



## The Critical Role of Governance and the New Global Internal Audit Standards

Effective governance serves as the cornerstone of organisational success, fostering trust, transparency, and resilience in an increasingly complex and dynamic environment. Central to this governance framework is a robust and independent internal audit function, which provides independent objective assurance and insights to enhance decision-making and safeguard stakeholder interests. Further, internal audit may perform internal investigations, particularly when there are concerns about fraud, misconduct, or non-compliance within an organisation as defined in the internal audit mandate.

The new Global Internal Audit Standards, effective 9 January 2025, underscore the vital connection between strong governance practices and the evolving role of internal audit.

These standards redefine expectations by emphasising:

- **Focus on Public Interest:** Internal auditing plays a critical role in enhancing an organisation's ability to serve the public interest. While the primary function of internal auditing is to strengthen governance, risk management, and control processes, its effects extend beyond the organisation. Internal auditing contributes to an organisation's overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture. This, in turn, fosters public trust and confidence in the organisation and the broader systems of which it is a part.
- **Independence and Objectivity:** Reinforcing internal audit's ability to operate with freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner by ensuring chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organisation that enables the internal audit function to discharge its services and responsibilities without interference.
- **Ethics and Professionalism:** Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.
- **Competency and Continuing Professional Development:** Internal auditors must possess or obtain the necessary competencies to perform their responsibilities successfully in line with those defined in the internal audit mandate which may cover assurance and advisory services or may be more specifically defined, such as performance auditing, assurance regarding internal controls over financial reporting, and investigations.
- **Strategic Alignment:** Positioning internal audit as a trusted advisor to the board and executive management, delivering insights that drive accountability and ethical decision-making.
- **Collaboration Across Stakeholders:** Promoting engagement between the board, audit committee, management, and internal audit to foster a culture of transparency, ethics, and trust.

Further good practices that can be adopted by companies striving for strong governance and ethical culture:

- **Robust Whistleblowing Framework:** A well-designed whistleblowing policy to ensure concerns raised are given due attention, investigated professionally, fairly, expeditiously, and reported whilst protecting the identity of whistleblowers and those whom the report accordingly builds trust.
- **Business Continuity and Succession Planning:** Ability to resume operations and activate succession planning is critical to maintain operations and stakeholder confidence.
- **Code of Conduct:** A proper Code of Conduct with a framework to assess potential breaches and guide disciplinary actions.
- **Independent oversight and accountability:** The Board's ability to provide effective independent oversight when required by engaging external professional advisers to review and assess matters of concern independently of management.

Yours sincerely

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