

## INTERNAL AUDIT STANDARDS AND GUIDELINES FOR THE INTERNAL AUDITOR

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**Abstract:** Internal audit is an activity to provide independent and objective guarantees (confidence) and consultations aimed at improving the efficiency of the company's activities. Internal audit helps the company achieve its goals.

**Key words:** internal audit standards, internal documents, audit principles, principles of the internal control system, auditor's code of ethics, internal audit management.

### Introduction

The internal auditor is guided by the International Framework for Professional Practice in the performance of his/her activities. The International Framework for the Professional Practice of Internal Auditing (IPPF) (hereinafter referred to as the International Framework) is a conceptual model that unites the guidelines published by the International Institute of Internal Auditors (The IIA). The International Framework is the basis for interstate and national legislative and regulatory acts in the field of internal audit. Currently, the International Framework includes 7 components:

1. Mission
2. Mandatory Guidance
3. Basic principles
4. Definition of Internal Audit
5. Code of Ethics
6. Standards
7. Recommended Guidance, Implementation Guidance, Supplemental Guidance

The mission of internal audit is to preserve and increase the value of the organization by conducting objective internal audit checks based on a risk-oriented approach, providing recommendations and sharing knowledge.

The basic principles formulate the criteria for the effectiveness of internal audit and characterize the internal auditor's approach to work. Thus, the internal auditor:

- is a model of integrity;
  - demonstrates competence and a professional attitude to work;
  - is objective and not subject to undue influence (independent);
  - builds his/her work in accordance with the strategy, goals and risks of the organization;
  - has the appropriate status and the necessary resources;
  - performs high-quality work and continuously improves;
- builds effective relationships with stakeholders;
- bases work on a risk-oriented approach;
  - is insightful, considers issues in perspective and is focused on the future;
  - contributes to the development of the organization.

### Definition of Internal Audit

Internal audit is an activity to provide independent and objective assurance (confidence) and consultations aimed at improving the efficiency of a company's operations. Internal audit helps a company achieve its goals using a systematic and consistent approach to assessing and improving the efficiency of risk management, control and corporate governance processes.

The Code of Ethics sets out the principles and expectations that determine the behavior of employees and companies when conducting internal audit. The Code of Ethics does not contain a description of specific actions, but formulates minimum requirements for behavior and expectations regarding behavior in certain situations.

International Standards for the Professional Practice of Internal Auditing (Standards)

The Standards are based on principles (see Fundamental Principles above) and provide a framework for conducting internal audit. The Standards include a set of requirements formulated as principles and consist of:

- Statements (Main Text) - definitions of key standards used to organize the professional activity of internal audit and to evaluate its effectiveness, which can be applied at the company level and at the level of individual employees;
- Interpretations, clarifying the terms or conceptual approaches used in the Standards;
- Glossary (Dictionary of Terms).

Implementation Guides include 52 guidelines and describe approaches and methodology of internal audit, but do not contain detailed descriptions of processes and procedures.

Supplemental Guidance contains detailed guidelines for conducting internal audit activities (subject areas, industry issues, processes and procedures, tools and techniques, programs, step-by-step methods and examples of results) and consist of:

- 26 Practice Guides - General
- 2 Practice Guides - Public Sector
- 20 Global Technology Audit Guides (GTAGs)
- 3 Guides to the Assessment of IT Risks (GAIT)

The objectives of the Standards are:

- Providing guidance on compliance with the mandatory elements of the International Framework for the Professional Practice of Internal Auditing;
- Providing a methodological basis for performing and promoting a wide range of internal audit services that benefit the organization;
- Defining principles for evaluating the effectiveness of internal audit activities;
- Promoting improvement of the processes and operations carried out by the organization.

The Standards apply to both internal audit personnel individually and to internal audit units. All internal auditors are responsible for compliance with the Standards, and the head of internal audit is additionally responsible for compliance by the entire internal audit unit.

Types of Standards

Professional Standards consist of two types:

1. Attribute Standards;
2. Performance Standards.

### 1. Attribute Standards

Standards of qualitative characteristics relate to the characteristics of the organization and persons performing audit activities.

The main theses of these Standards:

- The objectives, powers and responsibilities of internal audit should be defined in an internal document of the organization (Internal Audit Regulation), corresponding to the Mission of Internal Audit and mandatory for application elements of the International Framework of Professional Practice (Basic Principles of Internal Auditing, Code of Ethics, Standards and Definition of Internal Audit). The head of internal audit should periodically consider the need to amend the Internal Audit Regulation and submit the Regulation for approval to senior executive management and the Board of Directors.
- Independence and objectivity: Internal auditing must be independent, and internal auditors must be objective in performing their responsibilities.
- Professionalism and professional attitude: Internal auditors must perform audit engagements with due professional care.
- Internal audit quality assurance and improvement program: The chief audit executive must establish and maintain a quality assurance and improvement program that covers all internal audit activities and is designed to evaluate the effectiveness and efficiency of internal auditing. The quality assurance and improvement program must include both internal and external assessments, as well as ongoing monitoring of internal audit activities. Each component of the program must be designed to help internal audit deliver value to the organization and improve the effectiveness of its processes. The program must provide assurance that internal audit activities comply with the International Framework of Professional Practice.

## 2. Performance Standards

The performance standards define the activities of the internal audit function and the criteria by which its effectiveness is evaluated.

The key components of these standards include:

- Managing internal audit: The chief audit executive must effectively manage the internal audit activity to ensure its added value to the enterprise.
- Nature of internal audit: Internal audit must evaluate and improve governance, risk management, and control processes using a systematic and consistent approach.

Engagement planning: Internal auditors must prepare and document a plan for each audit engagement that includes objectives, scope, timing, and resource allocation. The plan must consider the strategy, organizational objectives, and risks inherent in the engagement.

- Engagement execution: Internal auditors must collect, analyze, evaluate, and document sufficient information to achieve the engagement objectives.
- Communicating results: Internal auditors must communicate engagement results.
- Monitoring engagement action: The chief audit executive shall establish and maintain a system for monitoring the resolution of engagement issues after the engagement results have been communicated to management.
- Communicating risks accepted: If the chief audit executive concludes that the level of risk accepted by management may not be acceptable to the organization, the chief audit executive shall discuss the matter with senior management. If the chief audit executive concludes that the issue is still unresolved, the chief audit executive shall communicate the matter to the Board of Directors.

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