



IPPF

*International Professional
Practices Framework*

2023 Report

**IPPF OVERSIGHT
COUNCIL**



The Institute of
Internal Auditors

theiia.org

Internal Auditing and Standard Setting

Internal auditing provides boards and management with risk-based and objective assurance, advice, and insight to enhance organizations' success. It contributes to economic stability and social well-being by helping organizations perform reliably and sustainably. The internal audit profession serves leaders and decision-makers and builds trust and confidence among stakeholders by providing greater transparency and insight.

An independent, competent, and trusted internal audit function is essential for effective organizational governance, risk management, and control. The professional practice of internal auditing is most effective when it conforms to authoritative, internationally recognized professional standards. The International Professional Practices Framework® (IPPF®) organizes the mandatory and recommended guidance of The IIA applicable to internal audit professionals worldwide. The *International Standards for the Professional Practice of Internal Auditing* has been the core element of the IPPF.

The IPPF Oversight Council

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 who benefit from having confidence that the IPPF serves the public interest. The IPPFOC monitors, evaluates, and advises on the appropriateness of The IIA's standard-setting structure and process.

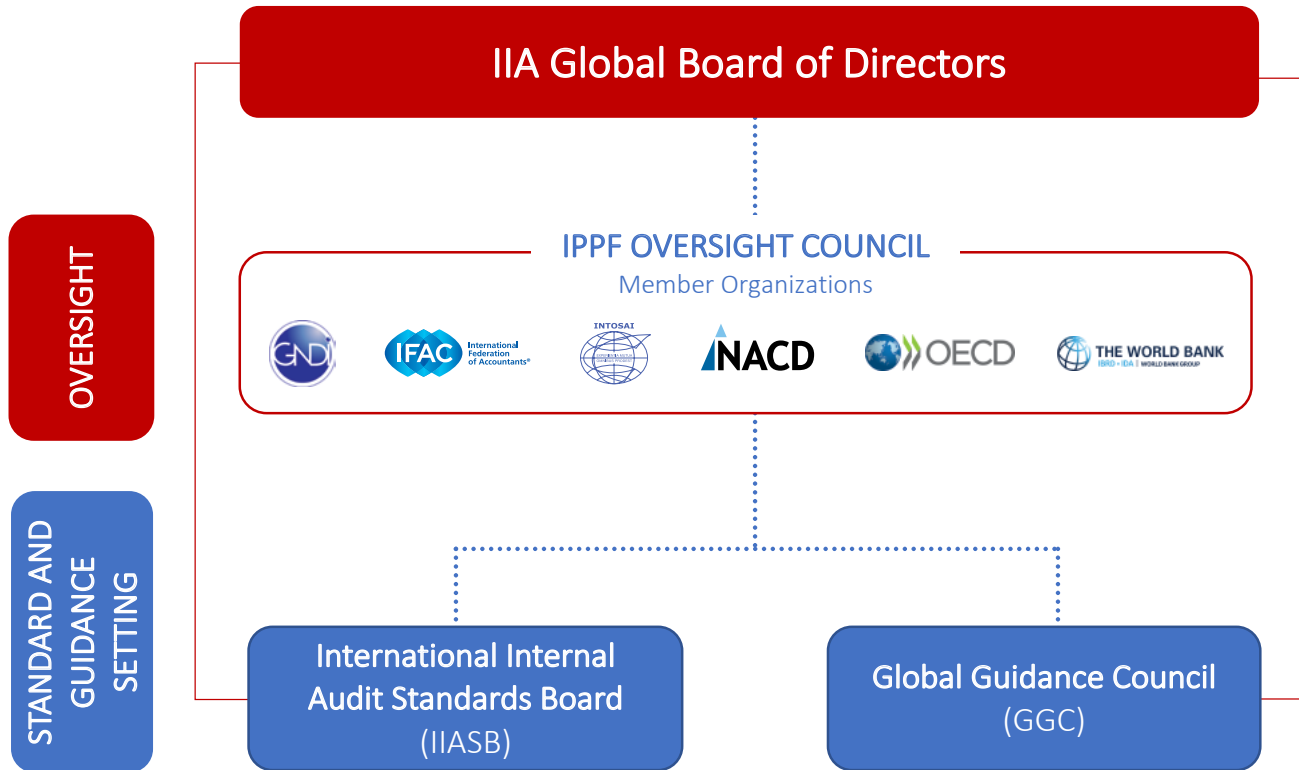
The IPPFOC is a competent, alert, and well-informed independent oversight body mandated to provide assurance that the International Internal Audit Standards Board (IIASB) adheres to sound governance and due process, considers input representing all stakeholders, and ultimately serves the public interest. Members of the Oversight Council include representatives from organizations operating in the public and private sectors that are invested in ensuring the *Standards* reflect the public interest. Membership comprises representatives of the following organizations:

- **Global Network of Director Institutes (GNDI)** – An international collaboration of membership organizations sharing expertise in directorship and corporate governance.
- **International Federation of Accountants (IFAC)** – The accountancy profession's global voice, serving the public interest through advocacy, development, and support for professional accountancy organizations and millions of accountants who are crucial to the global economy.
- **International Organization of Supreme Audit Institutions (INTOSAI)** – An autonomous, independent, nonpolitical professional organization that provides support to supreme audit institutions and sets standards for public sector auditing.
- **National Association of Corporate Directors (NACD)** – A nonprofit membership and educational organization that serves the governance needs of corporate boards and directors in the United States.
- **Organisation for Economic Co-operation and Development (OECD)** – An intergovernmental organization that provides a forum for countries to share data and best practices related to public policies and international standards that stimulate trade and economic progress and foster prosperity, equality, opportunity, and well-being for all.
- **The World Bank** – A global partnership of institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
- **The Institute of Internal Auditors (IIA)** – An international profession association that is the internal audit profession's leader in standards, certification, education, research, and technical guidance throughout the world.

The IPPFOC provides oversight to help ensure 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.

The Oversight Council reports its evaluations and recommendations to The IIA’s Global Board of Directors as illustrated.



Setting Internal Audit Standards in the Public Interest

Given the importance of the *Standards* to governments, businesses, and society, the IPPFOC invests its efforts in enhancing the credibility and stature of the *Standards*. The IPPFOC believes an internal audit function aligned with the *Standards* is more likely to achieve internal audit’s mission of enhancing and protecting the organization’s value and serving the public interest.

The Oversight Council, together with The IIA, established the Framework for Setting Internal Audit Standards in the Public Interest in 2022 to strengthen stakeholder engagement in internal audit standard-setting and better serve the public interest. The Framework supports the development of high-quality standards by the IASB and their global adoption and implementation. The Framework includes a structure and due process to facilitate stakeholder responsiveness to international standard-setting for internal auditing.

According to The IIA, “public interest encompasses the social and economic interests and overall well-being of a society and the organizations operating within that society (including those of employers, employees, investors, the business and financial community, clients, customers, regulators, and government). Questions of public interest are context-specific and should weigh ethics, fairness, cultural norms and values, and potential disparate impacts on certain individuals and subgroups of society.”



The Framework outlines how the public interest is served through four key components:

- Consideration of and engagement with the stakeholders served by the *Standards*.
- Principles for enhancing stakeholder trust in the *Standards*.
- A structure and process to set standards in the public interest.
- Oversight and assessment of the *Standards*’ responsiveness to stakeholders’ needs.

Impact and Continuous Improvement

As the demand for internal audit services continues to evolve and grow, the profession is well-served by the IPPF, which includes an inclusive and responsive set of standards. Since the establishment of the IPPFOC, The IIA has seen ongoing improvement in the quality of its standard-setting structure and process and increasing stakeholder confidence resulting from the IPPFOC’s oversight and insights.

Activities and Achievements in 2023

The IPPFOC focused its oversight on these key roles:

1. Standard-setting process for the IPPF Evolution Project.
2. Stakeholder engagement process in serving the public interest.
3. Composition and functioning of the IASB.

1. Oversight of the standard-setting process for the IPPF Evolution Project.

The issuance of the Framework for Setting Internal Audit Standards in the Public Interest provided a sound foundation for the work of the IPPFOC and a guide for the IASB and its standard-setting due process.

In accordance with the Framework, the IPPFOC monitored that the IASB standard-setting process:

- Demonstrates adequate responsiveness to the internal audit profession and its direct and indirect stakeholders through continuous engagement and transparency.
- Is supported by a permanent structure and a rigorous approach that are responsive to changes in the profession, business, and society to enhance trust in the Standards and internal auditing's assurance and advisory services.
- Identifies stakeholders' varying perspectives and needs in relation to each standard and considers their input.

In 2021 The IIA embarked on the IPPF Evolution Project, a comprehensive review and update of the IPPF, including the *International Standards for the Professional Practice of Internal Auditing*, to ensure the IPPF remains relevant for current and future applications. The IIA collected input from a global network of more than 100 affiliates, surveying almost 4,000 internal audit practitioners and interviewing other relevant stakeholders. The IIA concluded that the current IPPF should be revamped to enable the internal audit profession for the future.

The stated aims of the IPPF Evolution Project were to:

- Simplify the structure of the IPPF.
- Clarify and align all elements of the IPPF.
- Ensure the standards and guidance are issued in a timely manner, are practical and applicable, and address emerging topics.
- Communicate and advocate for the Standards to internal auditors and other stakeholders, including regulators.
- Enhance internal audit performance and quality, as well as preserve and enhance organizational value.

During 2023, the IPPFOC performed these activities in relation to the project:

- Reviewed the IASB standard-setting process and confirmed that due process had been followed in the development of the Standards, the public exposure, and the disposition of public comments.
- Explored the process established to manage the disposition of comments following the public exposure period.
- Engaged with the IASB to advise on the IPPF Evolution project and shared best practices of international standard-setting.

The IPPFOC commended the IASB on implementing the IPPFOC recommendations, guided by the Framework for Setting Internal Audit Standards in the Public Interest, in developing and implementing the standard-setting process. In particular, the IPPFOC noted actions taken to:

- Capture and respond to detailed feedback from external stakeholders gathered through roundtables.
- Develop criteria to determine the necessity for re-exposure based on the disposition of comments received.
- Produce a disposition paper for the final Global Internal Audit Standards™ that considered similar criteria used by other standard-setting boards.
- Evidence the IASB's confirmation that due process was followed in the development and revision of the Standards.

On December 13, 2023, The IIA HQ staff presented the IPPFOC with documentation of the due process followed in developing the Standards. The documentation included the last steps through the end of the "review and approve" stage. The final "issuance" stage of the Standards development process consists of publishing, promoting, and monitoring the adoption of the Standards. After review of the documentation, the IPPFOC confirmed that due process was followed in the development of the Standards.

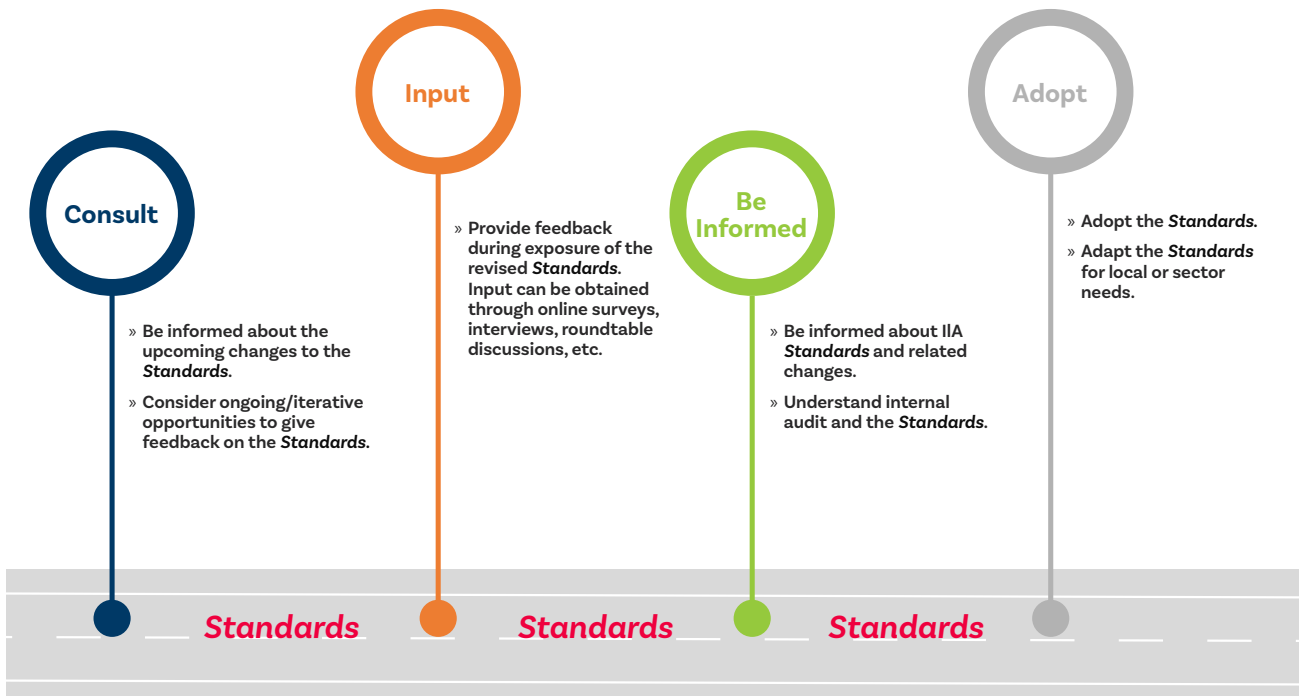
2. Oversight of the Stakeholder Engagement Process in Serving the Public Interest.

The IPPFOC evaluated and advised on the stakeholder engagement process in serving the public interest. During 2023, the IPPFOC:

- Received presentations regarding the IASB’s processes and procedures for reviewing feedback received through the public consultation stage and information relating to the stakeholder engagement program.
- Made recommendations regarding additional stakeholder organizations to approach and facilitate relationship building.

The IASB implemented the IPPFOC recommendations by strengthening the stakeholder engagement process and incorporating it throughout the development of the new standards. The process includes various stages of stakeholder engagement:

Stakeholder Engagement



The IPPFOC commended the IASB on engagement with a wide range of stakeholders, including other standards-setting bodies, regulators, professional associations, and government organizations. In particular, the IPPFOC noted:

- The commitment to resourcing the survey on the proposed new standards, including translating the questions into 21 languages, resulting in 1,600 surveys completed, and 19,000 comments.
- The systematic and well-coordinated process for the disposition of comments including the effective use of technology.
- The planned program of meetings to share the IASB’s responses to input received during the development and public exposure stages.

3. Oversight of the composition and functioning of the IASB.

During 2023, the IPPFOC performed these activities in relation to the composition and functioning of the IASB:

- Recommended updates to the evaluation criteria used by the IPPFOC when observing IASB meetings.
- Observed the IASB in-person meetings and provided feedback to the current and past chairs.
- Recommended the use of a skills matrix based on the IASB’s strategy and workplan to be used when calling for nominations for IASB membership.
- Recommended raising awareness of the Framework for Setting Internal Audit Standards in the Public Interest and the role the IASB members have in its implementation.

The IPPFOC recognizes the effect that rapid changes in business models and the risk landscape have on standard setting, as well as the fact that standard setting is resource-intensive and time-consuming. The IPPFOC therefore commended the actions taken by the IASB in response to its recommendations to:

- Balance the quality and speed of standard development by clearly defining the roles and responsibilities of the IASB, IASB working groups, and IIA staff.
- Establish criteria for gender, ethnicity, and intergenerational diversity when calling for and assessing nominations for IASB membership.

Key Recommendations of the IPPFOC for 2024

Having observed the mid-year IASB meeting and reviewed due process, the IPPFOC recommends:

- The IASB builds upon its best practices and insights to develop a paper on drafting conventions, including criteria for exposure/re-exposure, to ensure consistency of approach in the drafting of future standards. In developing the paper, the IASB should consider similar publications by other international standard-setting boards.
Response: This will be actioned in 2024.
- The IASB establishes a strategy for measuring the impact of the new IPPF, including the Global Internal Audit Standards.
Response: This will be actioned in 2024.
- The IASB develops a skills matrix based on the IASB’s strategy and workplan and considers the skills matrix when calling for and assessing nominations for IASB membership. The IASB’s membership should include individuals who are not internal auditors.
Response: This will be reviewed in 2024.
- The IIA strengthens the process for onboarding new IASB members and evaluates the performance of the IASB chair and members.
Response: This will be reviewed in 2024.
- The IIA includes the process for developing Topical Requirements and the related role of the IPPFOC in the charters of the IPPFOC, IASB, and the Global Guidance Council (GGC).
Response: This will be actioned in 2024.
- The IASB continues to promote and apply the Framework for Setting Internal Audit Standards in the Public Interest.
Response: This will continue to be prioritized.