

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 independent, objective assurance and advice, and to support management and the board of directors (governing body) in making informed decisions that contemplate short- and long-term value creation.

The Integrated Reporting 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 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 using The IIA's Three Lines Model. This ensures the internal audit function operates independently and effectively. 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](#).



Framework	The Capitals
<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 comprehensive organizational view allows it to connect the various strands. (Connectivity Guiding Principle of the 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 internal audit activities, particularly as a governance role independent of management, which 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, ensuring effective governance, risk management, and control processes.</p>
<p>Relevant Global Internal Audit Standards TM</p>	<p>Principle 2: Maintain Objectivity</p> <p>Principle 7: Positioned Independently</p> <p>Standard 9.1 Understanding Governance, Risk Management, and Control Processes</p>



Framework	Value Creation Process
Major Integrated Report Components Governance Process, Risk Management Process & Business Model	<p>How:</p> <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	<p>Internal audit has direct relevance to integrated reporting assurance in relation to the Value Creation Process: Does it have the knowledge, skills, and competencies to:</p> <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 (first and second lines) of the Three Lines Model ■ Test operation of controls ■ Liaise with management while maintaining independence and objectivity ■ 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 the quality of the reporting strategy ■ Cooperate with external auditors
Relevant Global Internal Audit Standards	<p>Principle 3: Demonstrate Competency Principle 4: Exercise Due Professional Care Standard 9.1 Understanding Governance, Risk Management, and Control Processes Standard 11.3 Communicating Results</p>

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 independent, objective assurance and advice 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 Global Internal Audit Standards	<p>Principle 2: Maintain Objectivity Standard 8.1 Board Interaction Standard 9.4 Internal Audit Plan Principle 10 Manage Resources Standard 9.5 Coordination and Reliance Standard 11.3 Communicating Results Domain I: Purpose of Internal Auditing Standard 9.1 Understanding Governance, Risk Management, and Control Processes Standard 13.3 Engagement Objectives and Scope Standard 13.5 Engagement Resources</p>





The Institute of Internal Auditors



About The Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 255,000 members and has awarded 200,000 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.

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Disclaimer

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