



Audit Committee Forum No.55

Navigating the New Global Internal
Audit Standards

KPMG in Thailand
26 November 2024



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01

Future of Risks

Asia Pacific Risk Trends

**Survey questions: What are the top 5 risks your organization currently faces?
What do you think the top 5 risks will be 3 years in the future?**

Last Year's Risk		Current Year's Risk		Risk Expectations in 3 Years	
1. Cybersecurity	66%	1. Cybersecurity	64%	1. Cybersecurity	62%
2. Business continuity	61%	2. Business continuity	62%	2. Business continuity	59%
3. Human capital	59%	3. Human capital	57%	3. Digital disruption (including AI)	55%
4. Market changes /competition	47%	4. Market changes/competition	49%	4. Climate change/environment	47%
5. Regulatory change	35%	5. Digital disruption (including AI)	36%	5. Human capital	46%
6. Digital disruption (including AI)	30%	6. Regulatory change	32%	6. Market changes/competition	44%
7. Geopolitical uncertainty	28%	7. Geopolitical uncertainty	30%	7. Geopolitical uncertainty	34%
8. Supply chain (including third parties)	27%	8. Climate change/environment	26%	8. Regulatory change	31%
9. Governance/corporate reporting	24%	9. Supply chain (including third parties)	24%	9. Supply chain (including third parties)	21%
10. Organizational culture	23%	10. Organizational culture	23%	10. Governance/corporate reporting	21%
11. Climate change/environment	22%	11. Governance/corporate reporting	22%	11. Fraud	17%
12. Fraud	22%	12. Fraud	22%	12. Organizational culture	17%
13. Financial liquidity	21%	13. Communications/reputation	21%	13. Financial liquidity	15%
14. Communications/reputation	18%	14. Financial liquidity	19%	14. Communications/reputation	14%
15. Health/safety	12%	15. Health/safety	11%	15. Health/safety	10%
16. Mergers/acquisitions	4%	16. Mergers/acquisitions	4%	16. Mergers/acquisitions	7%

Note: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n = 1,024 for Asia Pacific.

Global Risk Trends

Global – Top 5 Risk Levels – Trend

Survey questions: What are the top 5 risks your organization currently faces?
What do you think the top 5 risks will be 3 years in the future?

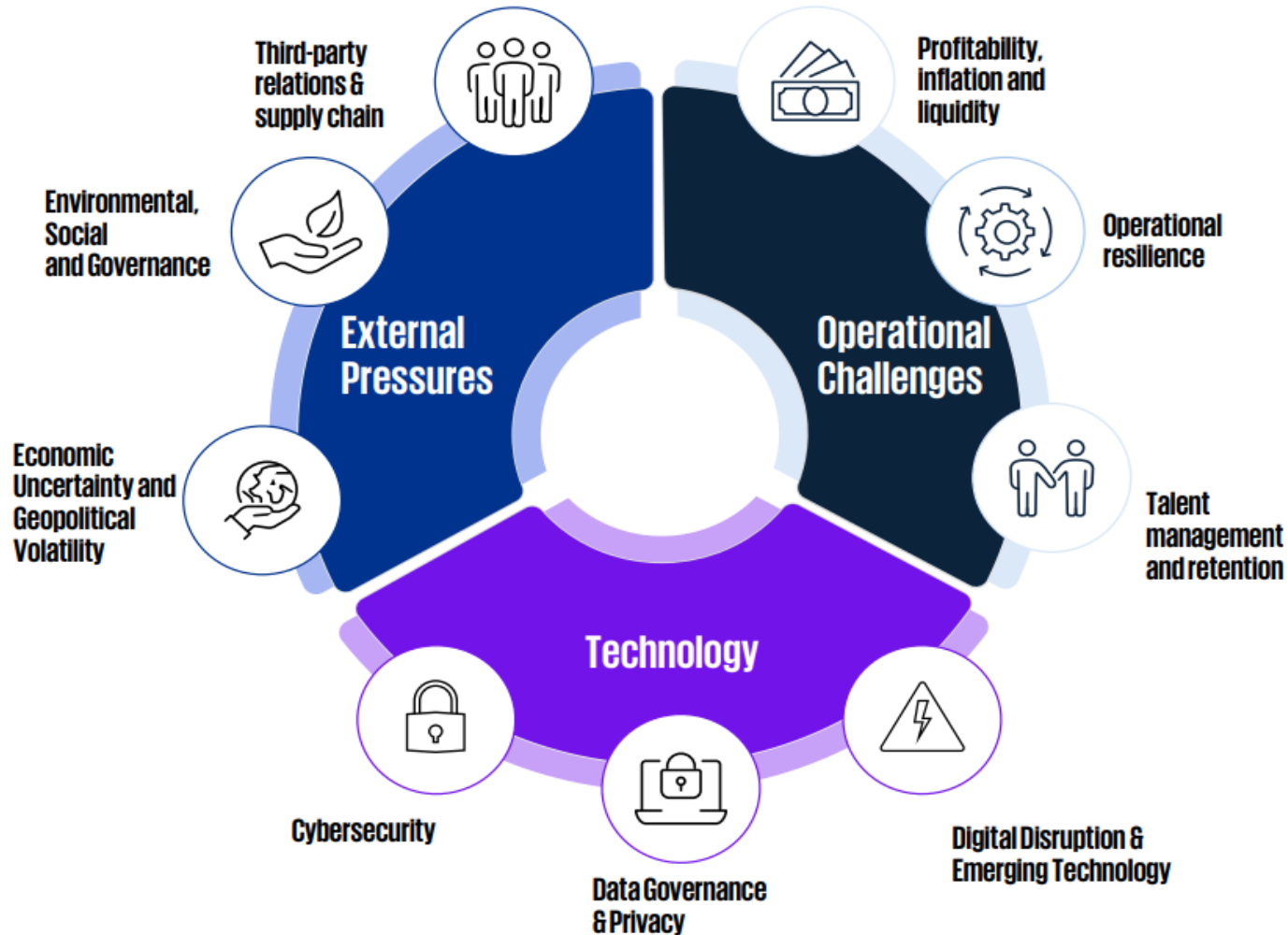
Last Year's Risk		Current Year's Risk		Risk Expectations in 3 Years	
1. Cybersecurity	73%	1. Cybersecurity	73%	1. Cybersecurity	69%
2. Human capital	51%	2. Business continuity	51%	2. Digital disruption (including AI)	59%
3. Business continuity	47%	3. Human capital	49%	3. Business continuity	47%
4. Regulatory change	39%	4. Digital disruption (including AI)	39%	4. Human capital	42%
5. Digital disruption (including AI)	34%	5. Regulatory change	38%	5. Climate change/environment	39%
6. Financial liquidity	32%	6. Market changes/competition	32%	6. Regulatory change	37%
7. Market changes/competition	32%	7. Financial liquidity	31%	7. Geopolitical uncertainty	31%
8. Geopolitical uncertainty	30%	8. Geopolitical uncertainty	30%	8. Market changes/competition	30%
9. Governance/corporate reporting	27%	9. Governance/corporate reporting	25%	9. Financial liquidity	25%
10. Supply chain (including third parties)	26%	10. Organizational culture	24%	10. Supply chain (including third parties)	24%
11. Organizational culture	26%	11. Fraud	24%	11. Governance/corporate reporting	22%
12. Fraud	24%	12. Supply chain (including third parties)	23%	12. Fraud	21%
13. Communications/reputation	21%	13. Climate change/environment	23%	13. Organizational culture	20%
14. Climate change/environment	19%	14. Communications/reputation	20%	14. Communications/reputation	15%
15. Health/safety	11%	15. Health/safety	11%	15. Health/safety	10%
16. Mergers/acquisitions	6%	16. Mergers/acquisitions	6%	16. Mergers/acquisitions	9%

Note 1: The global average is calculated by summing the averages from each region and dividing by the number of regions.
Note 2: Risk in Focus surveys conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation and the European Institutes Research Group. n = 3,544.

02

Future Internal Audit Focus Areas

Future Internal Audit Focus Areas



“Internal Audit functions are confronting a risk environment that is continually evolving, marked by heightened uncertainty, unpredictability, and volatility.

These factors compel Internal Audit to maintain a dynamic posture in the crafting of their 2025 Internal Audit Plans, ensuring agility and responsiveness to change.”

03

Introduction to Global Internal Audit Standards 2024

Global Internal Audit Standards - Key Milestones

Global Internal Audit Standards Milestones

2021

Research and benchmarking as input for revisions to framework and standard-setting process

2022

- Outreach and engagement to receive input from stakeholders
- Revisions and development of new standards

2023: Q1 - Q3

- Transition and release of draft for 90 days of public comments
- Analysis and deposition of results

2023: Q4

- Approval of final draft. Translations begin

2024

- On 9 Jan 2024, the Standard Board released the Global Internal Audit Standards
- Q2 - Quality assessment readiness tool
- Q3 - Topical Requirement on Cybersecurity - issued for public (Apr) , followed by release (Q3)
- Q3 - Quality Assessment Manual

2025

- New Standards become effective 9 Jan 2025
- CIA Exam: No change before May 2025
- Updated Internal Audit Practitioner exam: no change before effective date

We are here

Source: The Institute of Internal Auditors

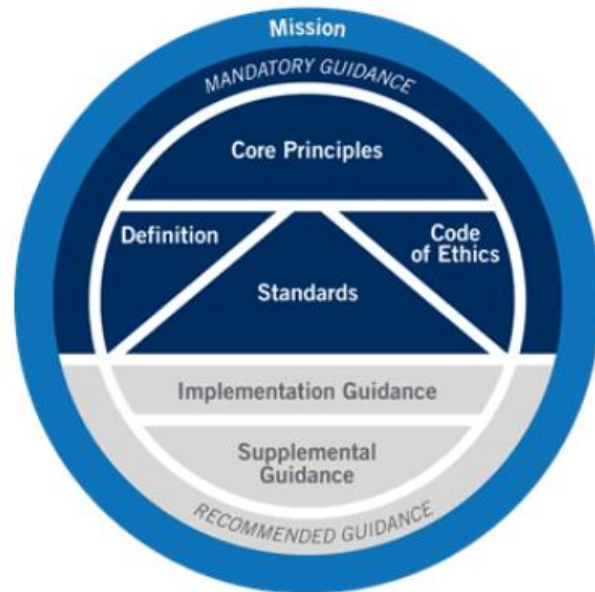


Global Internal Audit Standards - 2024 Evolution

2017



International Professional Practices Framework



2024



New Concept - Topical Requirements

- ✓ Requirements when auditing specific topics
- ✓ Applicable to specific audit topics or engagements
- ✓ Below list of 8 Audit Subjects is now under consideration and if approved would become available after new standard launch

1. Assessing Organizational Governance
2. Cybersecurity
3. Fraud Risk Management
4. IT Governance
5. Privacy Risk Management
6. Sustainability: ESG
7. Third-party Management
8. Public Sector-Specific: Performance Audit

Global Internal Audit Standards

The Standards combine into one document the five mandatory components of 2017 IPPF (Mission of Internal Audit, Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Standards) as well as one of the recommended non-mandatory elements, the Implementation Guidance.



- ✓ 5 Domains
- ✓ 15 Principles
- ✓ 52 Supporting Standards with requirements, considerations for implementation, and Examples of Evidence of Conformance
- ✓ Standards no longer divided into 'attribute' and 'performance' categories
- ✓ Other Mandatory Component **"Topical Requirements"** will be required.
- ✓ "Global Guidance" as non-mandatory requirements e.g., information, advices, leading practices

Global Internal Audit Standards - Key Structural Changes

One Document

Encompasses the following elements from the 2017 IIA Standards into one framework:

- *Mission of Internal Audit*
- *Definition of Internal Auditing*
- *Core Principles for the Professional Practice of Internal Auditing*
- *Code of Ethics*
- *Standards*
- *Implementation Guidance (recommended)*

Implementation Guidance

- Includes specific examples of conformance that will support External Quality Assessment engagements
- Provides direction for Public Sector internal audit functions

Reorganized Sections

- Standards are not divided into “attribute” and “performance” categories
- “Interpretations” are no longer included as a separate section
- 52 Standards are organized into 5 domains with 15 principles

Implementation required by 9 January 2025 with early adoption encouraged.

Global Internal Audit Standards

5 Domains, 15 Principles



Global Internal Audit Standards - Notable Changes and Highlights

“In addition to a number of smaller changes throughout the new standards, the areas below represent the more significant updates to the 2024 Standards.”

1	Essential Conditions for Board and Senior Management
2	Internal Audit Strategy
3	Integrated Assurance and the Internal Audit Plan
4	Report and Finding Ratings
5	Performance Measurement
6	Technology Enhancement
7	Enhanced External Quality Assessments (EQA)

Global Internal Audit Standards - Notable Changes and Highlights

1. Essential Conditions for Board and Senior Management

FROM

- Limited guidance and details on board, audit committee, or senior management involvement with the internal audit function



TO

- Introduce a new concept of “Essential Conditions” for board and senior management
- Domain III ‘Governing the Internal Audit Function’, which encompasses Standard 6.1 through 8.4, specifies what the CAE must do to support the Board and Senior Management to perform necessary oversight responsibilities for an effective IA function.

Key Implications for Internal Audit:

- CAE should discuss with the Board and Senior Management the information necessary for oversight of the IA Function.
- Internal Audit has to demonstrate compliance with the Board and Senior Management ‘Essential Conditions’ requirements.
- The Board should set expectations with the CAE regarding criteria for determining which issues should be escalated to the board, including risks that exceed the board's risk tolerance.

Domain III: Governing the Internal Audit Function

Domain III standards include “essential conditions” for an effective internal audit function.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

Global Internal Audit Standards - Notable Changes and Highlights

2. Internal Audit Strategy

FROM

- N/A New Concept for 2024

TO

- The CAE is now required to develop and implement an IA strategy (Standard 9.2) that supports the strategic objectives and success of the organization and aligns with the expectations of the Board, Senior Management, and other key stakeholders.
- This includes the development of a vision, strategic objectives, and supporting initiatives for the IA function.

Key Implications for Internal Audit:

- The IA Strategy is intended to guide the IA function toward fulfillment of its purpose. The **vision** should describe the desired future state in three to five years. **Strategic objectives** define achievable targets to attain the vision. **Supporting initiatives** outline the specific tactics and steps for achieving the objectives.
- The IA Strategy is to be aligned with the organization's strategy and objectives in order to ensure that IA strategy supports the overall organization objectives.

Global Internal Audit Standards - Notable Changes and Highlights

3. Integrated Assurance and the Internal Audit Plan

FROM

- Standard 2050 requires the internal audit to share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.



TO

- Standard 9.4 requires that the IA plan must be based on a documented assessment of the organization's objectives, and risks.
- Standard 9.5 requires the CAE to coordinate with internal and external providers of assurance services and consider relying on their work. Coordination of services minimizes duplication of efforts and highlights gaps in coverage of key risks.

Key Implications for Internal Audit:

- **An Assurance Map** is the consolidated representation of the assurance provided by the 'four lines of defense' which helps to identify the range of assurance sources available to an entity.
- There are various drivers for an assurance map, including but not limited to, changing business environments, major transformation programs and need to ensure appropriate coverage of principal risks in an efficient manner.

Global Internal Audit Standards - Notable Changes and Highlights

3. Integrated Assurance and the Internal Audit Plan - Examples

What does an assurance map look like in its most basic form?

The map is intended to provide a snapshot view of the assurance obtained (coverage) over an organisation's principal risks by various teams which form the organisation's four lines of defence. The below illustrative example of an assurance map.

Principal Risks	Gross Risk Score	First Line of Defence Business operations "Management Controls"		Second Line of Defence Oversight functions, e.g. Risk , Compliance, Central Controls Office, Health and Safety etc)				Third Line of Defence Internal Audit	Fourth Line of Defence External Audit
		Control Assurance/ QA	Independent Reviews	Risk	Compliance	Central Controls Office	Other		
Regulatory Risk	15	M	M	M	N/A	M	M	M	N/A
Operational Risk	8	H	H	L	N/A	H	H	N	N/A
People Risk	15	H	H	M	N/A	H	H	N	N/A
Financial Risk	9	H	M	L	N/A	M	M	N	M
Credit Risk	10	H	H	L	N/A	M	M	N	M
Liquidity Risk	8	M	M	M	N/A	N	M	N	M
Technology Risk	8	L	L	H	M	N	M	N	N/A
ESG Risk	12	H	M	M	M	H	M	N	N/A

1

High Coverage

2

Medium Coverage

3

Low Coverage

4

Not applicable or No

EXAMPLE ONLY

Source: KPMG Gaining Assurance Efficiencies



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Global Internal Audit Standards - Notable Changes and Highlights

4. Report and Finding Ratings

FROM

- The 2017 Standards noted that IA must communicate the findings and results of its work but did not require rankings and ratings and engagement communication elements are not clearly defined.



TO

- As per Standard 14.3, individual engagement findings must be prioritized based on significance. Ratings and/or rankings are not mandatory but recommended. The “Considerations for Implementation” suggests a rating scale, such as satisfactory, partially satisfactory, needs improvement, or unsatisfactory.

Key Implications for Internal Audit:

- The Internal Audit should consider establishing the Ratings / Rankings criteria. Engagement findings must be prioritized based on each individual level of significance.

Global Internal Audit Standards - Notable Changes and Highlights

4. Report and Finding Ratings

The Standards require IA to prioritize each engagement finding using methodologies established by the CAE.

Evaluation of findings includes:

Identifying the root cause and determining the effects

Evaluating the significance of the risk

Considering the likelihood of the risk occurring

Considering the impact the risk may have on the organization's governance, risk management, or control processes

If internal auditors determine that the organization is exposed to a significant risk, the issue must be documented and communicated as a finding. Findings should be written succinctly, in plain language, such that the management of the activity under review understands the internal auditors' evaluation. Findings should explain the difference between the conditions and the criteria and should provide documented evidence that supports internal auditors' evaluation and judgment about their significance.

Global Internal Audit Standards - Notable Changes and Highlights

5. Performance Measurement

FROM

- Limited guidance on performance evaluation and measurement

TO

- As per Standard 12.2, The chief audit executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.

Key Implications for Internal Audit:

- The Chief Audit Executive (CAE) bears the responsibility of setting **performance objectives**, better known as **key performance indicators (KPIs)**, to evaluate the effectiveness of the IA function.
- Additionally, the CAE must define **action plans** to address the performance evaluation results and improvement program if the KPIs are not fulfilled.
- It is essential that KPIs should be **reviewed on a regular basis** to ensure that they are aligned with strategic objectives.

Global Internal Audit Standards - Notable Changes and Highlights

6. Technology Enhancement

FROM

- Limited guidance on internal audit technology adoption for internal auditors

TO

- Standard 10.3 Technological Resources requires the CAE to ensure IA has access to appropriate technology.
- CAE must strive to ensure that the internal audit function has technology to support the internal audit process.

Key Implications for Internal Audit:

- Internal audit should regularly conduct **tech evaluations** to identify opportunities for improvements.
- Internal audit should establish the **proper training** for new technology to internal auditors and collaborate with the IT Functions or cyber security functions (if any) to ensure technological resources are implemented properly.
- The internal audit function should use technology to **improve its effectiveness and efficiency** e.g., internal audit management system, data science or data analytics tools, communication or reporting dashboard, etc.

Global Internal Audit Standards - Notable Changes and Highlights

7. Enhanced External Quality Assessments (EQA)

FROM

- Limited information on QAIP Related Guidance

TO

- Consistent with 2017 Standards, the new Standards require an external quality assessment (EQA) to be performed every five years, which can be accomplished via self assessment with independent validation, if desired. The new Standards require that the board of directors must review EQA results, and the assessment team must include at least one individual with an active certified internal auditor (CIA) designation.

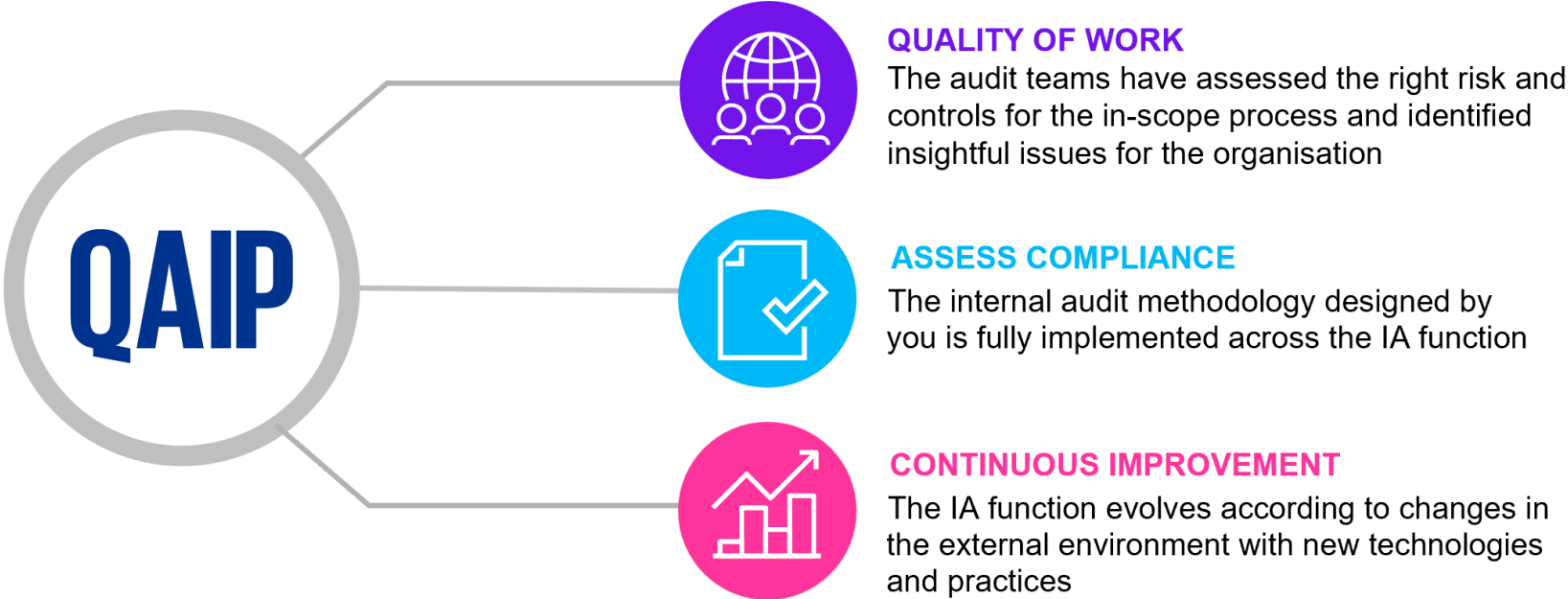
Key Implications for Internal Audit:

- IA functions still require an EQA to be completed every five years. However, now one member of the **independent EQA** assessment team must be an active Certified Internal Auditor.
- IA functions are the last line of defense for any organization to ensure that these elements are in line with ever increasing expectations. Making sure that audits performed are of high quality is key to ensuring that the IA function remains relevant to the needs of the business.

Global Internal Audit Standards - Notable Changes and Highlights

7. Enhanced External Quality Assessments (EQA)

Quality Assurance Improvement Program (“QAIP”) built with the sole focus of assessing whether audit teams are following the IA functions’ internal audit methodologies no longer meets the demand of stakeholders. Board of Directors and Audit Committees expect that IA functions are developing in line with the changing external and internal environment.



Source: KPMG Internal Audit: Quality Assurance and Improvement Programme



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Global Internal Audit Standards - Notable Changes and Highlights

Other Changes - Requirements for Professional Development

While professional development has always been an area of importance by the IIA, the Standards add additional requirements around ensuring IA departments are developing their people.

Training Considerations



Source: KPMG Internal Audit: Quality Assurance and Improvement Programme



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Global Internal Audit Standards – Notable Changes and Highlights

Other Changes - Topical Requirements

Appendix B. Tool to Document Conformance with Topical Requirement

EXAMPLE

Cybersecurity – Governance

Requirement	Conformance (Yes / No / Partial)	Evidence Obtained or Rationale for Exclusion
A. Policies and procedures related to cybersecurity risk management processes are established and periodically updated, including promotion of practices based on widely adopted frameworks (NIST, COBIT, and others) that strengthen the control environment.		
B. Roles and responsibilities that support the organization’s cybersecurity objectives are clearly established, and the roles are properly filled.		
C. Updates to cybersecurity objectives, strategies, risks, and mitigating controls are periodically communicated to the board.		
D. Relevant stakeholders are engaged to discuss how to best establish and improve cybersecurity risk management processes.		
E. Required resources (leadership, funding, talent, hardware, software, training, and others) necessary to effectively execute cybersecurity risk management processes are communicated to the board.		

Cybersecurity – Control Processes

EXAMPLE

Requirement	Conformance (Yes / No / Partial)	Evidence Obtained or Rationale for Exclusion
A. Prioritizes cybersecurity controls and ensures the related budget and resources (for example, personnel, software, tools) are allocated to maximize expected benefits.		
B. Ensures that cybersecurity controls are functioning in a manner that promotes the achievement of organizational cybersecurity objectives and timely resolution as issues occur.		
C. Provides sufficient training to the personnel responsible for cybersecurity operations.		
D. Has developed sufficient policies and procedures to manage all aspects of cybersecurity operations and related controls.		
E. Ensures that management has the resources necessary to stay informed on emerging cybersecurity issues from new technologies, identify opportunities to improve operations, and understand how cybersecurity efforts can best be deployed to impact broader organizational goals and objectives.		
F. Adequately integrates cybersecurity into the system development life cycle for business applications, including software and acquired or custom-developed applications.		
G. Has included cybersecurity in the management of hardware (laptops, desktops, mobile devices).		
H. Has implemented effective controls regarding production hardware support, such as configuring, patching, supporting user access management, and monitoring availability and performance. The organization has evaluated both the design adequacy and operational effectiveness of these controls.		
I. Optimizes network-related controls regarding network segmentation, use and placement of firewalls, limited connections to external networks and/or systems, and the use		

Source: The Institute of Internal Auditors



04

How to get ready for New Internal Audit Standards Implementation

Global Internal Audit Standards - Implementation Guidance

1

Conduct **Gap Assessment Analysis** against the new Standards as the crucial steps to understand all necessary changes and identify all preparation needed for new standards implementation

2

Develop **Action Plans** to address gaps in in alignment to the standards. A formal action plan is developed, including the relevant agreed action, tagged action owner(s) and timelines, in line with the assigned priorities.

3

The Action Plan or Implementation Plan should be **communicated and disseminated** to all impacted stakeholders, requiring periodic updates to ensure timely completion.

4

Conduct **training and maintain conformance** with the new Standards. IA should undergo training on the new Standards to understand the requirements.

5

CAEs should organize a meeting with their **Board and Senior Management** to discuss the 'Essential Conditions' set out in the Standards.

Key Takeaways for Audit Committee

1

What are the **key changes** to the IIA Standards and How does the Internal Audit Team **align with** the new standards?

2

Does the Internal Audit Team have a **clear and documented implementation plan** for the compliance with the new standards?

3

What **resources** (people, process, technology) are required to implement the new standards and does the Internal Audit Team have **sufficient and necessary skills** for compliance with the standards?

4

What **training programs or professional development** will be needed for the internal audit team?

5

Is the **key stakeholders** (Board, Audit Committee, Senior Management) aware, fully informed, and supportive for the implementation?

Appendix

Example of The Board's Role in Governing the IA Function

Example of The Board's Role in Governing the IA Function

“While the chief audit executive has responsibilities to communicate effectively and provide the board with information, *the board also has a role and responsibilities that are key to the internal audit function's ability to fulfill the Purpose of Internal Auditing.* Domain III outlines the board's responsibilities to **authorize** the internal audit function, ensure its **independent** positioning, and **oversee** its performance.”



Standard 8.3 Quality

Requirements

The **chief audit executive must develop, implement, and maintain a quality assurance and improvement program** that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See also Standard 8.4 External Quality Assessment.)
- Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the **chief audit executive must communicate the results of the internal quality assessment** to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function's conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

Example of The Board's Role in Governing the IA Function

“While the chief audit executive has responsibilities to communicate effectively and provide the board with information, *the board also has a role and responsibilities that are key to the internal audit function's ability to fulfill the Purpose of Internal Auditing.* Domain III outlines the board's responsibilities to **authorize** the internal audit function, ensure its **independent** positioning, and **oversee** its performance.”



Standard 8.3 Quality(Cont.)

Essential Conditions

Board

- **Discuss with the chief audit executive** the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- **Approve the internal audit function's performance** objectives at least annually. (See also Standard 12.2 Performance Management.)
- **Assess the effectiveness and efficiency of the internal audit function.** Such an assessment includes:
 - Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
 - Considering the results of the internal audit function's quality assurance and improvement program.
 - Determining the extent to which the internal audit function's performance objectives are being met.

Senior Management

- Provide input on the internal audit function's performance objectives. • Participate with the board in an annual a

Example of The Board's Role in Governing the IA Function

“While the chief audit executive has responsibilities to communicate effectively and provide the board with information, *the board also has a role and responsibilities that are key to the internal audit function's ability to fulfill the Purpose of Internal Auditing.* Domain III outlines the board's responsibilities to **authorize** the internal audit function, ensure its **independent** positioning, and **oversee** its performance.”



Standard 8.3 Quality(Cont.)

Considerations for Implementation

The chief audit executive's communications to the board and senior management regarding the internal audit function's quality assurance and improvement program should include:

- The scope, frequency, and results of internal and external quality assessments conducted under the direction of, or with the assistance of, the chief audit executive.
- Action plans that address deficiencies and opportunities for improvement. Actions should be agreed upon with the board.
- Progress toward completing the agreed-upon actions.

An assessment of the internal audit function's quality may consider:

- The level of contribution to the improvement of governance, risk management, and control processes.
- Productivity of internal audit staff (for example, planned hours compared to actual hours on projects or time used on audit projects compared to administrative time).
- Compliance with internal audit laws and/or regulations.
- Cost efficiency of the internal audit processes.
- Strength of relationships with senior management and other key stakeholders.
- Other performance measures. (See also Standard 12.2 Performance Measurement.)

Example of The Board's Role in Governing the IA Function

*“While the chief audit executive has responsibilities to communicate effectively and provide the board with information, **the board also has a role and responsibilities that are key to the internal audit function’s ability to fulfill the Purpose of Internal Auditing.** Domain III outlines the board’s responsibilities to **authorize** the internal audit function, ensure its **independent** positioning, and **oversee** its performance.”*



Standard 8.3 Quality(Cont.)

Examples of Evidence of Conformance

- Agendas and minutes from board meetings documenting discussions with the chief audit executive about the internal audit function’s quality assurance and improvement program.
- Chief audit executive presentations and other communications covering the results of the quality assessments and status of action plans to address any opportunities for improvement.
- Quality assurance and improvement program workpapers or other evidence demonstrating the completion of related activities.

Q&A

**Please give us the feedback to
improve our services.**





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