

# *IPPF Evolution*

Embracing the Future

October 2022



The Institute of  
**Internal Auditors**  
*Elevating Impact*

**Dr. Lily Bi, CIA, QIAL, CRMA, CISA**  
**Executive Vice President**  
**Standards and Certifications**

**DRAFT**  
**CONFIDENTIAL**  
**DRAFT**

## Disclaimer

Contents in this presentation are draft for consultation.  
They are subject to change.

Confidential. Not for distribution.

(c) 2022 The Institute of Internal Auditors.

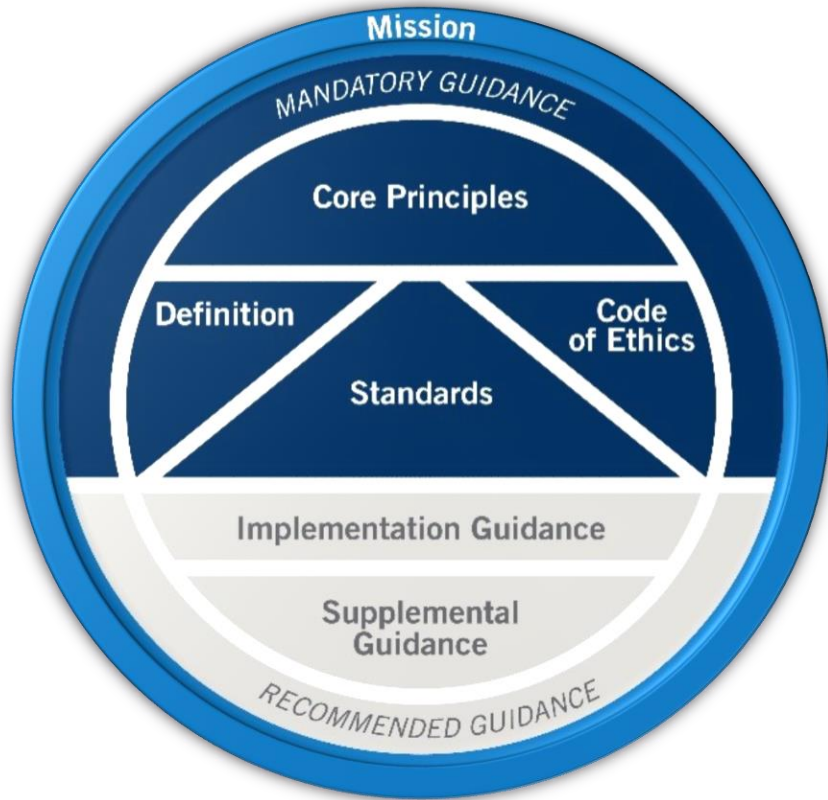
# Agenda

- A. The IPPF Evolution Project – Goals and Progress**
- B. New Structure for IPPF and Standards**
- C. Proposed Changes to the Standards**
  - C.1 General Standards
    - Purpose of Internal Auditing
    - Ethics and Professionalism
    - Governing the Internal Audit Function
    - Managing the Internal Audit Function
    - Performing Internal Audit Services
  - C.2 Potential Application Standards
- D. Plan Forward**



**A. The IPPF Evolution Project  
– Goals and Progress**

# The Current IPPF



## The mandatory elements of the IPPF are:

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

## The recommended elements of the IPPF are:

- Implementation Guidance
- Supplemental Guidance

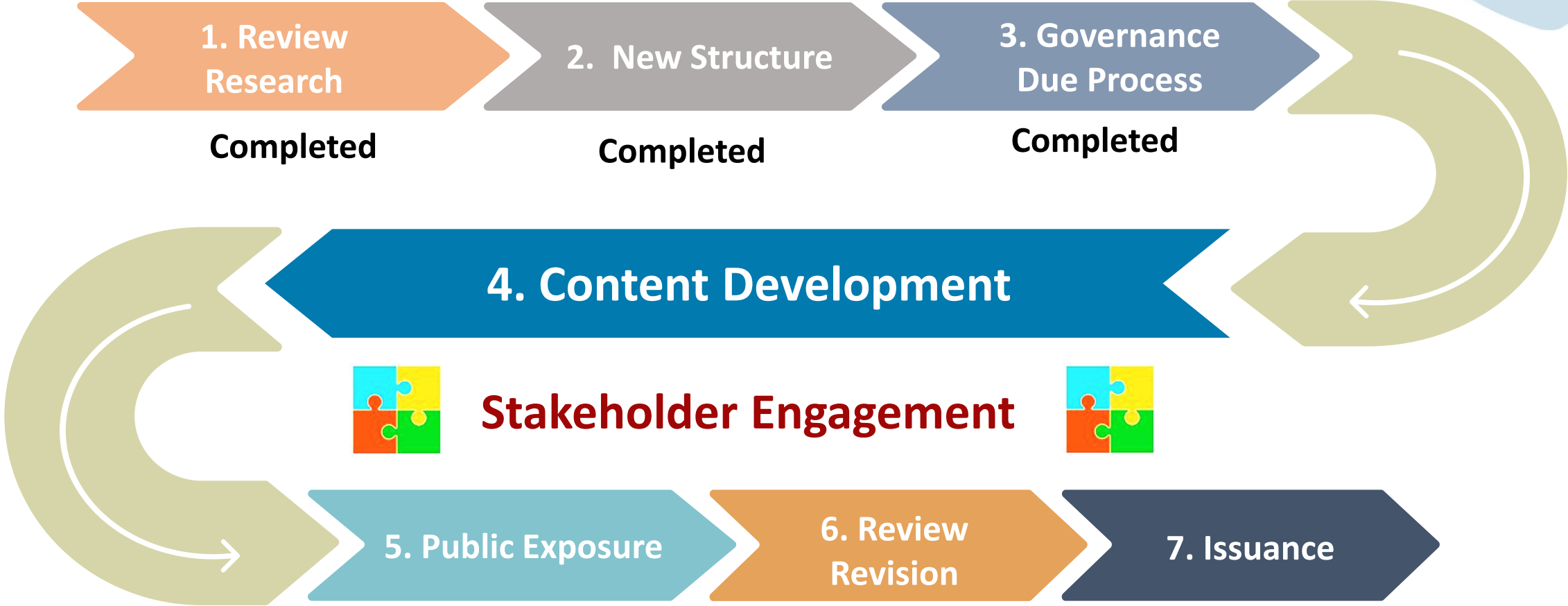
# Feedback - IPPF is no longer meeting expectations

- Simplify the structure of the IPPF
- Clarify and align elements
- Standards do not include timely and/or emerging topical areas.
- Ensure practical and applicable (regardless of size, industry, maturity).
- Communicate and advocate (with internal audit, stakeholders, regulators, etc.).

# The IPPF Evolution Project - Goals



# The IPPF Evolution Project - Progress



# Review and Research

## Direct Input from Affiliates

- Global Assembly (2021)
- Global Mandate Survey (2021-2022)
- Terminology & Ethics Survey (2022)
- Five Regional Affiliate Roundtables (2022)

## Other Surveys and Studies

- Global Practitioner Survey (2021)
- Quality Assessors Interviews and Focus Groups (2021)
- Benchmark with Other Standards & Framework (2021)
- Principal Partners Roundtable (2022)

# Standard-Setting Governance / Due Process

**The IIA sets the Standards in the public interest!**



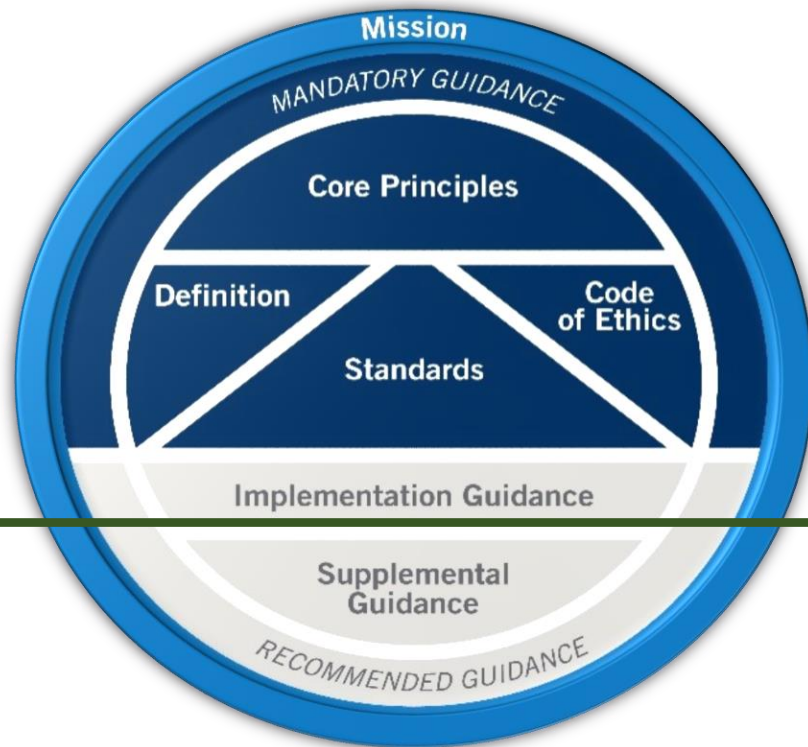
*Framework for Setting Internal Audit Standards in the Public Interest, March 2022, available at [www.theiia.org](http://www.theiia.org)*



## **B. New Structure for IPPF and Standards**

# New IPPF Structure

## Current IPPF



## New IPPF

### STANDARDS

- **General Standards** (being drafted)
- **Application Standards** (being considered)

### GUIDANCE

# The Standards



- Principles
- Requirements
- Recommended Practices
- Universally applicable
- Core elements of internal auditing





# **C. Proposed Changes to the Standards**

## **C.1 General Standards**

# 5 Standard Domains and 15 Principles

## I. Purpose of Internal Auditing

### II. Ethics and Professionalism

Demonstrate Integrity

Maintain Objectivity

Demonstrate Competency

Exercise Due Professional Care

Maintain Confidentiality

### III. Governing Internal Audit Function

Authorized by the Board

Positioned Independently

Overseen by the Board

### IV. Managing Internal Audit Function

Strategically Plan

Manage Resources

Communicate Effectively

Enhance Performance

### V. Performing Internal Audit Services

Plan Engagements Effectively

Conduct Engagement Work

Communicate and Monitor Progress

# I. Purpose of Internal Auditing

**The purpose of internal auditing is to enhance the value of an organization and to strengthen the organization's credibility with its stakeholders.**

**Internal auditors achieve this purpose by providing objective assurance, insight, and advice.**

## **Internal auditing strengthens:**

- Effective governance, risk management, and control.
- Responsible decision-making and oversight.
- Sustainable value creation and protection.
- Accountable stewardship of assets and reputation.

## **Internal auditing is most effective when:**

- It is performed in conformance with the International Standards for the Professional Practice of Internal Auditing, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are objective, free from bias and undue influence, and committed to making evidence-based assessments.

# II. Ethics and Professionalism

## - Principles and Standards

### Demonstrate Integrity

Honesty and  
Courage

Organization's  
Ethical Objectives

Legal and  
Professional  
Behavior

### Maintain Objectivity

Individual Objectivity

Impairments to  
Objectivity

Safeguarding  
Objectivity

Disclosing  
Impairments to  
Objectivity

### Demonstrate Competency

Competency

Continual  
Development

### Exercise Due Professional Care

International  
Standards

Professional  
Skepticism

Due Professional  
Care Considerations

### Maintain Confidentiality

Use of Information

Protection of  
Information

# III. Governing Internal Audit Function

## - Principles and Standards

### Authorization

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

Internal Audit Mandate

Board Support

Internal Audit Charter

### Independence

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

Organizational Independence

Chief Audit Executive Roles

Safeguards to Independence

### Oversight

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

Board Interaction

Resources

Quality

External Assessment

# IV. Managing Internal Audit Function

## - Principles and Standards

### Strategically Plan

Internal Audit Strategy

Internal Audit Charter

Internal Audit Plan

Coordination and Reliance

### Manage Resources

Financial Resources

Human Resources

Technological Resources

Methodologies

### Communicate Effectively

Board Communication

Organizational  
Communication

Other Stakeholders

Specific Communications

### Enhance Performance

Internal Assessment

Performance  
Measurement

# V. Performing Internal Audit Services

## - Principles and Standards

### Plan Engagements Effectively

Engagement Plan

Preliminary Communication

Risk Assessment, Objectives, Scope

Engagement Work Program

### Conduct Engagement Work

Gathering Information

Analyses and Results

Conclusions and Recommendations

Documenting Engagements

### Communicate and Monitor Progress

Interim and Final Communications

Communication Quality

Monitoring Progress

# Standard Domain II – V

Domain II - V are focused on internal audit activities and related roles and responsibilities.

<u>Domains</u>	<u>Primary Focus</u>
II. Ethics and Professionalism	Internal Auditors
III. Governing the Internal Audit Function	Board & Chief Audit Executive
IV. Managing the Internal Audit Function	Chief Audit Executive
V. Performing Internal Audit Services	Internal Auditors

# Standard Domain II – V Format

- **Introduction**
  - **Principles**
    - **Standards**
      - Requirements
      - Recommended Practices (from the current Implementation Guides)
      - Demonstrating Conformance (from the current Implementation Guides)



# **C. Proposed Changes to the Standards**

## **C.2 Application Standards**

# Vision for the *Standards*





# Purpose of Application Standards

- Enhance consistency and quality of internal audit services.
- Strengthen the ongoing relevance of the Standards to the evolving risk landscape.

**Raise professionalism, performance, and quality of internal auditors.**

## General Standards

- Principles
- Requirements
- Recommended Practices
- Universally applicable
- Core elements of internal auditing

Purpose of Internal Auditing

1

Ethics and Professionalism

2

Governing the Internal Audit Function

3

Managing the Internal Audit Function

4

Performing Internal Audit Services

5

## Application Standards

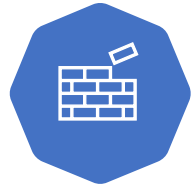
- Required Considerations
- Clarifications and Recommended Practices
- Covering aspects of Governance, Risk Management and Controls
- Applicable for a specific audit topic / engagement

- Cybersecurity
- Sustainability: Environmental, Social & Governance
- Third Party Management
- Information Technology Governance
- Assessing Organizational Governance
- Fraud Risk Management
- Privacy Risk Management
- Public Sector: Performance Audits



## IV. Plan Forward

# Next Steps



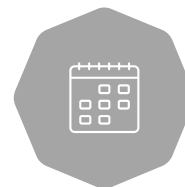
## Development

General Standards – 2022  
Application Standards – 2023



## Exposure

Starting Q1 2023  
General Standards (90 days)  
Application Standards (90 days)



## Issuance

General Standards – Q4 2023  
Application Standards follow



## Effective Date

12 months after the  
*Standards* issuance date.

For most current information, visit <https://www.theiia.org/ippfevolution>

**Keep up with the latest developments!**

**For the most current information, visit**  
**<https://www.theiia.org/ippfevolution>**