

Larry's Cheat Sheet – The Standards

The International Professional Practices Framework (IPPF)

The Code of Ethics, Definition, and Standards

Mandatory guidance that has been submitted for review by the profession through the exposure draft process and considered to be essential to the professional practice of internal auditing. Includes:

Position Papers

IIA statements to assist a wide range of interested parties, including those not in the internal audit profession, in understanding significant governance, risk or control issues and delineating the related roles and responsibilities of the internal audit profession.

Practice Advisories

Concise and timely guidance to assist internal auditors in applying Code of Ethics and *Standards* and promoting good practices. Includes practices relating to: international, country, or industry- specific; specific types of engagements; and legal or regulatory issues. Address approach, methodology and consideration, but not detailed processes and procedures.

Practice Guides

Detailed guidance for conducting internal audit activities. This includes detailed processes and procedures, such as tools and techniques, programs, and step-by- step approaches, including examples of deliverables.

Definition of Internal Auditing

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

Attribute Standards (selected)

1000 Purpose, Authority, and Responsibility (PAR)

The PAR of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*.

The CAE must periodically review the internal audit charter and present it to senior management and the board for approval.

1100 Independence and Objectivity

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

1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1300 Quality Assurance and Improvement Program

The CAE must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance and improvement program must include both internal and external assessments. Internal assessments must include: 1. Ongoing monitoring of the performance of the internal audit activity; and 2. Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The CAE must discuss with the board: The need for more frequent external assessments and the qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

Performance Standards (selected)

2000 Managing the Internal Audit Activity

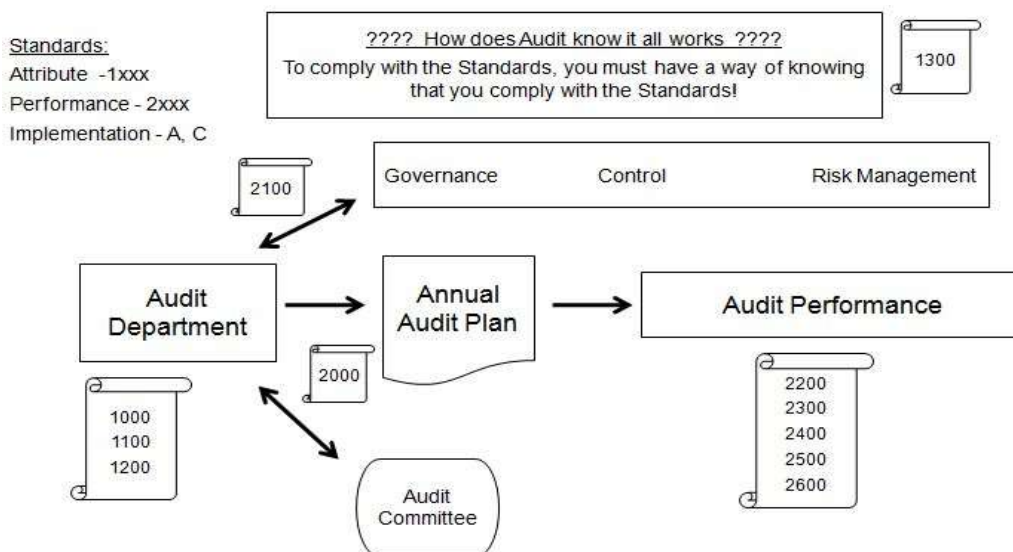
The CAE must effectively manage the internal audit activity to ensure it adds value to the organization.

2010 Planning

The CAE must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. 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.

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 approach.



2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

2201 Planning Considerations

In planning the engagement, internal auditors must consider: The objectives of the activity being reviewed and the means by which the activity controls its performance; The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level; The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and, The opportunities for making significant improvements to the activity's risk management and control processes.

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 controls. Internal auditors must ascertain the extent to which management 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 to develop appropriate evaluation criteria.

2220 Engagement Scope

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

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.

2240 Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2300 Performing the Engagement

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

2320 Analysis and Evaluation

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

2330 Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2340 Engagement Supervision

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

2400 Communicating Results

Internal auditors must communicate the engagement results.

2410 Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

2420 Quality of Communications

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

2421 Errors and Omissions

If a final communication contains a significant error or omission, the CAE 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

Internal auditors may report that their engagements are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, only if the results of the quality assurance and improvement program support the statement.

2500 Monitoring Progress

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

2500.A1 The CAE 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.

2600 Resolution of Sr Management's Acceptance of Risks

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

