



June 30, 2024

**IIA International Professional Practices Revisions Roadmap
and Alignment with Municipal Act (Auditor General Elements)
Initial Gap Assessment & Resolution Plan**

Plan Overview

Executive Summary

Context

On January 9, 2024, the Institute for Internal Auditors (IIA) Standards Board released the updated Global Internal Audit Standards (Standards), the main component of the International Professional Practices Framework (IPPF). The new guidance replaces the 2017 Standards and is effective January 9, 2025.

The Standards serve as the conceptual framework for internal audit professionals and departments worldwide. They're meant to address current internal audit practices while enabling practitioners and stakeholders to be flexible and responsive to the ongoing needs for high-quality internal auditing in diverse environments and organizations of different purposes, sizes, geographies and structures.

The Standards guide the worldwide professional practice of internal audit and serve as the basis for evaluating and elevating the quality of the internal audit function. The standards are mandatory for internal audit practitioners and for maintaining the Certified Internal Auditor accreditation.

Many global internal audit advisory/consulting firms have noted that the changes are "significant," "more prescriptive," and "will require more work."

Given the above context, the fact that personnel within the Office of the Auditor General hold the Certified Internal Auditor Accreditations and that the IIA IPPF is referenced in the current internal audit/Auditor General contract and Charter, there are two options:

1. the Office of the Auditor General will undertake a gap assessment and subsequent gap resolution process to conform by January 9, 2025, or
2. the in-force contracts will be amended, and individual accreditations will be cancelled.

Unless City Council directs otherwise, the Auditor General and the related Office will move forward with option 1 - the Office of the Auditor General will undertake a gap assessment and subsequent gap resolution process to conform by January 9, 2025

Overview of the New Standard & Changes

At the heart of the Standards are 15 principles comprised of five domains:

Domain I: Purpose of Internal Auditing – provides a unified description of the profession.

Domain II: Ethics and Professionalism – incorporates the

profession's Code of Ethics and Standards on practitioner conduct, including Standards on due professional care (Principles 1-5).

Domain III: Governing the Internal Audit Function – clarifies the board's role and responsibilities in supporting an effective internal audit function and addresses how the chief audit executive (CAE) can support the board in carrying out its responsibilities (Principles 6-8).

Domain IV: Managing the Internal Audit Function – clarifies the CAE role and responsibilities for effectively managing an internal audit function (Principles 9-12).

Domain V: Performing Internal Audit Services – codifies requirements and considerations to help internal auditors perform internal audit engagements with consistency and quality (Principles 13-15).

Supplemental guidance

Global Guidance – supports the Standards by providing nonmandatory information, advice, and best practices. Global Practice Guides and Global Technology Audit Guides are included under this category, providing detailed approaches, step-by-step guidance, and examples on various subjects.

Key Differences From Previous IPPF Guidance

The new Standards differ from the 2017 guidance in several ways:

- *Emphasis on risk management alignment:* Internal audit activities are required to be aligned with the organization's risk management framework to ensure a comprehensive approach to risk management.
 - *Formalized communication channels:* Clear and effective communication channels between internal auditors and stakeholders are mandated, promoting transparency and accountability.
 - *Expanded scope of activities:* Governance, culture and cybersecurity are considered integral components of the audit scope, with increased integration between assurance and advisory projects for comprehensive coverage.
 - *Focus on technology and data analytics:* Internal audit functions are encouraged to develop and implement plans for leveraging technology-driven tools to enhance audit efficiency and effectiveness.
 - *Structural changes:* The overall makeup of the Standards has been simplified and integrated for easier understanding and implementation.
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Summary of Gap Assessment

The Auditor General directly conducted a gap assessment using:

1. Attendance at a workshop/seminar on what has changed in the IIA IPPF.
2. Leveraging the IIA-published Conformance Readiness Tool to identify new areas to address.
3. A review of the IIA-published Complete Global Internal Audit Standards.

The Conformance Readiness Tool “identifies the significant changes between the requirements of the 2017 IPPF and those of the 2024 Standards to help chief audit executives and their teams implement the new Standards and prepare for quality assessments before the effective date of January 9, 2025.” The document lists 27 new significant areas and reviews the Complete Global Internal Audit Standards, identifying two other elements and several areas for enhancement.

In several instances, the requirements are practices currently informally in place that need to be codified and have evidence routinely generated as a natural output to demonstrate sustained compliance with the professional standards. In other areas, the requirements and evidentiary elements are new.

Resolution Plan

The following activities have been identified as key to enabling compliance by January 9, 2025:

1. Review the Municipal Act and Current Auditor General Charter with new IIA IPPF elements in consideration and identify potential amendments or note exceptions.
 2. Develop and implement required elements for governance and supporting content/communication requirements.
 3. Create and implement formal ethics processes with the Office of the Auditor General and align/participate in the broader City of Windsor elements.
 4. Update communication practices with Council as well as management to align to requirements.
 5. Review and enhance security and information protection practices to demonstrate conformance with requirements.
 6. Formalize key role competencies and support.
 7. Create and deploy an inventory to track personnel, continuing education compliance (overall), accreditation requirements, certifications, experience, work history,
 8. Create and implement an annual formal quality assessment and improvement plan per requirements.
 9. Enhance the annual reporting template to incorporate any new requirements.
 10. Review and enhance the internal audit methodology (s) by considering IPPF enhancements and new elements.
 11. Update working papers to support methodology enhancement and the capture of required conformance with
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IIA IPPF.

12. Review and enhance reporting requirements in conformance with standards.
 13. Create and roll out an end-of-project survey with assessment questions related to Honesty, Professional Courage, and Competency as perceived by management.
 14. Finalize enhancements and modifications to the Auditor General Charter and communicate exceptions for Council consideration.
 15. Report on progress against plan to Council regarding the readiness for compliance with Global Internal Audit Standards (Standards) as of January 9, 2025.
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