



FIJI INSTITUTE OF INTERNAL AUDITORS' SEMINAR

"IPPF ALIGNED"
13TH MARCH 2013

"THE IPPF"

- The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by the Institute of Internal Auditors (IIA).
- The IIA - a trustworthy, global, guidance setting body, provides internal audit professionals worldwide with authoritative guidance organized in the 'IPPF' as a mandatory and strongly recommended guidance.
- Conformance with the principles set forth in the 'IPPF' is required and essential for the professional practice of internal auditing.

2

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF I/AUDITING

- The IIA formally adopted a set of standards for internal auditors worldwide in 1978.
- Over the years the standards have been adapted (aligned) to continuous changes in organizations and in society as a whole.
- Existing standards: Issued in 2008 and revised in 2012.
- 'Internal Auditing Standards' - are the criteria by which the operations of an internal auditing function are evaluated and measured.
- Standards are intended to represent the professional practice of internal auditing as it should be.

THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)

- The 'IPPF' for internal auditing was designed by The IIA Board of Directors' Guidance Task Force to appropriately organize the full range of existing and developing practice guidance for the profession.
- Based on the definition of internal auditing, the 'IPPF' comprises:
 - Standards and Ethics
 - Practice Advisories
 - Development and Practice Aids

THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)

STANDARDS

- Standards are meant to serve the entire profession of internal auditing, in all types of organizations where internal auditors are found.
- They describe the nature of internal audit services and provide quality criteria against which the performance of these services can be measured.

THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)

CODE OF ETHICS

- The purpose of the Code of Ethics is to promote an 'ethical culture' in the profession of internal auditing.
- A code of ethics is necessary and appropriate for the profession of internal auditing because of the trust placed on internal auditors.
- The Code of Ethics together with 'The Standards' and other relevant IIA's pronouncements provide guidance to internal auditors serving others.

THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)

PRACTICE ADVISORIES

- Formerly known as Guidelines
- They are strongly recommended and endorsed by The IIA.
- Although not mandatory, they represent best practices as ways to interpret and implement the Standards.

DEVELOPMENT & PRACTICE AIDS

- Includes a variety of materials that are developed and/or endorsed by The IIA such as: Research studies, Books, Seminars, Conferences, etc.
- Provide IA's with the views of other experts on techniques related to the professional practice of internal auditing.

PURPOSE OF THE 'IPPF'

- The purpose of the IPPF is to organize the full range of internal audit guidance in a manner that is readily accessible on a timely basis.
- By encompassing current internal audit practices as well as allowing for future expansion, the IPPF is intended to assist IA professionals throughout the world in responding to the expanding market for high quality internal audit services.

8

CONFORMANCE WITH THE 'IPPF'

- Throughout the world, internal auditing is performed in diverse:
 - Environments and within organizations that vary in purpose, size, and structure.
 - Legal contexts and customs within various countries.
- These differences may affect the practice of IA in each environment.
- While the differences may affect the practice of internal auditing in each environment, Conformance with the IPPF is MANDATORY in meeting the responsibilities of internal auditors and the internal audit activity.

9

CONFORMANCE WITH THE 'IPPF'

- However conformance with the IPPF should be governed by the environment in which the IA activity carries out its assigned responsibilities.
- If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the IPPF, conformance with all the other parts of the IPPF and appropriate disclosures are needed.
- If the Standards (the IPPF) are used in conjunction with standards issued by other authoritative bodies, IA communications may also cite the use of other standards as appropriate.

1

CONFORMANCE WITH THE 'IPPF'

- In such cases, if inconsistencies exist between IIA Standards (the IPPF) and other standards, internal auditors and the internal audit activity must conform with the IIA Standards, and may conform with the other standards if they are more restrictive.

1

DEFINITION OF INTERNAL AUDITING

- Internal auditing:
 - An independent, objective assurance and consulting activity.
 - Designed to add value and improve an organization's operations.
 - Helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes .

(IIA Standards 2002, to-date)

1

INTERNAL AUDITING SERVICES

ASSURANCE SERVICES

- Assurance services involve the IA's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, an operation, a function, a process, system, or other subject matter.
- The nature and scope of the assurance engagement are determined by the internal auditor.

1

INTERNAL AUDITING SERVICES

CONSULTING SERVICES

- Advisory in nature, performed at the specific request of the auditee.
- The nature and scope of the engagement are agreed to with the auditee.

1

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Attribute Standards
Address the attributes of organizations and the individuals performing IA Services.

Performance Standards
• Describe the nature of IA services and provide quality criteria against which the performance of these services can be measured.

Attribute and Performance standards apply to all internal auditing services.

Implementation Standards
• Expand upon the attribute and performance standards providing the requirements applicable to assurance and consulting activities.

PURPOSE OF THE STANDARDS

The purpose of I/Auditing Standards is to:

- Delineate basic principles that represent the practice of internal auditing.
- Provide a framework for performing and promoting a broad range and value-added internal auditing services.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations.

1

CONFORMANCE WITH THE STANDARDS

- The Standards apply to individual internal auditors and internal audit activities.
- All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency, and due professional care.
- In addition, internal auditors are accountable for conforming with the Standards, which are relevant to the performance of their job responsibilities.
- Chief audit executives are accountable for overall performance

1

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Attribute Standards

- 1000 - Purpose, Authority & Responsibility
- 1100 - Independence and Objectivity
- 1110 - Organizational Independence
- 1120 - Individual Objectivity
- 1130 - Impairment to Independence/Objectivity
- 1200 - Proficiency and Due Professional Care
- 1230 - Continuous Professional Development
- 1300 - Quality Assurance & Improvement Program
- 1310 - Quality Program Assessments
- 1311 - Internal Assessments

1

I/STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Attribute Standards (Cont'd)
1312 - External Assessments
1320 - Reporting on the Quality Program
1321 - Use of "Conforms with the Standards"
1340 - Disclosure of Non-conformance

1

ORGANIZATIONAL INDEPENDENCE (ATTRIBUTE STANDARD: 1110)

- The Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.
- The CAE must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

2

ORGANIZATIONAL INDEPENDENCE (ATTRIBUTE STANDARD: 1110)

Interpretation:

- Organizational independence is effectively achieved when the chief audit executive reports functionally to the Board.
- Examples of functional reporting to the Board involve the Board:
 - Approving the internal audit charter;
 - Approving the risk-based internal audit plan;
 - Approving the internal audit budget and resource plan;
 - Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;

2

ORGANIZATIONAL INDEPENDENCE
(ATTRIBUTE STANDARD: 1110)

Interpretation (Cont'd)

Approving decisions regarding the appointment and removal of the chief audit executive;

Approving the remuneration of the chief audit executive; and

Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

2

QUALITY PROGRAM ASSESSMENTS
(ATTRIBUTE STANDARD: 1311-20)

- Requirements of the Quality Assurance and Improvement Program (1310)
- Internal Assessments (1311)
Internal assessments must include:
 - Ongoing monitoring of the performance of the internal audit activity; and
 - Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

2

QUALITY PROGRAM ASSESSMENTS
(ATTRIBUTE STANDARD: 1311-20)

- External Assessments (1312)
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:
 - The form and frequency of external assessments; and
 - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

2

QUALITY PROGRAM ASSESSMENTS
(ATTRIBUTE STANDARD: 1311-20)

Interpretation (Cont'd)

- 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 organizations 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.

2

QUALITY PROGRAM ASSESSMENTS
(ATTRIBUTE STANDARDS: 1311-20)

Interpretation (Cont'd)

- The chief audit executive uses professional judgment when assessing whether International Standards for the Professional Practice of Internal Auditing (Standards): October 2012 Page 8 of 22 © 2012 The Institute of Internal Auditors an assessor or assessment team demonstrates sufficient competence to be qualified.
- An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

2

I/STANDARDS FOR THE PROFESSIONAL PRACTICE
OF INTERNAL AUDITING

Performance Standards

- 2000 - Managing the Internal Audit Activity
- 2010 - Planning
- 2020 - Communication and Approval
- 2030 - Resource Management
- 2040 - Policies and Procedures
- 2050 - Coordination
- 2060 - Reporting to Senior Management & Board
- 2070 - External Service Provider & Organizational Responsibility of Internal Auditing Activity.
- 2100 - Nature of Work
- 2110 - Governance

2

I/STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Performance Standards

- 2120 - Risk Management
- 2130 - Control
- 2200 - Engagement Planning
- 2201 - Planning Considerations
- 2210 - Engagement Objectives
- 2220 - Engagement Scope
- 2230 - Engagement Resource Allocation
- 2240 - Engagement Work Program
- 2300 - Performing the Engagement
- 2310 - Identifying Information

2

I/STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Performance Standards (Cont'd)

- 2320 - Analysis and Evaluation
- 2330 - Documenting Information
- 2340 - Engagement Supervision
- 2400 - Communicating Results
- 2410 - Criteria for Communicating
- 2420 - Quality of Communications
- 2421 - Errors and Omissions
- 2430 - Use of "Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing."

2

I/STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Performance Standards (Cont'd)

- 2431 - Engagement Disclosure of Nonconformance
- 2440 - Disseminating Results
- 2450 - Overall Opinions
- 2500 - Monitoring Progress
- 2600 - Communicating the Acceptance of Risks

3

PERFORMANCE 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 organization's goals.

Interpretation:

- The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. 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 organization's business, risks, operations, programs, systems, and controls.

3

PERFORMANCE STANDARD: 2120.A1

Evaluation of Risk Exposures

The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- **Achievement of the organization's strategic objectives;**
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

3

PERFORMANCE STANDARD: 2201

Planning Considerations

In planning the engagement, internal auditors must consider:

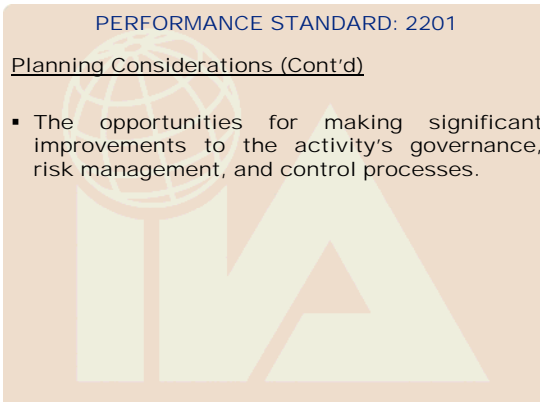
- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness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

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PERFORMANCE STANDARD: 2201

Planning Considerations (Cont'd)

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

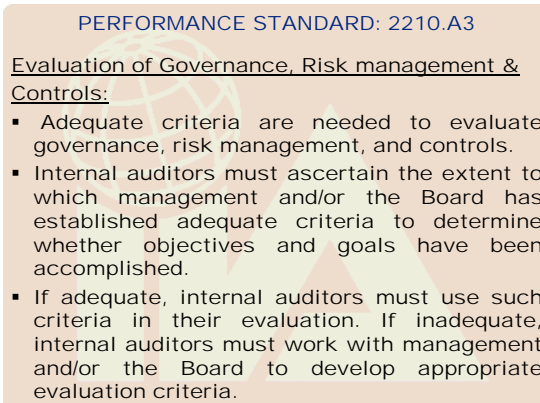


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PERFORMANCE STANDARD: 2210.A3

Evaluation of Governance, Risk management & Controls:

- 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.

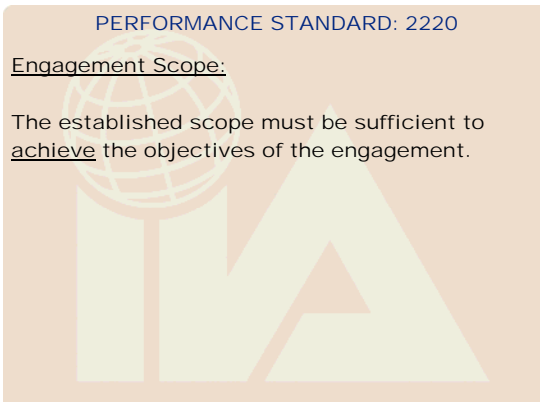


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PERFORMANCE STANDARD: 2220

Engagement Scope:

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



3

PERFORMANCE STANDARD: 2440

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

Interpretation:

- The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated.
- When the chief audit executive delegates these duties, he or she retains overall responsibility.

3

PERFORMANCE STANDARD: 2600

Communicating the Acceptance of Risks:

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

Interpretation:
The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

3

GLOSSARY

Board

- The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organization.
- Typically, this includes an independent group of directors (e.g., 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 organization. "Board" may refer to an audit committee to which the governing body has delegated certain functions.

3

GLOSSARY

Control Processes
The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Engagement Opinion
The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

4

GLOSSARY

Overall Opinion

- The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organization.
- An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Residual Risk
The definition of "Residual Risk" has been removed.

4

CODE OF ETHICS (JANUARY, 2009)

- Applicability/Enforcement
The IIA's Code of Ethics applies to both individuals and entities that provide internal auditing services.
- Principles
Internal auditors are expected to apply and uphold the following principles:
 - Integrity
 - Objectivity
 - Confidentiality
 - Competence

4

RULES OF CONDUCT (JANUARY, 2009)

INTEGRITY

Internal Auditors shall:

1. Perform their work with honesty, diligence, and responsibility.
2. Observe the law and make disclosures expected by the law and the profession.
3. Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

4

RULES OF CONDUCT (JANUARY, 2009)

OBJECTIVITY

Internal Auditors:

1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

4

RULES OF CONDUCT (JANUARY, 2009)

CONFIDENTIALITY

Internal Auditors:

1. Shall be prudent in the use and protection of information acquired in the course of their duties.
2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4

RULES OF CONDUCT (JANUARY, 2009)

COMPETENCY

Internal Auditors:

1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
3. Shall continually improve their proficiency and the effectiveness and quality of their services.

4

**ASANTE SANA &
WISH YOU ALL THE BEST!**

4
