

HOW TO IMPLEMENT THE GLOBAL INTERNAL AUDIT STANDARDS IN THE EUROPEAN PUBLIC SECTOR?

Appendix

NOVEMBER 2024

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*Detailed
Analysis of the
Standards*

Methodology

Each member of the working group supporting this paper was asked to answer the following questions for an allocated standard:

Q1. What new content, topics, and key changes are introduced in the Global Internal Audit Standards 2024? This question addresses only content in the new Standards that was not in the IPPF 2017.

Q2. With which 2017 IPPF content does this 2024 standard align? Content that is new in 2024 is noted as such.

Q3. Does the “Applying the Global Internal Audit Standards in the Public Sector” section of Global Internal Audit Standards 2024 apply to this Standard? If so, how? A “yes” response to this question applies only to those standards that have a specific reference to the standard in the public sector section because internal auditors in the public sector may need to adapt their approach to applying the Standards to achieve conformance or may not be able to conform to a specific standard under any circumstances.

Q4. Are there any major challenges to implementing the standard? Do you have any best practices or tips to share?

Members of the Public Sector Committee reviewed the detailed analysis, and key messages and recommendations were incorporated into the summary.

The following table summarises all the responses received from working group members.

DOMAIN II
ETHICS AND
PROFESSIONALISM



Principle 1

DEMONSTRATE INTEGRITY



Standard 1.1 Honesty and professional courage

Q1 New content / changes

“Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.” The standard also emphasises that the CAE must maintain a work environment where internal auditors feel supported when expressing engagement results, whether favourable or unfavourable.

Q2. IPPF 2017 Reference

Code of Ethics, Rules of Conduct 1.1 and Standard 2.3.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Internal auditors need excellent communication skills and the ability to deliver information despite how the consequences may affect people.

Best practices:

- Internal auditors can renew their commitment to courage and include it in the audit charter.
- Governments can issue regulations or provide safeguards to protect internal auditors against retaliation.
- Advocate for laws that require internal auditors in the public sector to report key issues, whether favourable or unfavourable, to their board.

Standard 1.2 Organisation's ethical expectations

Q1 New content / changes

Internal auditors must encourage and promote an ethics-based culture and must report where behaviour is inconsistent the ethical expectations. Internal auditors must also understand and meet the ethical expectations of the organisation and recognise conduct that is contrary to those expectations. The 2017 Code of Ethics only identified the need to contribute to the legitimate and ethical objectives of the organisation.

Q2. IPPF 2017 Reference

Code of Ethics, Rule of Conduct 1.4, Standard 2110.A1

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

Challenges:

- Internal auditors can have a positive influence on ethical behaviour by encouraging communication and education about ethical behaviour.
- Lack of a formal method to track unethical behaviour poses challenges to creating objective data to inform the organisational risk assessment.
- Compliance with the requirements for an ethical culture is not mandatorily assessed.

Best practices:

- Public sector internal auditors should consider how unethical behaviour impacts the internal audit function's risk assessment and audit plan.
- Advocate for a comprehensive legal act regulating the principles of professional ethics for internal auditors in the public sector that includes protecting public funds.
- Advocate for laws on conflicts of interest and ethical rules applicable to public sector employees and require that internal auditors evaluate compliance with these laws when conducting engagements and contribute to promoting an ethical culture through their conclusions and recommendations.

Standard 1.3 Legal and ethical behavior

Q1 New content / changes

Explicit requirement that internal auditors may not be part of any activity that may harm the organisation and must report any legal or regulatory violations they identify to those with authority to take appropriate action.

Q2. IPPF 2017 Reference

Code of Ethics, Rules of Conduct 1.2, 1.3

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Is it not always clear how widely to report and to whom.
- Public sector internal auditors may fear the violation may be substantial enough or at a high enough level in the organisation to be met with resistance.

Best practices:

- Advocate for laws/regulations mandating public sector internal auditors to report legal, regulatory, and fraud violations to the board or those with authority to take appropriate action and to directly contact law enforcement authorities when appropriate.
- Public sector internal audit functions should encourage that the whistleblower program be managed independently to combat organisational staff aversion to reporting.

Principle 2

MAINTAIN OBJECTIVITY



Standard 2.1 Individual Objectivity

Q1 New content / changes

The Standards 2024 separate the concepts of objectivity (Principle 2 Maintain Objectivity) from independence (Principle 7 Positioned Independently); the concepts were combined in the 2017 Standards' Standard 1100. This standard's considerations for implementation describe specific types of biases and reinforce the idea of avoiding them through:

- Relevant training (how to deal with impairments to objectivity).
- Recognising and understanding the human tendency to misinterpret information or make assumptions or mistakes that impair the ability to evaluate information and evidence objectively.

Q2. IPPF 2017 Reference

Code of Ethics, Principle 2; Standards 1100, 1120.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- The budget may limit the ability to provide adequate staff training to meet objectivity standards (for example, training on various biases or objectivity-impairing scenarios).

Best practices:

- In the internal audit charter, include or reference the objectivity standard (and the role of the board/audit committees).

Standard 2.2 Safeguarding Objectivity

Q1 New content / changes

The requirements expand on “safeguarding objectivity” by saying internal auditors must identify and avoid potential impairments to objectivity and not accept any tangible or intangible items (for example, gifts, rewards, or favours).

Q2. IPPF 2017 Reference

Code of Ethics, Rules of Conduct 2.2, 2.3; Standards 1100, 1130

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Accepting gifts or favors may be acceptable and/or expected in certain organisations or cultures.
- Internal auditors may not recognise or fully understand potential impairments to objectivity.
- Staffing limitations may make it difficult for internal auditors to refrain from assessing activities for which they had responsibilities within the previous 12 months.

Best practices:

- **Consider external perception:** Public sector auditors should actively assess how their actions and decisions might be perceived by external stakeholders, ensuring that the appearance of objectivity is maintained throughout the audit process.
- **Leverage training and professional judgment:** Auditors can rely on their training and professional judgment to critically evaluate situations that could compromise objectivity and take steps to mitigate potential risks.
- **Implement conflict-of-interest policies and disclosure forms:** Such policies and procedures reinforce objectivity and the rules regarding the acceptance of gifts, rewards, or favours. These tools support impartiality and transparency throughout the audit process by helping internal auditors identify and address potential biases and the actions to take when objectivity is impaired or a conflict of interest occurs.

Standard 2.3 Disclosing Impairments to Objectivity

Q1 New content / changes

The new Standards strengthen the requirements for both internal auditors and the CAE to disclose impairments to objectivity to the board and appropriate parties and to do so “promptly.”

The standard also includes a requirement for disclosure of objectivity impairments that affect the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions that are discovered after an engagement has been completed.

Q2. IPPF 2017 Reference

Standard 1130

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Internal auditors may be afraid to acknowledge impairments to their objectivity, especially after an engagement has been completed.
- The organisation may not have a protocol for communicating objectivity impairments to oversight agencies when such impairments are identified after an engagement has been completed and affect the findings, recommendations, and conclusions.

Best practices:

- **Implement Conflict of Interest Policies:** Establish and regularly use conflict of interest policies and disclosure forms to reinforce objectivity. These tools help identify and address potential biases, ensuring auditors remain impartial and transparent throughout the audit process.
- Advocate for legislation that prohibits internal auditors from auditing areas for which they were responsible within the previous 12 months before taking on the internal auditor role.

Principle 3

DEMONSTRATE COMPETENCY



Standard 3.1 Competency

Q1 New content / changes

The 2024 Standards clarify that:

- “The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience.”
- “Internal auditors must possess or develop knowledge of The IIA’s Global Internal Audit Standards.”

The Code of Ethics and Standards in the 2017 IPPF provided a definition of “proficiency” but did not specify which competencies are important to performing internal audit responsibilities. Now nine specific competencies are recommended for consideration.

Q2. IPPF 2017 Reference

Code of Ethics, Principle 4, Rules of Conduct 4.1, 4.2, 4.3; Standards 1210, 1220, 1311

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Career paths in the public sector may be linked to a grading scheme for civil servants or similar structure, which may constrain internal auditors’ options for progressing and increasing competencies within the internal audit function.
- Elections may affect government agendas in ways that require internal auditors to refocus their work and/or develop new or increased expertise in certain areas.

Best practices:

- Establish an apprenticeship scheme to help newly hired internal auditors develop their competencies and move into management roles in the internal audit function.

- Advocate for training programs that support the internal audit function’s development of requisite skills and achievement of relevant certifications.
- Advocate for laws that set minimum general education and experience requirements for the CAE, such as university degrees in economics, law, business, management, finance, accounting, or public administration or their equivalent as well as at least 2 years of work experience in audit or internal audit and a certification that confirms the title of internal auditor or auditor.

Standard 3.2 Continuing Professional Development

Q1 New content / changes

The 2024 Standards say that internal auditors must continue to develop their competencies to improve the effectiveness and quality of internal audit services and that this development must include education and training. The Standards clarify that internal auditors possessing internal audit certifications must follow the continuing education policies and requirements applicable to their certifications.

Q2. IPPF 2017 Reference

Code of Ethics, Rule of Conduct 4.3; Standard 1230

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Exposure to new audit tasks or areas can be limited due to staffing difficulties; qualified and experienced internal auditors often leave the public sector for the private sector.
- Budgets may not adequately support education and training.
- Staffing challenges may limit the time individuals have to study and hinder career progression significantly.

Best practices:

- Advocate for the head of the public legal entity to approve a law, rule, or regulation that requires internal auditors to conduct their engagements in conformance with the Global Internal Audit Standards, including the requirement to enhance their qualifications through continuing professional development.
- Provide incentives for internal auditors to attain relevant professional certifications, such as Certified Internal Auditor®.

Principle 4

EXERCISE DUE PROFESSIONAL CARE



Standard 4.1 Conformance with the Global Internal Audit Standards

Q1 New content / changes

The 2024 Standards clarify that internal audit services must be both planned and performed in accordance with the Global Internal Audit Standards.

This standard adds that nonconformance must be documented and include a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. This information must be disclosed as described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

The standard also requires appropriately disclosing in internal audit communications the laws, regulations, or requirements of other authoritative bodies that prohibit conformance.

Q2. IPPF 2017 Reference

Code of Ethics, Rule 4.2; Introduction to the Standards, sentences 24, 25, and 26.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard and provides examples of how laws and regulations, governance and organisational structures, and funding may differ from the private sector and affect the ability of internal audit functions in the public sector to conform with the Standards.

Q4. Challenges and best practices

Challenges:

- The public sector is founded upon and governed under legal frameworks and structures that may limit an internal audit function’s overall responsibilities and ability to conform with certain standards in the Global Internal Audit Standards.
- The CAE and internal auditors may not always be aware of the laws and/or regulations at a state or national level that affect an internal audit function, particularly those presented in legislation not specific to the internal audit function.

Best practices:

- Advocate for legislation requiring the internal audit function in the public sector to adhere to The IIA’s Global Internal Audit Standards to help prevent conflicting legislation that could cause nonconformance.
- Include in the internal audit charter specific references to the laws and regulations (mandate) governing the internal audit function, as well as how those laws and regulations may limit the internal audit function’s ability to conform with the Standards and alternative methodologies the internal audit function will implement to achieve the intent of the Standards. See also Standards 6.1 Internal Audit Mandate, 6.2 Internal Audit Charter, 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.
- Develop methodologies for the internal audit function to ensure that discussions with the board and senior management cover the reasons for nonconformance and any mitigating actions taken to comply with the intent of the Standards. The process for doing this should be included in the internal audit function’s methodologies. See “Fundamentals of the Global Internal Audit Standards” section.

Standard 4.2 Due Professional Care

Q1 New content / changes

The 2024 Standards expand the assurance engagement requirements of Standard 1220.A1 to apply to all engagements. Due professional care requires assessing the nature, circumstances, and requirements of the services to be provided including a list of eight specific aspects.

Q2. IPPF 2017 Reference

Code of Ethics, Rule of Conduct 1.1; Standard 1220.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Internal auditors may not fully understand the complexity or materiality of risks associated with the activity under review and, therefore, may not achieve a complete understanding of the activity’s nature.
- The time and effort auditors determine is necessary to achieve due professional care, based on their assessment of the nature, circumstances, and requirements of services, may outweigh the resulting benefits.

Best practices:

- Develop and implement internal audit function methodologies that require internal auditors to assess the nature, circumstances, and requirements of the service to be provided by including, at a minimum, the list of items in the standard. Additional elements to review could include laws and regulations, policies and procedures, process flowcharts, performance reports, and external evaluations relevant to the activity under review.

Standard 4.3 Professional Skepticism

Q1 New content / changes

The 2024 Standards introduce the concept of professional skepticism, meaning auditors must maintain an inquisitive attitude, critically assess the reliability of information, be straightforward and honest when raising concerns and asking questions about inconsistent information, and seek additional evidence to make judgments about information and statements that might be incomplete, inconsistent, false, or misleading.

Q2. IPPF 2017 Reference

None. All new content.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Inexperienced auditors may not recognise when they have received incomplete, inconsistent, false, or misleading information or the various ways to follow-up.
- Inexperienced auditors may be apprehensive about asking tough questions regarding information received.

Best practices:

- Provide training to clarify the requirements of the standard. This can be included in training on key changes to the standards, which auditors will need. Such training could include how to gather sufficient, reliable evidence to support their opinion and evaluate and validate the reliability of such information.

Principle 5

MAINTAIN CONFIDENTIALITY



Standard 5.1 Use of information

Q1 New content / changes

Clarifies that internal auditors must follow relevant policies, procedures, laws, and regulations when using information rather than simply being “prudent” regarding the use of information.

Q2. IPPF 2017 Reference

CoE Rules of Conduct 3.1, 3.2.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” specifies that public disclosure laws and/or regulations may govern the types of documents that must or must not be released to the public. The methodologies of internal audit functions in the public sector should include these requirements.

Q4. Challenges and best practices

Challenges:

- Jurisdictional requirements regarding the types of information that must or must not be released vary significantly. The requirements may be written into laws or regulations other than those specifically governing internal audit functions, which may make it challenging to identify them all.

Best practices:

- Coordinate with the organisation’s legal department to ensure the internal audit function is aware of all laws and regulations governing the use of information.
- In the internal audit charter and methodologies, incorporate:
 - Requirements for maintaining confidentiality and/or disclosing information obtained during the course of an internal audit engagement.
 - Which documentation must be recorded when disclosing documents and information.
 - Which documentation required to record approval by legal counsel and/or the board and senior management, when it is required.

Standard 5.2 Protection of information

Q1 New content / changes

The standard clarifies “respecting the value and ownership of information” by specifying that internal auditors must be aware of, understand, and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security.

Q2. IPPF 2017 Reference

Code of Ethics, Principle 3, Rule of Conduct 3.1; Standards 2330, 2410

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” notes that public disclosure laws and/or regulations may govern the types of documents that must and must not be released to the public. The methodologies of internal audit functions in the public sector should include these requirements.

Q4. Challenges and best practices

Challenges:

- Jurisdictional requirements regarding the types of information that must or must not be released vary significantly. Such requirements may be written into laws or regulations other than those specifically governing internal audit functions, which may make it challenging to identify them all.
- When confidential documents and information are stored on the organisation’s network, adequate controls may not be in place to limit access to only those in the organisation and the internal audit function who need it.

Best practices:

- In the internal audit charter and methodologies, specify the information and documents that must be protected from disclosure and the requirements for protecting information and documenting disclosure, including the specifications necessary to ensure continued protection. The methodologies may require internal auditors to sign an annual statement indicating that they have read, understood, and conformed with the requirements.
- Develop methodologies for adequately protecting information and documents that the internal audit function stores electronically. Include a provision to coordinate with the information technology department, if necessary, to implement such protections.

DOMAIN III

*GOVERNING THE INTERNAL
AUDIT FUNCTION*



Principle 6

AUTHORISED BY THE BOARD



Introduction

Q1 New content / changes

The CAE must discuss this domain with the board and senior management, focusing on the Purpose of Internal Auditing, the essential conditions, and the potential impact if the board or senior management does not provide the support outlined in the essential conditions.

If the board or senior management disagrees with one or more essential conditions, the CAE must emphasise how the absence of the conditions may affect the internal audit function's ability to fulfill its purpose or conform with specific standards.

Q2. IPPF 2017 Reference

None. All new content.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes; although the Introduction to Principle 6 Governing the Internal Audit Function isn't specifically cited, each standard in Principle 6 is.

Q4. Challenges and best practices

See below for the individual standards in this series.

Standard 6.1 Internal Audit Mandate

Q1 New content / changes

The CAE must provide the board and senior management with the information necessary to establish the internal audit mandate. The mandate must be documented in the internal audit charter. If the mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. The CAE must coordinate with other internal and external assurance providers and understand their roles and responsibilities.

When changes in circumstances justify discussing the internal audit mandate with the board and senior management, the CAE must assess whether the internal audit function is still able to achieve its strategy and accomplish its objectives based on its authority, role, and responsibilities.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 1000, 1010, 2050, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Laws and/or Regulations" section of "Applying the Global Internal Audit Standards in the Public Sector" specifically refers to this standard.

In some jurisdictions, the external assurance provider is mandated and the authority of a supreme audit institution may supersede that of the internal audit function; internal audit functions may be subject to a required planning process and protocol of joint work. The external assurance provider may be required to coordinate with the internal audit function, superseding the CAE's coordination role.

Q4. Challenges and best practices

Challenges:

- It may be difficult for the internal audit function to establish methodologies to meet the requirements of laws and/or regulations and still achieve full conformance with the Standards, either because the laws limit the roles and responsibilities of the internal audit function or because the laws prescribe specific ways that the internal audit function must perform certain internal audit services.
- The board and senior management may resist accepting the more clearly defined role of providing input to the internal audit mandate.
- A law, regulation, or higher authority, such as a supreme audit institution, may limit the internal audit function's ability to perform certain activities that are typically within its scope of authority.
- External service providers may not always be willing to discuss or coordinate the assurance providers' roles and responsibilities to eliminate duplication of effort.

Best practices:

- The CAE can explain to the board and senior management the importance of meeting because of structural changes to the Global Internal Audit Standards, including new essential conditions that clarify the parties' roles in providing input on the internal audit function's mandate and the Standards' requirements for establishing an effective internal audit function. Having these conversations at least annually can ensure the internal mandate stays current and reflects changes in the Standards, industry, and/or organisation.
- The CAE can advocate to establish or change laws to allow the internal audit function to perform a full scope of internal audit activities in conformance with the Global Internal Audit Standards. Such laws reinforce the CAE's advocacy for influencing the board and senior management to implement the essential conditions.
- The internal audit charter can identify specific standards where the internal audit function cannot conform, either wholly or partially, due to requirements or limitations in laws or regulations. When the function is unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.
- The CAE can use the internal audit charter to specify the requirements for the CAE to coordinate with other internal and external assurance providers, and request that the board mandate that senior management coordinate with the internal audit function regarding other internal assurance service providers.
- The CAE can advocate for the board to require that contracts with external assurance providers include provisions requiring them to coordinate with the internal audit function to prevent the duplication of services.

Standard 6.2 Internal Audit Charter

Q1 New content / changes

The CAE must develop and maintain an internal audit charter that includes the Purpose of Internal Auditing; a commitment to adhering to the Global Internal Audit Standards; the internal audit function's mandate; and the board's responsibilities and expectations regarding management's support of the function, reporting relationships, scope of work, types of services, and other specifications. The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 1000, 1010, 1320, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Laws and/or Regulations" and "Governance and Organizational Structure" sections of "Applying the Global Internal Audit Standards in the Public Sector" refer to this standard.

The CAE must be aware of laws and/or regulations that affect the internal audit function's ability to conform with all provisions in the Standards. A charter or other documentation may be used to explain how the internal audit function is meeting the requirements in the laws and/or regulations as well as the intent of the Standards.

Q4. Challenges and best practices

Challenges:

Laws and/or regulations may include provisions that limit the internal audit function's ability to fully conform with the Standards. For example, the function may not have unrestricted access to records, information, personnel, or facilities. Another common example is that the organisation's governance is not structured to allow the internal audit function to report to a "board;" instead, the CAE may need to identify the party in the organisation that would have the authority to provide input to and approve the internal audit charter and obtaining meaningful input may be more difficult.

Best practices:

- Use The IIA's Chief Audit Executives' Domain III Toolkit, available in The IIA's Standards Knowledge Center, to guide discussions with the board and senior management regarding minimum requirements for an effective internal audit charter. Having these discussions at least annually can ensure the internal charter stays current and reflects changes in the Standards, industry, and/or organisation.
- Use The IIA's Model Internal Audit Charter Tool for the Public Sector and related guide, available in The IIA's Standards Knowledge Center, to develop an internal audit charter that will ensure conformance with the Global Internal Audit Standards.
- If there is not a "board," establish an audit committee that can provide appropriate input to and oversight of the internal audit function, including approval of an internal audit charter.

Standard 6.3 Board and Senior Management Support

The CAE must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organisation. The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

IPPF 2017 Reference: Standards 1110, 1111

Yes – The "Laws and/or Regulations," "Governance and Organisational Structure," and "Funding" sections of "Applying the Global Internal Audit Standards in the Public Sector" specifically refer to this standard.

Laws and/or regulations may limit the type of private discussions that the CAE may have with the board.

Q1 New content / changes

Q2. IPPF 2017 Reference

Q3. Does the section "Applying the Standards in the Public Sector" apply?

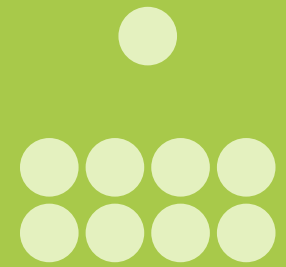
Q4. Challenges and best practices

Challenges:

- Laws and/or regulations may limit the CAE's ability to have private or closed sessions with the board through which the CAE can openly discuss challenges or sensitive issues involving senior management.
- The CAE may be required to report to someone other than the chief executive officer or equivalent, which may limit the CAE's ability to have open communications with the board or senior management. Such communication is an essential part of a collaborative relationship between the CAE and senior management.

Best practices:

- Use The IIA's Chief Audit Executives' Domain III Toolkit, available in The IIA's Standards Knowledge Center, to guide discussions with the board and senior management regarding the essential conditions and minimum requirements for an effective internal audit charter. Having these discussions at least annually supports keeping the internal charter current and aligned with updates in the Standards, industry, and/or organisation.
- If the CAE does not report to a board or the chief executive officer in the organisation, establish an audit committee that can advise the CAE and promote implementation of the essential conditions.



Standard 7.1 Organisational Independence

Q1 New content / changes

The board's role in establishing and protecting the internal audit function's independence is more explicit, including its role when independence is impaired or for safeguarding independence. If the governing structure does not support organisational independence, the CAE must document the structure limiting independence and any safeguards used to achieve independence.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 1100, 1110, 1112, 1130, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – "Laws and/or Regulations," "Governance and Organisational Structure," and "Funding" sections of "Applying the Global Internal Audit Standards in the Public Sector" specifically refer to this standard.

Laws and/or regulations may limit the type of private discussions that the CAE may have with the board. The various public sector governance structures may affect the board's ability to exercise the power to create an independent reporting relationship with the CAE and the internal audit function as described in the Standards.

Q4. Challenges and best practices

Challenges:

- Laws and/or regulations as well as the public sector governance structure may limit or interfere with the internal audit function's ability to operate independently from management, communicate independently to the board, or seek funding at a level that allows full conformance with the Standards.

Best practices:

- Establish a process to evaluate independence. The process should enable:
 - Threat identification.
 - Assessment of the significance of the threat.
 - Identification of mitigation factors.
 - Evaluation of residual threats.
 - Proactive management of residual threat.
 - Determining reporting and documentation implications.
 - Review and monitoring.
- Use the quality assurance process as an opportunity to further raise concerns about independence.
- Advocate for laws and/or regulations that require CAEs in the public sector to report to the board/governing body, noting that the Standards accept reporting to the head of the organisation or institution if there is not a board/governing body.
- Advocate for requiring that the governance and reporting structure ensure the operational and organisational independence of internal auditors and that this governance function cannot be delegated to other employees of the public sector organisation.

Standard 7.2 Chief Audit Executive Qualifications

Q1 New content / changes

The CAE must help the board understand the qualifications and competencies necessary to manage the internal audit function. The CAE facilitates this understanding by providing information and examples of common and leading qualifications and competencies for CAEs. Additionally, CAEs must maintain and enhance their own qualifications and competencies to fulfill their roles and responsibilities.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

None. This requirement was not included in the 2017 Standards.

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – "Governance and Organizational Structure" section of "Applying the Global Internal Audit Standards in the Public Sector" specifically refers to Principle 7.

Because the board in a public sector organisation may be a policy-setting body, it may not have authority over the CAE's roles, responsibilities, appointment, removal, or remuneration.

Q4. Challenges and best practices

Challenges:

- The CAE may lack the expected experience in internal auditing, typically evidenced through employment history.
- A board's preferences for the CAE's qualifications may not fully align with those required for the CAE to be able to fulfill the internal audit mandate, implement the internal audit strategy, and achieve the internal audit plan.

Best practices:

- Advise the board and senior management about appropriate qualifications and competencies based on the internal audit mandate, the complexity of the organization, the organisation's risk profile, and the industry and jurisdiction within which the organisation operates. Such qualifications should include an appropriate level of education, a recognised internal auditor certification, and experience in internal auditing in the public sector, and a comprehensive understanding of the Standards.
- Expand competencies through continuing professional education, particularly about the Standards, and actively participate in professional associations.

Principle 8

OVERSEEN BY THE BOARD



Standard 8.1 Board Interaction

Q1 New content / changes

The new standard is more explicit about the CAE's role in providing the board with the information it needs to conduct its oversight responsibilities. It also makes clear that if there is a disagreement between the CAE and senior management or other stakeholders that affects the internal audit function's ability to execute its responsibilities, the CAE must ensure the board understands the impact on the internal audit function and receives the information necessary to determine whether to intervene.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 1110, 1111, 1312, 1320, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Governance and Organisational Structure" section of "Applying the Global Internal Audit Standards in the Public Sector" specifically refers to this standard, recognising that governance arrangements in the public sector may not give the board authority over the CAE and internal audit function as described in the Standards. In some situations, the CAE should consult with those who directly oversee the internal audit function before taking direction from elected officials who serve as a board unless those officials have direct oversight responsibilities.

Q4. Challenges and best practices

Challenges:

- There may not be a board/governing body that meets the Standards' definition and requirements of a board and has oversight authority over all aspects of the CAE and the internal audit function.
- Public-sector internal audit functions may be subject to multiple levels of governance, both within and outside the organisation. This situation can create conflicting expectations and complicate reporting relationships.

Best practices:

- The CAE should discuss with the board and senior management any necessary adjustments to the application of the Standards and should document the discussion to ensure clarity about the roles and responsibilities of the board, senior management, and CAE.
- When there are multiple levels of governance or no board exists, an audit committee can be established to provide centralised oversight of the CAE and the internal audit function.

Standard 8.2 Resources

Q1 New content / changes

The new standard provides more details about the responsibilities of the board, senior management, and CAE for evaluating whether internal audit resources are sufficient. If the audit resources are not sufficient to fulfill the internal audit mandate and achieve the internal audit plan, the standard requires the CAE to inform the board about the impact of insufficient resources and develop a strategy to address shortfalls and obtain sufficient resources.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 2020, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Funding" section of "Applying the Global Internal Audit Standards in the Public Sector" specifically refers to this standard.

The section recognises that the funding process for internal audit functions varies widely in the public sector and that the board and senior management may have no authority over the internal audit budget. The section clarifies that "Even when the budget is set by laws and/or regulations, the chief audit executive must adhere to other requirements of the Standards related to managing the budget." It also identifies conditions that may limit the way the CAE may spend allocated funds.

Q4. Challenges and best practices

Challenges:

- The CAE may not have the authority to set the budget for the internal audit function because it may be part of the organisation's comprehensive budget or set by law or regulation.
- The funding available may be insufficient to supply the human and technological resources needed to fulfil the internal audit mandate and complete the internal audit plan.
- Insufficient technological resources could limit the internal audit function's ability to increase its efficiency.

Best practices:

- Internal audit resources must be discussed with the board/governing body (where it exists) and senior management. The internal audit charter should clearly document the process for approving the internal audit function's budget, including any deviations from the Standards.
- When planning the function's budget, the CAE can identify the need for funding to increase staff, provide training programs, and procure software and tools for efficient work performance.
- If sufficient funding is not available, the CAE should continue to advocate for a level of funding that will ensure the internal audit function has sufficient staffing to fulfill its mandate, complete the audit plan, and perform its work efficiently.

Standard 8.3 Quality

Q1 New content / changes

The new standard clarifies that the results of internal and external quality assessments must include communication about the internal audit function's achievement of its performance objectives and compliance with applicable laws and/or regulations relevant to internal auditing.

The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

IPPF 2017 Reference: Standards 1300,1310, 1312, 1320, 1321, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Laws and/or Regulations" section of "Applying the Global Internal Audit Standards in the Public Sector" refers specifically to this standard.

The CAE must be aware of the laws and/or regulations that affect the internal audit function's ability to fully conform with the Standards. A charter or other documentation may be used to explain how the internal audit function is meeting the requirements of the laws and/or regulations as well as the intent of the Standards. When conformance is not possible, the CAE must document the reason, make appropriate disclosures, and conform with all other requirements of the Standards.

Q4. Challenges and best practices

Challenges:

- The board may not see the value of supporting both internal and external quality assessments of the internal audit function.
- The board may want to limit the assessments to only certain aspects of the internal audit function.
- Senior management may be reluctant to provide input on the function's performance objectives since the function is a different part of the organisation.

Best practices:

- Use the discussions with the board and senior management to emphasise how having a strong internal audit function – one that fully conforms with all of the requirements in the Standards – can benefit the organisation as a whole.
- Explain the expanded requirements of the quality program to the board and senior management so they understand the new factors that must be considered in the internal and external quality assessments.

Standard 8.4 External Quality Assessment

Q1 New content / changes

When selecting the independent assessor or assessment team, the CAE must ensure at least one person holds an active Certified Internal Auditor® designation
The activities of the board and senior management that support this standard's requirements are provided as "essential conditions."

Q2. IPPF 2017 Reference

Standards 1312, 1320, 1321.

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Laws and/or Regulations" and the "Funding" sections of "Applying the Global Internal Audit Standards in the Public Sector" specifically refer to this standard.

When funding limitations prevent the CAE from obtaining adequate resources to conduct an external quality assessment, internal audit functions in the public sector may benefit from participating in peer programs to conduct the assessment. External assessments should be performed by an assessment team knowledgeable about public sector activities and governance structures.

Q4. Challenges and best practices

Challenges:

- The internal audit function may not be provided sufficient funding to have an external quality assessment.
- It may be difficult to get an external quality assessor who has public sector experience and also holds an active Certified Internal Auditor® designation.

Best practices:

- Collaborate with other public sector internal audit functions to establish a peer program for external quality assessments.
- Promote attainment of the Certified Internal Auditor® designation in the public sector to help establish a pool of external quality assessors.
- Consider using a self-assessment with independent validation in lieu of a full external quality assessment.

DOMAIN IV

MANAGING THE

INTERNAL AUDIT FUNCTION



Principle 9

MANAGING THE INTERNAL AUDIT FUNCTION



Standard 9.1 Understanding Governance, Risk Management and Control Processes

Q1 New content / changes

To develop an effective internal audit strategy and plan, the CAE must understand the organisation’s governance, risk management, and control processes. The 2024 Standards added that developing this understanding requires the CAE to consider how the organisation structures its management and operating functions, how it identifies and assesses significant risks, and how it selects appropriate control processes.

Q2. IPPF 2017 Reference

Standards 2010, 2100, 2110, 2120, 2130

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- The internal audit function may have difficulties identifying the organisation’s governance, risk management, and control processes if they are not well documented or if management does not provide sufficient resources to develop a mature risk management process, which can be because they view it as a bureaucratic exercise that takes too much time or because it is not used for decision-making purposes.
- An organisation may not have identified its risk appetite for specific risks it faces.
- The growing number of risk management standards, frameworks, and models can make learning about the organisation’s current risk management and control processes more challenging, particularly in organisations that are complex or operate under a strong regulatory environment.

Best practices:

- Develop an assessment approach that considers the organisation’s business and regulatory environments and level of maturity and incorporates sufficient inquiry. Before conducting a risk assessment, discuss the process with the board and senior management, recognising that the process itself can provide assistance for developing organisation-wide governance, risk management, and control processes.

Standard 9.2 Internal Audit Strategy

Q1 New content / changes

The CAE must develop and implement an internal audit strategy that includes a vision, strategic objectives, and supporting initiatives for the internal audit function; aligns with the expectations of the board, senior management, and other key stakeholders; helps guide the function toward fulfillment of the internal audit mandate; and is periodically reviewed with the board and senior management.

Q2. IPPF 2017 Reference

None. This requirement was not included in the 2017 Standards.
IPPF 2017 Reference: Standards 2000, 2010, 2060

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- Changes in the political environment could result in changes in expectations regarding the goals, mission, vision, and strategy of the organisation, which can affect the internal audit strategy.
- The CAE may not have experience developing a strategic plan.
- The quality of the internal audit function’s strategic plan depends on the communication between the CAE and the board, management, and other stakeholders and the quality and range of the information the CAE receives when preparing the strategy.

Best practices:

- Use The IIA’s “Insights to Implementing an Internal Audit Strategic Plan,” as well as guidance produced by The IIA’s national institutes.
- Identify and analyse the internal audit function’s strengths, weaknesses, opportunities, and threats (a “SWOT” approach).

Standard 9.3 Methodologies

Q1 New content / changes

The CAE must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards; evaluate the effectiveness of the methodologies and update them as necessary; and provide internal auditors with training on the methodologies.

This standard uses new terminology; the previous standards required establishing “policies and procedures” to guide the internal audit activity.

Q2. IPPF 2017 Reference

Standards 1311, 1320, 2040

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

- The 2017 Standards already required policies and procedures to guide the internal audit function. However, the 2024 Standards are more detailed and specific about what should be included.

Best practices:

- Incorporate the methodologies into software to increase the internal audit function’s efficiency.
- Ensure the methodologies address all phases of internal audit engagement processes, including planning supervision, and communicating results, as well as the processes for managing human resources, such as continuing professional development for internal audit staff.

Standard 9.4 Internal Audit Plan

Q1 New content / changes

The internal audit plan must be based on a documented assessment of the organization's strategies, objectives, and risks and be informed by input from the board and senior management. It must identify the human, financial, and technological resources necessary to complete the plan. The CAE must communicate promptly to the board and senior management about the impact of any resource limitations on internal audit coverage as well as the rationale for excluding any engagements to provide assurance about a high-risk area or activity. The plan must be dynamic and updated promptly in response to organisational changes.

Q2. IPPF 2017 Reference

Core Principle 8 – provides risk-based assurance; Standards 2000, 2010, 2020, 2060, 2110, 2120

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard.

Internal audit functions in the public sector have a broad base of stakeholders, including the public within the jurisdiction and appointed and elected officials. To adequately serve their stakeholders, internal auditors may consider input from the public (users of government services) when planning and performing internal audit services.

Q4. Challenges and best practices

Challenges:

- The internal audit function may consider obtaining input from the public regarding the internal audit plan; however, the methods for obtaining meaningful input from a broad base of public stakeholders may be difficult and inconsistent. If the input received is not meaningful or not reflected in the audit plan, the public lose trust in the process and become hesitant to provide input or stop providing input altogether.
- Insufficient communication from the board and/or senior management or communication not delivered promptly may make it difficult to create and update the internal audit plan, which can lead to an inadequately prepared risk assessment.

Best practices:

- Develop and implement methodologies to identify various ways to obtain input from the public and reflect it in the internal audit plan. Also, implement methodologies to inform the public about the type of risk-based information the internal audit function seeks.
- Inform the board and senior management about the importance of providing accurate and complete information regarding the organisation's strategies, objectives, and risks to ensure the internal audit plan focuses on the areas with the highest risk and those that will provide the most benefit to the organisation.

Standard 9.5 Coordination and Reliance

Q1 New content / changes

The 2017 standards said the CAE should share information and coordinate activities with other internal and external assurance service providers. The 2024 Standards go a step further, requiring such coordination, which highlights gaps in coverage of key risks and enhances the overall value added by providers.

When the internal audit function relies on the work of other assurance providers the CAE must document the basis of reliance and is still responsible for the conclusions reached.

If the CAE is unable to achieve an appropriate level of coordination, the CAE must raise any concerns with senior management and, if necessary, the board.

Q2. IPPF 2017 Reference

Standard 2050

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard.

This section recognises that the authority of external assurance providers may supersede that of internal audit functions.

Q4. Challenges and topQ4. Challenges and best practices tips

Challenges:

- In some jurisdictions, the authority of a supreme audit institution may supersede that of the internal audit function. Internal auditors may be required to adhere to planning as stipulated by the authority and conduct joint work.
- There may be a significant number of assurance providers internally and externally, which can make it difficult to identify and coordinate with them all. Deciding which providers are relevant to the internal audit function’s work and whether their work is reliable may also be challenging.

Best practices:

- Collaborate with the board and senior management to identify the internal and external assurance providers that are relevant to the internal audit function’s work, specifically, the engagements included in the internal audit plan.
- If internal auditors encounter obstacles when attempting to coordinate their activities with internal and external assurance providers, they should clearly identify and document the issue, their efforts, and the reasons for limitations, communicate this information to the board and senior management, and seek resolution.

Principle 10

MANAGE RESOURCES



Standard 10.1 Financial Resource Management

Q1 New content / changes

The CAE must develop a budget that enables the successful implementation of the internal audit strategy and the achievement of the internal audit plan. The budget includes the resources necessary for the function's operation, including training and the acquisition of technology and tools. The CAE must seek budget approval from the board.

Q2. IPPF 2017 Reference

Standards 2000, 2020, 2030

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes –The “Funding” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard.

The section acknowledges that funding processes vary widely in the public sector and that internal audit budget requests may depend on the funding allocation determined by the board, head of the organisation, or an outside legislative body. It is still a requirement for the CAE to adhere to the other budget management requirements of the Standards.

Q4. Challenges and best practices

Challenges:

- Without sufficient financial resources, the internal audit function may not be able to fulfill its mandate and achieve the internal audit plan or may not be able to do so in conformance with the Standards.

Best practices:

- Use the internal audit charter to document the budget-setting process, explain how it differs from that required in the Standards, and the alternative actions taken to conform with the intent of the standard. See Standard 6.2 Internal Audit Charter.

Standard 10.2 Human Resources Management

Q1 New content / changes

The CAE must establish an approach to develop and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan. The CAE must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the resources are not appropriate or sufficient, the CAE must determine how to obtain the resources or communicate promptly to the board and senior management the impact of the limitations.

The CAE must evaluate the competencies of individual internal auditors, encourage professional development, and collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring.

Q2. IPPF 2017 Reference

Standards 1210, 2000, 2020, 2030

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes - The “Funding” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard.

It is acknowledged that pay ranges may be established by position classifications and/or labour agreements, limiting the authority of the CAE or the board to establish remuneration for each employee. In these instances the CAE should collaborate with the human resources function and document the limitation and the alternative actions taken to achieve the intent of the standard.

Q4. Challenges and best practices

Challenges:

- Recruiting can be challenging because experienced internal auditors can earn significantly more in the private sector. Not having sufficient staff or the appropriate competencies may prevent the internal audit function from being able to fulfil its mandate, achieve the internal audit plan, and/or conform with the Standards.

Best practices:

- In recruitment efforts, emphasise the benefits of working in the public sector, such as serving the public and advancing the public interest.
- Use the internal audit charter to document the number of internal auditors and types of competencies needed to fulfil the internal audit mandate and achieve the audit plan, reasons for and impact of resource limitations, and which alternative actions will be taken to achieve the intent of this standard.

Standard 10.3 Technological Resources

Q1 New content / changes

The CAE must strive to:

- Ensure the internal audit function has technology to support its processes.
- Regularly evaluate the function's technology.
- Pursue opportunities to improve the function's effectiveness and efficiency.
- Communicate the impact of technology limitations to the board and senior management.

Implement appropriate training for internal auditors on the effective use of technological resources.

Q2. IPPF 2017 Reference

Standards 2000, 2020, 2030

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes - The “Funding” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard.

Requirements for the internal audit function to use only organisation-approved software may limit the CAE's ability to obtain technology to support the internal audit function.

Q4. Challenges and best practices

Challenges:

- The public sector's funding structure may make it difficult to obtain funding for specialised software for uses such as audit workpaper management and data analysis.
- The public sector is often behind the private sector in its technological advancement due to challenges obtaining the funding and competencies to keep up with rapid technological changes.
- Public sector policies limiting usage to preapproved technology only may prevent the internal audit function from obtaining audit-specific software.

Best practices:

- The CAE should proactively advocate to the board and senior management about how technology can improve the internal audit function's efficiency and effectiveness.
- If the lack of technology prevents the function from fulfilling its mandate and internal audit plan, the CAE should document the reasons, impacts, and alternative actions taken to try to achieve the standard's intent.

Principle 11

COMMUNICATE EFFECTIVELY



Standard 11.1 Building Relationships and Communicating with Stakeholders

Q1 New content / changes

This new standard builds on the requirements of the 2017 IPPF and is more explicit about developing an approach to build relationships and trust with key stakeholders, including the board, senior management, regulators, and internal and external assurance providers and other consultants. The CAE must promote formal and informal communication between the internal audit function and key stakeholders, contributing to the mutual understanding of:

- Organisational interests and concerns.
- Approaches for identifying and managing risks and providing assurance.
- Roles and responsibilities of relevant parties and opportunities for collaboration.
- Relevant regulatory requirements.
- Significant organisational processes, including financial reporting.

Q2. IPPF 2017 Reference

Standards 2010, 2060

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” and “Funding” sections of “Applying the Global Internal Audit Standards in the Public Sector” specifically refer to this standard.

In the public section, the broad base of stakeholders includes the public and appointed and elected officials. The internal audit function may be legally required to be accountable and transparent to the public, which may mean obtaining input from the public when planning and performing audit work and/or sharing final engagement communications with external funding authorities and/or the public.

Q4. Challenges and best practices

Challenges:

- The large number of internal and external stakeholders in the public sector may make it difficult to identify the key stakeholders with whom the internal audit function should build relationships and trust.
- Legal requirements may limit the types of information that must or must not be shared with others, including with key stakeholders including the public, or how information can be shared (for example, in private discussions or open public meetings).

Best practices:

- Collaborate with the board and senior management to identify the key stakeholders and develop a plan for managing them.
- Internal audit functions should consider the legal requirements for communicating with the public, identify which information must or must not be shared, and develop appropriate methodologies based on the information.

Standard 11.2 Effective Communication

Q1 New content / changes

The IPPF 2017 stated that communications must be accurate, objective, clear, concise, constructive, complete, and timely. The new standards require CAEs to establish and implement methodologies that promote this.

Q2. IPPF 2017 Reference

Standard 2420.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” and “Funding” sections of “Applying the Global Internal Audit Standards in the Public Sector” specifically refer to this standard, identifying that sharing final engagement communications with an external authority or presenting findings at public meetings may be required. Methodologies for the dissemination of final communications should adhere to these requirements.

Q4. Challenges and best practices

Challenges:

- None identified. Although the new standard goes further than the previous standard, it is likely that internal audit functions already have methodologies in place. These may include policies, criteria, style guides, and procedures (such as supervisory review) to guide the internal audit function’s communications and achieve consistency.

Best practices:

- Ensure methodologies reflect requirements to share communications with external parties and clarify which communications may not be shared.

Standard 11.3 Communicating Results

Q1 New content / changes

The previous standards simply referred to “results of audit activities.” The new standard explains that results can include:

- Engagement conclusions.
- Themes such as effective practices or root causes.
- Conclusions at the level of the business unit or organisation.

The new standard requires that when themes related to the organisation’s governance, risk management, and control processes are identified, the CAE must promptly communicate them, along with insights, advice, and/or conclusions to the board and senior management. This requirement aligns with Standard 14.3 Evaluation of Findings, especially regarding identifying root causes when possible.

When providing conclusions at the level of the business unit or organisation, the communication must also include a summary of the request and the criteria used as a basis for the conclusion.

Q2. IPPF 2017 Reference

Standards 1000, 2010, 2060, 2330, 2410, 2440, 2450

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 11.4 Errors and Omissions

Q1 New content / changes

The standard adds that the corrected communication must be provided promptly and adds that “significance” is determined according to criteria agreed upon with the board.

Q2. IPPF 2017 Reference

Standard 2421

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 11.5 Communicating the Acceptance of Risks

Q1 New content / changes

None identified.

Q2. IPPF 2017 Reference

Standards 2060, 2600.

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Principle 12

ENHANCE QUALITY



Standard 12.1 Internal Quality Assessment

Q1 New content / changes

Internal quality assessments must evaluate not only the internal audit function's conformance with the Global Internal Audit Standards but also the function's progress toward the performance objectives developed by the CAE. Action plans to address instances of nonconformance with the Standards must include opportunities for improvement and a proposed timeline for actions.

The CAE must establish a methodology for internal assessments, as described in Standard 8.3 Quality.

Q2. IPPF 2017 Reference

Standards 1311, 1312, 1320, 1321, 1322

Q3. Does the section "Applying the Standards in the Public Sector" apply?

Yes – The "Laws and/or Regulations" section of "Applying the Global Internal Audit Standards in the Public Sector" specifically refers to this standard. The CAE must be aware of the laws and/or regulations that affect the internal audit function's ability to fully conform with all provisions in the Standards. When conformance is not possible, the CAE must document the reason, make appropriate disclosures, and conform with all other requirements of the Standards.

Q4. Challenges and best practices

None identified.

Standard 12.2 Performance Measurement

Q1 New content / changes

The CAE must develop objectives to evaluate the internal audit function's performance and a performance measurement methodology to assess the function's progress toward its objectives. The input and expectations of the board and senior management must be considered when developing the performance objectives.

The methodology also must promote the continuous improvement of the internal audit function. When assessing the internal audit function's performance, the CAE must solicit feedback from the board and senior management as appropriate. The CAE must develop an action plan to address issues and opportunities for improvement.

Q2. IPPF 2017 Reference

Standards 1300, 2060

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

Challenges:

- The CAE may not have experience developing performance objectives and qualitative and quantitative targets with which to evaluate the internal audit function's performance.

Best practices:

- If the CAE does not have experience developing performance objectives and related targets (often referred to as key performance indicators), participate in training to obtain the necessary knowledge.

Standard 12.3 Oversee and Improve Engagement Performance

Q1 New content / changes

The standard requires that internal audit methodologies address engagement supervision, quality assurance, and competency development, with specific requirements for each area. The extent of supervision depends on the function's maturity.

Q2. IPPF 2017 Reference

Standards 2040, 2340

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

None identified.

DOMAIN V

*PERFORMING INTERNAL
AUDIT SERVICES*



Principle 13

PLAN ENGAGEMENTS EFFECTIVELY



Standard 13.1 Engagement Communication

Q1 New content / changes

Internal auditors must communicate effectively throughout the engagement and communicate, including the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely.

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review.

Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the reasons for any differences of opinion regarding the engagement results.

Q2. IPPF 2017 Reference

Standards 2410, 2420

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 13.2 Engagement Risk Assessment

Q1 New content / changes

Internal auditors must develop an understanding of the activity under review to assess relevant risks. The understanding is based on gathering and reviewing reliable, relevant, and sufficient information. Internal auditors must identify the criteria that management uses to determine whether the activity is achieving its objectives. When internal auditors have identified relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.

The standard clarifies that a formal, documented risk assessment may not be necessary for advisory services. This change was made because there are no longer separate implementation standards, so there are no longer separate requirements for assurance and advisory (previously “consulting”) engagements unless specifically mentioned in the Standards.

Q2. IPPF 2017 Reference

Core Principle 8 Provides Risk-based Assurance, Standards 1220, 2120, 2200, 2201, 2210

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” section of “Applying the Global Internal Audit Standards in the Public Sector” specifically refers to this standard, acknowledging that public sector internal auditors have a broad base of stakeholders, including the public and appointed and elected officials. To adequately serve their stakeholders, internal auditors may consider input from the public when planning and performing internal audit engagements.

Q4. Challenges and best practices

None identified.

Standard 13.3 Engagement Objectives and Scope

Q1 New content / changes

This standard provides more detail about requirements for establishing engagement objectives and scope:

- Engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.
- The scope must establish the engagement’s focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, other elements to be reviewed.
- Internal auditors must consider whether the engagement is to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

- Scope limitations must be discussed with management when identified, with a goal of achieving resolution. If a resolution cannot be achieved with management, the CAE must elevate the scope limitation issue to the board according to an established methodology.
- Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.
- The CAE must approve the engagement objectives and scope and any changes that occur during the engagement.

Q2. IPPF 2017 Reference

Standards 1110, 2200, 2201, 2210, 2220

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 13.4 Evaluation Criteria

Q1 New content / changes

Internal auditors must identify the most relevant (rather than just “adequate”) criteria to be used to evaluate the activity under review. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders. This change was made because there are no longer separate implementation standards, so there are no longer separate requirements for assurance and advisory (previously “consulting”) engagements unless specifically mentioned in the Standards.

Q2. IPPF 2017 Reference

Standard 2210

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 13.5 Engagement Resources

Q1 New content / changes

If available resources are inappropriate or insufficient, internal auditors must discuss the concerns with the CAE to obtain the resources.

Q2. IPPF 2017 Reference

Standards 2200, 2230

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 13.6 Work Program

Q1 New content / changes

The engagement work program must be based on information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment. It must identify the criteria to be used to evaluate each objective, the tools to perform the tasks, and the internal auditors assigned to perform the tasks.

Q2. IPPF 2017 Reference

Standards 2220, 2240

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Principle 14

CONDUCT ENGAGEMENT WORK



Standard 14.1 Gathering Information for Analyses and Evaluation

Q1 New content / changes

Internal auditors must not only identify information that is relevant, reliable, and sufficient but also evaluate whether the information can support analyses that provide a reasonable basis upon which to formulate potential engagement findings and conclusions. Internal auditors must also determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient. If relevant evidence cannot be obtained, internal auditors must determine whether to identify that as a finding.

Q2. IPPF 2017 Reference

Standard 2310

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

None identified.

Standard 14.2 Analyses and Potential Engagement Findings

Q1 New content / changes

Internal auditors must analyse relevant, reliable, and sufficient information to determine whether there is a difference between the evaluation criteria and the existing condition of the activity under review. A difference represents a potential engagement finding that must be noted and further evaluated.

If analyses do not provide sufficient evidence to support a potential engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required. If such analyses are needed, internal auditors must adjust the work program accordingly and obtain the CAE’s approval.

If no additional analyses are needed and there is no difference between the criteria and condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity's governance, risk management, and control processes. For advisory services gathering evidence to develop findings may not be necessary. This change was made because there are no longer separate implementation standards, so there are no longer separate requirements for assurance and advisory (previously "consulting") engagements unless specifically mentioned in the Standards.

Q2. IPPF 2017 Reference

Standards 2300, 2410

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

None identified.

Standard 14.3 Evaluation of Findings

Q1 New content / changes

Internal auditors must:

- Evaluate each potential engagement finding to determine its significance.
- Collaborate with management to identify root causes when possible.
- Determine potential effects.
- Consider the likelihood of the risk occurring and the impact the risk may have on the organisation's governance, risk management, or control processes and whether to report risks as findings.
- Prioritise findings based on their significance.

Q2. IPPF 2017 Reference

Standards 2320, 2410, 2440

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

None identified.

Standard 14.4 Recommendations and Action Plans

Q1 New content / changes

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve differences between the established criteria and existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding.
- Enhance or improve the activity under review.

When there is disagreement about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both management and internal auditors to express their positions and rationale and determine a resolution (reference to Standard 9.3 Methodologies).

Q2. IPPF 2017 Reference

Standards 2110, 2120, 2130, 2320

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

None identified.

Best practices:

- The established methodology in case of disagreement between internal auditors and management should be described in the internal audit charter and/or manual as part of the internal audit process (see also Standard 9.3 Methodologies).

Standard 14.5 Engagement Conclusions

Q1 New content / changes

Internal auditors must develop an engagement conclusion that summarises the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarise the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

Q2. IPPF 2017 Reference

Standards 2320, 2400, 2410

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

Challenges:

- When internal auditors, evaluate only one specific activity, mistakes can occur if that engagement is used to provide conclusions about the entire system of control processes. If the number of engagement tests performed is statistically insignificant, it would be incorrect to extrapolate the general conclusions to the entire system.

Best practices:

- Develop methodologies that require internal auditors to identify the specific activity audited and to determine the extent to which the evaluation applies, including whether sufficient testing has been performed to extrapolate the results to the population from which the sample was tested.
- A conclusion may use a rating scheme or a numbering system to express significance.

Standard 14.6 Engagement Documentation

Q1 New content / changes

Documentation of engagement supporting information must be such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results. The CAE must review and approve the documentation, which must be retained according to relevant laws and/or regulations, as well as policies and procedures of the IAF and the organisation.

Q2. IPPF 2017 Reference

Standard 2330

Q3. Does the section “Applying the Standards in the Public Sector” apply?

No.

Q4. Challenges and best practices

Challenges:

None identified.

Best practices:

- Develop internal audit methodologies that identify documentation requirements and provide a standardised approach or template.
- Use internal audit documentation software, which often has predetermined formats for documenting engagement work.

Principle 15

COMMUNICATE ENGAGEMENT RESULTS & MONITOR ACTION PLANS



Standard 15.1 Final Engagement Communication

Q1 New content / changes

The final communication for assurance engagements must include the findings and their significance and priority; an explanation of scope limitations, if any; a conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed (for assurance engagements); the individuals responsible for addressing the findings; and the planned date by which the actions should be completed.

If an engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the standard(s) with which conformance was not achieved.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication.

Internal auditors must ensure the final communication is reviewed and approved by the CAE before it is issued.

Q2. IPPF 2017 Reference

Standards 2400, 2410, 2420, 2431, 2440

Q3. Does the section “Applying the Standards in the Public Sector” apply?

Yes – The “Laws and/or Regulations” and “Funding” sections of “Applying the Global Internal Audit Standards in the Public Sector” refer specifically to this standard.

Laws and/or regulations may require internal audit functions in the public sector to present internal audit results at public meetings. Methodologies for disseminating final communications should adhere to these requirements.

Q4. Challenges and best practices

Challenges:
None identified.

Best practices:

- Develop internal audit methodologies that specifically address any laws and/or regulations related to engagement results in final communications, including whether they must be presented at a public meeting and/or posted to a website of the internal audit function or the organisation.
- At the onset of an engagement, identify any outside authorities or oversight bodies that provide funding for the internal audit function or activity under review and whether they should receive the final communication.
- Include in the engagement work program a description of how and to whom the engagement final communication will be disseminated.

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

Q1 New content / changes

The standard specifies that monitoring management's actions includes inquiring about progress on the implementation of action plans and performing follow-up assessments using a risk-based approach. The extent of these procedures must be based on the significance of the finding.

Q2. IPPF 2017 Reference

Standards 2500, 2600

Q3. Does the section "Applying the Standards in the Public Sector" apply?

No.

Q4. Challenges and best practices

None identified.

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Material

A photograph of several books stacked on a shelf. The books are of various sizes and colors, including light brown, tan, and white. They are set against a white, textured brick wall. The lighting is soft, creating a warm and professional atmosphere.

1. The new Global Internal Audit Standards™ <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/free-documents/complete-global-internal-audit-standards/>
2. Two-Way Mapping: 2017 IPPF Mandatory Elements to 2024 Global Internal Audit Standards (and Back) <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/free-documents/two-way-mapping-2017-ippf-mandatory-elements-to-2024-global-internal-audit-standards-and-back/>
3. Conformance Readiness Assessment Tool <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/free-documents/conformance-readiness-assessment-tool/>
4. Building an Effective Internal Audit Function in the Public Sector, 2nd Edition <https://www.theiia.org/en/content/guidance/recommended/supplemental/practice-guides/global-practice-guide-building-an-effective-internal-audit-function-in-the-public-sector/>
5. Unique Aspects of Internal Auditing in the Public Sector, 2nd Edition https://www.theiia.org/globalassets/site/content/guidance/recommended/supplemental/practice-guides/global-practice-guide-unique-aspects-of-internal-auditing-in-the-public-sector/gpg_unique_aspects_of_ia_in_the_ps_2nd_ed.pdf



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