

Internal Audit (ACCT 337)

Chapter 2 International Professional Practices Framework (IPPF)

IPPF

- Set by IIA since its inception 1941.
- Global recognition: Authorized translations (32 languages).
- The only globally recognized guidance for IA profession.
- **Mandatory Guidance and Recommended Guidance.**



Mandatory Guidance

1. Core Principles
2. Definition of IA
3. Code of Ethics
4. The Standards

Mission of Internal Audit: The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organization. Its place in the New IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission.

- **To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.**

- رسالة التدقيق الداخلي
- "تعزيز وحماية قيمة المؤسسة من خلال تقديم التأكيد و المشورة والبصيرة، الموضوعية و المستندة
- على المخاطر، لأصحاب المصلحة.

Mandatory Guidance – Core Principles

المبادئ الأساسية للممارسة المهنية للتدقيق الداخلي: Core Principles for the Professional Practice of Internal Auditing:

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission (see [Mission of Internal Audit](#) above).

- **Demonstrates integrity.** إظهار نزاهة كاملة.
- **Demonstrates competence and due professional care.** إظهار الكفاءة والعناية المهنية اللازمة.
- **Is objective and free from undue influence (independent).** أن يكون موضوعيا و متحررا من أي تأثيرات غير مناسبة (مستقل).
- **Aligns with the strategies, objectives, and risks of the organization.** أن يكون متوافقا مع استراتيجيات، أهداف ومخاطر المؤسسة.
- **Is appropriately positioned and adequately resourced.** أن يكون في المركز الوظيفي المناسب ويمتلك الموارد الكافية.
- **Demonstrates quality and continuous improvement.** إظهار الجودة والتحسين المستمر.
- **Communicates effectively.** التواصل بشكل فعال.
- **Provides risk-based assurance.** تقديم تأكيد مرتكز على المخاطر.
- **Is insightful, proactive, and future-focused.** ذو بصيرة ، مبادر وذو نظرة مستقبلية.
- **Promotes organizational improvement.** يدعم تطوير وتحسين المؤسسة.

Mandatory Guidance – IA Definition

Explained in details in chapter 1.

Mandatory Guidance – Code of Ethics

- Code of Ethics: to promote the ethical culture in IA profession
- Code consists of:
 - Principles: 4 (Integrity/Objectivity/Confidentiality/Competency)
 - Rules of Conduct: 12 behaviors IA must follow to apply the above principles.
 - Applies to all individuals and entities that provide IA services.
 - <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx>

Mandatory Guidance – The International Standards

- The International Standards for the Professional Practice of Internal Auditing.
- Standards consists of:
 - Statements of basic requirements
 - Interpretations.
- Three types of Standards:
 1. Attribute Standards: for organizations and individuals (4 standards with 1000 series)
 2. Performance Standards: 7 standards with 2000 series.
 3. Implementation Standards:
 - Expand upon type 1 or type 2 by providing the requirements applicable to assurance or consulting activities.
 - More stringent and numerous for assurance services than those for consulting services.

The Attribute Standards

- 1000 – Purpose, Authority and Responsibility
 - IA Charter is a must.
 - Final approval: BOD (AC)
- 1100 – Independence and Objectivity
 - Independence: IAF, Objectivity: Individual IAs
 - Examples on impairment of Independence and objectivity
 - Objectivity (if IA had a previous responsibility over an activity):
 - Assurance Engagements: one year condition
 - Consulting Engagements: IA may provide such services but -----?

The Attribute Standards

- 1200 – Proficiency and Due Professional Care
 - 1210: Proficiency
 - IAF and Individuals: Knowledge and skills
 - Specific competency: Knowledge of fraud risk (sufficient knowledge, not expected to have the expertise in detecting and investigating fraud).
 - 1220: Due Professional Care:
 - The care and skills expected of a professional.
 - Examples?
 - 1230: CPD
 - Education, training and experience
 - CIA

The Attribute Standards

- 1300 – Quality Assurance and Improvement Program (QAIP)
 - Objectives
 - IAF: conformance with definition and standards / Assessment of efficiency and effectiveness
 - IAs: compliance with code of ethics
 - As result: Identify opportunities for improvement
 - CAE responsibility with regards to the QAIP?
 - QAIP can be conducted through:
 - Internal assessments
 - External assessments

The Attribute Standards

- 1300 – QAIP
- Internal assessments
 - Ongoing monitoring
 - Periodic reviews: self assessment and peer review.
- External assessments
 - At least once every 5 years
 - Independent review(ers) from outside the organization.

The Performance Standards

- 2000 Managing the IAF
- 2100 Nature of Work
- 2200 Engagement Planning
- 2300 Performing the Engagement
- 2400 Communicating the Results
- 2500 Monitoring Progress
- 2600 Resolution of Senior Management Acceptance of Risks

Recommended Guidance

1. Implementation Guidance (IG):

- Practice Advisories
- Concise and timely guidance: how to implement the standards
- IG 1000-1: Internal Audit Charter

2. Supplemental Guidance:

- Practice Guides
- Detailed guidance on IA tools and techniques
- GAIT, for example

END of CHAPTER TWO