

A.1 The IIA's Authoritative Guidance System

Learning Outcomes:

1. Describe the Purpose of Internal Auditing according to the Global Internal Audit Standards
 - a. Explain the overall objectives and benefits of the internal audit function.
 - b. Describe the conditions that contribute to the effectiveness of the internal audit function.

A. **The Institute of Internal Auditors (IIA)** is an international professional association that provides leadership and guidance for the global profession of internal auditing.

1. Amongst the objectives of the IIA are the following:
 - a. Advocating and promoting the value internal audit professionals add to their organizations.
 - b. Providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programs.
 - c. Researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders.
 - d. Educating practitioners and other relevant audiences on best practices in internal auditing.
 - e. Bringing together internal auditors from all countries to share information and experiences.
2. The IIA has promoted the professionalization of internal auditing primarily through:
 - a. Adopting a common body of knowledge identifying the related disciplines and the various competencies that are to be possessed by internal auditors.
 - b. Establishing a certification program (the CIA program) including an examination.
 - c. Administering a Continuing Professional Education (CPE) program and requiring CIAs to adhere to CPE requirements.
 - d. Establishing an International Professional Practices Framework that includes the IIA's authoritative guidance for the global profession of internal auditing.
 - e. Publishing a technical journal and making it available to its members.

B. **International Professional Practices Framework (IPPF)** is the conceptual framework that organizes the authoritative body of knowledge, promulgated by The Institute of Internal Auditors, for the professional practice of internal auditing. CIA candidates are expected to possess current knowledge of the IPPF. The IPPF includes three elements:

1. **Global Internal Audit Standards** that guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The Standards will be discussed later in this section. Conformance with the Standards is **mandatory**.
2. **Topical Requirements** are designed to enhance the consistency and quality of internal audit services related to specific audit subjects and to support internal auditors performing engagements in those risk areas. Conformance with the Topical Requirements is **mandatory** when the scope of an audit engagement includes one of the topical requirements covered. Topical Requirements are currently under development by the IIA and will not appear on the CIA exam until at least 6 months after the effective date. This material will be updated to include topical requirements once they are published by the IIA.

3. **Global Guidance** supports the Standards by providing **nonmandatory** information, advice, and best practices for performing internal audit services. It is endorsed by the IIA through formal review and approval processes. Global Guidance comprises:
 - a. **Global Practice Guides** provide detailed approaches and examples on subjects including:
 - i. Assurance and advisory services.
 - ii. Engagement planning, performance, and communication.
 - iii. Financial services.
 - iv. Fraud and other pervasive risks.
 - v. Strategy and management of the internal audit function.
 - vi. Public sector.
 - vii. Sustainability.
 - b. **Global Technology Audit Guides (GTAG)** provide auditors with the knowledge to perform assurance or advisory services related to an organization’s information technology and information security risks and controls.

C. **Definition of Internal Auditing** – As defined by the Institute of Internal Auditors:

“Internal Auditing is an independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

Passing Tip:	<p>Internal auditing is:</p> <ul style="list-style-type: none"> – Independent – Objective – Assurance and advisory – Designed to add value – Improve an organization’s operations – Helps an organization accomplish its objectives – Evaluate and improve effectiveness of governance, risk management, and control processes.
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1. The following functions represent the typical roles and activities within the scope of internal auditing:
 - a. Assisting members of the organization in the effective discharge of their responsibilities.
 - b. Assessing an operating department’s effectiveness in achieving stated organizational goals.
 - c. Checking for compliance with laws and regulations.
 - d. Evaluating established objectives and goals.
 - e. Coordinating audit efforts with the external auditor.
 - f. Providing assurance on the organization’s internal control and/or accounting system.
 - g. Reviewing and making recommendations on a proposed system, process, and/or contract prior to implementation/signing.

2. While the following functions “may*” be carried out by internal auditing upon management’s request, they are not typically amongst the objectives of internal auditing:
- Assist management with the design and implementation of accounting and control systems.
 - Examine and evaluate the organization’s accounting system as a service to management.
 - Monitor the organization’s internal control system for the external auditors.
 - Assist the external auditor in order to reduce external audit fees.
 - Perform studies to assist in the attainment of more efficient operations.
 - Serve as the investigative arm of the audit committee.
 - Safeguarding of assets.

* Senior management or the board may, under some circumstances, request support from internal auditors that includes roles other than those preferred by the professional guidance. The auditor in those circumstances may still assume the requested roles as long as appropriate safeguards are employed to address potential impairments, and management and the board are informed of the potential consequences to independence, objectivity, resources allocation, and overall value-added principles.

Passing Tip:	<p>Generally, internal auditors</p> <ul style="list-style-type: none"> – Review – Assess – Provide assurance – Provide advice <p>Internal auditors DO NOT</p> <ul style="list-style-type: none"> – Design – Secure – Implement – Manage – Take responsibility for controls
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Global Internal Audit Standards

- A. **The Structure** – The Global Internal Audit Standards are organized into 5 domains, 15 principles, and 53 standards. Except for Domain I, each domain includes a number of principles related by a common theme, and each principle includes a number of related standards.
- The principles** are broad descriptions of a related group of requirements and considerations. The Standards include 15 principles that enable effective internal auditing.
 - The standards** support the related principle. Each standard includes the following sections:
 - Requirements:** mandatory practices for internal auditing.
 - Considerations for Implementation:** and preferred practices to consider when implementing the requirements.
 - Examples of Evidence of Conformance:** ways to demonstrate that the requirements of the Standards have been implemented. The examples are neither requirements nor the only ways to demonstrate conformance.
- Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.
- B. Appendix A includes a high overview of the contents of the standards.

C. Applicability of the Standards

1. The Standards apply to any individual or function that provides internal audit services, whether an organization employs internal auditors directly, contracts them through an external service provider, or both.
2. The Standards apply to the internal audit function and individual internal auditors including the chief audit executive (CAE).
 - a. The CAE is accountable for the internal audit function's implementation of and conformance with all principles and standards,
 - b. Other internal auditors within the internal audit function are responsible for conforming with the principles and standards relevant to performing their job responsibilities.

Passing Tip:

When an internal auditor is operating in an environment that is subject to additional standards, the internal auditor should follow both the IIA Standards and any additional governmental, statutory, or other standards.

D. Deviations from Conformance

1. While conformance with the requirements is expected, internal auditors occasionally may be unable to conform with a requirement. In these exceptional circumstances, alternative actions should be implemented to meet the intent of the related standard.
2. The chief audit executive (CAE) is responsible for documenting and conveying the rationale for the deviation and the adopted alternative actions to the appropriate parties.
3. While the circumstances necessitating adjustments are too varied to list, the following two areas consistently draw questions:
 - a. **Application in Small Internal Audit Functions** – The internal audit function's ability to fully conform with the Standards may be affected by its size or the size of the organization. With limited resources, completing certain tasks may be challenging. Additionally, if the internal audit function comprises only one member, an adequate quality assurance and improvement program will require assistance from outside the internal audit function.
 - b. **Application in the Public Sector** – Internal auditors in the public sector work in a political environment under governance, organizational, and funding structures that may differ from those of the private sector. The nature of these structures and related conditions may be affected by the jurisdiction and level of government in which the internal audit function operates. Additionally, some terminology used in the public sector differs from that of the private sector. These differences may affect how internal audit functions in the public sector apply the Standards. The section "Applying the Global Internal Audit Standards in the Public Sector," in the Standards describes strategies for conformance amid the conditions unique to internal auditing in the public sector.

- E. **“Must”, “Should”, and “May”** – The Standards employ certain terms as defined specifically in the Glossary (included below). To understand and apply the Standards correctly, it is necessary to understand and adopt the specific meanings and usage of the terms as described in the glossary. Specifically, the Standards use:
1. The word **“must”** in the Requirements sections of the Standards to specify an unconditional requirement.
 2. The words **“should”** in the Considerations for Implementation sections of the Standards to describe practices that are preferred but not required.
 3. The word **“may”** in the Considerations for Implementation sections of the Standards to describe optional practices to implement the Requirements.

The Purpose of Internal Auditing

- A. Domain-I of the standards determines the purpose of internal auditing. The following purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.
- B. Purpose Statement
- “Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.”**
1. Internal auditing enhances the organization’s:
 - a. Successful achievement of its objectives.
 - b. Governance, risk management, and control processes.
 - c. Decision-making and oversight.
 - d. Reputation and credibility with its stakeholders.
 - e. Ability to serve the public interest.
 2. Internal auditing is most effective when:
 - a. It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
 - b. The internal audit function is independently positioned with direct accountability to the board.
 - c. Internal auditors are free from undue influence and committed to making objective assessments.
- C. The chief audit executive (CAE) must discuss the Purpose of Internal Auditing with the board and senior management.