The International Internal Audit Standards Board (IIASB) is releasing the exposure draft with proposed changes to the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The exposure period is from February 20th to May 20th, 2012.

To respond, visit [https://www.globaliia.org/standards-guidance/mandatory-guidance/Pages/2012-Standards-Exposure.aspx](https://www.globaliia.org/standards-guidance/mandatory-guidance/Pages/2012-Standards-Exposure.aspx)

For each change to the *Standard* or glossary term, the new wording is displayed in red font; deleted wording is displayed in crossed out blue font; and text that is being preserved without change is displayed in regular font style.

1. **Add wording to the Introduction of the Standards:**

   The Standards apply to individual internal auditors and internal audit activities. All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency and due professional care. In addition, internal auditors are accountable for conforming with the Standards which are relevant to the performance of their job responsibilities. Chief Audit Executives are accountable for overall conformance with the Standards.

2. **Change to Standard 1110**

   **1110-Organizational Independence**

   The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

   **Interpretation:**

   *Organizational independence is effectively achieved when the chief audit executive reports functionally to the board.* Examples of functional reporting to the board involve the board:

   - Approving the internal audit charter;
   - Approving the risk based internal audit plan;
   - Approving the internal audit budget and resource plan;
   - Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters;
   - Approving decisions regarding the appointment and removal of the chief audit executive;
   - Approving the remuneration of the chief audit executive; and
   - Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

3. **Change to Standard 1311**
1311 - Internal Assessments
Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

*Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Periodic reviews are assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.*

4. Change to Standard 1312

1312 - External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer assessor or review assessment team from outside the organization. The chief audit executive must discuss with the board:

- The need for more frequent form of external assessments; and
- The qualifications and independence of the external reviewer assessor or review assessment team, including any potential conflict of interest; and
- The need for more frequent external assessments.

Interpretation:

*External assessments can be in the form of a full external assessment, or a self-assessment with independent validation.*

A qualified reviewer assessor or review assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of a reviewer assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether a reviewer assessor or review assessment team demonstrates sufficient competence to be qualified.
An independent reviewer or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

5. Change to Standard 1320

1320 - Reporting on the Quality Assurance and Improvement Program
The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor’s or reviewer’s or review team’s assessment team’s evaluation with respect to the degree of conformance.

6. Change to Standard 2010

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consultation with senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls.

7. Change to Standard 2120.A1

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:

- Achievement of the organization’s strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
• Safeguarding of assets; and
• Compliance with laws, regulations, policies, procedures, and contracts.

8. Change to Standard 2130.A1

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:

• Achievement of the organization’s strategic objectives; 
• Reliability and integrity of financial and operational information; 
• Effectiveness and efficiency of operations and programs; 
• Safeguarding of assets; and 
• Compliance with laws, regulations, policies, procedures, and contracts.

9. Change to Standard 2220

Standard 2220 - Engagement Scope

The established scope must be sufficient to satisfy achieve the objectives of the engagement.”

10. Change to Standard 2201

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

• The objectives of the activity being reviewed and the means by which the activity controls its performance;
• The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
• The adequacy and effectiveness of the activity’s governance, risk management and control processes compared to a relevant control framework or model; and
• The opportunities for making significant improvements to the activity’s governance, risk management and control processes.

11. Change to Standard 2210.A3

2210.A3 – Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.
12. Change to Standard 2440

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive or designee reviews is responsible for reviewing and approves approving the final engagement communication before issuance and decides deciding to whom and how it will be disseminated.

13. Change to Standard 2600 and add interpretation

2600 – Resolution of Senior Management’s Communicating the Acceptance of Risks

When the chief audit executive believes concludes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is chief audit executive determines that the matter has not been resolved, the chief audit executive must report communicate the matter to the board for resolution.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

14. Change the definition of Board

A board is an organization’s governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non-profit organization, or any other designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.

The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organization. Typically, this includes an independent group of directors (e.g., a board of directors, a supervisory board, or a board of governors or trustees). If such a group does not exist, the “board” is the head of the company or agency. “Board” may refer to an audit committee to which the governing body has delegated its authority.

15. Change the definition of Control Processes
The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the level of risk tolerances established by the risk management process that an organization is willing to accept.

16. Add the new definition of **Engagement Opinion**

The ratings, conclusions, or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

17. Add the new definition of **Overall Opinion**

The overall ratings, conclusions, or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organization. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

18. Delete the definition of **Residual Risk**

19. Change the definition of **Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.