officers, directors, shareholders) and external (non-executive directors, customers, suppliers, investors, regulators, pressure groups, local communities and public at large) stakeholders.

■ Performance highlights and reviews of results around various areas (strategic, financial, operational, safety and environmental, sustainability, diversity and inclusion).

■ Prudent revisions to capital program and, including proper postponement of non-critical, non-mandatory projects.

■ Recordings of quarterly investor calls.

■ Furlough, layoffs, and temporary discharge records.

■ Temporary or permanent pay adjustments or reductions to senior leadership.

■ Governance practices around mergers and acquisitions and divestitures transactions.

- Safe working conditions.
- Compensation strategies indicating a balance of short- and long-term incentives.
- Meeting minutes at various levels demonstrate approved and published strategic plan.

Attribute 4

Your company has sufficient resources (time and money) to appropriately respond to crises or disruptions as they arise, without cutting corners or sacrificing long-term performance.

Evidence/documentation to demonstrate support of the attribute

- Adequate or exceeding operational and financial results.
- Solid credit ratings.
- Compliance with debt covenants.
- Access to financial markets (credit agreements, lines of credits) and adequate working capital.
- Adequately resourced crisis management and business continuity structures and plans coupled with random testing results.
- Positive stress testing, drills, and scenario analysis results.
- Capital adequacy limits coincide with regulatory requirements.
- Diversified, resilient customer and supplier base.
- Framework for prioritizing decisions for cost reductions.

Attribute 5

Employees receive adequate training to complete expected job duties.

Evidence/documentation to demonstrate support of the attribute

- Employee training programs (organizational and educational advancement).
- Modification of training programs to coincide with technological advances or legal requirements.
- Structured and comprehensive new hire orientation.
- New hire training tailored to employee's roles and responsibilities.
- Support for membership in professional organizations and sponsorship of related certifications or accreditations.
- Approved budgets, by department, for employee development.
- Access to internal training programs and educational materials.
- Access to external training programs and educational materials.
- Mentorship programs.
- Mandatory training for skill positions with evidence of passage.
- Training KPIs.
- Interviews and surveys of employees to determine needs and wants.

Attribute 6

Employees are compensated and/or incentivized in a way that encourages the achievement of corporate objectives in an ethical manner.

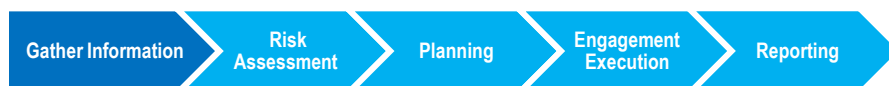**Evidence/documentation to demonstrate support of the attribute**

- Compensation practices, financial: salaries, bonuses, contributions to retirement plans.
- Compensation practices, nonfinancial: insurances offered, paid leave, flextime, educational development opportunities.
- Clear alignment of financial incentives with benchmarks to achievement.
- Employee outreach programs and initiatives.
- Balanced and realistic targets.
- Periodic performance evaluations.
- Bonuses tied to performance reviews and measures.
- Adequately structured and managed incentive awards or recognition programs for outstanding performance.
- Opportunities for promotion and personal development.
- Periodic salary benchmarking.
- Compensation plans tied to strategic objective and achievement of goals.
- Review of departments with compensation aligned with commissions (sales, marketing, customer service).
- Positions with variable compensation are reasonable and do not promote fraud or abuse for achievement.
- Compensation committee meeting minutes.

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Governance, Principle 5

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Principle 5

The board should ensure that the culture of the company is healthy, regularly monitor and evaluate the company's core culture and values, assess the integrity and ethics of senior management, and, as needed, intervene to correct misaligned corporate objectives and culture.

Goal: Corporate Culture

Attribute 1

Your board and CEO embody a strong "tone at the top" in your organization that would pass any ethical test.

Evidence/documentation to demonstrate support of the attribute

- Code of business conduct and/or code of ethics.

- Policies around zero tolerance, whistleblowing, anti-bribery, anti-corruption, freedom from retaliation, anti-harassment policy, solicitation and extortion, conflicts of interest, charitable donations, business travel and expenses, hospitality, entertainment, lobbying, political contributions, and other related topics.

- Understandable code of conduct and policies, available in various languages (if applicable), that are up to date, easily accessible, and require periodic (annual) acknowledgement and sign-off.

- Establishment of secure, confidential, and accessible means for internal or external parties to raise concerns (such as a whistleblower hotline or other anonymous reporting system) and processes to promote awareness and use.

- Internal investigations protocols.

- Adequately structured and resourced internal audit function.

- Adequately structured and resourced second line functions such as compliance.

- Mandatory periodic training for all employees, officers, and directors around Codes, including topics on relevant policies and education on how to report concerns.

- Internal audit assurance or consulting services (or other form of external verification or assurance) of the effectiveness of procedures around ethics and compliance programs.

- Board, CEO, and management's strong and visible support for remedial action items resulting from internal audit engagements.

- Sound third-party risk management procedures (with special emphasis on agents, intermediaries, government officials).

- Adequate due diligence procedures for third parties (including addressing sanctions, debarments, conflicts of interest, and similar areas).

- Surveys of and/or interviews with randomly selected board members, employees including management, third-party providers.
- Communications from management and board align with Codes and cultural values.
- Frequency of organizationwide meetings that include references to Codes, organizational values, ethics, etc.
- Employee exit interviews.

Attribute 2

Your board consciously thinks and talks about the company's culture.

Evidence/documentation to demonstrate support of the attribute

- Board and committee charters and meeting minutes.
- Surveys of and/or interviews with board members.
- Results from employee and/or other stakeholders satisfaction surveys.
- Explicit and visible support and commitment for a healthy culture (e.g., stakeholders' engagement, employee programs, balanced and achievable goals, proper compensation practices).
- Information available on public website (e.g., zero tolerance posture, whistleblower reporting venues, governance practices, ethical conduct, diversity and inclusion).
- Sponsorship of mentorship program.
- Employee development and outreach initiatives (e.g., work life balance, paid leave, benefits, adequate compensation practices).
- CAE observations and interaction with audit committee.

Attribute 3

"Tone at the top" is communicated to and consciously embodied across all levels of the company.

Evidence/documentation to demonstrate support of the attribute

- Code of business conduct and/or code of ethics.
- Policies around zero tolerance, whistleblowing, anti-bribery, anti-corruption, freedom from retaliation, anti-harassment policy, solicitation and extortion, conflicts of interest, charitable donations, business travel and expenses, hospitality, entertainment, lobbying, political contributions, and other related topics
- Understandable code of conduct and policies, available in various languages (if applicable), that are up to date, easily accessible, and require periodic (annual) acknowledgement and sign-off.
- Mandatory periodic training on ethical conduct for all employees, managers, directors, and officers.
- Organization has an anonymous reporting mechanism and promotes its use.
- Reported instances of misconduct are reviewed and investigated.
- Surveys of and/or interviews with employees, clients/customers, and vendors.
- Organizationwide internal communications from C-suite model "tone at the top."
- Organizationwide meetings and agendas that model "tone at the top."

Attribute 4

The company has not been accused of ethical issues (e.g., sexual harassment, unfair working conditions, environmental issues).

Evidence/documentation to demonstrate support of the attribute

- Meeting agendas and minutes of ethics committee.
- Social and regular media scan for reviews and comments.
- Public filings.
- List of outside counsel engaged (including nature of services provided).
- Commitments and contingencies accruals, estimates, and provisions.
- List of open and closed cases for items reported through reporting mechanism (whistleblower hotline), or through HR or legal counsel.
- Organization's procedures to analyze all complaints, identify red flags, and determine further investigation and document resolution of all complaints.
- Organization's procedures and protocols to ensure investigations are properly scoped, independent, objective, and are appropriately conducted, documented, and resolved.
- Training tailored specifically around certain topics or for certain "higher risk" functions or areas.

Attribute 5

Management would take appropriate action if a policy, procedure, or workplace rule violation was detected.

Evidence/documentation to demonstrate support of the attribute

- Meeting agendas and minutes of ethics committee.
- Reporting mechanisms, whistleblower policies, speak up policies, lack of retaliation.
- Internal investigation protocols.
- Adjustments to policies, procedures, and controls resulting from issues discovered through investigations or reviews of misconduct cases.
- Employee compensating practices for bona fide reporting of misconduct.
- Organization's procedures to analyze all complaints, identify red flags, and determine further investigation and document resolution of all complaints.
- Organization's procedures and protocols to ensure investigations are properly scoped, independent, objective, and are appropriately conducted, documented, and resolved.
- Adequately structured and resourced for reporting and investigating mechanisms.
- Termination of contractual relationships for instances of confirmed violations.
- Firing or disciplinary actions taken on employees for instances of confirmed violations.
- Response history of confirmed violations.
- Surveys of and/or interviews with employees gauging understanding of policies and perceptions of equitable treatment.
- HR records for causes of termination.
- Interviewing HR and general counsel.

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Governance, Principle 6

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Principle 6

The board should ensure that structures and practices exist and are well-governed so that it receives timely, complete, relevant, accurate, and reliable information to perform its oversight effectively.

Goal: Information given to the board

Attribute 1

Your board does not prefer for management to handle bad news on their own; nor do they prefer that management selectively report information to the board to protect the board's potential liability.

Evidence/documentation to demonstrate support of the attribute

- Board and committee charters.
- Minutes from select meetings with critical agenda items.
- Frequency of board and committee meetings in compliance with charters, regulations, etc.
- Processes for building board and committee agendas.
- Surveys of and/or interviews with board and management for impressions on completeness, transparency, and timeliness of materials provided.
- Good practices in transparency, reporting, and audit to deliver effective accountability.
- Information prepared for board members bears similarity to information shared among C-suite and investors on appropriate topics.
- Information prepared for board members bears assurance of independent and objective reviewers.

Attribute 2

Your board members ask whether the information presented to the board is accurate and complete.

Evidence/documentation to demonstrate support of the attribute

- Surveys of and/or interviews with board members on accuracy and completeness of information.
- Scope of recent audit plans aligns with board information reviews.
- CAE observations.

Attribute 3

Your CEO does not heavily filter or water down "bad" news before it goes to the board.

Evidence/documentation to demonstrate support of the attribute

- Surveys of and/or interviews with board members and C-suite members and staff.
- Board meeting minutes.
- General counsel interview.
- Comparison of board-provided information with information provided organizationwide.
- Accuracy and completeness of information provided to the board.

Attribute 4

Board members are given all the necessary information for effective oversight.

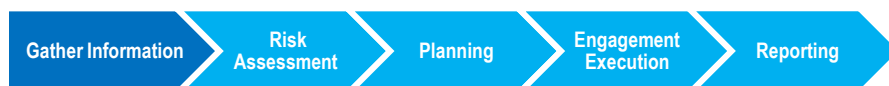**Evidence/documentation to demonstrate support of the attribute**

- Board and committee charters and meeting minutes.
- Surveys of and/or interviews with board members.
- Meeting agendas in alignment with charters and minutes align with agendas.
- Action dockets in alignment with materials provided and meeting minutes.
- Completeness and thoroughness of board packet material (source[s], currency, and trustworthiness of information; alignment with organization's risk appetite; appropriate mitigating actions noted; evidence of interdepartmental collaboration on information; appearance of independence and objectivity in information; broad range covering organizationwide business departments or units).

IIA Audit Tool

Governance, Principle 7

Category: Certified

Purpose: How To

| Gather Information | Risk Assessment | Planning | Engagement Execution | Reporting |

The Institute of Internal Auditors

Principle 7

The board should ensure corporate disclosures are consistently transparent and accurate, and in compliance with legal requirements, regulatory expectations, and ethical norms.

Goal: External disclosures

Attribute 1

Public information is accurate, adequate, complete, representative, timely, and transparent.

Evidence/documentation to demonstrate support of the attribute

- Disclosure controls and procedures (process maps, controls results).
- List of organization's participation in conferences (both investor conferences and non-deal roadshows).
- External auditor's reports on financial statements and internal control over financial reporting.
- External auditor's correspondence and materials (letters, reports) to management.
- External auditor's correspondence and materials (letters, reports) to audit committee.
- Lack of financial statements restatements.
- Ratifications included in annual general meeting, proxy statement.
- ESG report review.
- SEC letters received and organization's response to such letters.
- Public filings review (e.g., 10Q/K, SOX documents).
- Press releases and other public-facing information on content, level of detail, and timing.
- Investor relations information on organization's external facing corporate website.
- Communications to investors, customers/clients, and the public.
- Policies on information publicly released.
- Surveys of and/or interviews with board, ethics committee, and investor relations on design and effectiveness of internal controls.

Attribute 2

Employees are familiar with how to report violations of law or policy.

Evidence/documentation to demonstrate support of the attribute

- Implementation of a code of business conduct and/or ethics and policies around whistleblowing, non-retaliation, and zero tolerance position.
- Dissemination of Code and policies in plain language, in other languages (if applicable), in easily accessible location (e.g., organization's intranet) and available to organizations corporate-facing website.
- Mandatory periodic training on codes, ethical conduct and policies, including on how to identify and report misconduct cases.
- Ethics committee, policies, charters.
- Posters or fliers with information on how to report violations in high traffic, visible areas.
- Internal periodic email reminders from senior management to employees on how to report issues or concerns.
- Results from internal audit or an external assessment around the topic.
- Nature and type of activity reported.
- Surveys of and/or interviews with employees to understand level of awareness on reporting mechanisms or channels, their purpose and use.
- Maturity of reporting processes including trends in reporting.
- Orientation materials and presentations for newly hired employees.
- Town hall meetings covering policies.

Attribute 3

The internal audit function is adequately staffed, in terms of both the number of staff and expertise of the staff.

Evidence/documentation to demonstrate support of the attribute

- Annual or quarterly internal audit plans.
- Coverage of key risk areas.
- Audit coverage cycles over period of time.
- Trending of engagement referrals and documentation of reasons.
- Audit committee communication, checklist, meeting minutes.
- Internal audit charter.
- CAE's reporting structure (functionally and administratively).
- Internal audit's organizational structure.
- Professional backgrounds of CAE and overall internal audit team.
- Certifications of CAE and overall internal audit team.
- Funding for internal audit function to use/implement technology tools or engage experts needed for specific engagements.
- Benchmarking internal audit function against competition.

- Diversity in team skill sets.
- Resources available for team skill gaps of needed areas.
- Ongoing staff development.
- CAE access to board and board committees.

Attribute 4

Information submitted to hotlines or fraud reporting lines is followed through effectively.

Evidence/documentation to demonstrate support of the attribute

- Policies, procedures, and responsibilities around receipt, collection, tracking, and assessing allegations received.
- Properly established and functioning whistleblower mechanisms with the option of anonymous reporting.
- Case management in place to log, document, and track reporting activity (including decisions to investigate or not and governing policies, case status, and resolution).
- Periodic reports to board and/or board committee on hotline activity, including nature of complaints received and status or resolution of cases.
- Data analysis around nature, type, and timing of reporting activity to identify trends around specific areas, topics, geographical locations, or other relevant characteristics.
- List of updates to policies, procedures, and controls resulting from information received through hotlines or other fraud reporting mechanisms.
- List of updates to risk assessments (e.g., compliance, fraud, other) resulting from information received through hotlines or other reporting mechanisms.
- Processes to communicate with hotline users or whistleblowers who chose not to remain anonymous.
- Data analysis or listing of transactions or deals that were stopped, modified, or further scrutinized as a result of reporting information.
- Procedures and protocols used to determine which complaints or red flags require/merit further investigation.
- Disposition of cases pursued.
- Adequately structured and funded compliance function, with access to board, board committees and management.
- Interviews with HR and/or general counsel.
- Benchmark hotline or whistleblower submissions over time recurring periods.

Attribute 5

An officer or employee (all levels and locations) would be protected from retaliation for reporting a suspected violation of a policy, procedure, or workplace rule.

Evidence/documentation to demonstrate support of the attribute

- Ethics committee, policies, and whistleblower protections.
- Policies, procedures, and protocols around ethics issues and disciplinary decisions.
- Regardless if organization has a whistleblower program in place, organization permitting whistleblower from reporting directly to government or regulatory bodies.

- Data and privacy controls around whistleblower information.

- Consistency in similar instances of misconduct being treated equally.

- Examples of actions taken by the organization (e.g., promotions or awards) as a result of reporting misconduct.

- Board and management's actions, such as internal communications, encouraging and providing positive support for the observance of ethical conduct including reporting of suspected violations.

- Presence of employees following a period of time after submitting a whistleblower complaint.

- Organizationwide communication of ethics policies and hotline availability and usage.

- Mandatory periodic employee training on ethics code, policies, and hotline usage including retaliation protections with signed acknowledgements.

- Frequency and type of submissions made through anonymous channels.

Attribute 6

The company has not been under investigation by the SEC or other governmental or regulatory authorities.

Evidence/documentation to demonstrate support of the attribute

- Board meeting minutes.

- Social and news media scans and external sources such as industry news.

- Absence of fines, penalties, or other payments to regulatory agencies.

- Successful completion of SEC, governmental, or other regulatory audits, assessments, or reviews.

- Policies on transparency, reporting, and auditing to deliver effective accountability.

- Public filings of disclosures and investor communications.

- Transcripts of analyst calls.

- Interviews of general counsel and/or external auditors.

Attribute 7

The company has not experienced restatements, cybersecurity breaches, or unremediated material weaknesses or significant deficiencies.

Evidence/documentation to demonstrate support of the attribute

- External auditor's reports on financial statements and internal control over financial reporting.

- External auditor's correspondence and materials (letters, reports) to management.

- External auditor's correspondence and materials (letters, reports) to Audit Committee.

- Company's Form 8-K, 10K and 10Q filings.

- Historical annual reports, audit reports, and SEC disclosures.

IIA Audit Tool

Governance, Principle 8

Gather Information > Risk Assessment > Planning > Engagement Execution > Reporting

The Institute of Internal Auditors

Principle 8

Companies should be purposeful and transparent in choosing and describing their key policies and procedures related to corporate governance to allow key stakeholders an opportunity to evaluate whether the chosen policies and procedures are optimal for the specific company.

Goal: Evaluating corporate governance

Attribute 1

Corporate governance is regularly and consciously discussed in your company.

Evidence/documentation to demonstrate support of the attribute

- Governance policies and procedures.
- Surveys of and/or interviews with board and ethics committee members.
- Board and ethics committee agendas and meeting minutes.
- Monthly or quarterly organizationwide communications.
- Minutes of management and staff meetings.
- Town hall-type meeting agendas.
- Governance practices presented in external facing website and/or internal sites.
- Organization's values and dissemination practices.
- Proxy statement disclosures around governance practices.
- Board and committees charters.
- Social and regular media scans and results.
- Employee and key stakeholder surveys.
- Employee onboarding materials.

Attribute 2

The board seeks out feedback on whether corporate governance is operating effectively at the company.

Evidence/documentation to demonstrate support of the attribute

- Board meeting agendas and minutes.
- ERM reporting to board.
- Reports on stakeholder views to the board and respond to feedback (including independent directors' participation in stakeholder engagement meetings).
- Organization's initiatives or programs demonstrating commitment to ongoing communication around corporate governance with stakeholders.
- Results from employee and/or other stakeholders surveys.
- Exit interview information (i.e., data analysis around reasons why employees are departing to identify trends or issues around corporate governance).
- Access from employees to report concerns directly to board or a committee of the board.
- Inquiry of general counsel to understand level of engagement in providing effective assurance.
- Governance-themed audits in audit plans including their results.
- Surveys of and/or interviews with senior and middle management.

Attribute 3

The company formally evaluates the full system of corporate governance on a regular basis.

Evidence/documentation to demonstrate support of the attribute

- Board agenda and minutes.
- Internal audit annual or quarterly plans.
- Governance committee charter.
- Governance program alignment with capability model.
- Governance-themed audits and results.
- Composition, tenure, and responsibilities of governance committee (including responsibilities of annual evaluation of corporate governance focusing on effectiveness, transparency, and accountability).
- Nature, extent, timing, and frequency of assessment or reviews performed by internal audit or external parties around the organization's corporate governance.
- Nature and status of weaknesses or improvement areas from assessments or reviews along board's response and approach to address the weaknesses or improvement areas.
- Board access (resources available) to engage outside advisors.
- Governance practices, including how often these are reviewed and revisited (e.g., changes to size of board, director criteria, tenure, mandatory retirement factors, compensation practices).
- Changes to governance practices as a result of shareholders resolutions.
- Board and committees executive sessions and minutes.
- Adequate board and senior leadership succession planning.

- Division between CEO and board chair.
- Audit reports of ESG and ERM.
- Legal counsel reviews.

ABOUT THE IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla. For more information, visit www.theiia.org.

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