

IIA Audit Tool

Internal Audit's Role in Integrated Reporting Assurance



Internal audit must understand the organization's purpose, values, governance, value creation strategy, and related risks and opportunities. It is ideally positioned to see throughout an organization how strategy is being enacted and how that work creates value. Internal audit's role is to provide objective insight and assurance, and to advise management and the board of directors (governing body) on better decision-making, which requires contemplating short- and long-term value creation.

The International Integrated Reporting <IR> Framework is designed to help organizations understand, deliver, and communicate value creation for the organization and for others in the short, medium, and long term.

This tool outlines how the major value creation and protection components of the <IR> Framework — the fundamental concepts of The Capitals, Value Creation Process, and [Integrated Thinking principles](#) — support internal audit's contribution to integrated reporting assurance.

It is offered in conjunction with a white paper, *Executing the Board's Governance Responsibility for Integrated Reporting*, created with the International Federation of Accountants (IFAC). The paper is the second installment in IFAC's integrated reporting assurance series and highlights how an integrated internal approach to assurance can support boards of directors in discharging their responsibilities for the integrity of the integrated report and integrated reporting process.

A coordinated internal control and assurance approach requires robust governance and oversight structures and clear allocation and segregation of internal control roles and responsibilities, involving the board, management, and internal audit, as identified through the use of The IIA's Three Lines Model. This ensures assurance is provided without duplication or gaps. It is important that this approach is evidenced through appropriate internal documentation in a report such as a Combined Assurance Report.

Download [Executing the Board's Governance Responsibility for Integrated Reporting](#).



| <IR> Framework | The Capitals |
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| <p>Major Integrated Report Components</p> <p>The Six Capitals</p> <ul style="list-style-type: none"> • Natural • Intellectual • Human • Manufactured • Financial • Societal & Relationship | <p>Key Value Drivers</p> <ul style="list-style-type: none"> ■ Governance, leadership, and strategic management (including in relation to sustainability, ESG and climate risk management) ■ Innovation, intellectual property, data, technology, systems, and network effects ■ Brand, customers, licenses to operate, and reputation ■ Human resources, workforce, and people ■ Property, plant, and equipment ■ Equity and debt ■ Integrated reporting process |
| <p>Implications for the Contribution of Internal Audit to Integrated Reporting Assurance</p> | <p>Internal audit is a component of The Capitals: <i>Is it well-structured and aligned to enterprise value creation?</i></p> <p>Integrated reporting involves tapping into all the drivers of enterprise value creation, and internal audit’s holistic organizational view allows it to connect the various strands. (<i>Connectivity</i> Guiding Principle of the <IR> Framework). Organizations should recognize that extended external reporting, including integrated reporting, must be built on a strategically crafted system of internal controls including assurance, and accurately reflect how an organization’s value creation efforts relate to each other, the organization’s finances, and enterprise value creation.</p> <p>Achieving the organization’s objectives is the ultimate goal of everything internal audit does, particularly as a governance role independent of management, which ultimately affects all stakeholders. Value creation initiatives and reporting, as with the creation and protection of enterprise value overall, require the board, management, and internal audit to work collectively to align with each other and the prioritized interests of stakeholders.</p> |
| <p>Relevant IPPF <i>Standards</i></p> | <p>1100 – Independence and Objectivity 1110 – Organizational Independence 2100 – Nature of Work 2110 – Governance</p> |



| <IR> Framework | Value Creation Process |
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| Major Integrated Report Components Governance Process, Risk Management Process & Business Model | How: <ul style="list-style-type: none"> ■ Governance Process ■ Risk Management Process ■ Business Model – Key Business Processes including: <ul style="list-style-type: none"> – Strategic management – Materiality determination – Stakeholder management – Risk and opportunity management – Reporting (integrated reporting management system) – Information management – Core business processes (buy/make/sell) – Climate risk management, whether as a separate business process or as a component of these business processes |
| Implications for the Contribution of Internal Audit to Integrated Reporting Assurance | Internal audit has direct relevance to integrated reporting assurance mainly in relation to the Value Creation Process: <i>Does it have the knowledge and skills to:</i> <ul style="list-style-type: none"> ■ Understand design and operation of key business processes, including systems and controls therein, particularly the design and operation of the integrated reporting management system ■ Establish a coordinated approach with management lines one and two of the Three Lines Model ■ Test operation of controls ■ Liaise with management while maintaining independence ■ Report to the board, including making performance improvement observations in relation to the design and operation of the integrated reporting management system as well as quality of the reporting strategy ■ Cooperate with external auditors |
| Relevant IPPF <i>Standards</i> | 1200 – Proficiency and Due Professional Care 1210 – Proficiency 1230 – Continuing Professional Development 2050 – Coordination and Reliance 2060 – Reporting to Senior Management and the Board 2120 – Risk Management 2130 – Control |

| <IR> Framework | Integrated Thinking |
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| Major Integrated Report Components Resources & Relationships | <p>Why: Purpose</p> <ul style="list-style-type: none"> ■ How “what, with, and how” are connected in pursuing long-term value creation and protection |
| Implications for the Contribution of Internal Audit to Integrated Reporting Assurance | <p>Integrated Thinking: <i>Can internal audit make a difference by:</i></p> <ul style="list-style-type: none"> ■ Providing objective assurance and advice, independent of management, to give the board the confidence needed to provide effective oversight of governance, risks, and internal controls ■ Helping the organization understand the integration and connectivity of “financial” and “nonfinancial” information ■ Working effectively with external assurance practitioners ■ Providing performance improvement observations to the audit committee |
| Relevant IPPF <i>Standards</i> | <p>1100 – Independence and Objectivity 1111 – Direct Interaction with the Board 2010 – Planning 2030 – Resource Management 2050 – Coordination and Reliance 2060 – Reporting to Senior Management and the Board 2100 – Nature of Work 2120 – Risk Management 2130 – Control 2200 – Engagement Planning 2230 – Engagement Resource Allocation 2310 – Identifying Information</p> |





About The Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 210,000 members and has awarded 180,000 Certified Internal Auditor (CIA) designations worldwide. The IIA is recognized as the internal audit profession's leader in standards, certification, advocacy, education, research, and technical guidance throughout the world. The IIA's global headquarters is in Lake Mary, Fla. For more information, visit www.theiia.org.



About IFAC

The International Federation of Accountants (IFAC) is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 180 members and associates in 135 countries and jurisdictions, representing more than 3 million accountants in public practice, education, government service, industry, and commerce.

Acknowledgment

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Disclaimer

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May 2022



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