

Global IIA Standards

KPMG Board Leadership Centre

The Institute of Internal Auditors (IIAs) revised Global Internal Audit Standards were released on 9 January 2024 following a four-year period of consultation. These standards will be effective from January 2025 and mark a major advancement in Internal Audit practices aiming to bring clarity to the role of Internal Audit and reflect the ever-changing landscape in which it operates.

The revised Standards are structured into five core domains, covering 15 principles and 54 detailed standards. There are several key takeaways which have been summarised below:

- A revised purpose for Internal Audit with less emphasis on advisory engagements and the use of phrases like objective assurance, advice, insight and foresight.
- An increased focus on governance and the role of the Audit Committee in overseeing Internal Audit.
- The expectation to document a forward-looking strategy – clearly there has always been an expectation to have an improvement programme but this strategy is expected to be broader.
- Specific guidance and standards on critical risk areas such as cyber security and technology.
- Greater emphasis on training, professional development and auditor competence particularly in areas such as professional scepticism, integrity, objectivity and ethical standards.
- Greater requirements to retain evidence to demonstrate conformance with the Standards.
- Clarified requirements for identifying root causes and prioritising findings through the delivery of audit activity.
- Focus on the authority of the IA function and where it sits within the organisation.
- New material on the coordination with, and reliance on, other assurance providers such as Compliance, Risk and External Audit – including explicit reference to assurance mapping.

What does this mean for Audit Committees?

The standards have introduced a new section on 'Governing the Internal Audit Function'. This addresses the importance of having appropriate governance arrangements to enable the internal audit function to be effective.

Specifically, this sets out the requirement for Chief Internal Auditors to work closely with the Audit Committee to establish the function, position it independently and provide information to the Audit Committee to enable it to assess its performance. A summary is provided below:

- **Meet with the Audit Committee and Senior Management:** Discuss specific standards that define the purpose of Internal Audit and support the function's mandate.
- **Provision of information from the Chief Internal Auditor:** Information must be provided to support and promote the recognition of the Internal Audit function. This includes meeting with the Chief Internal Auditor at least annually independent from management. Also, requirement to approve the internal audit charter, plan, budget and resource requirements.
- **Confirmation of independence:** The Chief Internal Auditor must formally confirm organisational independence annually to the Audit Committee. This includes areas where it may have been impacted and the safeguards implemented.
- **Seniority of the Chief Internal Auditor:** The standards necessitate the Chief Internal Auditor to assist the Audit Committee in understanding the necessary experience and qualifications required for the Chief Internal Auditor role. The Audit Committee is expected to evaluate the role profile of the Chief Internal Auditor regularly and advocate for their continuous professional development and education.

— Internal Audit and the interaction with the Audit Committee: Audit Committee is responsible for ensuring that the Internal Audit function has sufficient resources (number and capability) to fulfil its mandate and to understand how the Internal Audit function is fulfilling its mandate. The Audit Committee must receive sufficient information to properly challenge the effectiveness of the Chief Internal Auditor and the Internal Audit function through the quality assessment and improvement programme.

— External Quality Assessment: Chief Internal Auditor must develop a plan for external quality assessment (EQA) and communicate this to the Audit Committee. The standards provide greater detail on the considerations for an EQA and the selection processes that should be implemented.

The KPMG Board Leadership Centre

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