2017 Changes to the Standards

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• Chair – Global Professional Responsibilities & Ethics Committee
• Councillor, IIA Victorian Chapter Council
• Managing Partner Pitt Group
Overview

- Changes to the IPPF
- Introduction of Core Principles
- Introduction of Implementation Guidance
- Introduction of Supplementary Guidance
- Changes to the Standards
- More Information
- Questions

Poll Question 1

What is your position / role?
- Internal audit staff
- Internal audit manager
- CAE
- Service provider
- Audit Committee member
- Other
Changes to the IPPF

Why Change the IPPF – Questions Surfacing

- IPPF Reviewed Every 3 Years
- Should we revise the Definition?
- Should we react to the elevated regulatory pressure in the Banking/Financial Services sector?
- Are the Standards too easy? Too hard?
- Should the Standards be the minimum, or should they be more aspirational?
- Can The IIA be quicker to market with guidance?
- And so on …
Poll Question 2

Did you participate in, or comment on, the Standards exposure draft?
• Yes, I provided a response
• No, I read the exposure but did not comment
• No, I was aware but did not read or comment
• No, I was not aware of the exposure process

Who Was Responsible for the Changes?

IIA Global Board of Directors

- IIA Global Executive
- Chairman Professional Practices
- Chairman Professional Guidance
- International Internal Audit Standards Board
- Professional Responsibility & Ethics Committee
  Chair: Sally Anne Pitt
- Guidance Development Committee
- Public Sector Guidance Committee
  Chair: Stephen Horne
- IT Guidance Committee
- Financial Services Guidance Committee

TPPF Relook Taskforce
What Has Changed?

- Six elements
- Mandatory and strongly recommended elements
- Launched in July 2015
- Seven elements including Mission, Core Principles & Implementation Guidance
- Mandatory and recommended elements

New Mission
“To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”

New Core Principles
Taken as a whole, the Core Principles articulate internal audit effectiveness and what Internal Audit aspires to achieve

New Implementation Guidance
Reposition Practice Advisories to clearly support Standards and describe ‘how’ to implement Standard

Position Papers Removed
Not considered part of professional practices as directed to stakeholders
Core Principles

Key Changes – Core Principles

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organization
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement
Implementation Guidance

- 52 New Implementation Guides
- Implemented between October and December 2016
- Effective January 1 2017
Implementation Guidance

• The repositioning of Practice Advisories to Implementation Guidance
• These are designed to help practitioners achieve conformance with the Standards

Poll Question 3

Are you aware of, and used, the new implementation guides?
• Yes, I have downloaded and/or read all of the new implementation guides
• Yes, I have downloaded and/or read some of the new implementation guides
• Yes, but I have not downloaded or read any of the new implementation guides
• No, I was not aware of the new implementation guides
Supplementary Guidance

- The Practice Advisories that supported the 2013 IPPF are still available individually as supplemental guidance
- Not all Practice Advisories have been converted to Implementation Guides – additional material will be incorporated into Supplemental Guidance as appropriate
- GTAGs are part of supplemental guidance
- Position papers have been removed from the IPPF
Key Changes to the Standards

Why Revise the Standards?

- Ongoing Process - IPPF mandatory guidance reviewed at least once every 3 years
- Ensures the Standards reflect the current business environment
- Recognises CAEs are being asked to take on other roles and responsibilities
- Reflects the relationship between the Standards and the Core Principles introduced in 2015
- Last Standards revision published in 2013
Standards Exposure

- 16 languages
- 3,000+ webinar attendees
- 8,000+ AuditChannel.tv video views
- 35,000+ unique web page visits

Standards Exposure

- 1,144 survey responses
- 76 institutes represented
Standards Exposure

Overwhelming agreement across 42 survey questions related to the revisions to the Standards

- Agree/Strongly Agree: 94.4%
- Disagree: 4.2%
- Strongly Disagree: 1.4%

Top 5 Areas of Concern

- Standard 1112 - Interpretation: 14.3%
- Standard 2010: 11.5%
- Standard 1112: 10.2%
- Standard 1130.A3: 10.2%
- Standard 2060 - Interpretation: 9.7%
Standards Changes

• New Standards released October 2016
• Effective 1 January 2017
• Changes relate to:
  • Two new standards
  • Alignment of the Standards to the Core Principles
  • Updates to existing Standards for consistency, flow and clarity

Standards Changes

• Changes to the Introduction
  • Clarify that the Standards, together with the Code of Ethics, encompass mandatory elements.
  • Conformance with the Code of Ethics and Standards demonstrates conformance with all mandatory elements
  • Modifications to enhance the flow and clarify the introduction
  • New definition for Core Principles and Changes to Definitions – Board, CAE, IPPF
New Standards

• Two New Standards to address:
  • Chief audit executives taking on roles and responsibilities beyond internal auditing (Standard 1112)
  • Potential objectivity-impairing situation of performing assurance role after previous consulting role (Standard 1130.A3)

New Standards

Addition of new Standard 1112

1112 – Chief Audit Executive Roles Beyond Internal Auditing

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:
The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.
Poll Question 4

Does your internal audit activity have roles and responsibilities beyond internal audit?

• Yes, we have taken on additional roles and/or responsibilities in the second line of defense
• Yes, we have taken on additional roles and/or responsibilities in the first line of defense
• No, but our organisation is considering additional roles for internal audit
• No, we have no additional roles beyond internal audit
• I don’t know

New Standards

Addition of new Implementation Standard for assurance under 1130

1130 – Impairment to Independence or Objectivity

1130.A3 The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.
Standards Changes

- Updates to Standards to clarify requirements:
  - Relationship between new Core Principles, such as “Is insightful, proactive and future-focused,” and the Standards
  - Quality assurance and improvement program
  - Communications between CAE, the board, and senior management
  - Scope of EQA: must opine on conformance with Standards and Code of Ethics

Future Changes

- Release of the New Red Book – quarter 1 2017
- Update of the IIA Quality Assessment Manual – quarter 2 2017
- Changes to certification exams e.g. CIA – quarter 2 2017
- Changes to IIA training courses
More Information and Questions

More Information

New Standards
https://global.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx

Implementation Guides
https://global.theiia.org/standards-guidance/recommended-guidance/Pages/Practice-Advisories.aspx

IIA Australia Website
http://iia.org.au/

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CAE Internal Audit Quality Website (Pitt Group)
http://www.internalauditquality.com/

Weekly Internal Audit, Governance, Risk & Corruption Newsletter (Pitt Group)
http://internalauditmatters.com/#headlines

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