

Internal Audit Code of Practice

The Chartered Institute of Internal Auditors (CIIA) has introduced a revised Internal Audit Code of Practice, following a period of consultation and review. The new Code includes key principles to strengthen internal audit and maximise its effectiveness and value, in an increasingly uncertain and changing world. The Code is now unified and applies to internal audit functions across the financial services, private and third sectors. Effective from January 2025, the Code aligns with the new Global Internal Audit Standards and the revised UK Corporate Governance Code.

Overview and application of the Code

The new Code consists of 37 principles to be applied proportionately and in the context of an organisation's size, structure, risk profile and 'nature, scope and complexity'. It continues to act as an 'industry benchmark', designed to 'embed best practices' and elevate the profession. The Code is to be applied alongside the International Professional Practices Framework (IPPF) and the Global Internal Audit Standards. Whilst the Code is 'useful' for internal audit functions operating in the public sector, auditors in the public sector continue to follow the Public Sector Internal Audit Standards (PSIAS).

In January 2025 the Global Internal Audit Standards and revised UK Corporate Governance Code come into effect. To coincide, the new Internal Audit Code of Practice also becomes effective. Whilst it is noted that organisations may be at 'different stages of their compliance journey' all internal audit functions in the financial services, private and third sectors are expected to engage with the principles. Now as one Code, the Internal Audit Financial Services Code of Practice published in January 2021 and the 2020 Internal Audit Code of Practice for the private and third sectors are replaced. It is expected that internal audit functions will be benchmarked against the new Code as part of their external quality assessment (EQA).

Updates and new requirements

The Code includes several key updates and new requirements, summarised as follows.

- Sections A to H of the Code include outcome statements, providing clear explanations for effective internal auditing.
- The Code places emphasis on influencing, identifying efficiencies and removing redundant controls as internal audit helps the board and senior management to 'protect the assets, reputation and sustainability of the organisation.'
- With internal audit having a clear purpose and mandate, the chief audit executive or head of internal audit is required to report annually on how the principles in the Code have been applied. There is also a requirement for the board audit committee to report on internal audit's purpose, mandate, impact and effectiveness within the annual report and accounts.
- Internal audit plans should be flexible, respond to emerging risks and be 'dynamic' and 'updated timely.'
- The areas within internal audit's scope are expanded to also include organisational purpose, strategy and business model; culture; environmental sustainability, climate change risks and social issues; financial and economic crime and fraud; technology, cyber, digital and data risk; and risk management, compliance, finance and control functions.

- Internal audit should provide consolidated reports to the board audit committee and other committees as appropriate, for example the board risk committee. It should include overall opinions on the scope areas reviewed.
- The internal audit team should consist of auditors with diverse backgrounds, skills, and experiences to ensure a variety of perspectives. The chief audit executive is responsible for recruiting, retaining, and promoting talent in line with diversity, equity, and inclusion policies, and relevant legislation.
- Internal audit interacts with risk management, finance, compliance and controls functions across an organisation. It should coordinate with other assurance providers on an organisation's key risks, including coverage and on the timing of assurance activities.
- To enable internal audit to have greater impact, be more effective and enhance audit quality, the chief audit executive should ensure the function has appropriate technology and tools, for example the use of data analytics and artificial intelligence.
- Responsibility for approving the internal audit functions performance objectives rests with the board audit committee. In evaluating the performance of internal audit, delivery of the internal audit plan is just one component, and should include 'assessing internal audit's value, impact, effectiveness and efficiency.'

Our internal audit services

At RSM, we fully endorse the intentions of the new Code, which aims to improve the effectiveness and impact of internal audit. As a leading provider of internal audit services in the UK, we participated in the consultation process, sharing our feedback and insights on the draft Code. Having reviewed the principles, our internal audit services align with the intent of the new Internal Audit Code of Practice.

Our internal audit services are designed to conform to the IPPF, and the Internal Audit Code of Practice. Under the Standards, internal audit services are required to have an EQA every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements. The external review concluded that RSM 'generally conforms to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'. The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model. Our next EQA is due to take place in 2026.

We are committed to continuous improvement and delivering an excellent, value-added internal audit service, and welcome the new Code as an opportunity to further elevate our profession.

Further information

Access the Internal Audit Code of Practice at: [code-of-practice-document_september2024.pdf \(iaa.org.uk\)](https://www.iaa.org.uk/code-of-practice-document-september2024.pdf)

Should you have any questions regarding the Internal Audit Code of Practice, what it might mean for you, or our adherence to it, please get in touch via your usual RSM contact.

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