

Ask the Experts

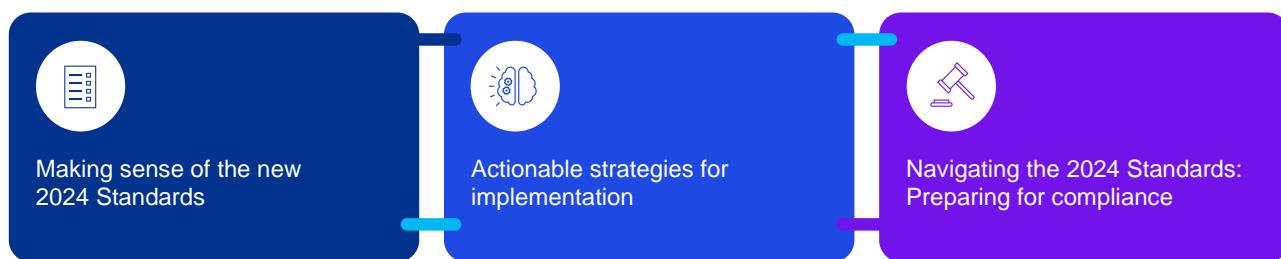
All about the 2024 Global Internal Audit Standards

February 15, 2024

The issuance of the 2024 Global Internal Audit Standards (2024 Standards) is sparking a period of transformation as chief audit executives (CAEs) prepare to respond and implement changes in their audit processes. The new requirements aim to elevate the internal audit profession and address emerging risks more effectively, while demanding a close collaboration between the board and business lines to capture the opportunities the new 2024 Standards bring.

In a recent webcast, *Ask the Experts: All about the 2024 Global Internal Audit Standards*, a panel of KPMG Internal Audit specialists discussed the implications of the 2024 Standards on businesses and how internal auditors can incorporate the latest developments in good practice to elevate their value to key stakeholders.

Panelists discussed the following topics:



Making sense of the new 2024 Standards

On January 9, 2024, the Institute of Internal Auditors (IIA) released the 2024 Standards to be effective beginning January 9, 2025. During the transition period, the previous version released in 2017 (the 2017 Standards) remains approved for use. The new 2024 Standards impact businesses of all sizes and industries and strive to raise the bar for internal auditors globally.

The changes present a significant opportunity for the internal audit (IA) function to incorporate technology into its role and have an increased board interaction to drive transformation and emerge as an essential business partner.

Key changes auditors should know

An important change from the 2017 Standards is the flexibility the new guidelines offer to CAEs. The 2024 Standards introduce a more agile framework suited to their specific situations, department size, or function, reflecting the need for IA to respond promptly and effectively to evolving risks.

While the 2024 Standards are organized into five domains, domains II through V include greater detail and clarity on the requirements, along with "Considerations for Implementation," which include recommendations and best practices to conform with the 2024 Standards. Some of the notable changes include:

- Laying down the purpose statement:** IIA has established the "Purpose of Internal Audit" in Domain I, outlining the roles and responsibilities of IA in delivering independent, risk-based assurance to the board and management.

- Domain III, “Governing the Internal Audit Function,” outlines the requirements for CAEs to work closely with the board and senior management: Standards 6.1 through 8.4 encompass “Essential Conditions” that CAEs must do to support the board and senior management in performing necessary oversight responsibilities for an effective IA function. Various elements such as reporting lines, scope and types of services to be provided, and management of independence and objectivity need to be documented within the IA charter.
- **Creating meaningful impact with an internal audit strategy:** Standard 9.2, one of the big changes, now requires CAEs to develop and implement an audit strategy for the IA function that supports the overall vision and strategic objectives of the organization while aligning with the expectations of the board, senior management, and other key stakeholders.
- **Technology integration in IA is a must:** The CAE must evaluate technology needs and pursue opportunities to improve the efficiency of the audit process. This also covers communicating the impact of technology (effectiveness and limitations) to the board as well as implementing appropriate training for internal auditors to ensure effective usage of technological resources.



Actionable strategies for implementation

While the 2024 Standards allow for the judgment of the CAE, it is still important to focus on the details when preparing for effective implementation of the required changes.

Defining critical success factors: IA is expected to adopt broader strategic responsibilities, such as engaging in more advisory tasks and leveraging automation and artificial intelligence (AI) for efficiency. To achieve this, CAEs need to define critical success factors and key performance indicators (KPIs) that are directly linked to the company's goals. This will ultimately help them measure the progress of the function as a business enabler.

While developing an internal audit strategy, CAEs must align it with the organization's overall strategy. Moreover, a certain level of capacity within IA is required to effectively implement the 2024 Standards. Having the right ownership and accountability can help ensure necessary time is set aside.

Having a better alignment on strategic priorities and risks: A documented assessment is critical to link the internal audit plan to the organization's strategy and objectives as well as to get an understanding of governance, controls, and risks. The plan must account for the time and resources required for continuous improvement and risk assessment.

Standard 9.5 emphasizes the need for coordination with internal and external assurance providers as part of an integrated assurance approach. This collaborative effort can create efficiencies in risk coverage and facilitate a more comprehensive understanding of risk within the organization.

Balancing documentation with effective communication: For the CAE, it is vital to establish a deliberate communication plan with key stakeholders to address “Essential Conditions,” which pertain to the board and senior management activities that are vital to IA's ability to fulfill its purpose. Ensuring the effectiveness of these conditions and maintaining proper documentation is imperative.

While addressing the board's conditions may be relatively easier for IA, senior management's conditions might require more attention due to less documentation and historical engagement. Showcasing ranking and assessment of audit findings in quarterly updates with senior management can facilitate the process. The 2024 Standards require organizations to provide an overall conclusion for each engagement and demonstrate how audit findings are ranked and assessed.

Adopting emerging technologies in audit processes: Data analytics and breakthrough technologies like generative AI are playing a pivotal role in driving audit efficiency, with the 2024 Standards emphasizing the importance of assessing and communicating their use to the board. CAEs should continuously revisit their technology usage and seek support from the audit committee and senior management when facing roadblocks.





Navigating the 2024 Standards: Preparing for compliance

Organizations must act now to ensure compliance with the 2024 Standards, taking this opportunity to reassess and align their existing audit system with the requirements while strengthening their focus on value. Key steps for internal auditors to prepare for and understand the 2024 Standards include:

- Take time to familiarize yourself with the 2024 Standards and assess IA readiness against the guidelines, seeking external assistance if necessary, to identify gaps in compliance.
- Develop work streams and align actions and priorities to the organization's vision, strategy, and governance model, starting the process as soon as possible since compliance with the 2024 Standards will be required in January 2025.
- Segment the Standards based on organizational roles, such as focusing on domain V for IA execution and domain IV for managerial roles. This will help prioritize gaps and recommendations for improvement.
- Assess which "should" components of the 2024 Standards might be beneficial to adopt in each department, thereby enhancing and adding value to the organization.
- Monitor achievement of success factors and KPIs and obtain feedback from stakeholders to gauge where they are getting the most value from the change.
- Assessing and developing internal audit talent is crucial, as the skills required for future standards compliance should be considered.

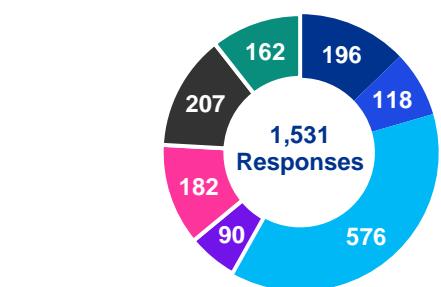
The flexibility within the IIA 2024 Standards allows organizations of various sizes to adapt their approaches and identify efficient ways to demonstrate compliance without overburdening their audit process. Engaging in discussions with the audit committee around implementation can also help address concerns and get clarity on applying the 2024 Standards across different department sizes.



An opportunity to transform

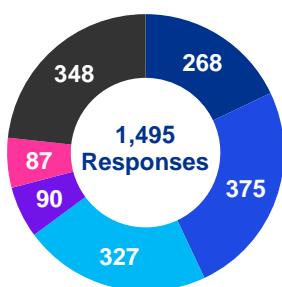
The need to share information and collaborate intensively across functions in the interests of efficient corporate governance cannot be overlooked. The 2024 Standards offer a good platform for audit executives to further develop internal auditing—by further intensifying interaction with stakeholders and strengthening the integration of governance, risk, and compliance systems while preserving independence and objectivity.

Q1: What's your primary industry?



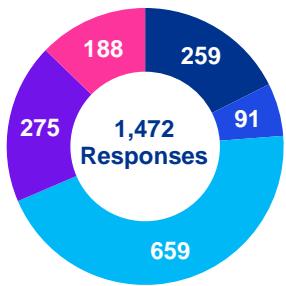
- Consumer services and retail
- Energy and utilities
- Financial services
- Government
- Healthcare and life sciences
- Industrial manufacturing
- Technology, media, and telecommunications

Q2: Which one of the following enhanced Standards requirements do you anticipate will require the most effort to implement?



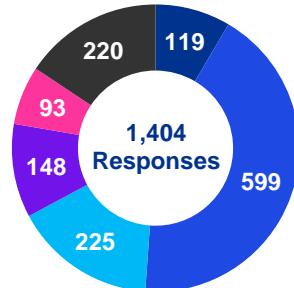
- Essential conditions
- IA strategy
- IA's reliance on the company's ERM and integrated assurance
- Other
- Ratings/Rankings
- Use of data analytics and technology

Q3: To what degree do you envision your IA team using GenAI to in the next 12–24 months?



- Already in use and experimentation will drive next steps
- GenAI will be used throughout the IA lifecycle
- No current plans—enterprise needs to establish governance first
- No current plans—no interest
- Organized pilots and program will be in place

Q4: What skills do you think are most important for an IA role?



- Audit 101: Effective Challenge
- Business knowledge and acumen
- Collaborations and change management
- Innovation
- Talent development and mentoring
- Technology and data-enabled delivery

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS014512-1A
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.