

Navigating a changing environment

2024 Global Internal Audit Standards

Earlier this year The Institute of Internal Auditors (IIA) introduced the new Global Internal Audit Standards ('The Standards'), effective 9 January 2025. These new standards replace the 2017 International Standards for the Professional Practice of Internal Auditing and serve as a guide for evaluating and elevating the quality of the internal audit function.

There are notable changes which it introduces as it is designed to improve global practices by setting more specific and rigorous requirements. There is a one-year transition period where the 2017 Standards remain in effect, but early adoption of the new standards are encouraged. The Standards are effective from January 9, 2025.

Structure of the standards

The Standards are split into five domains which include 15 guiding principles supported by 52 standards. Each standard comprises the requirements of the standard, considerations for implementation as well as examples of evidence of conformance.



Extract from The Standards (theiia.org)

Domain I: Purpose of internal auditing

- Establishes the purpose statement and foundational standards, offering a "snapshot" of the benefits and highlights that a company can gain from an internal audit.

Domain II: Ethics and professionalism

- Replaces the 2017 Standards' Code of Ethics, integrating the profession's Code of Ethics and standards on practitioner conduct, including due professional care.
- Principles 1 - 5

Domain III: Governing the internal audit function

- Emphasises interactions between the Chief Audit Executive (CAE), Audit Committee, and senior management to inform about essential conditions in the standards.
- Aligns responsibilities and enhances understanding of internal audit mandate, independence, and oversight.
- The 2024 update provides improved guidance regarding the internal audit mandate, independence, and oversight responsibilities.
- Effective governance and active support from the Board and senior management are crucial for achieving internal audit objectives as defined in Domain I.
- Principles 6 - 8

Domain IV: Managing the internal audit function

- Defines the role of the CAE in developing and managing an effective audit.
- Involves creating an Internal Audit Strategy that aligns with the board's and stakeholders' expectations.
- Responsible for developing an Internal Audit Plan to support organisational objectives.
- Principles 9 - 12

Domain V: Performing internal audit services

- Establishes standards for managing engagements, including planning, execution, and communication for assurance and advisory services.
- Provides a consistent approach and clarifies exceptions for advisory services.
- Key areas include planning, conducting work, reporting findings, making recommendations, and tracking corrective actions.
- Principles 13 - 15

Key takeaways from the standards

These are the key takeaways from the revised Global Internal Audit Standards that we believe are crucial to remember in order to ensure successful implementation:

Internal audit function

Alignment with risk management: Internal audit activities should align with the organisation's risk management framework for a comprehensive approach.

CAE responsibilities: Domain III outlines the CAE's role in supporting the board and senior management to provide effective oversight.

Provision of information: The CAE must provide necessary information and discuss key conditions to fulfill the internal audit mandate.

Enhanced standards: The 2024 standards provide clearer guidance on the mandate, authority, and independence of the internal audit function compared to the 2017 Standards.

Board and senior management involvement

Active support: The board and senior management must champion the internal audit function.

Approval responsibilities: They are responsible for approving the mandate, charter, strategy, and budget of the internal audit.

Ensuring independence: It is crucial to ensure the internal audit function operates independently.

Facilitating communication: The CAE should facilitate clear communication between the board and senior management.

Advocacy for purpose: The board must advocate for the internal audit function's objectives and support its goals, including holding private meetings with the CAE when necessary.

Need for an internal audit strategy

Defined internal audit strategy: Emphasises the need for a clear strategy to advance internal audit objectives.

Coordination with leadership: The CAE must collaborate with the board and senior management to align on internal audit strategy.

Strategy reassessment: The standards require the internal audit function to revisit its strategy regularly.

Enhancing presence: Focus on improving organisational presence and brand identity within the internal audit function.

Findings evaluation and prioritisation

Engagement summaries: Internal auditors must summarise engagement results in relation to objectives, but overall ratings are not required.

Finding prioritisation: Findings should be prioritised based on their significance, with ratings recommended as best practice.

Risk and impact assessment: Internal auditors should evaluate each finding's risk and impact.

CAE oversight: The CAE is responsible for ensuring effective criteria for evaluation.

Updated quality assessment and performance standards

External quality assessment: An external quality assessment is required every five years, including at least one active Certified Internal Auditor on the assessment team.

Expanded internal assessments: Internal quality assessments are broadened in scope.

Performance objectives: CAEs must develop performance objectives that incorporate feedback from the board and senior management.

Progress measurement: Implement methods to measure progress and promote continuous improvement.

Harnessing technology and data

Ensure effective technology: The CAE must guarantee the internal audit function has appropriate technology.

Regular evaluation: Regularly evaluate the effectiveness of the technology used.

Training provision: Provide necessary training for staff on technology tools.

Collaboration with IT: Collaborate with the IT department to enhance technological integration.

Report limitations: Report any technology limitations encountered.

Develop digital strategy: Create a digital strategy to improve audit efficiency and effectiveness in line with Standard 10.3.

Continuing professional development

Continuous development: Internal auditors must consistently enhance their competencies and pursue learning opportunities.

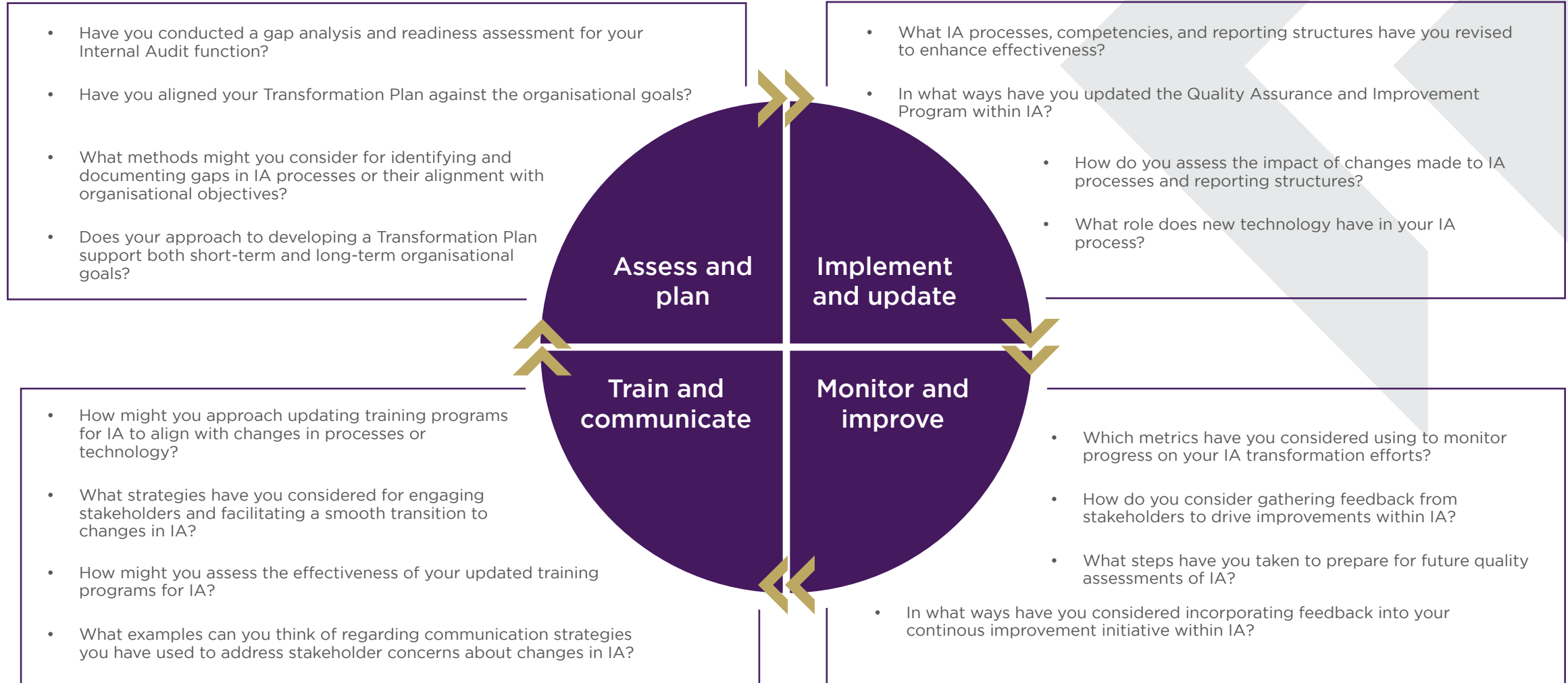
Certification requirements: Certified Internal Auditors must adhere to the requirements set by their certifying body, including ethics training.

Continuing professional education (CPE): Internal auditors are required to complete a minimum of 20 hours of CPE annually.

Ethics focus: At least 2 hours of the CPE must be dedicated to ethics training.

Streamlining the transition to the 2024 Global Internal Audit Standards

Here are key considerations to ensure a smooth implementation before the 9 January 2025 deadline:



Summary and how Johnston Carmichael can assist:

The Standards introduce a more structured framework with five domains and 15 guiding principles, emphasising enhanced ethics, governance, and strategic alignment. This presents organisations with a valuable opportunity to improve risk management and internal controls, elevating the strategic value of the internal audit function and strengthening governance. By embracing these updates, organisations can ensure more effective internal audits that contribute to overall success.

Here are the key areas where Johnston Carmichael can provide support to help you effectively implement The Standards:



If you would like to discuss transitioning to the new Global Internal Audit Standards or require support with implementing these standards within your firm, please feel free to reach out to Si Mathavan, Samantha Jeftha or your assigned Johnston Carmichael adviser.

Get in touch



Si Mathavan

Internal Audit Partner

London

Si.Mathavan@jcca.co.uk

07468 701027



Samantha Jeftha

Risk Assurance & Internal Audit

Assistant Manager

London

Samantha.Jeftha@jcca.co.uk

020 8076 6219

Where sharp minds meet



jcca.co.uk



This document has been prepared for information purposes only by Johnston Carmichael Chartered Accountants and Business Advisers ("JCCA"). The information contained in this document represents JCCA's interpretation of current legislation at the date of this document. The contents of this document are not a substitute for specific tax, legal or professional advice and readers should seek tax advice based upon their own particular circumstances.

Johnston Carmichael is an independent member firm of Moore Global Network Limited and does not accept any responsibility or liability for the action or inactions on the part of any other individual member or correspondent firm or firms.