



**IPPF**

*International Professional  
Practices Framework*

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# 2020-2022 Report

## IPPF OVERSIGHT COUNCIL



The Institute of  
Internal Auditors

[theiia.org](http://theiia.org)

## Internal Auditing and Standard Setting

Internal auditing provides boards and management with objective assurance and advice to enhance organizations' success. It contributes to economic stability and social well-being by helping organizations perform successfully and sustainably. The profession serves leaders and decision-makers and builds trust and confidence among stakeholders by providing greater transparency and insight. The professional practice of internal auditing is most effective when it conforms to internationally recognized professional standards.

An internal audit function that is independent, competent, trusted, and aligned with authoritative international standards is essential for effective organizational governance, risk management, and control. This applies to all organizations, regardless of size or sector, where internal auditing's mission is to protect and enhance an organization's value through risk-based and objective assurance, advice, and insight. All stakeholders, including employees, customers, service users, vendors, investors, taxpayers, and citizens, benefit from ethical and sustainable practices that contribute to improved organizational performance, position, and prospects.

The internal audit profession is subject to a single set of globally recognized standards that governs the profession. The International Professional Practices Framework (IPPF) organizes the mandatory and recommended guidance of The IIA that applies to internal audit professionals worldwide. The *International Standards for the Professional Practice of Internal Auditing* is 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, Oversight Council) 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 advises on and evaluates the appropriateness of The IIA's standard-setting process.

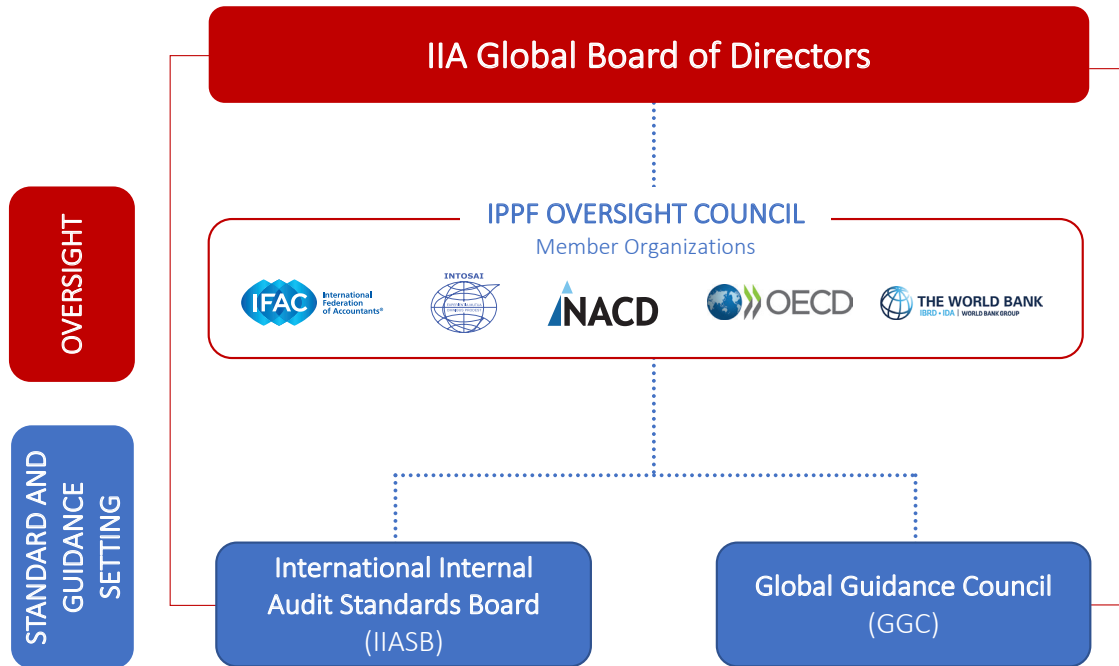
Members of the Oversight Council include representatives from organizations operating in the public and private sectors that are invested in ensuring the *Standards* consider and incorporate the public interest. Membership comprises representatives of the following organizations:

- **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)** – The leader of the internal audit profession that seeks to enhance governance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

### The IPPFOC provides 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.

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



## 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 that 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 International Internal Audit Standards Board (IIASB, Standards Board) and their global adoption and implementation. The Framework includes a structure and due process that facilitate stakeholder responsiveness of international standard-setting for internal auditing.

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

1. The stakeholders served by the *Standards*.
2. Principles for enhancing stakeholder trust in the *Standards*.
3. A structure and process to set standards in the public interest.
4. Oversight and assessment of the *Standards*' responsiveness to stakeholders' needs.

The IPPFOC is a competent, alert, and well-informed independent oversight body mandated to provide assurance that the IIASB adheres to sound governance and due process, considers input representing all stakeholders, and ultimately serves the public interest.

## Impact and Continuous Improvement

Since the establishment of the IPPFOC, The IIA has seen ongoing improvement in the quality of its standard-setting process and increasing confidence in the IPPF. As 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 subject to the IPPF, which includes a vibrant, inclusive, and responsive set of standards developed under the IPPFOC's oversight and insight.

## Activities and Achievements in 2020–2022

The IPPFOC undertook the following key activities and achieved the following milestones in 2020–2022:

### 1. The Framework for Setting Internal Audit Standards in the Public Interest.

The issuance of the new Framework for Setting Internal Audit Standards in the Public Interest in 2022 provides a foundation for the work of the Oversight Council and a guide for the IASB and its standard-setting due process.

In accordance with the Framework:

- The standard-setting process needs to demonstrate responsiveness to the internal audit profession and its direct and indirect stakeholders through continuous engagement and transparency.
- Standard setting should have a permanent structure (IASB) and a rigorous process that is responsive to changes in the profession, business, and society to enhance trust in the *Standards* and internal audit's assurance and advisory services.
- The IASB must carefully identify stakeholders' varying perspectives and needs in relation to each standard and consider input from identified stakeholders throughout the standard development process.

The IASB adopted the Framework and established criteria to measure its implementation.

### 2. Oversight of the IPPF Evolution project.

In 2021, The IIA embarked on the IPPF Evolution project to ensure the IPPF remains future fit. 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 IPPF Evolution project aims to:

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

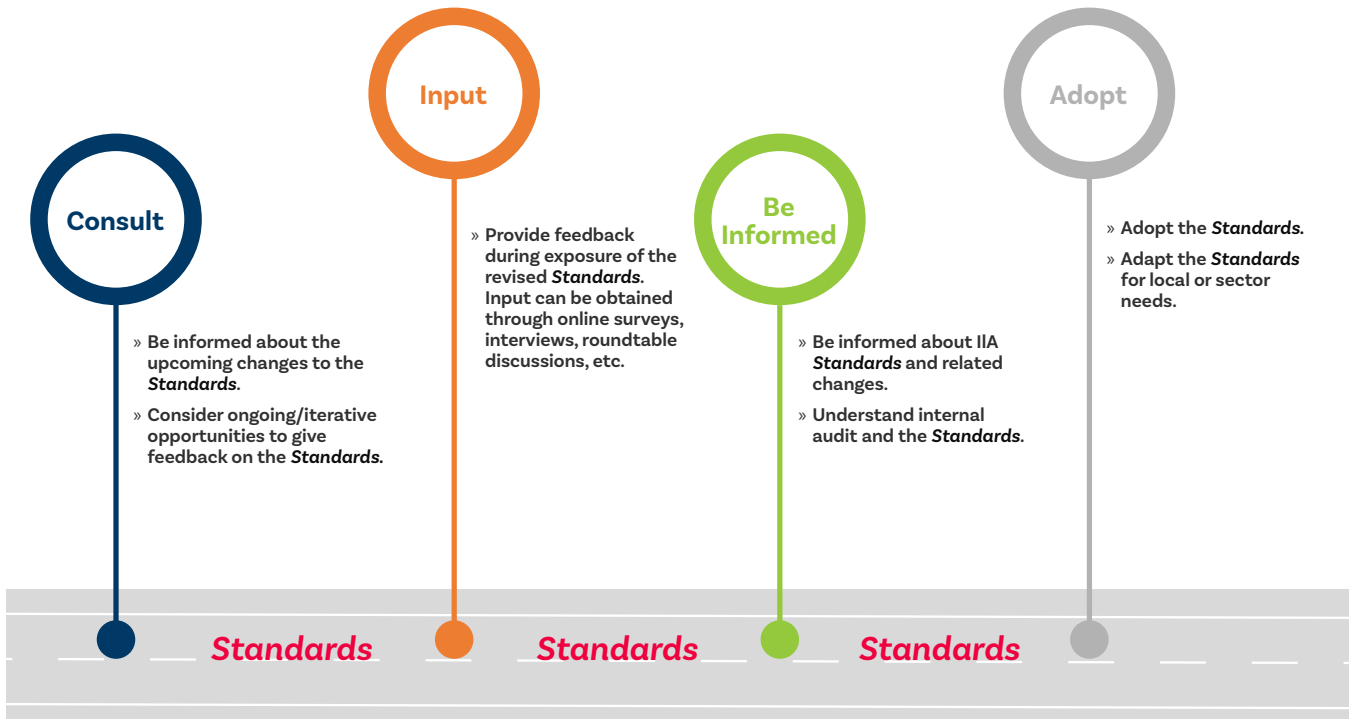
The IPPFOC performed the following activities in relation to the project:

- Reviewed the revised standard-setting process, which reflects the IPPFOC's recommendations to improve the structure and processes relating to developing timely, relevant, and high-quality standards.
- Observed the IASB in-person meeting in 2022 and provided feedback.
- Engaged with the IASB to advise on the IPPF Evolution project and share best practices of international standard-setting.
- Reviewed whether due process was followed in the development of IPPF pronouncements in advance of their publication. Based on the maturity of The IIA's guidance-setting, and the fact that the IPPFOC's focus is standard-setting, the IPPFOC decided in 2022 to no longer confirm due process for guidance-setting.

### 3. Oversight of the Stakeholder Engagement Process in Serving the Public Interest.

The IIA implemented the IPPFOC recommendations by strengthening the stakeholder engagement process and incorporating it throughout the development of standards. The process includes various levels of stakeholder engagement, as presented below:

## Stakeholder Engagement



The IPPFOC commended the IASB for significantly improving stakeholder engagement throughout the IPPF Evolution project, including:

- Global Assembly (2021 and 2022): 90+ IIA affiliates worldwide participated in the events and provided input to the project.
- Global Practitioner Survey: 3,618 respondents.
- Global Mandate Survey: 101 respondents plus the North America chapters.
- Five Global Affiliate Roundtables involving 124 affiliate leaders representing five regions.
- Roundtable with IIA Principal Partners, including AuditBoard, Crowe, Deloitte, EY Consulting, Grant Thornton, KPMG, Protiviti, PwC, Wolters Kluwer, and Workiva.

In addition, The IIA hosted in-person roundtables with external stakeholders in Washington, D.C., and Brussels. Attendees represented 40 organizations, including regulators, standard-setting bodies, and those who influence governance. Representative organizations included the International Organization of Supreme Audit Institutions, International Federation of Accountants, World Bank, International Monetary Fund, European Commission, and many others. The IPPFOC observed the roundtable in Washington, D.C., and thanks The IIA and IASB for their tremendous efforts to seek broad public input to the IPPF Evolution project.

The IIA continues to engage with a broad range of stakeholders in progressing the project. As of October 2022, 40 stakeholder organizations participated in the consultation process, including the Asian Development Bank, African

Development Bank, European Investment Bank, Inter-American Development Bank Group, and the Islamic Development Bank. Stakeholder engagement will continue to be part of the IASB's activities and incorporated into The IIA's future events in other regions such as Asia, the Middle East, and Latin America.

The IASB has been responsive to stakeholder input and most recently revised the proposed Purpose of Internal Audit after careful consideration of such input. The revised proposed purpose statement will be included in the public exposure on the *Standards* starting March 2023.

## Key Recommendations of the IPPFOC for 2023

### 1. Balance the quality and speed of standard development.

Business models and the risk landscape are changing rapidly. Standard development is a resource- and time-consuming task, especially when the IASB aims to deliver timely standards. The IPPFOC therefore recommended that the IASB operate at a strategic level while The IIA's qualified staff operate at the technical level.

Response from the IASB: This is reflected in the revised standard-setting process.

### 2. Measure the impact of the IPPF Evolution project.

The IIA and IASB invested tremendous efforts in the IPPF Evolution project. IPPFOC recommends that the IASB establish a strategy for measuring the success and impact of the new IPPF, including the *Standards*.

Response from the IASB: This will be addressed in 2023.

### 3. Enhance the nominating, onboarding, and evaluation processes for IASB members by:

- Identifying up-and-coming IASB members to increase diversity among gender, race/ethnicity, and geography.
- Improving the independence of the IASB's selection and appointment decisions.
- Clarifying descriptions of member roles and responsibilities.
- Improving the IASB member evaluations with more detailed observations and feedback.
- Improving onboarding of new IASB members to shorten their learning curve.

Response from the IASB: The IIA Global Nominations Committee will be responsible for selecting and recommending the IASB's chair and members in 2023. The rest of the recommendations will be addressed in 2023.

### 4. Establish a process addressing regional collaboration related to local guidance, developed by IIA affiliates, not considered to be part of the *Standards*.

Response from The IIA: This will be addressed in 2023-2024.