

The Institute of Internal Auditors, Global Headquarters
ATTN: Standards and Guidance
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These comments have been collected by the Standard Committee and prepared by the members of The Association of Internal Auditors of Serbia

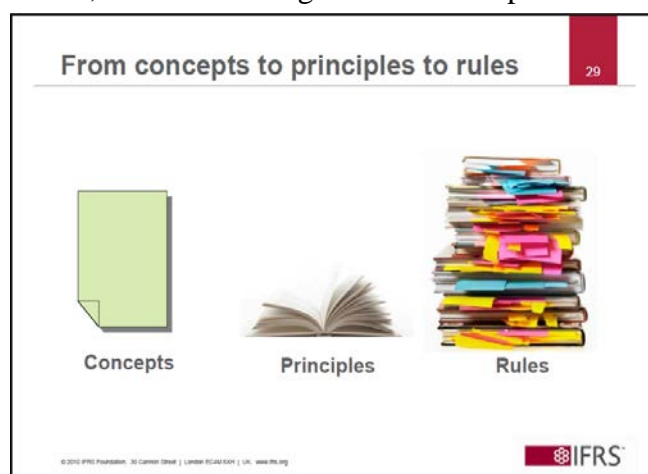
1. Additional comments on the core principles for the Professional Practice of Internal Auditing

Expanding the IPPF with the mission statement and core principles indicate the positive movement to the next stage of the profession's maturity. Recommended principles should have the advantage of authoritative seniority over the standards, due to their generality. Existing *Standards* should have to conform to the principles. Moreover, all other components of IPPF, *Implementation guidance*, *Supplemental Guidance* and *Emerging Issues Guidance*, should have to conform to both *Standards* and *Principles*.

This approach to the standards and guidance structure is very well developed by the accounting standards setters. Accounting principles are rooted in fundamental concepts, driven by objective of general purpose financial reporting, and developed in the *Conceptual Framework*, as follows:

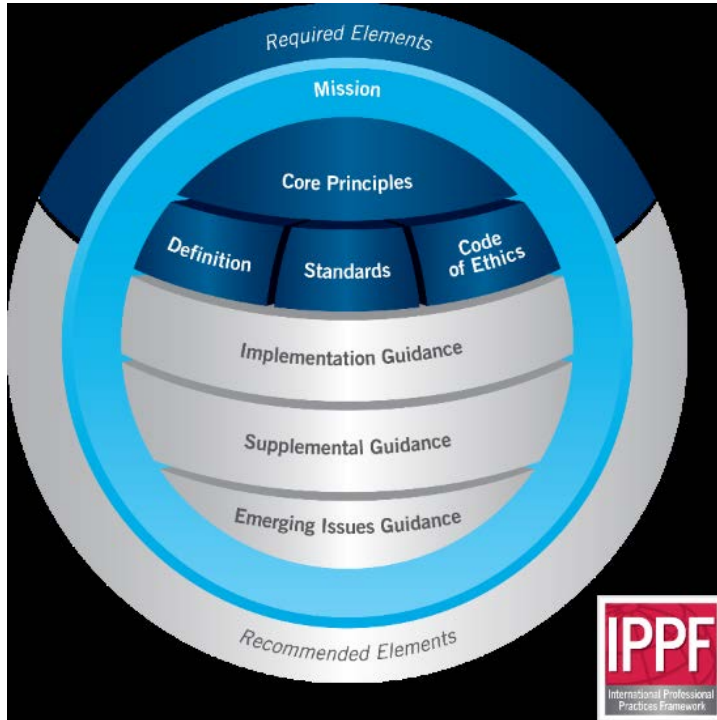
objectives * concepts * principles and general standards
(rules are added for specific industries or issues)

Although the mission may be substitute for objective of the internal audit, without the concepts/conceptual framework, current recommended principles look like a collection of conventions, overlapping with the principles already stated in the *Code of Ethics* and *Standards*. In my opinion, recommend principles shall be reexamined and converted to concepts that support the mission/objective. Standards by themselves are principle based, i.e. general and applicable to all industries and situations, and shall be aligned with concepts.



2. Comments on the Summary of the Elements of the Proposed Revised IPPF

A potential graphic illustration of a new IPPF structure, incorporating the enhancements proposes, is currently proposed as follows:



Share your views on question 7.2

7.2 To what extent do you agree that the pictorial representation adequately depicts the hierarchy and interrelationships of each element of the new proposed IPPF

View

Pictorial representation DOES NOT adequately depicts the hierarchy and interrelationships of each element of the new proposed IPPF.

We propose presentation of Core Principles and Code of Ethics in the form of a circle and inside the Mission circle. Core principles are introduced for the Professional Practice of Internal Auditing to describe effectiveness of internal auditing. To do this, Core Principles must be thoroughly incorporated in all the guidance.

The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. To do this, Code of Ethics must surround all the guidance, as it represent “audit environment”.

In addition, Definition shall be at the top of the inside components (current position of Core Principles) as it states the fundamental purpose, nature, and scope of internal auditing. Standards shall be at the current position, as well as other guidance.