

What's Your Professionalism Quotient?

From *street smarts* to *emotional intelligence* to knowledge of rocket science, there are numerous categories for what one knows. In today's information-rich world, we have limitless opportunities to grow our knowledge and proficiency. Attending seminars and conferences, participating in online training, reading books that cover a broad spectrum of relevant topics and practices, studying for a professional certification exam, and learning from others through practical, hands-on experience all feed into our individual and collective professionalism.

However, nothing is more important to professionalism than the principles that guide a profession. And for internal auditing, those principles reside within the International Professional Practices Framework (IPPF). Promulgated by The Institute of Internal Auditors (IIA), the IPPF comprises the authoritative guidance for the internal audit profession. This means that the process used to develop, vet, and deliver IPPF guidance is consistent with that of other global guidance-setting bodies worthy of trust. This process ensures transparency, timeliness, clarity, and consistency.

The two categories of authoritative internal audit guidance are MANDATORY and STRONGLY RECOMMENDED. To be in conformance with The IIA's guidance, a practitioner *must* follow the mandatory guidance. And although professionals are encouraged to follow the strongly recommended guidance, doing so is not required.

A Professionalism Imperative

The mandatory elements of the IPPF include the official Definition of Internal Auditing, the *International Standards for the Professional Practice of Internal Auditing* (*International Standards*), and the Code of Ethics. All of these elements are available

The Code of Ethics

The Code of Ethics states the principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities.

free of charge on The IIA's Web site at www.theiia.org.

The Code of Ethics requires adhering to four principles and following related rules of conduct. The principles—integrity, objectivity, confidentiality, and competency—share a common purpose of promoting ethical internal auditing all around the world, while practitioners strive to earn and keep stakeholders' trust in their objective assurance on governance, risk management, and internal controls.

Promulgated by the Internal Audit Standards Board, the *International Standards* delineate the basic requirements for performing a broad range of internal audit activities and for evaluating that performance. The *International Standards* provide guidance for both assurance and consulting and include attribute and performance standards.

Attribute standards cover purpose, authority, and responsibilities;

Internal Auditing Defined

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.

independence and objectivity; proficiency and due professional care; and the Quality Assurance and Improvement Program. Performance standards cover managing the internal audit activity, the nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, and the resolution of senior management's acceptance of risks.

When practitioners adhere to this guidance, they are allowed to state in their reports that, "This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*." This statement clearly depicts the internal audit activity as professional and represents its commitment to best practices and high standards.



Strongly Recommended

Through the IPPF, internal auditors have ready access to additional authoritative guidance that will enhance their professionalism, but with which conformance is not required. Endorsed by The IIA, this strongly recommended guidance provides additional information about and support for conforming to the *International Standards* and Code of Ethics. Delivered in the form of Practice Advisories, Position Papers, or Practice Guides, it provides timely information on governance, risk, and internal control.

International Standards for the Professional Practice of Internal Auditing

The *International Standards* are principle-focused and provide a framework for performing and promoting internal auditing, including:

Internationally applicable statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance at organizational and individual levels.

Interpretations that clarify terms or concepts within the statements.

It is necessary to consider the statements, their interpretations, and the specific meanings listed in the Glossary to understand and apply the *International Standards* correctly.

Practice Advisories assist internal auditors in applying the Definition of Internal Auditing, the Code of Ethics, and the *International Standards*. They address internal auditing's approach, methodologies, and considerations, but do not cover detail processes or procedures. They promote good practices, including those relating to international, country, or industry-specific issues; specific types of engagements; and legal or regulatory issues. For example, the

Practice Advisory "Managing the Risk of the Internal Audit Activity" delineates the risks of audit failure and false assurance, examines reputation risks, and suggests ways to mitigate all three of these risks.

Position Papers 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 related roles and responsibilities of internal auditing. For example, "The Role of Internal Auditing in Enterprise Risk Management," looks beneath the surface of ERM to offer in-depth insights on how internal auditors can make a significant difference in the effectiveness of an organization's risk management.

Practice Guides provide detailed guidance for conducting internal audit activities, and include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables. The Practice Guide category includes such guidance as the Global Technology Audit Guide (GTAG) series. GTAGs provide practical, how-to information about auditing information technology. A recent GTAG—*Auditing IT Projects*—covers common project management risks and their assessment, examines key focus

areas for this type of audit, and explains how internal auditors can actively participate in the review of the projects while maintaining independence.

Ongoing Professionalism

To ensure ongoing professionalism of the internal audit activity and conformance with the *International Standards*, a Quality Assurance and Improvement Program must be in place. This program includes periodic internal assessments and an external quality assessment (QA) every five years. The external QA demonstrates the activity's commitment to quality and professionalism, documents its "professionalism quotient," and delineates recommendations for improvement, based on the *International Standards* and best internal audit practices. **NP**

Contributed by Trish Harris on behalf of The Institute of Internal Auditors. The Institute of Internal Auditors (IIA) is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate and principle educator worldwide. Established in 1941, The IIA serves members from all around the world in internal auditing, governance, internal control, IT auditing, education and security. For more information about The IIA, please visit www.theiia.org.

*Decide what you want, decide what you are willing to exchange for it.
Establish your priorities and go to work.
~H. L. Hunt*
