

Factsheet: Internal Audit Core Principles

Why have Core Principles?

'Core Principles for the Professional Practice of Internal Auditing' were first included in the 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA) in 2015.

The Core Principles form one of the four mandatory components of the IPPF:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing

Before 2015, internal auditing did not have a set of Core Principles and it was felt the profession should have established guidance on this.

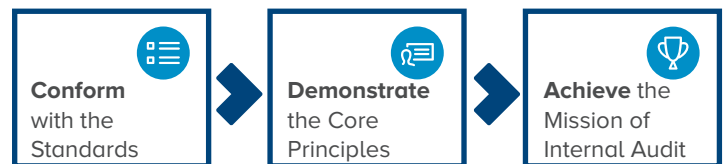
What are the Core Principles?

There are 10 Core Principles which all internal auditors and their internal audit functions should demonstrate:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organisational improvement

The Core Principles, taken as a whole, articulate internal audit effectiveness. By designing and implementing the Standards in a way which focuses on the **outcomes** of conformance rather than solely on the **outputs**, internal audit functions are able to demonstrate the Core Principles.

Internal audit functions should be insightful, proactive, and future-focused, and should actually promote organisational improvement. Demonstrating these principles is not about creating documents or processes; it is also about understanding and meeting stakeholder expectations.



How an internal auditor, as well as an internal audit function, demonstrates achievement of the Core Principles may differ to some extent from organisation to organisation, but failure to achieve any of the Core Principles would imply that an internal audit function is not as effective as it could be in achieving the internal audit mission of:

To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Assessing Internal Audit Effectiveness with the Core Principles

The illustrative tool on the following page provides a framework for internal audit functions to seek input from the audit committee and senior management to provide an independent view on how internal audit rates against the Core Principles.

Acknowledgement

The content of this factsheet has been informed by information provided by Farah George Araj in Perth, Australia.

Helpful references

- Practice Guide 'Demonstrating the Core Principles for the Professional Practice of Internal Auditing', IIA–Global
- 'International Professional Practices Framework', IIA–Global
- 'Internal Audit in Australia – second edition', IIA–Australia
- 'Team Leader's Guide to Internal Audit Leadership', Internal Audit Foundation

Illustrative tool for Audit Committees and Senior Management to provide input on effectiveness of the Internal Audit function

Can be administered by Audit Committee Chair, Company Secretary (or equivalent) or Head of Internal Audit

Internal Audit Core Principles	Demonstrates	Partially Demonstrates	Does Not Demonstrate	What Can Internal Audit Do Better?
<p>1. Demonstrates integrity. Questions to consider:</p> <ul style="list-style-type: none"> › Is it the view of the audit committee and senior management that the internal audit team demonstrates integrity? › Do you believe internal audit leadership will do the right thing even when it is uncomfortable to do so? 				
<p>2. Demonstrates competence and due professional care. Questions to consider:</p> <ul style="list-style-type: none"> › Does the internal audit team have the skills required to audit organisation key risk areas including specialist skills that may be provided in-house or through external service providers? › Are you aware of any significant errors or omissions in final internal audit reports that were identified after the report was issued? 				
<p>3. Is objective and free from undue influence (independent). Questions to consider:</p> <ul style="list-style-type: none"> › Is internal audit leadership in a position to communicate directly with the audit committee without management present? › Does the internal audit function deliver difficult messages when required? 				
<p>4. Aligns with the strategies, objectives, and risks of the organisation. Questions to consider:</p> <ul style="list-style-type: none"> › Has the internal audit function developed a strategic plan with strategic objectives and measures aligned to the organisation strategy? › Have key strategic projects and business initiatives been considered in the internal audit operational plan? › Does internal audit leadership demonstrate a sound understanding of organisation strategies, objectives and risks? 				
<p>5. Is appropriately positioned and adequately resourced. Questions to consider:</p> <ul style="list-style-type: none"> › Is internal audit present at key management, project and functional leadership meetings in an advisory capacity? › Does the internal audit function have appropriate resources and financial budget to deliver on its mandate? 				
<p>6. Demonstrates quality and continuous improvement. Questions to consider:</p> <ul style="list-style-type: none"> › Is the audit committee provided with the results of internal and external quality assessments of the internal audit function? › Has the internal audit function demonstrated tangible changes to processes as a result of benchmarking data or audit client feedback? 				
<p>7. Communicates effectively. Questions to consider:</p> <ul style="list-style-type: none"> › Are internal audit reports customised to the needs of key stakeholders? › Has internal audit developed a structured approach to communicating with the business and key stakeholders? 				
<p>8. Provides risk-based assurance. Questions to consider:</p> <ul style="list-style-type: none"> › Is the internal audit function providing assurance on the top organisation risks? › Is the internal audit operational plan updated to incorporate emerging risks or changes to the organisation risk profile? 				
<p>9. Is insightful, proactive, and future-focused. Questions to consider:</p> <ul style="list-style-type: none"> › Does the audit committee and senior management perceive the internal audit function as insightful? › Are the timings of internal audit services designed to bring about the best value for assurance activities for example post-fact, pre-go live, ongoing assurance, etc? 				
<p>10. Promotes organisational improvement. Questions to consider:</p> <ul style="list-style-type: none"> › Have internal audit activities resulted in tangible improvements to the organisation governance, risk management and control processes? › Is there an effective and robust internal audit process to track closure of management action plans? 				