

# International Professional Practices Framework



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**PROFESSIONAL  
GUIDANCE**  
*Setting the Standard*

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# Agenda

- Mandatory Guidance
- Strongly Recommended Guidance
- Differences between Public Sector Standards and IIA Standards
- Discussion

# Standards and Guidance

- 1968: Code of Ethics
- 1978: *Standards*
- 2000: Professional Practices Framework
- 2009: **I**nternational  
**P**rofessional  
**P**ractices  
**F**ramework

# Why Is This Important?

Committed to delivering the most qualitative technical guidance for internal audit practitioners all around the world, The IIA wants to be internationally recognized as a trustworthy guidance-setting body.

# Mandatory Guidance



- Definition of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing*

# The IPPF

ELEMENT	DEFINITION
Definition	Statement of <b>fundamental</b> purpose, nature, and scope of internal auditing.
Code of Ethics	Statement of principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. Description of minimum requirements for conduct. Describes <b>behavioral expectations</b> rather than specific activities.
International Standards	<p>Mandatory requirements consisting of:</p> <ul style="list-style-type: none"> <li>• Statements of basic requirements for professional practice of internal auditing and for evaluating effectiveness of its performance, which are internationally applicable at organizational and individual levels. <b>Principle</b>-focused and provide a framework for performing and promoting internal auditing. Includes Attribute, Performance, and Implementation <b>Standards</b>.</li> <li>• <b>Interpretations</b>, which clarify terms or concepts within the statements.</li> </ul> <p>Consider both statements and Interpretations to understand and apply correctly.</p>
Practice Advisories	Address <b>approach, methodology</b> and considerations, but <b>NOT</b> detailed processes and procedures. Concise and timely guidance to assist internal auditors in applying Code of Ethics and <i>Standards</i> and promoting good practices. Includes practices relating to: international, country, or industry specific issues; specific types of engagements; and legal or regulatory issues.
Position Papers	IIA statement to assist a wide range of interested parties, including those not in internal auditing profession, in understanding <b>significant</b> governance, risk or control issues and delineating related <b>roles and responsibilities of internal auditing</b> .
Practice Guides	<b>Detailed guidance</b> for conducting internal audit activities. Includes detailed <b>processes and procedures</b> , such as tools and techniques, programs, and step-by-step approaches, including examples of deliverables.

# Definition of Internal Auditing

No Change

- 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.

# Standards



Some  
Changes

## Attribute

- Purpose, Authority, and Responsibility
- Independence and Objectivity
- Proficiency and Due Professional Care
- Quality Assurance

## Performance

- Managing the Internal Audit Activity
- Nature of Work
- Engagement Planning
- Performing the Engagement
- Communicating Results
- Monitoring Progress
- Management's Acceptance of Risk

# Six New Standards

## ATTRIBUTE STANDARDS

- **1010**
  - Recognition of the Definition of Internal Auditing, the Code of Ethics and the *Standards* in the internal audit charter
- **1111**
  - Direct interaction with the board of directors

## PERFORMANCE STANDARDS

- **2110.A2**
  - Assessing information technology governance
- **2120.A2**
  - Evaluation of the risk of fraud
- **2120.C3**
  - Limitation of the internal auditors' role with the risk management scope
- **2430**
  - Use of “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”

# Standards

## Other modifications

- Improved some *Standards* by enhancing understanding, while preserving the original meaning. For example, the 1300 series has been reworded for enhanced clarity.
- Made numbering changes to the 2110, 2120, and 2130 series to reflect better logic of the relationships among the topics:
  - **2110: Governance** (previously, 2130)
  - **2120: Risk** (previously, 2110)
  - **2130: Control** (previously, 2120)

# Standards

Interpretations to clarify concepts within a particular statement have been added to the mandatory guidance.

- Nine for Attribute Standards
- Ten for Performance Standards

# Code of Ethics

No Change

- 4 Principles

- Integrity
- Objectivity
- Confidentiality
- Competency



- 12 Rules of Conduct

# Code of Ethics

***“Internal Auditors shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.”***

# Strongly Recommended Guidance



- Practice Advisories
- Position Papers
- Practice Guides

# Practice Advisories (PAs)

Concise and timely guidance to assist internal auditors in applying Code of Ethics and *Standards* and promoting good practices. Includes practices relating to: international, country, or industry specific issues; specific types of engagements; and legal or regulatory issues.

# PAs related to Attribute *Standards*

1000-1: Internal Audit Charter
1110-1: Organizational Independence
1111-1: Board Interaction
1120-1: Individual Objectivity
1130-1: Impairments to Independence or Objectivity
1130.A1-1: Assessing Operations for Which Internal Auditors were Previously Responsible
1130.A2-1: Internal Audit's Responsibility for Other (Non-audit) Functions
1200-1: Proficiency and Due Professional Care
1210-1: Proficiency
1210.A1-1: Obtaining Services to Support or Complement the Internal Audit Activity
1220-1: Due Professional Care
1230-1: Continuing Professional Development
1300-1: Quality Assurance and Improvement Program
1310-1: Requirements of the Quality Assurance and Improvement Program
1311-1: Internal Assessments
1312-1: External Assessments
1312-2: External Assessment - Self Assessment with Independent Validation
1321-1: Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "

# PAs related to Performance *Standards*

**2010-1:** Linking the Audit Plan to Risk and Exposures

**2020-1:** Communication and Approval

**2030-1:** Resource Management

**2040-1:** Policies and Procedures

**2050-1:** Coordination

**2060-1:** Reporting to Senior Management and the Board

**2120-1:** Assessing the Adequacy of Risk Management Processes

**2130-1:** Assessing the Adequacy of Control Processes

**2130.A1-1:** Information Reliability and Integrity

**2130.A1-2:** Evaluating An Organization's Privacy Framework

**2200-1:** Engagement Planning

**2210-1:** Engagement Objectives

**2210.A1-1:** Risk Assessment in Engagement Planning

**2230-1:** Engagement Resource Allocation

**2240-1:** Engagement Work Program

**2330-1:** Documenting Information

**2330.A1-1:** Control of Engagement Records

**2330.A2-1:** Retention of Records

**2340-1:** Engagement Supervision

**2410-1:** Communication Criteria

**2420-1:** Quality of Communications

**2440-1:** Disseminating Results

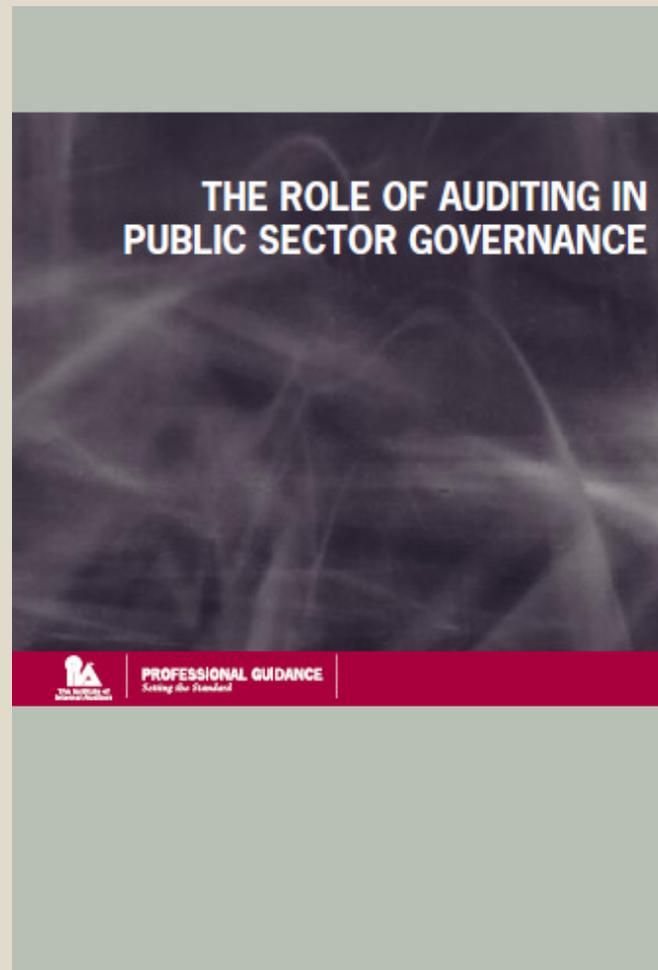
**2500-1:** Monitoring Progress

**2500.A1-1:** Follow-up Process

# Position Papers

- The Role of Internal Auditing in Enterprise Risk Management
- The Role on Internal Auditing in Resourcing the Internal Audit Activity
- The Role of Auditing in Public Sector Governance

# Position Papers



# Practice Guides

- 11 Global Technology Audit Guides (GTAG)



- Guide on the assessment of IT Risk (GAIT)
- Additional Practice Guides will be issued regularly

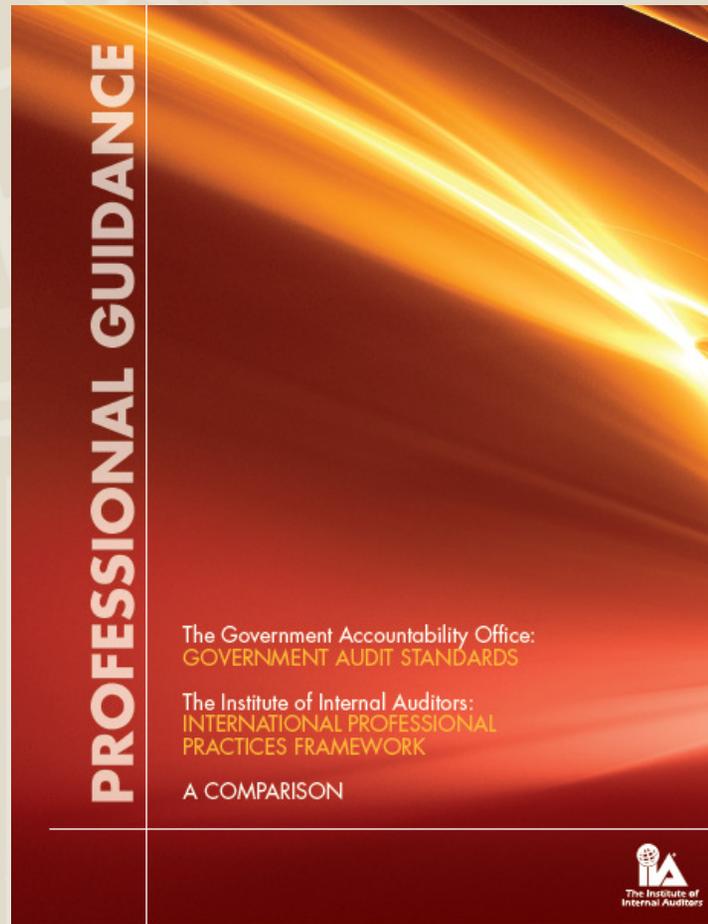
# Guide to the Assessment of IT Risk (GAIT)

- **GAIT Methodology** – top-down risk-based scoping methodology
- **GAIT for IT General Control Deficiency Assessment** - help assess IT general controls deficiencies identified
- **GAIT for Business and IT Risk** – help identify critical aspects of IT processes

# Guidance-setting Process

- Set by IIA Technical Committees
  - Internal Audit Standards Board
  - Ethics Committee
  - Professional Issues Committee
  - Advance Technology Committee
  - Public Sector Committee

# IIA Global: Standards



# Standards: Comparison

GAO's Government Auditing Standards: The Yellow Book	IIA's International Professional Practices Framework: The Red Book
<ul style="list-style-type: none"> <li>• Use and Application of GAGAS</li> <li>• Ethical Principles in Government Auditing</li> <li>• General Standards:               <ul style="list-style-type: none"> <li>- Independence</li> <li>- Professional Judgment</li> <li>- Competence</li> <li>- Quality Control and Assurance</li> </ul> </li> <li>• Field Work Standards for Performance Audits:               <ul style="list-style-type: none"> <li>- Reasonable Assurance</li> <li>- Significance in a Performance Audit</li> <li>- Audit Risk</li> <li>- Planning</li> <li>- Supervision</li> <li>- Evidence</li> <li>- Audit Documentation</li> </ul> </li> <li>• Reporting Standards for Performance Audits               <ul style="list-style-type: none"> <li>- Reporting</li> <li>- Report Contents</li> <li>- Distributing Reports</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Preface and Definition of Internal Auditing</li> <li>• Code of Ethics</li> <li>• Attribute Standards:               <ul style="list-style-type: none"> <li>- Purpose, Authority, and Responsibility</li> <li>- Independence and Objectivity</li> <li>- Proficiency and Due Professional Care</li> <li>- Quality Assurance and Improvement Program</li> </ul> </li> <li>• Performance Standards:               <ul style="list-style-type: none"> <li>- Managing the Internal Audit Activity</li> <li>- Nature of Work (Governance, Risk Management, and Control)</li> <li>- Engagement Planning</li> <li>- Performing the Engagement (Identifying Information, Analysis and Evaluation, Documenting Information, and Engagement Supervision)</li> <li>- Communicating Results</li> <li>- Monitoring Progress</li> <li>- Resolution of Senior Management's Acceptance of Risks</li> <li>- Practice Advisories</li> </ul> </li> </ul>

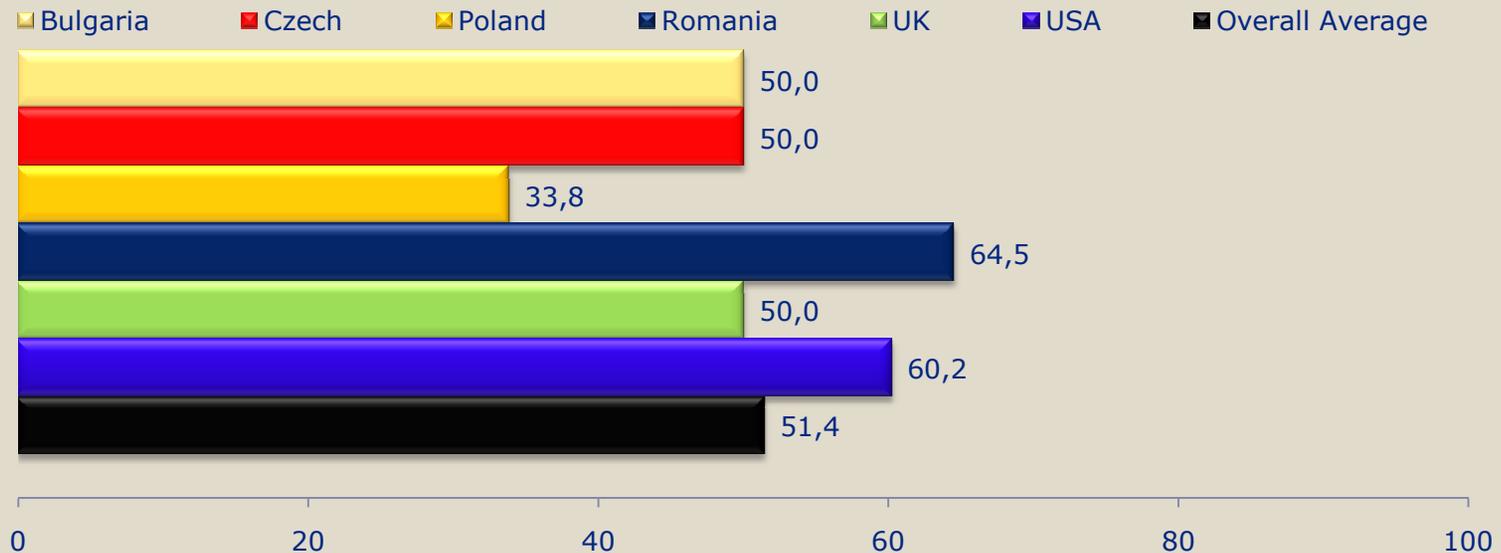
# Standards: Key differences

V. Key Differences and Suggestions for Complying with Both Sets of Standards.....	5
a. Issue 1 – “Consulting” Under the Red Book Compared to “Consulting” Under the Yellow Book .....	5
b. Issue 2 – Independence in the Performance of Audit Services .....	5
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# QUESTIONS



## Internal Auditing Standards: Full compliance with Standard 2600



### 2600 – Resolution of Senior Management’s Acceptance of Risks

- When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

**THANK YOU VERY MUCH!**



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