



# STANDARDS: QUALITY ASSURANCE

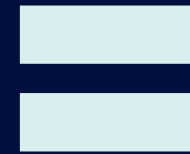


The Institute of  
Internal Auditors  
Fiji

Standards



Quality  
Assurance



Credibility

*voice of the profession*

Bruce Turner AM - IIA-Australia

# Meeting stakeholder expectations

**"94%**

of stakeholders believe there is value for internal auditors to conform to the *Standards.*"

**"53%**

of stakeholders are aware of the IIA's IPPF."



Source: IIA Global Council 2017 Summary Report, 19-22 February 2017, Rome Italy, Stakeholder Expectations, Section 3, p10

# Quality standards do matter!

“Following foodborne illness outbreaks at Chipotle Mexican Grill that sickened hundreds of customers, sales are down and the restaurant’s stock price has dropped nearly 50% ...”

“The US federal government declared a state of emergency in Flint, Mich., after unsafe lead levels are found in the water supply. Five local and state government officials resign or are fined, and criminal charges are filed against nine others.”

Source: Internal Auditor Journal (Ia), IIA Global, April 2017, Editor’s Note, p 7

# Just imagine if the Olympics had poor quality standards ...

Would Fiji have been hampered in creating history by winning the country's first ever Olympic medal in Rio-2016?

*"The men's Rugby Sevens team thrashed Great Britain 43-7 in the final to claim gold."*





The Good

The Bad

And the Ugly

# Commonwealth Games India 2010



The Good	The Bad	And the Ugly
<p>The Commonwealth Games were held in Delhi, India in 2010, and involved almost 6,500 athletes and officials representing 53 countries.</p> <p>India emerged successfully as both hosts and competitors, achieving many of the objectives of hosting the games, including large-scale improvements to city and sporting infrastructure.</p>	<p>Inexplicable delays in decision-making put pressure on timelines leading up to the event and led to creation of sense of urgency.</p> <p>The target date was immovable and could only be overcome by obtaining waivers in standard governmental procedures.</p> <p>Allegations of corruption and financial irregularities.</p>	<p>Media reports slammed "infrastructural compromise" - safety, supplies, power installation, sanitation, and workmanship.</p> <p>Part ceilings fell in pool and weightlifting arenas. Malfunctioning swimming filtration system and security barrier. Footbridge, beds and scoreboard collapsed.</p> <p>Shoddy standards and poor quality assurance.</p>

# Commonwealth Games India 2010



The Good	The Bad	And the Ugly
<p>The Commonwealth Games were held in Delhi, India in 2010, and involved almost 6,500 athletes and officials representing 53 countries.</p> <p>India emerged successfully as both hosts and competitors, achieving many of the objectives of hosting the games, including large-scale improvements to city and sporting infrastructure.</p>	<p>Inexplicable delays in decision-making put pressure on timelines leading up to the event and led to creation of sense of urgency.</p> <p>The target date was immovable and could only be overcome by obtaining waivers in standard governmental procedures.</p> <p>Allegations of corruption and financial irregularities.</p>	<p>Media reports slammed “infrastructural compromise” - safety, supplies, power installation, sanitation, and workmanship.</p> <p>Part ceilings fell in pool and weightlifting arenas. Malfunctioning swimming filtration system and security barrier. Footbridge, beds and scoreboard collapsed.</p> <p><b>Shoddy standards and poor quality assurance.</b></p>



# Go beyond the **46%** who *use all Standards*

... by effectively applying professional auditing standards and maintaining the right level of quality assurance.

Resolve to fully utilise the IPPF in your organisation and ultimately join the 59% worldwide who do ... and 87% aiming to do so.

Noting that this is the expectation of 94% of stakeholders!

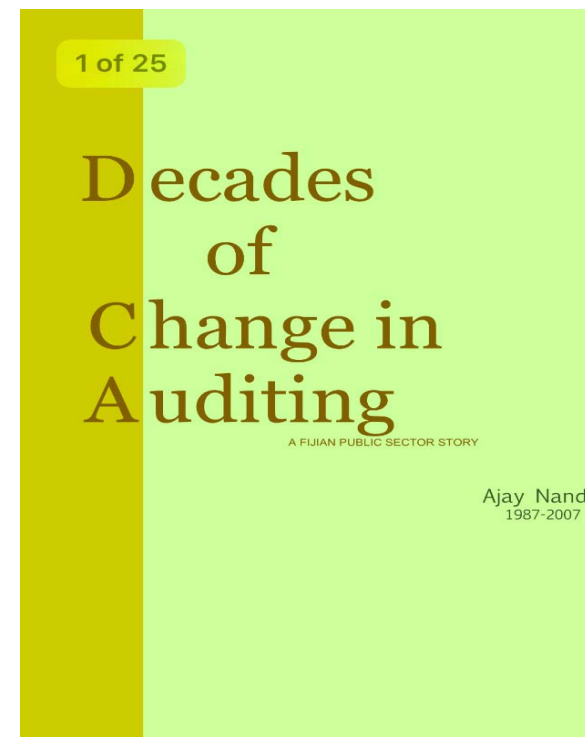
Source: CBOK Study 2015 Question 142 – “Does your organization use the International Standards for the Professional Practice of Internal Auditing (Standards)?” Yes all the standards (East Asia and Pacific)

# Boosting audit quality

Fiji's OAG back in 1987 ...

- Audit plans were not prepared
- Proper time management systems did not exist
- Audit sampling was not done properly
- Audit working papers mainly contained audit findings
- The audit manual was outdated and not strictly complied with
- Auditing and accounting systems were also mostly not complied with
- Technology was largely non-existent

Source: IIA Fiji Website / Resources 28 April 2017



*"The OAG story proves that ... what we need is people with positive minds and willingness to live through and beyond change."*

# The IPPF



International Professional  
Practices Framework

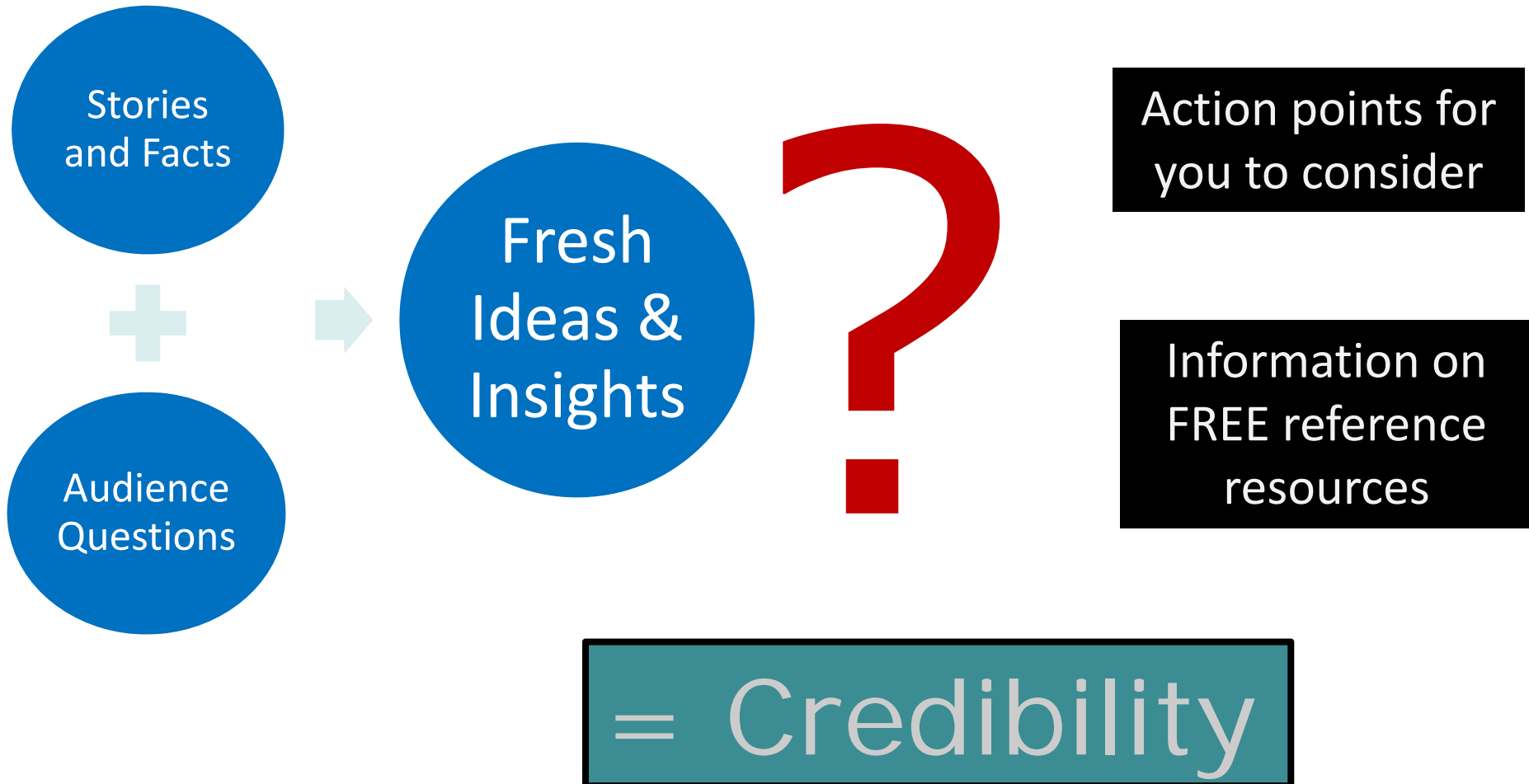


Provides a globally  
accepted basis for the  
operation of Internal  
Audit.



Source: Sun Princess Cruises April 2017

# What's in it for you



# Contents

Going beyond the ordinary

Part 1 - Recap on IPPF

Part 2 - IPPF changes from 2017

Part 3 - Quality assurance and improvement

Part 4 - Practical tips

Positioning for future success

- Framework, standards and assurance.

# Part 1

## Recap on IPPF

# The IPPF – issued by the IIA

When the IPPF is adopted:

- It eliminates the need for local development of standards, thus reducing the cost of regulation.
- It provides an international benchmark for establishing the quality of Internal Audit operations.
- It facilitates trans-national operations by contributing to a uniform regulatory Internal Audit regime worldwide.

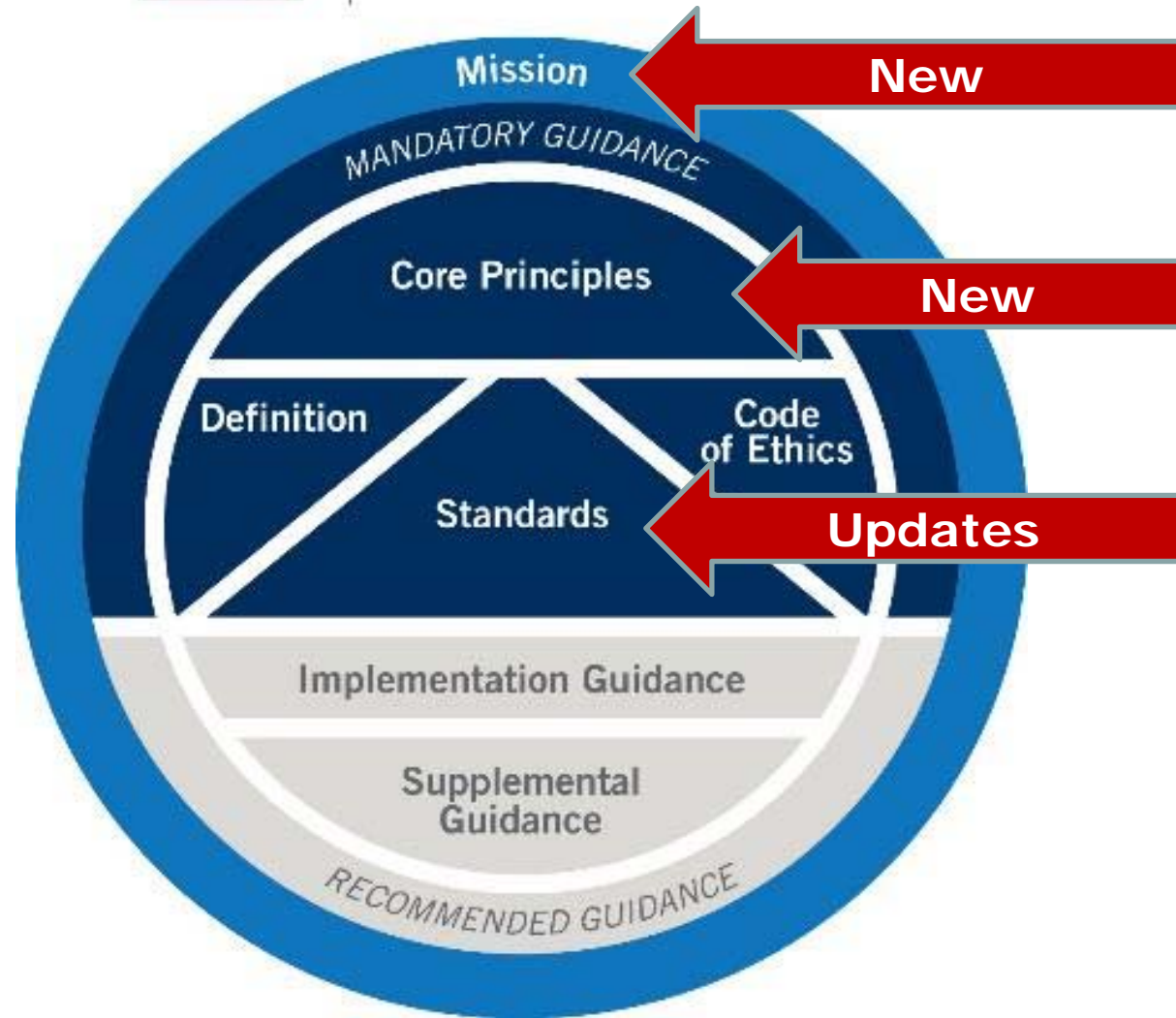


# Setting the standards

- The Internal Auditing Standards Board is comprised of a mix of people from around the world including the IIA, Big 4 firms, US Government Accountability Office, chartered accountants, external auditors, and practising internal auditors.
  - Procedures for the mandatory IPPF provisions require public exposure and formal consideration of comments received from both IIA members and non-members.
  - The standards development process is supervised by an independent body the IPPF Oversight Council of the IIA–Global which is appointed by the IIA–Global Board of Directors and comprises stakeholder representatives.
  - The IPPF was most recently updated in 2017.



# International Professional Practices Framework



# Internal Audit Mission

“To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.”

# Core Principles

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organisation.
5. Is appropriately positioned and adequately resourced.

## Core Principles (cont'd)

6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

# Internal Audit's objectives

- Review achievement of organisation objectives.
- Assess if decisions are properly authorised.
- Assess reliability and integrity of information.
- Review that assets are safeguarded.
- Assess compliance with laws, regulations, policies and contracts

# Internal Audit's objectives (cont'd)

- Assess efficiency, effectiveness, economy and ethical conduct of business activities.
- Consider fraud risk scenarios.
- Follow-up previous audits to assess if remedial action has been effectively implemented.
- Look for business improvements and better ways of doing things.

# Definition of Internal Auditing

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



# Code of Ethics

- States the principles and expectations governing the behaviour of individuals and organisations in the conduct of internal auditing
- Describes the minimum requirements for conduct and behaviour expectations – (1) Principles and (2) Rules of Conduct
- Code of Ethics principles are: Integrity, Objectivity, Confidentiality, Competency

- Mission, core principles, new standard 1112 (CAE role beyond Internal Auditing) and changes to wording of some standards. Other detailed changes in Appendix.

## Part 2

# IPPF changes from 2017

# Changes to wording

## ❑ Standard 1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Chief Audit Executive must periodically review the Internal Audit Charter and present it to senior management and the Board for approval.

# Changes to wording

- ❑ Standard 1010 – Recognition of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter.

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards must be ~~recognised~~ reflected in the Internal Audit Charter.

The Chief Audit Executive should discuss the Mission, the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards with senior management and the Board.

# Changes to wording

## ❑ Standard 1110.A1

The Internal Audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

The Chief Audit Executive must disclose such interference to the Board and discuss the implications.

# New standard

- ❑ New Standard 1112 – CAE Roles beyond Internal Auditing

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

- ❑ Interpretation:

The Chief Audit Executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities.

These roles and responsibilities may impair, or appear to impair, the organisational independence of the Internal Audit activity, or the individual objectivity of the Internal Auditor.

Safeguards are those oversight activities, often undertaken by the Board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities, and developing alternative processes to obtain assurance related to the areas of additional responsibility.

# New standard

- ❑ New Standard 1130.A3

Internal Audit may provide assurance services where they have previously performed consulting services, provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

# New interpretation

- Standard 2050 – Co-ordination and Reliance
- New interpretation:

In co-ordinating activities, the Chief Audit Executive may rely on the work of other assurance and consulting service providers.

A consistent process for the basis of reliance should be established, and the Chief Audit Executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers.

The Chief Audit Executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed on the work of others, the Chief Audit Executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the Internal Audit activity.



- Developing and maintaining a QAIP that covers all aspects of the Internal Audit activity.

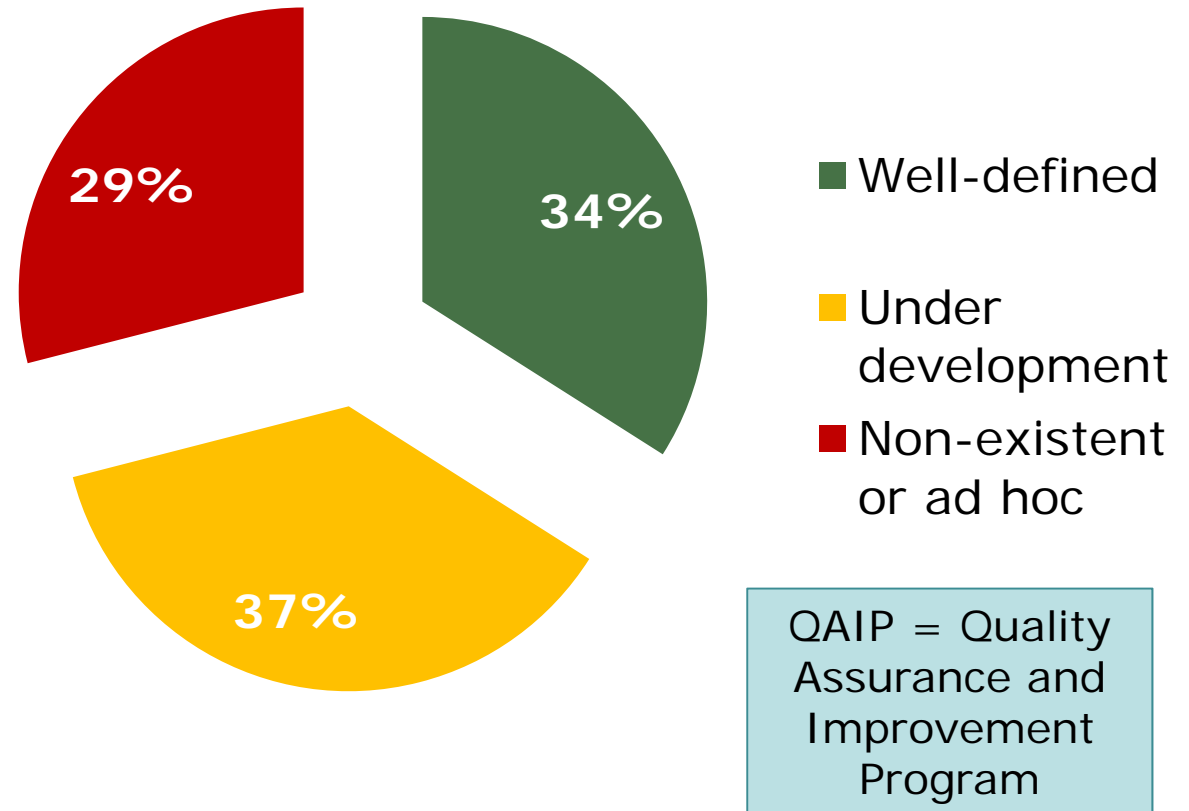
## Part 3

# Quality assurance & improvement

## QAIP in practice

Despite widespread support for mandatory requirements, most internal audit departments do not conform with professional standards related to internal audit quality.

## Availability of QAIP



Source: *Internal Audit Quality Assurance and Improvement: A Call to Action*, Christie J. O'Loughlin and Jodi Swauger, CBOK Report, IIA Research Foundation, 2016, p7

# Be part of the 34%

... By developing and maintaining a well-defined QAIP!

- Internal quality review
- External quality review
- Formal link to continuous improvement and staff training activities

“To provide credible assistance and constructive challenge to management, internal auditors must be perceived as professionals.

Professionalism requires conforming to a set of professional standards.”

Source: *Internal Audit Quality Assurance and Improvement: A Call to Action*, Christie J. O’Loughlin and Jodi Swauger, CBOK Report, IIA Research Foundation, 2016

# Developing and maintaining a QAIP

- Standard 1300 – Quality Assurance and Improvement Program
  - The Chief Audit Executive must develop and maintain a Quality Assurance and Improvement Program that covers all aspects of the Internal Audit activity.
- Interpretation:
  - A Quality Assurance and Improvement Program is designed to enable an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether Internal Auditors apply the Code of Ethics.
  - The program also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

# Underlying QAIP standards

- 1310 – Requirements of the QAIP
- 1311 – Internal Assessments
- 1312 – External Assessments
- 1320 – Reporting on the QAIP
- 1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”
- 1322 – Disclosure of Non-conformance

# Underlying QAIP standards

- Standard 1310 – Requirements of the QAIP

The QAIP must include both internal and external assessments.

- Standard 1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices.

# Underlying QAIP standards

- Standard 1312 – External Assessments

External assessments must be conducted at least every 5 years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive must discuss with the Board:

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



# Underlying QAIP standards

- Standard 1320 – Reporting on the QAIP

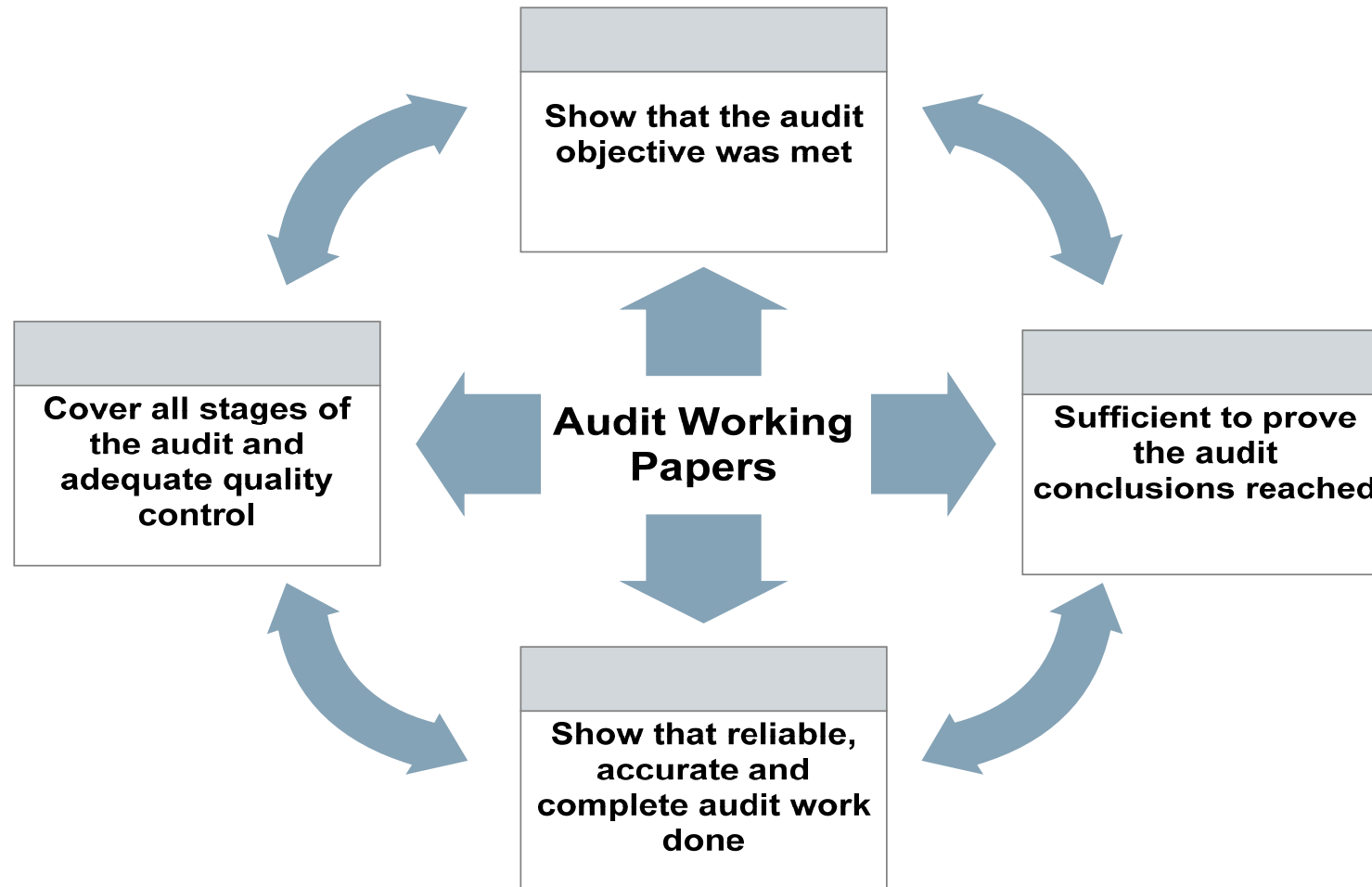
The Chief Audit Executive must communicate the results of the QAIP to senior management and the Board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- Conclusions of assessors.
- Corrective action plans.
- The qualifications and independence of the assessor or assessment team, including potential conflicts of interest.

# Underlying QAIP standards

- Standard 1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”
  - Indicating that the Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if the results of the QAIP support such a statement.
- Standard 1322 – Disclosure of Non-conformance
  - When non-conformance with the Code of Ethics or the Standards impacts the overall scope or operation of the Internal Audit activity, the Chief Audit Executive must disclose the non-conformance and the impact to senior management and the Board.

# Performance Standard 2300 'Performing the Engagement'



- Demonstrating compliance to maintain credibility with the audit committee and the C-suite.

## Part 4

# Practical tips

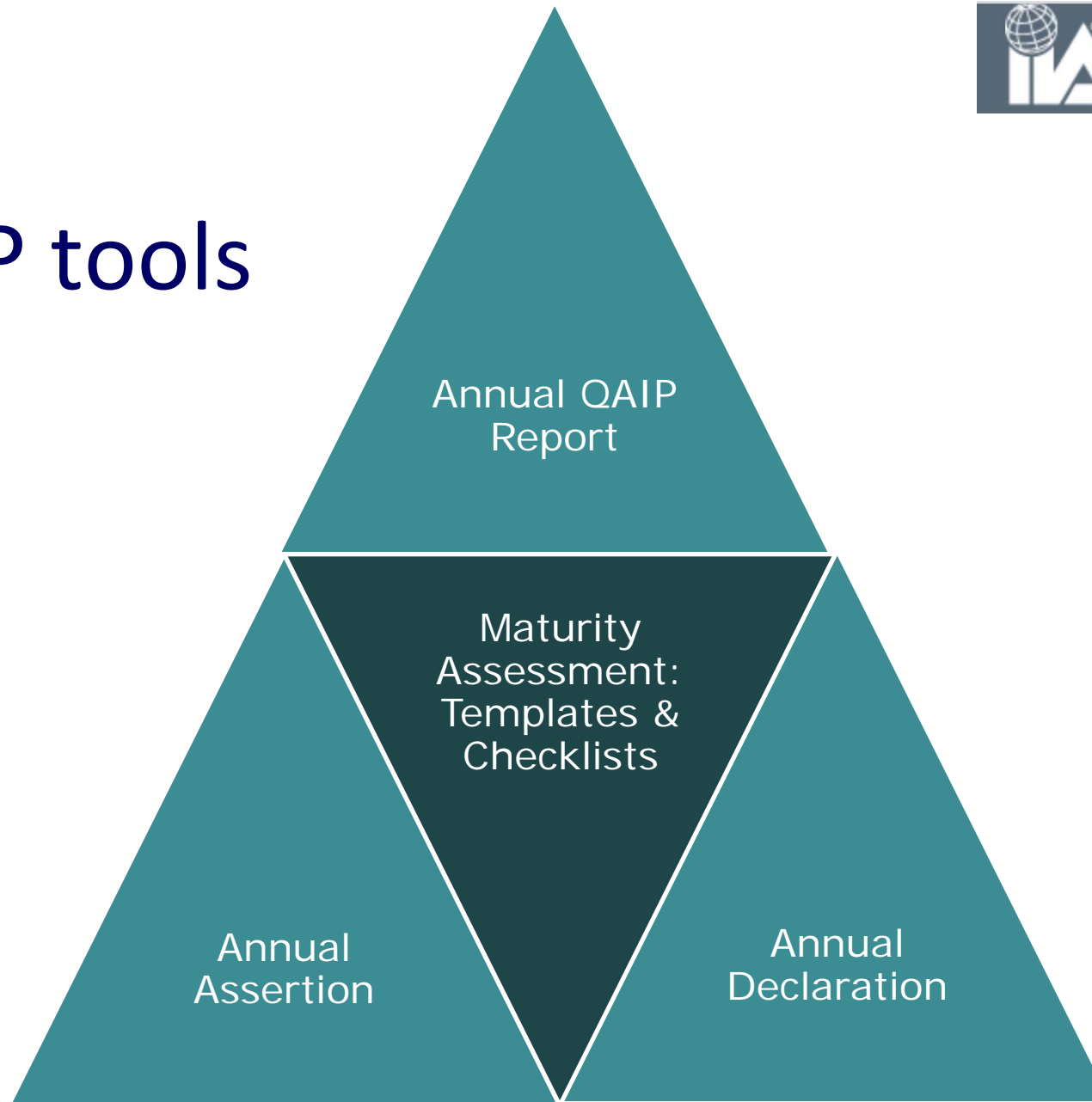
# Benefits of well-defined QAIP

- Facilitates continuous improvement
- Improves and monitors conformance to the *Standards*
- Assesses performance by measuring and evaluating key performance indicators
- Facilitates effective oversight of internal audit processes
- Provides regular independent external evaluations of internal audit's work
- Helps ensure that the CAE, the audit committee, and senior management have a consistent vision of what the internal audit function should aspire to accomplish
- Improves the efficiency and effectiveness of internal auditing, and enhances the value of internal audit services
- Helps ensure internal audit's success

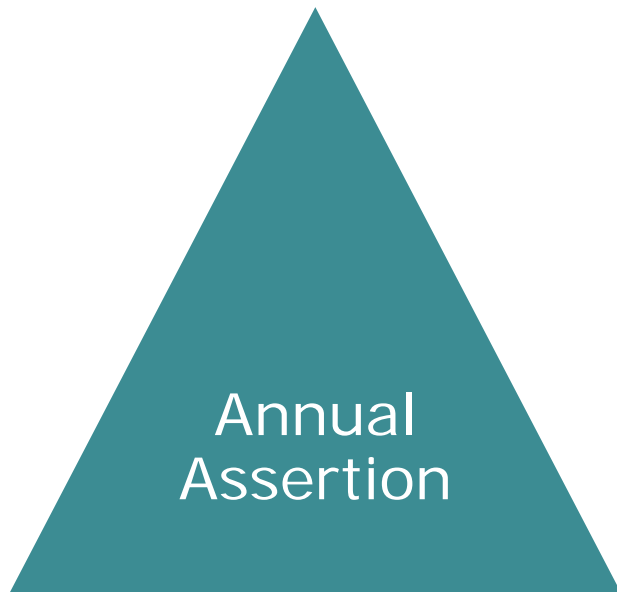
Source: *Internal Audit Quality Assurance and Improvement: A Call to Action*, Christie J. O'Loughlin and Jodi Swauger, CBOK Report, IIA Research Foundation, 2016



# QAIP tools



# QAIP assertion



- Charter remains current
- CAEs organisational independence
- CAE call-out any major restrictions
- CAE assertion on additional roles
- Awareness of reporting conflicts
- QAIP in place
- Use of 'conformance' assertion
- Disclosure of non-conformances
- Communication of corrected information (errors or omissions)
- Adherence to Code of Ethics





The screenshot shows the IIA Australia website homepage. At the top, there is a navigation menu with links for Home, Contact Us, Register, My IIA, Using IIA Website, and Site Map. Below the navigation is a banner for the IIA International Conference Sydney, Australia, July 23-26, 2017, featuring an image of the Sydney Opera House and Harbour Bridge. A search bar and a 'My IIA Login' form are visible on the right side of the banner. A red arrow points from the 'Quality Toolkit' text to the 'Quality & Consulting' link in the navigation menu.

**Featured Services**

**International Conference**

IIA-Australia members have the opportunity to register and save on the Early Bird Rate which is now available for the IIA International Conference 2017 which will be hosted in Sydney, Australia. [Find out more....](#)

**Stakeholder Insights**

Liam Buckley PMIIA, Group Head of Internal Audit at QBE Insurance Group Limited and Petra Koziollek, Chief Audit Executive at TAFE NSW share some of their vast internal audit experience. [More Information...](#)

**News & Updates**

**Annual General Meeting**

The AGM of the IIA-Australia is to be held on the 4 May 2017, 5.00pm in Sydney. Members and guests are invited to attend. The Notice of Meeting and information for the meeting and those not able to attend is [available here....](#)

**Brochure Released - IIA International Conference 2017**

The IIA's 2017 International Conference features outstanding speakers whose shared goal is to deliver a world-class event reflective of The IIA's high

**Need Assistance?**

Contact us on 02 9267 9155 or [enquiry@iia.org.au](mailto:enquiry@iia.org.au)

**IIA-Australia App Now Available**

Available on the **App Store**

ANDROID APP ON **Google play**

**Event Calendar**

**SYDNEY** 19 - 20 April  
Writing Internal Audit Reports

**MELBOURNE** 19 April  
Victoria Members Meeting: April

**Conferences**

**PERTH** 14 - 15 September  
Western Australia Internal Audit Conference 2017

**ADELAIDE** 26 - 27 October  
South Australia Internal Audit Conference 2017

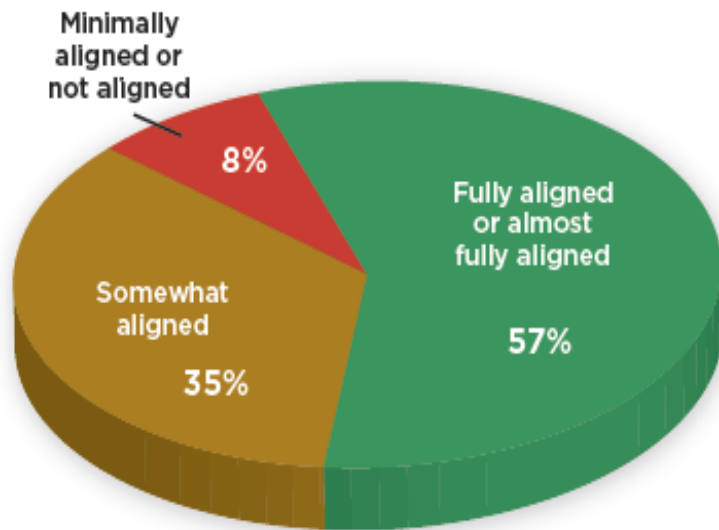
## Quality Toolkit

- Setting yourself up for future success.

## Positioning for future success

# Alignment

**Exhibit 5** Internal Audit Aligned with the Strategic Plan of the Organization



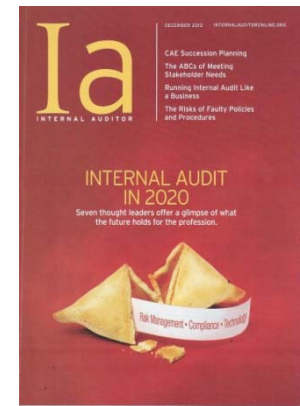
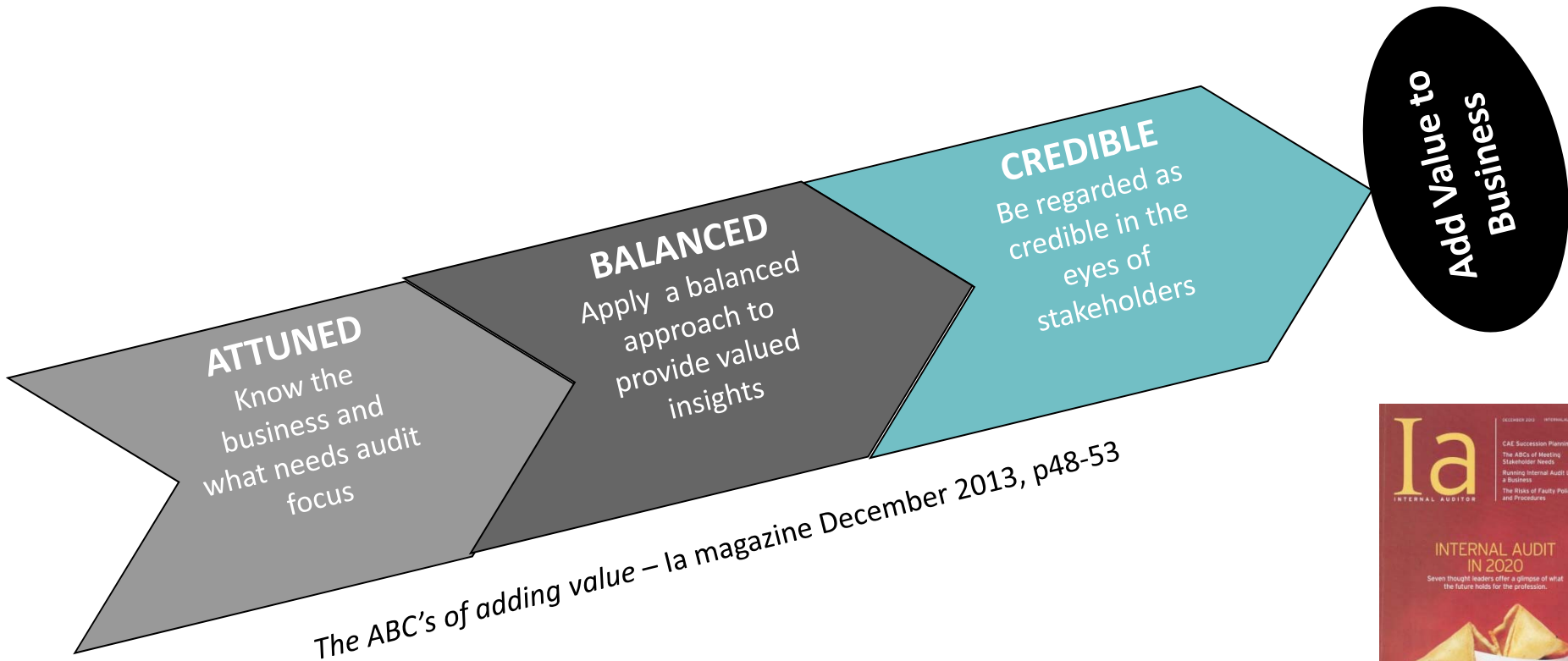
Note: Q57: To what extent do you believe your internal audit department is aligned with the strategic plan of your organization? CAEs only. n = 2,756.

**Exhibit 3** Individual Goals Contributing to Strategic Objectives



87% of executives believe reputation risk is the most important strategic risk

Source: Deloitte's 2014 Global Survey of Reputation Risk



# Questions?

- Details of other changes to the IPPF in 2017.

## Appendices

# Changes to interpretation

- Standard 1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The Chief Audit Executive must discuss with the Board:

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

- Interpretation:

External assessments enhance a complete Quality Assurance and Improvement Program and may be accomplished through ~~can be in the form of a~~ full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Standards; the external assessment may also include operational or strategic comments.

# Changes to wording

- Standard 1312 – External Assessments continued

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning.

Experience gained in organisations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience.

In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Audit Executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived ~~real or an apparent~~ conflict of interest and not being a part of, or under the control of, the organisation to which the Internal Audit activity belongs.

The Chief Audit Executive should encourage board participation in the Quality Assurance and Improvement Program to reduce perceived or potential conflicts of interest.



# Changes to wording

- Standard 1320 – Reporting on the Quality Assurance and Improvement Program

The Chief Audit Executive must communicate the results of the Quality Assurance and Improvement Program to senior management and the Board. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- Conclusions of assessors.
- Corrective action plans.
- The qualifications and independence of the assessor or assessment team, including potential conflicts of interest.

# Changes to interpretation

- Standard 1320 – Reporting on the Quality Assurance and Improvement Program *continued*
  
- Interpretation:
  - The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the Board and considers the responsibilities of the Internal Audit activity and Chief Audit Executive as contained in the Internal Audit Charter.
  
  - To demonstrate conformance with ~~the Definition of Internal Auditing~~, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually.
  
  - The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

# Changes to wording

- Standard 1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

~~The Chief Audit Executive may state that~~ Indicating that the Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if the results of the Quality Assurance and Improvement Program support ~~this~~ such a statement.

# Changes to interpretation

- Standard 1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

- Interpretation:

The Internal Audit activity conforms with the Standards when it achieves the outcomes described in the ~~Definition of Internal Auditing~~, Code of Ethics and the Standards.

The results of the Quality Assurance and Improvement Program include the results of both internal and external assessments.

All Internal Audit activities will have the results of internal assessments.

Internal Audit activities in existence for at least five years will also have the results of external assessments.

# Changes to wording

## ❑ Standard 1322 – Disclosure of Non-conformance

When non-conformance with ~~the Definition of Internal Auditing~~, the Code of Ethics or the Standards impacts the overall scope or operation of the Internal Audit activity, the Chief Audit Executive must disclose the non-conformance and the impact to senior management and the Board.

# Changes to interpretation

- Standard 2000 – Managing the Internal Audit Activity

The Chief Audit Executive must effectively manage the Internal Audit activity to ensure it adds value to the organisation.

- Interpretation:

The Internal Audit activity is effectively managed when:

- The results of the Internal Audit activity's work achieve the purpose and responsibility included in the Internal Audit Charter.
- The Internal Audit activity conforms with the Definition of Internal Auditing and the Standards.
- The individuals who are part of the Internal Audit activity demonstrate conformance with the Code of Ethics and the Standards.
- The Internal Audit activity considers trends and emerging issues that could impact the effectiveness of the Internal Audit activity.

The Internal Audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance ~~provides objective and relevant assurance, and contributes to the effectiveness and efficiency of~~ governance, risk management and control processes; and objectively provides relevant assurance.

# Changes to interpretation

- Standard 2010 – Planning

The Chief Audit Executive must establish a risk-based plan to determine the priorities of the Internal Audit activity, consistent with the organisation's goals.

- Change to interpretation:

To develop the risk-based plan, the Chief Audit Executive first considers the risk management framework and consults with senior management and the Board and then draws conclusions reached from Internal Audit's risk assessment.

~~The Chief Audit Executive is responsible for developing a risk-based plan. The Chief Audit Executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the Chief Audit Executive uses his/her own judgment of risks after consideration of input from senior management and the Board.~~

The Chief Audit Executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

# Changes to wording

- Standard 2050 – Co-ordination and Reliance

The Chief Audit Executive should share information and coordinate activities with other internal and external ~~providers of~~ assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.



# Changes to wording

- Standard 2060 – Reporting to Senior Management and the Board

The Chief Audit Executive must report periodically to senior management and the Board on the Internal Audit activity's purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Standards.

Reporting must also include significant risk **exposures** and control issues, including fraud risks, governance issues, and other matters ~~needed or requested by~~ that require the attention of senior management and/or the Board.

# Changes to interpretation

- ❑ Standard 2060 – Reporting to Senior Management and the Board
- ❑ Change to interpretation:

The frequency and content of reporting are determined collaboratively by the Chief Audit Executive, in discussion with senior management, and the Board. The frequency and content of reporting ~~and~~ depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the Board. The Chief Audit Executive's reporting and communication to senior management and the Board must include information about:

The audit charter. Independence of the Internal Audit activity. The audit plan and progress against the plan. Resource requirements. Results of audit activities. The level of conformance with the Standards and action plans to address any significant conformance issues. Risk accepted by management that may be unacceptable to the organisation.

These and other Chief Audit Executive communication requirements are referenced throughout the Standards.

# Changes to interpretation

- Standard 2070 – External Service Provider and Organisational Responsibility for Internal Auditing

When an external service provider serves as the Internal Audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective Internal Audit activity.

- Interpretation

This responsibility is demonstrated through the Quality Assurance and Improvement Program which assesses conformance with ~~the Definition of Internal Auditing~~, the Code of Ethics, and the Standards.

# Changes to wording

- Standard 2100 – Nature of Work
  - The Internal Audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, ~~and~~ disciplined, and risk-based approach.
  - Internal Audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

# Changes to wording

- Standard 2110 – Governance

The Internal Audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for: ~~in its accomplishment of the following objectives:~~

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Co-ordinating the activities of, and communicating information among, the Board, external and Internal Auditors, other assurance providers, and management.

# Changes to wording

- Standard 2200 – Engagement Planning

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

The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.

# Changes to wording

- Standard 2201 – Planning Considerations

In planning the engagement, Internal Auditors must consider:

The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.

The significant risks to the activity's, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.

The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.

The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

# Changes to wording

- Standard 2210.A3

Adequate criteria are needed to evaluate governance, risk management, and controls.

Internal Auditors must ascertain the extent to which management and/or the Board has established adequate criteria to determine whether objectives and goals have been accomplished.

If adequate, Internal Auditors must use such criteria in their evaluation. If inadequate, Internal Auditors ~~must work with management and/or the Board to develop appropriate evaluation criteria~~ identify appropriate evaluation criteria in discussion with management and/or the Board.



# New interpretation

- Standard 2210.A3

- New interpretation:

Internal Auditors may leverage different types of evaluation criteria such as:

- Internal criteria (eg policies and procedures of the organisation).
- External criteria (eg laws and regulations imposed by statutory bodies).
- Leading practices criteria (eg industry and professional guidance).

# Changes to interpretation

- Standard 2230 – Engagement Resource Allocation

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

- Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

# Changes to wording

- Standard 2330 – Documenting Information

Internal Auditors must document sufficient, reliable, relevant, and useful information to support the ~~conclusions and~~ engagement results and conclusions.

# Changes to wording

- Standard 1210 – Proficiency
  - Proficiency is a collective term that refers to the knowledge, skills, and other competencies ~~is a collective term that refers to the professional proficiency~~ required of Internal Auditors to effectively carry out their professional responsibilities.
  - It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations.
  - Internal Auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by the Institute of Internal Auditors and other appropriate professional organisations.

# Changes to wording

- Standard 2410 – Criteria for Communicating

Communications must include the engagement's objectives, ~~and~~ scope, and results. ~~as well as applicable conclusions, recommendations, and action plans.~~

# Changes to wording

- Standard 2410.A1

Final communication of engagement results must include applicable conclusions.

Final communication of engagement results must also include all applicable recommendations and/or action plans.

Where appropriate, the Internal Auditors' opinion should be provided.  
~~contain the Internal Auditors' opinion and/or conclusions. When issued,~~

An opinion ~~or conclusion~~ must take into account ~~of~~ the expectations of senior management, the Board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

# Changes to wording

- Standard 2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”  
Stating ~~Internal auditors may report~~ that ~~their~~ engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” is appropriate only if the results of the Quality Assurance and Improvement Program support the statement.

# Changes to wording

- Standard 2431 – Engagement Disclosure of Non-conformance

When non-conformance with ~~the Definition of Internal Auditing~~, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the standard(s) with which full conformance was not achieved.
- Reason (s) for non-conformance.
- Impact of non-conformance on the engagement and the communicated engagement results.



# Changes to glossary

## ❑ Glossary – Board

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and hold senior management ~~of the organisation. Typically, this includes an independent group of directors~~ accountable (eg a board of directors, a supervisory board, or a board of governors or trustees). ~~If such a group does not exist, the “board” may refer to the head of the organisation.~~

~~“Board” may refer to an audit committee to which the governing body has delegated certain functions.~~

Although governance arrangements vary among jurisdictions and sectors, typically the Board includes members who are not part of management and is not solely comprised of members of management.

If a Board does not exist, the word “board” in the *Standards* refers to a group or person charged with governance.

Furthermore, “Board” in the *Standards* may refer to a committee or another body to which the governing body has delegated certain functions (eg an Audit Committee or Risk Committee).

# Changes to glossary

- Glossary – Chief Audit Executive

Chief Audit Executive describes a person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit Charter, the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.

The specific job title and/or role of the Chief Audit Executive may vary across organisations.

# Changes to glossary

- Glossary – Core Principles for the Professional Practice of Internal Auditing
  - The Core Principles for the Professional Practice of Internal Auditing (Core Principles) are the key elements that describe Internal Audit effectiveness.
  - The Core Principles underpin the Code of Ethics and the Standards.

# Changes to glossary

- Glossary – International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by the IIA.

Authoritative Guidance is comprised of two categories – (1) mandatory and (2) **strongly** recommended.