Get to Know the Global Internal Audit Standards

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PhD, CIA, CGAP, CPA, CGFM, CIG

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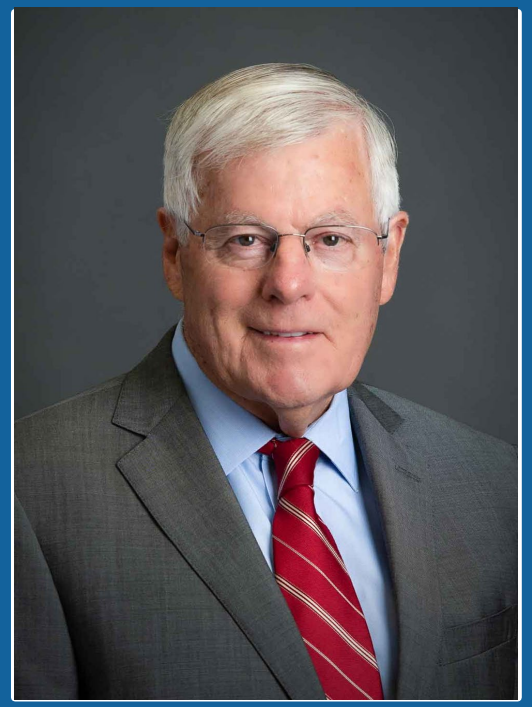
Session Presenter



Past IIA Involvement:

- Tallahassee Chapter President
- IIA Government Relations Committee
- International Internal Audit Standards Board Vice-Chair
- IIA Guidance Task Force – 16 members
  - Chair of IPPF Sub-committee
- Inducted Into the IIA Hall of Distinguished Audit Practitioners
- Supervised QCR of State Agencies
- Office reviewed for QCR at City of Tallahassee and FSU over 22 year period
- Conducted Four QCR's since 2022
- Have written articles for IIA
- Represented IIA as a Member of GASAC for 10 years

Agenda

1. Go over changes that resulted in the IIA Global Internal Audit Standards
2. Provide some history that has brought us to where we are today in the profession
3. Focus on what I see as the most important changes to the Standards

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Milestones

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IPPF Evolution Milestones

2019 – 2022

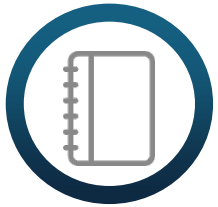
- Research and benchmarking.
- Outreach to stakeholders.
- Development of new Standards.

2023

- IPPF Oversight Council approval of due process.
- **Translation and 90-day public comment period.**
- IIASB working groups disposition of public comments.
- Revisions of exposed draft.
- **IIASB approval of final draft.**
- Pilot draft of Topical Requirement on Cybersecurity.

2024, Q1

- **Global Internal Audit Standards™ publication along with disposition report and other tools.**
- Translations begin.
- Global Internal Audit Standards™ publication as digitally enhanced e-book.
- New instructor-led training & updated learning library.
- **Expose Topical Requirement on Cybersecurity for public comment.**



2024, Q2 – Q4

- *Global Internal Audit Standards™ (The Redbook)* publication available in hardcover format.
- Conformance Readiness Tool.
- Domain III CAE Communication Toolkit.
- **Updated *Quality Assessment Manual* publication available.**
- **Issuance of Topical Requirement on Cybersecurity.**
- Development of other Topical Requirements.

IPPF Governance and Standard-setting Processes

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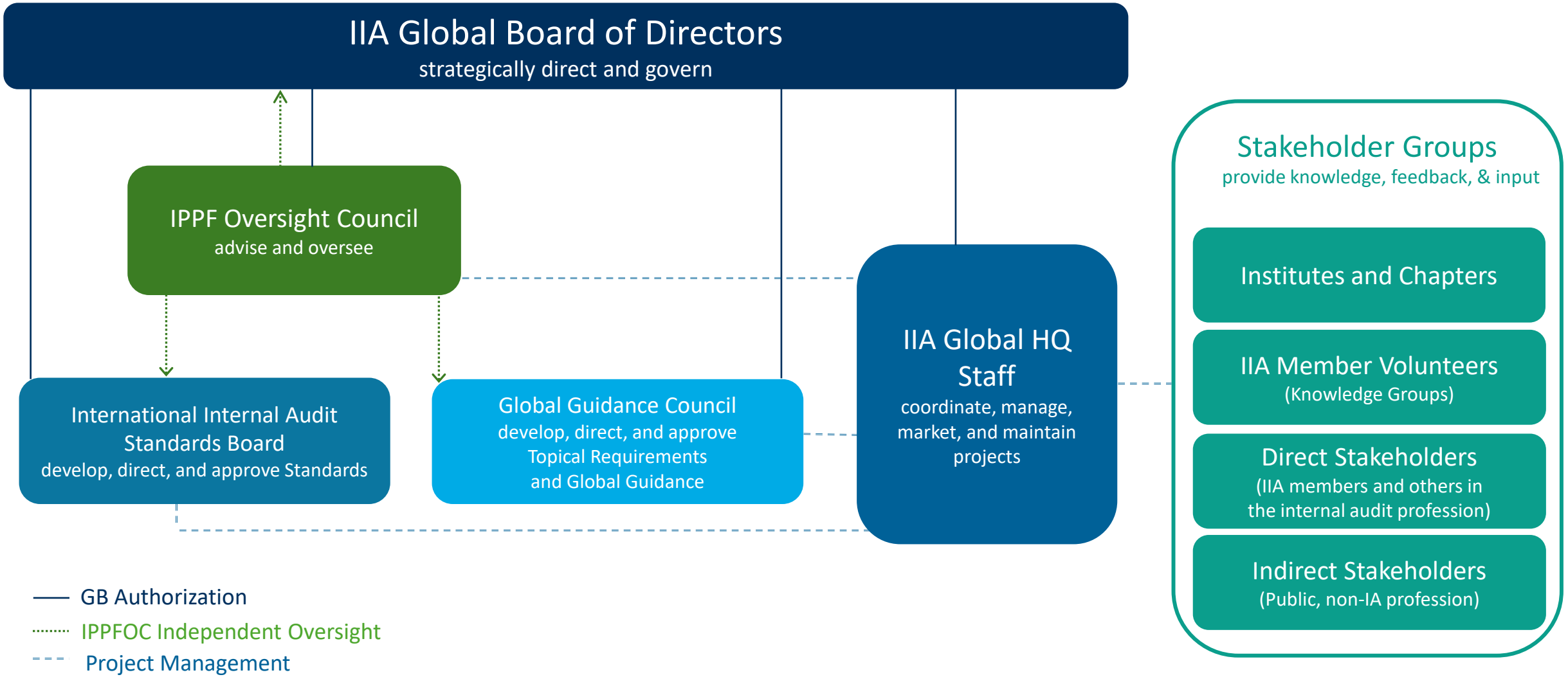
IPPF Governance Process



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IPPF Oversight Council

Mission: To evaluate the due process for setting standards and guidance to promote inclusiveness and transparency, which ultimately serves the **public interest** and increases stakeholder confidence in The IIA's Standards.

Organizations represented:

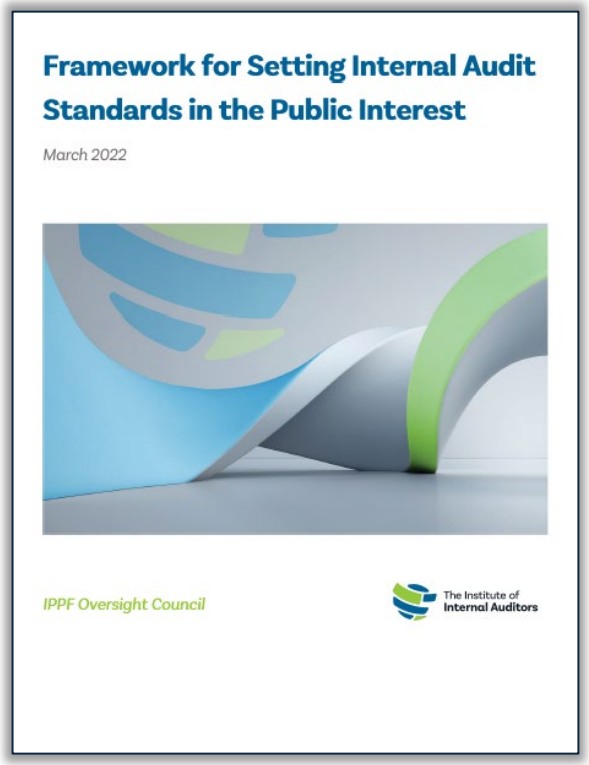
IFAC

OECD

WORLD BANK

GLOBAL NETWORK OF DIRECTOR INSTITUTES

INTOSAI



Publication:
Framework for Setting Internal Audit Standards in the Public Interest

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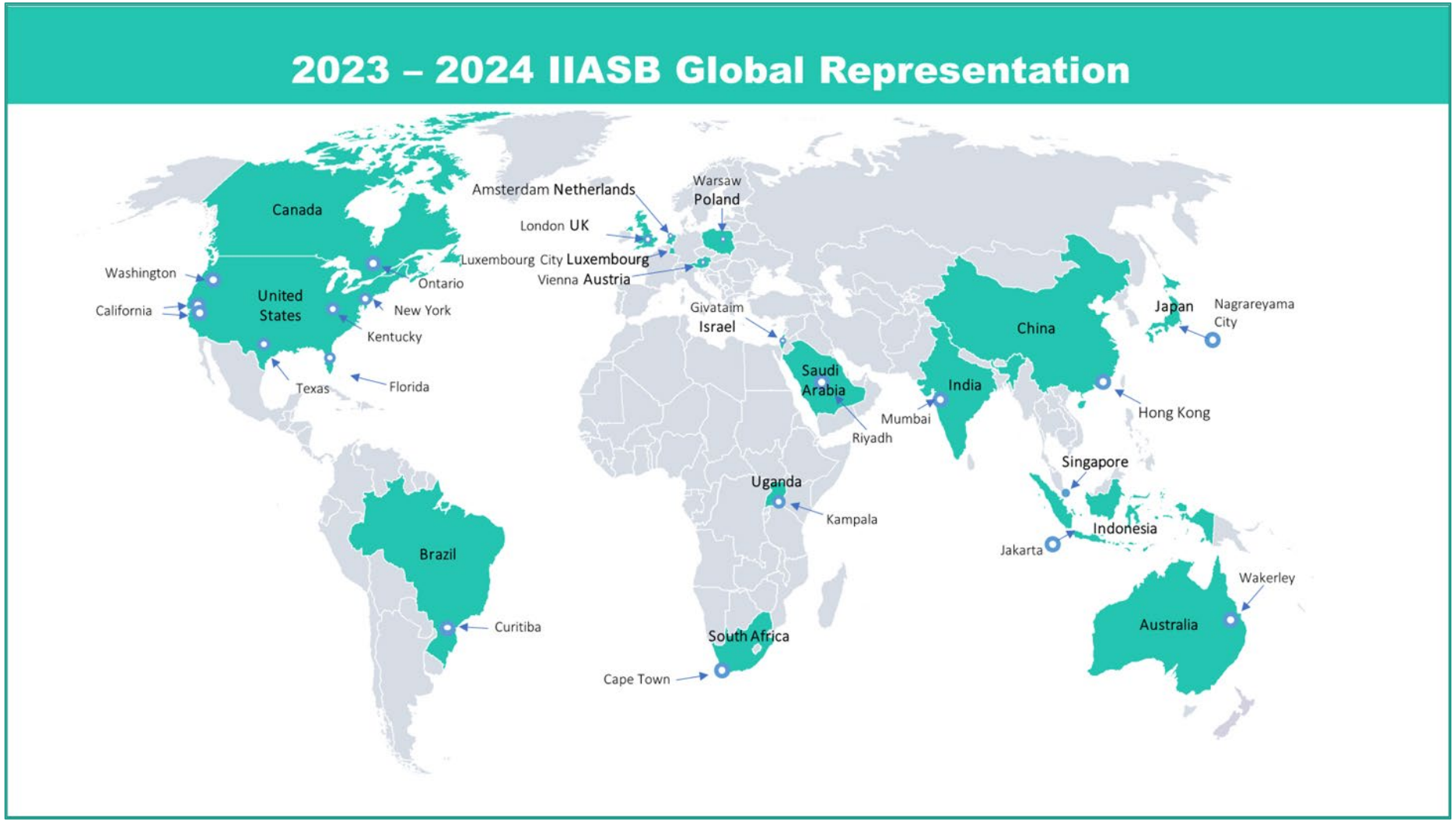
International Internal Audit Standards Board



- **Mission: To serve the public interest by developing, issuing, maintaining, and promoting the Global Internal Audit Standards worldwide.**
- **Representing the internal audit profession globally with 21 members from 18 countries and various industries and sectors.**

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SMM - The IIA is Global which “includes” North America

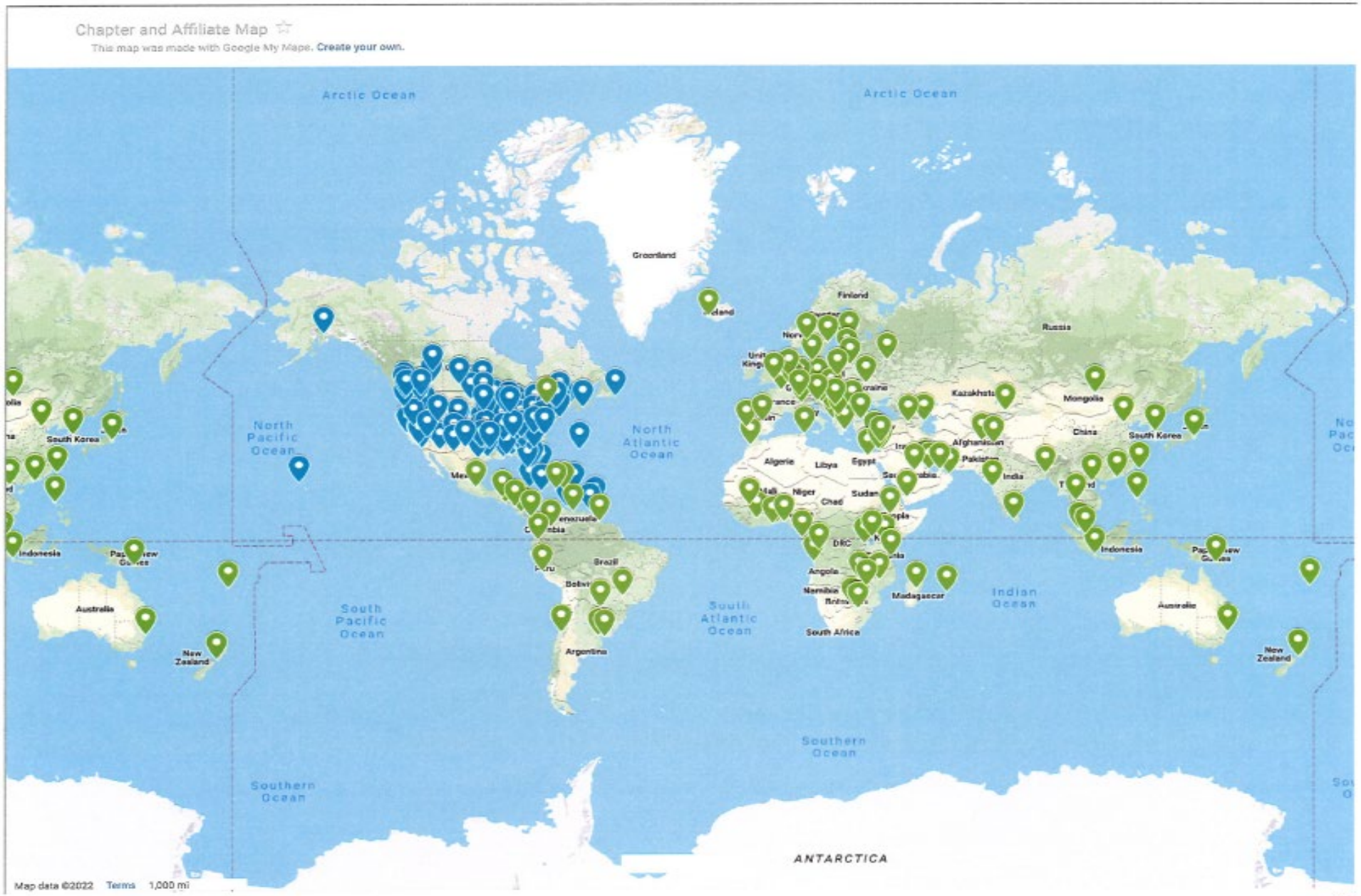
235,000 members world-wide

North America

- 150 Chapters
- 70,000 members

The Internal Auditing Standards Board is global.

Global acceptance of the IPPF is very important


Chapter and Affiliate Map
This map was made with Google My Maps. Create your own.
Arctic Ocean
Arctic Ocean
Greenland
Finland
Russia
Kazakhstan
Mongolia
China
South Korea
North Pacific Ocean
North Atlantic Ocean
Algeria
Libya
Egypt
Niger
Chad
Sudan
India
Indonesia
Australia
New Zealand
Brazil
Argentina
Angola
Madagascar
South Africa
South Pacific Ocean
South Atlantic Ocean
Indian Ocean
Southern Ocean
Southern Ocean
ANTARCTICA
Map data ©2022 Terms 1,000 mi

Global Internal Audit Standards Stakeholder Input and Public Survey

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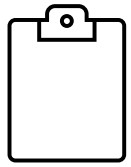
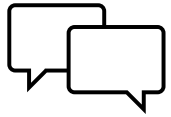
Stakeholder Engagement on Standards Draft

1,612



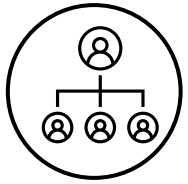
Total completed surveys, with respondents from 135 countries and territories.

18,964



Total # of comments submitted. This is an average of 12 specific comments per respondent.

400+

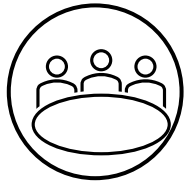


One quarter of the 1,612 survey respondents were organizations, with an average of 25 people directly contributing to each organizational survey response and representing 280 individuals on average.

60+

More than 60 individuals and organizations submitted letters instead of or in addition to surveys.

140+



Additionally, IIA leaders engaged with more than 140 groups, including with representatives from Basel Committee on Banking Supervision, Global Network of Director Institutes, International Corporate Governance Network, International Monetary Fund, Organization for Economic Co-operation and Development, U.S. Government Accountability Office, World Bank Group, major professional auditing firms, and IIA affiliates.

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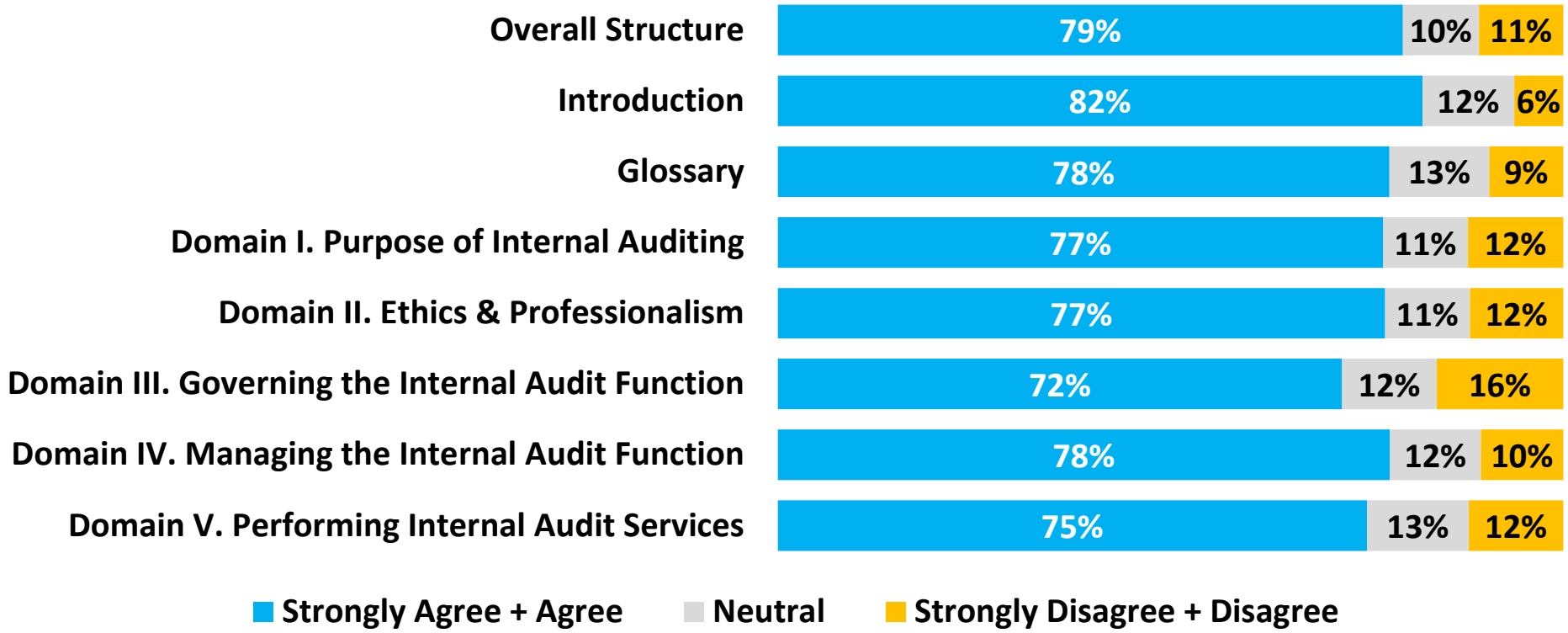
Survey Results – Level of Agreement

To what extent do you agree or disagree with…



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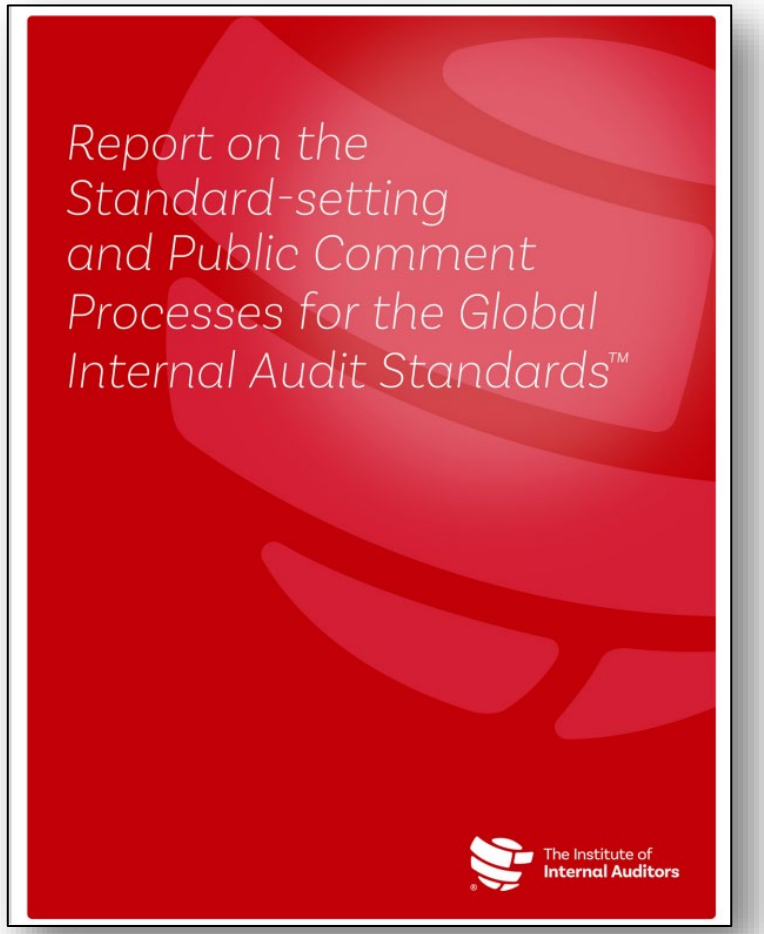
Disposition of Public Comments



- **Report on the Standard-setting and Public Comment Processes for the Global Internal Audit Standards.**
- **Full and Condensed versions of the Standards.**
- **Two-way mapping of the 2017 Standards to the 2024 Standards.**

Find the report at theiia.org, along with the New Standards and other resources.

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New IPPF and Global Internal Audit Standards: Structure

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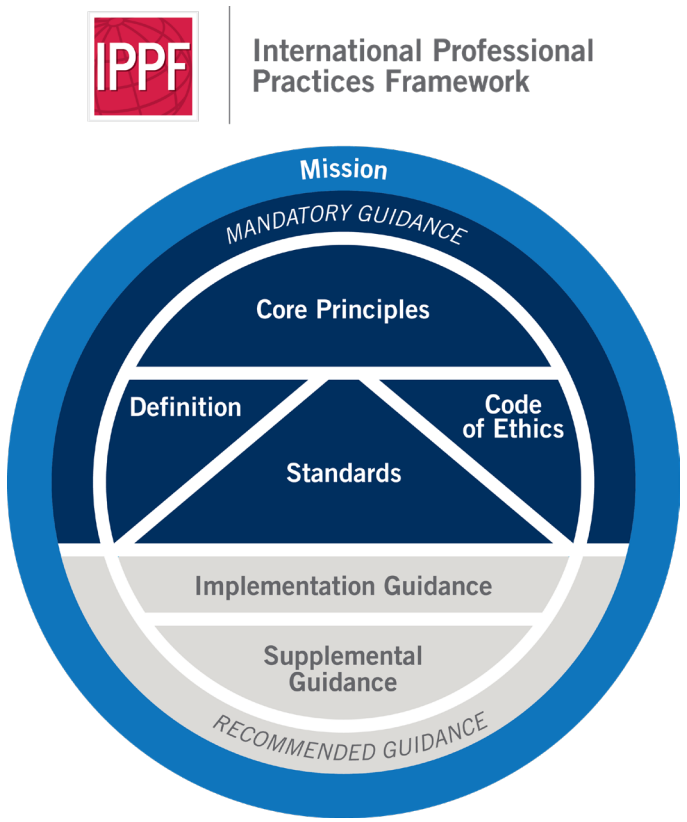
The IPPF Evolution

2017



2024

International Professional Practices Framework® (IPPF)

- Global Standards
- Topical Requirements
- Global Guidance

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SMM - The IPPF actually started in 1998

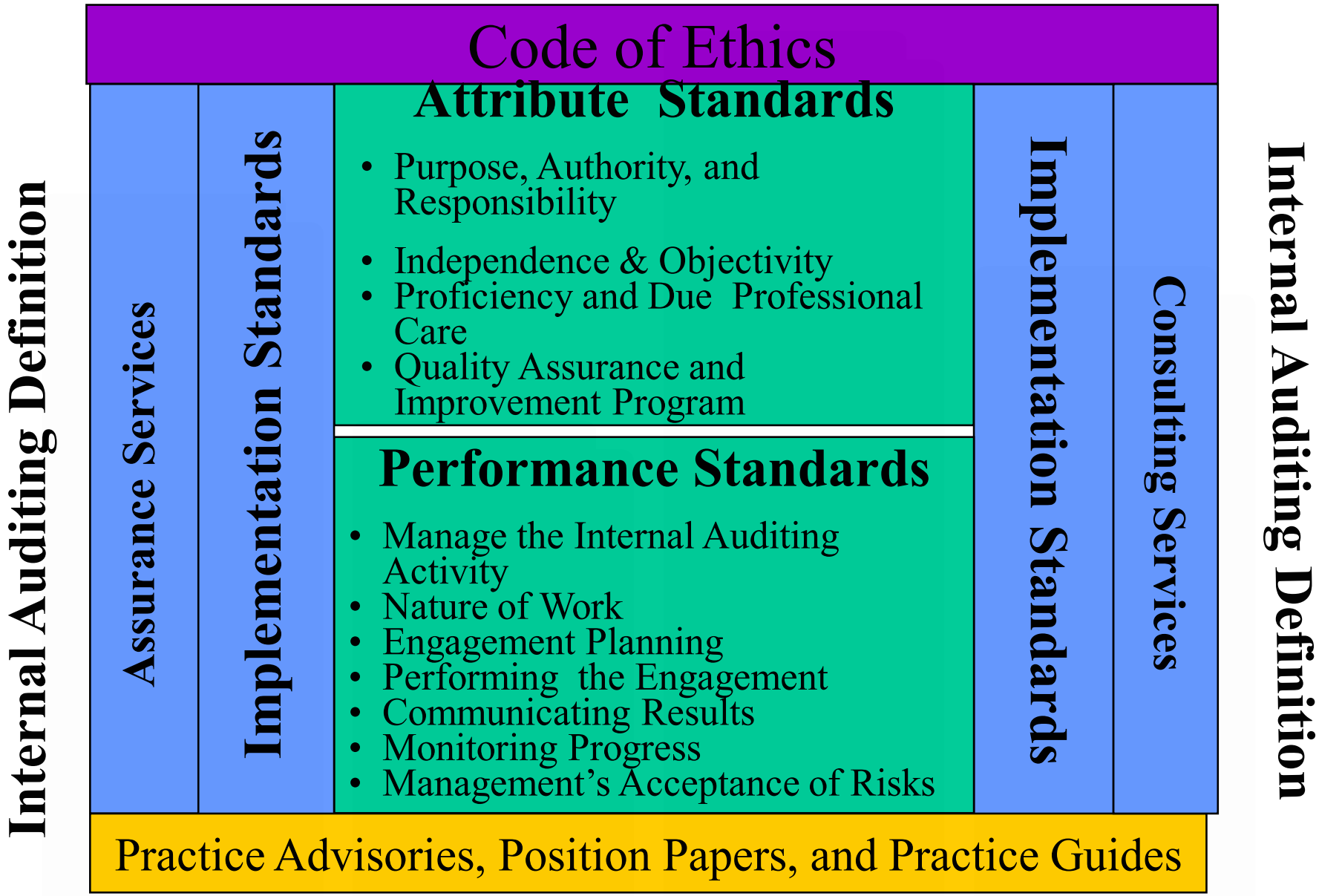
- 16 person Guidance Task force formed in 1997, 20 years after the Standards were issued – there were 5 general and 25 specific guiding statements
- No clear distinction was made as to what was a standard and what was guidance – no IPPF
- No official definition of Internal Auditing
- No requirement for CPE
- No requirement for a QCR
- No requirement to state in an audit report that the audit was conducted in accordance with the SPPIA

SMM

The Profession in 1998

- Only 30 percent have ever had a QCR
- Only 17 percent state in their reports that the audit was performed in accordance with the IIA Standards
- 72 percent believed compliance with the Standards should be mandatory
- 74 percent favored enforcement beyond self-evaluation

International Professional Practice Framework

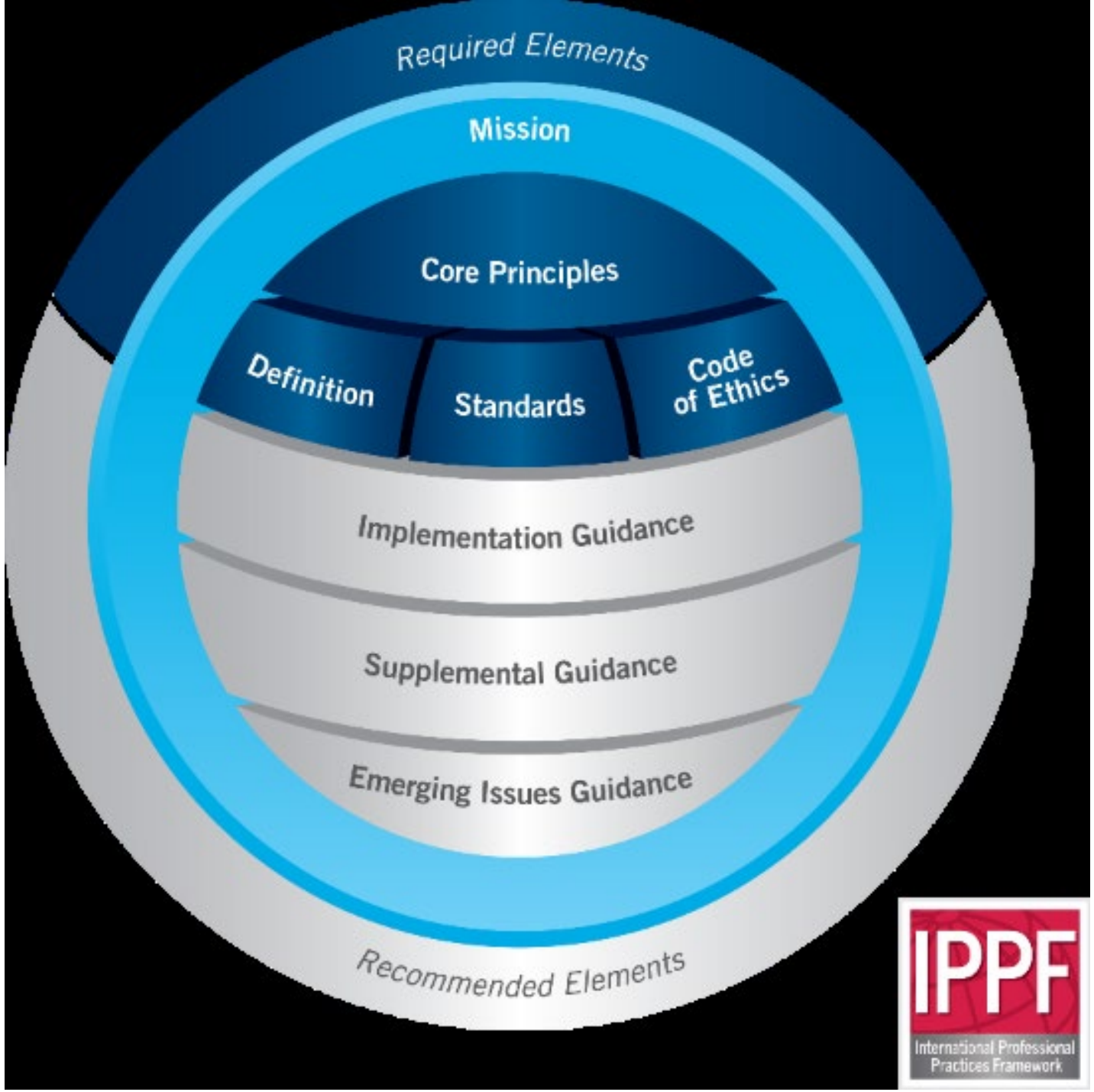


IPPF

The International Professional Practices Framework organizes The IIA's authoritative guidance

AUTHORITATIVE GUIDANCE

Mandatory
Non mandatory Strongly recommended


Required Elements
Mission
Core Principles
Definition
Standards
Code of Ethics
Implementation Guidance
Supplemental Guidance
Emerging Issues Guidance
Recommended Elements
IPPF
International Professional Practices Framework

SMM

IA Definition Before 1999 and as Proposed by the Guidance Task Force

- Old Definition
  - Internal auditing is an **independent** appraisal function established **within an organization ….**
- As Proposed
  - Internal auditing is an objective assurance and consulting activity that is **independently managed within an organization** ….

SMM - 1999

IIA Definition of Internal Auditing

- Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

SMM

In 2002, Enron Collapsed and Arthur Anderson Ceased to Exist

- Arthur Anderson provided financial audit, internal audit, and "consulting services" for Enron. AA was one of the "big five."
- "Consulting" presented a problem for the IIA and for the Yellow Book. In the YB consulting conflicted with independence standards.
- The issue of IA being included in the YB arose once more. IA was viewed by some as not independent when within the organization
- In response, the Comptroller General formed a YB independence subcommittee. He concluded CPA's could audit financial statements or be the bookkeeper – but not both. **IA was left alone**

SMM

The IIA and GAO form a Work Group to Identify the Difference Between the Red Book and Yellow Book

- A 53 page comparison document was issued.
- 12 difference were identified with suggestions of how to address the differences
- The IIA and GAO concluded that consulting services under the Red Book was the same for all practical purposes as performance auditing under the Yellow Book

AICPA - AU-C Section 610 - Using the Work of Internal Auditors

- Factors to consider:
  - The level of competency of the internal auditors
  - Whether the organizational status and relevant polices adequately support the objectivity of the internal auditors
  - Whether the function applies a systematic and disciplined approach, including quality control

Current Definition of Internal Auditing

- An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- SMM Note – Internal auditing (whether consulting or advising) is not a partnering activity

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Global Internal Audit Standards

5 Domains, 15 Principles

Domain I: Purpose of Internal Auditing

II. Ethics and Professionalism

1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

III. Governing the Internal Audit Function

6. Authorized by the Board
7. Positioned Independently
8. Overseen by the Board

IV. Managing the Internal Audit Function

9. Plan Strategically
10. Manage Resources
11. Communicate Effectively
12. Enhance Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans

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The Global Internal Audit Standards
New Structure

- **5 Domains**
- **15 Principles**
  - **52 Standards**
    - Requirements
    - Considerations for Implementation
    - Examples of Evidence of Conformance

Additional features:

- Fundamentals
- Applying the Standards in the Public Sector
- Glossary

TM

IIA

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Summary of Changes

New structure, new content

Purpose of Internal Auditing

Ethical principles and standards

Essential conditions for governance

Conformance includes performance

Assurance/ advisory

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Global Internal Audit Standards: Fundamentals and Public Sector sections

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Fundamentals of the Global Internal Audit Standards

Internal Auditing and the Public Interest

- Describes the commitment of The IIA and the responsibility of the IIASB to set standards in the public interest.
- Defines public interest and internal auditing's role in enhancing an organization's ability to serve the public interest.

Demonstrating Conformance with the Standards

- Internal auditors may be unable to conform with a requirement yet still achieve the standard's intent.
- Chief audit executive is responsible for documenting, conveying the rationale and the alternative actions for EQA.
- Details in relevant Standards.

Application in Small Internal Audit Functions

- Too many variables to define "small." However, single-person functions need assistance to implement an adequate QAIP.
- Additional details in Standards 10.1 Financial Resource Management, 12.1 Internal Quality Assessment, and 12.3 Oversee and Improve Engagement Performance.

Application in the Public Sector

- Mentioned in Fundamentals and has its own section, "Applying the Global Internal Audit Standards in the Public Sector," following Domain V: Performing Internal Audit Services.

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Applying the Standards in the Public Sector

Internal auditors in the public sector operate in a **political environment**, which sometimes differs from private sector in how they apply the Standards and use **terminology**, specifically related to the following areas:

Laws and/or Regulations

- Acknowledges the legal framework under which internal auditors in the public sector work.
- Recognizes conform or explain approach, as described in Fundamentals and the Standards.

Governance and Organizational Structure

- Explanations and examples describing governance and organizational structures in the public sector.
- Situations to be aware of and ideas for internal audit functions to adjust the application of certain standards while safeguarding independence.

Funding

- Some structures do not give the board and senior management authority over the budget.
- Chief audit executives in the public sector may have limits on the way they may access and use resources.
- Examples to be aware of and ways to adapt.

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Domain I: Purpose of Internal Auditing

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Domain I: Purpose of Internal Auditing

Purpose Statement:

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

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Domain II: Ethics and Professionalism

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Domain II: Ethics and Professionalism

1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

- 1.1 Honesty and Professional Courage
- 1.2 Organization's Ethical Expectations
- 1.3 Legal and Ethical Behavior

2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

- 2.1 Individual Objectivity
- 2.2 Safeguarding Objectivity
- 2.3 Disclosing Impairments to Objectivity

3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

- 3.1 Competency
- 3.2 Continuing Professional Development

4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

- 4.1 Conformance with Global Internal Audit Standards
- 4.2 Due Professional Care
- 4.3 Professional Skepticism

5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

- 5.1 Use of Information
- 5.2 Protection of Information

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Domain III: Governing the Internal Audit Function

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Domain III: Governing the Internal Audit Function

Domain III standards include "essential conditions" for an effective internal audit function.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

- 6.1 Internal Audit Mandate
- 6.2 Internal Audit Charter
- 6.3 Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

- 7.1 Organizational Independence
- 7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

- 8.1 Board Interaction
- 8.2 Resources
- 8.3 Quality
- 8.4 External Quality Assessment

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Domain IV: Managing the Internal Audit Function

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Domain IV: Managing the Internal Audit Function

9. Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

- 9.1 Understanding Governance, Risk Management, and Control Processes
- 9.2 Internal Audit Strategy
- 9.3 Methodologies
- 9.4 Internal Audit Plan
- 9.5 Coordination and Reliance

10. Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

- 10.1 Financial Resource Management
- 10.2 Human Resources Management
- 10.3 Technological Resources

11. Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

- 11.1 Building Relationships and Communicating with Stakeholders
- 11.2 Effective Communication
- 11.3 Communicating Results
- 11.4 Errors and Omissions
- 11.5 Communicating the Acceptance of Risks

12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

- 12.1 Internal Quality Assessment
- 12.2 Performance Measurement
- 12.3 Oversee and Improve Engagement Performance

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Domain V: Performing Internal Audit Services

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Domain V: Performing Internal Audit Services

13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

- 13.1 Engagement Communication
- 13.2 Engagement Risk Assessment
- 13.3 Engagement Objectives and Scope
- 13.4 Evaluation Criteria
- 13.5 Engagement Resources
- 13.6 Work Program

14. Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

- 14.1 Gathering Information for Analyses and Evaluation
- 14.2 Analyses and Potential Engagement Findings
- 14.3 Evaluation of Findings
- 14.4 Recommendations and Action Plans
- 14.5 Engagement Conclusions
- 14.6 Engagement Documentation

15. Communicate Engagement Results and Monitor Actions Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward implementation of recommendations or action plans.

- 15.1 Final Engagement Communication
- 15.2 Confirming the Implementation of Recommendations or Action Plans

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Global Internal Audit Standards: Glossary

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Glossary

Old Term or Concept	Updated Term
consulting services	advisory services
engagement opinion	engagement conclusion
internal audit activity	internal audit function
purpose, authority, responsibility	internal audit mandate
policies and procedures (internal audit)	methodologies

Existing Terms With New Definitions
board
control processes
fraud
internal auditing
risk appetite

New to the Glossary				
Assurance	engagement supervisor	Internal audit charter	public sector	risk tolerance
competency	finding	internal audit manual	residual risk	root cause
condition	impact	internal audit plan	results of internal audit services	senior management
criteria	inherent risk	likelihood	risk and control matrix	stakeholder
engagement planning	integrity	may	risk assessment	workpapers

*Not a comprehensive list.

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Significance of the Global Internal Audit Standards™

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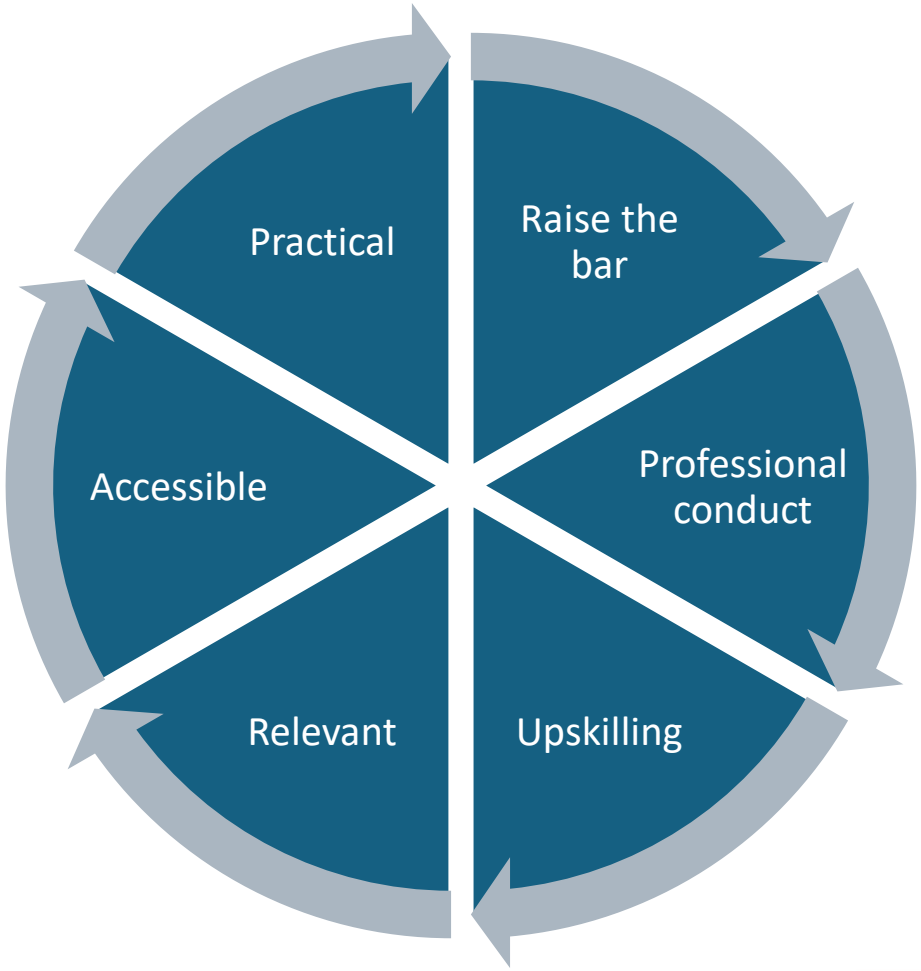
Significance:

for Internal Auditors



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Significance:

for
Internal Audit Function

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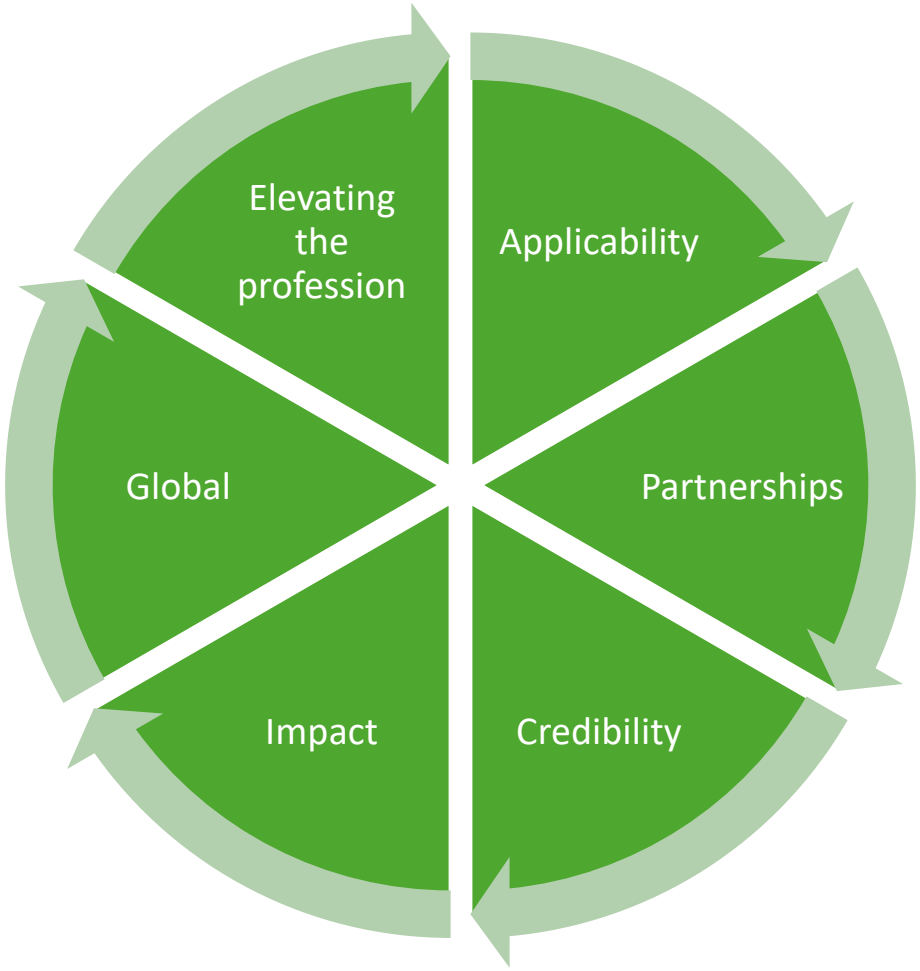
Significance:

for
Internal
Audit
Profession



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Early Adoption

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Benefits of Early Adoption

- Earlier benefits.
- Maximizes the opportunities from current training and stakeholder engagement support.
- Demonstrates a progressive mindset.
- Promotes talent retention and recruitment.
- Ready to adopt Topical Requirements when they become available.
- Better prepared for the new Quality Assessment process.

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Readiness to Adopt

Awareness raising with stakeholders.
Training for the internal audit function.
Utilize resources such as IIA's analysis of how the new standards are different from existing standards.
Perform a readiness assessment comparing new standards to existing practices. Gap analysis.
Discuss Domain III with senior management, audit committee, board.
Start early during the transition period.

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Topical Requirements

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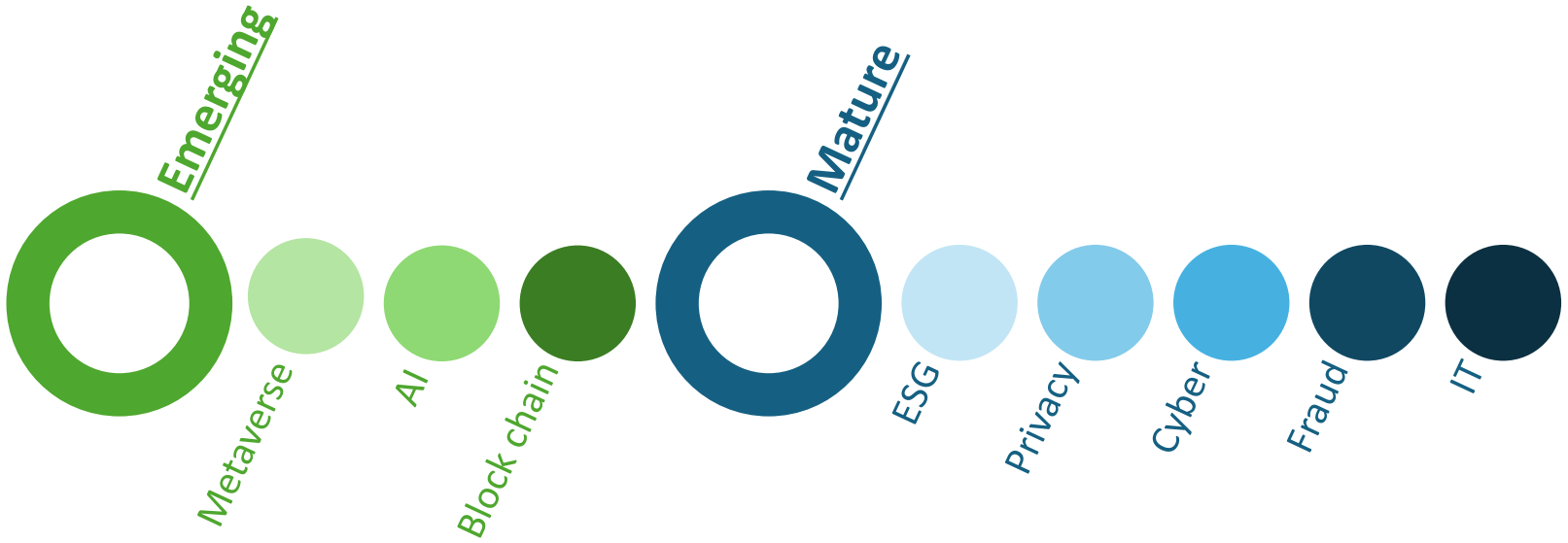
Topic Progression in IIA Content & Services



- Purpose
- Ethics and Professionalism
- Governing IAF
- Managing IAF
- Performing IA Services

Research

Thought Leadership

Guidance

Topical Requirements

Standards

IIA Learning Programs

Global Certifications

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Topical Requirements

Topical Requirement Are:

- Required when an internal auditor is performing an **assurance engagement on a topic/risk area** for which a Topical Requirement exists.
- Subject to applicability as **determined by risk-based internal audit plan**. Limitations must be documented.
- A **baseline for engagement performance** when the topic/risk area is subject to review.
- Inclusive of aspects of **governance, risk management, and control** processes.
- Subject to **external quality assessment**.

Topical Requirements Are Not:

- Requirements to perform an engagement on the topic.
- Comprehensive work programs.
- Designed to address emerging topics.
- Substitutes for risk assessments or professional judgment.
- Designed to circumvent or supplant legal and regulatory requirements.

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Topical Requirements

Why Topical Requirements?

- Strengthen the ongoing relevance of the IPPF by **addressing pervasive and evolving risks**.
- Ensure **consistency and quality** of engagement performance.
- Increase focus on **resource investments needed** for the internal audit function to achieve its mandate and fulfill the Purpose of Internal Auditing.

How?

- Developed by **experts and internal audit leaders** representing various sectors and industries **globally**.
- Include broad proactive **stakeholder outreach** and collecting feedback collected through a **public comment period**.
- Involve ongoing **oversight of due process** by IPPF Oversight Council, an **independent** body comprising representatives of global organizations.

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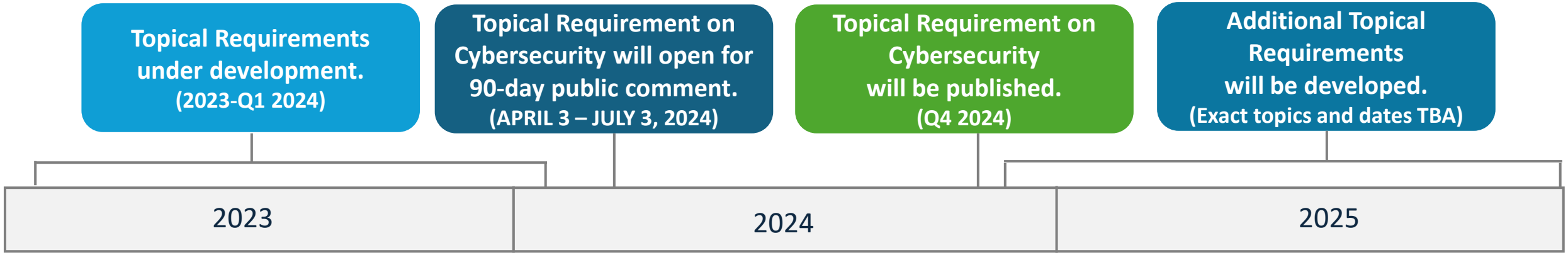
Topical Requirements

Topics Approved by Global Guidance Council (2024 March)

- Cybersecurity (in process)
- Third-party Risk Management
- Culture
- Business Resiliency
- Anti-corruption/Bribery*
- People Management*
- Fraud Risk Management*
- Sustainability: ESG*

**scope to be refined*

Timeline



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External Quality Assessments

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External Quality Assessments

Options for Planning EQAs
based on the January 9, 2024, issuance of the Global Internal Audit Standards and the effective date of January 9, 2025.

If the EQA is due in 2024:

- The quality assessment should be conducted as scheduled in conformance with the current IPPF.
- A gap assessment should be considered in 2024 in addition to the current EQA to prepare for the transition.

If the EQA is due in 2025 or beyond:

- The quality assessment can be accelerated into 2024 to allow for the assessment to be conducted in conformance with the current IPPF.
- A gap assessment can be conducted in 2024 to identify any gaps for the implementation of the Global Internal Audit Standards.

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Changes to Examinations for IIA Credentials

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Changes to Examinations for IIA Credentials

CIA®

New Exam

- Expected in English May 2025.
- Expected in other languages according to schedule published at www.theiia.org/cia2025.
- For this information and more, scan QR code.

Internal Audit Practitioner

- No changes before Standards effective date.

CRMA®

Certification in Risk Management Assurance®

- Not affected; remains the same.

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Resources

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IPPF Resources at www.TheIIA.org/NewStandards

Now Available

1. Global Internal Audit Standards™ PDF of full and condensed versions.
2. Report on the Standard-setting and Public Comment Processes for the Global Internal Audit Standards.
3. 2-Way Standards and Glossary Mapping

4. Translated Standards

5. Link to Standards Knowledge Center for Tools and Additional Resources

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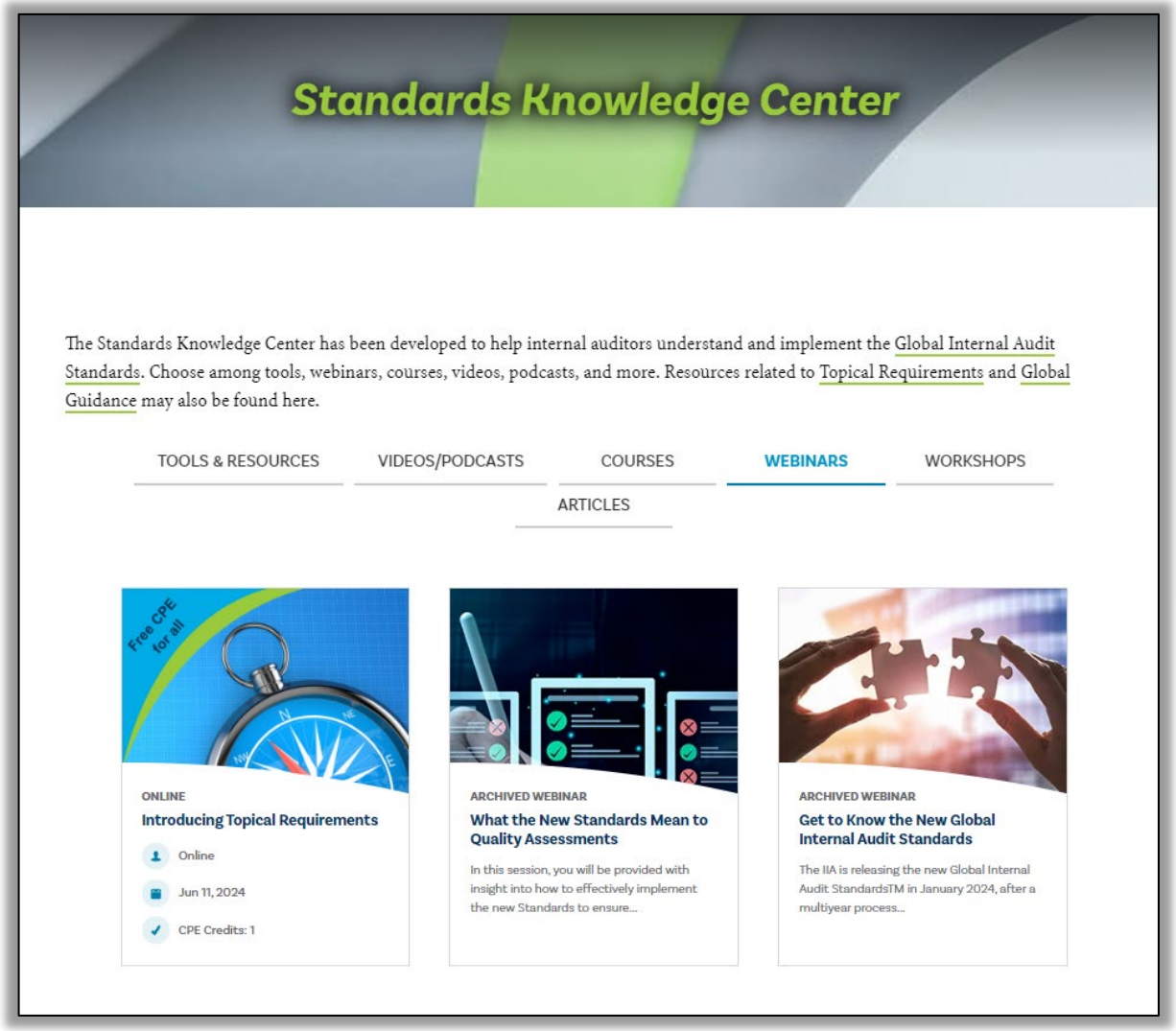
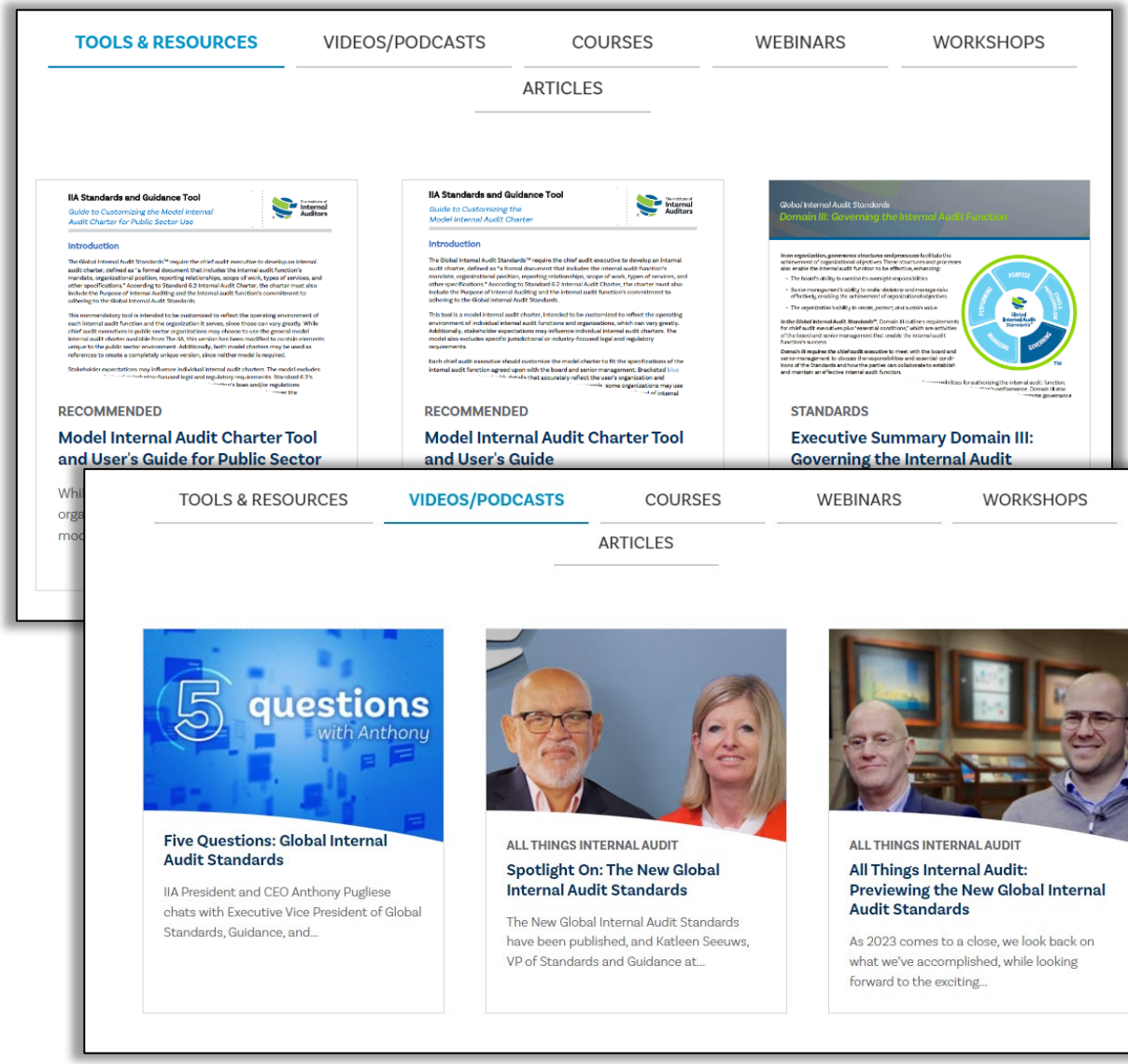
Learn More – Standards Knowledge Center





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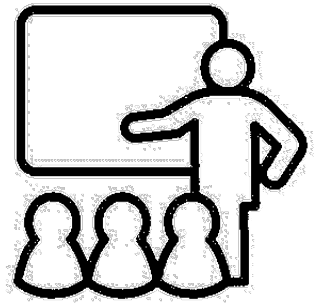
Learn More – Standards Knowledge Center

Tools

- *Model Internal Audit Charter with guide for customization – general and public sector*
- *Executive Summary – Domain III: Governing the Internal Audit Function and the Three Lines Model*

Webinars (archive)

- *Get to Know the Global Internal Audit Standards*
- *What the New Standards Mean to Quality Assessments*

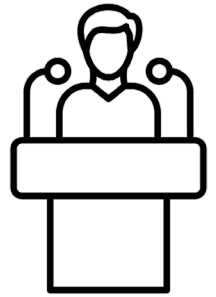


Courses

- *Navigating the Global Internal Audit Standards* **(16 CPE hours, in-person and online)**
- *Ethically Mastering the Global Internal Audit Standards* **(8 CPE hours, online only)**

Pre-Conference Workshops **(International Conference – July 14, 2024)**

- *Global Internal Audit Standards: Improving Individual, Team, and Organizational Performance*



Be sure to check the Standards Knowledge Center often for new course offerings and dates.

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IPPF Evolution Timeline – Upcoming

Q2-Q4 2024

- Topical Requirement on Cybersecurity – issued for public comment (April 3-July3, 2024), followed by revision and publication (Q3).
- Tools:
  - Conformance readiness tool (Q2).
  - CAE toolkit for communication with board and senior management (Q2).
- Refreshed and New Guidance (Practice Guides, GTAGs).
- *Global Internal Audit Standards (The Redbook)* hardcover book (Q3, June).
- Int'l Conference Preconference Workshop (Jul 14).
- Updated Quality Assessment Manual (Q3).

Q1-Q2 2025

- New Standards become effective Jan 9, 2025.
- Updated Internal Audit Practitioner exam: no changes before effective date.
- CIA® exam and study materials: no changes before May 2025.
- New Topical Requirements: issued for public comment, followed by release.

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Reporting on Accountability with a Citizen Focus

- Barbara Jordan - “Citizens allow us to be where we are and to do what we do.”
- Woodrow Wilson – “Why do we go about criticizing what we should be creating?”
- Plato asked, “How can government be organized to locate power and wisdom in the same place?”
- Frederickson, “We must be a representative citizen”.

SMM

Richard Chambers, David Walker, and Jim Thomas on Auditing

- Chambers on understanding organization culture
  - Tone at the top
  - Buzz at the bottom
  - Mood in the middle
- Walker on auditors providing value
  - Have hindsight, insight, and foresight
- Thomas – auditors should be "coaches" rather than "catchers"

SMM

McCall on Auditing

- Keep your Board /Agency Head informed on the issues, what you are doing to address the issues, what they can expect next, and how **you** plan to address and resolve the issue.
- People at the top do not get upset an issue has occurred. They do have a right to get upset when the person working on the issue allows it to get out of hand such that it lands on their desk to handle
- We can attribute our accomplishments to people **allowing us** to be part of the process
- Access has to be earned, it cannot be bought, and should always be valued. Once you realize you have lost access or someone's trust, it is usually too late to earn back that trust or access.
- Always be viewed by others as "Fair" in your work. Our work affects others livelihood
- Don't try to make yourself look good at someone else's expense. Allow everyone to have their dignity. Do not take pride in someone losing their job.
- People bother you because you let them bother you.
- If you have something to say, say it in the report. You can not change, add to, or take back written comments once the report is publicly issued.
- Search for the truth and be clear enough to be proven wrong.

Q & A

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Thank you!
Elevating the Standards.
Elevating the Profession.
Elevating Impact!

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