



International Professional
Practices Framework

2018 ANNUAL REPORT

IPPF OVERSIGHT COUNCIL



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International Standard-setting in the Public Interest

High-quality standards. Strong governance. Public interest oversight.

The importance of a single set of high-quality, internationally accepted standards for the internal audit profession is well understood by a broad group of stakeholders — governments, regulators, businesses, investors, international organizations, and academia. This understanding is reflected in the multistakeholder approach used to develop the standards and guidance of The IIA's International Professional Practices Framework (IPPF). Multistakeholder oversight helps ensure the quality and transparency of the standard-setting and guidance-development processes driving the IPPF.

Transparent, high-quality, international standard-setting for the internal audit profession is essential for effective governance, risk management, and control. This is true globally for both public and private sectors, where internal audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Assessing and helping improve organizational control processes related to financial reporting, regulatory compliance, and fraud prevention and detection are fundamental to the internal audit profession's fulfillment of its public interest role.

Further, an internal audit activity guided by a globally applicable, principles-based professional framework developed through transparent, high-quality processes is likely to be more efficient and effective. By delivering insightful, proactive, and future-focused assurance and advice, effective internal auditing helps organizations improve their performance. Better organizational performance increases value, benefitting stakeholders, including investors, employees, and customers, and ultimately serves the public interest by driving employment and economic advancement.

How Was Oversight Established?

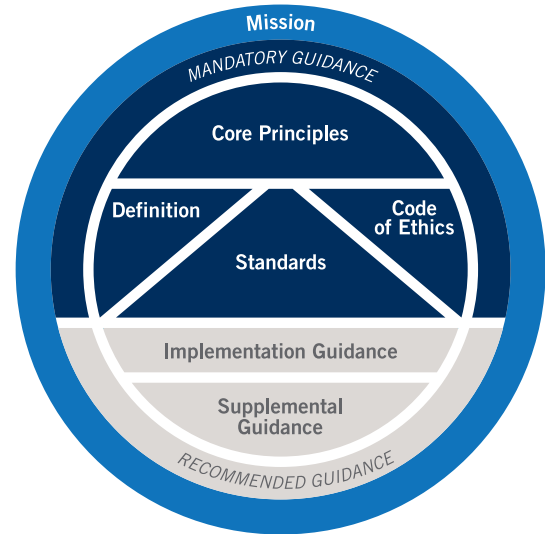
In 2010, The IIA's Global Board of Directors established the IPPF Oversight Council (IPPFOC) to promote inclusiveness, transparency, and other qualities important to the multiple stakeholders that benefit from having confidence that the IPPF serves not only internal audit's stakeholders, but also the broader, global public interest. Five organizations joined the worthwhile effort, contributing delegates to provide insights and recommendations. The Council evaluates and advises on the international standard-setting and guidance-development processes of the IPPF, helping ensure that transparent and stringent due processes exist and are followed.

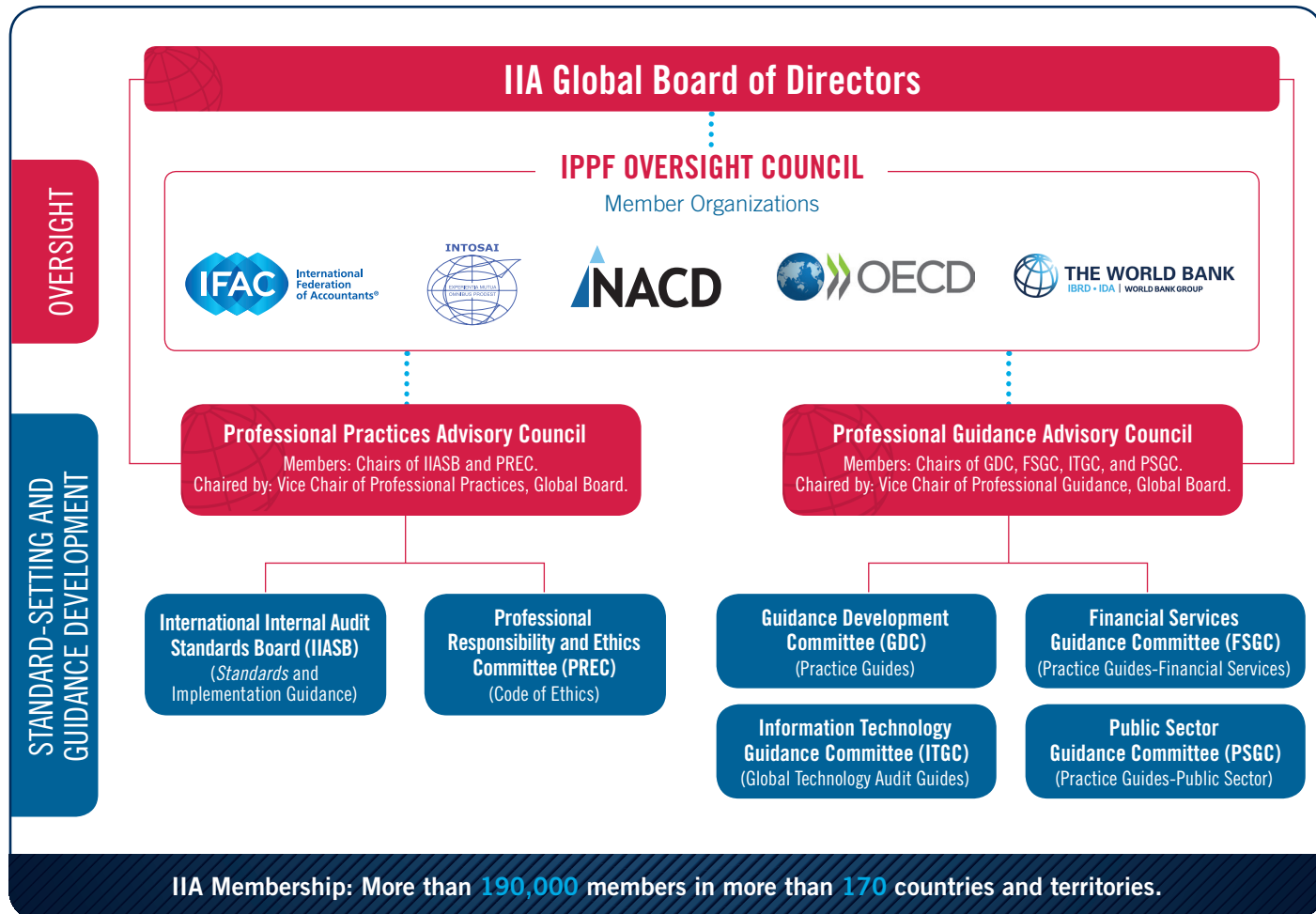
Some of the world's most highly respected and influential organizations supporting governance, transparency, and accountability serve on the IPPFOC. Its membership comprises representatives of:

- International Organization of Supreme Audit Institutions.
- International Federation of Accountants.
- National Association of Corporate Directors.
- Organisation for Economic Co-operation and Development.
- The World Bank.
- The internal audit profession (two representatives nominated by The IIA).



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Together, the representatives of the IPPFOC member organizations provide oversight to help ensure that the IPPF is:

- Developed and maintained through due process, with wide exposure, broad input, and fairness.
- High-quality, principles-based, and globally applicable.
- Relevant to the public interest.

Unlike most professions, the internal audit profession has one widely recognized framework, with standards based on core principles and a wealth of supporting recommended guidance. Given the importance of this professional framework to governments, businesses, and society, the IPPFOC invests its efforts in strong oversight to further enhance the framework's credibility and stature. The members of the Council believe that an internal audit activity aligned with the IPPF is more likely to achieve its mission of enhancing and protecting the value of the organization it serves as well as serving the public interest.

Impact and Continuous Improvement

Since the IPPFOC was established, The IIA has seen ongoing improvement in the quality of its guidance-setting processes and increasing confidence in the IPPF. While the demand for internal audit services continues to evolve and grow, the profession is able to adapt with nimble maturity and optimum performance because it is supported by the IPPF — a vibrant, inclusive, and responsive framework, guided by the Council's oversight and insight.



Status of Key 2017 Recommendations

- 1. All committees: Enhance committee charters to ensure consistent reference to responsibilities to the IPPFOC.**
Status: All charters were reviewed and updated to reflect responsibilities to the Council. The updated charters were received by IIA Governance, and await full acceptance with the convening of the new IIA Global Board.
- 2. All committees: Imbed oversight into the due process descriptions to ensure consistent reference to responsibilities of the IPPFOC.**
Status: The due process descriptions have been updated to include the review by the IPPFOC.
- 3. Local guidance developed by IIA institutes: Increase communication with IIA institutes globally to improve collaboration and define the difference between pieces that should be considered “thought leadership” and those that qualify as “global guidance.”**
Status: Global Relations has agreed to definitions of “thought leadership” and “global guidance,” and it has been recommended that the definitions be included as part of IIA Global Board policy.
- 4. Enhance recognition of the Standards through:**
 - a. Strengthening relations with other international standard-setting bodies.**
Status: IIA Global Advocacy prioritizes outreach to standard-setting bodies. Actions and priorities to engage with international standard-setting bodies are included in the Global Advocacy Strategic Plan 2019–23.
 - b. Promoting coordination of critical functions in the financial reporting supply chain.**
Status: IIA Global Advocacy focuses on critical issues in the financial reporting supply chain through its participation in the Anti-Fraud Collaboration, together with the National Association of Corporate Directors, Financial Executives International, and the Center for Audit Quality.
 - c. Increasing the relevance of guidance to the public sector.**
Status: The IIA has established a public sector risk framework that outlines the guidance development strategy for this important area.

2018 IPPFOC Activities and Accomplishments

1. Conducted four meetings.
2. Implemented an IPPFOC work plan to fulfill charter responsibilities, especially in the area of due process oversight, including:
 - a. Reviewing evidence of due process for IPPF guidance in advance of publication in 2018.
 - b. Observing meetings of the International Internal Audit Standards Board, Professional Responsibility and Ethics Committee, and Guidance committees with enhanced standardized forms to improve consistency in describing observations.
3. Shared perspectives on:
 - a. Leading practices in international standard-setting.
 - b. The IIA's reviews of conformance, governance, licensing, and the Three Lines of Defense model.
4. Monitored the status of responses to recommendations from the 2017 IPPFOC annual report.
5. Enhanced awareness of oversight and the role of the IPPFOC.
 - a. Embedded due process oversight into committee charters and due process.
 - b. Redesigned the Council's annual report.
 - c. Delivered new presentation with observations to enhance standardization and awareness of oversight among committees.
6. Took actions to continue to strengthen the credibility of the IPPFOC.
 - a. Wrote new description of desired individual qualities and experience to ensure quality of member organization representatives.
 - b. Identified potential new member organizations, and thereafter progress was delayed due to governance restructuring.

Key Recommendations for 2019

1. Enhance board and committee nominating and onboarding processes by encouraging:
 - a. New voices — identify up-and-coming volunteers for fresh perspectives in committee work.
 - b. Diversity — strive for more diversity among gender, race/ethnicity, and geography.
 - c. Leadership selection — ensure committee leaders are strong and motivated.
 - d. Description of member roles and responsibilities — clarify descriptions to enhance onboarding and shorten the learning curve of new committee members.
2. Maximize the board and committee member evaluation process by:
 - a. Encouraging more detailed observations.
 - b. Providing feedback to members to reinforce expectations.
 - c. Collecting member evaluations of chairs to strengthen committee leadership.
 - d. Encouraging chairs to increase vice chair and staff involvement in evaluations for more diverse perspectives.
 - e. Reviewing leadership selection and re-appointment decisions.