The North American Board of the Institute of Internal Auditors (NA Board) appreciates the opportunity to provide comments on the Proposed Enhancements to the IPPF. The NA Board represents the interests of over 72,000 IIA members in the US, Canada and Caribbean.

Our principal comments related to the Proposed Enhancements to the IPPF are below. Detailed responses are summarized in Appendix A.

The NA Board believes the proposed enhancements to the IPPF are a tremendous improvement to what is already a robust and well established set of standards and guidance. The changes bring clarity, simplicity, and resolution to some long-standing questions about the IPPF. We believe these changes will help them become more useful and accessible to both the internal audit practitioner and outside stakeholders.

1. Addition of a Mission of Internal Auditing – Adding a mission statement fills a conspicuous void in the current IPPF. For years there has been discussion of whether the International Standards for the Professional Practice of Internal Auditing (the Standards) was meant to be descriptive or aspirational. The broad diversity of maturity of internal audit activities makes it difficult to have a definition that incorporates a truly aspirational nature. The new Mission helps fill that gap by providing a clear expectation of what internal audit should be, even acknowledging that not all internal audit activities completely fulfill this mission.

2. Core Principles – By their nature the Standards are high-level, principle based. One could view the existing Standards as those principles. However, the Standards are too numerous and more detailed than one would expect of principles. The proposed Core Principles provide an excellent mechanism to state succinctly those principles by which internal auditors will conduct their activities. None of the principles are groundbreaking, but their clear definition will bring a focus that does not currently exist.

One additional principle that should be considered involves the consideration of an auditor’s competencies related to risk. While potentially considered implicit in other principles (e.g., #3 & #5), a principle worded something like “Understands risk of the organization and management of
those risks” would bring emphasis on a core principle for internal audit. Risk is so fundamental and pervasive throughout the effectiveness of internal audit, special emphasis is warranted in the principles. This would likely be a new input principle.

3. Implementation Guidance & Supplemental Guidance - Restructuring the current Strongly Recommended guidance into Implementation and Supplemental guidance brings clarity and should improve their usefulness. It has never been clear in the IPPF the key different between Practice Advisories and Practice Guidance. Realigning these as proposed is an elegant solution. There will need to be changes to current PAs and PGs to accomplish this, however.

4. Emerging Issues – The IIA needs to provide more timely guidance to internal auditors. The current due diligence process for PAs and PGs does not allow these elements of the IPPF to timely address emerging issues. The creation of the new category of guidance, with less authority and due diligence, but shorter time to issue, is the right balance to best serve the internal auditor.

5. The new IPPF visual is attractive, but leaves an impression that is inaccurate. The placement and size of the wording for “Required Elements” and “Recommended Elements” almost looks like they represent another expanding ring. The intention that they label the elements of the IPPF into these two categories does not come across strongly.

The North American Board welcomes the opportunity to discuss any and all of these comments with you.

Best regards,

John W. Wszelaki
Chairman, North American Board
1. MISSION OF INTERNAL AUDITING
1.1 To what extent do you support the addition of a Mission of Internal Auditing to the IPPF?

Rating: 5

Adding a mission statement fills a conspicuous void in the current IPPF. For years there has been discussion of whether the International Standards for the Professional Practice of Internal Auditing (the Standards) was meant to be descriptive or aspirational. The broad diversity of maturity of internal audit activities makes it difficult to have a definition that incorporates a truly aspirational nature. The new Mission helps fill that gap by providing a clear expectation of what internal audit should be, even acknowledging that not all internal audit activities completely fulfill this mission.

1.2 To what extent do you agree that the proposed Mission of Internal Auditing captures what internal audit strives and/or aspires to accomplish in organizations?

Rating: 5

2. CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING
2.1 To what extent do you support adding Core Principles for the Professional Practice of Internal Auditing as an element of the IPPF?

Rating: 5

By their nature the Standards are high-level, principle based. One could view the existing Standards as those principles. However, the Standards are too numerous and more detailed than one would expect of principles. The proposed Core Principles provide an excellent mechanism to state succinctly those principles by which internal auditors will conduct their activities. None of the principles are groundbreaking, but their clear definition will bring a focus that does not currently exist.

2.2 Do you agree with the three “input-related” Principles as proposed?

Rating: 3

One additional principle that should be considered involves the consideration of an auditor’s competencies related to risk. While potentially considered implicit in other principles, a principle worded something like “Understands risk of the organization and management of those risks” would bring emphasis on a core principle for internal audit. This would likely be a new input principle.

2.3 Do you agree with the six “process-related” Principles as proposed?

Rating: 5

2.4 Do you agree with the three “output-related” Principles as proposed?
Rating: 5

2.5 Do you agree with the order of the 12 Principles as proposed?

Rating: 3

There could be other alternative ways to order the principles, but this order is acceptable.

2.6 To what extent do you agree with the view that all Principles must be “present and operating effectively” for an internal audit function to be considered effective?

Rating: 5

2.7 Do you agree that the Principles, if adopted, would require guidance to help demonstrate to practitioners what the Principles might look like in practice?

Rating: 5

3. IMPLEMENTATION GUIDANCE & SUPPLEMENTAL GUIDANCE

3.1 To what extent do you support the restructure of guidance elements from “Practice Advisories” to a more comprehensive layer entitled “Implementation Guidance” as part of the framework?

Rating: 5

3.2 To what extent do you support the restructure of guidance elements from “Practice Guides” to “Supplemental Guidance” as part of the framework?

Rating: 5

It is important to point out wording mentioned in the text that portions of some existing PGs would need to be repositioned as Implementation Guidance (e.g., PG on opinions).

4. ADDRESSING EMERGING ISSUES

4.1 To what extent do you support the introduction of a new IPPF element to address emerging issues?

Rating: 5

4.2 To what extent do you agree that Emerging Issues Guidance, due to its quicker development process, should be less authoritative than Supplemental Guidance as part of the framework?

Rating: 5

It is important to note that quicker response time to emerging issues means there would have to be less due diligence over this material which also means it would less authority. This is stated in the proposed changes. It is critical this be implemented properly if the changes are adopted.

5. Position Papers
5.1 *To what extent do you support the deletion of “Position Papers” as an element of the IPPF?*

Rating: 5

It is important to note that some elements of the position papers may need to be repositioned or rewritten to be included in either Supplemental or Implementation guidance (e.g., The Role of Internal Auditing in ERM).

6. **REQUIRED AND RECOMMENDED**

6.1 *To what extent do you support revision of the words “Mandatory” and “Strongly Recommended” to “Required” and “Recommended,” respectively?*

Rating: 5

7. **SUMMARY OF THE ELEMENTS OF THE PROPOSED REVISED IPPF**

7.1 *Overall, to what extent do you support the changes regarding the IPPF as detailed on the previous page?*

Rating: 5

7.2 *To what extent do you agree that the pictorial representation adequately depicts the hierarchy and interrelationships of each element of the new proposed IPPF?*

Rating: 5

7.3 *To what extent do you agree that the pictorial representation of the proposed new IPPF is visually appealing?*

Rating: 2

The new IPPF visual is attractive, but leaves an impression that is inaccurate. The placement and size of the wording for “Required Elements” and “Recommended Elements” almost looks like they represent another expanding ring. The intention that they label the elements of the IPPF into these two categories does not come across strongly.