



Factsheet: Internal Audit Standards

What is the IIA?

The Institute of Internal Auditors (The IIA) is the global professional body for internal auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world including Australia.

As the chief advocate of the internal audit profession, the IIA serves as the profession’s international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for internal audit integrity and professionalism around the world with its ‘International Professional Practices Framework’ (IPPF), a collection of guidance specifically designed for internal auditors.

The IIA was established in 1941 and now has more than 200,000 members from 190 countries with hundreds of local area Chapters. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education and security.

The IIA first issued international internal audit standards in 1978.

What is the IPPF?

The IPPF is the ‘International Professional Practices Framework’ issued by the IIA which provides a globally accepted basis for the operation of internal audit:



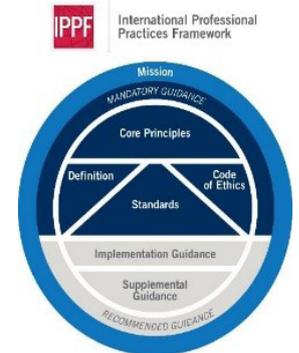
- › It operates the same worldwide and therefore eliminates the need for local standards development, thus reducing the cost of regulation.
- › It provides an international benchmark for establishing the quality of internal audit operations.
- › It facilitates trans-national operations by contributing to a uniform internal audit regime worldwide.

IPPF standards and guidance are developed by a series of technical committees. The level of control over development and publication of IPPF components is consistent with the authority the component has. The development process is supervised by an independent body, the IPPF Oversight Council of the IIA Global, appointed by the IIA Global Board of Directors and comprises stakeholder representatives.

What is mandatory in the IPPF?

The IPPF contains four mandatory elements:

- › Core Principles for the Professional Practice of Internal Auditing.
- › Definition of Internal Auditing.
- › Code of Ethics.
- › International Standards for the Professional Practice of Internal Auditing.



Procedures for the mandatory IPPF provisions require public exposure and formal consideration of comments received from both IIA members and non-members.

Internal Audit Standard 1010 ‘Recognising Mandatory Guidance in the Internal Audit Charter’ requires:

‘The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognised in the Internal Audit Charter.’

Suggested wording for inclusion in the internal audit charter could be:

‘Internal Audit will govern itself by adherence to the Institute of Internal Auditors’ mandatory guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing, and the principles against which to evaluate the effectiveness of internal audit performance.’

What are the Internal Audit Standards?

The standards for internal auditing worldwide are the ‘International Standards for the Professional Practice of Internal Auditing’. There are three types:

- › Attribute Standards – the internal audit foundations.
- › Performance Standards – for performing internal audit work.

- › Implementation Standards – expand attribute and performance standards to prescribe specific standards applicable to assurance and consulting (advisory) engagements – these contain an A for assurance or C for consulting. For example, Standard 1130.A1 applies to assurance engagements and Standard 1130.C1 applies to consulting engagements.

The Standards were most recently updated in 2017.

The IPPF defines the two types of internal audit services:

- › Assurance services – An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.
- › Consulting services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

There are 11 overarching and 41 underlying attribute and performance standards.

What about AUASB Standards?

The Australian Government Auditing and Assurance Standards Board (AUASB) is responsible for external audit standards only and does not issue standards relevant to internal auditing.

Some internal audit reports mention external audit standards produced by the AUASB and try to retrofit these to internal audit engagements. Often mentioned is AUASB standard ASAE 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. ASAE 3000 is an external audit standard and would be relevant to few, if any, internal audit engagements.

This has been confirmed by the AUASB in correspondence to the IIA-Australia:

“Several years back, the AUASB was asked to consider endorsing the International Standards for the Professional Practice of Internal Auditing (Standards) and after lengthy consideration by the AUASB it was decided on balance that it would be inappropriate for the AUASB to endorse the standards of other professional bodies. Our reasons for coming to this conclusion, which we still maintain, are largely based on the fact that internal auditors are not independent of the entity, as per the principles referred to in APES 110 Code of Ethics for Professional Accountants. Furthermore it is our understanding that many internal audit engagements are consulting type arrangements. This position was endorsed by the board after discussion at its meeting on 21 October 2014.

The AUASB supports the IIA-Australia in its promotion of its set of internal auditing standards but unfortunately, does not consider the endorsement, reissuance or

development of such a set of standards to be within the remit of the AUASB. Furthermore, any such initiative would also be contrary to the Australian Government's deregulation agenda.”

What about other standards?

Some internal audit charters include reference to:

- › AUASB standards.
- › Standards issued by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.
- › The 'Information Technology Assurance Framework' (ITAF) issued by ISACA – formerly the 'Statement on Information Systems Auditing Standards' issued by the Information Systems and Control Association (now ISACA).
- › Standards issued by the International Organisation for Standardisation (ISO) and Standards Australia.

In summary:

- › The standards applicable to 3rd line of assurance internal auditing are the 'International Standards for the Professional Practice of Internal Auditing' contained in the IPPF issued by the IIA.
- › AUASB standards are related to external audit and may be relevant only in limited circumstances. Chartered Accountants Australia and New Zealand and CPA Australia do not produce standards – that role was legislated to the AUASB many years ago.
- › The ISACA ITAF may be relevant to specific engagements around technology audit.
- › ISO issues the standard ISO 19011:2018 'Guidelines for auditing management systems' which is applicable for 2nd line assurance audits of management systems, but not for 3rd line internal auditing. Other ISO or Standards Australia standards are not relevant to how to perform internal auditing but may be relevant as criteria for specific internal audit engagements.

Useful references

International Professional Practices Framework, IIA Global
Factsheet 'International Professional Practices Framework (IPPF)', IIA-Australia

