



# International Professional Practices Framework

# 2019 ANNUAL REPORT

## IPPF OVERSIGHT COUNCIL





## International Standard-setting in the Public Interest

*High-quality standards. Strong governance. Public interest oversight.*

The importance of a single set of high-quality, internationally accepted standards for the internal audit profession is well understood by a broad group of stakeholders — governments, regulators, businesses, investors, international organizations, and academia. This understanding is reflected in the multistakeholder approach used to develop the standards and guidance of The IIA’s International Professional Practices Framework (IPPF). Multistakeholder oversight helps ensure the quality and transparency of the standard-setting and guidance-development processes driving the IPPF.

Transparent, high-quality, international standard-setting for the internal audit profession is essential for effective governance, risk management, and control. This is true globally for both public and private sectors, where internal audit’s mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Assessing and helping improve organizational culture, control processes related to financial reporting, regulatory compliance, and fraud prevention and detection are fundamental to the internal audit profession’s fulfillment of its public interest role.

Further, an internal audit activity guided by a globally applicable, principles-based professional framework developed through transparent, high-quality processes is likely to be more efficient and effective. By delivering insightful, proactive, and future-focused assurance and advice, effective internal auditing helps organizations improve their performance. Better organizational performance increases value, benefitting stakeholders, including investors, employees, and customers, and ultimately serves the public interest by driving employment and economic advancement.

### How Was Oversight Established?

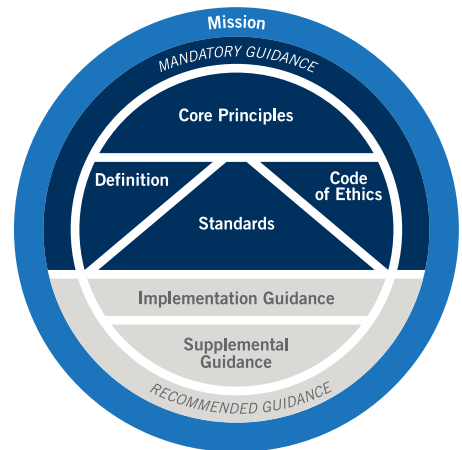
In 2010, The IIA’s Global Board of Directors established the IPPF Oversight Council (IPPOC) to promote inclusiveness, transparency, and other qualities important to the multiple stakeholders that benefit from having confidence that the IPPF serves not only internal audit’s stakeholders, but also the broader, global public interest. Five organizations joined the worthwhile effort, contributing representatives to provide insights and recommendations. The Council evaluates and advises on the international standard-setting and guidance-development processes of the IPPF, helping ensure that transparent and stringent due processes exist and are followed.

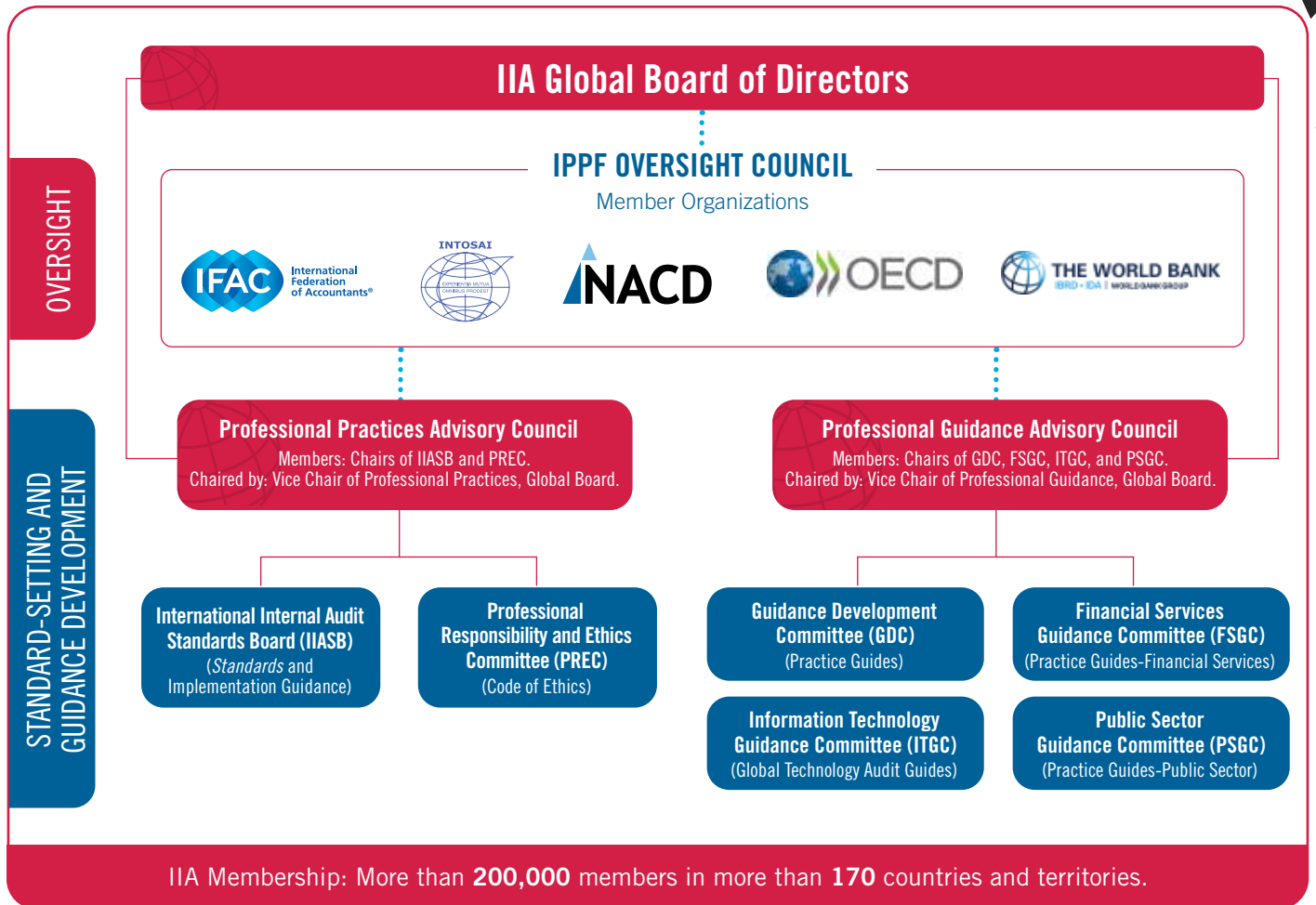
Some of the world’s most highly respected and influential organizations supporting governance, transparency, and accountability serve on the IPPOC. Its membership comprises representatives of:

- International Federation of Accountants.
- International Organization of Supreme Audit Institutions.
- National Association of Corporate Directors.
- Organisation for Economic Co-operation and Development.
- The World Bank.
- The internal audit profession (two representatives nominated by The IIA).



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Together, the representatives of the IPPFOC member organizations provide oversight to help ensure that the IPPF is:

- Developed and maintained through due process, with wide exposure, broad input, and fairness.
- High-quality, principles-based, and globally applicable.
- Relevant to the public interest.

Unlike most professions, the internal audit profession has one widely recognized framework, with standards based on core principles and a wealth of supporting recommended guidance. Given the importance of this professional framework to governments, businesses, and society, the IPPFOC invests its efforts in strong oversight to further enhance the framework's credibility and stature. The members of the Council believe that an internal audit activity aligned with the IPPF is more likely to achieve its mission of enhancing and protecting the value of the organization it serves as well as serving the public interest.

## Impact and Continuous Improvement

Since the IPPFOC was established, The IIA has seen ongoing improvement in the quality of its guidance-setting processes and increasing confidence in the IPPF. While the demand for internal audit services continues to evolve and grow, the profession is able to adapt with nimble maturity and optimum performance because it is supported by the IPPF — a vibrant, inclusive, and responsive framework, augmented by the Council's oversight and insight.

## Status of Key Recommendations for 2019

1. Enhance the nominating and onboarding processes for board and committee members by:
  - » Identifying new voices and up-and-coming volunteers for fresh perspectives in committee work.
  - » Striving to increase diversity among gender, race/ethnicity, and geography.
  - » Selecting strong and motivated committee leaders.
  - » Clarifying descriptions of member roles and responsibilities to shorten the learning curve of new committee members.
2. Maximize the board and committee member evaluation process by:
  - » Encouraging observations that are more detailed.
  - » Providing feedback to members to reinforce expectations.
  - » Collecting member evaluations of chairs to strengthen committee leadership.
  - » Encouraging chairs to increase vice chair and staff involvement in evaluations for more diverse perspectives.
  - » Reviewing leadership selection and reappointment decisions.

**Status:** In 2019, The IIA's management indicated that implementation of these recommendations would be delayed due to the review of The IIA's committee governance structure. Although the IPPFOC understands the reason for the delay, it expressed concern to The IIA Global Board regarding the slowness of responses to the Council's recommendations and advice. This included advice to expand the multistakeholder representation on the Council. The Council also emphasized the importance of consulting it on matters relevant to its oversight responsibilities in the development of recommendations based on the review.

These recommendations will be carried over to 2020.

## IPPF OC Activities and Accomplishments in 2019

In 2019, the IPPFOC met in person at The IIA's Midyear Meetings and held two virtual meetings.

During these meetings, the Council:

1. Conducted due process oversight, including:
  - a. Reviewing evidence of due process for IPPF guidance in advance of publication:
    - » Assessing the Risk Management Process, March 2019.
    - » Auditing Culture, November 2019.
    - » Demonstrating the Core Principles for the Professional Practice of Internal Auditing, August 2019.
    - » Foundations of Internal Auditing in Financial Services Firms, August 2019.
    - » Unique Aspects of Internal Auditing in the Public Sector, October 2019.
  - b. Observing a meeting of each committee:
    - » Professional Ethics and Responsibility Committee
    - » Financial Services Guidance Committee
    - » Public Sector Guidance Committee
    - » Information Technology Guidance Committee
    - » Guidance Development Committee
2. Shared knowledge on international standard-setting in the public interest, including:
  - a. Key features of and good practices for public interest oversight models.
  - b. Inclusion of The IIA *Standards* in *The Compendium of Standards* published by the Financial Stability Board.
3. Provided insights on the project to refresh the Three Lines of Defense model.

## Key Recommendations for 2020

1. Recommendations for 2019 carried over to 2020.
2. Expand the multistakeholder representation on the IPPFOC to include regulators and others to reflect the broader value creation scope of internal auditing.
3. Consult the IPPFOC on matters relevant to its oversight responsibilities in the development of recommendations based on the review of The IIA's committee and governance structure.