



## Report from Ms Svetlana Mureşan – Romanian Court of Accounts

### Activity Report as representative of INTOSAI on the International Internal Auditors Standard Board of the Institute of Internal Auditors - starting January 2016

- Monthly videoconferences regarding IIA standards actualization;
- 2016 July 20-22 – New York meeting with all IASB members;
- New York meeting brought up intense and constructive discussions between participants regarding the acceptance or non-acceptance of the proposals that were posted on the Institute web page from February 1, 2016 till April 30, 2016 for public debate (90-day exposure in several languages via online survey). IASB evaluated survey results and comments, considered modifications to the exposure draft, and approved the final revision of the *Standards*. All the proposals for modification or completion of the standards came from specialists all over the world<sup>1</sup>;

#### New standards:

- Chief audit executives taking on roles and responsibilities beyond internal auditing. (1112)
- Potential objectivity-impairing situation of performing assurance role after previous consulting role. (1130.A3)

#### Other changes include updates to:

- Minor updates to existing *Standards* for clarification
- The Introduction to the *Standards and*
- The *Standards* Glossary

- Most of the debates between Committee members concerned specific terms from standards, which needed more clarification in order to be more comprehensive and have more essence for the organizations, both from public sector and private sector;
- Examples of terms subject to debates: top management/senior management/high level management, CAE – chief audit executive/chief of audit, governance, audit committee etc, terms which basically has the same meaning, but are used with different meaning in different countries, because of a wrong translation, or unfit adjustment in the texts of national norms or laws;
- Another discussion regarded the fact that the mandatory elements established by the Institute for the internal audit activity will be specified in the *Introduction* of the standards, such as: Core Principals, Code of Ethics, Standards and Definition;
- After the debates and reaching a consensus over each term, definition or even standard, the President of the Committee initiated the vote for each modification or completion;
- The President of the Committee asked the members to take into consideration that:
  - for the public sector, it must be a special standard;
  - other elements regarding risk management must be added;
  - the standard for reporting lines must be strengthen;
  - the aspects regarding the interconnected elements of independency with CAE (chief audit executive) responsibilities needs further clarification;

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<sup>1</sup> The IIA released revised *Standards* **October 1, 2016**. The revised *Standards* become effective **January 1, 2017**

- clear maturity models for different stages of internal audit implementation in organizations must be elaborated;
- a clearer demarcation line between assurance services and consulting services offered by internal auditors must be made;

Also the Committee has the competence to update the Standards, all IASB members worked with IIA experts for *Implementation Guidance*. For the specific standards that were modified or significantly changed, further explanations were added at the existing *Implementation Guidance*.

- Before the meeting held in Orlando, Florida at the end of the 2016 year, other videoconferences took place with the participation of Committee members, who agreed on the topics, and also with the participation of other members of the Institute who had the task to "write" the Guidance, after they understood the entire process and listened carefully all the explanation given by the members who shared their own experience in the field;
- The debates from Orlando meeting took into consideration the problem of the translation of these Standards and Guidance by the national experts of the countries who applied the standards. The discussion referred to the fact that these persons in charge with translation should have an IIA certification, if they understand the specific content and if they have enough experience regarding internal audit and Standards, and also if they have the possibility to change anything, if they want to, in the original version;
- The updated edition of the RED BOOK, which contains International Standards for the Professional Practice of Internal Auditing and Implementation Guidance is now available (March 2017);
- During the meeting, the participants were asked their opinion if a new form of the Standards should be taken into consideration, following the COSO 2013 model, where the Principles are presented in direct correspondence with the Standards;
- This process is expected to be large and time consuming, but, in the end it will put all the Institute documents in order;
- The questions that generated discussions and different opinions and personal views among Committee members and which represent a future challenge raised the following topics:
  - Does the conformity with the Standards generate automatically performance?
  - How do you evaluate the added value or how do you justify spend on internal audit department if the internal audit missions have no findings?
  - IIA draw attention to the fact that the responses to several surveys indicated that the lack of conformity with the Standards around the world is a **strategic risk** which must be treated;
  - Related to this is the fact that there is no penalty for non-compliance with the Standards or for breaking the Code of Ethics, unless there is a specific situation when an internal auditor has an IIA certification which can be withdrawn or the internal auditor cannot be a member of the Institute anymore;
  - An important question that will need some reflection in the near future is: are we sure that the Standards truly meet the stakeholders' needs?

These were important issues on which the Committee members will have to reflect, analyse and come up with solutions next period.