New Global Internal Audit Standards

Making sense of the new Standards™ – and why you should act now

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Any busy audit team that wanted an easy start to the new year can think again. In January, the Institute of Internal Auditors released the long-awaited changes to the industry's Standards that will have far-reaching impact on the year(s) ahead. The most recent updates follow minor edits, last released in 2017, and a thoughtful period of public review for proposed changes that started last spring and represent significant change that will provide internal audit functions with a refreshed framework and clearer requirements. Whether you're the chief audit executive (CAE) or team member within the broader internal audit (IA) function, it's important to understand just what's changing, what material impact this will have on your organization and what steps to action in 2024. Here's our take on the key things to know as you plan audit activities this year.

Updates to Global Internal Audit Standards summarized

Among 15 Principles and 52 Standards, with five domains, changes to the Standards aim to create a new purpose for internal auditing, clarify requirements vs. suggestions and address some practice nuances (things like the public sector, smaller IA functions and advisory services among others). Key updates in 2024 include:

Elevating the mandate and stature of IA

▸ **Defining IA's purpose** – Internal auditors and business stakeholders should understand and be able to articulate the value of internal auditing and the mandate must be included in the internal audit charter.

▸ **Separating independence and objectivity** – Clear definitions and requirements established to guide teams on the meaning of functional independence and personal objectivity (Standard 2.1 - 2.3; Standard 7.1).

▸ **Enhancing stakeholder coordination** – Purposeful collaboration between the chief audit executive and other internal and external assurance providers is required to help establish IA mandate (Standard 6.1).

▸ **Building trust** – The CAE must develop an approach to building relationships with key stakeholders and promote effective communication across all stakeholder groups (Standard 11.1).

Leveraging technology in conducting audit activity

▸ **Enabling technology as a key resource** – The CAE must ensure the IA function has the appropriate technology to support the IA process and communicate any mandate delivery limitations based on technology capabilities (Standard 10.3).

▸ **Using technology in audit operations** – The department should use technology to improve its audit operations and governance, including audit planning, human and technology resource allocation and confirming conformance with methodology requirements (Standards 4.2, 8.2, 9.2, 9.3 and 9.4).

▸ **Technology use in audit delivery** – IA should use technology to test more effectively and efficiently, for example using applications to test full populations instead of a sample (Standards 13.5 and 14.2).

Delivering more valuable results

▸ **Promoting continuous improvement** – The CAE is responsible for measuring the performance of the IA function and ensuring it continuously improves (Standard 12.2).

▸ **Enhancing and elevating engagement level** – A formal requirement of engagement reporting, including rating or ranking of audit findings, formulating recommendations, obtaining management's action plans and developing an engagement conclusion (Standards 14.3 - 14.5).

▸ **Performing external quality assessments (EQAs)** – The board of directors must review EQA results, and the assessment team must include at least one individual with an active certified internal auditor (CIA) designation (Standard 8.4).

¹The Institute of Internal Audit (9 January 2024). Global Internal Audit Standards. globalinternalauditStandards_2024january9_printable.pdf (theiia.org)

What organizations need to do

These updates to our professional IA Standards are significant and will require thoughtful consideration on their impact to your audit processes and routines. IA teams and leaders should work closely with organizational leaders and audit committees (AC) so the needed change to processes and operations can be understood, planned and implemented efficiently.

Key action items for teams include:

▸ **Gap assessment** – Conduct a gap assessment to understand the magnitude of change from the 2017 Standards to the 2024 Global Internal Audit Standards.

▸ **Raise AC awareness** – Develop a communication strategy of the new Standards and their likely impact to your organization. What processes need to change and when? What might be the timeline for implementation, cost or risk associated with doing so?

▸ **Assess IA technology capabilities** – Review current technology capabilities and use to identify enhancement opportunities to improve delivery on its mandate.

▸ **Audit methodology** – Comprehensively review current audit processes and practices to confirm alignment with the Global Internal Audit Standards.

▸ **IA team training** – Develop a process, timeline and roll out plan for upskilling members of your IA function so they understand mandated Standards and how to help effect compliance.

▸ **Line of business awareness** – Communication to business unit leaders and their teams to provide them an understanding of the impact of the new Standards, as well as how to engage, interact and communicate with the IA function going forward.

▸ **Quality assurance programs** – Update all assurance program plans to address compliance with the new Standards and changes to current methodology.

▸ **External quality review** – Understand and plan for the impact on new external quality reviews due in 2024 and 2025.

Critical considerations

The Global Internal Audit Standards establish expectations for our profession and effect every audit professional. As organizations adjust to establish processes to manage all the changes effectively, knowledge of the new Standards must become a department-wide imperative – not something left for the audit practices team to address. As you put into place any process changes to adjust your IA approach for the future, it's also important to ask the critical question: does your team have the nuanced expertise, time and bandwidth to manage the process of change and compliance? If the answer is no, it may be time to consider identifying accountable staff or aligning with external IA resources for the road ahead.

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