



# Front Line Perspectives: Adopting the IIA's New Global Internal Audit Standards

# Agenda



1. IIA Standards Overview
2. Mandate, Strategy, and Performance Monitoring
3. Strengthening Internal Audit's Risk Assessment
4. Technology's Role Enabling Internal Audit
5. Q&A



## Tom O'Reilly

Field Chief Audit Executive and Connected Risk Advisor  
AuditBoard

- CAE of two public companies
- EY Risk Advisory
- Founder, CAE Leadership Forum
- Volunteer, IIA Global Board of Directors, Committee of Education Advisors (CREA)

# Poll Question #1

**Which statement best describes your team's efforts conforming to the IIA new global internal audit standards?**

- a. Gap assessment in progress, have time allocated to implement action plans
- b. Read the standards, but have not started a gap assessment yet.
- c. Haven't read the standards yet
- d. We don't plan to conform
- e. N/A - I'm not in Internal Audit



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# IIA Standards Overview

# About the IIA's New Global Internal Audit Standards

- Intended to guide internal audit professionals worldwide in their practice
- Principles-based framework
- Serve as a basis for evaluating and elevating the quality of the internal audit function
- Five Domains, 15 Principles, 52 Standards

The Standards were released on January 9, 2024,  
and will take effect on January 9, 2025



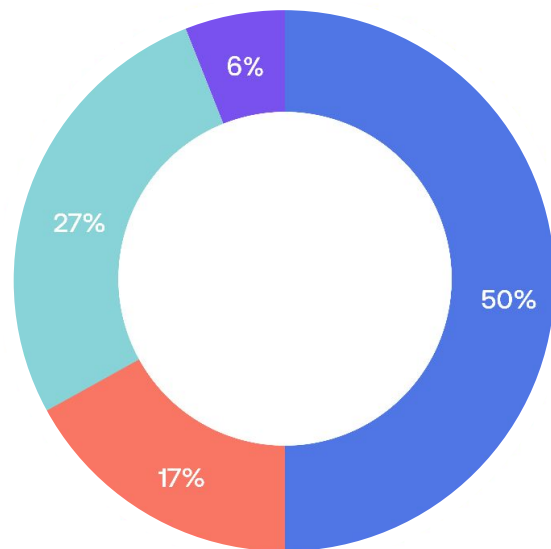
# Top Changes to the Standards

- Simplify the IPPF Structure
- Consolidate 6 elements (Mission, Definition, Code of Ethics, Core Principles, Standards and Implementation Guides) into the new Standards
- Create the new purpose of Internal Auditing, under the new Standards
- Enrich the Ethics and Professionalism by adding due professional care
- Add the recommended practices and evidence of conformance after each Standard.
- Add the nuances for Public Sector, small functions, and advisory services
- Clarify the Board role in governing internal audit function
- Clarify the roles of CAEs and internal auditors for internal audit functions and various activities
- Redefine the quality = conformance + performance



# Past Conformance to the IIA Standards

What statement best describes your internal audit's team past conformance to the IIA Standards?



- We stated conformance to the IIA Standards through internal and external QARs.
- We stated conformance to the IIA Standards through internal QARs but not external.
- We believe we conform to the IIA Standards, but have not had internal or external QARs to prove conformance.
- Our internal audit team has not conformed to the standards in the past.

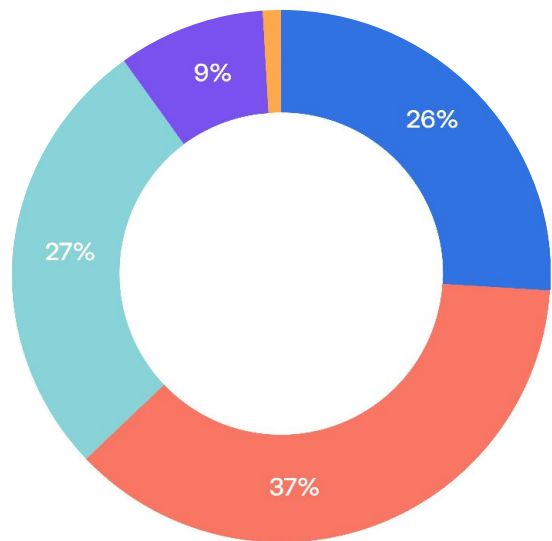
AuditBoard Flash Poll, June 13, 2024

[Updating the Standards for a Changing World, The IIA, February 2024](#)



# Future Intent to Conform to the IIA Standards

Where is your internal audit's team on its journey to conform to the new IIA Standards?



- Haven't read the Standards yet.
- Have read the Standards but not too much else.
- Have started a gap assessment from the old to the new Standards.
- Completed the gap assessment, now implementing needed changes.
- Completed gap assessment and needed changes.

AuditBoard Flash Poll, June 6, 2024

[Updating the Standards for a Changing World, The IIA, February 2024](#)

# Sentiment of The IIA's Global Internal Audit Standards

Which statement best describes how your team views conforming with the new IIA Standards?



# Where to Start

1. 50 – 60 hours to read
2. Team approach
3. Timeline



4. Co-source partners used to provide independent valuation of gaps Assessments and strategy planning

## Poll Question #2

**What activity do you expect to take the most amount of effort conforming to?**

- a. Approval on Internal Audit's mandate
- b. Internal Audit's strategic plan
- c. Assurance Mapping
- d. Performance Measuring and Monitoring
- e. We don't plan to conform



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# Mandate, Strategy, and Performance Monitoring

# Domain III – Governing the Internal Audit Function

## Principle 6 – Authorized by the Board

1. Standard 6.1 – Internal Audit Mandate
2. Standard 6.2 – Internal Audit Charter
3. Standard 6.3 – Board and Senior Management Support

## Principle 8 – Overseen by the Board

1. Standard 8.1 – Board Interaction
2. Standard 8.2 – Resources

**Both Principles include “Essential Conditions”**

**20%**

\* Of over 1500 Internal Auditors feel that aligning Board and Senior Mgmt discussions with new standards will be the most effort to conform.

\* AuditBoard Flash Poll, June 6, 2024

# Standard 6.1 – Internal Audit Mandate

**The board establishes, approves, and supports the mandate of the internal audit function.**

1. Authority – reporting relationships
2. Roles – assurance vs. advisory services
3. Responsibilities – how to meet key stakeholder expectations
4. Scope – Internal Audit coverage of the organization

## Standard 6.1 Requirements

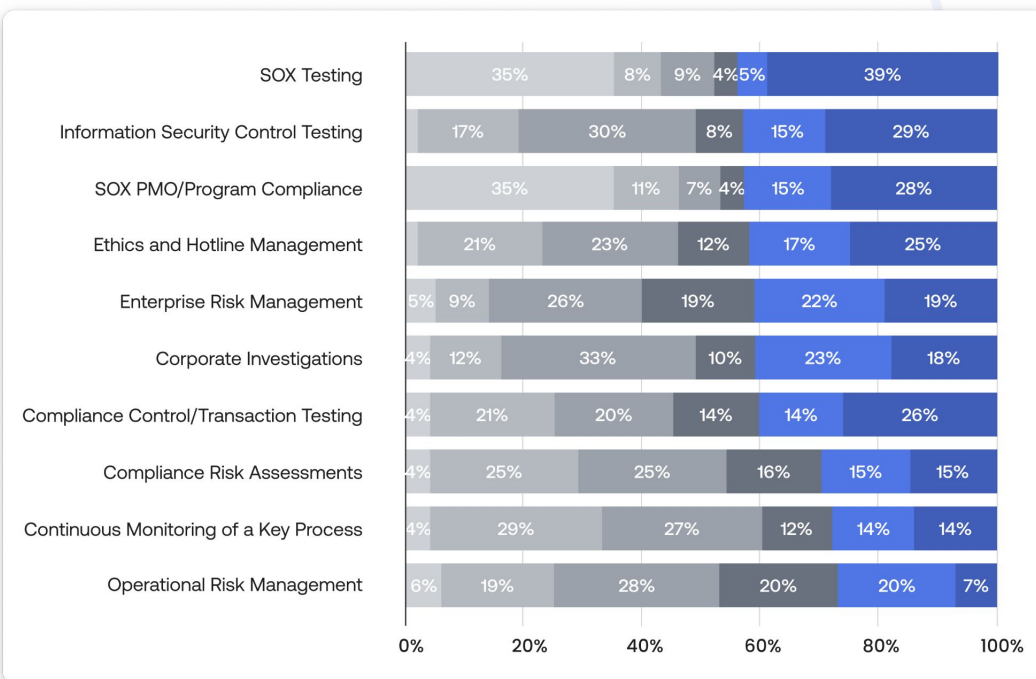
“The chief audit executive must provide the board and senior management with the information necessary to establish the Internal Audit Mandate.

To help the board and senior mgmt determine the scope of internal audit services, the CAE must coordinate with other internal and external assurance providers to gain an understanding of each other’s roles and responsibilities.”

# Current Responsibilities in Addition to Internal Audit

How would you best describe your team's responsibility for the following activities today?

- N/A
- Not Involved at All
- Somewhat Involved
- Formal Advising Responsibility
- Heavily Involved, But Do Not Own
- Internal Audit Is Responsible





# Internal Audit Time Allocation

## Audit teams with SOX responsibilities

Headcount	TRADITIONAL AUDIT	ADVISORY	SOX
1-5	43%	15%	42%
6-10	42%	15%	43%
11-20	61%	14%	25%
21-40	43%	15%	42%
41-200	58%	16%	26%
AVERAGE	49%	15%	36%

## Audit teams w/out SOX responsibilities

Headcount	TRADITIONAL AUDIT	ADVISORY
1-5	81%	19%
6-10	78%	22%
11-20	84%	16%
21-40	67%	33%
41-200	85%	15%
AVERAGE	79%	21%

# Key Stakeholder Requests in past 2 years

50%

of Audit Committees  
have asked for more  
from Internal Audit

55%

of CFOs have asked  
for more from  
internal audit

61%

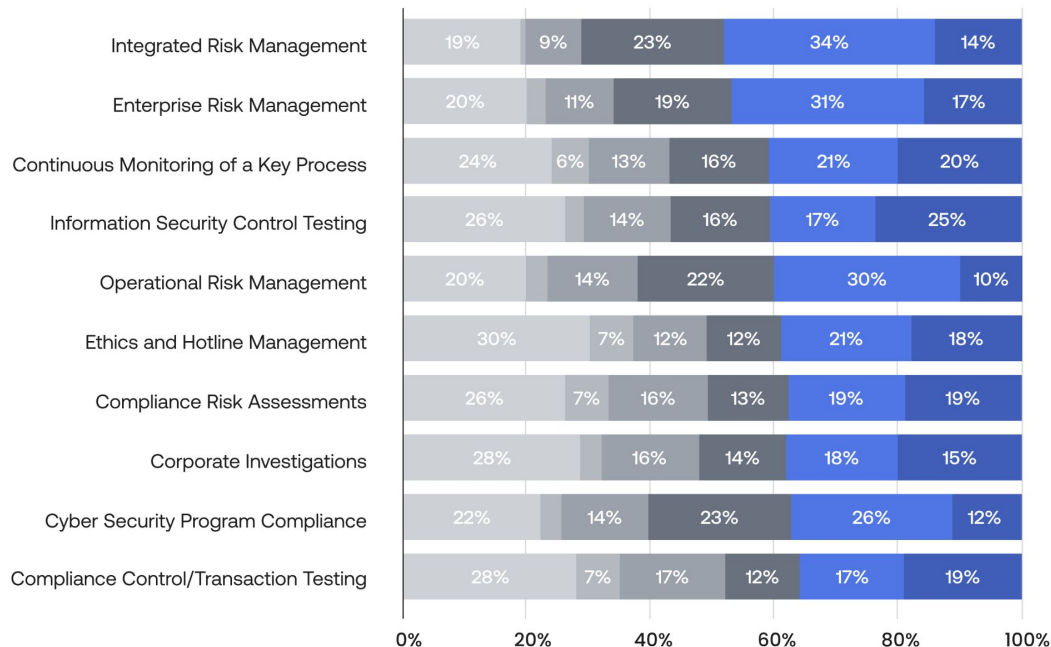
of CAEs believe  
they should be  
doing more

Operational audits advisory implementation  
Operational Risk management assessment control  
work Projects ESG ERM Data  
SOX audits new risk Assurance  
Company Compliance Governance AI Continuous  
Culture Cybersecurity Investigations  
Cyber Security Monitoring

# CAEs self assessment of additional roles to play

Which of the following activities do you believe internal audit should have more responsibilities for within the next two years?

- N/A
- Not Involved at All
- Somewhat Involved
- Formal Advising Responsibility
- Heavily Involved, But Do Not Own
- Internal Audit Is Responsible



# Key Stakeholder Sentiment of Internal Audit

Expectations of Internal Audit by Audit Committee	Audit Committee Feedback on Internal Audit Performance
<ol style="list-style-type: none"><li>1. Objective Source of assurance on risk management and control</li><li>2. Capable of connecting the dots</li><li>3. Alignment with other risk and control functions</li><li>4. Deeply knowledgeable about the industry they serve.</li><li>5. Courageous to bring matters to the attention of the Audit Committee</li><li>6. Trusted Advisors who are comfortable sharing perspectives.</li><li>7. Adept communicators.</li></ol>	<ol style="list-style-type: none"><li>1. Communicate without regards to risk.</li><li>2. Don't connect the dots.</li><li>3. Do not effectively communicate the risk universe when reporting to the committee.</li><li>4. Reveal how they consider new and emerging risks.</li><li>5. Ensure the risk assessment/planning process is linked to the enterprise's strategic plan.</li><li>6. Explain their planning methodology, including how they coordinate and collaborate with second-line functions.</li></ol>

[Audit Committees are loud and clear – Internal Audit must communicate better](#)

Richard Chambers, Audit Beacon Blog

# Internal Audit Strategic Plan

## Standard 9.2 – Internal Audit Strategy

1. Key Stakeholder Expectations
2. Goals and Activities to Achieve Expectations and IA Mandate
3. Current and Future State Assessments of:
  - People
  - Process
  - Technology
  - Integration with the business / Connected Risk
4. Action Plans and Performance Monitoring

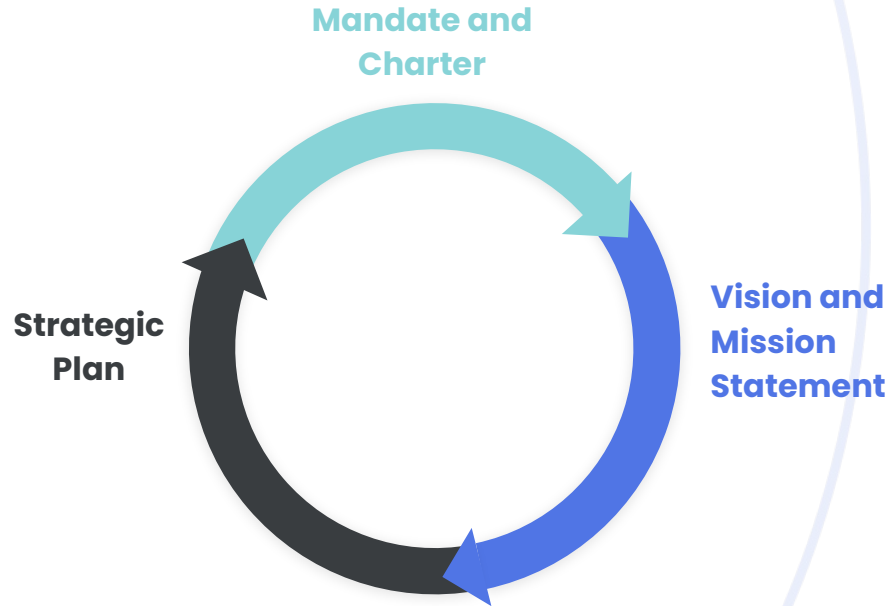
20%

\* Of Internal Auditors surveyed stated that they had a comprehensive and well-documented strategic plan.

\* AuditBoard's Focus on the Future Report, December 2023

# Mandate and Strategy

1. Will require effort to plan for Board conversations
2. Will likely involve multiple conversations
3. Allocate 1 - 2 quarters to complete
4. Take advantage of this opportunity to change
5. Be inspirational



## Poll Question #3

**Which one of the following changes has your Internal audit team made to its reporting process? Select all that apply.**

- a. Internal Audit's performance metrics have been modified
- b. The amount of data shared in an Internal Audit report has been decreased
- c. The number of business managers and executives where we've shared information has expanded
- d. No changes have been made
- e. Other (please specify)

# Performance Monitoring and Reporting

## Standard 12.2 Performance Measurement

- More Risk-Focused Performance Metrics
- Introduction of Leading vs. Lagging Indicators
- Other Reporting Changes Made







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# Strengthening Internal Audit's Risk Assessment

# Domain IV – Managing the Internal Audit Function

## Principle 9 – Plan Strategically

1. Standard 9.1 – Understanding Governance, Risk Management, and Control Processes
2. Standard 9.4 – Internal Audit Plan
3. Standard 9.5 – Coordination and Reliance



# Creating the Internal Audit Plan – New Techniques

## Current State

1. IA Risk Assessment completed (by risk or audit universe)
2. Inherent and residual scores assessed
3. Audit plan creation
4. Risk Assessment and audit updated periodically

## Future State

1. ERM (risk universe) tied to IA Risk Assessment (audit universe)
2. Assessment of risk scores, tolerance, and appetite
3. Consideration of other assurance providers
4. Consideration of how the audit project will be resourced
5. Project added to audit plan

# Key Considerations for Assurance Mapping

1. Identifying internal and external assurance providers may be a significant project.
2. To increase Internal Audit's reliance strategy, criteria to determine reliance on external work will need to be documented, and training required.
3. There will be a positive correlation between the achievement of Principle 9 and your organization's Connected Risk maturity.

# Poll Question #4

**Has your approach to performing the Internal Audit risk assessment and creating the Internal Audit plan changed in the past 2 years? If so, how?**

- a. Yes
- b. No



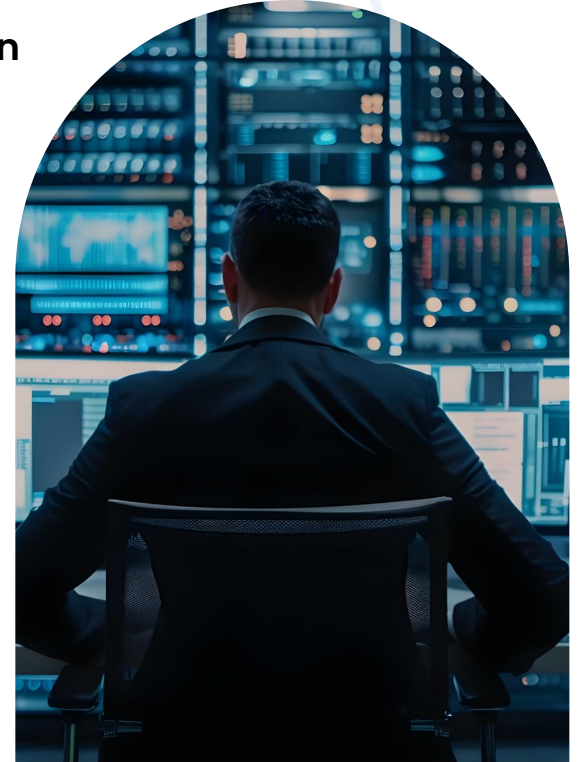
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# Technology's Role Enabling Internal Audit

# Standard 10.3 Technological Resources

**The CAE must strive to ensure that the internal audit function has technology to support the internal audit process.**

1. What's in scope:
  - Audit Management Systems
  - GRC applications
  - Data science and analytics apps
  - Collaboration tools
2. Appropriate training needed
3. Work with IT to implement
4. Communicate the impact of lack of technology



# Features and Attributes of Purpose-Built Audit Technology

1. Risk Assessment (risk or audit universe) and linkage to audit plan
2. Resource planning by auditor and by audit project
3. Real-time dashboarding and reporting
4. Flexible, intuitive, and easy to use
5. integrated analytics, and connect ability to other data sources
6. Platform for 1st / 2nd / 3rd line

Inactive

▲ I#66 - Assets under construction were not reviewed

US.CR.1.CO5 (Test O)

TESTER

Andrew Johnson

REVIEWER

Barry B

REM. OWNER

Donald Hughes

REMEDATION DATE

2020-09-15

Identified By

Jason Le

Identified Date

2020-07-03

Issue Description

During FY15 Interim testing, no approvals were o  
managers for the Q2 Assets Under Constructions review. No  
approvals from the Managers are required Quarterly, an exception  
was noted and remained an open exception for FY15.

Potential Risk

Actual spend relating to CIP projects is not reviewed, causing  
continuous inappropriate and/or/ unrelated expenses.

Remediation Action

CIP Managers perform a timely review of projects with  
frequent reminders from Sr. Manager of Accounting.

Confirm Issue



# Key Considerations with Internal Audit Technology



- Technology Plan should align or be a part of Strategic Plan
- Work with vendor customer success to understand what attributes are available to you
- Technology is an enabler to Internal Audit's success – you need to advocate for it

# Available AuditBoard Resources

## eBooks:

- [IIA Standards Roadmap: 6 Practical Tips to Elevate Your Audit Function](#)

## On-demand Webinars:

- [The Clock is Ticking: Does Your Strategic Plan Align With the New IIA Standards?](#)
- [Front Line Perspectives on Adhering to The IIA's New Global Internal Audit Standards](#)
- [Understanding the New IIA Standards and Planning for Implementation Success](#)

## Articles:

- [AuditBoard Launches New Capabilities to Streamline Conformance With New IIA Global Standards | AuditBoard](#)
- [The New IIA Standards Are Raising the Bar for CAEs on Technology Strategies](#)
- [IIA Standards Conformance: Perspectives on Frequently Asked Questions](#)
- [Internal Audit Strategic Planning: A Blueprint for Your Value Creation Roadmap](#)
- [8 Ways the Proposed UK Internal Audit Code of Practice Goes Beyond the Global Internal Audit Standards](#)
- [7 Things Every Internal Auditor Should Know About the New Standards](#)



# 05 ○ Q&A