

Towards the Global Internal Audit Standards

The Institute of Internal Auditors has recently released the new Global Internal Audit Standards (the “Standards”), which will supersede the International Standards for the Professional Practice of Internal Auditing released in 2017. This provides an opportunity for the internal audit functions to evolve by adopting the new Standards and highlight their position in the organisation. The Standards become effective in January 2025, and early adoption is encouraged. The new Standards affect organisations regardless of size, industry, and geographic region. They are designed to help internal audit functions respond to today’s challenging and rapidly changing environment.

How is the role of internal audit evolving?

The new Standards aim to provide a simplified structure, details and directions for an effective internal audit function. They aim to elevate the quality of internal auditing and enhance the function’s role as an essential business partner to boards and senior management. The concepts of quality and governance are extended, which aim to:

- Serve as a basis for evaluating and elevating the quality and effectiveness of the internal audit function.
- Promote strong governance framework of the internal audit function and improve organisations’ responsiveness to changes.
- Enhance the management of the internal audit function, in terms of defining strategic position, managing resources and enhancing communication with stakeholders.

While conformance with the requirements is expected, there may be exceptional circumstances in which full conformance is not possible. In these exceptional circumstances, alternative actions should

be implemented for meeting the intent of the related Standards. Specific guidance is provided for smaller internal audit functions and for the internal audit functions operating in the public sector to address their unique needs.

What is changing?

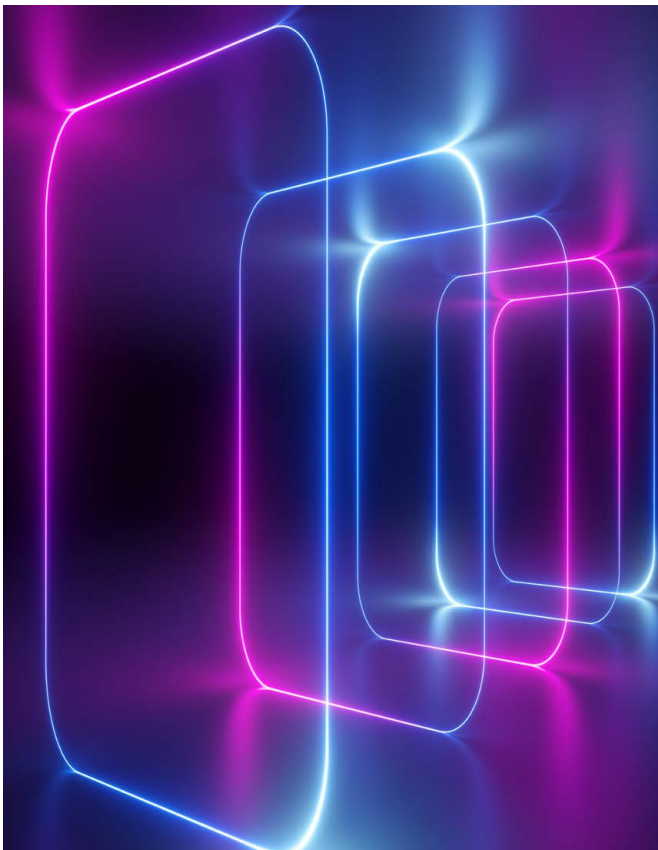
The new Standards have five domains focused on the Purpose of Internal Auditing, Ethics and Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function, and Performing Internal Audit Services. The domains have 15 principles, and each principle is supported by standards, along with requirements, considerations for implementation, and examples of evidence of conformance.

The following key developments arise with the implementation of the new Standards:

- Development of an internal audit strategy for the internal audit function, aligned with the expectations of the board, senior management and other key stakeholders.
- Establishment of a specific internal audit methodology for the internal audit function, and provision of training on the methodology to the internal auditors.
- Evaluation/prioritisation of individual findings to determine their significance, and development of an engagement conclusion to summarise the internal auditors’ judgment about the overall significance of the aggregated engagement findings.
- Enhanced requirements for external quality assessments once every five years, or self-assessment with independent validation. The

external independent assessor or assessment team must include a person holding an active Certificate of Internal Auditor.

- Requirement for continuing professional development, including education and training, through the development of an annual plan and budget for training. Requirements for ongoing professional development are also applicable for certification purposes.
- Emphasis on the board's role in oversight of the internal audit function to ensure the function's effectiveness and independence.
- Focus on the use of technology to support the internal audit process and improve the internal audit function's efficiency and effectiveness. Examples of technology include internal audit management systems, tools that assist data analytics, etc.



How can KPMG in Cyprus help?

KPMG in Cyprus can work with you to help you implement the required actions for effectively adopting the new Standards, by supporting the internal audit functions, through the following:

- Analysis of the organisation and internal audit function, as in size, structure, operations, and regulatory obligations.
- Understanding the needs and expectations of stakeholders.
- Gap analysis for defining actions to be taken for conformance with the new Standards' requirements.
- Action plan preparation, including timeframes and ownership allocation.
- Support in the definition or updating of the internal audit strategy and methodology.
- Independent external quality assessment of the internal audit function.

KPMG's support may address the needs of growing businesses in a complex and rapidly changing environment and facilitate the transition towards the new Standards.

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