Overview of the new Global Internal Audit Standards

March 29, 2024

- Understand why the Standards are important

- Review the evolution of the Standards

- Outline the new Global Internal Audit Standards

- Understand the primary changes from 2017 to 2024

- Review the approach and tips for successful implementation of the Standards

- Review of quality assessment requirements

- Q&A

CLARITY   CREATIVITY   RESULTS

From Internal Audit's point of view:
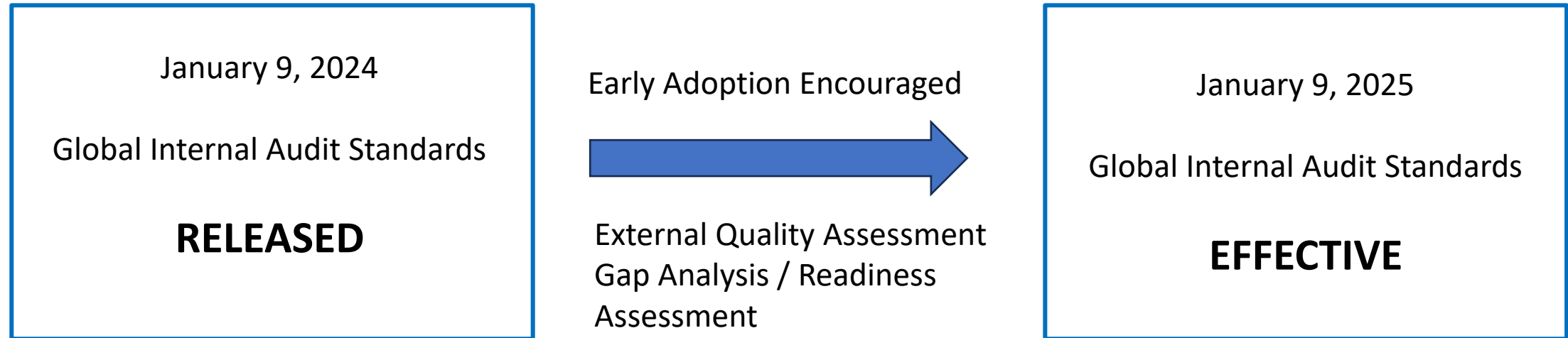
- The Standards:

  - Codify and define the profession

  - Govern the function

  - Support the effective delivery of Internal Audit Services

  - Provide a global standard that every Audit department should strive to comply with

  - Provide a steady resource, despite the dynamic and evolving nature of the profession

CLARITY   CREATIVITY   RESULTS

From a stakeholder point of view:

- Stakeholders gain confidence that they are receiving quality service

- Strengthens the ability of others to see Audit's value (conformance and performance focus)

- Incorporates stakeholder values and opinions (almost 19,000 comments received and reviewed by The IIA during the standard setting process)

- Proves to stakeholders that IA delivers more than just a continuous "check the box" routine

CLARITY   CREATIVITY   RESULTS

January 9, 2024

Global Internal Audit Standards

RELEASED

Early Adoption Encouraged

External Quality Assessment
Gap Analysis / Readiness
Assessment

January 9, 2025

Global Internal Audit Standards

EFFECTIVE

External Quality Assessments (EQA)

Updated Quality Assessment Manual to be released later in 2024

Organizations can pull forward EQAs due after 2024 into the current year to be assessed based on 2017 standards

CLARITY   CREATIVITY   RESULTS

Within today's presentation, what section are you looking forward to the most?

- A: Evolution of the Standards

- B: Outline of the new Global Internal Audit Standards

- C: Understanding the primary changes from 2017 to 2024

- D: The approach and recommended tips for implementation

- E: Review of Quality Assessments

CLARITY   CREATIVITY   RESULTS
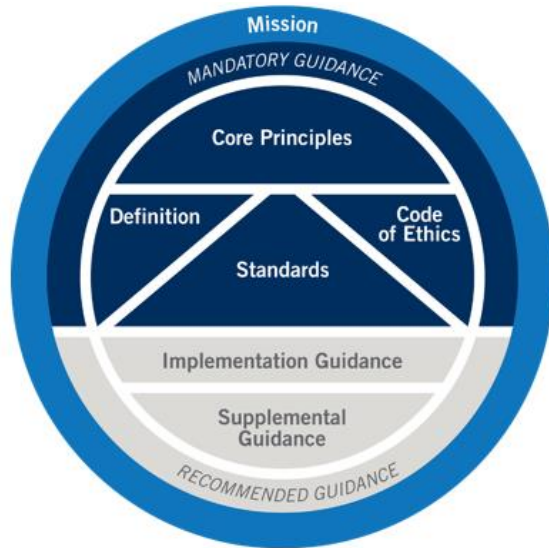
The IPPF Evolution

Source: The IIA
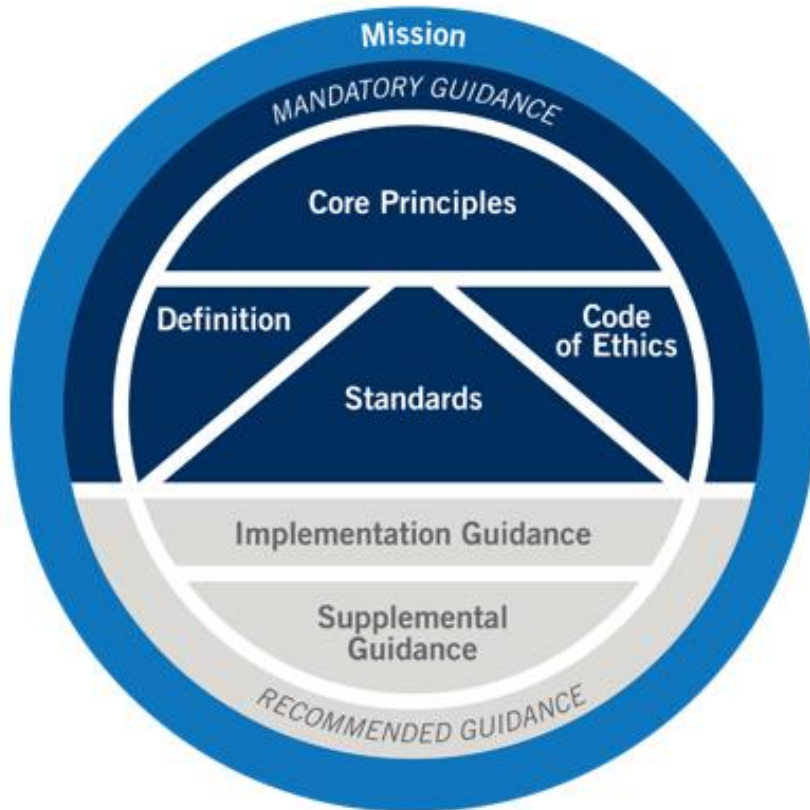
CLARITY   CREATIVITY   RESULTS

- The 2017 IPPF included six major components: Mission, Core Principles, Definitions, Standards, Code of Ethics, and Implementation Guidance

- These 6 aspects are now integrated into a single entity known as the Global Internal Audit Standards (GIAS)

- Supplemental Guidance is now Global Guidance and includes clarifications and best practices

CLARITY   CREATIVITY   RESULTS

The Internal Audit Standards Board's initiative to update the 2017 IPPF began in 2019

The Global Internal Audit Standards were released on January 9, 2024, and will be effective on January 9, 2025

Goals:

- Simplify the structure for ease of adoption and implementation

- Be more practical and fluid to increase relevance and responsiveness

- Able to accommodate local and regional differences and promote consistent global practice

- Applicable regardless of sector, size, industry, or maturity level

- Able to be communicated to educate and advocate for the profession

2023 – 2024 IIASB Global Representation
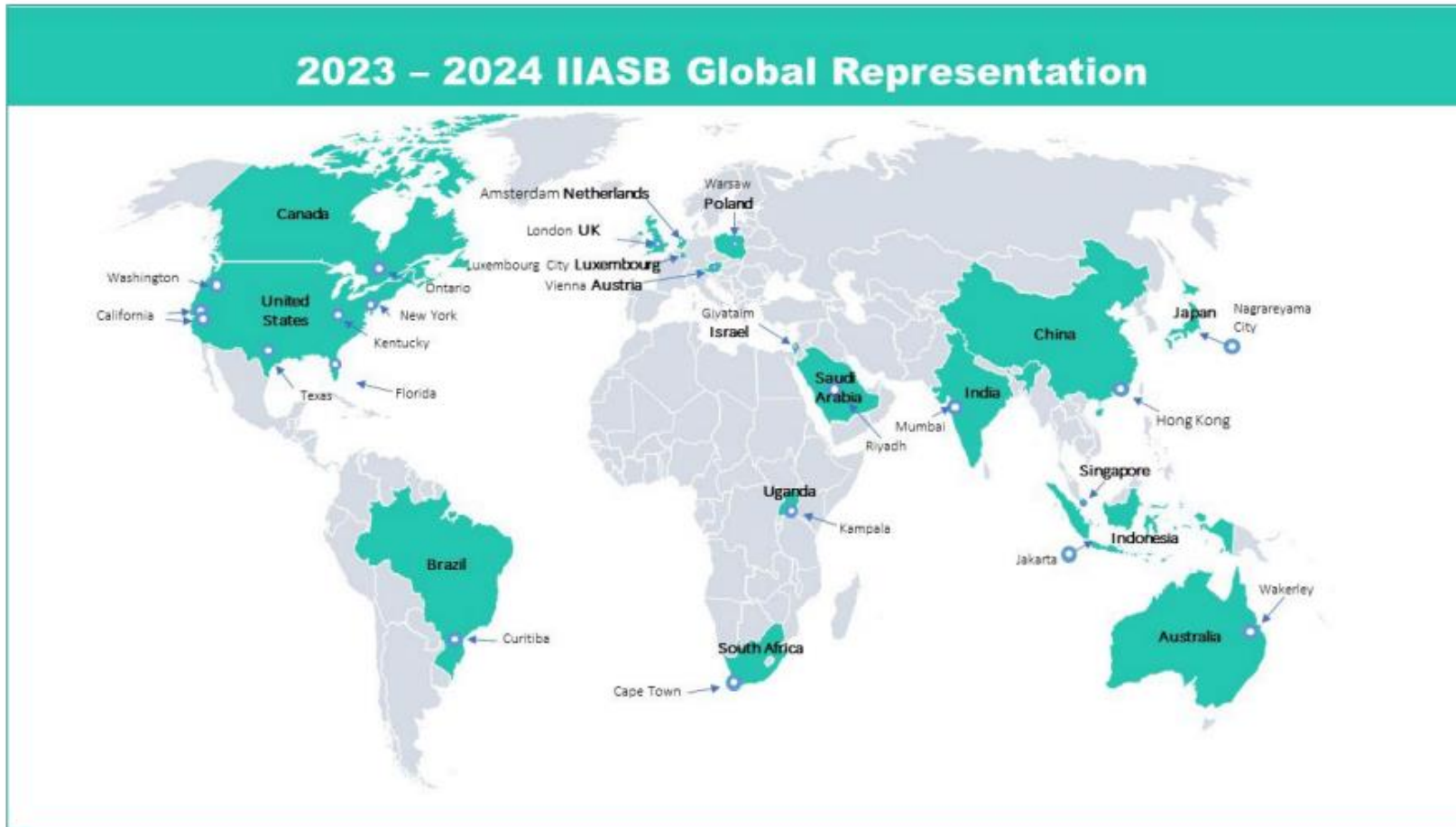
- **Mission: To serve the public interest by developing, issuing, maintaining, and promoting the *International Standards for the Professional Practice of Internal Auditing* on a worldwide basis.**
- **Representing the internal audit profession globally with 21 members from 18 countries and various industries and sectors.**

CLARITY   CREATIVITY   RESULTS

JC JONES
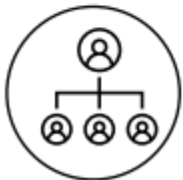An Atlantix Partners Company
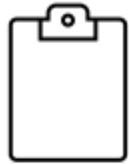
1,612 Total completed surveys, with respondents from 135 countries and territories.

18,964 Total # of comments submitted. This is an average of 12 specific comments per respondent.

400+ One quarter of the 1,612 survey respondents were organizations, with an average of 25 people directly contributing to each organizational survey response and representing 280 individuals on average.

60+ More than 60 individuals and organizations submitted letters instead of or in addition to surveys.

140+ Additionally, IIA leaders engaged with more than 140 groups, including with representatives from Basel Committee on Banking Supervision, Global Network of Director Institutes, International Corporate Governance Network, International Monetary Fund, Organization for Economic Co-operation and Development, U.S. Government Accountability Office, World Bank Group, major professional auditing firms, and IIA affiliates.

CLARITY   CREATIVITY   RESULTS

To what extent do you agree or disagree with...

	Strongly Agree + Agree	Neutral	Strongly Disagree + Disagree
Overall Structure	79%	10%	11%
Introduction	82%	12%	6%
Glossary	78%	13%	9%
Domain I. Purpose of Internal Auditing	77%	11%	12%
Domain II. Ethics & Professionalism	77%	11%	12%
Domain III. Governing the Internal Audit Function	72%	12%	16%
Domain IV. Managing the Internal Audit Function	78%	12%	10%
Domain V. Performing Internal Audit Services	75%	13%	12%

Source: The IIA

- A survey was issued for the draft Standards in March 2023
- 401 questions were offered in 22 languages
- The top three region response rates were North America, Europe and Asia Pacific
- Respondees were Affiliates, Chapters, IIA Volunteers, and Direct and Indirect Stakeholders (Public, Non-IA)
- Refer to the Report on the Standard-setting and Public Comment Processes for the GIAS (theiia.org)

CLARITY   CREATIVITY   RESULTS

Are you familiar with or have you read the new Standards?

- A: Yes, I have read them in detail

- B: Somewhat, I have seen them

- C: No, I have not read them but plan to

- D: No, I plan to engage outside assistance to implement the new Standards

- Organizes the authoritative body of knowledge promulgated by the IIA, for the professional practice of internal auditing

- A framework serves as a structural blueprint and coherent system, that facilitates the consistent development, interpretation and application of a body of knowledge

- The new framework is designed to address current internal audit practices, while enabling practitioners and stakeholders globally, to be flexible and responsive

- The Global Internal Audit Standards, is the main component of the IPPF, which replaces the 2017 International Standards for the Professional Practice of Internal Auditing

- The new IPPF includes Global Internal Audit Standards (mandatory), Topical Requirements (mandatory) and Global Guidance (not mandatory)

CLARITY   CREATIVITY   RESULTS

2024 Standards

- New structure is more logical, user-friendly and easier to navigate

- Each standard combines both mandatory and recommended guidance

- Shift from compliance only focus to also emphasizing performance – quality is now defined as conformance plus performance

- Clarification of board and management responsibilities

- Fewer distinctions between assurance and consulting (advisory) engagements

CLARITY   CREATIVITY   RESULTS

- **5 Domains:**
  - **15 Principles**
    - **52 Standards**
      - Requirements (including essential conditions)
      - Considerations for Implementation
      - Examples of Evidence of Conformance
- **Additional Features:**
  - Fundamentals
  - Glossary
- **Coming Soon:**
  - Topical Requirements (Mandatory)
  - Global Guidance (Nonmandatory)

CLARITY   CREATIVITY   RESULTS

IA Charter - Standard 6.2

Requirements:

The CAE must develop and maintain an internal audit charter that specifies, at the minimum the internal audit function's:

- Purpose of Internal Auditing

- Commitment to adhering to the GIAS

- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function (see Standard 6.1 as well)

- Organizational position and reporting relationships (see Standard 7.1 as well)

The CAE must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function

CLARITY CREATIVITY RESULTS

IA Charter - Standard 6.2

<u>Considerations for Implementation:*</u>

Key requirements for the internal audit charter are outlined in Standards 6.1 (Internal Audit Mandate) and 7.1 (Organizational Independence):

The internal audit charter should describe administrative reporting responsibilities, such as the process for:

- Approving the internal audit function's human resources administration and budgets

- Approving the CAE's expenses

- Reviewing the CAE's performance

This is not a comprehensive list

IA Charter - Standard 6.2

Examples of Evidence of Conformance: *

- Minutes of the board meetings during which the internal audit charter was discussed and approved
- The approved charter and the date approved
- Minutes of board meetings that include evidence that the Chief Audit Executive periodically reviews the internal audit charter with the board and senior management

This is not a comprehensive list

Pages 7-9 within the 120-page Standards document (just before the glossary)

Internal Auditing and the Public Interest
- New Concept: Internal audit's role in enhancing an organization's ability to serve the public interest
- The IIA is committed to setting standards with input from the public and to benefit the public

Applicability and Elements of the Standards
- The Standards apply to any individual or function that provides internal audit (IA) services, whether directly or through an external provider

Demonstrating Conformance with the Standards
- Internal auditors may be unable to conform with a requirement yet still achieve the standard's intent
  - The chief audit executive is responsible for documenting the rationale and the alternative actions to meet the intent of the standard

Application in Small Internal Audit Functions

- Single-person/small IA functions may need external assistance to implement an adequate QAIP to fully conform with the Standards

- Suggestions for small IA functions include:

  - Seek board approval for internal/external resources needed to execute the IA plan (Standard 10.1)

  - Use of checklists and automated tools (Standards 12.1 and 12.3)

Application in the Public Sector

- Mentioned in Fundamentals and "Applying the Global Internal Audit Standards in the Public Sector", which follows Domain V: Performing Internal Audit Services

- Public sector IA functions may find differences in how they need to apply the Standards due to:

  - Laws and/or Regulations

  - Governance and Organizational Structure

  - Funding

CLARITY   CREATIVITY   RESULTS

Topical Requirements (mandatory)

- Designed to:
  - Enhance the consistency and quality of internal audit services related to specific audit subjects and to support auditors performing audits in high-risk areas

  - Address the evolving risk landscape across industries and sectors

  - Ensure that all IA functions – large, small, private or public – apply consistent audit methodologies in particular topical areas

- Not published yet and awaiting further IIA guidance regarding timing

Topics Under Consideration:
- Cybersecurity
- Sustainability: Environmental, Social & Governance
- Third-party Management
- Information Technology Governance

- Assessing Organizational Governance
- Fraud Risk Management
- Privacy Risk Management
- Public Sector: Performance Audits

Global Guidance (nonmandatory)

- Supports the Standards by providing nonmandatory information such as, detailed, step-by-step advice and best practices for performing internal audit services

- Endorsed by the IIA through formal review and approval processes

- Global Practice Guides and Global Technology Audit Guides

- The IIA is in the process of updating the current global guidance to the new Standards

Example Global (Supplemental) Guidance available:

- Assurance and Advisory Services
- Engagement planning, performance and communication
- Financial Services

- Fraud and other pervasive risks
- Strategy and management of IA
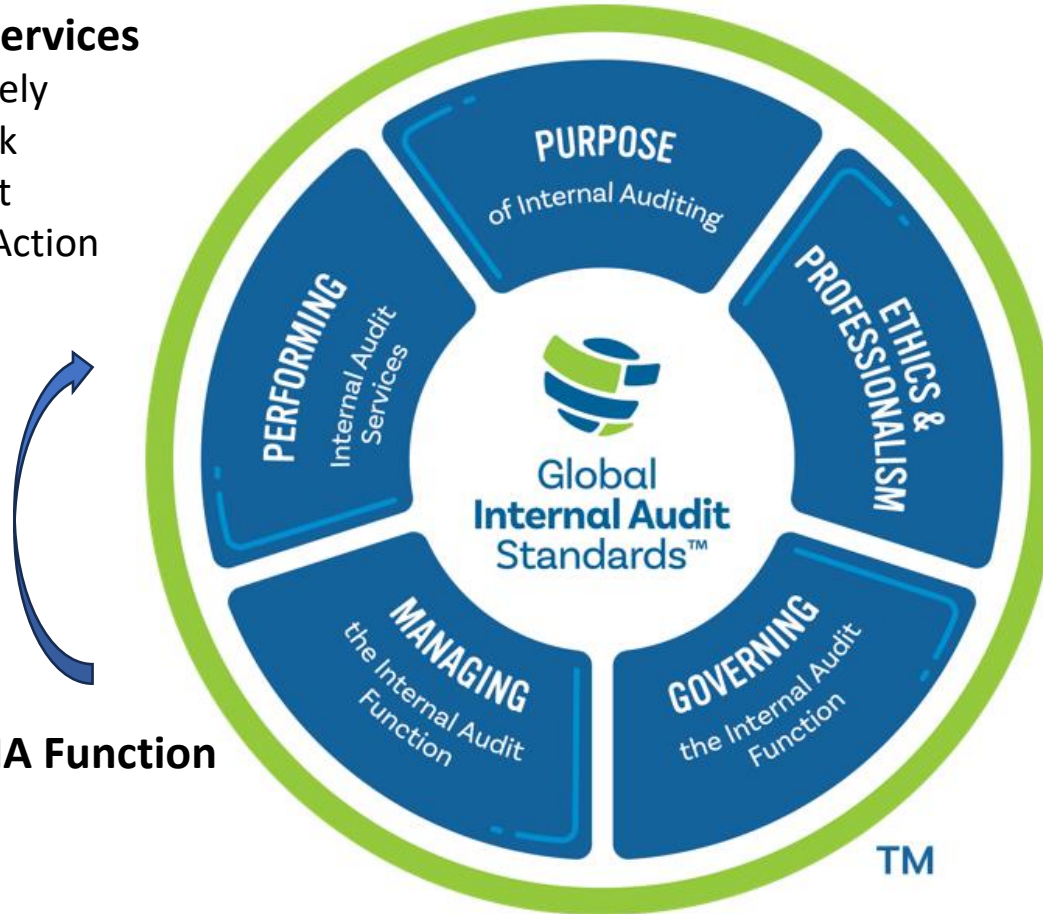- Other topics (per page 6 of the Standards)

The 15 Principles

Domain V: Performing IA Services
13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans

Domain II: Ethics and Professionalism
1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

Domain IV: Managing the IA Function
9. Plan Strategically
10. Manage Resources
11. Communicate Effectively
12. Enhance Quality

Domain III: Governing the IA Function
6. Authorized by the Board
7. Positioned Independently
8. Overseen by the Board

Note: There are no Principles within Domain I

Purpose Statement: Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Includes the idea of serving the public interest

Internal auditing enhances the organization's:

- Successful achievement of its objectives

- Governance, risk management, and control processes

- Decision-making and oversight

- Reputation and credibility with its stakeholders

- Ability to serve the public interest

Internal auditing is most effective when:

- It is performed by competent internal auditors in conformance with the Global Internal Audit Standards, which are set in the public interest

- The internal audit function is independently positioned with direct accountability to the board

- Internal auditors are free from undue influence and committed to making objective assessments

Domain II: Ethics and Professionalism

Domain	Domain II: Ethics & Professionalism				
Principle	1. Demonstrate Integrity	2. Maintain Objectivity	3. Demonstrate Competency	4. Exercise Due Professional Care	5. Maintain Confidentiality
Standards	1.1 Honesty and Professional Courage	2.1 Individual Objectivity	3.1 Competency	4.1 Conformance with the Global Internal Audit Standards	5.1 Use of Information
	1.2 Organization's Ethical Expectations	2.2 Safeguarding Objectivity	3.2 Continuing Professional Development	4.2 Due Professional Care	5.2 Protection of Information
	1.3 Legal and Ethical Behavior	2.3 Disclosing Impairments to Objectivity		4.3 Professional Skepticism	

Principles and Standards in this Domain replace The IIA's former Code of Ethics and outline behavioral expectations for professional internal auditors; including the CAE, other individuals, and any entities that provide internal audit services

Domain III: Governing the IA Function

Domain	Domain III: Governing the IA Function		
Principle	6. Authorized by the Board	7. Positioned Independently	8. Overseen by the Board
Standards	6.1 Internal Audit Mandate	7.1 Organizational Independence	8.1 Board Interaction
	6.2 Internal Audit Charter	7.2 Chief Audit Executive Qualifications	8.2 Resources
	6.3 Board and Senior Management Support		8.3 Quality
			8.4 External Quality Assessment

Each Standard has "Essential Conditions" necessary for effective collaboration of the IA function with Board and Senior Management support

Internal Audit Mandate is a new term in 2024 to replace "Purpose, Authority, Responsibility" from 2017

CLARITY   CREATIVITY   RESULTS

Domain IV: Managing the IA Function

Domain	Domain IV: Managing the IA Function			
Principle	9. Plan Strategically	10. Manage Resources	11.Communicate Effectively	12. Enhance Quality
Standards	9.1 Understanding Governance, Risk Management, and Control Processes	10.1 Financial Resource Management	11.1 Building Relationships and Communicating with Stakeholders	12.1 Internal Quality Assessment
	9.2 Internal Audit Strategy	10.2 Human Resource Management	11.2 Effective Communication	12.2 Performance Management
	9.3 Methodologies	10.3 Technological Resources	11.3 Communicating Results	12.3 Oversee and Improve Engagement Performance
	9.4 Internal Audit Plan		11.4 Errors and Omissions	
	9.5 Coordination and Reliance		11.5 Communicating the Acceptance of Risks	

Internal Audit Strategy (Standard 9.2) is a new requirement

IA department must assess and manage resources accordingly, to carry out the IA strategic plan (Principle 10)

The CAE must establish a performance measurement program with stakeholder input (Standard 12.2)

CLARITY   CREATIVITY   RESULTS

If your organization was seeking implementation guidance for the new Standards, within which Domain would it be the most helpful?

- A: Domain I - Purpose of Internal Auditing

- B: Domain II - Ethics and Professionalism

- C: Domain III - Governing the Internal Audit Function

- D: Domain IV - Managing the Internal Audit Function

- E: Domain V - Performing Internal Audit Services

CLARITY   CREATIVITY   RESULTS

Structural Changes:

- Six of the seven elements of the 2017 IPPF (Mission, Definition, Code of Ethics, Core Principles, Standards and Implementation Guides) are consolidated in the new structure and categorized in five Domains

- The seventh element (Supplemental Guidance), has manifested itself as Practice Guides, and is nonmandatory

- Each principle is broken into three distinct sections:

  - Requirements of the Principle

  - Considerations for Implementation

  - Examples of Conformance

Two-way mapping document available (166 pages), which maps 2017 to 2024 and vice versa

CLARITY   CREATIVITY   RESULTS

- Domain I - Purpose of Internal Auditing

  - Shortest Domain, only 1 page of the entire document and it emphasizes the purpose of IA

- Domain II - Ethics and Professionalism

  - A re-organization of the Code of Ethics (from the 2017 IPPF), and introduction of some new terms such as professional courage

- Domain III - Governing the Internal Audit Function

  - Many changes within this Domain, as it outlines the "essential conditions" necessary for optimal IA, Senior Management and Board collaboration

  - In 2017, there were a handful of Standards related to governing IA, now it is an entire Domain

CLARITY   CREATIVITY   RESULTS

- Domain IV - Managing the Internal Audit Function

  - Many changes within this Domain, including new requirements for an IA strategic plan and re-vamped measurements of performance (impact)

- Domain V - Performing Internal Audit Services

  - Reflects the 2000 series (Performance Standards) within the 2017 IPPF, but incorporates some new requirements such as the prioritization of findings and an engagement conclusion

CLARITY   CREATIVITY   RESULTS

<u>5 Key Content Changes:</u>

1. Essential Conditions are defined in Standards 6.1 - 8.4 (Domain III)

   - These Standards define and outline the essential conditions (roles) the Board and Senior Management must fulfill, for IA to fulfill the purpose of internal auditing

   - Goal is to gain alignment amongst the CAE, Board and Senior Management

   - These conditions are explicitly outlined for every Standard within Domain III

   - If there is disagreement, the CAE must document how the absence of the condition could negatively impact IA's performance and the actions taken to mitigate this

   - The CAE might agree with their stakeholders that one of more of the essential conditions is not necessary for conformance, but this must be documented by the CAE

5 Key Content Changes:

2. Requirement for an IA Strategic Plan (Domain IV)

    • The requirement for a Strategic Plan is addressed within Principle 9, specifically within Standard 9.2

    • This is more robust and detailed than just an Annual Audit Plan

    • This must be a plan of action, designed to achieve long-term objectives of the department

    • The CAE should start by analyzing the organization's strategy and objectives

    • The CAE must periodically review the Plan with the Board and Senior Management

5 Key Content Changes:

3. Implications for Quality Assessments (multiple Standards within Principles 8 and 12)

   - The Standards still require that an EQA be performed at least every 5 years

   - The IIA is now focusing on the concept that conformance alone is not enough, and performance must also be considered during this assessment

   - The current Quality Assessment Manual remains in effect until the GIAS become effective (Jan 2025)

   - The updated Manual is expected to be released some time in 2024

   - Requirement that one EQA team member be an active CIA

   - *Refer to the Quality Assessments portion of this presentation for further details*

<u>5 Key Content Changes:</u>

4. Engagement Findings and Ratings (Domain V)

    - An overall audit report rating is not required; however, an engagement conclusion is required indicating satisfactory or unsatisfactory performance (Standard 14.5)

    - The Engagement Conclusion supersedes the term Engagement Opinion

    - Individual findings are required to be prioritized based on significance (Standard 14.3)

    - Likelihood and impact must be appropriately considered

5 Key Content Changes:

5. Integration of the Internal Audit and Assurance Plans (Standards 9.4 and 9.5)

- The CAE must create an IA plan that supports the achievement of the organization's objectives

- The Plan must be based on a documented assessment of the organization's strategies, risks, objectives, etc.

- This is an annual exercise, but in dynamic environments it can be performed semi-annually, quarterly, or even monthly

- Organize auditable units into an audit universe to facilitate the identification and assessment of risks

- Auditable units may include business units, processes, programs and systems

- The CAE is required to coordinate with internal and external providers of audit services and consider relying on their work, to avoid duplication and promote efficiency

Other Content Changes:

- The definition, mission and purpose of Internal Auditing has been updated to address the requirement to serve the public interest (Domain I – Fundamental #2)

- The Code of Ethics has been re-tooled as Domain II – Ethics & Professionalism, outlining behavioral standards for any individuals performing Internal Audit Services

  - Introduces the concept of Professional Courage - communicating truthfully and taking appropriate action when confronted with dilemmas and difficult situations (Domain II – Standard 1.1)

- Requirement to exercise Professional Skepticism and take steps to carry this out (Domain II – Standard 4.3)

CLARITY   CREATIVITY   RESULTS

- The Board must champion IA to enable it to fulfill the purpose of internal auditing and pursue its strategy and objectives. Senior Management must support the recognition of the IA function throughout the organization (Domain III – Standard 6.3)

- The Standards outline in detail the qualifications of the CAE (Domain III – Standard 7.2)

- Senior Management is required to provide input on IA's performance objectives and participate with the Board in an annual assessment of the CAE (Domain III – Standard 8.3)

- When implementing new technology, the CAE must include appropriate training for internal auditors, via the effective use of technological resources (Domain IV – Standard 10.3)

- If IA and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an <u>established methodology</u> to allow both parties to express their positions and rationale to determine a solution (Domain V – Standard 14.4)

- Final communications (e.g., audit reports) must specify the individuals responsible for addressing the findings, and the planned dates of completion. The CAE must review and approve this communication before issuance (Domain V – Standard 15.1)

2017	
Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.
Engagement Opinon	The rating, conclusion and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.
Internal Audit Activity	A departments, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services, designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
Purpose, Authority, Responsibility	These attributes must be formally defined in audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the IPPF.
Policies and Procedures (Internal Audit)	Allows IA department to reasonably ensure compliance with its organizations policies, as well as industry standards.

2024	
Advisory Services	Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. "Advisory services" are also known as "consulting services."
Engagement Conclusion	Internal auditors' professional judgment about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.
Internal Audit Function	A professional individual or group responsible for providing an organization with assurance and advisory services.
Internal Audit Mandate	The internal audit function's authority, role, and responsibilities, which may by granted by the board and/or laws and regulations.
Methodologies	Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

Source: The IIA

CLARITY   CREATIVITY   RESULTS

Updated Definitions

- Board, control processes, fraud, risk appetite

New Terms (defined within the Standards) *

- Assurance
- Engagement planning
- Finding
- Internal audit charter
- Internal audit plan
- Likelihood

- Public sector
- Residual risk
- Risk assessment
- Root cause
- Senior management
- Stakeholder

*Not a comprehensive list

Source: The IIA

CLARITY   CREATIVITY   RESULTS

When do you plan to conduct a gap assessment in anticipation of implementing the new Standards?

- A: Not sure when

- B: Q2 2024

- C: Q3 2024

- D: Q4 2024

CLARITY   CREATIVITY   RESULTS

- Review all IIA issued guidance (read the Standards)

- Enlist the appropriate resources (internal/external) to interpret and implement the Standards (IA team members, consultants, etc.)

- Early adoption is encouraged. Don't wait until Q4 2024!

- For companies with an EQA in 2024, consider an assessment against the updated Standards (although not yet required)

- Perform a Readiness Assessment and Gap Analysis to outline what efforts are needed, to comply with the Standards (which can be performed alongside your EQA)

CLARITY   CREATIVITY   RESULTS

- <u>Align with stakeholders:</u>

  - Build strong relationships with the audit committee and other key stakeholders

  - Ensure charter reflects their expectations

  - Promote key relationships

- <u>Obtain and develop the right resources:</u>

  - Have the right resources linked to risk

  - Attract and develop high quality resources

  - Do not fear using sourcing to get the resources you need

Source: The IIA Research Foundation

- <u>Continuous Improvement:</u>

  - Proactive internal quality assessment and improvement program

  - Fully embrace the spirit and the letter of the external quality Standards

  - Have practices to facilitate the execution and delivery of quality work

- <u>Deliver Value:</u>

  - Understand what value means to your key stakeholders

  - Plan to deliver value in every engagement

  - In everyday internal audit operations, measure yourself and your team on the actions that result in value

  - Communicate the value delivered to your key stakeholders

Source: The IIA Research Foundation

CLARITY   CREATIVITY   RESULTS

Tips for Successful Implementation

- Manage Internal Audit Strategically:

  - Involvement in key strategic initiatives

  - A "seat at the table"

  - Addressing the organization's key strategic and emerging risks

  - Don't let major risks go uncovered; find a way to fix them before they become too large

- Proactively Assess your Organization's Risk Management and Governance Processes:

  - Help the organization understand its governance processes and their maturity

  - Engage and leverage first (Management) and second (Risk Management & Compliance) lines of defense

  - Have a positive impact on the organization in fast-evolving areas

Source: The IIA Research Foundation

CLARITY   CREATIVITY   RESULTS

- <u>Strive for Excellence:</u>

  - Embrace innovation in the internal audit process

  - Seek out leading IA practices to benefit your organization

  - Use the power of technology. Develop and leverage knowledge management

- <u>Make your Words Count:</u>

  - Communicate with impact

  - Educate key stakeholders on important areas of risk and on actions needed to address issues

  - Develop an ongoing communications process with management to keep current on changing business and risk issues

  - Develop systemic and trending information that would be valued by stakeholders

CLARITY   CREATIVITY   RESULTS

Tips for Successful Implementation

- <u>Get Resolution:</u>

  - Ensure management is attentive to audit issues and that top management and the audit committee are kept aware of management's corrective actions

  - Follow-up to make sure issues are resolved

  - Don't get caught in recycling past issues that are never adequately addressed

- <u>Tell it like it is:</u>

  - When you believe the organization is facing unacceptable risk or certain actions are just not right, speak out

  - Use good judgment on what are real issues, but make it clear that internal auditing has a voice and is willing to use it

Source: The IIA Research Foundation

CLARITY   CREATIVITY   RESULTS

In your opinion, what is the most important element to successful implementation of the new Standards?

- A: Alignment with stakeholders

- B: Obtaining the right resources

- C: Managing IA strategically

- D: Delivering value

- E: Other

Quality = Conformance + Performance

Key Principles and Standards for Quality Assessment Success

Principle 8 - Overseen by Board

Standard 8.3 – Quality

Standard 8.4 – External Quality Assessment

Principle 12 – Enhance Quality

Standard 12.1 – Internal Quality Assessment

Standard 12.2 – Performance Measurement

Standard 12.3 – Oversee and Improve Engagement Performance

Standard 8.3 – Quality: The CAE must develop, implement, and maintain a QAIP that covers all aspects of the IA function, including external and internal assessments and:

- The CAE must discuss with the board and senior management the frequency and scope of quality assessments and any action plans and corrective actions for the internal audit function

- Aspects that will be considered for conformance include the IA function's contribution to the organization's governance, risk, and control processes; productivity and cost efficiency; and relationships with stakeholders

- QAIP documentation must be maintained to demonstrate an effective process

Examples of Evidence of Conformance:

- Agendas and minutes from board meetings documenting discussions with the CAE about the internal audit function's quality assurance and improvement program

- CAE 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

Standard 8.4 – External Quality Assessment (EQA): The CAE must develop a plan for an EQA at least once every five years (which can be a self-assessment with independent validation) and:

- Coordinate with the board and senior management on the timing (e.g., more frequently than five years if desired or required) and scope of the EQA, such as review and approval by the board

- Ensure the qualifications of the assessment team by considering assessors' knowledge of the Standards, previous external quality assessment experience, and whether they have taken an IIA recommended quality assessment training. Also, note the new requirement that one member of the assessment team must hold the Certified Internal Auditor® (CIA®) credential

- The assessor must report the results of the EQA directly to the board

Examples of Evidence of Conformance:

- Board meeting minutes where the CAE's EQA plan is discussed and approved by the board

- Formal EQA report prepared and validated by a qualified, independent assessor

- Presentations to the board by external assessors covering the results of the EQA

- CAE presentations to the board covering external assessment results and actions plans, as appropriate

Standard 12.1 – Internal Quality Assessment: The CAE must develop and conduct internal assessments of the IA function's conformance with the Standards and progress toward performance objectives, including:

- Establish documentation for monitoring day-to-day audit activities incorporated into routine policies and practices

- Periodic self-assessments are a more comprehensive method to assess conformance with all the Standards addressed and should also evaluate performance through such means as:
  - Support for achievement of internal audit objectives
  - Supervision effectiveness
  - Stakeholder feedback

- Communication of the results to the board and senior management

Examples of Evidence of Conformance:

- Completed checklists that support workpaper reviews, survey results, and performance measures related to the efficiency and effectiveness of the IA function

- Documentation of completed periodic assessments including the plan, workpapers and communications

- Presentations to the board and management and meeting minutes covering the results of internal assessments

- Documented results of ongoing monitoring and periodic self-assessments, including corrective action plans

- Actions taken to improve the IA function's efficiency, effectiveness, and conformance with the Standards

Standard 12.2 – Performance Measurement: The CAE must develop a performance measurement methodology that includes performance measures to assess progress toward achieving the IA function's performance objectives and promote the continuous improvement of the function, including:

- Input must be solicited from the board and senior management

- Performance metrics (both qualitative and quantitative) should be tailored to the organization's requirements by considering:
  - The internal audit charter
  - The IA strategic plan
  - Specific objectives that can be monitored

- Action plans for issues and improvement opportunities should be tracked by the CAE and communicated to the board and senior management

Examples of Evidence of Conformance:

- Performance objectives identified as most impactful to the IA function fulfilling the Principles of the Standards, the IA charter, and the IA function's strategy

- Performance measures that address the tracked performance objectives and respective targets for those measures

- Action plans for identified issues and opportunities to achieve the identified performance objectives

Standard 12.3 – Oversee and Improve Engagement Performance: The CAE must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies, including:

- The CAE or an engagement supervisor must provide internal auditors with guidance throughout the engagement

- The CAE or an engagement supervisor must verify work programs are complete, and confirm audit workpapers adequately support findings, conclusions, and recommendations

- To assure quality, the CAE must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies

- To develop competencies, the CAE must provide internal auditors with feedback about the performance and opportunities for improvement

Examples of Evidence of Conformance:

- Engagement workpapers with documentation of supervision

- Completed checklists that support workpaper reviews

- Interview and survey results that include feedback about the engagement experience from internal auditors and other individuals directly involved with the engagement

- Documentation of communication between the engagement supervisor and staff internal auditors regarding the engagement work

If your External Quality Assessment (EQA) is scheduled for 2025, do you plan to accelerate to 2024?

- A: Yes

- B: No

- C: Not sure

- D: There is no EQA scheduled within the period

Key Resources and Guidance

- <u>Key resources to better understand the Standards:</u>

  - Official Press release from The IIA (available through theiia.org)

  - The new Global Internal Audit Standards (120 pages)

  - Two-Way Mapping: 2017 IPPF Mandatory Elements to 2024 Global Internal Audit Standards (and back)

  - Report on the Standard-setting and Public Comment Process

  - Condensed Global Internal Audit Standards: This version does not include the recommended guidance on the considerations for implementation and examples of conformance sections

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Archived IIA Webinars:

- *What the New Standards Mean to Quality Assessments* on **February 13, 2024**

- *Get to Know the New Global Internal Audit Standards* on **January 24, 2024**

IIA Courses:

- *Navigating the Global Internal Audit Standards* **(16 CPE hours, in-person and online)**

- *Ethically Mastering the Global Internal Audit Standards* **(8 CPE hours, online only)**

   Check the Standards Knowledge Center on theiia.org website for more details on offering dates:

   - **https://www.theiia.org/en/standards/2024-standards/standards-knowledge-center/**

IIA Workshops:

- *Global Internal Audit Standards: Improving Individual, Team, and Organizational Performance* **(International Conference – July 14, 2024)**

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CIA®

- Exam

  - No changes before May 2025

  - More information to come in early 2024

- Transition period

  - Information regarding exam changes will be communicated at least 1 year in advance

  - In-process candidates will receive detailed information

- Study materials

  - Not before March 2025

Internal Audit Practitioner

- No changes before effective date

CRMA®
Certification in Risk Management Assurance®

- Not affected; remains the same

More information
theiia.org/cia2025

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