



# The Institute of Internal Auditors New Global Internal Audit Standards

What every Head of Internal Audit needs to know

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# They're Here

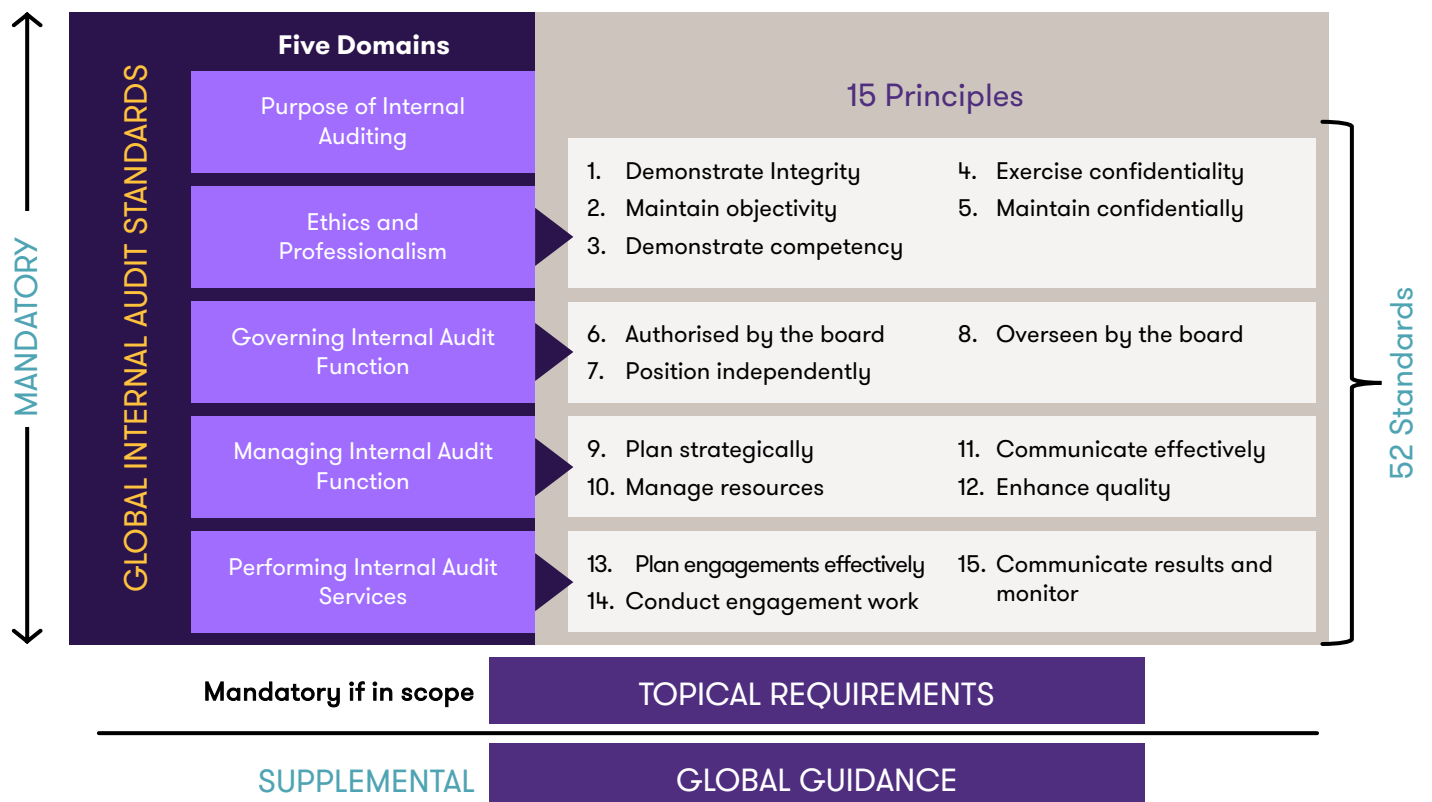
After a three-year journey, the Institute of Internal Auditors (IIA) released the **new Global Internal Audit Standards™** (Standards) on January 9, 2024. These new Standards will become effective January 9, 2025. The previous version, the International Standards for the Professional Practice of Internal Auditing, released in 2017, will remain approved for use during the one-year transition period.

To meet the needs of modern-day internal auditors, the IIA undertook a comprehensive update aimed at enhancing the clarity and applicability of the Standards. By grouping the Standards into five Domains and providing implementation guidance, the updated Global Internal Audit Standards™ offer clearer and more direct guidance. These changes equip internal auditors to address real-world situations effectively and remain relevant in the face of emerging risks.

The updated Standards are poised to elevate the quality of internal audit services worldwide, empowering internal auditors to provide independent, objective, efficient, and impactful assurance and advice that aligns with organisational goals. As internal auditors adopt these updated standards, they can confidently navigate the ever-changing risk landscape, ensuring the success of their organisations, and adding significant value to stakeholders.



## IIA's International professional practices framework



# Highlights: Old vs. New Standards

Improved clarity and better alignment with the needs of the profession and stakeholders

## 2017 Standards

## 2024 Standards

1. Unified Structure	Fragmented structure with separate components (e.g., Mission of Internal Audit, Code of Ethics)	Grouped into five domains, providing a clear framework for practitioners (e.g., Domain I-V)
2. Board Responsibilities & Oversight	Limited guidance on board involvement in Internal Audit function governance	Domain III outlines board responsibilities for Internal Audit function oversight (e.g., strategic planning, external quality assurance, quality assessment review)
3. Enhanced Ethical & Professional Guidelines	Code of Ethics and conduct standards not fully integrated, leading to potential confusion	Domain II unifies Code of Ethics and professional conduct principles (e.g., ethics, competence)
4. Performance Focus	Less emphasis on continuous improvement and performance evaluation	Emphasise performance improvement, measuring and enhancing the function's effectiveness
5. Detailed Engagement Guidance	Engagement reporting elements were less explicitly defined and structured	Domain V provides detailed guidance for engagement-level reporting (e.g., rating findings, formulating recommendations)
6. Technology Enablement	Limited emphasis on technology as a key resource for internal auditors	Stress the importance of technology support for the internal audit process
7. EQA and Board Involvement	EQA-related guidance may not have been as comprehensive or specific	EQA results reviewed by the board, including assessors with Certified Internal Auditor (CIA)
8. Topical Requirements	N/A – New concept for 2024 Standards	New <u>required</u> element to the Framework when an Internal Audit function scopes an audit engagement that includes that topical area
9. Small IA Function / Public Sector Considerations	N/A – New concept for 2024 Standards	Considerations now incorporated into the Standards due to the nature of small audit functions and public section organisations

# The Global Standards: What's New?

The new standards emphasise a holistic, Internal Audit function that aligns with organisational objectives and embraces the use of technology, analytics and automation. The Standards see collaboration amongst the Internal Audit function, Management, and the Board as being critical to Internal Audit's ability to service the organisation, and the broader public interest for which the organisation serves.



## Emphasis on risk management

Proactive and forward-looking approach to risk management and an active role to ensure its effectiveness.

- Fully understand the organisation's governance, risk management, and control framework (Std. 9.1).
- Agree with the board on approach for documenting and communicating risk acceptance that exceeds risk appetite (Std. 11.5).
- Consider financial and non-financial risk and the evolving nature of the business (Std. 9.5).
- Understand globally accepted governance, risk management, and control frameworks (Std. 9.1).



## Define objectives and methodology

Holistic approach in applying the Standards to meet organisational objectives.

- Align the function with the organisation's objectives (Std. 9.2).
- Develop and implement strategy to meet function objectives and expectations of board and stakeholders (Std. 9.2).
- Establish methodology for internal assessments and communicate results to board at least annually (Std. 12.1).
- Develop objectives against which to evaluate the function's performance and opportunities for improvement (Std. 12.2).



## Technology driven

Efficiency and continuous improvement through technology enablement.

- Assess the feasibility of acquiring and implementing technology enabled enhancements, including artificial intelligence (AI). Present identified enhancements to the Board and Senior Management (Std. 12.3).
- Implement automated controls to safeguard data within the audit process (Std. 5.2).
- Utilise data analysis tools to improve the function of internal audit, including evaluating and enhancing the function's effectiveness (Std. 12.1 & 12.2).



# The Global Standards: What's New?

The new standards emphasise a holistic, technology forward Internal Audit function that aligns with organisational objectives.



### Culture and communication

Strong and open communication that requires the HOIA to maintain ethical culture.

- Actively maintain open communication with the Board, Management, and Stakeholders (Std. 11.2).
- Develop an approach for building relationships and trust with key stakeholders and promote communication (Std. 11.1).
- Build ethical culture to promote adherence with the Std.'s behavioral expectations of internal auditors (Domain II).
- Promote professional skepticism and be open to hearing all supported findings(Std. 1.1).



### Operational and governance

The HOIA manages operational functions while oversight remains with the Board.

- HOIA manages the IA function's finances and human resources to effectively and efficiently meet its objectives (Std. 10.1).
- HOIA establishes training and development program specific to each internal auditor (Std. 3.1 & 10.2).
- HOIA reviews and approves work programs and subsequent changes (Std. 13.6).
- The Board oversees the IA function to ensure its effectiveness (Principle 8).
- The Board establishes, approves, and supports the IA Mandate, which specifies the scope and type of IA services (Std. 6.1).



### Conformance

Added specificity to requirements for conformance.

- Ensure the function continuously improves performance (Std. 12.2).
  - The requirement for an external assessment every five years may be met through an independently validated self-assessment (Std. 8.4).
  - Ensure Topical Requirements are followed if the topics are within the IA scope. These are intended to help an IA function apply consistent audit methodology in a particular topical area (cybersecurity, ESG, etc.).
- Note: Conformance is relative to organisation size. For smaller organisations, all domain components may not be necessary; however, mitigating processes and plans towards implementation is recommended.



# The New Global Standards: Board Interactions

When and how the HOIA should communicate with the Board – key topics



### Mandate

The HOIA and Board must align on the fundamental objectives and reporting structure of the Internal Audit function.



### Execution of the plan

The HOIA must discuss the Essential Conditions for Governing the IA function.



### Results

The HOIA must report on the IA function’s performance, engagement results, barriers to fulfilling the IA plan, and quality.

HOIA Must:

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Document the IA mandate, scope, authority, &amp; nature of IA services in the IA Charter and obtain Board approval annually (Std. 6.1);</li> <li>• Collaborate with other internal and external assurance providers to help establish the IA mandate (Std. 6.1);</li> <li>• Obtain Board approval of IA function performance objectives (Std. 8.3);</li> <li>• Have a direct reporting relationship to the Board and be granted sufficient authority to carry out IA function responsibilities (Std. 7.1);</li> <li>• Obtain Board’s perspective on organisation’s strategies, objectives, and risk tolerance to determine IA function priorities (Std.8.1);</li> <li>• Document frequency and format for communication with, and escalation of issues to, the Board (Std. 8.1).</li> </ul> | <ul style="list-style-type: none"> <li>• HOIA must discuss the “Essential Conditions” of Domain III, and document inability to meet any Essential Conditions (Domain III);</li> <li>• Develop an IA plan at least annually reflective of the Board’s risk tolerance and organisation’s strategy (Std. 9.4);</li> <li>• Obtain annual approval of the IA plan, budget, and resources; including the impact of insufficient budget or resources, including approval for deviations from IA plan (Stand. 6.3, 8.1, 8.2-10.1);</li> <li>• Notify board of insufficient financial, technological, or human resources and the resulting impact on the IA function (Std. 10).</li> </ul> | <ul style="list-style-type: none"> <li>• Report IA functions progress against Board approved performance objectives (annually) (Std. 12.2);</li> <li>• Discuss Quality Assurance Improvement Program (internal and external assessments) (Std. 8.3);</li> <li>• Escalate scope limitations (Std. 13.3);</li> <li>• Escalate management’s acceptance of risk beyond Board’s risk tolerance for resolution (Std. 11.5);</li> <li>• Report errors or omissions in accordance with agreed criteria to determine significance (Std. 11.4);</li> <li>• Report nonconformance with the Standards and the resulting impact to the IA function (Std. 12.1);</li> <li>• Report internal audit engagement results (conclusions, themes, &amp; root causes) (Std. 15.1).</li> </ul> |
|--|---|---|

← Notify Board of impairments to IA objectivity/independence →

# The New Global Standards: Now What?

As a HOIA, these are the recommended steps to take

## 1) Familiarise yourself with the Standards

If you're a newer internal audit function, read the standards, take the time to understand the International Professional Practice Framework (IPPF), and develop an implementation plan. If you're a mature internal audit shop, understand the changes from the 2017 standards and develop a transition plan.

- Determine the changes that require the HOIA specifically to take action, and which ones focus on responsibilities of IA staff.
- Conduct internal training so your team is aware of the changes. While there are various useful webinars developed by the IIA, it would be beneficial to highlight specific areas that are more relevant to your teams' situation.
- Be aware that it may seem like some of the standards are not new. **Some changes codify IA attributes/behaviors that may be in place already** – such as Standard 1.1. This standard includes requirements for internal auditors to exhibit courage in difficult situations, and for the HOIA to create a safe environment for internal auditors to feel comfortable when communicating results. While this and other expectations of your staff may already be present in your Internal Audit function, the need to show compliance now comes into scope of an EQA. Hence, you will need to demonstrate compliance.
- Note that **non-conformance with a requirement of a standard does not necessarily mean you are not in compliance with the standard** if you can show that you are complying with the “intent” of the Standard. The HOIA will need to document the reason there is a deviation, and the alternative actions to achieve the intent.

## 2) Consider performing a self-assessment

Completing a self-assessment will help you understand what transformational actions you may need to take within your IA function. Think of this like a mini-SAIV, without the independent validation. This is intended to identify changes such as:

- Where you stand compared to the new standards.
- What areas of your function present **opportunities for improvement** – consider ranking the opportunities such as “Critical”, “Important”, etc., and assessing level of effort for each.
- **Gaps in policy and procedures** – consider not only differences with the standards, but how your policies related to protocols/interactions with Management/stakeholders may need to be updated.
- Potential **new templates** supported by enhanced technology - the new standards place higher emphasis on Internal Audit shops **using technology** to facilitate complying with their mandate.
- Potential **changes in organisation structure**

Others





# The New Global Standards: Now What?

As a HOIA, these are the recommended steps to take

## 3) Develop an Internal Audit Strategy

- Develop an implementation plan and a timeline for implementing the results of the self assessment.
- Consider the rollout of the Standards as an opportunity/inflection point on the path of your Internal Audit function's maturity curve. Understand where you are today and the formal plan to get to your end goal. Consider revisiting existing themes that haven't changed as well as incorporating new ones that are aligned with the new standard. Performing a SWOT analysis can help prioritise actions needed, and developing KPIs can help with monitoring and accountability.
- Ensure the IA Strategy is clearly aligned with your organisation's strategy and governance model – map key elements to the organisation strategy so it is clear how IA activities support organisational objectives.
- Review your Charter and assess how it may need to be updated to incorporate the requirements of the Standards. Discuss your Internal Audit mandate with the Board and understand how it should be reflected in your Charter.
  - Have conversations with key stakeholders to ensure the Charter incorporates processes that consider their objectives.
  - Consider performing a risk assurance mapping exercise to determine your responsibilities for communicating risk gaps, and whether you should perform advisory or assurance services to those charged with mitigating identified gaps.
  - Consider breaking up the strategy into smaller chunks based on how you deliver services – ex. data analytics, automation, etc.
- Potentially update the Charter to reflect changes based on what is learned from completing the self-assessment.

4)

## Connect with your stakeholders/customers

Use the news of updated IA Standards as an opportunity to increase engagement/outreach with your business customers and others charged with risk management. The most effective Internal Audit functions are those that have strong and respectful relationships with stakeholders. Use this time for relationship development. Doing so can have the following benefits:

- Increase the perceived value and contribution of Internal Audit to overall risk management – get closer to being a trusted advisor
- Improve the effectiveness of fulfilling the role of the third line. Risk management is an organisation-wide collaborative process facilitated by effective communication between all 3 lines. Good/strong relationships foster effective communication
- Promote internal audit as a function to reach out for support, as opposed to being avoided.



# The New Global Standards: Now What?

As a HOIA, these are the recommended steps to take

## 5) Develop a plan to stay informed on the timing and rollout of Topical Requirements

Topical requirements are standards that are customised to support complex internal audit areas. These requirements are separate from the Standards, and are only relevant when your audit plan includes an internal audit that is covered by these requirements. Hence, you are not required to perform an internal audit covered by a topical requirement, but if your audit plan includes an audit for which a topical requirement exists, then you must follow those standards and they will be a basis for measurement for an EQA.

- Review your IA plan to determine if any in-scope audits are impacted by the initial Topical Requirements being developed by the IIA.
- According to the IIA, Cybersecurity will be first Topical Requirement – others under consideration include: ESG, Third Party Risk Management, Fraud Risk, and others.

## 6) Discuss with the Board and Senior Management on how the Standards will impact them

Refer to Doman III: Governing the Internal Audit Function

- **Understand and discuss the Essential Conditions** that apply to the Board and Senior Management. These “Essential Conditions” are unique to Domain III. It is the only section of the Standards that puts responsibility for compliance with the Standards on an entity outside of Internal Audit – in this case, the Board and Senior Management. They include specific actions/behaviors of the Board and Senior Management that are essential for the IA function to meet its objectives.

**New key focus areas include**

- The requirement for the Board and Senior Management to act as “champions” for the IA function throughout the organisation to facilitate IA meeting its objectives (sec. 6.3).
- Board’s requirement to approving the HOIA’s roles and responsibilities(sec. 7.2).
- Senior Management’s requirement to have input into the IA function’s performance objective and annual assessment of the HOIA and IA function (sec. 8.3).
- **DO NOT rush to the Board trying to tell them that they have new obligations – i.e., implying that they are now beholden to the Standards.** Rather, first discuss with the Board the fact that there are new standards and let them know your plan to address them. After you reviewed and developed your plan, including performing a self-assessment, then have a detailed discussion with the Board and Senior Management, letting them know how they can help compliance with the Standards. If the Board and/or Senior Management disagree with an essential condition, it is important to explain to the Board the impact to IA’s ability to meet its objectives and delivery of services if the essential conditions are not met.



# The New Global Standards: Now What?

As a HOIA, these are the recommended steps to take

## 7) Re-assess your Quality Assurance strategy

[Sec. 8.4] You must discuss your external quality assessment (EQA) plan with the Board, and EQAs must be performed at least every five years (not new). A self assessment with independent validation (SAIV) is sufficient to meet this requirement (not new). However, it's clear that the Standards prefer the completion of an EQA over an SAIV because if you choose to perform an SAIV in lieu of an EQA, you must explain to the Board why you're choosing an SAIV (new). Also, update your QAIP process to incorporate changes in the Standards, paying particular attention to standard 12 (Enhance Quality) within Domain IV (Managing the IA Function).

If you are up for an EQA in 2024, here are your options:

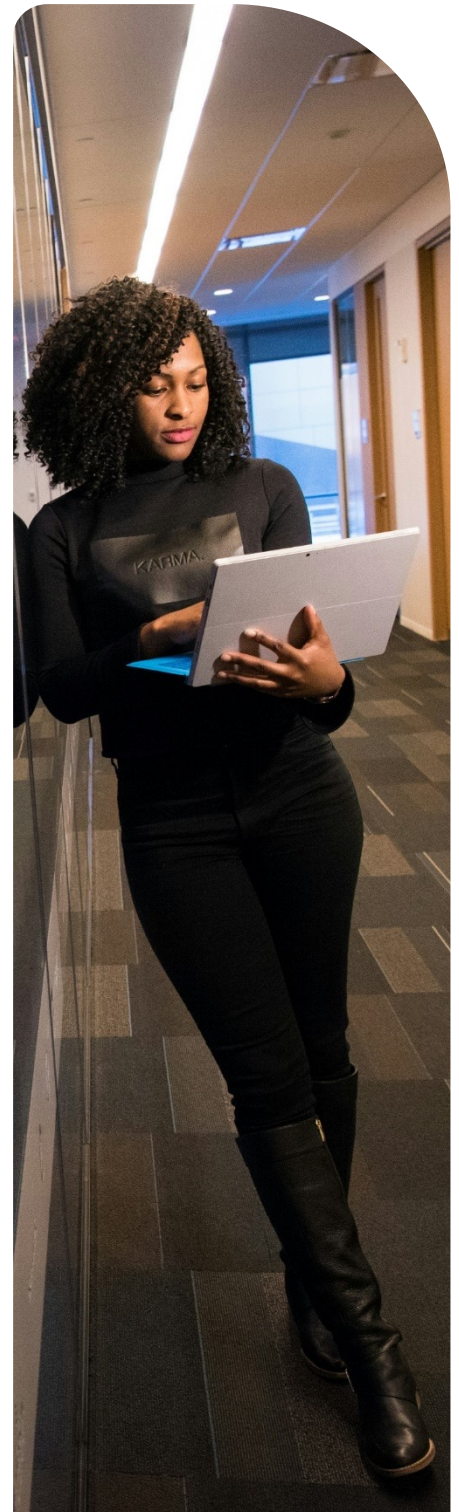
- Perform an EQA in 2024 and be assessed against the 2017 standards.
- Early adopt the new Standards and have your 2024 EQA be based on the new Standards.

If you are up for an EQA in 2025, here are your options:

- Pull ahead your EQA into 2024 and be assessed against the 2017 standards.
- Wait until 2025 and be assessed against the new Standards.

If applicable, we recommend pulling ahead your 2025 EQA into 2024

In either case, we recommend performing a self-assessment against the 2024 standards to provide insight as to what changes (if any) need to be made. Based on this assessment, you can determine the right course of action depending on the nature and extent of any gaps.



Conformance with the Standards

+

Achievement of IA Performance Objectives

=

Quality



# Aligning IT & Business Goals with Governance Standards

Clarifying expectations, enhancing communication: the Standards strengthen the IT-business partnership for better risk management and decision-making.



## Summarised IT considerations

IA should consider the alignment of the organisation's IT strategy with its overall business strategy and objectives.

IA should be positioned to provide independent assurance that the organisation's governance, risk management, and control processes are operating effectively in the context of the increasingly technological environment.

IA should consider the impact of technology on the organisation's operations, risks, and controls, including emerging technologies and their potential impact.

IA should perform IT audit engagements that are based on an assessment of the organisation's IT risks and the potential impact of those risks on the achievement of its objectives.

IA should provide continuous monitoring of risks and control and when available should utilise technology-assisted audit techniques including data analysis.



## What it means to you

- **Strengthened governance focus:** The standards emphasise the role of the HOIA in collaborating with the board and management to ensure effective IT governance. This includes:
  - Clearer alignment of IT strategy with organisational goals.
  - Enhanced communication and reporting on IT risks and controls.
  - Collaborating with other assurance providers to ensure comprehensive IT oversight.
- **Focus on technology and emerging risks:** The standards recognise the pervasive influence of technology and mandate consideration of emerging risks, necessitating a deeper understanding of IT infrastructure, controls, and vulnerabilities.
- **Enhanced risk assessment:** The emphasis on risk-based auditing necessitates a more robust risk assessment process for IT audits, considering the interconnectedness and alignment of technology across various organisational functions.
- **Data analytics and continuous monitoring:** The standards encourage the use of data analytics and continuous monitoring techniques, which are particularly valuable for identifying and mitigating IT-related risks in real-time.
- **Flexibility and scalability:** The framework's structure is not explicit and allows for customisation based on the specific IT environment and risks faced by the organisation.

# Other Considerations

## Small Audit Functions/ Public Sector Audit Functions

The Global Internal Audit Standards apply to all internal audit functions. However, certain audit functions may find compliance with the standards unusually challenging due to the size, structure, and/or nature of the public interest in which they serve.



### Small audit functions

Because of limited resources, smaller audit functions may not have the capability to comply with all of the standards. In such cases, the HOIA may implement other processes that still meet the spirit/intent of the principle. Such deviations from conformance must be documented to support an EQA. The documentation should include:

- The specific standard in question.
- An explanation of the cause for the need to deviate from strict compliance – i.e., what prevents your conformance, and what is the related impact.
- A description of the alternative process taken and how such process still meets the intent of the principle.



### Public sector audit functions

Internal Audit functions operating in the public sector sometimes have mandates that are subservient to jurisdictional laws and regulations, or in some cases, established by the laws and regulations or are the laws regulations themselves. This imposes a higher responsibility on the HOIA, as the HOIA must not only be familiar with the Standards, but also the laws and regulations in the environment in which they operate. Similar to small audit functions, when compliance with the Standards is not possible because of overriding laws and regulations, the non-compliance must be documented.

**Mandates and Charters influenced by laws and regulations and other dynamics of the public sector can affect:**

- Reporting – specific processes may need to be in place to publicly disclose audit findings.
- Conversations between the HOIA and the Board may not be private.
- organisational Structure – HOIA role may be an appointed position by a legislative body.
- Budget/funding of the IA function – example US GAO being funded by Congressional appropriations bill.

**Hence, when getting ready to apply the new Standards to a public sector audit function, the HOIA should:**

- Review Domain III and assess the essential conditions against the requirements of the jurisdiction in which they operate. Also review the section after Domain V where applying the global standards to the public sector are discussed.
- Consider the nature of the current mandate and charter and what restrictions/protocols are in place relative to making changes.
- Consider engaging an external third party with expertise in the public sector to support the self-assessment process.



# FAQs

## Q: When are the new Global IA Standards effective?

A. January 9, 2025

## Q: Who developed the Standards?

A. The International Internal Audit Standards Board with input from stakeholders.

## Q: Where can I access the new Standards?

A. The full Standards, along with a condensed version, can be accessed on the Institute of Internal Auditors website.

## Q: To whom do the Standards apply?

A. Any individual or function that provides IA services in both private and public sectors are responsible for conforming with the Standards. This includes employees and contractors. There are special considerations for small audit functions and those operating in the public sector.

## Q: Do the Standards apply internationally?

A. Yes, the Standards guide the worldwide professional practice of internal auditing. Global Guidance, or Supplemental Guidance, is provided within the Standards as well.

## Q: Who is responsible for ensuring the Standards are followed at my organisation?

A. The Chief Audit Executive is responsible for ensuring IA services are performed in accordance with the Standards. This job title and/or responsibility may vary across organisations and is defined in the IA Charter.

## Q: What are the Topical Requirements?

A. They are mandatory requirements designed to enhance the consistency and quality of IA services related to specific audit subjects to support internal auditors performing engagements in those risk areas. Internal auditors must conform with the relevant requirements when the scope of an engagement includes one of the identified topics.



# FAQs

## Q: What is the difference between the IA Mandate and the IA Charter?

- A. In general, the Mandate is “what” the IA functions does based on direction from the Board, and the Charter is “how” the IA function goes about doing it. More specifically...
- The IA Mandate describes the scope, authority, role, and responsibilities as well as the types of IA services that the IA function is charged to do by the Board, or in the case of public sector, a legislative body. For example, the Board (usually the Audit Committee) may require the IA function to assume responsibility for SOX services, ERM, fraud hotline oversight, operational audits, etc. The Mandate is the IA Function’s “day job.” This mandate can evolve based on changes in the organisation’s business environment and other risk factors.
  - The IA Charter establishes the IA function and codifies its purpose, of which the Mandate would be a subset. It includes administrative operating guidelines, such as communication protocols with the Board and Senior Management, reporting relationships, budget development, rules for IA to follow (ex. compliance with Global IA Standards), etc.

## Q: Do all areas in the Standards need to be implemented?

- A. Requirements identified in the Standards must be implemented.
- The Considerations for Implementation are common and preferred practices that may be considered when implementing the Requirements.

## Q: Which Standards should be followed during the transition period?

- A. The previous version, the International Standards for the Professional Practice of Internal Auditing, released in 2017, will remain approved for use during the one-year transition period. The new Global Standards can be adopted at the discretion of the HOIA.



# FAQs

## Q: Can components of the new Standards be slowly phased in?

- A. It depends, If the organisation is seeking conformance based on the old standards, all components of the old standards must still be present. Early adoption of complimentary components of the new Standards may occur.

## Q: Are there additional resources to help me understand the Standards?

- A. Yes, various articles, videos, and webinars are available on the Institute of Internal Auditors website.

## Q: If an EQA is performed in 2025, would it cover audits that are subject to the new standards since the standards are effective Jan 9, 2025?

- A. If the scope of the EQA covered activities that occurred after Jan. 9, 2025, then it would be subject to the new standards. However, if you are up for an EQA in 2025, you can pull ahead your EQA into 2024 and be assessed against the 2017 standards; or wait until 2025 and be assessed against the new Standards. [If applicable, we recommend that you pull ahead your EQA into 2024.](#)

## Q: Does the new standard require all auditors to be a CIA?

- A. No, However, to demonstrate competency, internal auditors may obtain the CIA designation or other certifications. In addition, if an EQA is performed, the HOIA must ensure that at least one member of the team hold and active CIA designation.

## Q: To what level of granularisation does the Internal Audit Staff need to know the Standards?

- A. At a minimum, IA staff should familiarise themselves with Domain II (Ethics) and Domain V (Performing Internal Audit Services).





# Contacts



**Sara McAllister**  
Partner,  
Risk Advisory  
sara.mcallister@ie.gt.com



**Marie Mannion**  
Partner,  
Risk Advisory  
marie.mannion@ie.gt.com



**Chanelle DaSilva**  
Director,  
Risk Advisory  
chanelle.dasilva@ie.gt.com



**Eileen Donoghue**  
Director,  
Risk Advisory  
eileen.donoghue@ie.gt.com

