



International Auditors' Association
IAA Global Institute
1919, 1940 & 2001

Glimpse over the Amendments in the *Revised Standards*

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Introduction

The International Internal Audit Standards Board (IIASB) has revised the International Standards for the Professional Practice of Internal Auditing (Standards) and these revised standards will be effective from *January 01, 2017*.

Reasons for Amendments

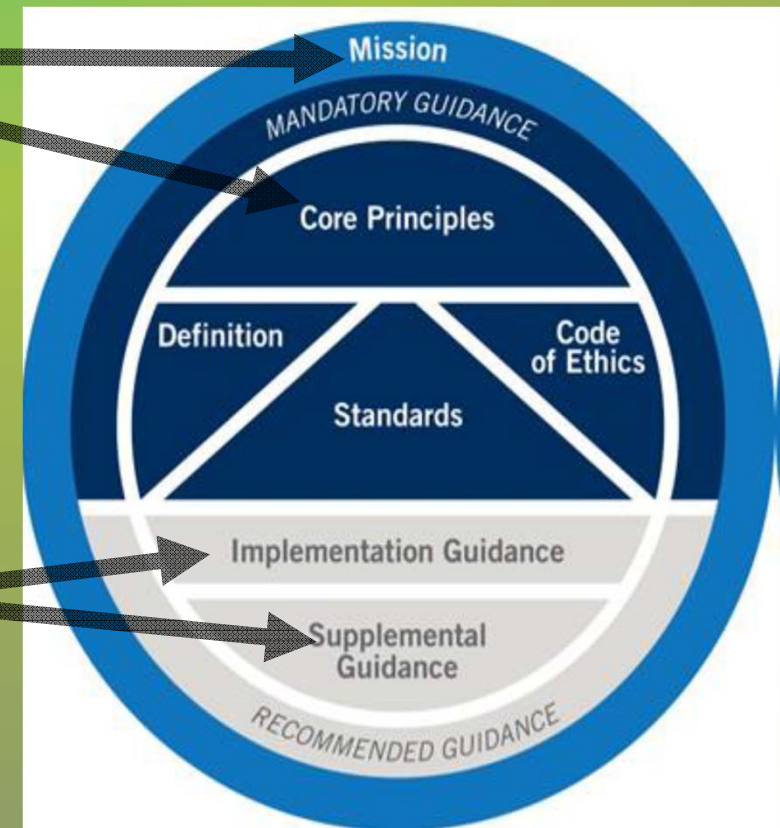
- The International Professional Practice Framework (IPPF) also known as The Framework for Internal Audit Effectiveness is reviewed once every three years.
- The updated IPPF was introduced in July' 2015
- This new IPPF had the following changes:
 - Introduced Mission of Internal Audit
 - Introduced 10 Core Principles
- The last revision done to the Internal Auditing Standards were done in 2013.
- The CAEs are given more roles and responsibilities beyond internal auditing such as risk management, compliance, etc. Thus, these additional roles can create potential impairments in the assurance role of the internal auditors.
- The Revised Standards highlights such areas where potential impairments can happen and the requisite protocols to be observed in such instances.
- The Mission of Internal Audit and the Core Principles introduced in the IPPF had to be reflected in the day to day working of the Internal Audit Department. Thus, the Standards had to be revised to incorporate / align these elements wherever applicable.

Brief Changes from old IPPF to new IPPF

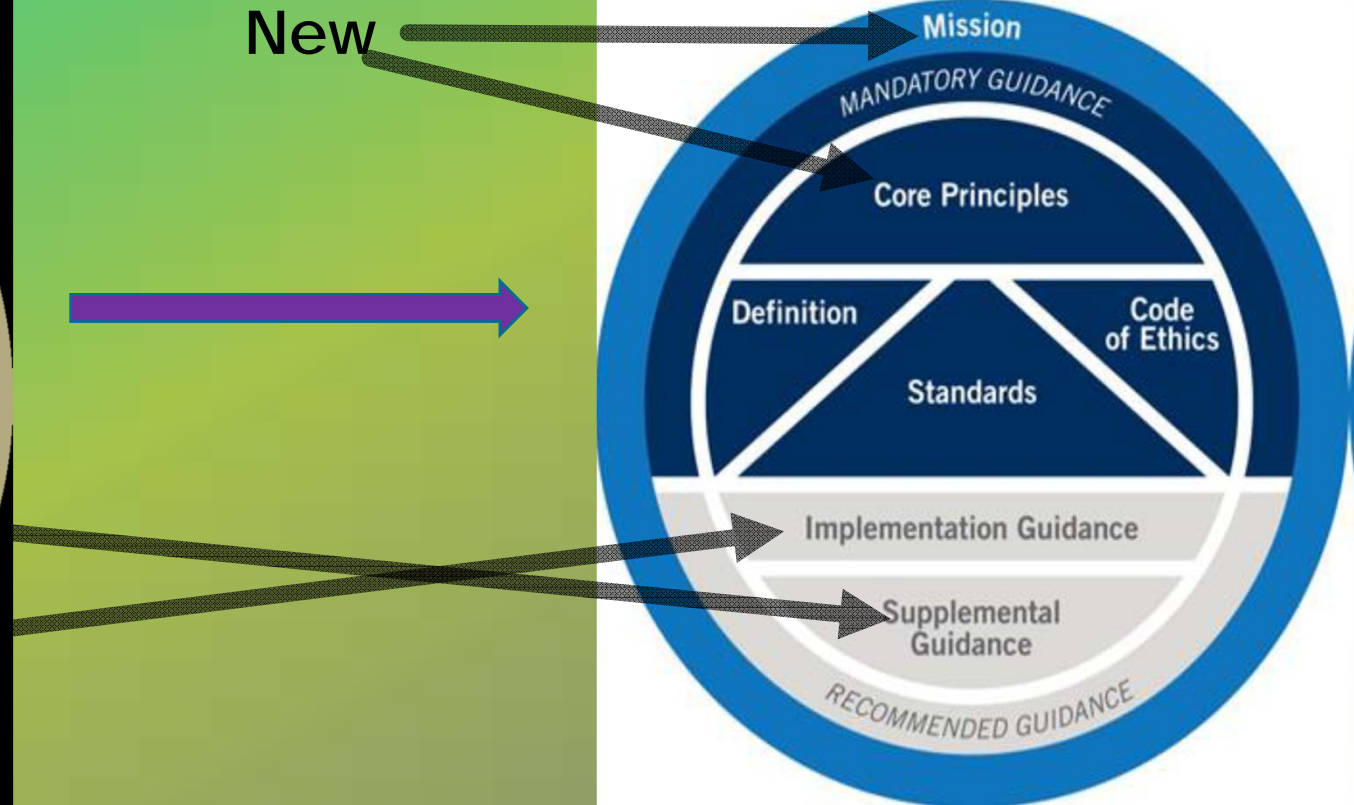
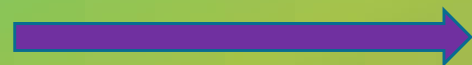
Previous IPPF



New IPPF



New



Brief Changes from old IPPF to new IPPF

Mission of Internal Audit: The Mission says what the internal audit department aspires to attain. It is added in the new IPPF so that the internal auditors leverage the entire framework to facilitate their ability to achieve the Mission and is as follows: *"To enhance and protect organizational value by providing risk-based and objective assurance, advise and insight."*

Core Principles of the Professional Practice of Internal Auditing: These Core Principles taken as a whole express the internal audit effectiveness (Value Adding). For an internal audit function to be effective, all Principles should be present and operative. There are 10 Core Principles that are introduced in the new IPPF 2015. These being as follows:

- Demonstrates Integrity.
- Demonstrates Competence and Due Professional Care.
- Is Objective and free from undue influence (Independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately Positioned and adequately Resourced.
- Demonstrates Quality and Continuous Improvement.
- Communicates effectively.
- Provides Risk-Based Assurance.
- Is insightful, proactive, and future-focused.
- Promotes Organizational Improvement.

Brief Changes from old IPPF to new IPPF

Position Papers (Under Old IPPF):

- Position Papers are documents that **assist various parties** (including those not from the internal audit profession) **in understanding the significant governance, risk, or control issues**, and defining the related roles and responsibilities of internal auditing.
- While Position Papers are **no longer an official part of the New IPPF**, these documents are **still relevant and valid** for practitioners and other interested parties.
- The Position Papers are:
 - The Role of Internal Auditing in Enterprise-wide Risk Management (January' 2009)
 - The Role of Internal Auditing in Resourcing the Internal Audit Activity (January' 2009)
 - The Three Lines of Defense in Effective Risk Management and Control (January' 2013)

Brief Changes from old IPPF to new IPPF

Explanation to the Implementation Guidance (Practice Advisories):

- Implementation Guidance assist / support the internal auditors in applying the Standards.
- They address the approach, methodology for internal auditors in their day to day activities. However, they do not detailed processes or procedures.
- Practice Advisories have been replaced with Implementation Guides effective from 01-Jan-2017.
- The serial numbers have been added with a **prefix** "IG" followed by the series no.
- There is an addition of 15 new Implementation Guides effective 01-Jan-2017 (Attribute Standards = 4 and Performance Standards = 11) covering various aspects viz. Mandatory Guidance, Independence and Objectivity, CAEs roles beyond Internal Auditing, Quality Assurance and Improvement Program, etc..)

Old IPPF	New IPPF
<p>Practice Advisories:</p> <ul style="list-style-type: none"> • There are a total of 37 Practice Advisories ranging from series 1000 to 2500 • It is downloadable from IIA Global site and it is approximately 118 pages. 	<p>Implementation Guidance (<i>Recommended Guidance</i>):</p> <ul style="list-style-type: none"> • There are total of 52 Implementation Guides ranging from series IG 1000 to IG 2600. • It is downloadable from the IIA Global site and it is approximately 181 pages.

Brief Changes from old IPPF to new IPPF

Explanation to the Supplemental Guidance (Practice Guides):

- Supplemental Guidance **provide detailed guidance for conducting internal audit activities**. These include **specific topics, sector specific topics, tools and techniques, step-by-step approaches and processes and procedures**.
- Effective with the July 2015 launch of the New IPPF, all Practice Guides, Global Technology Audit Guides (GTAGs), and Guides to the Assessment of IT Risks (GAIT) automatically become part of the Recommended Supplemental Guidance layer.
- There are 5 categories of in this as under:
 - Practice Guides – General (26)
 - Practice Guides - Public Sector (2)
 - Practice Guides – Global Technology Audit Guide (GTAG) (17)
 - Practice Guide – Guide to the Assessment of IT Risk (GAIT) (3)
 - Other Supplemental Guidance (1)
- Thus, a total of 49 guides are available. Out of these 5 are newly added in year 2016. These being:
 - Internal Audit and the Second Line of Defense (Jan'2016)
 - Audit Reports: Communicating Assurance Results (October'2016)
 - Auditing Smart Devices: An Internal Auditor's Guide to Understanding and Auditing Smart Devices (August'2016)
 - Applying the IIA's International Professional Practice Framework as a Professional Services Firm (August'2016)
 - Assessing Cybersecurity Risk: Roles of the Three Lines of Defense (Sept'2016)



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Amendments in *Introduction Section*

Introduction Section

Old Standard	New Standard
<p>If the Standards are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate. In such a case, if inconsistencies exist between the Standards and other standards, internal auditors and the internal audit activity must conform with the Standards, and may conform with the other standards if they are more restrictive.</p>	<p>If the Standards are used in conjunction with <i>requirements</i> issued by other authoritative bodies, internal audit communications may also cite the use of other <i>requirements</i>, as appropriate. In such a case, <i>if the internal audit activity indicates conformance with the Standards</i> and inconsistencies exist between the Standards and other requirements, internal auditors and the internal audit activity must conform with the Standards and may conform with the other requirements if such requirements are more restrictive.</p>
<p>The purpose of the Standards is to:</p> <ul style="list-style-type: none"> • Delineate basic principles that represent the practice of internal auditing. • Provide a framework for performing and promoting a broad range of value-added internal auditing. • Establish the basis for the evaluation of internal performance. • Foster improved organizational processes and operations. 	<p>The purpose of the Standards is to:</p> <ul style="list-style-type: none"> • <i>Guide adherence with the mandatory elements of the International Professional Practices Framework.</i> • <i>Delineate basic principles that represent the practice of internal auditing.</i> • Provide a framework for performing and promoting a broad range of value-added internal auditing <i>services</i>. • Establish the basis for the evaluation of internal performance • Foster improved organizational processes and operations.

Introduction Section

Explanation:

- Standards + Code of Ethics = All Mandatory Elements of the IPPF. Thus, conformance with Standards + Code of Ethics = Conformance with all mandatory elements of the IPPF.
- Where any law or regulation prohibits the internal auditors / department in conformance with certain parts of the Standards, this requires appropriate disclosure. However, conformance with other parts of the Standards is needed.

Old Standard	New Standard
	<p><i>The Standards together with the Code of Ethics, encompass all mandatory elements of the International Professional Practice Framework; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the International Practices Framework.</i></p>
	<p><i>If the internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, conformance with all other parts of the Standards and appropriate disclosures are needed.</i></p>

Amendments in *Attribute Standards*

Attribute Standards Section

Old Standard	New Standard
1000 – Purpose, Authority and Responsibility	1000 – Purpose, Authority and Responsibility
<p>The purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p>	<p>The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the <i>Mission of Internal Audit, Mandatory Elements of the IPPF (Core Principles of the Professional Practice of Internal Auditing)</i>, the Code of Ethics, the Standards and the Definition of Internal Auditing</p>

Explanation / Action Plan on the Revised Standard 1000 – Purpose, Authority and Responsibility:

- A thorough knowledge and understanding of the Mission of Internal Audit and Core Principles is a must for the CAEs as the Internal Audit Charter needs to incorporate them. The Internal Audit Charter defines the objectives, responsibilities, expectations from internal audit, CAEs reporting lines, level of authority, etc. of the internal audit department. thus, an alignment between Mission and Mandatory Elements of the IPPF is required with the contents of the Internal Audit Charter.
- **Amendment to the Internal Audit Charter is demanded** post the introduction of Mission of Internal Audit and Mandatory Elements of the IPPF (especially the Core Principles). Thus, the contents of the Internal Audit Charter needs to be revised to this extent and approval has to be sought from the Audit Committee / Board.

Attribute Standards Section

Old Standard	New Standard
<p>1010 – Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter</p>	<p>1010 – Recognition Mandatory Guidance in the Internal Audit Charter</p>
<p>The mandatory nature of Definition of Internal Auditing, the Code of Ethics, and the Standards must be recognized in the internal audit charter. The CAE should discuss the Definition of Internal Auditing, the Code of Ethics and the Standards with senior management and the board</p>	<p>The mandatory nature of the <i>Core Principles for the Professional Practice of Internal Auditing</i>, the Code of Ethics, the Standards and the Definition of Internal Auditing must be recognized in the internal audit charter. <i>The CAE should discuss the mission of internal audit and the mandatory elements of the IPPF with senior management and the board.</i></p>

Explanation / Action Plan on the Revised Standard 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter:

- A new sentence is introduced in this Standard stating that “The CAE should discuss the mission of internal audit and the mandatory elements of the IPPF with the senior management and the board.” Thus it **empowers the CAE and also simultaneously makes him / her additionally responsible in discussing the Mission and Core Principles with the senior management and the board.**

Attribute Standards Section

Old Standard	New Standard
1110.A1 – Organizational Independence	1110.A1 – Organizational Independence
<p>The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.</p>	<p>The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. <i>The CAE must disclose such interference to the board and discuss the implications.</i></p>

Explanation / Action Plan on Revised Standard No. 1110.A1 – Organizational Independence:

- It is recommended that a confirmation to the board can be given at least **annually on the independence** of the internal audit department.
- The Internal Audit Charter should have the internal audit department's placement within the organization and its reporting lines. The **Internal Audit Charter should also state the protocols to be observed in case of any exceptions / interferences to avoid ambiguities for future.**



Attribute Standards Section

Old Standard	New Standard
N/A	1112 – Chief Audit Executive Roles Beyond Internal Auditing
N/A.	<p><i>Where the CAE has or is expected to have roles and / or responsibilities that fall outside of internal auditing, safeguard must be in place to limit impairments to independence or objectivity.</i></p> <p><u><i>Interpretation:</i></u> <i>The CAE may be asked to take additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.</i></p>

Attribute Standards Section

Explanation / Action Plan on New Standard No. 1112 – Chief Audit Executive roles Beyond Internal Auditing:

- The Board / Senior Management may find it appropriate in various circumstances for the CAE to take roles outside internal auditing which may feel to impair independence of the IA Department or objectivity of the internal auditors.
- These roles could be developing policies, procedures, develop controls develop risk management activities to ensure compliance, adapting a risk management activity for a new business segment, compliance function is embedded with internal audit due to various constraints, etc. There could be instances where the CAEs may be asked to report functionally to the Senior Management for certain tasks / activities (e.g. putting controls in a new system being considered for the organization).
- Guidelines, reference must be available pertaining to such outside the usual activities in the Internal Audit Charter, Manual, Organization policies, etc..
- It becomes the responsibility of the CAE to communicate with the senior management / board on how such additional responsibilities might impair the independence and objectivity prior considering such tasks.
- With the introduction of this standard, it becomes the direct responsibility of the board to conduct oversight activities. These can be done by evaluating the reporting lines and responsibilities or having some alternative measures (external assessments, etc.) on the reporting lines of the CAE when such additional responsibilities are given to the CAE.
- Further, Standard No. IG1130 (Impairment to Independence and Objectivity) states that CAE should disclose the details of such impairment to the board that will help them in making a proper evaluation of potential risk due to such impairments.
- Verification of such impairments can be confirmed by verifying the board's minutes, auditee surveys, etc.

Attribute Standards Section

Old Standard	New Standard
N/A	1130.A3 – Impairment to Independence or Objectivity (<i>New Sub-Standard</i>)
N/A.	<i>The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement</i>

Explanation / Action Plan on new Sub-Standard No.: 1130.A3 – Impairment to Independence or Objectivity (New Sub-Standard):

- Individual Objectivity can be managed by not assigning the manpower to an assurance who had earlier worked in that department or worked during the consulting engagement and if a relative, friend of the internal auditor works in that department, etc. some other independent person can be assigned to conduct this assurance engagement to overcome the individual objectivity.

Attribute Standards Section

Old Standard	New Standard
1210 – Proficiency (Interpretation)	1210 – Proficiency (Interpretation)
<p>Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities.</p>	<p><i>Proficiency</i> is a collective term that refers to the knowledge, skills and other competencies required of internal auditors to effectively carry out their professional responsibilities. <i>It encompasses consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations.</i></p>

Action Plan:

- This could be done by subscribing to the recently published studies and other industry related documents. Periodic training may be scheduled to introduce new technologies or changes in the industry and internal audit practices.
- Thus, to remain proficient, it is of utmost importance for the internal audit department to be aware of latest trends and activities of the industry to which the organization is linked to apart from being aware of the latest trends and techniques pertaining to internal audit profession.

Attribute Standards Section

Old Standard	New Standard
<p>1300 – Quality Assurance and Improvement Program (Interpretation)</p>	<p>1300 – Quality Assurance and Improvement Program (Interpretation)</p>
<p>A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether the internal auditors apply the code of ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p>	<p>A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether the internal auditors apply the code of ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. <i>The CAE should encourage board oversight in the quality assurance and improvement program.</i></p>

Attribute Standards Section

Explanation to the Revised Standard No. 1312 – External Assessments (Interpretation):

- External Assessments are basically assessments on the internal audit departments by external parties on their conformance with the mandatory elements of the IPPF and also a method of continuous improvement of the department.
- The earlier wording of the standards did not clearly specify that external assessments should assess conformance with the Definition, Standards and Code of Ethics.
- The revised standards clearly states that the external assessor must conclude as to **conformance with the Code of Ethics, and Standards.**
- The revised standard states that the external assessor's reports can include **comments that are operational or strategic** assuming the fact that external assessments are done once in every five years. This was not mentioned in the earlier standards.
- The Interpretation is amended and states that the full external assessments or a self-assessments with independent external valuation are **modes of conducting and accomplishing** external assessments unlike earlier standard where it was mentioned that external assessments **can be in the form of** full external assessments or a self assessments with independent validations. *The CAE is entrusted with the responsibility of encouraging board's oversight in the external assessment thereby reducing possibilities of perceived or potential conflict of interest.* This can be verified by reviewing the Board's Minutes.

Attribute Standards Section



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Old Standard	New Standard
1312 – External Assessments (Interpretation)	1312 – External Assessments (Interpretation)
<p>External Assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>An independent assessor or assessment team means not having either a real or a perceived conflict of interest and not being part of, or under the control of, the organization to which the internal audit activity belongs.</p>	<p>External Assessments <i>may be accomplished through</i> a full external assessment, or a self-assessment with independent external validation. <i>The external assessor must conclude as to the conformance with the Code of Ethics and Standards; the external assessments may also include operational or strategic comments.</i></p> <p>An independent assessor or assessment team means not having either <i>a real an actual</i> or <i>an apparent a perceived</i> conflict of interest and not being part of, or under the control of, the organization to which the internal audit activity belongs. <i>The Chief Audit Executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.</i></p>

Attribute Standards Section



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Old Standard	New Standard
<p>1320 – Reporting on the Quality Assurance and Improvement Program</p>	<p>1320 – Reporting on the Quality Assurance and Improvement Program</p>
<p>The CAE must communicate the results of the quality assurance and improvement program to senior management and the board.</p>	<p>The CAE must communicate the results of the quality assurance and improvement program to senior management and the board. <i>Disclosure should include:</i></p> <ul style="list-style-type: none"> • <i>The scope and frequency of both the internal and external assessments.</i> • <i>The qualifications and independence of the assessor(s) or assessment team, including potential conflict of interest.</i> • <i>Conclusion of assessors.</i> • <i>Corrective action plans</i>

Action Plan:

- **Scope and Frequency:** These can be **discussed with the Board or Senior Management** and should **be incorporated in the Internal Audit Manual** so as to have specific guidelines on the same. The frequency can vary as per the size and maturity of the internal audit department.
- **Qualifications and Independence:** The CAE should confirm the qualifications and independence of the external assessor and any conflict, or perceived conflicts should be reported to the senior management / board.
- **Assessor’s Conclusions:** These can be in form of “Generally Conforms, Partially Conforms, or Does not Conform” as the case may be and the ratings used should be explained to the Senior Management and the Board along with its Impact.
- **Corrective Action Plans:** These may be the actions plans needed to be observed by the internal audit department e.g. non conformance with the Standards, etc. These should be communicated to the Senior Management / Board.

Attribute Standards Section

Old Standard	New Standard
1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”
<p>The CAE may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.</p> <p>Interpretation: The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics and Standards</p>	<p>The CAE may state <i>Indicating</i> that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing <i>is appropriate</i> only if <i>supported by</i> the results of the quality assurance and improvement program support this statement.</p> <p>Interpretation: The internal audit activity conforms with the <i>Code of Ethics and the Standards</i> when it achieves the outcomes described therein. in the Definition of Internal Auditing, Code of Ethics and Standards</p>

Attribute Standards Section

Explanation / Action Plan to the Revised Standard No. 1321 – Use of “Conformance with the International Standards for the Professional Practice of Internal Auditing”:

- The revised standard states that an **indication (either in writing or verbal)** can be given that the internal audit activity conforms with the Standards provided the results support such statement provided the results of both (Internal and External Assessments) support such statement. The earlier standard **required the CAE to state about such a conformance**. Use of the Conformance Statement as per the revised standard is possible only if both internal and external assessment support such statements.
- The Interpretation of the earlier standard stated that the internal audit department is assumed to conform with the Standards when it achieves the **outcomes described in Definition, Code of Ethics and Standards**. However, as per the revised standard, the internal audit department is assumed to conform with the Code of Ethics and Standards when it achieves the outcomes described therein only.
- As the revised standards being **principle-based**, it is possible that there would be situations where the internal audit department has achieved **partial conformance with one or more standards**. Further, there could be improvement opportunities in complying with other standards and to achieve full conformance with the standards. In such cases, **the internal audit department should consider the overall conformance conclusion when determining its ability to use the conformance statement**. Thus, with partial conformance the above statement cannot be used.



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Amendments in *Performance Standards*

Performance Standards Section

Old Standard	New Standard
<p>2000 – Managing the Internal Audit Activity (Interpretation)</p>	<p>2000 – Managing the Internal Audit Activity (Interpretation)</p>
<p>The internal audit activity is effectively managed when:</p> <ul style="list-style-type: none"> • The results of the internal audit activity's work achieves the purpose and responsibility included in the internal audit charter • The internal audit activity conforms with the Definition of Internal Auditing and the Standards and • The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards. <p>The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance and contributes to the effectiveness and efficiency of governance, risk management and control processes.</p>	<p>The internal audit activity is effectively managed when:</p> <ul style="list-style-type: none"> • <i>It achieves</i> the purpose and responsibility included in the internal audit charter. • <i>It</i> conforms with the Definition of Internal Auditing and the Standards <i>and</i> • <i>Its individual members conform</i> with the Code of Ethics and the Standards. • <i>It considers trends and emerging issues that could impact the organization.</i> <p>The internal audit activity adds value to the organization and its stakeholders when it <i>considers strategies, objectives, and risks; strives to offer ways to enhance</i> governance, risk management and control processes; and <i>objectively provides relevant assurance.</i></p>

Performance Standards Section

Old Standard	New Standard
<p>2010 – Planning (Interpretation)</p>	<p>2010 – Planning (Interpretation)</p>
<p>The CAE is responsible for developing a risk based plan. The CAE takes into account the organization’s risk management framework, including using risk appetite levels set by management for different activities or parts of the organization. If a framework does not exist, the CAE uses his / her own judgment of risks after consideration of input from senior management and the board. The CAE must review and adjust the plan, as necessary in response to changes in the organization’s business, risks, operations, programs, systems, and controls.</p>	<p>The CAE is responsible for developing a risk based plan. The CAE takes into account the organization’s risk management framework, including using risk appetite levels set by management for different activities or parts of the organization. If a framework does not exist, the CAE uses his / her own judgment of risks after consideration of input from senior management and the board. To develop a risk based plan, the CAE consults with senior management and board and obtains an understanding of the organization’s strategies, key business objectives, associated risks, and risk management processes. The CAE must review and adjust the plan, as necessary, in response to the changes in the organization’s business, risks operations, programs, systems and controls.</p>

Explanation / Action Plan to the Revised Standard No. 2010 – Planning (Interpretation):

- The CAE has to consider the maturity level of the organization’s risk management process including whether a formal risk management framework exists or not. Less mature organizations can use less formal means of risk management.
- To develop risk based plan, of course consultation with senior management and board is a must, it should also seek results of risk assessment (if available) performed earlier and tools such as interviews, surveys, meetings, workshops, etc. can also be used.

Performance Standards Section

Explanation to the revised Standard No.: 2050 – Coordination and Reliance:

- The Standard title is added with the word “*Reliance*.”
- The CAE is entrusted with the responsibility of sharing information, coordinating activities and also *consider relying upon the work* of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
- A new interpretation is added here which states that:
 - While coordinating activities, reliance can be placed on the work of other assurance and consulting service providers,
 - Consistent approach for basing reliance is observed,
 - The CAE should consider the competency, objectivity and due professional care of such service providers, but ultimate responsibility remains with the CAE for ensuring that adequate support for conclusions and opinions are reached,
 - The CAE should also have clear understanding of the scope, objectives and results of the work performed by such other service providers.
- With this amendments in this standard, the CAE is empowered to meet the outside service providers to gather information so that the organization’s assurance and consulting activities are coordinated. He / she can share objectives, scope, reviews, limitations, etc.. but due care should be ensured that organization’s confidentiality requirements are not compromised.

Performance Standards Section



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Old Standard	New Standard
2050 – Coordination	2050 – Coordination <i>and Reliance</i>
<p>The CAE should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.</p>	<p>The CAE should share information, coordinate activities <i>and consider relying upon the work of</i> other internal and external providers of assurance and consulting <i>service providers</i> to ensure proper coverage and minimize duplication of efforts.</p> <p><i>Interpretation:</i> <i>In coordinating activities, the CAE may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the CAE should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The CAE should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the CAE is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.</i></p>

Performance Standards Section

Explanation / Action Plan to the Revised Standard No. 2060 – Reporting to the Senior Management and Board:

- Conformance with the Code of Ethics and Standards can be achieved by the results of periodic Quality Assurance and Improvement Programs which include both internal and external assessments or by having a periodic checklist (probably once a year) wherein conformance with the Code of Ethics, Standards can be reported to the Senior Management / Board. This can be done once a year or as frequently as directed or necessary.
- Further, risk and control issues including fraud risks, governance issues, etc. **whether requested or not but that require attention by the Senior Management and Board needs to be brought to their attention.** This although might have been implicitly observed by many of the organizations, it is now explicitly mentioned in the Standards thereby putting additional responsibility on the CAEs.

Old Standard	New Standard
2060 – Reporting to Senior Management and the Board	2060 – Reporting to Senior Management and the Board
The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by that require attention of senior management and / or the board.

Performance Standards Section

Old Standard	New Standard
<p>2060 – Reporting to Senior Management and the Board (Interpretation)</p>	<p>2060 – Reporting to Senior Management and the Board (Interpretation)</p>
<p>The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.</p>	<p>The frequency and content of reporting are determined <i>in discussion with collaboratively by the CAE</i>, senior management and the board. <i>The frequency and content of reporting and</i> depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management <i>and /</i> or the board.</p> <p><i>The CAE's reporting and communication to senior management and the board must include information about:</i></p> <ul style="list-style-type: none"> <i>• The audit charter,</i> <i>• Independence of the internal audit activity,</i> <i>• The audit plan and progress against the plan</i> <i>• Resource requirements</i> <i>• Results of audit activities</i> <i>• Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.</i> <i>• Management's response to risk that in the CAE's judgment, may be unacceptable to the organization.</i> <p><i>These and other CAE communication requirements are referenced throughout the standards.</i></p>

Performance Standards Section

Explanation / Action Plan to the Revised Standard No. 2100 – Nature of Work:

- The amended standard clarifies that the internal audit department must evaluate and contribute to the improvement of the **organization's** governance, risk management and control processes.
- This can be achieved by using a systematic, disciplined and **risk based approach**. Thus, although may be followed in principle, it is clearly stated that risk based approach must be taken into consideration.
- There is a further addition of a sentence stating that *“Internal audit department’s credibility is enhanced when the auditors are proactive and their evaluation offer new insights and consider future impact.”*

Old Standard	New Standard
2100 – Nature of Work	2100 – Nature of Work
The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.	The internal audit activity must evaluate and contribute to the improvement of <i>the organization's</i> governance, risk management, and control processes using a systematic, disciplined approach <i>and risk based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluation offer new insights and consider future impact.</i>

Performance Standards Section

Old Standard	New Standard
<p>2110 – Governance</p>	<p>2110 – Governance</p>
<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishments of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organization. • Ensuring effective organizational performance management and accountability • Communicating risk and control information to appropriate areas of the organization • Coordinating the activities of and communicating information among the board, external and internal auditors and management 	<p>The internal audit activity must assess and make appropriate recommendations <i>for—improving to improve</i> the <i>organization's</i> governance process in its accomplishments of the following objectives <i>processes for</i>:</p> <ul style="list-style-type: none"> • <i>Making strategic and operational decisions</i> • <i>Overseeing risk management and control</i> • Promoting appropriate ethics and values within the organization. • Ensuring effective organizational performance management and accountability. • Communicating risk and control information to appropriate areas of the organization. • Coordinating the activities of and communicating information among the board, external and internal auditors, <i>other assurance providers</i> and management.

Performance Standards Section

Explanation to the Revised Standard No. 2200 – Engagement Planning:

- Thus there becomes a need to understand whether a risk assessment has been performed in the area under review and to also to get an opinion of the management on the existing risks as well as related risks and controls (if any) in this area and whether the engagement being planned is meeting the strategic goals and objectives of the organization.
- *Thus, internal auditors are expected to do critical thinking, in depth analysis and linking to ultimate business strategies and objectives, and risks related to the engagement is a must do while engagement planning any engagement.*

Old Standard	New Standard
2200 – Engagement Planning	2200 – Engagement Planning
Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations.	Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. <i>The plan must consider the organization’s strategies, objectives and risks relevant to the engagement.</i>

Performance Standards Section

Old Standard	New Standard
2201 – Planning Considerations	2201 – Planning Considerations
<p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed and the means by which the activity controls its performance • The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. 	<p>In planning the engagement, internal auditors must consider:</p> <p>The <i>strategies and</i> objectives of the activity being reviewed and the means by which the activity controls its performance.</p> <p>The significant risks to the activity, its activity's <i>objectives</i>, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.</p>

Explanation / Action Plan:

Again, the focus is on strategies while consideration for the planning the relevant engagement.

Performance Standards Section

Old Standard	New Standard
2210 – Engagement Objectives	2210 – Engagement Objectives
<p>2210.A3 - Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and / or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and / or the board to develop appropriate evaluation criteria.</p>	<p>Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and / or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must <i>work-identify appropriate evaluation criteria through discussion</i> with management and / or the board. to develop appropriate evaluation criteria.</p> <p><i>Interpretation:</i> <i>Types of criteria may include:</i> <i>Internal (e.g. policies and procedures of the organization).</i> <i>External (e.g. laws and regulations imposed by statutory bodies).</i> <i>Leading practices (e.g. industry and professional guidance)</i></p>

Performance Standards Section

Old Standard	New Standard
<p>2230 – Engagement Objectives</p>	<p>2230 – Engagement Objectives</p>
<p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.</p>	<p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.</p> <p><i><u>Interpretation:</u></i> <i>Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.</i></p>



Performance Standards Section

Explanation / Action Plan to the Revised Standard No. 2330 – Documenting Information:

The earlier standard required that internal auditors must document relevant information to support conclusions and engagement results.

The revised standards states that that the internal auditors must document not only relevant but also sufficient, reliable and useful information to support both engagement results and conclusions.

Working Papers can be called as *sufficient* and relevant when the information contained therein would enable a prudent, informed person such as an another internal auditor or an external auditor would reach the same conclusions as those reached by the internal auditors who conducted the engagement. *Further, the information will be sufficient and relevant to the engagement objectives when the information is helping the organization meeting its goals.* The WP will be *useful* when *its presence / absence can change a finding / opinion of the internal auditor.*

Old Standard	New Standard
2330 – Documenting Information	2330 – Documenting Information
Internal auditors must document relevant information to support the conclusions and engagement results.	Internal auditors must document <i>sufficient, reliable</i> , relevant and <i>useful</i> information to support the engagement results and conclusions.

Performance Standards Section

Explanation to the Revised Standard No. 2410 – Criteria for Communicating:

- The earlier standard states that the criteria for communicating must include Engagement’s Objectives + Scope + Applicable Conclusions + Recommendations + Action Plans
- The amended standard states that communication must include Engagement’s objectives + Scope + Results
- Results of Engagement must include applicable conclusions + applicable recommendations and / or action plans. Previously, the internal auditors opinion was a mandate and must be provided. However, as per the revised standards the internal auditor’s opinion should be provided wherever appropriate.
- Further, the overall opinion (and not conclusion as in previous standards) must take account of expectations of senior management, board and other stakeholders.

Old Standard	New Standard
2410 – Criteria for Communicating	2410 – Criteria for Communicating
Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans.	Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans and results.
A1. Final communication of engagement results must, where appropriate, contain the internal auditors’ opinion and / or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.	A1. Final communication of engagement results must, where include applicable conclusions, as well as applicable recommendations and / or action plans. Where appropriate, contain the internal auditors’ opinion and / or conclusions. When issued, an should be provided. An opinion or conclusion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Performance Standards Section

Old Standard	New Standard
<p>2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”</p>	<p>2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”</p>
<p>Internal auditors may report that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” only if the results of the quality assurance and improvement program support the statement</p>	<p>Internal—Auditors—may—report <i>Indicating</i> that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing <i>is appropriate</i> only if <i>supported by</i> the results of the quality assurance and improvement program <i>support the statement.</i></p>

Explanation to the Revised Standard No. 2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing:

The revised standard states that an indication (either in writing or verbal) can be given that the internal audit activity conforms with the Standards provided the results support such statement provided the results of both (Internal and External Assessments) support such statement. The earlier standard did not have this much clarity / explanation.



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Performance Standards Section

Explanation to the Revised Standard No. 2450 – Overall Opinion:

- The earlier standard stated that when an overall opinion is to be issued, it must take into account the expectations of senior management, the board and other stakeholders.
- The revised standard states that while framing an overall opinion it must take into account the organization's strategies, objectives and also risks over and above the expectations of senior management, the board and other stakeholders. **Thus, a holistic view of the organization's strategies, objectives, risks and expectations of senior management, board and other stakeholders is to be considered for providing an overall opinion.**

Old Standard	New Standard
2450 – Overall Opinions	2450 – Overall Opinions
When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.	When an overall opinion is issued, it must take into account the <i>strategies, objectives, and risks of the organization and the</i> expectations of senior management, the board, and other stakeholders. <i>The overall opinion</i> must be supported by sufficient, reliable, relevant and useful information.

Performance Standards Section

Old Standard	New Standard
<p>2450 – Overall Opinions (Interpretation)</p>	<p>2450 – Overall Opinions (Interpretation)</p>
<p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope, including the time period to which the opinion pertains, • Scope limitations, • Consideration of all related projects including the reliance on other assurance providers, • The risk or control framework or other criteria used as a basis for the overall opinion and, • The overall opinion, judgment or conclusion reached. <p>The reasons for an unfavorable overall opinion must be stated</p>	<p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope, including the time period to which the opinion pertains, • Scope limitations, • Consideration of all related projects including the reliance on other assurance providers, • <i>A summary of the information that supports the opinion.</i> • The risk or control framework or other criteria used as a basis for the overall opinion and, • The overall opinion, judgment or conclusion reached. <p>The reasons for an unfavorable overall opinion must be stated.</p>

Explanation:

The Interpretation states that a summary of relevant information supporting such opinion must be included in addition to the earlier requirements.

Amendments in *Glossary Terms*



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Glossary Terms Section

Explanation to the definition of “Board”:

The definition is amended and covers the following aspects:

- Board is any governing body that can hold senior management of the organization responsible.
- The definition clarifies that governance arrangements varies amongst jurisdictions and sectors but board does not include people who are not part of the Management.
- Board include group of persons who are charged with the responsibility of governance within the organization.
- The earlier standard referred the audit committee as a board to which the governing body has delegated certain functions. The definition as per the revised standard states board also refers to any committee / body (including audit committee) who has delegated functions from the board.

Glossary Terms Section

Old Standard	New Standard
<p>Board</p>	<p>Board</p>
<p>The highest level of governing body charged with the responsibility to direct and / or oversee the activities and management of the organization. Typically, this includes an independent group of directors (e.g. a board of directors, a supervisory board, or a board of governors or trustees). If such a group does not exist, the “board” may refer to the head of the organization. “Board” may refer to an audit committee to which the governing body has delegated certain functions.</p>	<p>The highest level <i>of</i> governing body (<i>e.g. a board of directors, a supervisory board, or a board of governors or trustees</i>) charged with the responsibility to direct and / or oversee the <i>organization’s</i> activities and <i>hold senior</i> management <i>of the organization. Typically, —this—</i>accountable. <i>Although governance arrangements vary among jurisdictions and sectors, typically the board</i> includes <i>an-independent-group members who are not part of directors (e.g. a board of directors, a supervisory board, or a board of governors or trustees).-Management.</i> If <i>such</i> a <i>group board</i> does not exist, the <i>word “board” may refer in the Standards</i> refers to <i>the head a group or person charged with governance</i> of the organization. <i>“Board” Furthermore, “board” in the Standards</i> may refer to <i>an-audit a</i> committee <i>or another body</i> to which the governing body has delegated certain functions (<i>e.g. an audit committee</i>).</p>

Glossary Terms Section

Explanation to the amended definition of “Chief Audit Executive”:

The definition is amended and covers the following aspects:

- It is amended to state CAE is not a person rather it is role of any individual at that position. Thus, emphasis is given to the role and responsibility at that position.
- Further, as per the revised definition the role of CAE is to manage the internal audit department in accordance with the internal audit charter and mandatory elements of the IPPF. The earlier standard mentioned that the CAE to manage the internal audit department in accordance with the Definition, Code of Ethics, and Standards. Thus, the words “Definition of Internal Audit, Code of Ethics, Standards” have been removed and replaced with “Mandatory Elements of IPPF” which covers the Mission of the Internal Audit, Core Principles, etc.
- The earlier sentence stated that specific job title of the CAE may vary across organizations. The revised definition states that job title and / or responsibilities may vary across organizations.

Old Standard	New Standard
<p>Chief Audit Executive</p>	<p>Chief Audit Executive</p>
<p>CAE describes a person in senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title of the CAE may vary across organizations.</p>	<p>CAE describes <i>the role of</i> a person in senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing the Code of Ethics and the Standards—<i>mandatory elements of the International Professional Practices Framework</i>. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title <i>and / or responsibilities</i> of the CAE may vary across organizations.</p>

Glossary Terms Section

Old Standard	New Standard
	<i>Core Principles for the Professional Practice of Internal Auditing</i>
	<i>The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.</i>

Glossary Terms Section

Old Standard	New Standard
<p>International Professional Practices Framework</p>	<p>International Professional Practices Framework</p>
<p>The conceptual framework that organizes the authoritative guidance promulgated by the IIA. Authoritative Guidance is comprised of two categories 1) Mandatory and 2) Strongly Recommended</p>	<p>The conceptual framework that organizes the authoritative guidance promulgated by the IIA. Authoritative <i>guidance</i> is comprised <i>composed</i> of two categories 1) mandatory and 2) <i>Strongly</i> Recommended</p>

Thank You



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