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 1 to April 30, 2016.

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. **Change the Introduction of the Standards:**

   **INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS)**

   **Introduction to the International Standards**

   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.

   If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed.

   If the *Standards* are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate. In such a case, if inconsistencies exist between the *Standards* and other standards, internal auditors and the internal audit activity must conform with the *Standards*, and may conform with the other standards if they are more restrictive.

   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 activities.  
   3. Establish the basis for the evaluation of internal audit performance.  
   4. Foster improved organizational processes and operations.

   The *Standards* is a set of principles-based, principles-focused, mandatory requirements consisting 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 Standards.

The Standards, together with the Code of Ethics, encompass mandatory elements of the International Professional Practices Framework (IPPF); therefore, conformance with the Standards and Code of Ethics indicates conformance with mandatory elements of the IPPF.

The Standards employ terms that have been given specific meanings that are included in the Glossary. Specifically, it is necessary to consider the Standards and their Interpretations as well as the specific meanings from the Glossary to understand and apply the Standards correctly. Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

It is necessary to consider the Statements and their Interpretations as well as the specific meanings from the Glossary to understand and apply the Standards correctly.

The structure of the Standards is divided between Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided to apply to all internal audit services.

Implementation Standards are also provided to expand upon the Attribute and Performance Standards, by providing the requirements applicable to assurance (A) or consulting (C) activities.

Assurance services involve the internal auditor’s objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of the assurance engagement are determined by the internal auditor. There are Generally, three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

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 additionally accountable for overall conformance by the internal audit activity with the Standards.

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If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, conformance with all other parts of the Standards and appropriate disclosures are needed.

If the Standards are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate. In such a case, if the internal audit activity indicates conformance with the Standards and inconsistencies exist between the Standards and other standards, internal auditors and the internal audit activity must conform with the Standards, and may conform with the other standards if they are more restrictive.

The review and development of the Standards is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion prior to issuing the Standards. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA’s website as well as being distributed to all IIA institutes.

Rationale:

Updates are proposed to the Introduction to the Standards to address the July 2015 changes to the International Professional Practices Framework, such as the addition of Core Principles. In addition, minor changes were made to the organization of the introduction to improve clarity.

2. Change to Standard 1000

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity’s position within the organization, including the nature of the chief audit executive’s functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.
Rationale:
The new IPPF has introduced Core Principles that guide all internal audit activities and should be considered when determining the content of the charter.

3. Change to Standard 1010

1010 – Recognition of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics and the Standards must be recognized reflected in the internal audit charter. The chief audit executive should discuss the Mission, the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards with senior management and the board.

Rationale:
The purpose and role of an internal audit activity are based on its Mission. The Core Principles Definition of Internal Auditing, Code of Ethics and Standards are all mandatory elements of the IPPF and are worthy of discussion with senior management and the board.


1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

Rationale
This change clarifies that the CAE is required to discuss interference that affects the scope, performance, or communication of internal audit activities with the board.

5. 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.

Rationale:
Over the course of recent years, the CAE has been asked or expected to take on additional risk management and/or internal control related responsibilities. Although the requirements for organizational independence and individual objectivity are well known, they may be challenged when internal audit activities are combined with other organizational activities.

6. Addition of New Standard 1130.A3

1130.A3 – Internal audit may provide assurance services where they 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.

Rationale:
The current standard 1130 does not address assurance following consulting. The proposed change adds clarity to reiterate the need to maintain objectivity.

7. Change to Standard 1210

1210 – Proficiency
Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:
Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications.
such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

Rationale:
The responsibilities of an internal auditor include providing insight and future-focused advice. The internal auditor should help management solve the problems that are identified. Implicit in this is the acquisition of qualifications that are appropriate to the forward-looking analyses and advice that the organization will need.

8. Change to Standard 1300

1300 – Quality Assurance and Improvement Program
The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:
A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Rationale:
The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.

9. Change to Standard 1311

1311 – Internal Assessments
Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and

- Periodic 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 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.

Rationale:
The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.

10. Change to Standard 1312

1312 - External Assessments
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive 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.

Interpretation:
External assessments enhance a complete quality assurance and improvement program and may be accomplished through can be in the form of a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or 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 an 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 an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived 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. The chief audit executive should encourage board participation in the quality assurance and improvement program to reduce perceived or potential conflicts of interest.

Rationale:
The revisions simplify language and clarify the purpose of the external assessor’s report and the intent of the standard to increase independence of the quality assurance program.

11. 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. Disclosure should include:

- The scope and frequency of both the internal and external assessments.
- Conclusions of assessors.
- Corrective action plans.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.

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 assessment team’s evaluation with respect to the degree of conformance.

Rationale:
The revised language clarifies what is expected to be disclosed by the CAE to board and senior management with respect to QAIP. The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.

12. Change to Standard 1321
1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”
The chief audit executive may state that Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if the results of the quality assurance and improvement program support this such a statement.

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**Interpretation:**

The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics and the Standards. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

**Rationale:**

The revised language clarifies that references to conformance are not limited to the CAE. The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.

**13. Change to Standard 1322**

**1322 - Disclosure of Nonconformance**

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 chief audit executive must disclose the nonconformance and the impact to senior management and the board.

**Rationale:**

The “Definition of Internal Auditing” is proposed for deletion from the standard as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.

**14. Change to Standard 2000**

**2000 – Managing the Internal Audit Activity**

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

**Interpretation:**

The internal audit activity is effectively managed when:

- The results of the internal audit activity’s work achieve the purpose and responsibility included in the internal audit charter.
- The internal audit activity conforms with the Definition of Internal Auditing and the Standards.
- The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.
• The internal audit activity considers trends and emerging issues that could impact the effectiveness of the internal audit activity.

The internal audit activity adds value to the organization (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes; and objectively provides relevant assurance.

Rationale:
The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF. The proposed additions to the Interpretation are to better reflect the Core Principles, such as aligning work with strategies, objectives, and risks of the organization; providing risk-based assurance; and being insightful, proactive, and future-focused.

15. 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:
To develop the risk-based plan, the chief audit executive first considers the risk management framework and consults with senior management and the board and then draws conclusions reached from internal audit’s risk assessment. The chief audit executive is responsible for developing a risk-based plan. The chief 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 consideration of input from 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.

Rationale:
The language included in the Interpretation is simplified to avoid use of certain risk management concepts (e.g., risk appetite) that are not universally defined or understood in all industry sectors. The change also clarifies that the final assessment of risk is based on conclusions reached from internal audit’s risk assessment process, which does consider input from senior management and the board.
16. Change to Standard 2050

2050 – Coordination and Reliance
The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

**Interpretation:**
In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the chief audit executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

**Rationale:**
As there are number of assurance functions within an organization, the potential for duplicating efforts through an inefficient silo approach exists. The potential for duplicating efforts and inefficiencies is further increased with assurance and consulting services by external providers. Collaboration between the internal audit activity and other organization risk and control functions (e.g., compliance, ERM, financial controls, legal, health & safety, quality assurance/quality control) can potentially reduce inefficiencies, save costs, increase the level of assurance, and better leverage subject matter expertise. Recognizing that there are other competent assurance functions responsible for assessing organization risks, mandatory guidance clearly articulating internal audit responsibilities related to other internal and external providers of assurance and consulting services is essential.

17. Change to Standard 2060

2060 – Reporting to Senior Management and the Board
The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Standards. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by that require the attention of senior management and/or the board.

**Interpretation:**
The frequency and content of reporting are determined collaboratively by the chief audit executive, in discussion with senior management, and the board. The frequency and content of reporting and depend on the importance of the information to be communicated and the urgency of the related actions to be
taken by senior management and/or the board. The chief audit executive’s reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- The level of conformance with the Standards and action plans to address any significant conformance issues.
- Risk accepted by management that may be unacceptable to the organization.

These and other chief audit executive communication requirements are referenced throughout the Standards.

Rationale:
The proposed changes consolidate various reporting requirements that are dispersed throughout the Standards to facilitate conformance. The changes also further clarify specific information that the CAE must communicate to the board, including level of conformance with the Standards.

18. Change to Standard 2070

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity. International Standards for the Professional Practice of Internal Auditing (Standards)

Interpretation
This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Rationale:
The “Definition of Internal Auditing” is proposed for deletion from the Interpretation as it is embodied in the Standards and Code of Ethics. It does not need to be evaluated separately in order to demonstrate conformance with the mandatory elements of the IPPF.
19. Change to Standard 2100

2100 – Nature of Work
The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, and disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

Rationale:
The proposed changes are to better reflect the new Mission statement and Core Principles, including the principles that require the internal audit activity to provide risk-based assurance and to be insightful, proactive, and future-focused.

20. Change to Standard 2110

2110 – Governance
The internal audit activity must assess and make appropriate recommendations for improving the organization’s governance processes for:
- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

Rationale:
The changes will allow better alignment with the Glossary definition for “governance.” Specifically, sound decision making processes drive the activities of the organization toward the achievement of its objectives. Risk management and control processes enable comprehensive management and monitoring of the activities of the organization. Moreover, as established in the three lines of defense model, other assurance providers’ activities and information should be taken into consideration.

This change will also allow the standard to better reflect the Core Principles such as aligning work with the strategies, objectives, and risks of the organization.

21. Change to Standard 2200

2200 – Engagement Planning
Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.

**Rationale:**
The proposed changes are to better reflect the Core Principles such as aligning work with the strategies, objectives, and risks of the organization.

22. **Change to Standard 2201**

2201 – Planning Considerations
In planning the engagement, internal auditors must consider:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity’s 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 framework or model.
- The opportunities for making significant improvements to the activity’s governance, risk management, and control processes.

**Rationale:**
The proposed changes are to better reflect the Core Principles, such as aligning work with the strategies, objectives, and risks of the organization.

23. **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 and identify appropriate evaluation criteria in discussion with management and/or the board.

**Interpretation**
*Internal auditors may leverage different types of evaluation criteria such as:*

- *Internal criteria (e.g., policies and procedures of the organization).*
• External criteria (e.g., laws and regulations imposed by statutory bodies).
• Leading practices criteria (e.g., industry and professional guidance).

Rationale:
The changes reinforce that internal auditors must consider criteria established by management and/or the board, and if the criteria is inadequate, internal auditors must identify appropriate evaluation criteria with management and/or board. Internal auditors do not develop the criteria.

The interpretation helps internal auditors to leverage different types of evaluation criteria.

24. Change to Standard 2230

2230 – Engagement Resource Allocation
Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Interpretation:
Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.

Rationale:
The interpretation is to better reflect the Core Principles such as demonstrating competence and due professional care.

25. Change to Standard 2330

2330 – Documenting Information
Internal auditors must document sufficient, reliable, relevant, and useful information to support the conclusions and engagement results and conclusions.

Rationale:
The words sufficient, reliable, and useful are added to the text to align this standard with Standard 2310: Identifying Information. Since conclusions are derived from results, the words are rearranged in the standard.

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2410 – Criteria for Communicating
Communications must include the engagement’s objectives, and scope, and results, as well as applicable conclusions, recommendations, and action plans.

2410.A1 - Final communication of engagement results must include applicable conclusions. Final communication of engagement results must also include all applicable recommendations and/or action plans. Where appropriate, the internal auditors’ opinion should be provided. Contain the internal auditors’ opinion and/or conclusions. When issued, An opinion or conclusion must take into account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Rationale:
As written, Standard 2410 requires all services — both assurance and consulting — to include engagement conclusions, recommendations, and action plans. However, some consulting engagements that are strictly advisory may not require conclusions, recommendations, or action plans. Therefore, this proposed change moves the requirements for conclusions, recommendations, and/or action plans to supporting assurance Standard 2410.A1, but still specifies that all engagement communications must include objectives, scope, and results. Further, it is not always appropriate or necessary to include both recommendations and action plans in assurance engagement communications, so “and/or” is used to signal that either or both are acceptable.

27. Change to Standard 2430

2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”
Stating internal auditors may report that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if the results of the quality assurance and improvement program support the statement.

Rationale:
This change is to simplify the language in the Standard 2430, consistent with Standard 1321.

28. Change to Standard 2431

2431 – Engagement Disclosure of Nonconformance
When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:
29. Change to Standard 2450

**2450 – Overall Opinions**
When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information.

**Interpretation:**

The communication will include:
- The scope, including the time period to which the opinion pertains.
- Scope limitations.
- Consideration of all related projects, including the reliance on other assurance providers.
- A summary of the information that supports the opinion.
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment, or conclusion reached.

The reasons for an unfavorable overall opinion must be stated.

**Rationale:**

The proposed change to the Standard better demonstrates linkage to the new Principle, “Aligns with the strategies, objectives, and risks of the organization.” The proposed change to the interpretation identifies that it is important for opinions to be supported by sufficient evidence so that the users of the communication have confidence that they can rely on the results.

30. Change to Definition of Board

**Board**
The highest level of governing body charged with the responsibility to direct and/or oversee the activities and hold senior management of the organization. Typically, this includes an independent group of directors accountable (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” may refer to the head of the organization. “Board” may refer to an audit committee to which the governing body has delegated certain functions. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management and is not solely comprised of members of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee or risk committee).

Rationale:
The changes remove the suggestion that the ‘head of an organization’ is viewed as an acceptable alternative to an independent board. Although governance arrangements vary significantly, an independent governing body is preferable. The underlying principle is that the independence of the CAE is safeguarded when the CAE is not subject to inappropriate influence by board members who are subject to audit.

31. Change to Definition of Chief Audit Executive

Chief Audit Executive
Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or role of the chief audit executive may vary across organizations.

Rationale:
Over the course of recent years, some chief audit executives have been given expanded roles and responsibilities in risk management that extend beyond internal audit. Further, the chief audit executive is increasingly an organizational manager and not a professional auditor. This prompts reconsideration of the definition of a chief audit executive.

32. Addition of Definition of Core Principles for the Professional Practice of Internal Auditing

Core Principles for the Professional Practice of Internal Auditing
The Core Principles for the Professional Practice of Internal Auditing (Core Principles) are the
key elements that describe internal audit effectiveness. The Core Principles underpin the Code of Ethics and the Standards.

Rationale:
This addition defines a new element of the New IPPF introduced in July 2015.

33. Change to Definition of International Professional Practices Framework

International Professional Practices Framework
The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) strongly recommended.

Rationale:
This reflects the change to the title of the recommended element of the New IPPF, which was launched in July 2015.