



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Professional Standards for the Inspector General Community

Sponsored by:

*The Chief Inspector General and the Florida Chapter of
the Association of Inspectors General*

Enhancing Public Trust in Government



Session Overview

- What is a standard?
- What requires us to have standards?
- What are the standards?
- Comparison of Standards
- Applying the IIA Standards
- Discussion



What is a Standard?

Stan-dard (noun) \ 'stan-derd \

Something established by authority, custom, or general consent as a model of example.



Type of Standards?

- Standard Specifications: explicit requirements for an item, material, component or service.
- Standard Test Methods.
- Standard Operating Procedures.
- Standard Definitions



Pertaining to Audits

Standards:

- Delineate **basic principles** that represent the practice of internal auditing as it should be.
- Provide a **framework** for performing and promoting a broad range of value-added internal audit activities.
- Establish the basis for the **evaluation** of internal audit performance.
- Foster improved **organizational processes and operations**.



What requires the State of Florida IG community to have standards?

Florida Statutes

Section 20.055

Agency Inspectors General



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Florida Statute 20.055

(Agency Inspectors General)

2...shall be the duty and responsibility of each inspector general...to:

(j) Comply with the **General Principles and Standards for Offices of Inspector General** as published and revised by the **Association of Inspectors General**.

Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Florida Statute 20.055

(Agency Inspectors General)

5(a) audits **shall** be conducted in accordance with the current **International Standards for the Professional Practice of Internal Auditing** as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with **generally accepted governmental auditing standards**.

All audit reports issued by internal audit staff **shall** include a statement that the audit was **conducted pursuant to the appropriate standards**.

Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Relevant Standards Organizations



Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Auditing Standards

Principles and Standards for Offices of
Inspector General – **GREEN BOOK**

Government Auditing Standards (GAO) –
YELLOW BOOK

International Standards for the
Professional Practice of Internal Auditing
(IPPF) – **RED BOOK**

Information Systems Audit and Control
Association (ISACA) – NO BOOK



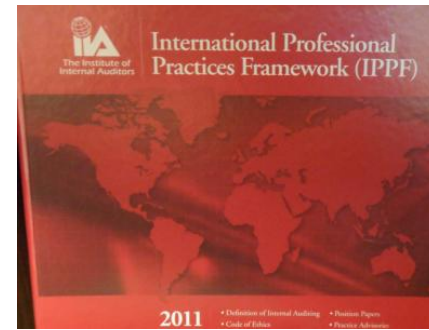
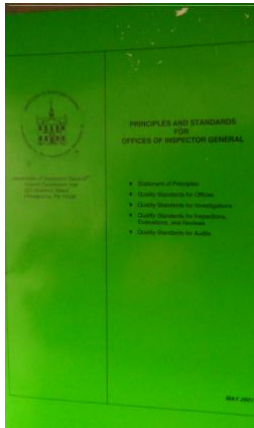
Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Survey



Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

AIG – Green Book

Basis of legal Authority for an OIG:

- OIG's Mandate, Authority and Powers;
- Confidentiality of Records and Proceedings;
- Inspector General and Staff Qualifications;
- Independence; and
- Whistleblower protection

Enhancing Public Trust in Government



AIG – Quality Standards

Quality Standards for

- Offices of Inspector General
- Investigations by Offices of Inspector General
- Inspections, Evaluations and Reviews by Offices of Inspector General
- Audits by Offices of Inspector General



AIG

Quality Standards for Audits

Audits performed by Offices of Inspectors General (OIGs) should be done in accordance with generally accepted auditing standards. The Association of Inspectors General recommends that OIGs perform audits pursuant to one of the following:

- **Government Auditing Standards (Yellow Book)** issued by the Comptroller General of the United States, or
- **Standards for the Professional Practice of Internal Auditing (Red Book)** issued by the Institute of Internal Auditors.

Each OIG should adopt and follow the audit standards appropriate to the OIG's mission and authority.



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Yellow v. Red Books

	Yellow Book	Red Book
Orientation:	Governmental – specifically United States	Global
Primary Users:	Internal and External Auditors	Internal Auditors

Enhancing Public Trust in Government



Yellow v. Red Books

	Yellow Book	Red Book
Types of Engagements:	Financial, Attestation & Performance (Nonaudit Services are not GAGAS audits)	Assurance & Consulting



Yellow v. Red Books - Ethics

Yellow Book	Red Book
<p>Ethical Principles</p> <ul style="list-style-type: none">• Public Interest• Integrity• Objectivity• Proper use of government information, resources, positions• Professional Behavior	<p>Code of Ethics</p> <ul style="list-style-type: none">• Integrity• Objectivity• Confidentiality• Competency



Yellow v. Red Books - CPE

Yellow Book	Red Book
<p>3.76 – Auditors “should maintain their professional competence through ...(CPE)”</p> <p>Every two years – Total 80 hours At least 20 hours in each year 24 hours should be directly related to gov’t auditing, gov’t environment, or specific to the audit environment.</p>	<p>Practice Advisory 1210-1(4)</p> <p>“Continuing professional development is essential to help ensure internal audit staff remains proficient.”</p>



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Yellow v. Red Books – Peer Review

Yellow Book	Red Book
3.82(b) ...have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years .	1312 – External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from an outside organization.

Enhancing Public Trust in Government



Yellow v. Red Books

	Yellow Book	Red Book
Must	“Unconditional Requirement”	“Unconditional Requirement”
Should	“Presumptively mandatory requirement” “...must comply with a presumptively mandatory requirements in all cases where such a requirement is relevant except in rare circumstances discussed...”	“Conformance is expected unless, when applying professional judgment, circumstances justify deviation.”



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Yellow Book (2011)

www.gao.gov/yellowbook

Foundation and Principles (chapter 1)

Use and Application of GAGAS (chapter 2)

General Standards (chapter 3)

Standards for **Financial Audits** (chapter 4)

Standards for **Attestation Engagements** (chapter 5)

Field Work Standards for **Perf. Audits** (chapter 6)

Reporting Standards for **Perf. Audits** (chapter 7)

Enhancing Public Trust in Government



Yellow Book Chapter Outline

Fieldwork Standards for Performance Audits

- Reasonable Assurance
- Significance in a Performance Audit
- Audit Risk
- Planning
- Evidence
- Audit Documentation



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Yellow Book Chapter Outline

Reporting Standards for Performance Audits

- Reporting
- Report Contents
- Distributing Reports

Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

The Red Book (2011)

<https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx>

- Conceptual framework
- Organizes authoritative guidance

Enhancing Public Trust in Government





Red Book Standards

Attribute Standards

Relate to the organization and the individual performing the audit

Performance Standards

Describe the nature of internal auditing

Provide quality criteria

❖ Interpretations

Provide further clarity to terms and phrases

❖ Implementation Standards

Provide more guidance based on the specific type of audit engagement

A = Assurance

C = Consulting

Red Book Standards

Additional Information



Attribute Standards

Standard

1000 – Purpose, Authority, and Responsibility

Must

The purpose, authority, and responsibility 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 chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Assurance

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

Consulting

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognition of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* in the Internal Audit Charter

Standards 1000-1010

Practice Advisory 1000-1 – Internal Audit Charter



Red Book Standards

Attribute Standards:

- Purpose, Authority, and Responsibility (1000)
- Independence and Objectivity (1100)
- Proficiency and Due Professional Care (1200)
- Quality Assurance and Improvement Program (1300)

Performance Standards:

- Managing the Internal Auditing Activity (2000)
- Nature of Work (2100)
- Engagement Planning (2200)
- Performing the Engagement (2300)
- Communicating Results (2400)
- Monitoring Progress (2500)
- Resolution of Sr. Management's Acceptance of Risks (2600)



Red Book

2012 Standards Exposure

- Exposure draft closed – May 20, 2012
- Final Revised Expected – October 2012
- Implementation Expected – January 1, 2013
- 19 Changes proposed

- <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/2012-Standards-Exposure.aspx>



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Red Book

2012 Standards Exposure

Change to Standard 2220

Standard 2220 - Engagement Scope

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

Enhancing Public Trust in Government



Red Book

2012 Standards Exposure

Change to Standard 2440

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive ~~or designee reviews~~ is responsible for reviewing and ~~approves~~ approving the final engagement communication before issuance and ~~decides~~ deciding to whom and how it will be disseminated.



Red Book 2012 Standards Exposure

Change to Standard 2600 and add interpretation

2600 – ~~Resolution of Senior Management's~~ Communicating the Acceptance of Risks

When the chief audit executive ~~believes~~ concludes that ~~senior~~ management has accepted a level of ~~residual~~ risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the ~~decision regarding residual risk is~~ chief audit executive determines that the matter has not been resolved, the chief audit executive must ~~report~~ communicate the matter to the board ~~for resolution~~.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Red Book

2012 Standards Exposure

Add the new definition of Engagement Opinion

The ratings, conclusions, or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

Enhancing Public Trust in Government



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Red Book

2012 Standards Exposure

Add the new definition of Overall Opinion

The overall ratings, conclusions, or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organization. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

Enhancing Public Trust in Government



Red Book

2012 Standards Exposure

Change the definition of Risk

~~The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.~~

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.

engagement
must
results
assurances
Professional control
may scope
Charter
Code
auditors
organization's
board
Ethics knowledge
organization
parties
activity
processes
engagements
risk senior
Internal
Auditing
Internal
Standards
Interpretation
risks
including
professional
Practice
include
activities
information
responsibilities
nature
governance
objectives
consulting
relevant
responsibility
appropriate
sufficient
chief
review



Florida Inspectors General

Melinda M. Miguel
Chief Inspector General

Questions?

James D. Boyd, CPA, CIA, CISA, CIG

Inspector General

Florida Department of Health

Former Member, Internal Auditing Standards Board

Kris Sullivan, CIA, CISA

Deputy Inspector General

Division of Emergency Management

