Setting the bar for internal audit efficiency, effectiveness, and professionalism

While differences may affect the practice of internal auditing in each environment, conformance with the mandatory elements of the International Professional Practices Framework (IPPF) is essential in meeting the expectations for internal auditors and the internal audit activity.

_The International Standards for the Professional Practice of Internal Auditing (Standards)_ is one of the mandatory elements of the IPPF, and includes a number of standards that provide communication requirements for chief audit executives (CAEs) in relation to the board and senior management. Generally, these requirements can be classified within six areas.

1. The Internal Audit Charter and The IPPF

   - **Standard 1000** – The CAE must periodically review the internal audit charter and present it to senior management and the board for approval.

   - **Standard 1010** – The CAE should discuss the Definition of Internal Auditing, the Code of Ethics, and the _Standards_ with senior management and the board.

2. Confirm Independence

   - **Standard 1110** – The CAE must confirm to the board, at least annually, the organizational independence of the internal audit activity.

3. Quality Assessment

   - **Standard 1312** – External assessments must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organization.

     The CAE must discuss with the board:

     » The form and frequency of external assessment.

     » The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

   - **Standard 1320** – The CAE must communicate the results of the quality assurance and improvement program to senior management and the board. Results of ongoing monitoring are communicated at least annually.

For the complete listing of _Standards_, visit: [www.theiia.org/guidance](http://www.theiia.org/guidance).
4. Disclose Impairment or Nonconformance

- **Standard 1130** – If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure is dependent on the CAE’s responsibilities to senior management and the board as described in the internal audit charter, and the nature of the impairment.

- **Standard 1322** – When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the CAE must disclose the nonconformance and the impact to senior management and the board.

5. Plan and Resource Requirements

- **Standard 2010** – The CAE must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.
  - **Standard 2010.A1** – The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.
  - **Standard 2010.A2** – The CAE must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

- **Standard 2020** – The CAE must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The CAE must also communicate the impact of resource limitations.

6. Governance, Risk Assessment, and Control Issues

- **Standard 2060** – The CAE must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

- **Standard 2440.C2** – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

- **Standard 2600** – When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the board.

For the complete listing of Standards, visit: www.theiia.org/guidance.