

Global Internal Audit Standards

February 2024

GLOBAL INTERNAL AUDIT STANDARDS

The Global Institute of Internal Auditors (the IIA) published the new Global Internal Audit Standards on 9 January 2024, following an extensive consultation in 2023. The Standards provide a new structure with their arrangement under five domains. There is also more emphasis on the working relationship of internal audit, the Board / audit committee and senior management. The Standards become effective from 9 January 2025.

This is the first in a series of papers which will be issued over the year, looking at the impact of the Standards on the provision of internal audit services and what this means for audit committees and senior management at clients.

The Standards five domains.

- I. Purpose of Internal Auditing.
- II. Ethics and Professionalism.
- III. Governing the Internal Audit Function.
- IV. Managing the Internal Audit Function.
- V. Performing Internal Audit Services.

Across the domains are 15 Principles and 52 Standards, and include requirements, considerations for implementation, and examples of evidence of conformance. The new International Professional Practices Framework (IPPF) includes the Standards, topical requirements and global guidance.

This briefing provides a summary of the main changes and implications of the new Standards for audit committee members and senior managers, who are responsible for overseeing and supporting the internal audit function in their organisations.

IMPACT OF THE NEW STANDARDS ON CLIENTS

The Standards provide a framework for the practice of internal auditing and help ensure that internal auditors adhere to the highest standards of professionalism and ethics. This can help organisations improve their risk management, control, and governance processes, leading to better decision-making and overall performance.

As an audit committee, members play a vital role in ensuring that the internal audit function adheres to the Standards and fulfils its mandate effectively and efficiently. Audit committee members and senior management should be familiar with the new Standards and their implications. Communication and collaboration, whilst maintaining independence, is key to enable internal auditors to implement and comply with the new Standards.

KEY CHANGES AND UPDATES IN SUMMARY

The new Standards represent an evolution and are organised to provide clear structure and visibility. Whilst there have been changes across the Standards, including to the glossary, below we summarise some of the key inclusions and updates.

- The value of internal audit is articulated in a purpose statement, combining the mission and definition from the 2017 IPPF.
- Behavioural expectations of internal auditors, including the requirement for professional scepticism are set out within domain II, which incorporates the former Code of Ethics and attribute standards.
- Domain III Governing the Internal Audit Function represents a significant change. The requirements for internal audit are followed by essential conditions for boards / audit committees and senior management. These essential conditions enable the internal audit function to be effective. Internal audit has always needed the support of the board / audit committee and senior management, and this is explicit within the Standards.
- An internal audit mandate is required and must be approved by the board / audit committee. To be documented within the internal audit charter, the mandate sets out the authority, role, responsibilities, scope and types of services (often defined as assurance or advisory) to be provided by internal audit.
- Chief audit executives (or heads of internal audit) are required to develop and implement a strategy detailing the vision, strategic objectives and related initiatives for the internal audit function. This should align with board / audit committee, senior management and key stakeholder expectations.
- In alignment with the 2017 Standards, conclusions from internal audit engagements must be communicated to the board / audit committee and senior management. Themes emerging across reviews in relation to governance, risk management and internal control can also be reported.
- Guidance on applying the Standards in the public sector is now provided.

ALIGNING WITH THE STANDARDS

Having reviewed the requirements of the new Standards, our internal audit services align with the intent of the Standards. As we continue to evolve our services, our internal audit reports and charter will be refreshed. In due course, our internal Quality Assurance Department will also be undertaking reviews, which align with the new Standards. In adherence to the Standards, RSM will continue to undergo an external quality assessment (EQA) every five years. Our next EQA is due to take place in 2026.

Integrity, objectivity, competency, due professional care and confidentiality remain integral to how we provide internal audit services. The behaviours we uphold are supported through our policies, manuals and training. Through our internal training courses, supporting our internal auditors through professional qualification and undertaking continuous professional development we develop our people, 'growing our own'.

CONCLUSION

The new Standards are designed to help internal auditors deliver value-added services to their stakeholders, by providing assurance, insight, and advice on the organisation's performance, risk management, internal control and governance. The new Standards also aim to enhance the quality, credibility, professionalism, and reputation of internal audit globally and serve as a consistent basis for evaluation.

During the year, we will be sharing further information and guidance to audit committees and senior management on the requirements of the Standards as we move through this year of transition. We will be covering the following topics.

- Internal audit service delivery and any enhancements following the introduction of the new Standards.
- Standard requirements for consideration by the audit committee and senior management.
- Impact of the new Standards on quality assurance.

FURTHER INFORMATION

Mark Jones

Head of Internal Audit

mark.jones@rsmuk.com

Shauna Mallinson

Head of Risk Assurance Technical

shauna.mallinson@rsmuk.com

RSM UK Risk Assurance Services LLP

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM UK Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2024 RSM UK Group LLP, all rights reserved