

# **Significance of Applying International Standards for the Professional Practice of Internal Auditing in Enhancing Corporate Governance and Sustainability**

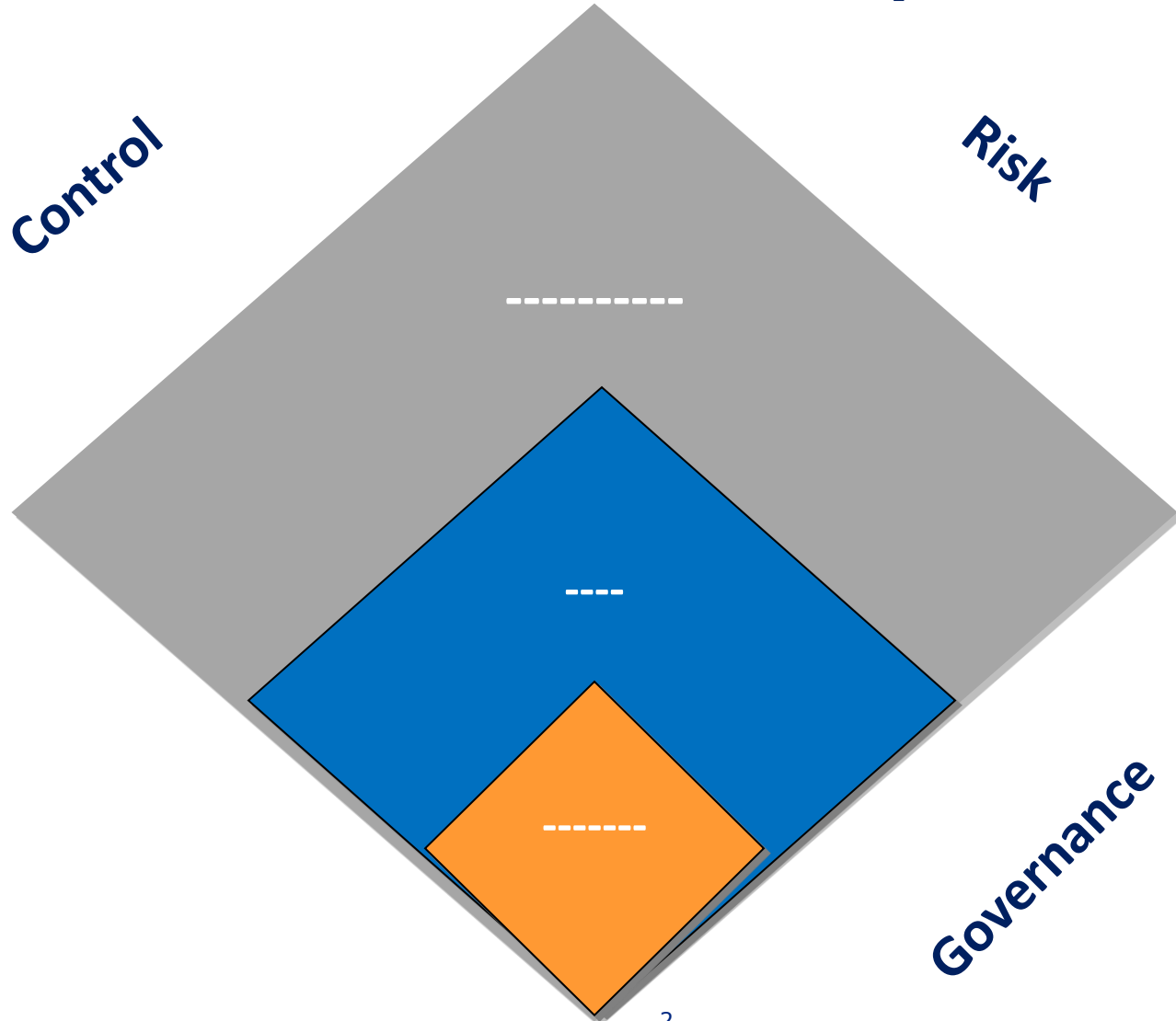
**Delivered by**  
**Elie Safar, MBA, CPA, CIA**

**21<sup>st</sup> International Congress**  
**Sustainability through Governance**  
**A National Interest**

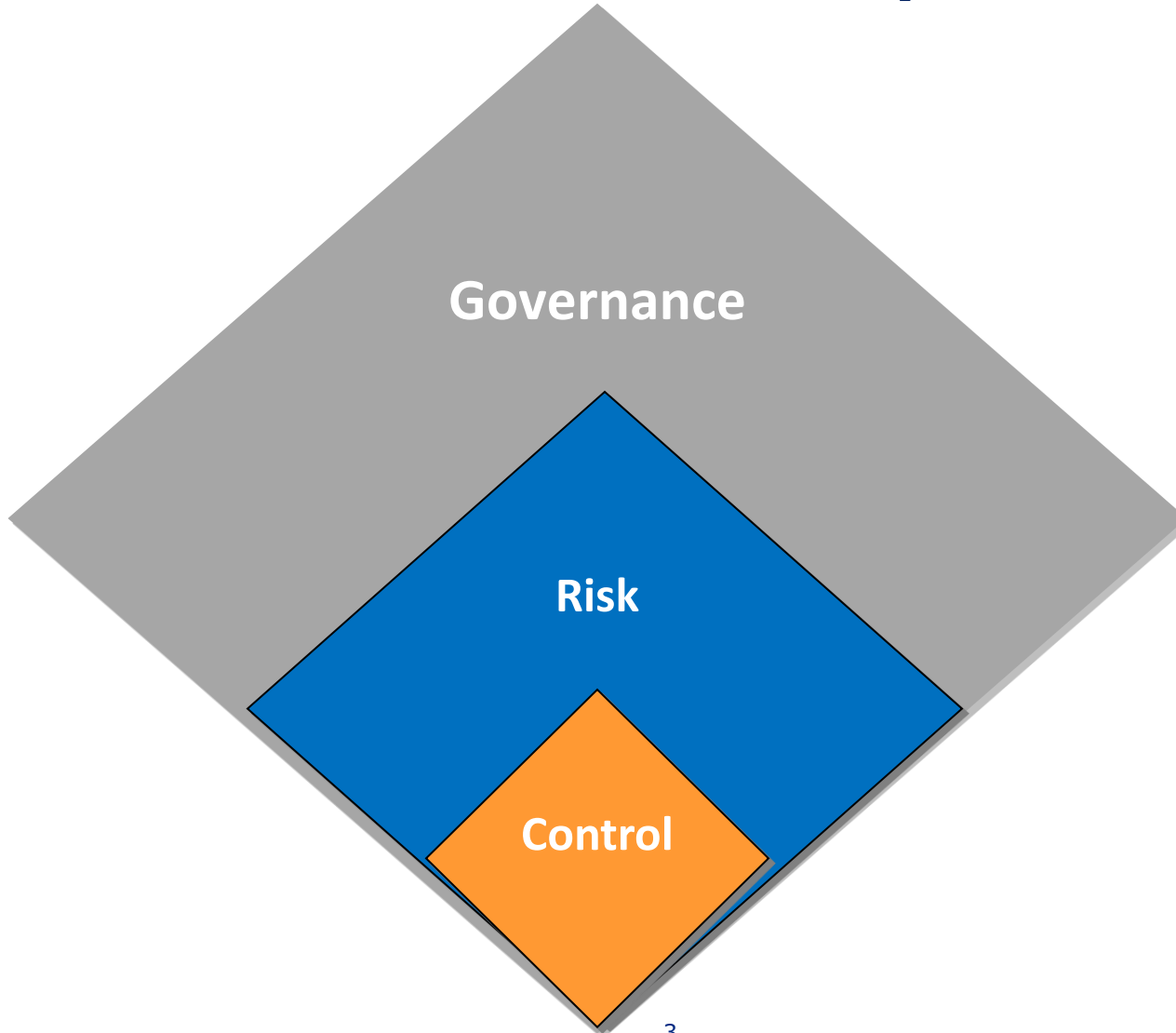


**December 5, 2017**  
**Phoenicia Hotel**  
**Beirut - Lebanon**

# Frameworks into Perspective



# Frameworks into Perspective



# What's this?

## A horse carriage



**What's this?**

**A car**



# What's this? An airplane



**What's common between these 3 pictures?**

**They transport us  
from one point to another**



# What's this?

## A space rocket





**What does it do?**

**It takes us outside the hemisphere!**



# Why do we have *Standards*?

This is exactly what Standards are for  
To take us from one point to another



To take us outside the hemisphere!



# Why do we have *Standards*?

## **To provide us with:**

1. Guidance
2. Framework
3. Basis for evaluation

## **To take us from:**

1. Chaos into structure
2. Improvisation into methodology
3. Babylon into a common language

# Who issues Internal Audit Standards?

Established in 1941, The Institute of Internal Auditors (IIA) is an international professional association with global headquarters in Lake Mary, Florida, USA.

The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

Globally, The IIA has more than 185,000 members distributed over chapter all over the globe.

# Who issues Internal Audit Standards?



# What do the *Standards* Say?



Revised book issued in Q 1 2017

# What do the *Standards* Say?

Standards are provided in 41 languages

1. Arabic — العربية
2. Armenian — Ներքին աուդիտի սահմանում
3. Azeri — Azəri
4. Bosnian — Bosanskom
5. Bulgarian — Български
6. Chinese Simplified — 简体中文
7. Chinese Traditional — 繁體中文
8. Croatian — Hrvatski
9. Czech — České
10. Dutch — Nederlandse
11. English - English
12. Estonian — Eesti
13. Finnish — Suomalainen
14. French — Français

# What do the *Standards* Say?

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15. Georgian — Profesiis
16. German — Deutsch
17. Greek — ΟΡΙΣΜΟΣ ΕΣΩΤΕΡΙΚΟΥ ΕΛΕΓΧΟΥ
18. Hungarian — Magyar
19. Icelandic — Íslenskrar
20. Indonesian — Bahasa Indonesia
21. Italian — Italiano
22. Japanese — 日本語
23. Korean — 한국어
24. Latvian — Latvijā
25. Lithuanian — Lietuvių
26. Macedonian — Македонски
27. Mongolian — Монгол
28. Montenegrin — Crnogorski



# What do the *Standards* Say?

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29. Norwegian — Norske
30. Polish — Polska
31. Portuguese — Portugese
32. Romanian — Română
33. Russian — Россию
34. Serbian — Српски
35. Slovak — Slovenskému
36. Slovenian — Slovenščina
37. Spanish — Español
38. Swedish — Svenska
39. Thai — ภาษาไทย
40. Turkish — Türkçe
41. Ukraine — Україна

# What do the *Standards* Say?



## Mission of Internal Audit

To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

# What do the *Standards* Say?

What's Insight?



Most people see shades of grey...  
Professionals see a fracture!

# What do the *Standards* Say?

New

## Core Principles

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

# Definition of Internal Auditing

## Who are we?

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

# Definition of Internal Auditing

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# Definition of Internal Auditing

## What's our scope?

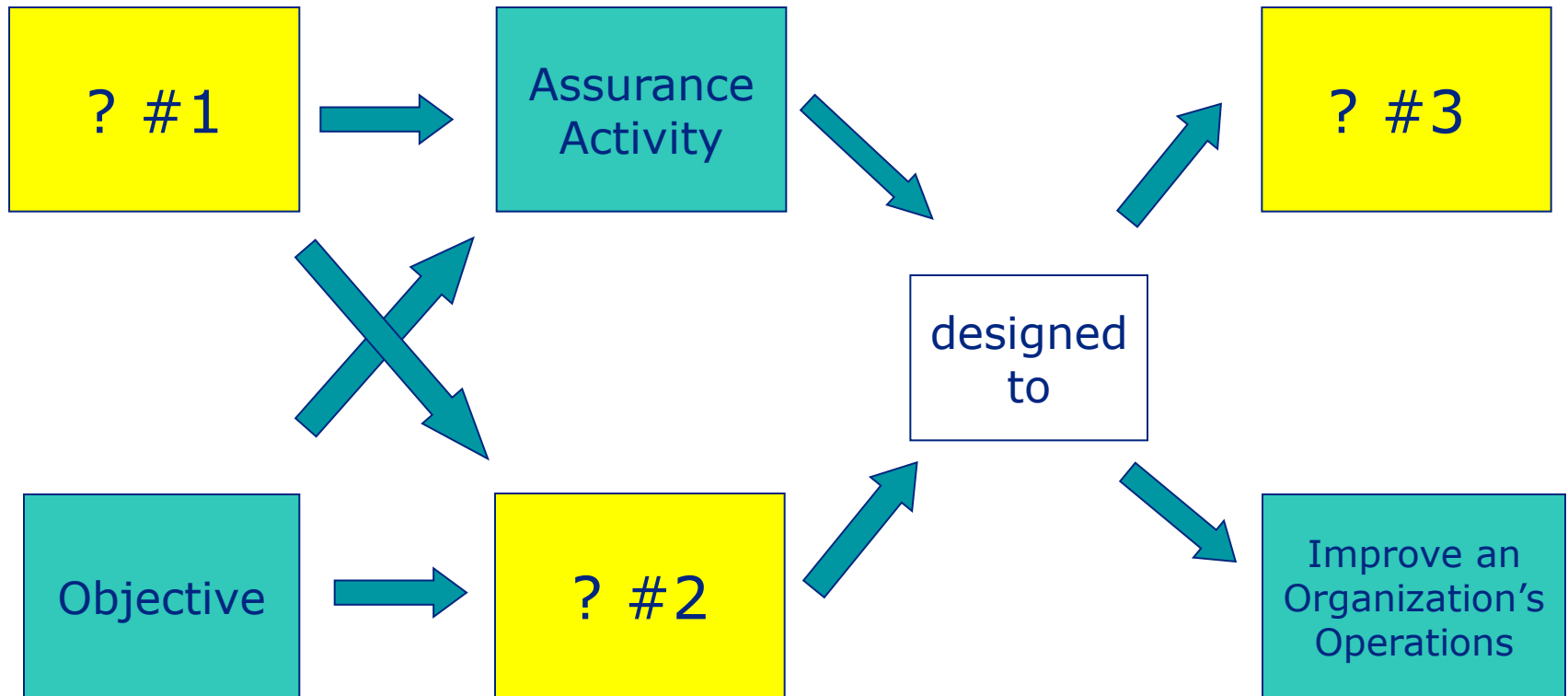
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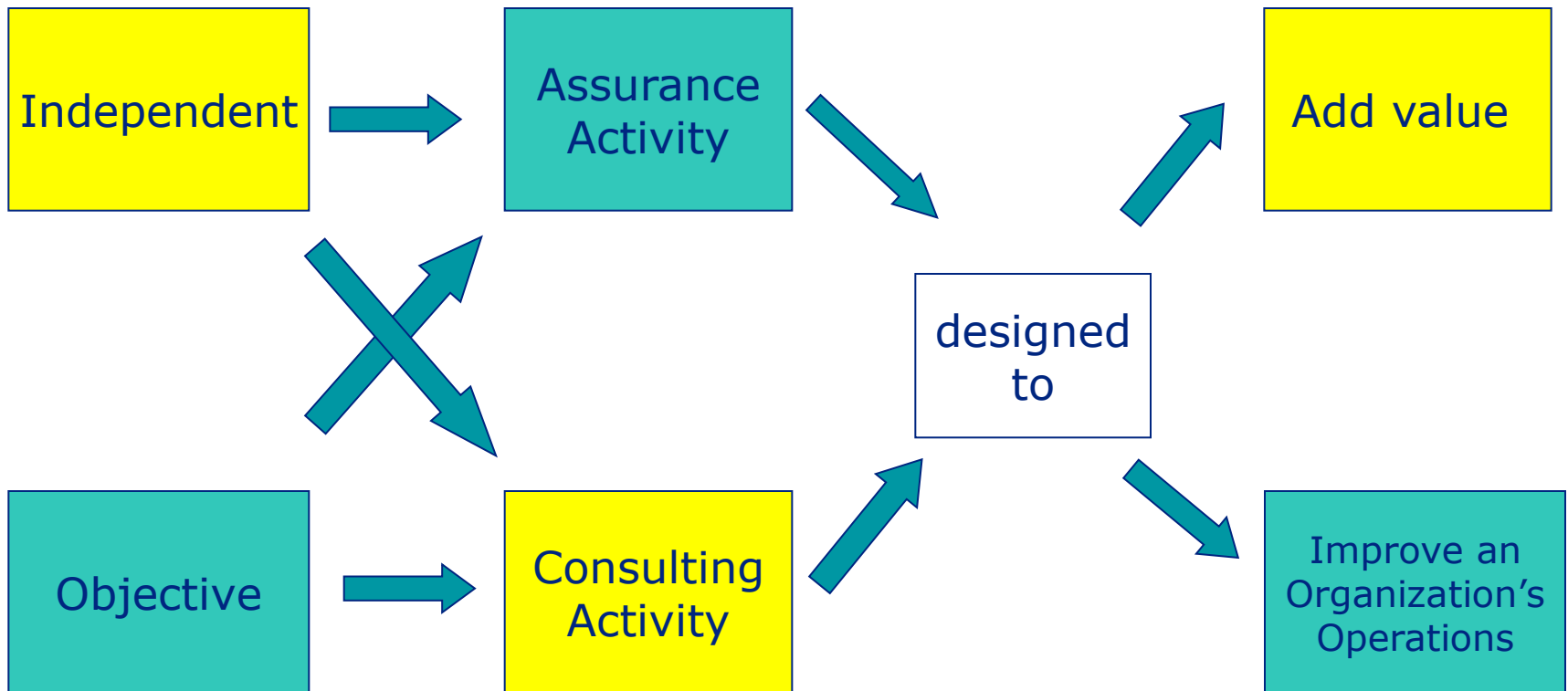
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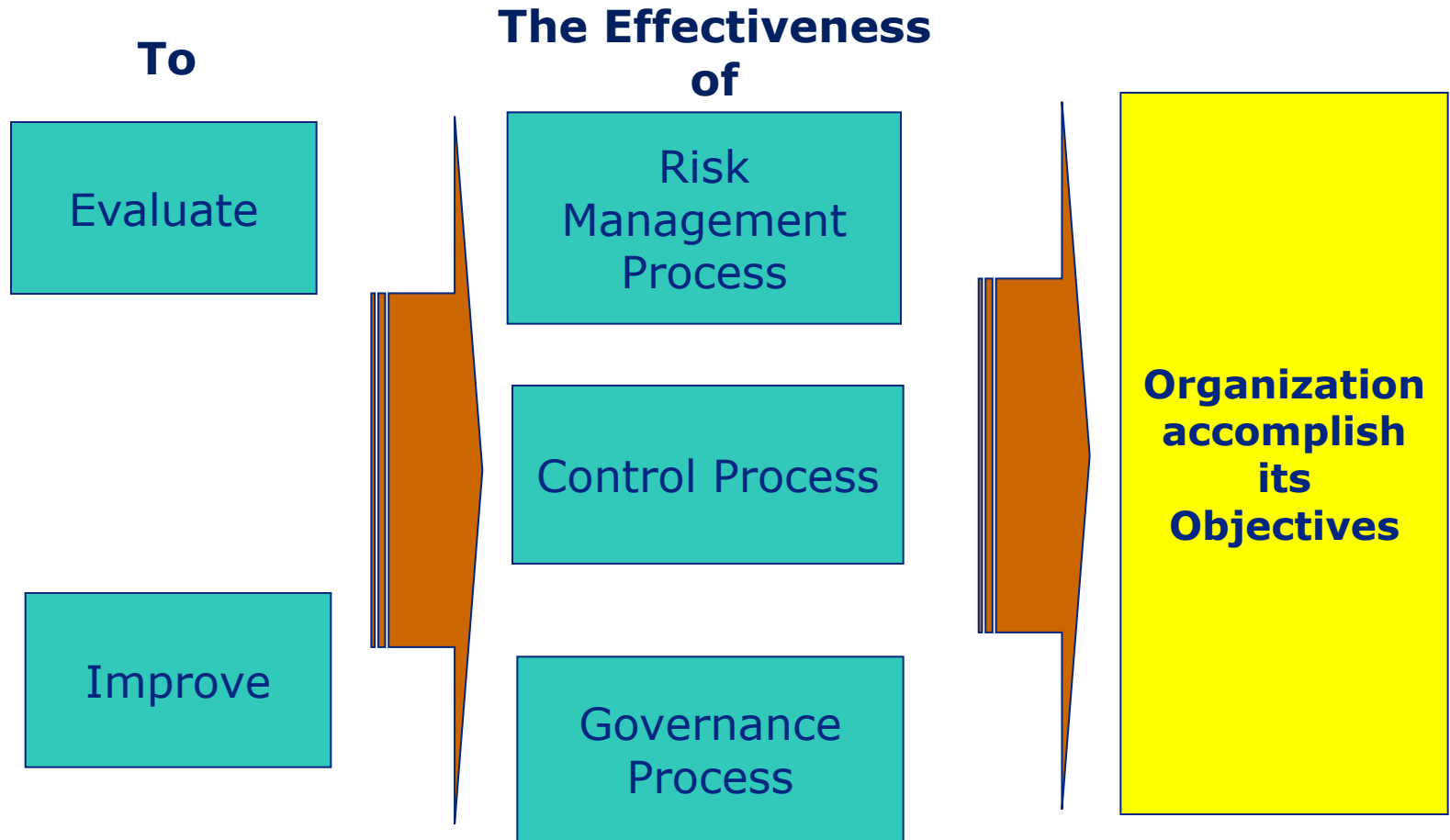
“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management**, **control**, and **governance** processes.”

# Internal Auditing is



# Internal Auditing is





# Who am I?



## What do the *Standards* say?

### **2130- Control**

The internal audit activity must **assist** the organization in maintaining effective controls by **evaluating** their effectiveness and efficiency and by **promoting** continuous **improvement**

### **2120- Risk Management**

The internal audit activity must **evaluate** the effectiveness and **contribute** to the **improvement** of risk management processes

## What do the *Standards* say?

### 2110- Governance

The internal audit activity must **assess** and make appropriate **recommendations** to **improve** the organization's governance processes for ...

### 2010- Planning

The chief audit executive must **establish** a **risk-based plan** to **determine** the priorities of the internal audit activity, consistent with the organization's goals



## What do the *Standards* say?

### 2130- Control

#### 2130.A1

The internal audit activity must evaluate the **adequacy** and **effectiveness** of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

## What do the *Standards* say?

### 2130- Control

#### 2130.A1

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Compliance with laws, regulations, policies, procedures, and contracts.

## What do the *Standards* say?

### 2120- Risk Management

#### 2120.A1

The internal audit activity must evaluate risk **exposures** relating to the organization's governance, operations, and information systems regarding the:

## What do the *Standards* say?

### 2120- Risk Management

#### 2120.A1

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

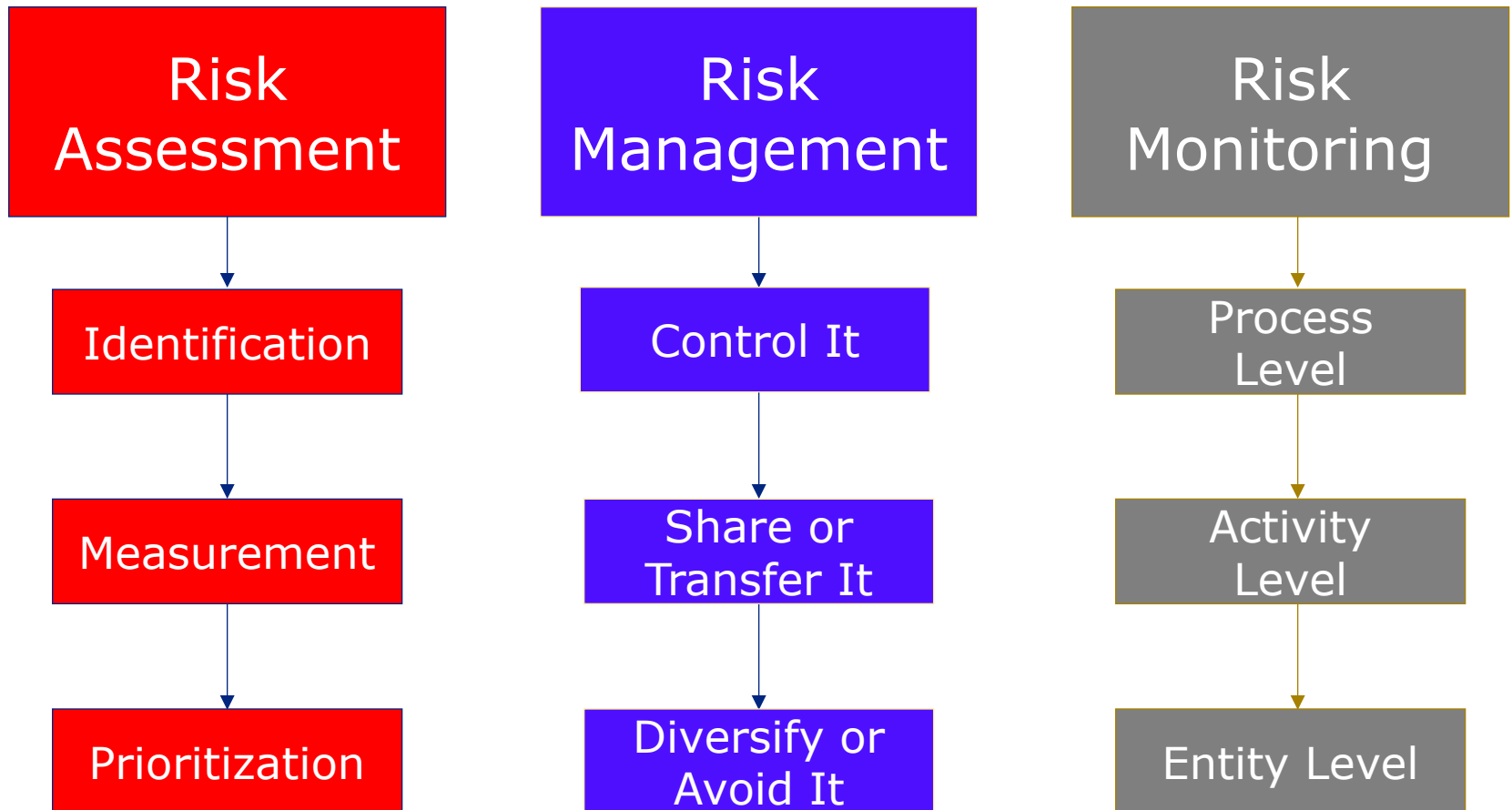
## What do the *Standards* say?

### 2120- Risk Management

#### 2120.A2

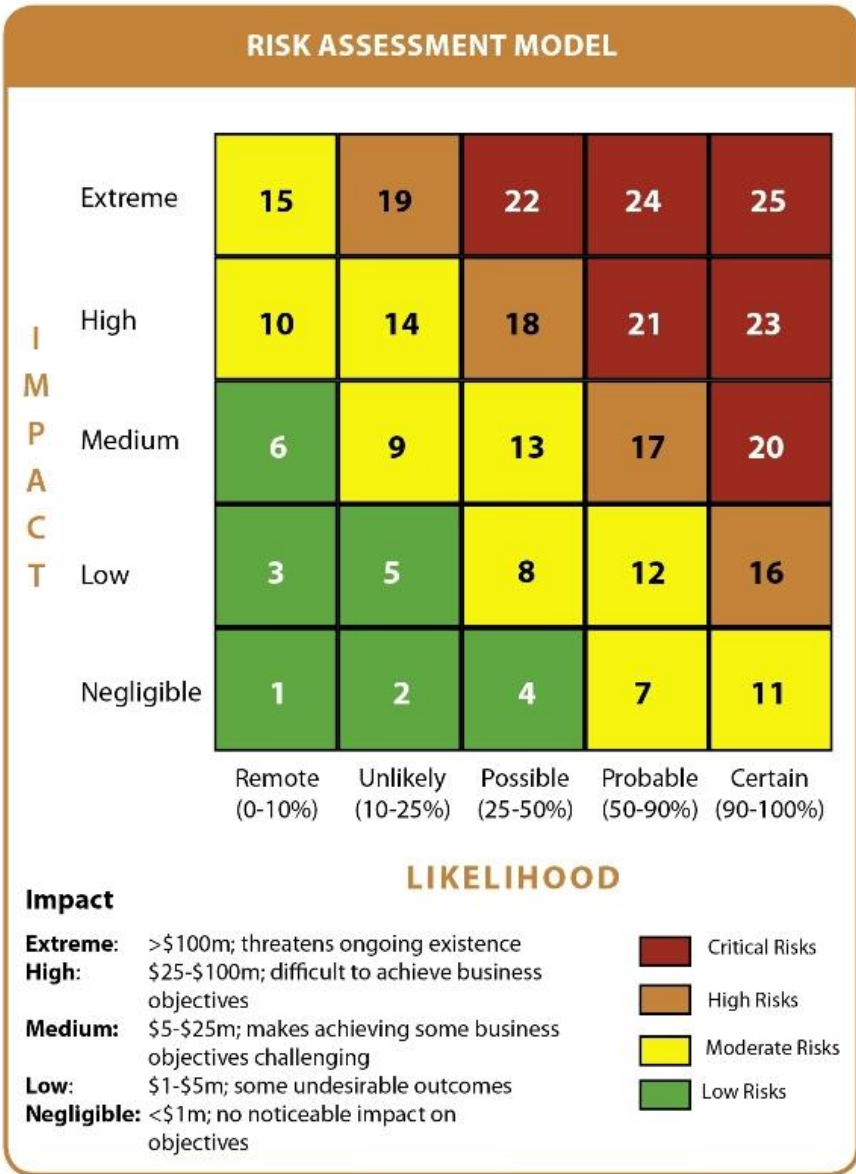
The internal audit activity must evaluate the potential for the occurrence of **fraud** and how the organization manages fraud risks.

# Risk Analysis



## Risk Responses

- ❑ Avoid = eliminate
- ❑ Reduce = establish controls
- ❑ Share = partner with someone
- ❑ Accept = live with it





## What do the *Standards* say?

### 2110- Governance

- Making strategic and operational decisions.
- Overseeing management and control.
- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

## What do the *Standards* say?

### 2110- Governance

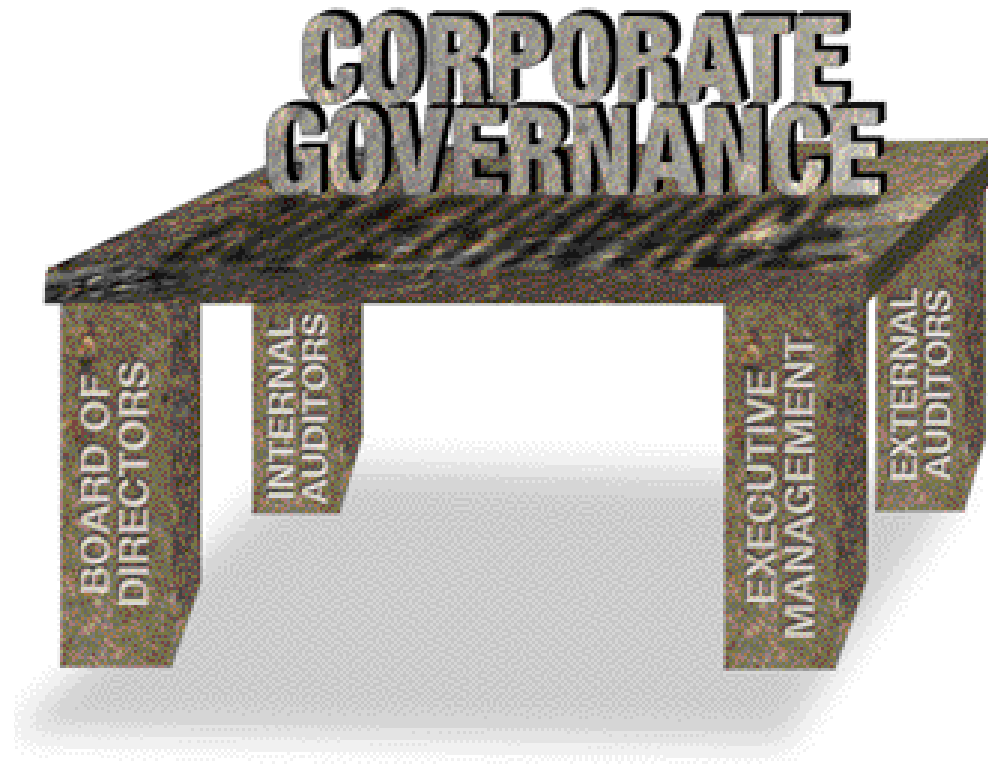
#### 2110.A2

The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's **ethics**-related objectives, programs, and activities.

#### 2110.A3

The internal audit activity must assess whether the **information technology** governance of the organization supports the organization's strategies and objectives.

## Pillars of Corporate Governance



## What do the *Standards* say?

### 2010- Planning

The chief audit executive must **establish** a **risk-based plan** to **determine** the priorities of the internal audit activity, consistent with the organization's goals



**Jeha?**

**جها؟**

## *In summary...*

# Definition of Internal Auditing

## What's our scope?

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management**, **control**, and **governance** processes.

## ***In summary...***

# **Definition of Internal Auditing**

## **Why are we here?**

“Internal auditing is an independent, objective assurance and consulting activity designed to **add value** and **improve** an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

## ***In summary...***

Significance of Applying International Standards for the Professional Practice of Internal Auditing in Enhancing Corporate Governance and Sustainability

**Applying International Standards is integral to enhance governance and sustainability...**

**...regardless what language we speak, what we dress, or where we live**



**It's what we do  
It's who we are!**





*Elie Safar*

Corporate Governance ● Internal Audit ● Professional Development



*Thank you*



*Sharpen it*

*Elie Safar*, MBA, CPA, CIA

Corporate Governance ● Internal Audit ● Professional Development

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