Internal Audit Standards for Government Departments and Offices

December 2018
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Foreword

1. Following consultation with Heads of Internal Audit, Audit Committees and Senior Management across the range of Government Departments, the Department of Public Expenditure and Reform determined in 2012 that the Institute of Internal Auditors’, ‘The International Standards for the Professional Practice of Internal Auditing’ (the ‘Standards’), should apply across all Government Departments and Offices.

2. In November 2012 the Department of Public Expenditure and Reform published ‘Internal Audit Standards’ which comprised the Definition of Internal Auditing, the Code of Ethics and the ‘Standards’ issued by the global professional body, the Institute of Internal Auditors.

3. The Institute of Internal Auditors issued a revised set of ‘Standards’, effective from January 2017. The purpose of this document ‘Internal Audit Standards for Government Departments and Offices 2018’ is to update and replace the ‘Internal Audit Standards’ published by the Department of Public Expenditure and Reform in 2012.

4. This Foreword is to assist Heads of Internal Audit, Audit Committees and Accounting Officers in the central government area in the interpretation of the ‘Standards’ - the benchmark against which the Internal Audit profession is measured.

Governance and Reporting

Governance

5. **Accounting Officers**: The responsibilities of Accounting Officers include control systems underpinning the management of resources and accountability to the Committee of Public Accounts. In the context of the ‘Standards’, the Accounting Officer is the ‘executive of ultimate authority’.

6. **Secretaries General and Chief Executives**: In the management of Government Departments and Offices, the role of Secretary General, as Head of Department, is not dissimilar to the leadership role of the Chief Executive Officer (CEO), in the commercial sector, public or private. However, the respective roles of Secretaries General and CEOs differ with regard to accountability. Unlike CEOs, the Secretary General is not accountable to a Board of Directors – accountability is to his/her respective Minister. Secretaries General are usually Accounting Officers.

7. **Interpretation of the term ‘Board’**: Within the ‘Standards’, the term ‘Board’ needs to be interpreted in the context of the governance arrangements within each organisation, as arrangements vary in structure and terminology depending on the nature of the organisation. In the majority of cases, i.e. Government Departments and Offices, the term ‘Board’ will generally refer to the Accounting Officer.

8. **Internal Audit**: Internal Audit has an important role in providing the Accounting Officer with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements. In addition, Accounting Officers may access advice from Departmental Management Advisory Committees/Management Boards, Audit Committees, Governance, Risk and Finance Committees.
9. The role and responsibilities of Internal Audit have developed in line with key changes in the central government sector including:
   - The emergence of corporate governance and risk management systems as important elements of the accountability framework, and
   - A greater focus on the governance responsibilities and accountabilities of Accounting Officers and the measures needed to underpin this.
   - These changes are reflected in the ‘Standards’.

10. Chief Audit Executive: Within the ‘Standards’ the term ‘Chief Audit Executive’ will in most, if not all, Vote Holders, be the ‘Head of Internal Audit’ (HIA) and will be a civil servant, or in some cases an external service provider, appointed or contracted to manage the internal audit function.

11. The Chief Audit Executive should understand the role of Accounting Officer, Chief Financial Officer, Chief Executive, Audit Committee and other key officers or decision-making groups, as well as their inter-relationships. These key relationships are defined for each internal audit service within its charter.

**Reporting**

12. Reporting Relationships: Accountability structures give rise to a requirement for reporting relationships individually between the Accounting Officer, the Audit Committee and the HIA. There are some differences in reporting relationships from Department to Department and a summary of current reporting relationships is as follows:
   - The Accounting Officer, in most cases, appoints the Departmental Audit Committee and the Committee advises the Accounting Officer.
   - The HIA has direct access to the Accounting Officer on all matters as s/he sees fit.
   - The HIA, as ‘Chief Audit Executive’, agrees the work programme of the Internal Audit Unit (IAU) with the Audit Committee and the skills and resources that are required.
   - The Accounting Officer is advised by the Audit Committee on the work programme of the IAU, the skills and resources required and the performance of the IAU. It is the responsibility of the Audit Committee to review progress on the audit plan and advise on resource allocation to the IAU.
   - The Audit Committee is also responsible for providing structured, systematic oversight of the organisation’s governance, risk management, and internal control practices and providing the Accounting Officer with objective and independent advice and guidance.
   - The IAU derives its authority from, and operates in accordance with, a formal Charter approved by the Accounting Officer and the Audit Committee.
   - The HIA may report to Management Advisory Committee/Management Board member for practical administrative purposes.

**Internal Audit Standards**

13. Impact: The Department of Public Expenditure and Reform is confident that the application of these revised ‘Standards’ will support the delivery of effective internal audit practice in evaluating and improving the effectiveness of governance, control and risk management across Government Departments and Offices.
14. **Availability:** The ‘Internal Audit Standards for Government Departments and Offices 2018’ is available on the Department of Public Expenditure and Reform Government Accounting website (www.govacc.per.gov.ie).

15. **Effective Date:** The ‘Internal Audit Standards for Government Departments and Offices 2018’ is effective from the 1st January 2019.

16. **Enquiries:** Enquiries in relation to this document can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.

17. **Revision of the IIA Standards:** The Institute of Internal Auditors’ ‘Standards’ will be effective for all Government Departments and Offices on the effective date of any revision of the Institute of Internal Auditors’ ‘Standards’.

Department of Public Expenditure & Reform
December 2018
Introduction

One of the key elements of good governance is an independent and objective internal audit service working to Internal Audit Standards.

The ‘Internal Audit Standards for Government Departments and Offices 2018’ comprises the Mission of Internal Audit, the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (the ‘Standards’) issued by the global professional body, the Institute of Internal Auditors (the IIA).

This document is addressed to Accounting Officers, Management Board and Audit Committee members, Heads of Internal Audit, internal auditors and their customers, as well as external audit providers and other stakeholders. The ‘Standards’ have been adopted without amendment for the purposes of the practice of internal audit in the central government sector and the new ‘Internal Audit Standards for Government Departments and Offices 2018’ will be updated in line with any future revisions by the IIA.

In applying the ‘Standards’ in this Sector regard needs to be had to the unique accountability structures that exist. The term ‘Board’ needs to be interpreted in the context of the governance arrangements within each organisation, as arrangements vary in structure and terminology depending on the nature of the organisation. In the majority of cases, i.e. Government Departments and Offices, the term ‘Board’ will generally refer to the Accounting Officer.

Purpose

The purpose of the ‘Internal Audit Standards for Government Departments and Offices 2018’ is to:

- define the nature of internal auditing within central government;
- set basic principles for carrying out internal audit in central government;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Scope

The ‘Internal Audit Standards for Government Departments and Offices 2018’ apply both to in-house internal audit services, shared services and to outsourced arrangements and sit as part of a framework which includes:

a) **Endorsement:** The IIA ‘Standards’ are endorsed for central government adoption,

b) **Definition:** All internal audit assurance and consultancy work should fall within the scope of the Definition of Internal Audit (Chapter 3 of this document),

c) **Ethics:** the Code of Ethics (Chapter 5 of this document) promotes an ethical, professional culture. It does not supersede or replace internal auditors’ own professional bodies’ Codes of Ethics or the Civil Service Code, and

d) **Standards:** The ‘Standards’ (Chapter 6 of this document) are a set of principles based, mandatory requirements consisting of:
- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the ‘Standards’.

The ‘Standards’, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework (IPPF); therefore, conformance with the Code of Ethics and the ‘Standards’ demonstrates conformance with all mandatory elements of the IPPF.
The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. Its place in the International Professional Practices Framework is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”
The Definition of Internal Auditing states the fundamental purpose, nature, and scope of internal auditing.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

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1 The Definition of Internal Auditing © 2010 Copyright by the Institute on Internal Auditors, Inc., 247 Maitland Avenue, Altamonte Springs, Florida 32710-4201 U.S.A. Reproduced with permission.
Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organisation to organisation, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission (see Mission of Internal Audit in Chapter 2).

- 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 organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.
The purpose of The Institute of Internal Auditor’s Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute of Internal Auditor’s Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

Applicability

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

*The Institute of Internal Auditor’s Code of Ethics relevant principles and rules of conduct are set out overleaf.*
1. Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

1.1. Shall perform their work with honesty, diligence, and responsibility.
1.2. Shall observe the law and make disclosures expected by the law and the profession.
1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
1.4. Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

Rules of Conduct

Internal auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
3. **Confidentiality**

**Principle**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

**Rules of Conduct**

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. **Competency**

**Principle**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

**Rules of Conduct**

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing (‘Standards’).
4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.
6 Standards

Attribute Standards

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 Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the ‘Standards’, and the Definition of Internal Auditing). 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 organisation, including the nature of the chief audit executive’s functional reporting relationship with the board; authorises 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.

- **1000.A1**
The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

- **1000.C1**
The nature of consulting services must be defined in the internal audit charter.

1010 Recognising Mandatory Guidance in the Internal Audit Charter

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. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board.
1100 Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

**Interpretation:**

**Independence** is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels.

**Objectivity** is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels.

1110 Organisational Independence

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

**Interpretation:**

Organisational 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.
- Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

1110.A1

The internalaudit 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.

1111 Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

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 organisational 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.

1120 Individual Objectivity
Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual’s ability to perform his or her duties and responsibilities objectively.

1130 Impairment to Independence or Objectivity
If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:
Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity’s and the chief audit executive’s responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1
Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2
Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

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.
- **1130.C1**
  Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

- **1130.C2**
  If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.
1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

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 organisations.

- 1210.A1
  The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

- 1210.A2
  Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

- 1210.A3
  Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

- 1210.C1
  The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.
1220.A1 Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement’s objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Probability of significant errors, fraud, or noncompliance.
- Cost of assurance in relation to potential benefits.

1220.A2 In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement’s objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 Continuing Professional Development
Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.
1300 Quality Assurance and Improvement Programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

**Interpretation:**
A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the ‘Standards’ and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program.

1310 Requirements of the Quality Assurance and Improvement Programme
The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments
Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organisation 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 Code of Ethics and the ‘Standards’.

Periodic assessments are conducted to evaluate conformance with 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.

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 organisation. 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 may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and 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 organisations 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 conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

**1320 Reporting on the Quality Assurance and Improvement Programme**

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board. Disclosure should include:

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

**Interpretation:**

The form, content, and frequency of communicating the results of the quality assurance and improvement programme 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 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.

**1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”**

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.

**Interpretation:**

The internal audit activity conforms with the Code of Ethics and the ‘Standards’ when it achieves the outcomes described therein. The results of the quality assurance and improvement programme 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.
1322 Disclosure of Nonconformance
When non-conformance with 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 non-conformance and the impact to senior management and the board.
Performance Standards

2000 Managing the Internal Audit Activity

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

**Interpretation:**
The internal audit activity is effectively managed when:
- It achieves the purpose and responsibility included in the internal audit charter.
- It conforms with the ‘Standards’.
- Its individual members conform with the Code of Ethics and the ‘Standards’.
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

2010 Planning

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

**Interpretation:**
To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation’s strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programs, systems, and controls.

- **2010.A1**
  The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

- **2010.A2**
  The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.
2010.C1
The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value, and improve the organisation’s operations. Accepted engagements must be included in the plan.

2020 Communication and Approval
The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management
The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:
Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

2040 Policies and Procedures
The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:
The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 Coordination and Reliance
The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise 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.
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 Code of Ethics and the ‘Standards’. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters 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, senior management, and the board. The frequency and content of reporting depends 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.
- Conformance with the Code of Ethics and the ‘Standards’, and action plans to address any significant conformance issues.
- Management’s response to risk that, in the chief audit executive’s judgment, may be unacceptable to the organisation.

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

2070 External Service Provider and Organisational Responsibility for Internal Auditing
When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.

**Interpretation:**
This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the Code of Ethics and the ‘Standards’.
2100 Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation’s governance, risk management, and control processes using a systematic, 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.

2110 Governance

The internal audit activity must assess and make appropriate recommendations to improve the organisation’s governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

- 2110.A1
  The internal audit activity must evaluate the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities.

- 2110.A2
  The internal audit activity must assess whether the information technology governance of the organisation supports the organisation’s strategies and objectives.

2120 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

**Interpretation:**

Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- Organisational objectives support and align with the organisation’s mission.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation’s risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.
2120.A1
The internal audit activity must evaluate risk exposures relating to the organisation’s governance, operations and information systems regarding the:
- Achievement of the organisation’s strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2
The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

2120.C1
During consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

2120.C2
Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation’s risk management processes.

2120.C3
When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 Control
The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1
The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations and information systems regarding the:
- Achievement of the organisation’s strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1
Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation’s control processes.
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 organisation’s strategies, objectives, and risks relevant to the engagement.

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.

- **2201.A1**
  When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

- **2201.C1**
  Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 Engagement Objectives

Objectives must be established for each engagement.

- **2210.A1**
  Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

- **2210.A2**
  Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

- **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 identify appropriate evaluation criteria through discussion with management and/or the board.
Interpretation:
Types of criteria may include:

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

- **2210.C1**
  Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

- **2210.C2**
  Consulting engagement objectives must be consistent with the organisation's values, strategies, and objectives.

**2220 Engagement Scope**
The established scope must be sufficient to satisfy the objectives of the engagement.

- **2220.A1**
The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.

- **2220.A2**
  If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

- **2220.C1**
  In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

- **2220.C2**
  During consulting engagements, internal auditors must address controls consistent with the engagement’s objectives and be alert to significant control issues.

**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.

**2240 Engagement Work Programme**
Internal auditors must develop and document work programs that achieve the engagement objectives.
2240.A1
Work programs must include the procedures for identifying, analysing, evaluating, and documenting information during the engagement. The work programme must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1
Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.
2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement’s objectives.

2310 Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives.

**Interpretation:**

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

2320 Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 Documenting Information

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

- **2330.A1**
  
  The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

- **2330.A2**
  
  The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.

- **2330.C1**
  
  The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.

2340 Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

**Interpretation:**

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.
2400 Communicating Results

Internal auditors must communicate the results of engagements.

2410 Criteria for Communicating

Communications must include the engagement’s objectives, scope, and results.

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

**Interpretation:**
Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

- **2410.A2**
  Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

- **2410.A3**
  When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

- **2410.C1**
  Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

**Interpretation:**
Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.
2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Indicating that engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if supported by the results of the quality assurance and improvement program.

2431 Engagement Disclosure of Nonconformance

When non-conformance with the Code of Ethics or the ‘Standards’ impacts a specific engagement, communication of the results must disclose the:

- Principle(s) or rule(s) of conduct of the Code of Ethics or the ‘Standards’ (s) with which full conformance was not achieved.
- Reason(s) for non-conformance.
- Impact of non-conformance on the engagement and the communicated engagement results.

2440 Disseminating Results

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

**Interpretation:**

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

- **2440.A1**
  The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

- **2440.A2**
  If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:
    - Assess the potential risk to the organisation.
    - Consult with senior management and/or legal counsel as appropriate.
    - Control dissemination by restricting the use of the results.

- **2440.C1**
  The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

- **2440.C2**
  During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

2450 Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organisation; 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.
- The overall opinion, judgment, or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.
2500 Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

- **2500.A1**
  The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

- **2500.C1**
  The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.
2600 Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

**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.
Glossary

Add Value
The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control
Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation’s risks have been managed effectively and that the organisation’s goals and objectives will be achieved efficiently and economically.

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.

Board
The highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the ‘Standards’ refers to a group or person charged with governance of the organisation. 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).

Charter
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 organisation; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive
Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. 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 responsibilities of the chief audit executive may vary across organisations.

Code of Ethics
The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance
Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.
Conflict of Interest
Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual’s ability to perform his or her duties and responsibilities objectively.

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.

Control
Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment
The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management’s philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes
The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organisation is willing to accept.

Core Principles for the Professional Practice of Internal Auditing
The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Engagement
A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives
Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion
The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Programme
A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.
External Service Provider
A person or firm outside of the organisation that has special knowledge, skill, and experience in a particular discipline.

Fraud
Any illegal act characterised by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance
The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.

Impairment
Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence
The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls
Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance
Consists of the leadership, organisational structures, and processes that ensure that the enterprise’s information technology supports the organisation’s strategies and objectives.

Internal Audit Activity
A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation’s operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

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

Must
The ‘Standards’ use the word “must” to specify an unconditional requirement.

Objectivity
An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.
**Overall Opinion**
The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organisation. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

**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.

**Risk Appetite**
The level of risk that an organisation is willing to accept.

**Risk Management**
A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.

**Should**
The ‘Standards’ use the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

**Significance**
The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Standard**
A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

**Technology-based Audit Techniques**
Any automated audit tool, such as generalised audit software, test data generators, computerised audit programs, specialised audit utilities, and computer-assisted audit techniques (CAATs).