



International Professional
Practices Framework

Implementation Guide 2020

Standard 2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

Revised Standards, Effective 1 January 2017

Getting Started

Before communicating to senior management and the board regarding the internal audit plan, the internal audit activity's resource requirements, and the impact of resource limitations, the chief audit executive (CAE) determines the resources needed to implement the plan, based on the risk-based priorities identified during the planning process (Standard 2010). Resources may include people (e.g., labor hours and skills), technology (e.g., audit tools and techniques), timing/schedule (availability of resources), and funding. A portion of resources is usually reserved to address changes to the audit plan that may arise, such as unanticipated risks that could affect the organization and requests for consulting engagements from senior management and/or the board. For example, the need for a new internal audit project may arise when new risks are introduced due to organizational divestitures or mergers, political uncertainty, or changes in regulatory requirements.

It is helpful if the CAE, the board, and senior management agree in advance on the criteria that would characterize a significant enough change to warrant discussion and on the protocol for communicating such changes. It may be helpful to record these criteria in the internal audit charter or other document.

Considerations for Implementation

The CAE usually itemizes the audits that comprise the internal audit plan and then assesses the types and quantity of resources that would be needed to accomplish each audit project. Estimates are generally based on past experience with a particular project or comparisons to a similar project. The CAE can compare the resources needed to accomplish the plan's priorities with those available to the internal audit activity to determine whether any gaps exist. This comparison can be used as a basis for determining the impact of resource limitations.

The CAE typically meets with individual senior executives to solicit their input regarding the proposed internal audit plan before it is formally presented to the board for approval. During the meetings, the CAE can address any concerns that senior executives may express, incorporate their feedback (as appropriate), and obtain their support. The process may involve gathering additional information about the timing of proposed audit engagements and the availability of resources. It might introduce changes that affect the scope of work. The insight the CAE acquires from these discussions helps determine whether any adjustments should be made to the internal audit plan before it is presented to the board for approval.

The CAE's presentation of the internal audit plan to the board usually occurs during a meeting, which may include senior management. The proposed internal audit plan may include:

- A list of proposed audit engagements (and specification regarding whether the engagements are assurance or consulting in nature).
- Rationale for selecting each proposed engagement (e.g., risk rating, time since last audit, change in management, etc.).
- Objectives and scope of each proposed engagement.
- A list of initiatives or projects that result from the internal audit strategy but may not



be directly related to an audit engagement.

Resource limitations affect the priorities in the internal audit plan. For example, if resources are not sufficient to complete every proposed engagement in the plan, some engagements may be deferred, and some risks may go unaddressed. During the board presentation, the CAE discusses the proposed internal audit plan and the risk assessment on which it is based, indicating the risks that will be addressed, as well as any risks that cannot be addressed due to resource constraints. Board members can discuss this information and make recommendations before ultimately approving the internal audit plan.

The internal audit plan is developed with enough flexibility so that the CAE can adjust it as necessary in response to changes in the organization's business, risks, operations, programs, systems, and controls. However, the CAE must review *significant* changes to the audit plan, related rationale, and potential impact with the board and senior management to obtain their approval. Regularly scheduled quarterly or semiannual board meetings provide opportunities to review and adjust the internal audit plan.

Considerations for Demonstrating Conformance

The CAE may demonstrate conformance with Standard 2020 by keeping records of the distribution of the internal audit plan. Conformance may also be evidenced through a copy of board meeting materials that includes the internal audit plan as proposed for review and approval. Individual discussions with senior management could be documented through memos, emails, or notes made during the internal audit activity's risk assessment process. Typically, board meeting minutes contain records of the board's discussion and approval of the internal audit plan, any interim changes, and/or the impact of any resource limitations.



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Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

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