

# Framework for Setting Internal Audit Standards in the Public Interest

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*IPPF Oversight Council*



The Institute of  
**Internal Auditors**

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# Introduction

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The International Professional Practices Framework (IPPF) is the world's most widely recognized professional internal auditing framework. It organizes the authoritative guidance promulgated by The Institute of Internal Auditors (The IIA) and includes the *International Standards for the Professional Practice of Internal Auditing (Standards)*, a core set of requirements designed to ensure the professional practice of internal auditing achieves its mission: to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The IPPF includes other authoritative guidance, but this document focuses on the *Standards* and presents the recommendations of the IPPF Oversight Council (Oversight Council, Council) to strengthen the processes for setting and maintaining the *Standards* and ensuring they serve the public interest.

## Role of the IPPF Oversight Council

The IPPF Oversight Council evaluates and advises on the adequacy and appropriateness of The IIA's standard-setting processes to promote inclusiveness and transparency, which ultimately serves the public interest and increases stakeholder confidence in the *Standards*.

Members of the Oversight Council include representatives from organizations, operating in the public and private sectors, that are invested in ensuring the *Standards* consider and incorporate the public interest. Members represent the following organizations:

- **International Federation of Accountants** – The accountancy profession's global voice, serving the public interest through advocacy, development, and support for member organizations and millions of accountants.
- **International Organization of Supreme Audit Institutions** – An autonomous, independent, nonpolitical professional organization that provides support to supreme audit institutions and sets standards for public sector auditing.
- **National Association of Corporate Directors** – A nonprofit membership and educational organization that serves the governance needs of corporate boards and directors in the United States.
- **Organisation for Economic Co-operation and Development** – An intergovernmental organization that provides a forum for countries to share data and best practices related to public policies and international standards that stimulate trade and economic progress and foster prosperity, equality, opportunity and well-being for all.
- **The World Bank** – A global partnership of institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
- The internal audit profession (representatives nominated by The IIA), which seeks to enhance governance and protect organizational value by providing risk-based and objective assurance, advice, and insight.



# A Framework for Standard-setting in the Public Interest

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**This document presents a standard-setting framework** that will enable the International Internal Audit Standards Board (IIASB, Standards Board) to set high-quality standards, worthy of extensive global adoption and implementation. The standard-setting framework includes a structure and due process that together articulate the stakeholder responsiveness of international standard-setting for internal auditing.

The standard-setting framework addresses (A) the stakeholders served by the *Standards*, (B) principles for enhancing stakeholder trust in the *Standards*, (C) a structure and process to set standards in the public interest, and (D) oversight and assessment of the *Standards'* responsiveness to stakeholders' needs.

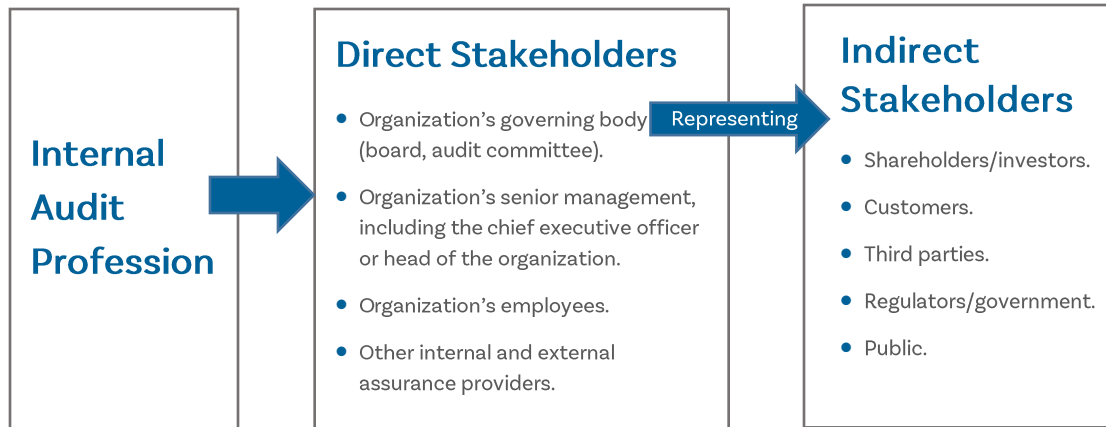
## A. Stakeholders Served by the *Standards*

The process to set globally relevant standards should demonstrate responsiveness to the internal audit profession and its stakeholders, including the public. This framework categorizes the profession and its stakeholders as follows:

- **The internal audit profession** – All internal auditors and providers of assurance and advisory services who apply the *Standards*. They are the direct users of the *Standards*.
- **Direct stakeholders** – Receivers of internal audit's assurance and advisory services, generally the organization's governing body (such as the board or audit committee) and senior management (including the chief executive officer or head of the organization), employees, and other internal and external assurance providers. These parties are direct stakeholders served by the *Standards*.
- **Indirect stakeholders** – The internal audit activity provides objective assurance over governance, risk management, and control processes to the organization's governing body. In turn, the governing body represents the organization's stakeholders, including shareholders, investors, customers, third parties, regulators, and the public. Thus, these parties are the indirect stakeholders served by the *Standards*.



The figure below depicts the direct and indirect stakeholders served by the *Standards*.



In addition, other indirect stakeholders, such as international standard-setters, professional organizations, public sector bodies, and global governance bodies that support the public interest have a stake in, and may rely on, the *Standards* for promoting transparency and governance in organizations.

The standard-setting framework seeks to recognize the importance of all stakeholders, while focusing primarily on fulfilling the needs of internal auditors and their direct stakeholders.

## B. Principles for enhancing stakeholder trust in the *Standards*

To enhance trust in the *Standards* and the internal audit activity's assurance and advisory services, the *Standards* should adhere to the following principles.

- The standard-setting body (IIASB) must carefully identify the varying perspectives and needs of stakeholders in relation to each standard and consider input from identified stakeholders throughout the development process.
- The *Standards* should demonstrate a measurable degree of responsiveness to the needs of stakeholders.
- The *Standards* should promote consistent practice and behaviors by internal auditors in the private and public sectors, regardless of the size of the internal audit activity.
- The *Standards* should guide internal auditors to identify the risks and opportunities most relevant to the organization and to promote effective ways to respond to those risks and opportunities. The *Standards* and the practice of internal auditing should remain relevant and responsive to changes in society.
- The *Standards* should require internal auditors to evidence the practice of due professional care and the provision of independent and objective assurance and advice that prompts the proactive adoption of appropriate actions by those charged with governance, thus enhancing organizational value.

- The *Standards* should require that the internal audit activity's conformance with the *Standards* be independently assessed so that the organization's governing body and other stakeholders are confident in the quality of internal audit services provided.

## C. Structure and Process to Set Standards in the Public Interest

To enhance trust in the *Standards* and the internal audit activity's assurance and advisory services, standard-setting should have a permanent structure and a rigorous process that is responsive to the changes in the profession, business, and society.

**Structure** – The standard-setting structure should explicitly demonstrate commitment to incorporating the public interest by having the following characteristics:

- The IASB, established by The IIA Global Board of Directors as the permanent standard-setting structure, should have the authority to make independent decisions regarding the *Standards*.
- The process for nominating members to the IASB should include evaluating nominees against specified criteria to ensure diverse and relevant expertise, varied perspectives, appropriate competencies, objectivity, and independence.
- The IASB should ensure balanced, diverse, and global participation of stakeholder groups that is free from undue and dominant influences.
- The IASB structure and governance should ensure transparency and meaningful accountability throughout the standard-setting and maintenance processes.
- The IASB should be supported by adequate resources and appropriately skilled and experienced staff.
- The standards set by the IASB should meet the following criteria:
  - Relevance, timeliness, and quality in response to identified needs, emerging issues, changes in the risk landscape, and developments in internal auditing practices and technology.
  - Completeness and comprehensiveness, in reflecting the results of broad consultation, balancing stakeholder priorities, and limiting exceptions to adhering to the *Standards*.
  - Cohesiveness in that the *Standards* fit logically within the structure of the IPPF.
  - Clarity and conciseness in identifying the key issues and applicability of each standard to enable proper implementation.

**Process** – The standard-setting process should demonstrate a commitment to serving stakeholders and the public interest by having the following characteristics:

- The IASB follows a due process approved by The IIA'S Global Board. This due process should be approved and subject to oversight by the Oversight Council.
- The standard-setting process should promote the development of timely, relevant, and high-quality standards that keep up with relevant changes to the internal audit profession and its stakeholders.
- As part of the IASB's work plan, the standards-setting process should include proactively soliciting input from the Oversight Council, the Global Board, and other stakeholders.



- The standard-setting process should include a period of public consultation, or public exposure, to solicit broad input from all stakeholders on proposed new standards or changes to current standards.
- The standard-setting process should evidence fair consideration of input from the profession and its stakeholders by appropriately addressing the needs of stakeholders without undue influence by any single stakeholder group throughout the entire process of creating, developing, and maintaining the *Standards*.
- The standard-setting process should be documented and transparent; including describing how the IASB creates and updates standards; how often standards are reviewed; how updates are proposed, considered, and accepted or rejected; and how input from the identified stakeholder groups is solicited and considered.
- To maintain credibility and stakeholder confidence, the standard-setting process should incorporate ongoing monitoring of changes to remain relevant while maintaining continuity.

## D. Oversight and Assessment of the *Standards'* Responsiveness to Stakeholders

The IIA Global Board of Directors established the IPPF Oversight Council to promote inclusiveness and transparency of the standard-setting process that would increase stakeholder confidence that the outputs of the IASB serve both the internal audit profession and its stakeholders globally.

The Oversight Council is a competent, alert, and well-informed body mandated to provide assurance that the IASB adheres to sound governance and due process, considers input that represents all stakeholders, and ultimately serves the public interest. For that purpose, the Oversight Council has full access to all necessary information of the IASB, its processes, and its members.

The IPPF Oversight Council and the IASB should share a mutual understanding about their mandates, roles, and responsibilities. This includes a shared approach for defining and achieving responsiveness to stakeholders and the public interest. The two bodies should also commit to transparency and ongoing dialogue throughout the standard-setting process and should work collaboratively.

To evaluate the IASB's level of responsiveness to the public interest, the Oversight Council should assess whether:

- IASB creates and documents a process for developing, exposing, and releasing standards that includes outreach to stakeholders and due consideration of stakeholder input.
- IASB adheres to the agreed-upon due process.
- IASB identifies and incorporates the varying perspectives and needs of stakeholder groups in relation to the *Standards* throughout the full cycle of their development.
- IASB considers responsiveness to stakeholders throughout the process and as evidenced in the outcome of the process. The *Standards* appropriately address the needs of stakeholders without exhibiting undue influence by any single stakeholder group.



# Conclusion

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**The IPPF Oversight Council recognizes** that the *Standards* are important to organizations and diverse stakeholders, including governments, businesses, and the public. Since its inception in 2011, the Council has been committed to advancing the public interest in standard-setting and has overseen the IASB through several iterations of the International Professional Practices Framework. The Council examined the IASB's structure and processes for revising, exposing, and promulgating the *Standards*. The *Standards* are developed and maintained through due process, with transparency, fairness, and broad exposure as well as duly considered input from stakeholders. Thus, the *Standards* consider the public interest.

The IPPF Oversight Council has provided The IIA and IASB with recommendations in this document to enhance the breadth, depth, and rigor with which the standard-setting process addresses the public interest. The Council continues to focus on strong oversight to further enhance the credibility and stature of the *Standards* globally. The members of the Oversight Council believe that an internal audit activity aligned with the *Standards* is more likely to protect the public interest and to achieve the mission of internal audit: to enhance and protect organizational value by providing risk-based and objective advice and insight.





## About The Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 210,000 members and has awarded 180,000 Certified Internal Auditor (CIA) designations worldwide. The IIA is recognized as the internal audit profession's leader in standards, certification, education, research, and technical guidance throughout the world. For more information, visit <https://www.theiia.org/>.

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