A chance to reframe Internal Audit: the new Global Internal Audit Standards*

Mandate

Global Internal Audit Standards: Principle 6.1 Internal Audit Mandate

What it is

It is crucial to IA's success that the expectations of the Board, specifically the Audit Committee, are in line with the main focus areas of the IA department. This is the intent behind the IA **mandate** requirement in the Standards.

The mandate defines IA's authority, role(s), and responsibilities similarly to previous expectations under in the 2017 standards, but goes further to specify the scope and key activities expected of IA.

How is this different from what's already in your charter?

While the charter likely outlines the full range of IA's authority and responsibilities in general terms (i.e., governance, risk management, and controls), it doesn't typically specify what the function is expected to do with its limited resources, including the extent of any recurring activities (i.e., SOX testing, investigations, other compliance testing) that are outside the scope of the risk-based plan.

Isn't that detail captured in my audit plan already?

The audit plan documents the specific projects deemed relevant for the audit period, but it does not establish the overarching strategy or guiding principle behind the selection of these projects. It serves as a single outcome that should demonstrate adherence to an agreed upon directive (i.e., mandate).

The opportunity to advance IA
Unlocking benefits beyond the Standards

Establishing an IA mandate presents the following opportunities for IA leaders:

- Clarity around minimum expectations between the Board, senior management, and IA leaders
  - How much time does IA devote to recurring compliance testing and other typical 2nd line activities vs. risk-based IA projects?
- Ability to evolve IA's roles and responsibilities over time to fit the needs of the organisation.
  - Has the organisation matured sufficiently (e.g., after an IPO) to allow shifting it's primary focus from financial controls towards a more enterprise risk-based approach?
  - Was IA responsible for other compliance monitoring, for which a more mature second line function now exists, and responsibilities can be transitioned?
  - Was IA's project mix more focused on core processes and not representative of the top risks of the organisation?

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Where to Start

Here are some practical steps for internal audit teams to take to develop a **fit-for-purpose mandate**:

1 Inventory the full extent of activities IA performs today, which should include all recurring activities, categories considered in IA's risk-based plan (which may include all risk-based topics for some, but may have select exclusions for others), management support activities, and committees/ working groups you or your team participate in.
  - **Scope of services**: entire breadth of an organisation vs. subset of geographies, divisions or risk topics
  - **Types of IA services**: definition of the specific activities required to be performed by IA

Examples of additional scope of services performed by IA functions:

- Financial controls testing to support the external auditors, local regulations or contractual requirements
- SOX program activities (e.g., SOX testing)
- Compliance testing with applicable laws and regulations and/or internal policies
- Data validation and testing (i.e., Sustainability reports, non-GAAP metrics)
- Enterprise Risk Management facilitation
- System and organisation Controls (SOC) program management support
- Investigations / Fraud risk assessments
- Insurance administration

2 Consider other activities that are not included in the initial inventory and if there are additional areas to consider for IA's future involvement.

3 Meet with other internal and external assurance providers (e.g., compliance, financial controls, quality assurance, information security) to share the draft inventory of activities and discuss how it relates to their roles and responsibilities. Based on discussions, demonstrate that the proposed mandate takes into account the company's broader assurance landscape.

4 Draft a mandate statement (likely a few sentences) that captures the essence of IA's expected scope and types of services. Hold conversations with senior management and then the Board (Audit Committee) to seek input and agreement on the proposed draft.

Tech Tip

Leverage GenAI!

To the extent permitted by your organisation, prompt a GenAI solution with the types of activities you perform to generate suggestions on how to articulate a mandate statement for a Board-level audience.

5 Review and update the current charter to document the mandate and seek formal Board (e.g., Audit Committee) approval.

Establishing the IA mandate is one of many interconnected dependencies in PwC's IA framework. Leading functions will use this opportunity to not only satisfy the Standards, but connect the mandate to other key building blocks of an effective IA function.

Those interdependencies are represented below as shaded building blocks that are tangentially impacted by the IA mandate and should be considered together.

Questions and interdependencies for consideration

Legend:
- Article Topic
- Direct Interdependency

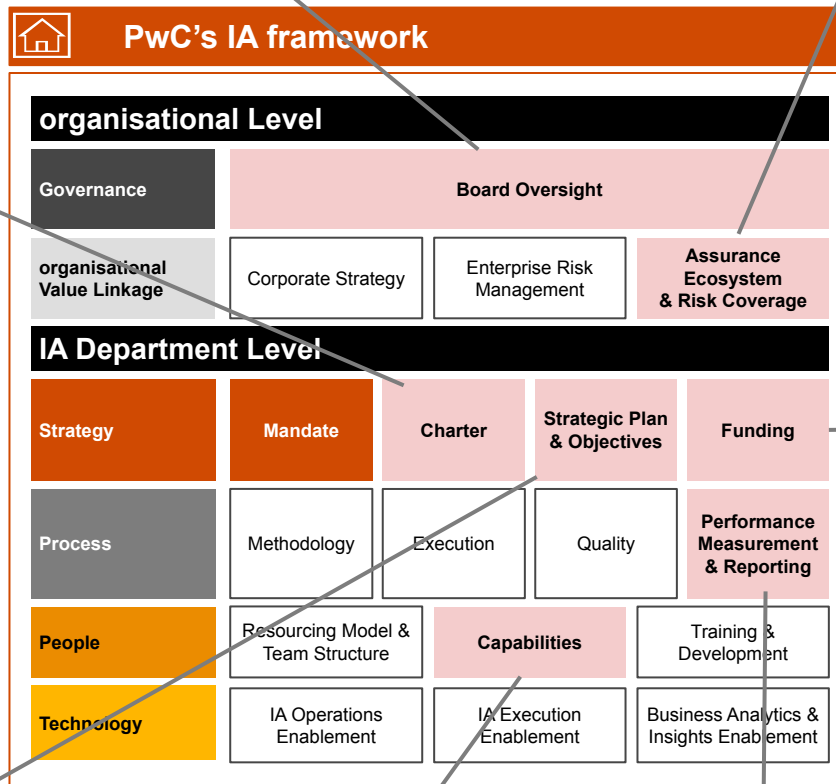Is IA's mandate broad enough to support the Board's risk oversight responsibilities?

How well coordinated is IA's mandate with other risk and assurance functions?

Is IA's mandate evolving at pace with changes in the business and risk landscape?

What revisions are needed to IA's charter to incorporate the scope and types of services defined in the mandate?

Are there additional changes required in other sections of the charter (e.g., authority, roles, responsibilities)?

PwC's IA framework

organisational Level

Governance	Board Oversight		
organisational Value Linkage	Corporate Strategy	Enterprise Risk Management	Assurance Ecosystem & Risk Coverage

IA Department Level

Strategy	Mandate	Charter	Strategic Plan & Objectives	Funding
Process	Methodology	Execution	Quality	Performance Measurement & Reporting
People	Resourcing Model & Team Structure	Capabilities		Training & Development
Technology	IA Operations Enablement	IA Execution Enablement		Business Analytics & Insights Enablement

Does IA have the right funding to execute the IA mandate?

How should IA's mandate inform the strategic plan?

As IA evolves to meet its strategic objectives, how does the mandate evolve to support new and changing expectations?

Does IA have the right capabilities to execute on the depth and breadth of services included in the IA mandate?

What enhancements are needed to report performance related to the breadth of services in the IA mandate to the Board and senior management?

Which stakeholders should you educate about the IA mandate to promote your brand?

As leaders outside of Internal Audit, you play an important role in providing feedback and insights to incorporate in the IA mandate. When discussing the mandate, below are some questions to consider.

The Basics

The IA mandate is meant to outline the **core activities** expected of the IA function, including any recurring responsibilities outside of the risk-based audit plan. Those activities should align to the organisation's goals and needs considering the overall risk profile and breadth of risk oversight responsibilities in place across the organisation.

As an IA stakeholder, expect the IA leader to seek your input on the IA mandate, including your view of the company's needs and the Board's/Audit Committee's expectations.

Board/Audit Committee and Senior Management

- How well aligned is the IA mandate with **organisational goals**?
- How much of the IA mandate and expected team efforts focus on the **highest risks** of the organisation?
- Are you satisfied with the mix of assurance vs. advisory type services that IA is performing?
- Which of our **regulatory requirements** is IA responsible for and how has that been incorporated into the mandate?
- What regulatory requirements or other risk areas are considered **outside of IA's mandate**?
- How has IA aligned with **other risk leaders** to drive efficiencies in overall cost of assurance?

Second Line (e.g., Risk, Compliance)

- Are there any risk areas currently managed by my function that are **included** in IA's mandate?
- Are there any activities that I perform that are considered **outside** of IA's mandate and is everyone clear on the rationale?
- To what extent are my function's oversight activities **relied upon** by IA?
- How will IA and my function **stay aligned** through changes to the organisation and/or risk landscape to enable adequate risk coverage?
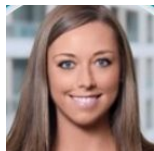
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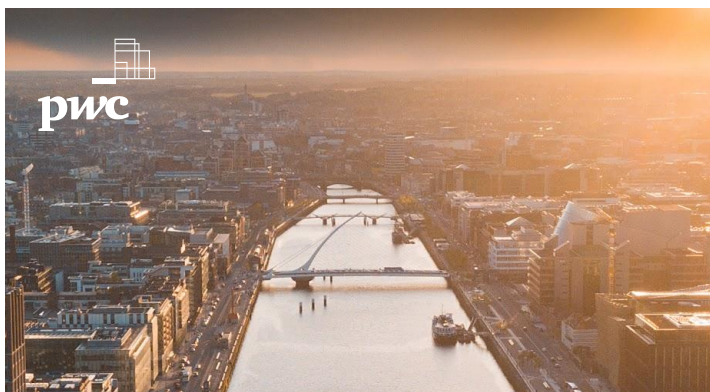
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! Key Resources

- Resources from the IIA:
  - Global Internal Audit Standards ™
- PwC Global Internal Audit Study 2023
- PwC Ireland Internal Audit Study 2023
- Governance Insights Center website

Reframe IA Series

Practical ways to implement the IIA's new Global Internal Audit Standards and IA transformation.

Governance

Organizational Value Linkage

Strategy
Process

People	Technology
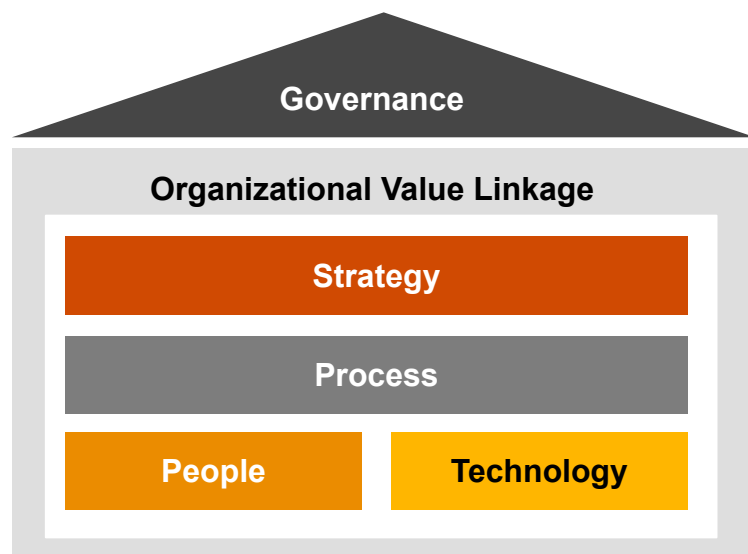
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