

New audit standards and adaptation to global internal audit standards

Think global, act locally

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Disclaimer

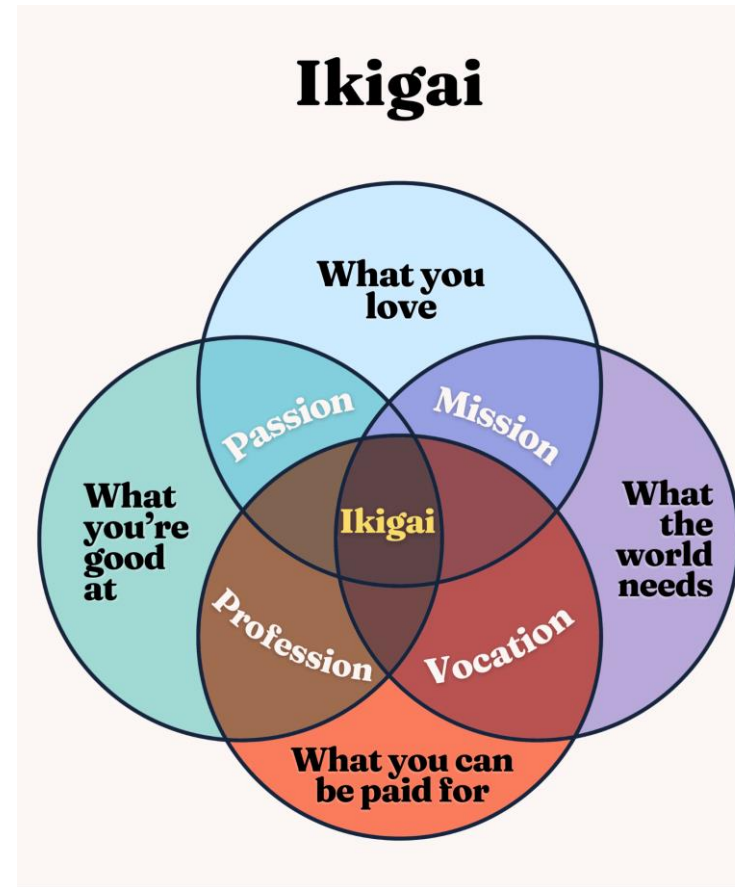
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First little gift



I won't go through the Standards domain by domain

Ikigai for auditors



<https://www.mentimeter.com/app/home>

Which one is the from the GIAS?

2017



2025



Think global, act locally

Let's get started then



New GIAS

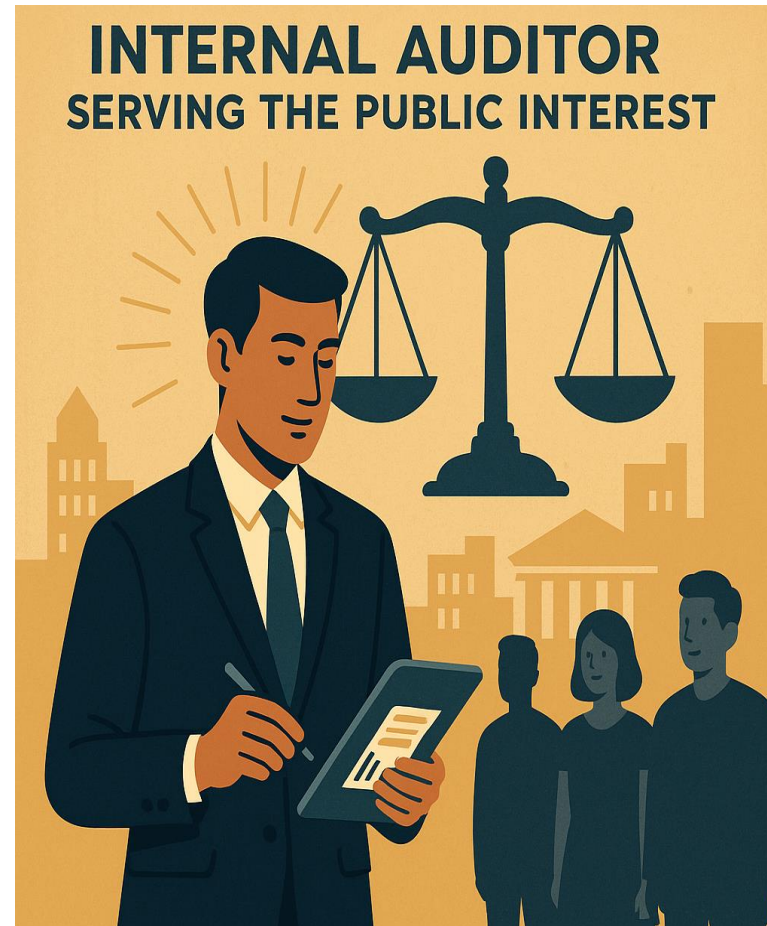
The aspects
that hit me the
most

- Public interest
- Must/Should
- Interaction with the Board
- Quality
- Skills
- Professional attributes
(Courage/Skepticism)
- Strategy

Acting in the Public Interest



Acting in the Public Interest

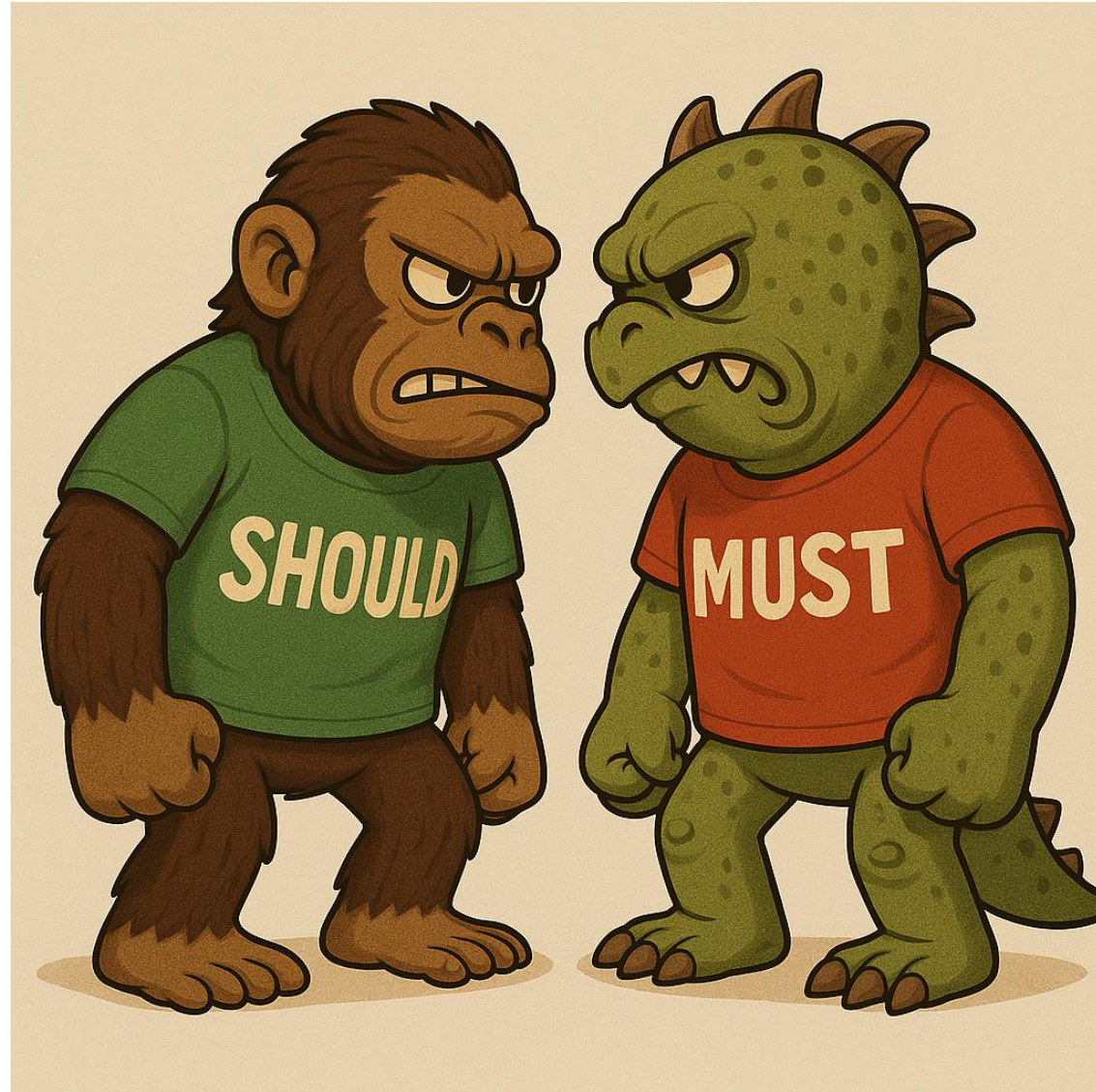


- Internal auditors serve beyond the organization – supporting ethical governance and public confidence.
- Encourages transparency, integrity, and objectivity in the interest of society at large.
- **Key Word:** Accountability

Awesome!! But how!?!

- (External) Stakeholder expectation
- Scenario analysis
- Forward looking
- An eye beyond the organization boundaries

Clarity of Requirements: "Must" vs "Should"



Clarity of Requirements: “Must” vs “Should”

- A new (the same old) challenge of standards: how to comply with the «must»
- At the public exposure draft, this was the major comment: too much “musts”
- The IIA IASB reviewed all the “musts” that sounded awkward and specified that Requirements and Example for conformance are only for suggestion.

My view:

- Musts are important and stress the right aspects that can strengthen Internal Auditors standing, some examples:
 - Audit Strategy;
 - KPI for IA
 - Ethics and professionalism
 - ...
 - And Interaction with the Board (must was omitted indeed)

Strengthened Interaction with the Board



Strengthened Interaction with the Board

- Interaction with Board is utterly stressed.....again!! I would say
- Do you remember the IGIKAY? **This is the attempt to make Internal Audit necessary to the world...**and to the Board
- A stronger interaction with Board regards a lot areas, as a non-exhaustive list: Charter/Mandate, Strategy, CAE qualifications, QAIP, External assessment etc.
- It implies a stronger CAE and, all in all, a high standing Internal Auditing

Strengthened Interaction with the Board

These are the key messages:

- The chief audit executive must provide the board and senior management with the information **needed to support and promote recognition of the internal audit** function throughout the organization.
- The chief audit executive must provide the board with the information **needed to conduct its oversight responsibilities**. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.

Strengthened Interaction with the Board

Three cents from the
practice



Elevating Internal Audit Quality



Elevating Internal Audit Quality

- The **bar has been raised**, when it comes to the quality.
- Please note that the **word «quality»** counts 127 times while in the 2017 edition only 17 times
- It is **one of the proxy** to make the Internal Audit greater.
- It should be seen as an **opportunity** rather than a burden
- Enhances your **accountability**, your **transparency** and, ultimately, strengthens your **legitimacy**

Elevating Internal Audit Quality

What's new in one chart



Elevating Internal Audit Quality

Few things to
consider

- ✓ Be **aligned** with the Audit Strategy
- ✓ Be **embedded** in the internal audit procedures
- ✓ **Enable innovation**
- ✓ Contain a **single view/a** single message
- ✓ Involve all the staff: *"Quality is not a one-off exercise, it is a **dynamic process**"*

Focus on Competence and Continuous Learning



Focus on Competence and Continuous Learning

- **Finally**, knowledge and skills of auditors became a **key standard!!** (it was but in conjunction with the Code of Ethics)
- A key message here is: **professional development**
- The standard is very clear when it comes to identify **which competencies** an internal auditor must possess.
- Introduces the concept of competency framework.
- Key Word: **Professionalism**

Focus on Competence and Continuous Learning

How to develop the auditor's competencies

In my view there are three pillars:

1. Competency framework
2. Certifications
3. Learning (and experience) path

Technical skills vs Soft skills vs Business acumen

Focus on Competence and Continuous Learning Toolkit for auditors

- Certifications
 - Certification programs (CIA, CISA and other IIA or IT Auditing certifications)
- Training
 - Individual training plan (Multi-annual, audit-related/digital/it core competencies, soft skills)
 - Collective training plan (Audit academy, initiatives for all staff within Internal Audit Function)
 - Business-oriented training courses (internal or external provider)
- Experience
 - Secondment (exchange of auditors within a certain community, secondment to business areas)
 - Guest auditor program (in-bound competencies)
 - Working group (internal, external)
 - Conferences/networking/IIA events
 - Mentorship/tutorship

Courage and Skepticism new mates



Courage and Skepticism new mates

- **Fostering integrity** through **professional courage** by communicating **truthfully** and taking appropriate action, even under pressure, when confronted by difficult situations.
- Reinforcement of **professional skepticism** as a critical component designed to **elevate internal audit performance**.

Key Words

Credibility, Take a right level of risks

Courage and Skepticism **new mates**

BE CAREFUL: a wrong interpretation of “Courage” and “Professional skepticism” may create a moral hazard. *Have a look below!*



Strategic Approach to Internal Auditing

- Internal audit **must align** with organizational objectives.
- Strategy should be **risk-based, forward-looking, and value-adding.**
- Clear **objectives, resource planning and stakeholder communication.**
- Key Words: Alignment and substance

It is the key concept/document where all the items we discussed today collapses.

Strategic Approach to Internal Auditing

It should contain (**warning: the list is non-exhaustive**):

- Stakeholders' expectations
- Initiatives to improve IA as a whole
- Consideration for competencies development
- Investment in technology
- Innovation
- Advocacy

And last but not least: a **measurement system** to monitor (and report) the achievements

Final Thoughts



IGIKAY



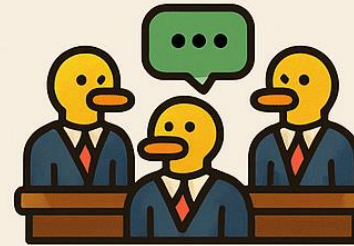
Public interest



Strategy



**Interaction
with the Board**



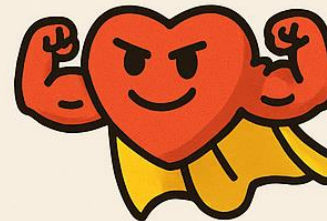
**interaction
with the Board**



Quality



Skills



Courage



Skepticism

Last gift



Thank for you kind attention!

If you want to share your frustration, feel free to
email me: fabio.lupo@bancaditalia.it