Introduction

Established in 1941, the Institute of Internal Auditors (IIA) is internationally recognized as a trustworthy standards and guidance-setting body. Internal auditing is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA’s *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

As part of ongoing validation on the direction of Standards, various constituencies in the global internal audit network express views as to the direction of or changes that can be made to the Standards. To have a broader view of perspectives from internal audit practitioners around the world, the IIA Internal Audit Standards Board (Standards Board) requested that the IIA conducts a global survey on matters related to the Standards in late 2010. Participants were invited to express their views, through responding to the survey, on various matters related to the Standards, including their conformance with the Standards, the process and timeline for Standards changes.

Overall, 1338 responses were received from the world. The purpose of this report is to provide a summary of the survey results in the areas of:

- Where the Standards are, and where they should be, on the continuum of principles-based to rules-based
- Where the Standards are, and where they should be on, the continuum of minimum requirements to aspirational practices
- Whether, and if so how, the Standards specific to individual internal auditors should be differentiated from those to the internal audit activity
- Whether, and if so where, more or less Standards are needed by practitioners
- Whether the Standards changes should be more or less frequent
- Whether the period for commenting on Standards exposure drafts should be shorter or longer
- Whether the respondent is in conformance with the Standards in each area, and reason of non-conformance
- Whether the respondent is issuing entity level or engagement level opinions, conclusions or ratings, and whether these should be required by Standards.

This paper is meant to summarize the results of the survey for those who have interest. It should not be seen as Standards or guidance from the IIA or the Standards Board. The information included in this document is general in nature and is not intended to address any particular individual, internal audit activity, or organization.
1. Principles-based vs. Rules-based

As noted in the Introduction to the Standards, the purpose of the Standards is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The survey asked participants whether they think IIA’s Standards are currently principles-based or rules-based, and how the Standards should represent.

Survey Finding: A large majority of participants responded that the Standards are currently principles-based (84.6%), and should be principles-based (85.2%), with little difference among the various Standard series.

Graph 1 - Are the Standards Principles-based or Rules-based?

2. Minimum Requirements vs. Aspirational Practices

As noted in the Introduction to the Standards, the Standards consist of:

- Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels.
Interpretations, which clarify terms or concepts within the Statements.

This survey asked participants whether they think IIA’s Standards currently represent the minimum requirements or are aspirational practices of internal auditing, and what Standards should represent. The survey explained aspirational practices mean good, best or leading practices.

Survey Finding: The majority of participants responded that the Standards are currently minimum requirements (69.7%), and should continue to be minimum requirements (68.7%). Standard 1300 – Quality Assurance and Improvement Program and Standard 2600 – Resolution of Senior Management’s Acceptance of Risks are seen the most aspirational.

- 41.5% of the respondents think that Standard 1300 series currently are aspirational and 38.5% think these Standards should be aspirational practices;
- 36.4% of the respondents think that Standard 2600 currently is aspirational and 34.5% of respondents think this Standard should be aspirational practice.

### Graph 2 - Are the Standards Minimum Requirements or Aspirational Practices?

3. Standards for Individuals vs. Internal Audit Activity

As noted in the Rules of Conduct 4.2 of the Code of Ethics, *internal auditors shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.*

In general, the Standards apply to both internal audit activities and individual internal auditors. There has been some discussion as to the individual internal auditors’ responsibility under the Code of Ethics when their activity does not conform with the Standards, and whether Standards should be clarified for these individuals.
The survey asked participants whether they agree that there should be separate Standards which apply specifically to individuals vs. internal audit activities.

**Survey Finding:** It is almost evenly split between disagreement (41%) and agreement (44%) that there should be separate Standards that apply specifically to individuals vs. internal audit activities.

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The study followed with a question of how the International Professional Practices Framework (IPPF) can best provide the additional information to address this issue. The highest number of responses is to “provide an interpretation to the Code of Ethics to clarify the individual’s responsibility for conformance with the Standards.”

**Action Plan:** The Standards Board and Ethics Committee Chairs and IIA staff liaisons met to review the survey results and the level of interest in adding clarity for this topic. It is expected, based on subsequent action by the Ethics Committee, that an Interpretation will be added to Rules of Conduct 4.2 of the Code of Ethics, to clarify individual internal auditor’s responsibility for conformance with the Standards. In addition, it is expected, based on subsequent Standards Board actions, that similar wording will also be added to the Introduction of the Standards. Both changes will be included in the next exposure draft of the Standards and Code of Ethics.

4. **Adequacy of the Current Standards**

The survey asked participants whether they think the current Standards are adequate for them to practice internal auditing.

**Survey Finding:** Overall, 84% of the survey respondents think that the current Standards are adequate no change is needed. The areas where changes are desired the most are Standard 1300 – Quality Assurance and Improvement Program and Standard 2600 – Resolution of Senior Management’s Acceptance of Risks:
5. Frequency of Changing the Standards

Per the IIA’s due process, it is required to review the Standards at least once every three years to stay current and relevant. For each change, public exposure is required. In recent years, the Standards Board’s general practice is to consider issuing Standards exposures with proposed changes up to once a year. Some of the IIA’s various stakeholders have shared different perspectives on the frequency of making changes to the IIA Standards.

The survey asked participants how often they think that the Standards should be changed.

Survey Finding: 55% answered that the current frequency, up to once per year, is appropriate; 40% expressed that the Standards should be changed less frequently than annually. Among those who preferred less frequent, 25% answered that Standards should be changed at least once every one to three years.

Action Plan: The Standards Board will continuously review the Standards on an ongoing basis as it is critical that Standards reflect and lead internal audit practices. However, understanding the impact of potentially too frequent Standards revisions on some stakeholders, more consideration will be given to the rationale and significance of the changes to make sure inconsequential changes are not driving an exposure draft of Standards changes. This is one reason that there is no planned exposure draft on Standards changes in 2011. The next exposure draft is expected in early 2012, to be effective in 2013.

6. Number of Days Required for Standards Exposure

Per the Standards development due process procedures, a 90 days exposure period is required for the public to review and comment on proposed Standards changes. The Standards Board wants to make sure the number of days is sufficient to continue increasing the broad global input on proposed Standards changes. The survey asked participants whether they think the 90 days exposure period is appropriate.

Survey Finding: 78% answered that the 90 days period is appropriate. For the others, 6% reported 90 days was too long and 16% reported that 90 days was too short.

Action Plan: Based on that over three quarters of respondents reporting the current exposure period is appropriate, no change is necessary.

7. Conformance with the Standards

It is very important to conform with the Standards while practicing internal auditing. Greater global conformance with the Standards throughout the profession has been one goal of the IIA.
The survey asked participants to indicate whether they believe that their organizations are in conformance with the Standards, and the reasons of non-conformance.

**Survey Finding:** Overall, 70% of participants answered that their internal audit activities are in general conformance and 22% partial conformance with the Standards. It was noted that these percentages are different from those of the 2010 Global Internal Audit Survey, which shows that 49% full conformance rate. The survey results did indicate that Standards areas 1300 and 2600 have the lowest conformance rate, with around 50% and 58%, respectively, generally conforming with those areas.

The top reasons reported for non-conformance in those not conforming with Standards are:

- Not supported by management or the board
- Not perceived as adding value by management or the board
- Inadequate internal audit activity staff
- Not appropriate for small organizations

**8. Issuing Opinions**

Some internal audit activities are issuing overall opinions or opinions for individual audit engagements. Opinions include ratings, conclusions or other descriptions of results. There are different views as to
whether issuing opinions should be required by the Standards. The new changes to the Standards, effective January 1, 2011, include mandatory requirements if an opinion is issued at the engagement level or overall for the organization. However, issuing opinions is not a mandatory requirement of the IIA’s Standards.

Survey Findings:

**Overall Opinions** - 46% of respondents reported that they currently provide overall opinions. Of those, the areas they opine on are:

- Defined scope - 89%
- Internal controls over operational risks - 81%
- Internal controls over compliance risks - 79%
- Internal controls over financial reporting - 71%
- Risk management - 66%
- Governance practices - 60%
- Internal controls over strategic risks - 47%

Of all respondents, 47% responded that Standards should mandate overall opinions, while 37% disagree with such a mandatory requirement. Most respondents noted that their opinions provide positive assurance, negative assurance, or ratings. For those issuing overall opinions, the survey requested that respondents provide a copy of the form of opinion to the IIA for purposes of this analysis. Among nearly 500 reported issuing overall opinions, 3 submissions of actual examples of overall opinions were received.

**Opinions for Individual Audit Engagement** - 67% of respondents reported that they currently provide opinions for engagements (positive, negative or ratings). 55% agree that Standards should mandate engagement opinions, while 33% disagree with such a mandatory requirement. The areas and forms of the engagement opinions issued are similar like the opinion at overall level.

**Action Plan:** The Standards Board plans to continue the analysis of the positives and negatives of mandating issuance of opinions.

**Summary of Observations and Next Steps**

The survey results are helpful in both validating the practices of internal auditing and direction of the Standards in many areas. As noted in this document, the results also provide opportunities for future focus, clarity and development of the Standards. The Standards Board has already discussed the overall survey results and their meaning. Each member has been given the detailed report of the survey. Going forward, each task force covering specific areas of the Standards will have the detailed narrative responses as well as the quantitative results for its deliberations.

The Standards Board appreciates the number of responses and the effort put into the responses to this survey. The results are useful in defining needs of our profession and the path forward for the Standards and the IPPF.