

What You Need to Know About the Proposed Changes to the Standards

J. Michael Peppers, CIA, QIAL, CRMA

Paul Sobel, CIA, QIAL, CRMA

Lauressa Nelson, IAP, MS

Urton Anderson Ph.D., CIA, CRMA

David Petrisky CIA, CRMA, CPA, CISA

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The Institute of
Internal Auditors



J. Michael Peppers CIA, QIAL, CRMA **Chairman, International Internal Audit Standards Board**

Peppers is the current chairman of The IIA's International Internal Audit Standards Board and the chief audit executive for The University of Texas System. He oversees the internal audit function for a university system that provides education, health care, and research at 13 academic and health institutions. It has over 243,000 students and an annual operating budget of more than \$23 billion. Over a 35-year career that began in public accounting, Peppers has led progressive internal audit activities at major not-for-profit organizations in higher education and health care. He has held numerous volunteer board and leadership positions. He was on The IIA's Global Board of Directors and served as global chairman for 2017-18. He also served on North American Board (2012-13 chairman).



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Paul Sobel CIA, QIAL, CRMA **Senior advisor, Professional Standards, The IIA**

Sobel is the chairman emeritus of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), having served as chair from February 2018 through December 2022. In 2020, he retired from Georgia-Pacific, LLC, based in Atlanta, GA, where he served as vice president/chief risk officer and CAE. He has authored or co-authored four books. Sobel was The IIA's 2013-2014 chairman of the board in and has served in other IIA leadership roles. In 2017, he received The IIA's Bradford Cadmus Memorial Award and was inducted into The IIA's American Hall of Distinguished Audit Practitioners, and in 2020 he received the IIA's Victor Z. Brink Award.



Laouressa Nelson IAP **Senior manager, Professional Standards, The IIA**

Nelson is the lead technical editor for the new Global Internal Audit Standards. In her eight years at The IIA, she has helped draft and edit IIA's Implementation Guidance and other Supplemental Guidance as well as CIA exam content and content for *Internal Auditor* magazine. Earlier in her career, Nelson was the managing editor for a national magazine franchise. She also has a professional background in marketing and held roles as a marketing director for Whole Foods Market and a local newspaper. She earned her Master of Science degree in sociology research.





Urton Anderson Ph.D., CIA, CRMA **Senior advisor, Professional Standards, The IIA**

Anderson retired as EY Professor at the Von Allmen School of Accountancy at the University of Kentucky in 2022. He served as the school's director from 2013 to 2021. Prior to that, he was a faculty member at the McCombs School of Business at the University of Texas at Austin for 29 years. His research has focused on internal and external auditing and organizational governance. He has written six books and numerous articles. Previously, he served as chairman of The IIA's Board of Regents, International Internal Audit Standards Board, and Committee of Research and Education. The IIA recognized his contributions with the Leon R. Radde Educator of the Year Award in 1997 and the Bradford Cadmus Memorial Award in 2006. He was honored in the 2016 class of the American Hall of Distinguished Audit Practitioners.



David Petrisky CIA, CRMA, CPA, CISA **Director, Professional Standards, The IIA**

Before his role as director, Professional Standards, Petrisky was director, Professional Guidance (Technology) on The IIA's Guidance team. Prior to joining The IIA, David held several positions in the field of internal auditing, including in the telecom, fintech, and mass transit sectors. Additionally, since 2019, he has taught internal auditing to more than 400 students in the Master of Accounting program at Georgia State University, an IAEP school.



Agenda

- 1. Introduction and Administrative Announcements**
- 2. IPPF Evolution Project**
- 3. IPPF Changes**
- 4. Structure and Elements of the Standards**
- 5. Proposed Glossary**
- 6. Proposed Principles and Standards – Domains I through V**
- 7. Key Impacts**
- 8. Q&A**
- 9. Public Comment Period**



IPPF Evolution Project

❖ Reminders

❖ Acknowledgments

- IIASB
- IIA HQ

2022 – 2023 International Internal Audit Standards Board Global Representation



IPPF Evolution Project





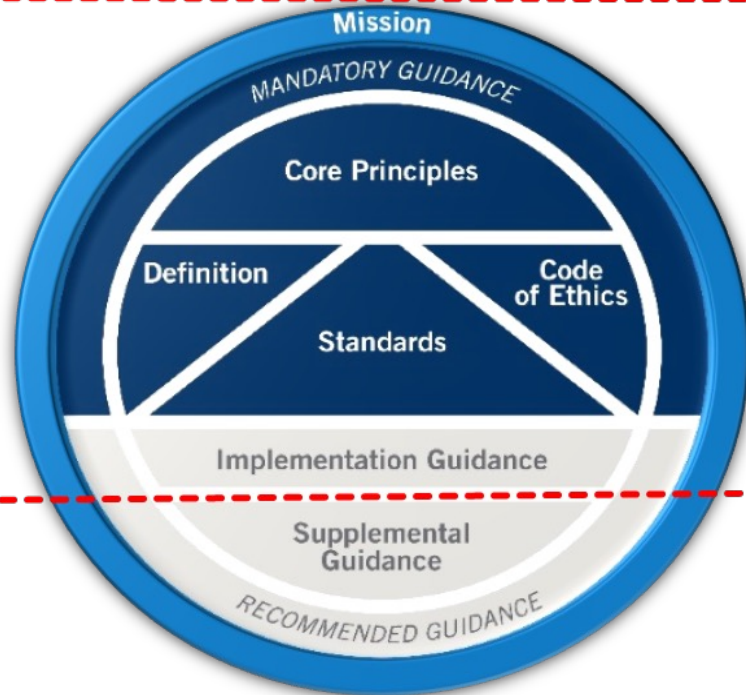
IPPF Changes



Current and Proposed IPPF

Current

International Professional Practices Framework



Proposed

International Professional Practices Framework

Global Internal Audit Standards

Guidance will continue to be a recommended part of the framework.

Topical Requirements

A new mandatory element under early consideration but not yet developed.

If approved, Topical Requirements would cover governance, risk management, and control processes over specific audit subjects.



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New Structure

Five Domains

15 Principles

53 Standards

- Requirements
- Considerations for:
 - Implementation
 - Evidence of Conformance





Global Internal Audit Standards



Five 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. Plans Strategically

10. Manages Resources

11. Communicates Effectively

12. Enhances Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively

14. Conduct Engagement Work

15. Communicate Engagement Conclusions and Monitor Action Plans



Glossary



Noteworthy Changes to Glossary



Old Term or Concept (Changing)	New 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

Not a comprehensive list. See the Glossary Disposition resource at theiia.org/IPPFevolution.

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

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



Domain I. Purpose of Internal Auditing

Domain I. Purpose of Internal Auditing

Internal auditing enhances the organization's success by providing the board and management with objective assurance and advice.

Internal auditing strengthens the organization's:

- Value creation, protection, and sustainability.
- 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 qualified internal auditors 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 bias and undue influence and committed to making objective assessments.





Domain II. Ethics and Professionalism



Domain II. Ethics and Professionalism Overview

1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Professional 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



Domain II. Ethics and Professionalism

Principle 1. Demonstrate Integrity

1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Professional Behavior

Noteworthy Changes

- Standard 1.1 new emphasis on courage.
- Standard 1.1 public sector consideration – “should always protect the public interest.”
- Standards 1.2 and 1.3 are similar to existing Rules of Conduct.



Domain II. Ethics and Professionalism

Principle 2. Maintain Objectivity

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

Noteworthy Changes

- Expectations from the Code of Ethics and the current Standards were consolidated.
- Concepts of objectivity (individual) and independence (functional) have been separated.
- 2.2 provides Consideration for Implementation in the public sector.
- 2.3 Disclosures related to CAE roles beyond internal auditing.



Domain II. Ethics and Professionalism

Principle 3. Demonstrate Competency

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

Noteworthy Changes

- 3.1 Competency – specific types of knowledge identified.
- 3.2 Continuing Professional Development – 20 hours of continuing professional development annually for all internal auditors and



Domain II. Ethics and Professionalism

Principle 4 Exercise Due Professional Care

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

Noteworthy Changes

- Due Professional Care expectations from the current Standards now appear under Principle 4.
- 4.2 Fundamental expectations for performing services.
- 4.3 New – Professional skepticism standard.

Domain II. Ethics and Professionalism

Principle 5. Maintain Confidentiality

5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

5.1 Use of Information

5.2 Protection of Information

Noteworthy Changes

- Clarifies, using more specific language about information that may be confidential, proprietary, and/or personally identifiable.
- Consolidates information about policies and procedures for handling engagement records.
- 5.2 Consideration for Implementation in the public sector.





**Domain III. Governing the Internal
Audit Function**

Domain III. Governing the Internal Audit Function

6. Authorized by the Board

The board establishes the authority, role, and responsibilities of the internal audit function.

6.1 Internal Audit Mandate

6.2 Board Support

7. Positioned Independently

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

7.1 Organizational Independence

7.2 Chief Audit Executive Roles

7.3 Safeguards to Independence

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 Assessment of Conformance

Domain III. Governing the Internal Audit Function

Principle 6. Authorized by the Board

6. Authorized by the Board

The board establishes the authority, role, and responsibilities of the internal audit function.

6.1 Internal Audit Mandate

6.2 Board Support

Noteworthy Changes

- 6.1 “Mandate” is used to mean “authority, role, and responsibilities” that the board establishes and approves.
- 6.2 Identifies specific ways the board must demonstrate its support for the internal audit function and ensure its recognition throughout the organization.
- 6.2 Two Considerations for Implementation are specific to public sector.

Domain III. Governing the Internal Audit Function

Principle 7 Positioned Independently

7. Positioned Independently

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

7.1 Organizational Independence

7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications

7.3 Safeguards to Independence

Noteworthy Changes

- 7.1 Requires the board to establish a direct reporting relationship with the CAE and the IAF.
- 7.2 addresses CAE's primary role and qualifications. The board must approve CAE responsibilities and ensure CAE has the qualifications & competencies to manage the function & ensure quality performance.
- 7.3 addresses nonaudit roles that the CAE may be asked to perform and safeguards to independence.

Domain III. Governing the Internal Audit Function

Principle 8 Overseen by the Board

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 Assessment of Conformance

Noteworthy Changes

- 8.2 Board must ensure that the IAF has sufficient resources. CAE must identify and communicate the resources necessary.
- 8.3 Quality = Conformance + Performance
- 8.4 Board must ensure EQA happens at least every 5 years.
 - Self-assessment with independent validation, only once in 10 years (alternated with full EQA).
 - Assessor qualifications: At least one active CIA on team + evidence completion of IIA-recognized training.





Domain IV. Managing the Internal Audit Function

Domain IV. Managing the Internal Audit Function

9. Plans Strategically

The chief audit executive plans strategically to ensure the internal audit function fulfills its mandate and is positioned for long-term success.

9.1 Understanding GRC Processes

9.2 Internal Audit Strategy

9.3 Internal Audit Charter

9.4 Methodologies

9.5 Internal Audit Plan

9.6 Coordination and Reliance

10. Manages Resources

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

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

11. Communicates Effectively

The chief audit executive ensures the internal audit function communicates 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. Enhances Quality

The chief audit executive ensures conformance with the Global Internal Audit Standards™ and continuously improves the internal audit function's performance.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Ensuring and Improving Engagement Performance



Domain IV. Managing the Internal Audit Function

Principle 9 Plans Strategically

9. Plans Strategically

The chief audit executive plans strategically to ensure the internal audit function fulfills its mandate and is positioned for long-term success.

9.1 Understanding GRC Processes

9.2 Internal Audit Strategy

9.3 Internal Audit Charter

9.4 Methodologies

9.5 Internal Audit Plan

9.6 Coordination and Reliance

Noteworthy Changes

- 9.1 Modified concepts from 2100 – 2130.
- 9.2 Strategy for IAF: vision, strategic objectives, supporting initiatives to guide the function.
- 9.3 Public sector consideration
- 9.4 Replaces 2040; lists specific policies, procedures, and processes required, basically the contents of an internal audit manual.
- 9.5 Incorporates 2010 and 2010.A1. Elevates risk assessment as required for determining all priorities of internal audit plan (not just assurance).



Domain IV. Managing the Internal Audit Function

Principle 10 Manages Resources

10. Manages Resources

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

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

Noteworthy Changes

- 10.1 Must present budget to board for approval.
- Considerations for public sector, small functions, outsourced functions.
- 10.2 Must establish program to recruit, develop, and retain qualified internal auditors, evaluate competencies. Board must approve resource plan.
- 10.3 Must ensure IAF has appropriate technology, evaluate opportunities to improve.



Domain IV. Managing the Internal Audit Function

Principle 11 Communicates Effectively

11. Communicates Effectively

The chief audit executive ensures the internal audit function communicates 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

Noteworthy Changes

- 11.1 Develop an approach to build relationships and trust through formal & informal communications.
- 11.3 Communicating Results of IA services at CAE's macro level: engagement conclusions, themes, and conclusions at the level of the business unit or organization.
- 11.5 Unacceptable level of risk defined as level of risk that exceed the organization's risk tolerance. CAE must discuss with senior mgmt. If unresolved, escalate to board.



Domain IV. Managing the Internal Audit Function

Principle 12 Enhances Quality

12. Enhances Quality

The chief audit executive ensures conformance with the Global Internal Audit Standards™ and continuously improves the internal audit function's performance.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Ensuring and Improving Engagement Performance

Noteworthy Changes

- 12.1 Ongoing monitoring evaluates against performance objectives, periodic self-assessments evaluate conformance.
- 12.2 CAE develops performance objectives, methodology for assessing performance, and action plan to address issues, opportunities.
- 12.3 Engagements to be performed in conformance with Standards & internal audit methodologies. Internal auditors to receive guidance throughout engagement, feedback, and opportunities for improvement.





**Domain V. Performing Internal Audit
Services**

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. Conducting Engagement Work

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

14.1 Gathering Information for Analysis and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement findings and conclusions to the appropriate parties and monitor management's progress toward the completion of action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans



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

Noteworthy Changes

- 13.1 Specific communication required for each engagement: initial, ongoing, closing, and final.
- 13.2 Risk assessment required for every engagement.
- 13.4 Criteria required for every engagement.
- 13.6 Engagement planning described in these standards is documented in work program – clarifying that multiple, separate documents are not required.



Domain V. Performing Internal Audit Services

14. Conducting Engagement Work

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

14.1 Gathering Information for Analysis and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

Noteworthy Changes

- 14.1. Qualities of relevant, reliable, and sufficient information, evidence.
- 14.2 Analyses to produce potential findings: conditions compared to criteria.
- 14.3 Root cause, effect, significance. If significant risk, then finding, including indication of each finding's significance.
- 14.4 Formulate recommendations, obtain management's action plans.
- 14.5 Develop conclusion about overall significance of findings in aggregate, indicate significance.

Domain V. Performing Internal Audit Services

15. Communicate Engagement Conclusions and Monitor Action Plans

Internal auditors communicate the engagement findings and conclusions to the appropriate parties and monitor management's progress toward the completion of action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans

Noteworthy Changes

- 15.1 Clarified separation between internal auditors' responsibility to create the final communication and CAE's responsibility to distribute and communicate. Required elements of communication.
- 15.2 Internal auditors must confirm that management has implemented agreed-upon action plans. If not, auditors must inform CAE, who is responsible for determining whether senior management has accepted the risk.



Summary of Changes

New Structure

- Consolidating and streamlining six elements (Mission, Definition, Code of Ethics, Core Principles, Standards, and Implementation Guides) into the Standards.
- Aligning the Standards with the Principles.
- Adding considerations for implementation and evidence of conformance for each standard.

New Content

- Purpose of Internal Auditing.
- 15 Principles.
- Considerations for Implementation and for Evidence of Conformance.
- Considerations for public sector, small functions, and others.

Changes and Clarifications

- Emphasizing board's role in governing the internal audit function.
- Clarifying the role of chief audit executives in managing the internal audit function.
- Incorporating new performance requirements to ensure quality of internal audit services,
Quality = Conformance + Performance.
- Adding detailed steps to performing engagements.



Questions?





Public Comment Period

We Want To Hear From You!



Learn More

Project information and FAQs
www.theiia.org/ippfevolution

Read the Draft & Take the Survey

Click through from IPPF Evolution page



Survey for Public Comment

The Institute of Internal Auditors

MEMBERSHIP STANDARDS CERTIFICATIONS LEARNING RESOURCES ABOUT US

Global Internal Audit Standards

2023 Public Comment

READ AND COMMENT ON THE PROPOSED STANDARDS

Read the Standards and Take the Survey

▼ English
Download a draft of the [proposed update](#). Feedback on the draft can be submitted through this [online survey](#) until 30 May 2023. You have the option to [preview the questions](#) before you take the survey.

- ▶ Bosnian (Bosanski) Dostupan
- ▶ Chinese Traditional (繁體中文) 可用的
- ▶ Greek (Ελληνικά) Διαθέσιμος
- ▶ Indonesian (bahasa Indonesia) Tersedia
- ▶ Polish (Polski) Dostępne wkrótce
- ▶ Russian (Русский) Доступный
- ▶ Spanish (Español) Disponible

- ▶ Arabic (عربي) متاح
- ▶ Bulgarian (български) Наличен скоро
- ▶ French (Français) Bientôt disponible
- ▶ Hebrew (עברית) זמין
- ▶ Japanese (日本語) 利用可能
- ▶ Portuguese (Português) Disponível
- ▶ Serbian (Srpski) Dostupno
- ▶ Swedish (Svenska) Tillgängliga

- ▶ Azerbaijani (Azərbaycanca) Qarşıya
- ▶ Chinese Simplified (简体中文) 可用
- ▶ German (Deutsch) Verfügbar
- ▶ Icelandic (Íslenska) Tilgætt
- ▶ Korean (한국어) 사용 가능
- ▶ Romanian (Română) Disponibil
- ▶ Slovenian (Slovenščina) Dostopno
- ▶ Turkish (Türkçe) Mevcut

To get started:

1. Select your language and download the Proposed Standards (PDF) before beginning the survey.
2. Check out the Resources for more information and help.
3. Click through to begin the survey.

English version closes May 30. See page for other dates available in other languages.

<https://www.theiia.org/en/standards/Standards-Public-Comment/>

Key Features of the Survey Pages

First question in each domain is required.

Domain II. Ethics and Professionalism

Domain II. Ethics and Professionalism

To what extent do you agree or disagree with the proposed content for this element?

- Strongly agree
- Agree
- Neutral (neither agree nor disagree)
- Disagree
- Strongly disagree

Domain II. Ethics and Professionalism

Please provide any additional comments or recommended changes for the proposed content for this element.

Comments are optional but available no matter which answer you choose.

Domain II. Ethics and Professionalism

From the list below, choose all areas for which you would like to provide feedback for this element.

- None
- Principle 1 Demonstrate Integrity
- Standard 1.1 Honesty and Courage
- Standard 1.2 Organization's Ethical Expectations
- Standard 1.3 Legal and Professional Behavior
- Principle 2 Maintain Objectivity
- Standard 2.1 Individual Objectivity
- Standard 2.2 Safeguarding Objectivity
- Standard 2.3 Disclosing Impairments to Objectivity
- Principle 3 Demonstrate Competency
- Standard 3.1 Competency
- Standard 3.2 Continuing Professional Development
- Principle 4 Exercise Due Professional Care
- Standard 4.1 Conformance with Global Internal Audit Standards
- Standard 4.2 Due Professional Care
- Standard 4.3 Professional Skepticism
- Principle 5 Maintain Confidentiality
- Standard 5.1 Use of Information
- Standard 5.2 Protection of Information

Choose to answer questions and/or comment on the standards of your choice or select "none."

What Can You Do Next?

- **Read the draft and complete the survey.**
- **Inform important stakeholders.**
- **Assess your internal audit function's readiness for the changes.**
- **Develop an action plan for your function.**



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A hand is shown placing a wooden block with an arrow on top of a staircase of wooden blocks. The blocks are arranged in a diagonal line from the bottom left to the top right, with each block slightly higher than the one below it. The background is a solid light blue color.

Keep up with the latest!
theiia.org/IPPF Evolution



***Elevating the Standards.
Elevating the Profession.
Elevating Impact!***