

APPLYING THE GLOBAL INTERNAL AUDITING STANDARDS IN THE PUBLIC SECTOR

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The Institute of
Internal Auditors

Presenter



Marthin Grobler, MBA, CIA, CRMA, is from Cape Town, South Africa and is the director of the internal auditing firm “IA Professionals.” With more 25 years of professional internal auditing experience in the private and public sectors, Marthin focuses on EQAs and the development of internal auditors. He is also a past governor of the IIA Western Cape chapter; chairs and is a member of audit and risk committees; and speaks at conferences and webinars on to governance, internal auditing, risk management, and quality.

As a member of the IIA’s International Internal Audit Standards Board, he served on launching the Global Internal Audit Standards and serves on the Topical Requirements subcommittee as well as the “IA: Vision 2035” task team, and the IIA’s global task force developing the new *Quality Assessment Manual*.

Overview

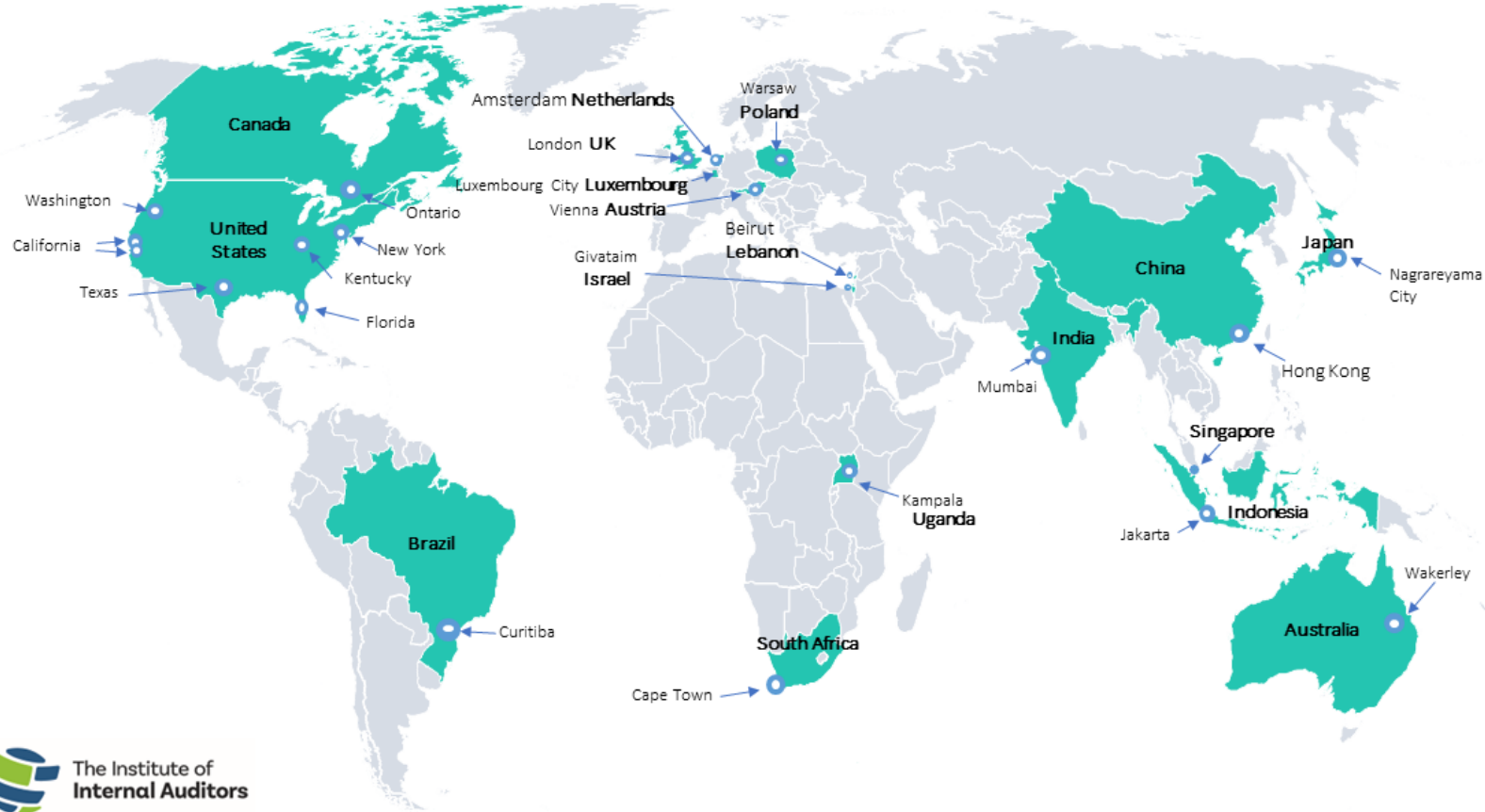
1. **From Proposed Standards to Issued: Project Update, Overview of Governance and Standards-setting Process.**
2. **Overview of Updated Global Internal Audit Standards.**
3. **Applying the Global Internal Audit Standards in the Public Sector.**
4. **What's Next**

International Internal Audit Standards Board and IPPF Evolution Milestones



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2023 – 2024 IIASB Global Representation



- **Mission:** To serve the public interest by developing, issuing, maintaining, and promoting the Global Internal Audit Standards on a worldwide basis.
- **Representing the internal audit profession globally with 21 members from 18 countries and various industries and sectors.**

IPPF Evolution Project Milestones



2019-2022

- Research/benchmarking.
- Outreach to stakeholders.
- Standards' development.

2023

- IPPF Oversight Council process approval.
- Translations.
- 90-day public comment period.
- Public comments analysis and revisions.
- IASB approval of final draft.

2024 Q1

- Global Internal Audit Standards™ publication along with disposition report and other tools.
- Translations begin.
- Global Internal Audit Standards™ e-book.
- New training and updated learning library.
- Expose Topical Requirement on Cybersecurity for public comment.

2024 Q2-4

- *Global Internal Audit Standards™ (The Redbook)* publication in hardcover.
- Release of Standards-related tools and updated guidance.
- Updated *Quality Assessment Manual* publication available.
- Issuance of Topical Requirement on Cybersecurity.
- Development of additional Topical Requirements.

New IPPF and Global Internal Audit Standards:

- Summary of Changes
- IPPF Evolution
- Structure
- Domains and Principles



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Summary of Changes

New structure,
new content

Purpose of
Internal
Auditing

Ethical
principles and
standards

Essential
conditions for
governance

Conformance
includes
performance

Assurance/
advisory

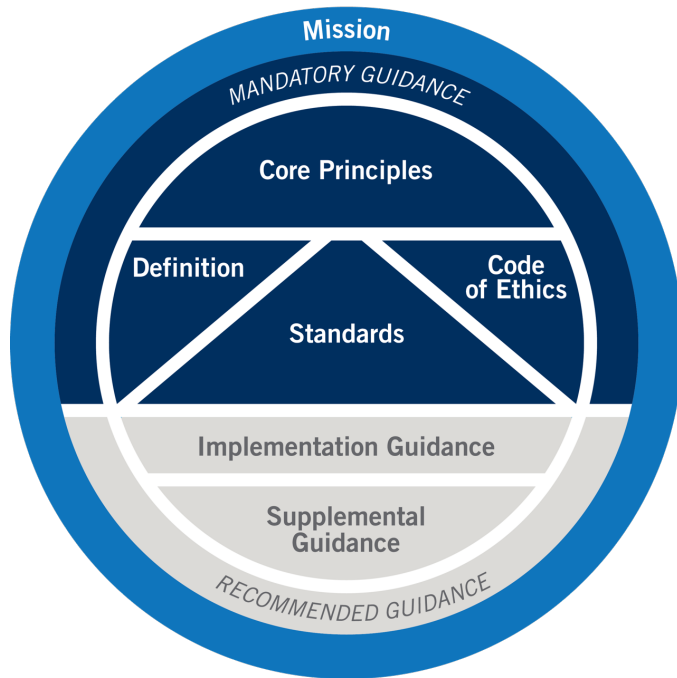
The IPPF Evolution



2017



International Professional
Practices Framework



2024



International
Professional Practices
Framework®
(IPPF)

Global Standards

Topical Requirements

Global Guidance

The Global Internal Audit Standards New Structure

- 5 Domains
- 15 Principles
 - 52 Standards
 - Requirements
 - Considerations for Implementation
 - Examples of Evidence of Conformance

Additional features:

- Fundamentals
- Applying the Standards in the Public Sector
- Glossary



• Glossary



<u>Old Term or Concept</u>	<u>Updated Term</u>
consulting services	advisory services
engagement opinion	engagement conclusion
internal audit activity	internal audit function
purpose, authority, responsibility	internal audit mandate
policies and procedures (internal audit)	methodologies

Existing Terms With New Definitions
board
control processes
fraud
internal auditing
risk appetite

New to the Glossary				
Assurance	engagement supervisor	Internal audit charter	public sector	risk tolerance
competency	finding	internal audit manual	residual risk	root cause
condition	impact	internal audit plan	results of internal audit services	senior management
criteria	inherent risk	likelihood	risk and control matrix	stakeholder
engagement planning	integrity	may	risk assessment	workpapers

*Not a comprehensive list.

“Public sector” is now defined in the glossary:

Governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services.

Highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, “board” refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exists, “board” should be read as referring to the group or person that acts as the organization’s highest-level governing body. Examples include the head of the organization and senior management.

• Global Internal Audit Standards



5 Domains and 15 Principles

Domain I: Purpose of Internal Auditing

II. Ethics and Professionalism

- 1. Demonstrate Integrity
- 2. Maintain Objectivity
- 3. Demonstrate Competency
- 4. Exercise Due Professional Care
- 5. Maintain Confidentiality

III. Governing the Internal Audit Function

- 6. Authorized by the Board
- 7. Positioned Independently
- 8. Overseen by the Board

IV. Managing the Internal Audit Function

- 9. Plan Strategically
- 10. Manage Resources
- 11. Communicate Effectively
- 12. Enhance Quality

V. Performing Internal Audit Services

- 13. Plan Engagements Effectively
- 14. Conduct Engagement Work
- 15. Communicate Engagement Conclusions and Monitor Action Plans

Elevated Introduction highlights 4 main sections:

- Internal Auditing and the Public Interest.
- Demonstrating Conformance with the Standards.
- Application in Small Internal Audit Functions.
- Application in the Public Sector.

Demonstrating Conformance with the Standards

- Conformance is expected but may not always be possible to achieve.
- Examples of circumstances limiting conformance are often related to insufficient resources or specific aspects of a sector, industry, and/or jurisdiction.
- Implement alternative actions to achieve intent of related standard when possible.
- Documentation and communication of nonconformance is required.

The Introduction will recognize the challenges Small Internal Audit Functions may face in conforming with the Global Internal Audit Standards:

- Internal audit functions must determine for themselves if they are 'small.'
- Small may be dependent on the size of the organization or the size of the internal audit function itself.
- The most significant impacts are likely to be resources and the ability to meet all the requirements (such as supervision).
- Single person functions may be especially challenged to adequately implement a Quality Assurance Improvement Program.

Domain I. Purpose of Internal Auditing

Purpose Statement:

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.



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★ Domain III standards include “essential conditions” for an effective internal audit function.

6. Authorized by the Board

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

6.1 Internal Audit Mandate ★

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality ★

8.4 External Quality Assessment

Domain IV. Managing the Internal Audit Function



9. Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

9.1 Understanding Governance, Risk Management, and Control Processes

9.2 Internal Audit Strategy

9.3 Methodologies

9.4 Internal Audit Plan

9.5 Coordination and Reliance

10. Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

11. Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

Domain V. Performing Internal Audit Services



★ **No distinction between Assurance and Advisory engagements**

13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

13.1 Engagement Communication

13.2 Engagement Risk Assessment

13.3 Engagement Objectives and Scope

13.4 Evaluation Criteria

13.5 Engagement Resources

13.6 Work Program

14. Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

14.1 Gathering Information for Analyses and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

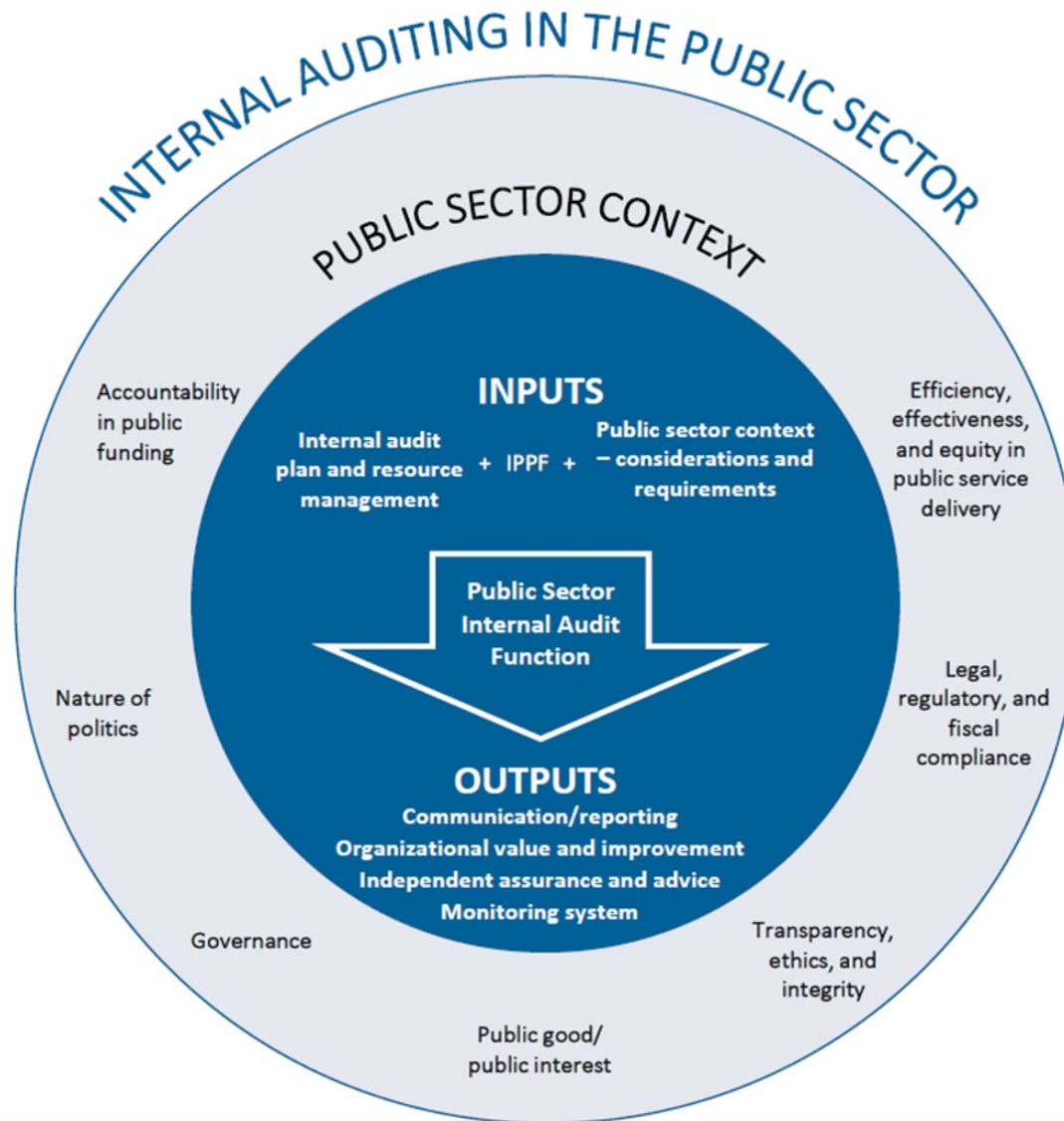
15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward implementation of recommendations or action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans

Unique Aspects of Auditing in the Public Sector



- Accountability in Public Funding.
- Nature of Politics.
- Governance.
- Public Good/Public Interest.
- Transparency, Ethics and Integrity.
- Legal, Regulatory, and Fiscal Compliance.
- Efficiency, Effectiveness, and Equity in Public Service Delivery.

• Applying the Global Internal Audit Standards in the Public Sector



Internal auditors in the public sector operate in a **political environment**, which sometimes differs from private sector in how they apply the Standards and use **terminology**, specifically related to the following areas:

Laws and/or Regulations

- Acknowledges the legal framework under which internal auditors in the public sector work.
- Recognizes conform or explain approach, as described in Fundamentals and the Standards.

Governance and Organizational Structure

- Explanations and examples describing various governance and organizational structures in the public sector.
- Situations to be aware of and ideas for internal audit functions to adjust the application of certain standards while safeguarding independence.

Funding

- Some structures do not give the board and senior management authority over the budget.
- Chief audit executives in the public sector may have limits on the way they may access and use resources.
- Examples to be aware of and ways to adapt.

What's Next?

- Implement!
- Topical Requirements.
- **Quality Assessments.**
- Certifications.
- **Additional Resources.**
- To Learn More
www.theiia.org/NewStandards



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Elevating Impact



Keep up with the latest!
theiia.org/IPPFEvolution

Keys to Successful Implementation of the Global Internal Audit Standards



1. Align with key stakeholders.
2. Get and develop the right resources.
3. Continue to improve.
4. Deliver value.
5. Manage internal audit strategically.
6. Proactively assess your organization's risk management and governance processes.
7. Strive for excellence (performance + conformance).

Topical Requirements

A Topical Requirement Is:

- Required when an internal auditor is performing an **assurance engagement on a topic/risk area** for which a Topical Requirement exists.
- Subject to applicability as **determined by risk-based internal audit plan**. Limitations must be documented.
- A **baseline for engagement performance** when the topic/risk area is subject to review.
- Covers aspects of governance, risk management, and control processes.
- Subject to external quality assessment.

A Topical Requirements Is Not:

- A **requirement to perform an engagement on** the topic.
- A **comprehensive work program**.
- Designed to address emerging topics.

Why Topical Requirements?

- Strengthen the ongoing relevance of the IPPF by **addressing pervasive and evolving risks**.
- Ensure **consistency and quality** of engagement performance.

How?

- **Development** by experts and internal audit leaders representing various sectors and industries globally.
- Broad proactive **stakeholder outreach and feedback** collected through a public comment period.
- Ongoing **oversight of due process** by IPPF Oversight Council, an **independent** body comprising representatives of global organizations.

Quality Assessment Guidance Available



INSIGHTS to Quality

Warren Hersh, Director, IIA Quality Services



Internal Audit Quality 2024 and Beyond

Available at: <https://www.theiia.org/globalassets/site/content/insights-to-quality/insights-to-quality-2024.pdf>

- Confirms that the new Standards will become required for quality assessments in January 2025.
- Provides strategies for quality assessments in 2024.
- Identifies key Principles and Standards applicable for quality assessment success.
- Updated Quality Assessment Manual available later in 2024.

Additional supporting materials coming – Readiness Assessment Tool & Updated QA Manual

• Changes to Examinations for IIA Credentials



Exam

- No changes before May 2025.
- More information to come in early 2024.

Transition period

- Now available. Scan QR code for details.

Study materials

- Please check with review providers.



- No changes before effective date.



- Not affected; remains the same.

More information
theiia.org/cia2025



Learn More About the Global Internal Audit Standards



Archived Webinars - <https://www.theiia.org/en/standards/2024-standards/standards-knowledge-center/>

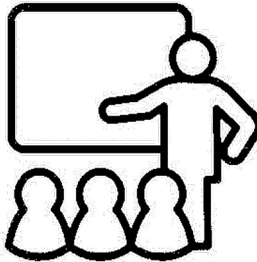
- *Get to Know the New Global Internal Audit Standards.*
- *What the New Standards Mean to Quality Assessment.*



Courses

- *Navigating the Global Internal Audit Standards (16 CPE hours, in-person and online).*
- *Ethically Mastering the Global Internal Audit Standards (8 CPE hours, online only).*

[Check Standards Knowledge Center on theiia.org website for more details on offering dates.](#)



Pre-Conference Workshops

- *Raising the Bar: Performing at a High Level (GAM – March 10, 2024).*
- *Global Internal Audit Standards: Improving Individual, Team, and Organizational Performance (International Conference – July 14, 2024).*



<https://www.theiia.org/en/standards/2024-standards/standards-knowledge-center/>

Knowledge Centers: Public Sector



Dedicated space on the IIA's webpage where public sector specific guidance and thought leadership can be accessed:

Aims to advance the professional practice of auditing in the public sector through relevant thought leadership, communication, collaboration, and education.



Also, consider volunteering!



theiia.org/en/resources/knowledge-centers/public-sector/



Q & A

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Elevating the Standards.
Elevating the Profession.
Elevating Impact!



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