



2017

ANNUAL REPORT

IPPF OVERSIGHT COUNCIL



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International Standard-setting in the Public Interest

High-quality standards. Strong governance. In the public interest.

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 organization control processes related to financial reporting, regulatory compliance, and fraud prevention and detection is 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?

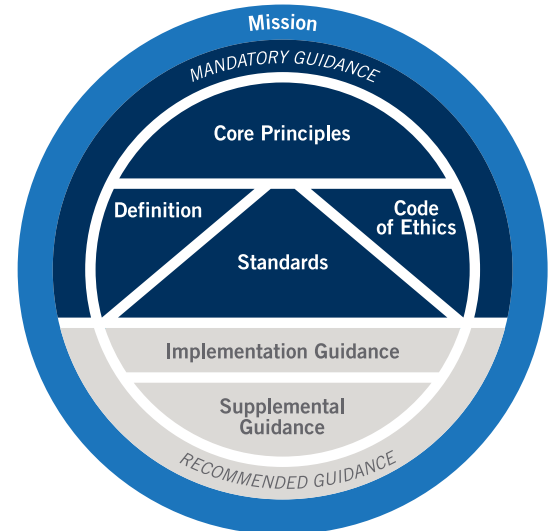
In 2010, The IIA’s Global Board of Directors established the IPPF Oversight Council (IPPFOC) to promote inclusiveness, transparency, and other qualities important to the multiple stakeholders that benefit from having confidence that the IPPF serves not only internal audit’s stakeholders, but also the 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 Association 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).



International Professional Practices Framework





IIA Global Board of Directors

IIPPF OVERSIGHT COUNCIL

Member Organizations



International Federation of Accountants®



OVERSIGHT

Professional Practices Advisory Council

Members: Chairs of IASB and PREC.
Chaired by: Vice Chair of Professional Practices, Global Board.

Professional Guidance Advisory Council

Members: Chairs of GDC, FSGC, ITGC, and PSGC.
Chaired by: Vice Chair of Professional Guidance, Global Board.

STANDARD-SETTING AND GUIDANCE DEVELOPMENT

International Internal Audit Standards Board (IIASB)
(Standards and Implementation Guidance)

Professional Responsibility and Ethics Committee (PREC)
(Code of Ethics)

Guidance Development Committee (GDC)
(Practice Guides)

Financial Services Guidance Committee (FSGC)
(Practice Guides-Financial Services)

Information Technology Guidance Committee (ITGC)
(GTAGs)

Public Sector Guidance Committee (PSGC)
(Practice Guides-Public Sector)

IIA Membership: More than **190,000** members in more than **170** countries and territories.

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 other 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 demands for internal audit services continue 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 2016 Recommendations

- 1. All committees:** Develop a process for knowledge transfer and establish criteria for project prioritization.
Status: The IIA Standards and Guidance department formalized the process for project prioritization and established 2018 plans to support the IPPF and IIA certifications. This was evidenced during the 2017 annual committee meeting observations.
- 2. All committees:** Review and improve processes so that guidance committees can sustain momentum, interact, and share knowledge to align guidance messaging and maximize efficiency.
Status: The IIA Standards and Guidance directors reviewed the guidance-development and due-diligence processes with the IPPFOC, including communication of the changes that were implemented to maximize efficiency. Council members shared knowledge to support process improvement.
- 3. International Internal Audit Standards Board (IIASB):** Ensure effective transfer of knowledge between outgoing and incoming IIASB chairs. In 2019, when discussions of the next exposure of *Standards* revisions begin, the IIASB should also consider whether to alter the timeline of public exposure and review periods to ensure continuity among the IIASB membership involved in the development of proposed changes to the *Standards*.
Status: The IIASB discussed altering the timeline of public exposure and review periods. Before the next exposure, a formal plan will be developed and shared with the IPPFOC.
- 4. Local guidance developed by IIA institutes:** Address concern expressed previously about the potential for local guidance, or thought leadership, developed by IIA institutes to be viewed as authoritative.
Status: The IIA Standards and Guidance department continues to work on this matter. In partnership with content developers at The IIA, the first step has been to identify the sources of all content developed throughout The IIA, including local guidance developed by the institutes.
- 5. IIA Global Board of Directors:** Reconfirm the organizations represented on the IPPFOC in 2017 in accordance with its charter.
Status: The IIA Global Board of Directors reconfirmed the participation of the organizations represented on the Council.

2017 IPPF Oversight Council Activities and Accomplishments

1. Conducted four meetings.
2. Developed a three-year work plan to fulfill charter responsibilities.
3. Reviewed evidence of due process for IPPF guidance released in 2016 and 2017.
4. Observed meetings of The IIA's Standards and Guidance committees.
5. Shared perspectives on leading practices in international standard-setting.
6. Monitored status of responses to recommendations from the 2016 IPPFOC annual report.
7. Identified areas where the Council could add value beyond its due process oversight role.
8. Shared perspectives on The IIA's strategic plan, content strategy, and governance.

Key Recommendations for 2017

1. Enhance guidance committee charters to ensure consistent reference to responsibilities to the IPPFOC.
2. 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."
3. Embed oversight into due processes to enable the IPPFOC to fulfill its oversight responsibilities at the appropriate times in the process.
4. Enhance recognition of the *Standards* through:
 - a. Strengthening relations with other international standard-setting bodies.
 - b. Promoting coordination of critical functions in the financial reporting supply chain.
 - c. Increasing the relevance of guidance to the public sector.