Introduction

The IIA’s Internal Audit Standards Board proposed changes to some of the International Standards for the Professional Practice of Internal Auditing (Standards) as well as recommended new Standards. The proposed changes to the Standards had a 90-day exposure period from February 15, 2010, to May 14, 2010.

The Standards exposure received 1,390 responses from individuals and 29 responses from organizations. The Standards Board has completed the review of the exposure results and comments, and approved the final changes to the Standards.

This document explains:

- The exposed changes and additions to the Standards and Glossary terms.
- Standards Exposure Survey Results.
- Summary of key comments received from the exposure and the Standards Board’s disposition to each of them.
- The Standards Board’s final decision of whether adopting the exposed changes.
- Final approved wording of the Standards and Glossary terms.
- Brief rationale of the Standards Board’s decision.

Both exposed changes and final approved changes are marked up against the existing Standards.

Questions related to the Standards and this document should be directed to guidance@theiia.org.

Internal Audit Standards Board

October 2010
## 1. EXPOSED CHANGE TO STANDARD

### 1000 – Purpose, Authority, and Responsibility

**Interpretation:**
The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, **including the nature of the chief audit executive’s functional reporting relationship with the board**; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

### Exposure Survey Results

- **Yes:** 93.1%
- **No:** 4.8%
- **No Opinion:** 2.1%

### Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Comment</th>
<th>Standards Board Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This shall enhance awareness from the board members and add formality to the reporting relationship.</td>
<td>1. No change required.</td>
</tr>
<tr>
<td>2. Should administrative reporting to management also be included?</td>
<td>2. No change. At this time, the Standards Board concluded that the addition was not needed for the administrative reporting relationship. The importance of the functional reporting relationship to the board was the intentional focus of this exposed change.</td>
</tr>
<tr>
<td>3. Should &quot;the nature of&quot; be deleted?</td>
<td>3. No change. The Standards Board considered this change but decided that clarifying the nature of the reporting was also an important part of defining the functional reporting relationship.</td>
</tr>
<tr>
<td>4. What if an organization does not have a board?</td>
<td>4. No change. The definition of &quot;board&quot; in the Glossary adequately addresses this.</td>
</tr>
</tbody>
</table>

### Standards Board Decision

**Options:**
1. *Adopt the change*
2. Reject the change
3. Modify the change

**Here is the final approved wording of the Standard:**
No change; adopt as exposed.

**Brief rationale/reason for the change to existing Standard:**
This change will increase the clarity of the reporting lines of the internal audit activity to the board, often known as audit committee in most organizations. Having this clarity in the charter, which is approved by the board, is a positive step. This revision to Standard 1000, along with the new interpretation to Standard 1100, is meant to clarify and enhance the reporting lines of the internal audit activity with the board, thereby contributing to the activity having the appropriate stature, support, and visibility.
2. EXPOSED CHANGE TO INTERPRETATION

1100 – Independence and Objectivity

Interpretation: Independence is the freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Exposure Survey Results

- Yes: 84.5%
- No: 11.3%
- No Opinion: 4.2%

### Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Key Comments</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There is support for the change if the CAE is assumed to be part of the internal audit activity.</td>
<td>1. No change required. It is correct that the CAE is a part of the internal audit activity.</td>
</tr>
<tr>
<td>2. The IA activity is only as independent to the degree that its CAE enjoys independence.</td>
<td>2. No change. As the internal audit activity includes the CAE, this change does not diminish the CAE’s objectivity or independence.</td>
</tr>
<tr>
<td>3. Rather than delete this section, it is better to change the “or” to “and.”</td>
<td>3. No change. The suggestion does not change the fundamental point that the reference to CAE here is not necessary.</td>
</tr>
<tr>
<td>4. Independence does not relate to having an unbiased manner, rather it relates to acting without concern of retribution or undue influence.</td>
<td>4. No change. This comment was discussed by the Standards Board but no change to the exposure was made, as most did not find this to be compelling or significant enough to change.</td>
</tr>
<tr>
<td>5. There should be consistency between the Glossary definition and the interpretation wording on “independence.”</td>
<td>5. Agreed. See changes to exposed Glossary definition of “independence.”</td>
</tr>
</tbody>
</table>

### Standards Board Decision

Options:
1. **Adopt the change**
2. Reject the change
3. Modify the change
Here is the final approved wording of the Standard:
No change; adopt as exposed.

Brief rationale/ reason for the change to existing Standard:
This change clarifies that independence primarily relates to the internal audit activity as a whole. The CAE is a part of the internal audit activity, so there is no intention to reduce the importance of independence at any level. Independence of the activity, including the CAE, is important. This change also increases consistency with the Glossary.
3. EXPOSED NEW INTERPRETATION

1110 – Organizational Independence

**Interpretation**

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board.

**Examples of functional reporting to the board involve the board:**

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters;
- Approving decisions regarding the appointment and removal of the chief audit executive; and
- Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

**Exposure Survey Results**

- Yes: 88.7%
- No: 8.3%
- No Opinion: 3.0%

**Summary of Key Comments from the Exposure**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1. No change is needed.</td>
</tr>
<tr>
<td>2. No change. The Glossary definition of “board” does include audit committees.</td>
</tr>
<tr>
<td>3. No change. This was considered more to be a best practice rather than a mandatory requirement of Standards. Refer to The IIA’s latest Practice Guide: Auditing Executive Compensation and Benefits.</td>
</tr>
<tr>
<td>4. Consistent with the Standards Board decision on Standard 1000, no addition was made for administrative reporting to senior management.</td>
</tr>
</tbody>
</table>

**Standards Board Decision**

**Options:**

1. Adopt the change
2. Reject the change
3. Modify the change

**Here is the final approved wording of the Standard:**

No change; adopt as exposed.

**Brief rationale/reason for the change to existing Standard:**

The description and examples of the nature of functional reporting help clarify and implement the intent of the change made to Standard 1000. While this guidance has been in The IIA’s Practice Advisories in the past, raising it to Standards level enhances the clarity of the relationship of internal audit and the board as well as the board’s role in regards to internal audit.
4. EXPOSED CHANGE TO INTERPRETATION

1312 External Assessments

Interpretation

A qualified reviewer or review team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations with similar size, complexity, sector or industry, and of similar technical issues, is more valuable than less relevant experience. In the case of a review team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether a reviewer or review team demonstrates sufficient competence to be qualified.

An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

Exposure Survey Results

- Yes: 84.1%
- No: 9.3%
- No Opinion: 6.6%

Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Standards Board Dispositions</th>
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</thead>
<tbody>
<tr>
<td>1. No change. The intent of the changes is to clarify that overall review team needs to be qualified. Organizations are allowed to get specific minimum requirements for each individual review member at their discretion.</td>
</tr>
<tr>
<td>2. No Change. The second sentence in Standard 1312 sufficiently states that “The chief audit executive must discuss with the board the qualifications and independence of the external reviewer or review team, including any potential conflict of interest.”</td>
</tr>
<tr>
<td>3. While we considered the comments, no suggested change from exposure was supported by most responses. However, we made grammatical changes to the experience sentence for better understanding.</td>
</tr>
</tbody>
</table>

Standards Board Recommendations

Options:

1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Interpretation:

1312 External Assessments

Interpretation

A qualified reviewer or review team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and of similar technical issues, is more valuable than less relevant experience. In the case of a review team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether a reviewer or review team demonstrates sufficient competence to be qualified.
<table>
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<th>qualified.</th>
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<tbody>
<tr>
<td>An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.</td>
</tr>
</tbody>
</table>

**Brief rationale/reason for the proposed change to existing Standard:**

The change is in response to comments received during the 2008 exposure process that wording in the Interpretation was not clear, particularly related to qualifications of the overall review team as opposed to qualifications of the individual review team members.
5. EXPOSED NEW INTERPRETATION

1321 – Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

Interpretation

The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics, and Standards.

The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

Exposure Survey Results

- Yes: 72.1%
- No: 15.4%
- No Opinion: 12.5%

<table>
<thead>
<tr>
<th>Summary of Key Comments from the Exposure</th>
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</thead>
<tbody>
<tr>
<td>1. Consider adding metrics for scoring the conformance.</td>
<td>1. No change. This is more a comment about how conclusions in quality assessments are reached.</td>
</tr>
<tr>
<td>2. Consider clarifying what is meant by “outcomes.”</td>
<td>2. No change. When discussed, this was deemed sufficient, and most responses didn’t mention this.</td>
</tr>
<tr>
<td>3. Consider inclusion of when you cannot use “conforms with.”</td>
<td>3. No change. The standard is deemed as the overall principle based positive statement on when you can use the “conforms with.”</td>
</tr>
<tr>
<td>4. Clarify whether a favorable internal assessment suffices when an external assessment has not yet been performed.</td>
<td>4. No change. As noted in the Standard, the internal quality assessment suffices if and only if your internal audit activity is not yet required to have done an external quality assessment.</td>
</tr>
</tbody>
</table>

Standards Board Recommendations

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard:
No change; adopt as exposed.

Brief rationale/reason for the proposed change to existing Standard:
This new Interpretation is to clarify two phrases in the Standard: “conforms with” and “the results of the QAIP.” Specifically, it clarifies that it is the results of the whole quality assurance and improvement program — ongoing monitoring and periodic reviews as well as external assessments — that must be taken into account. If the internal audit activity is not yet required to have had an external assessment, it will use the results of internal assessments — ongoing monitoring and periodic review.
6. EXPOSED CHANGE TO INTERPRETATION

2000 – Managing The Internal Audit Activity

Interpretation

The internal audit activity is effectively managed when:

- The results of the internal audit activity’s work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and
- The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Exposure Survey Results

- Yes: 87.6%
- No: 9.5%
- No Opinion: 2.9%

Summary of Key Comments from the Exposure

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<thead>
<tr>
<th>Summary of Key Comments from the Exposure</th>
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</thead>
<tbody>
<tr>
<td>1. More closely align with COSO.</td>
<td>1. No change. COSO is one of several frameworks and has been considered in the Standards development.</td>
</tr>
<tr>
<td>2. Suggestion to add “consulting” after “assurance” to more align with the Definition.</td>
<td>2. No change. Consulting activities were suitably described in the second part of the sentence — “and contributes to the effectiveness and efficiency of governance, risk management and control processes”. Inclusion of the term is duplicative.</td>
</tr>
<tr>
<td>3. Need to define “stakeholders.”</td>
<td>3. No change at this time.</td>
</tr>
</tbody>
</table>

Standards Board Decision

Options:

1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard:

No change; adopt as exposed.

Brief rationale/reason for the proposed change to existing Standard:

The new addition to the Interpretation emphasizes the importance of and defines adding value to the organizations.
### 7. EXPOSED NEW STANDARD

**2010.A2** – *The chief audit executive must determine stakeholder expectations for internal audit opinions and other conclusions, including the levels of assurance required, through discussion with senior management and the board.*

<table>
<thead>
<tr>
<th>Exposure Survey Results</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Yes: 72.0 %</td>
<td>1. Modified wording to clarify by adding &quot;identify and consider&quot; to allow CAE to ensure Standards are met as part of a rewrite.</td>
</tr>
<tr>
<td>• No: 21.0 %</td>
<td>2. The section including “level of assurance” was removed. The Standards Board will consider developing the definition of the stakeholder in the future.</td>
</tr>
<tr>
<td>• No Opinion: 6.9 %</td>
<td>3. No change. It is important for the CAE to understand senior management, the board, and stakeholder’s expectation for opinions at the planning stage.</td>
</tr>
</tbody>
</table>

#### Summary of Key Comments from the Survey

1. May impair independence by allowing the board or stakeholders to control scope and report.
2. Define “level of assurance” and “stakeholders” perhaps in an interpretation.
3. The new Standard may not be necessary.

#### Standards Board Decision

**Options:**

1. Adopt the change
2. Reject the change
3. **Modify the change**

**Here is the final approved wording of the Standard:**

**2010.A2** – *The chief audit executive must identify and consider the determine stakeholder expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions, including the levels of assurance required, through discussion with senior management and the board.*

**Brief rationale/reason for the proposed new Standard:**
The exposed new Standard emphasizes the importance for the CAE to understand senior management, the board, and stakeholder’s expectation for opinions at the planning stage. The modified Standard reflects comments which clarified various aspects of the original proposal with respect to independence.
3. EXPOSED NEW STANDARD AND INTERPRETATION

2070 – External Service Provider and Organizational Responsibility for Internal Auditing
When an external service provider serves as the internal audit activity, the provider must make the organization aware that it has the responsibility for maintaining an effective internal audit activity.

Interpretation
This responsibility is demonstrated through the quality assessment and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Exposure Survey Results

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>73.0 %</td>
</tr>
<tr>
<td>No</td>
<td>15.7 %</td>
</tr>
<tr>
<td>No Opinion</td>
<td>11.2 %</td>
</tr>
</tbody>
</table>

Summary of Key Comments from the Survey

1. Most comments, especially those that rejected the Standard, pointed out that the word “it” is ambiguous as to whether it applies to the external provider or the organization.

Standards Board Dispositions

1. Modified the wording to clarify that “it” refers to the organization.

Standards Board Decision

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard and Interpretation:

2070 – External Service Provider and Organizational Responsibility for Internal Auditing
When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation
This responsibility is demonstrated through the quality assurance assessment and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Brief rationale/reason for the proposed new Standard:
There have been many discussions about the role of external service providers and the extent to which an external service provider can be responsible for an organization’s internal audit function. The Standards Board believes that an organization can outsource the internal audit activity but cannot outsource responsibility for that activity, and the organization must retain the responsibility for internal auditing, even if it outsources the entire function. The IIA provides standards for internal auditors, not for the organization’s management or boards. Therefore, the new Performance Standard 2070 requires the external provider of internal audit services to make the organization aware that it has the responsibility for maintaining an effective internal audit activity. The modified standard reflects exposure comments which clarified the wording.
9. EXPOSED CHANGE TO STANDARD

2110-A2 – The internal audit activity must assess whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives.

Exposure Survey Results

- Yes: 88.2%
- No: 5.8%
- No Opinion: 5.9%

Summary of Key Comments from the Exposure

1. Many responses agree with change.
2. The work of internal auditing must be based on risk. The audit plan must include consideration of this area, but it should not be mandated. Why are we singling out IT governance? Shouldn’t we focus on every area of operational and quality governance as well? The IIA should not dictate specific audit areas as requirements.
3. “Support” is vague. Replace "sustains and supports" with "is appropriately aligned with."

Standards Board Dispositions

1. No further work needed.
2. No change. A risk assessment process will identify risks around IT and related governance in conjunction with the risk assessment process. Based on that, internal audit will review relevant pieces to verify focus and determine extent of testing. Revision is not precluding the risk assessment piece.
3. No change. Per a review of the comments, a majority of individuals and organizations (88.2 percent) appear to feel that “support” was sufficient; “support” and “sustains” have similar meanings.

Standards Board Decision

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard:
No change. Adopt as exposed.

Brief rationale/reason for the proposed change to existing Standard:
This change provides clarity and conciseness to existing Standard. High acceptance rate when change was exposed and a review of the comments did not indicate any aggregated concerns necessitating any further changes. Changes accepted here will be reviewed for consistency with the Glossary term for IT governance.
10. EXPOSED CHANGE TO STANDARD AND ITS NUMBER

**2110-C1 2210-C2** – Consulting engagement objectives must be consistent with the overall organization’s values, strategies, and objectives goals of the organization.

Exposure Survey Results

- Yes: 91.4%
- No: 3.2%
- No Opinion: 5.5%

<table>
<thead>
<tr>
<th>Summary of Key Comments from the Exposure</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Should this be under Standard 2110: Nature of Work?</td>
<td>1. No change. Objectives should be considered when planning an engagement; therefore, will be moved to Standard 2210.</td>
</tr>
<tr>
<td>2. A high number are in support of the change from both individuals and organizations. After the modification, it is more precise. “Overall” is not very clear. Strategies and objectives are broader and are more from the top point of view.</td>
<td>2. Agreed. No change needed.</td>
</tr>
</tbody>
</table>

Standards Board Decision

Options:

1. **Adopt the change**
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard:

No change, adopt as exposed.

**Brief rationale/reason for the proposed change to existing Standards:**

It is more appropriate to include aspect of engagement objectives under planning activities. The Scope and objectives should be evaluated together during an audit’s planning stages. The addition of an “organization’s values, strategies, and objectives” addresses more specifics than just the stated goals, which could be focused for instance only on generating revenue.
11. EXPOSED CHANGE TO INTERPRETATION

2120 – Risk Management

Interpretation:
Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- Organizational objectives support and align with the organization’s mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organization’s risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

*The internal audit activity gathers the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management and its effectiveness.*

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

<table>
<thead>
<tr>
<th>Exposure Survey Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes:</strong> 86.7%</td>
</tr>
<tr>
<td><strong>No:</strong> 8.8%</td>
</tr>
<tr>
<td><strong>No Opinion:</strong> 4.5%</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td>1. “Communicated timely” is poor grammar.</td>
<td>1. Changed “timely” back to “in a timely manner.”</td>
</tr>
<tr>
<td>2. We need to define “risk.”</td>
<td>2. No change. Risk is defined in the Glossary. The Standards Board will consider developing more standards related to enterprise risk management (ERM).</td>
</tr>
<tr>
<td>3. The part in bold should allow more flexibility, maybe by saying that it may be accessed via multiple engagements. Some organizations may do it in one engagement. The internal audit activity can also gather information in a direct assessment of a formal risk management function. Specifically stating that internal audit's assessment of risk management occurs during multiple engagements limits the flexibility of determining the best way for internal audit to evaluate risk management.</td>
<td>3. Changed “gathers” to “may gather” as a minimum requirement.</td>
</tr>
<tr>
<td>4. The text should also specify that internal audit must take account of the assurance work performed by other internal and external stakeholders of the organization. Relying solely on the results of internal audit engagements is insufficient and it is vital that this consolidation be based upon past audit engagements in a time period greater than one year, which is, in my opinion unthinkable.</td>
<td>4. No change at this time. The Standards Board will consider it in the future.</td>
</tr>
</tbody>
</table>
Standards Board Decision

Options:

1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Interpretation:

2120 – Risk Management

Interpretation:
Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- Organizational objectives support and align with the organization’s mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organization’s risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

Brief rationale/reason for the proposed change to existing Standard:

The wording was added to provide practitioners with additional information to use in evaluating the risk management processes. The Standards Board wanted to make it clear that more than one engagement may be performed in support of internal audit’s coverage of risk management of the organization. Further modifications are to correct grammar and give more flexibility for either single or multiple engagements.
## 12. EXPOSED CHANGE TO STANDARD

**2120-A1** – The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

### Exposure Survey Results

- Yes: 91.7%
- No: 5.6%
- No Opinion: 2.7%

### Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Comments</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Need to define “programs.”</td>
<td>1. No change at this time. There didn’t appear to be issues when it was in a separate Standard. The former Standard referenced programs and was initially written for the government sector. Now the two Standards are combined.</td>
</tr>
<tr>
<td>2. Laws, regulations, and contracts are enforceable; policies and procedures are not.</td>
<td>2. No change. Risk exposures can materialize if policies and procedures are not followed.</td>
</tr>
</tbody>
</table>

### Standards Board Decision

**Options:**

1. **Adopt the change**
2. **Reject the change**
3. **Modify the change**

**Here is the final approved wording of the Standard:**

No change; adopt as exposed.

**Brief rationale/reason for the proposed change to existing Standard:**

Combining the two Standards into one will increase the consistency and simplicity of the Standards. The exposure change received a very high acceptance rate.
13. EXPOSED CHANGE TO STANDARD

**2130-A1** – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations *and programs*;
- Safeguarding of assets; and
- Compliance with laws, regulations, *policies, procedures*, and contracts.

### Exposure Survey Results

- Yes: 91.9%
- No: 5.3%
- No Opinion: 2.8%

<table>
<thead>
<tr>
<th>Summary of Key Comments from the Exposure</th>
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</tr>
</thead>
</table>

### Standards Board Decision

Options:

1. **Adopt the change**
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard:

No change; adopt as exposed.

**Brief rationale/reason for the proposed change to existing Standard:**

Refer to the rationale in the Standard 2120.A1 above.
1. This Standard was not duplicative, as this covers whether operations and programs conform with the objectives of the organization.

### Standards Board Dispositions

1. No change. Public sector focus on programs can be adequately covered under the proposed Standard 2120.A1 and 2130.A1. This combines evaluating operations in nongovernment and programs in public sector. It is necessary to delete as this is now covered under proposed Standard 2120.A1 and 2130.A1 which combines programs and operations.

### Standards Board Decision

**Options:**

1. Adopt the change
2. Reject the change
3. Modify the change

**Here is the final decision:**

No changes. Standard 2130.A2 was deleted.

**Brief rationale/reason for the proposed change to existing Standard:**

This change makes the Standards more concise without losing any of the intent of the Standards. The combination of operations and programs helps clarify for practitioners. This change is necessary as the focus of this Standard was combined in the Standards 2120.A1 and 2130.A1.
15. EXPOSED DELETION OF STANDARD

2130-A3 – Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

Due to proposed additional wording to Standards 2120.A1 and 2130.A1, there will be duplication on overall requirement.

**Exposure Survey Results**

- Yes: 90.1%
- No: 5.4%
- No Opinion: 4.5%

**Summary of Key Comments from the Exposure**

<table>
<thead>
<tr>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No change. “Goals and objectives” are covered through the “effectiveness of operations” and “compliance with…” sections.</td>
</tr>
</tbody>
</table>

**Standards Board Decision**

**Options:**

1. Adopt the change
2. Reject the change
3. Modify the change

**Here is the final decision:**

No change. Standard 2130.A3 was deleted.

**Brief rationale/reason for the proposed change to existing Standard:**

This change makes the Standards more concise without losing any of the intent of the Standards. The combination of operations and programs helps clarify for practitioners. This change is necessary as the focus of this Standard was combined in the Standards 2120.A1 and 2130.A1.
16. EXPOSED NEW STANDARD NUMBER

2130-C1 - 2220-C2 – During consulting engagements, internal auditors must address controls consistent with the engagement’s objectives and be alert to significant control issues.

Exposure Survey Results

- Yes: 88.8%
- No: 3.0%
- No Opinion: 8.3%

Summary of Key Comments from the Exposure | Standards Board Dispositions
--- | ---
1. Questions related to numbering sequence and structure. | 1. No change. Numbering will follow the consistent structure of Standard 2220.C2.
2. Some are concerned that "must address controls" may result in noncompliance as not every consulting engagement will be controls focused. | 2. No change. This would be part of the evaluation related to the engagement’s objectives.
3. Some debate on numbering — perhaps closer to Standard 2210 under Objectives. | 3. No change. Standard 2210.C1 addresses what consulting engagement objectives must address. This Standard addresses controls consistent with previously established objectives. This proposed change is appropriate.

Standards Board Decision

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Standard

Brief rationale/reason for the proposed change to existing Standard:
Considering controls consistent with the engagement’s objectives, this should be part of the engagement scope (Standard 2220). Therefore this Standard has been appropriately moved under Standard 2220.
17. EXPOSED NEW STANDARD NUMBER

2130-C2 requires to be renumbered to 2130-C1 following the above change.

**2130-C12** – Internal auditors must incorporate knowledge of controls gained from consulting engagements into the evaluation of the organization’s control processes.

### Exposure Survey Results

- Yes: 90.5%
- No: 1.2%
- No Opinion: 8.3%

### Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Most comments indicate the change is necessary to maintain proper order.</td>
</tr>
</tbody>
</table>

### Standards Board Decision

**Options:**

1. **Adopt the change**
2. Reject the change
3. Modify the change

Here is the final proposed wording of the Standard:


**Brief rationale/reason for the proposed change to existing Standard:**

This change is simply renumbering as the original Standard 2130.C1 has been renumbered to Standard 2220.C2; therefore, Standard 2130.C2 becomes Standard 2130.C1.
18. EXPOSED REVISION TO STANDARD

2400 – Communicating Results
Internal auditors must communicate the engagement results of engagements.

<table>
<thead>
<tr>
<th>Exposure Survey Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes:</strong> 88.0%</td>
</tr>
<tr>
<td><strong>No:</strong> 3.5%</td>
</tr>
<tr>
<td><strong>No Opinion:</strong> 8.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary of Key Comments from the Exposure</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Should the standard indicate the form of communication (e.g. verbal or written)? Add “effectively” before “communicate.”</td>
<td>1. No change. The Standards are principle-based. The form of communication depends on the situation. This level of detail is better addressed at the level of a Practice Advisory.</td>
</tr>
<tr>
<td>2. Add “completed” before “engagements”.</td>
<td>2. No change. Sometimes urgent matters need to be reported before an engagement is completed.</td>
</tr>
</tbody>
</table>

**Standards Board Decision**

**Options:**
1. **Adopt the change**  
2. Reject the change  
3. Modify the change

**Here is the final approved wording of the Standard:**
No change; adopt as exposed.

**Brief rationale/reason for the proposed change to existing Standard:**
It is not a significant change. The change improves the grammar.
19. EXPOSED CHANGE TO STANDARD AND NEW INTERPRETATION

2410.A1 - Final communication of engagement results must, where appropriate, contain internal auditors’ overall opinion and/or conclusions. When an opinion and/or conclusion is issued it must address the expectations as agreed with the board, senior management, and other stakeholders and must be supported by sufficient reliable, relevant, and useful information.

Interpretation:
Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

Exposure Survey Results

|       | Yes: 81.4% | No: 13.6% | No Opinion: 5.0% |

Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Comment</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Disagree with “must address the expectations” since the CAE may not consider the “expectations” adequate — ruins independence.</td>
<td>The Standards Board noted a high level of dissent from the phrase “expectations as agreed with the board, senior management, and other stakeholders” on the basis that many are interpreting that stakeholder expectations are the only expectations that should be addressed, and that the objective and independent judgement of internal auditors may be subordinated to that of the stakeholders where it is different. However, the Standards Board didn’t intend this meaning in the exposed revision. To make further clarification, the Standards Board decided to remove “the expectation as agreed with” the senior management, the board, and other stakeholders.</td>
</tr>
<tr>
<td>2. Impractical to seek board’s or even senior management’s expectations for every single engagement.</td>
<td>No change. The proposed revision to this Standard does not require that these expectations must always be established for each engagement.</td>
</tr>
<tr>
<td>3. “Overall” should not be deleted from before “opinion.”</td>
<td>No change. It is not the case that internal audit should always provide an overall opinion at the level of each audit engagement. This Standard was revised to address the opinion at the engagement level. A new Standard 2450 was introduced to address “overall” opinions.</td>
</tr>
<tr>
<td>4. All references to “opinions” should be in Standard 2450. Concern was expressed in responses to proposed Standard 2450 about the overlap between Standards 2450 and 2410.A1.</td>
<td>No change. Standard 2410.A1 addresses the opinion at the engagement level; Standard 2450 address “overall” opinions. They are at differently levels and not overlapping.</td>
</tr>
<tr>
<td>5. Disagree that ratings are opinions (unless the criteria for the ratings are given).</td>
<td>No change. The Standards Board took the view that “ratings” are, or can be, expressions of opinion and that therefore the proposed Standard did not need to be changed in this respect.</td>
</tr>
<tr>
<td>6. “Conclusion”, “Opinion”, and “Overall opinion” should be defined perhaps in the Glossary.</td>
<td>No change. Proposed new Standard 2450 gets close to “overall opinion”. Nevertheless some other terms are described...</td>
</tr>
</tbody>
</table>
7. The Interpretation should add “program” to “specific process, risk, or business unit.”

7. No change. The Standards Board considered this unnecessary as a “program” can be regarded as one type of “specific process.”

<table>
<thead>
<tr>
<th>Standards Board Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options:</td>
</tr>
<tr>
<td>1. Adopt the change</td>
</tr>
<tr>
<td>2. Reject the change</td>
</tr>
<tr>
<td>3. Modify the change</td>
</tr>
</tbody>
</table>

Here is the final approved wording of the Standard:

**2410-A1** - Final communication of engagement results must, where appropriate, contain the internal auditors’ overall opinion and/or conclusions. When issued, an opinion and/or conclusion is issued it must take account of address the expectations of as agreed with the board, senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

**Interpretation:**

*Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.*

**Brief rationale/reason for the proposed change to existing Standard:**

Eighty-six percent of those who expressed a view support this change. It does not make it mandatory for internal auditors to provide opinions in all circumstances, but gives the requirements if an opinion is issued. The issue of internal audit opinions is regarded by many as being such a critical contemporary issue that it is important for it to be addressed satisfactorily within the Standards. Based on the comments received from the exposure, the standard was further modified to clarify the concern of potential impairment of the independence. New Standard 2450 addresses overall opinions, again without making such opinions mandatory.
20. EXPOSED NEW STANDARD AND INTERPRETATION

2450 – Overall Opinions

When an overall opinion is issued it must cover an appropriate time period and it must address the expectations as agreed with the board, senior management, and other stakeholders and must be supported by sufficient reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- The scope, including the time period to which the opinion pertains;
- Scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment, or conclusion reached.

The overall opinion may be unqualified, qualified, or adverse. When there is a qualified or adverse opinion, the cause of the qualification or adverse opinion must be stated.

Exposure Survey Results

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>No Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>74.9</td>
<td>19.9</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Number</th>
<th>Key Comment</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Standard should be changed to allow that overall opinions may be as of a point in time (as with Sarbanes-Oxley) rather than a “time period.”</td>
<td>1. No change. The comment is consistent with U.S. practice, but arguably, internal control is a process that only has meaning over time.</td>
</tr>
<tr>
<td>2.</td>
<td>“Unqualified, qualified, or adverse” seems to dictate a terminology to be used which will not always be appropriate and would need to be defined.</td>
<td>2. In view of this strongly expressed view, “unqualified, qualified, or adverse” was removed and the last two sentences proposed are replaced by this single sentence: “The reasons for an unfavorable opinion must be stated.”</td>
</tr>
<tr>
<td>3.</td>
<td>Don’t agree that overall opinions should be given.</td>
<td>3. No change. This Standard doesn’t require an overall opinion to be given, but sets out the requirements if one is given.</td>
</tr>
<tr>
<td>5.</td>
<td>This sounds too much like external audit.</td>
<td>5. Many pointed this because of the usage of the terminology “unqualified, qualified, or adverse.” Those words are now deleted. Refer to disposition #2 above.</td>
</tr>
<tr>
<td>6.</td>
<td>This is unnecessary Standard.</td>
<td>6. No change. The Standards Board considers that it is important that overall opinions are addressed in the Standards: this is a lively, contemporary practice for some internal audit practitioners. The new standard fills an important gap in the Standards and become a logical springboard to the IIA Practice</td>
</tr>
<tr>
<td>Standards Board Decision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Options:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Adopt the change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Reject the change</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. Modify the change</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Here is the final approved wording of the Standard and Interpretation:**

**2450 – Overall Opinions**

*When an overall opinion is issued, it must take into account an appropriate time period and it must address the expectations of as agreed with the board, senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.*

**Interpretation:**

*The communication will identify:*  
- The scope, including the time period to which the opinion pertains;  
- Scope limitations;  
- Consideration of all related projects including the reliance on other assurance providers;  
- The risk or control framework or other criteria used as a basis for the overall opinion; and  
- The overall opinion, judgment, or conclusion reached.

*The reasons for an unfavorable overall opinion may be unqualified, qualified, or adverse. When there is a qualified or adverse opinion, the cause of the qualification or adverse opinion must be stated.*

**Brief rationale/reason for the proposed new Standard:**

This new Standard on overall opinions does not make it mandatory for internal auditors to provide overall opinions, but gives the requirements when an overall opinion is issued. The issue of internal audit opinions is regarded by many as being such a critical contemporary issue that it is important for it to be addressed satisfactorily within the *Standards*. Based on the comments from exposure, the Standards Board made further modifications to clarify the primacy of internal audit professional judgement. The Standards Board considers that the placing of this Standard in the 2400 section is satisfactory since the revised wording of Standard 2400 broadens the scope of this section beyond the individual audit engagement.
21. EXPOSED CHANGE TO GLOSSARY TERM

<table>
<thead>
<tr>
<th>CURRENT</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Add Value</strong></td>
<td><strong>Add Value</strong></td>
</tr>
<tr>
<td>Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.</td>
<td>The internal audit activity adds value to the organization when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.</td>
</tr>
</tbody>
</table>

Exposure Survey Results

- Yes: 86.2 %
- No: 11.0 %
- No Opinion: 2.8 %

Summary of Comments from the Exposure

<table>
<thead>
<tr>
<th>Comment</th>
<th>Standards Board Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. More closely align with COSO.</td>
<td>1. No change. COSO is one of several frameworks and has been considered in the Standards development.</td>
</tr>
<tr>
<td>2. Correct and make consistent with Standard 2000 Interpretation.</td>
<td>2. Revised the wording to be consistent. Considering stakeholder’s view on value is important.</td>
</tr>
<tr>
<td>3. Emphasize the importance of “stakeholders” in the value proposition.</td>
<td>3. Reserved the original wording to include stakeholders.</td>
</tr>
<tr>
<td>4. Suggestion to add “consulting” after “assurance” to more align with the Definition.</td>
<td>4. No change. Consulting activities were suitably described in the second part of the sentence “and contributes to the effectiveness and efficiency of governance, risk management, and control processes”. Inclusion of the term is duplicative.</td>
</tr>
</tbody>
</table>

Standards Board Decision

Options:

1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Glossary term:

Add Value

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Brief rationale/reason for the proposed change to existing Standard:

Correct wording to make consistent the Interpretation to Standard 2000’s Interpretation.
22. EXPOSED DELETION OF GLOSSARY TERM

**Adequate Control**

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization’s risks have been managed effectively and that the organization’s goals and objectives will be achieved efficiently and economically.

**Exposure Survey Results**

- Yes: 80.8%
- No: 10.0%
- No Opinion: 9.2%

**Summary of Key Comments from the Exposure**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. &quot;Adequacy (and effectiveness) of controls&quot; is used in Standard 2130.A1, so do not delete this Glossary term.</td>
<td>1. Agree. The Glossary term is now kept.</td>
</tr>
<tr>
<td>2. This definition does provide clarity and is very relevant. The term is used in Standard 2130.A1: &quot;must evaluate the adequacy and effectiveness of controls...&quot; The distinction between adequacy (design) and operating effectiveness is extremely important. Auditors who focus on the design of controls typically generate far more substantial issues than auditors who merely test whether they are effectively operating as intended. Auditors who do not evaluate the design of controls are not serving their stakeholders well. We must not lose this crucial distinction.</td>
<td>2. Agree. The Glossary term is now kept.</td>
</tr>
</tbody>
</table>

**Standards Board Decision**

**Options:**

1. Adopt the change
2. **Reject the change – Do not delete**
3. Modify the change

Here is the final approved wording of the Glossary term:

Keep the original definition of “Adequate Control.”

**Brief rationale/reason for the proposed change to existing Standard:**

Leave as it was previously presented since the Glossary term relates to a current Standard and provides additional information.
23. EXPOSED CHANGE TO GLOSSARY TERM

CURRENT
Chief Audit Executive
Chief audit executive is a senior position within the organization responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from external service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes titles such as general auditor, head of internal audit, chief internal auditor, and inspector general.

NEW
Chief Audit Executive
Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition, the Code of Ethics, and the Standards. Normally, the chief audit executive would be a Certified Internal Auditor or have Certified Internal Auditors reporting to them. The specific job title of the chief audit executive may vary across organizations.

Exposure Survey Results
- Yes: 67.5%
- No: 29.0%
- No Opinion: 3.5%

Summary of Key Comments from the Exposure

1. The CAE should be allowed to carry other titles such as CPA, CISA, CA, CBA, etc. Should this definition be broader and state “appropriate professional certifications and qualifications”?

2. Disagreement with using the word "normally." Consider "in most instances," "preferably," "ideally," or "generally."

3. The proposed revision is less about what the CAE should do.

4. It's unfortunate if the reference to the external service providers will be deleted. This change eliminates supervision of internal audit activity, if it is performed by outside vendors.

5. Would suggest stating "the Definition of Internal Auditing" rather than the shortened "the Definition."

6. Is there sufficient oversight of an external service provider if "within the organization" is deleted?

Standards Board Dispositions

1. Changes made. The Standards Board supports the CIA certification as a sign of professionalism in internal auditing. Other certifications are also useful. However, we concur with the comments and have broadened the definition by not exclusively focusing on the CIA certification through changing to "appropriate professional certifications and qualifications."

2. No change. The Standards Board discussed this but did not find the alternatives suggested more preferable to what was exposed.

3. No change. There is adequate guidance on what the CAE should do in the Standards themselves.

4. No change. There is no intent to remove supervisory responsibilities. These responsibilities are required in the Standards.

5. Changes made. To be consistent with other Standards, the change was made as suggested.

6. No change. This is a reason why Standard 2070 is being added. The important matter is the organization's responsibility for internal audit and roles, not the CAE title itself being in the organization. In substance, it was found that the title itself was at times not achieving the intended responsibility for internal
<table>
<thead>
<tr>
<th>Standards Board Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Options:</strong></td>
</tr>
<tr>
<td>1. Adopt the change</td>
</tr>
<tr>
<td>2. Reject the change</td>
</tr>
<tr>
<td>3. Modify the change</td>
</tr>
</tbody>
</table>

**Here is the final approved wording of the Glossary term:**

**Chief Audit Executive**

*Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive or others reporting to them. Normally, the chief audit executive will be a Certified Internal Auditor or have appropriate professional certifications and qualifications. Certified Internal Auditors reporting to them. The specific job title of the chief audit executive may vary across organizations.*

**Brief rationale/reason for the change to existing Standard:**

The revision clarifies the definition of the CAE. The revised definition, combined with Standard 2070, better articulates the roles that can and cannot be provided by the external service provider, and the responsibility of the organization regardless of whether an external service provider is used. The revised definition also emphasizes the importance of appropriate certifications and qualifications, enhancing the alignment of the proficiency needs in internal auditing and the certification that helps indicate that proficiency. The revised definition also avoids having an incomplete, despite long, list of examples of the CAE's title.
24. EXPOSED CHANGE TO GLOSSARY TERM

Control Environment
The attitude and actions of the board and management regarding the *significance* *importance* of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management’s philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Exposure Survey Results

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes:</td>
<td>89.5%</td>
</tr>
<tr>
<td>No:</td>
<td>3.8%</td>
</tr>
<tr>
<td>No Opinion: 6.7%</td>
<td></td>
</tr>
</tbody>
</table>

Summary of Key Comments from the Exposure | Standards Board Dispositions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the definition properly aligned with COSO?</td>
<td>1. No change. COSO is one of several frameworks and has been considered in the Standards development.</td>
</tr>
</tbody>
</table>

Standards Board Recommendations

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Glossary term:
No changes; accept as exposed.

Brief rationale/reason for the proposed change to existing Standard:
“Significance” is normally perceived as a Sarbanes-Oxley related term. For the global audience, it was replaced with the more appropriate “importance”. It was confirmed by a high acceptance rate and lack of comments from the exposure.
### 25. EXPOSED CHANGE TO GLOSSARY TERM

**Information Technology Governance**

Consists of the leadership, organizational structures, and processes that ensure that the enterprise’s information technology *sustains and* supports the organization’s strategies and objectives.

#### Exposure Survey Results

- Yes: 90.1%
- No: 4.7%
- No Opinion: 5.1%

#### Summary of Key Comments from the Exposure

<table>
<thead>
<tr>
<th>Comment</th>
<th>Standards Board Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Why only IT governance?</td>
<td>1. No change. Refer to the disposition in item #2 of Standard 2110-A2.</td>
</tr>
</tbody>
</table>

#### Standards Board Decision

Options:

1. Adopt the change
2. Reject the change
3. Modify the change

**Here is the final approved wording of the Glossary term:**

No change; adopt as exposed.

**Brief rationale/reason for the proposed change to existing Standards:**

This aligns the Glossary term and related Standard. This change has an acceptance rate and no significant comments. Both individuals and organizations support the change.
26. EXPOSED CHANGE TO GLOSSARY TERM

Independence
The freedom from conditions that threaten objectivity of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner, or the appearance of objectivity. Such threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Exposure Survey Results

- Yes: 84.0%
- No: 12.6%
- No Opinion: 3.5%

Summary of Comments from the Exposure

<table>
<thead>
<tr>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agreed. Changes were made for consistency in the Definition and the Interpretation.</td>
</tr>
<tr>
<td>2. Agreed. Removed “or the Chief Audit Executive.”</td>
</tr>
<tr>
<td>3. No change. Objectivity is at the individual internal auditor level; independence is at the activity level.</td>
</tr>
<tr>
<td>4. Standard 1130 already requires disclosure of impairments in “appearance” to independence or objectivity.</td>
</tr>
<tr>
<td>5. No change. Refer to the comments to the Interpretation.</td>
</tr>
<tr>
<td>6. No change. While these additional points are important, they are already in the Interpretation and Standards as noted. They were deemed not necessary to repeat in the Glossary.</td>
</tr>
<tr>
<td>7. Agreed. It is now deleted from the “independence” Glossary definition, consistent with the treatment of “objectivity.”</td>
</tr>
</tbody>
</table>

Standards Board Decision

Options:
1. Adopt the change
2. Reject the change
3. Modify the change

Here is the final approved wording of the Glossary term:

Independence
The freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. Threats to independence must be managed at the...
individual auditor, engagement, functional, and organizational levels.

**Brief rationale/reason for the proposed change to existing Standards:**
This creates greater consistency of the Glossary definition with the Interpretation of the same topic. This also further clarifies the difference between independence and objectivity by using different words to describe each.
### 27. EXPOSED CHANGE TO GLOSSARY TERM

**Objectivity**
An unbiased mental attitude point of view that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to not subordinate their judgment on audit matters to others.

#### Exposure Survey Results

- Yes: 87.3%
- No: 8.9%
- No Opinion: 3.9%

#### Summary of Comments from the Exposure

<table>
<thead>
<tr>
<th>Summary of Comments from the Exposure</th>
<th>Standards Board Dispositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The second paragraph change results in a split infinitive and is less grammatically correct than the original wording.</td>
<td>1. Agreed. Proposed change in the second sentence is rejected.</td>
</tr>
<tr>
<td>2. Mental attitude is more unbiased than the point of view which is biased towards your own perceptions and may change based on external influences.</td>
<td>2. Agreed. Proposed change to the first sentence is rejected.</td>
</tr>
<tr>
<td>3. There should be consistency between the Interpretation to Standard 1100 and the Glossary.</td>
<td>3. Agreed. The Glossary definition will be aligned with the Interpretation definition.</td>
</tr>
</tbody>
</table>

#### Standards Board Decision

**Options:**
1. Adopt the change
2. Reject the change
3. **Modify the change**

Here is the final approved wording of the Glossary term:

**Objectivity**
An unbiased mental attitude point of view that allows internal auditors to perform engagements in such a manner that they believe have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

**Brief rationale/reason for the proposed change to existing Standards:**
To align the Glossary with the Interpretation for Standard 1100 for consistency.