

Adoption of the new Global Internal Audit Standards



The Institute of Internal Auditors (IIA) released the 2024 Global Internal Audit Standards (Standards) on January 9, 2024. The Standards will be effective from January 9, 2025. The previous version, the International Standards for the Professional Practice of Internal Auditing, released in 2017 (2017 Standards), remains in use during the one-year transition period – and early adoption of the new Standards is encouraged. The IIA released its proposed changes to the 2017 Standards in March 2023, which included structural changes in addition to new or changing content. After an extensive public comment process in which it is evident feedback was carefully considered, the IIA made further important revisions to the new Standards and the International Internal Audit Standards Board (IIASB) approved them for release in December 2023. Whilst many of the principles touch on familiar areas, the new Standards are intended to raise the bar for internal audit functions globally by making the Standard requirements more specific and demanding.

Additionally, as part of the Standards release, the IIA has published a “Report on the Standard-setting and Public Comment Processes for the Global Internal Audit Standards”, which provides summary disposition of public comments organized by major themes. This is a useful resource for understanding the more significant changes to the published Standards due to consideration of public comments received. This document is not intended to be a full summary of the new Global Internal Audit Standards but rather a resource as internal audit functions start the journey of adopting the new Standards.

Five insights you should know

1

Consistent with the 2017 Standards, the new Standards continue to be principles-based but the expectations to demonstrate conformance are likely to be higher for many functions

Under the new structure (organized by five domains with 15 guiding principles), each principle is supported by standards containing the mandatory requirements, and each standard is supported by considerations for implementation and examples of evidence of conformance. The considerations and examples referenced are intended to help guide implementation and are not intended to be prescriptive or be treated as a checklist. Further emphasizing the principles-based nature of the Standards, the introduction to the Standards (“Fundamentals of the Global Internal Audit Standards”) includes a sub-section on “Demonstrating Conformance with the Standards”. This sub-section acknowledges that there may be circumstances in which the internal audit function may not be able to fully conform with a requirement but still achieve the intent of the standard (with supporting documentation of rationale and actions implemented to meet the intent).

2

Domain III: Governing the Internal Audit Function focuses on the responsibilities of the chief audit executive, in collaboration with the board and senior management, in governing the internal audit function

Domain III recognizes that there are activities (“essential conditions”) of the board and senior management that are essential to an effective internal audit function. Language is included within the Domain to outline those activities and how any disagreements on essential conditions of the board and/or senior management should be managed. Standard 6.3 Board and Senior Management Support further reiterates the importance of the board and senior management in championing the internal audit function and supporting the function’s recognition throughout the organization. As part of, it is vital that the function has a clear brand identity and furnishes the board and senior management with the information needed to support and promote the function.

3

Development of an internal audit strategy: Standard 9.2 Internal Audit Strategy

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. The chief audit executive must review the internal audit strategy with the board and senior management periodically.

4

The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization

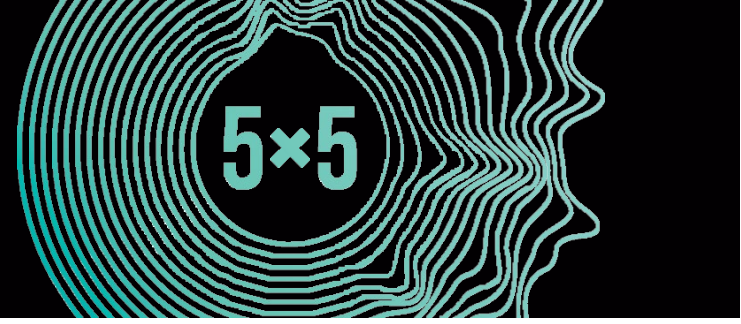
Standard 6.3 (Board and Senior Management Support) requires the chief audit executive to coordinate the internal audit function’s board communications with senior management to champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.

5

Standard 10.3 Technological Resources states that the chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency. When implementing new technology, the chief audit executive must implement appropriate training for internal auditors in the effective use of technological resources. The chief audit executive must collaborate with the organization’s information technology and information security functions to implement technological resources properly. The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.

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Five actions you can take



1 Take time to familiarize yourself with the new Standards

The Standards are not intended to be prescriptive and allow for judgment of the chief audit executive. However, it is still important to focus on the details when preparing for effective implementation of the Standards.

2 Discuss the new Standards with the board and senior management

As outlined in the Standards, the chief audit executive should assist the board and senior management in understanding internal auditing's purpose (as stated in Domain I: Purpose of Internal Auditing) and the essential conditions of the board and senior management as outlined within the standards in Domain III.

The chief audit executive should seek input as to alignment with respective responsibilities and any concerns. Use as an opportunity to further promote the internal audit brand within the organization.

3 Understand the implications and size of the conformance gap

Understand the implications to timing of your internal audit function's external quality assessment and consider an assessment in 2024 to assess readiness with implementation of the new Standards (effective January 9, 2025) and to identify any gaps and actions required for implementation.

For External Quality Assessments (EQA) completed in 2024, the quality assessment should be conducted in conformance with the 2017 Standards in effect. From an efficiency standpoint and to aid in adoption, the new Standards should be considered (against current practices) to identify any gaps in implementation. Any identified gaps would not impact current conformance.

For EQAs due in late 2024 (or 2025), the quality assessment can be accelerated for completion in 2024 to allow for the assessment to be conducted in conformance with the 2017 Standards. Similarly, a readiness assessment should be considered to identify gaps and support adoption of the new Standards.

Regardless of timing of EQA, a readiness assessment will help the internal audit function more efficiently and effectively plan its professional practices activities in 2024.

At a minimum, a mapping of the new Standards to current practices (e.g., within the documented internal audit methodology) should be performed.

4 Develop response to new or expanded requirements in the Standards that may require action in 2024

Requirements that are more likely to require consideration and potential action, include:

Standard 6.3 Board and Senior Management Support requires the chief audit executive to coordinate the board communications with senior management to champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives. As a result, Internal Audit functions should revisit and increase their focus on brand identity and marketing within their organizations.

Development of an internal audit strategy: Standard 9.2 Internal Audit Strategy

While many chief audit executives have such a strategy, some may not have formalized – and others may need to “dust off” and refresh. The Standard expects a closer focus between the chief audit executive and Board to monitor progress against the strategy.

Standard 8.4 External Quality Assessment (EQA) maintains consistency with the related 2017 Standards (including the allowance of a self-assessment with independent validation), with one additional requirement. The Standards include a new requirement that at least one member of the team performing an EQA must hold an active Certified Internal Auditor (CIA) designation.

Coordination and reliance with other assurance providers: Standard 9.5 Coordination and Reliance requires the chief audit executive to coordinate with internal and external providers of assurance and consider relying on their work – raising any concerns with senior management (and, if necessary, the board) if unable to achieve an appropriate level of coordination. Chief Audit Executives will need a robust methodology to assess reliance and outline its coordination approach.

Use of Technology: Standard 10.3 Technological Resources requires While not a radically new concept, the standard does support chief audit executives in having a more defined digital strategy (beyond core analytics) to support the advancement of the function's objectives and drive insights.

Quality: Standard 12.1 Internal Quality Assessments has expanded requirements for developing and conducting internal assessments of the internal audit function's conformance with the Standards and progress towards performance objectives. It is anticipated that many internal audit functions will need to enhance existing quality assurance and improvement programs in response.

Standard 14.3 Evaluation of Findings requires internal auditors evaluate each potential engagement finding to determine its significance. To determine the significance, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes. Chief Audit Executives should review their rating criteria methodologies and ensure they provide guidance on risk assessment.

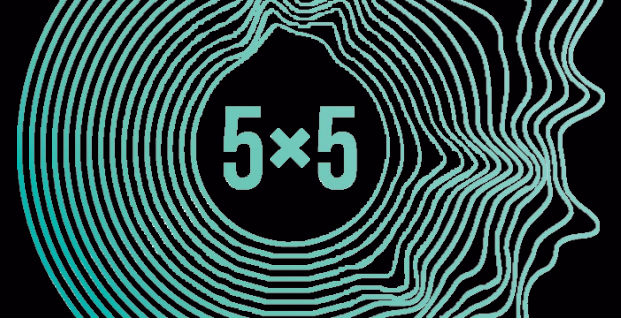
5 Help shape future Topical Requirements coming in 2024

The introduction of Topical Requirements (a new element of the International Professional Practices Framework) is intended to help an internal audit function apply consistent audit methodology when assessing the governance, risk management, and controls of a particular topical area – and once published, use of a Topical Requirement will be mandatory when an internal audit function scopes an audit engagement that includes that topical area.

The concept could be a useful resource – but its usefulness as a mandatory requirement across internal audit functions is difficult to determine without understanding the underlying content for use. Clarity is also needed to understand how such content will be kept relevant, particularly in emerging topical areas proposed such as cybersecurity and environmental, social & governance.

Proposed Topical Requirements will become available in 2024 and will be open for public comment. Chief audit executives should review as available and provide input to help shape the final published content.

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The Standards guide globally the professional practice of internal auditing – and are a foundational component of an efficient and effective internal audit function. Building on that foundation and continuing to mature internal audit practices allows an internal audit function to deliver purpose-driven, digitally powered internal audits that align with strategy, while anticipating risk and helping management put in place the right processes and controls today to better meet the challenges of the future and effectively impacting (and accelerating) positive organizational change.

As your internal audit function moves towards adoption of the new Standards – we encourage you to look beyond compliance and look for opportunities to further enhance and elevate your internal audit function’s strategic value to the organization.

Explore how [Deloitte Internal Audit](#) and our [Internal Audit 4.0 Framework](#) helps organizations align internal audit’s vision and strategy to the organization’s strategy, priorities and most significant investment and transformation opportunities and infuse value throughout the internal audit lifecycle.



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