



Chartered Institute of  
Internal Auditors

**Consultation from the Chartered  
Institute of Internal Auditors for the**

# **Internal Audit Code of Practice**

**Consultation on the draft combined Internal Audit Code of  
Practice for effective internal audit in the financial services,  
private and third sectors**

**Issued:** 11 March 2024

**Closing date:** 8 May 2024

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## Foreword

The Chartered Institute of Internal Auditors (Chartered IIA) published the financial services internal audit code providing guidance for effective internal audit in the financial services sector in 2013 (the 'FS Code'). The FS Code was developed in response to the financial crisis, which highlighted the need to increase the relevance of internal audit. The FS Code has significantly increased the effectiveness and impact of internal audit in the financial services sector. As a result, the Chartered IIA created the internal audit code of practice providing guidance for effective internal audit in the private and third sectors in 2020 (the 'Code of Practice').

The Global Institute of Internal Auditors (Global IIA) released the new Global Internal Audit Standards on 9 January 2024, with an effective date of 9 January 2025. This, along with evolving industry practices, provides an opportunity to continue to challenge the role and purpose of internal audit, to raise the bar of the profession and to align the FS Code and Code of Practice.

In response, we are consulting stakeholders on the development of a combined Code of Practice across the financial services, private and third sectors. This seeks to harmonise practices across the profession, whilst recognising that differences may exist depending on the nature, size and scale of an organisation, as well as the industry and environment they operate within.

An independent committee of audit committee chairs, chief audit executives and senior internal audit professionals has been established to review the codes. Senior representatives from several regulators are involved as observers, including the Bank of England, Central Bank of Ireland, Financial Conduct Authority, and the Financial Reporting Council. The committee intends to publish one combined Code of Practice, covering the financial services, private and third sectors, to establish a single view of best practice. Careful consideration has been given to the unintended consequences this may have on organisations operating within different industries, and the language that has been used to enable internal audit functions to adopt best practice within the context of their organisation. The Committee has worked hard to make sure combining the codes does not dilute the requirements for the financial services sector, and we are comfortable the draft Code of Practice achieves this aim.

The profession needs to be bold and have courage to remain relevant, have impact and deliver value. This is our opportunity to ensure the profession continues to have a key voice and opinion as it helps to protect the assets, reputation and sustainability of our organisations.

We would encourage you to share your views on the draft Code of Practice to support with pushing the profession forwards. We invite you to respond to the consultation questions which cover the main proposed changes to the Code of Practice. I would like to thank the independent committee, the Chartered IIA Council and EY for their collective support thus far.



**Sally Clark, Audit Committee Chair – Citigroup Global Markets, Non-Executive Director – Bupa and A.I.G (UK) and Chair of the Internal Audit Code of Practice Steering Committee**

# General information

## Consultation details and information on how to respond

The consultation is seeking views on the draft Internal Audit Code of Practice which provides guidance for effective internal audit in the financial services, private and third sectors. The consultation seeks responses to a series of key questions covering the main proposed changes to the Code of Practice, and whether the draft will achieve its stated aims to support the internal audit profession to remain relevant, have impact and deliver value.

Issued: Monday 11 March 2024

Respond by: Wednesday 8 May 2024

Responses to be completed using the survey linked [here](#)

When responding, please try to respond directly to the questions posed, although if you have further comments to make that are of relevance to the development of the Internal Audit Code of Practice, you are welcome to provide them.

## Audiences

Whilst we will consider views from all interested stakeholders, we particularly welcome views from internal audit professionals, executive and non-executive company directors (especially board audit committee chairs and members), other relevant professional membership bodies, professional services firms, relevant regulatory bodies, business membership groups, shareholder and investor groups, relevant research bodies and thinktanks.

## **The Internal Audit Code of Practice Steering Committee**

The development of the Internal Audit Code of Practice is being overseen by an independent Steering Committee that has been established by the Chartered IIA.

The members of the committee are as follows:

- Sally Clark, Audit Committee Chair, Citigroup Global Markets & Non-Executive Director, Bupa and A.I.G (UK) (chair of the committee)
- Byron Grote, Audit Committee Chair, Tesco & InterContinental Hotels
- Gordon Craig, Director of Internal Audit, 3i
- Paul Skinnider, Head of Internal Audit, Taylor Wimpey
- Bernice Gaffney, Head of Internal Audit, Bord na Mona (and Member, Audit Risk and Governance Committee, Health Information and Quality Authority)
- Paul Kaczmar, Head of Audit and Risk, Page Group
- Janette Taylor, Head of Professional Practices – Internal Audit, Santander
- Jeremy Eagles, Chief Audit Officer, Bupa
- Carolyn Clarke, Deputy President, Chartered IIA (and Member, Audit Committee, Starling Bank and Audit, Risk and Sustainability Chair, Elcogen)
- Veesh Sharma, Chief Assurance Officer and Chief Risk Officer, Save the Children
- Jonathan Calvert-Davies, Group Head of Internal Audit, HSBC
- Sara Yorke, Head of Internal Audit – Legal, Regulatory, Internal/External Affairs, Vodafone
- Peter Elam, Member of Chartered IIA Council and Group Head of Risk Management & Business Assurance, Anglo American

The observers to the committee are as follows:

- Paul Wrafter, Head of Internal Audit, Central Bank of Ireland
- Mark Babington, Executive Director Regulatory Standards, Financial Reporting Council
- Robin Jones, Chief Internal Auditor, Financial Conduct Authority
- Sarah Sodeau, Acting Co-Head of Internal Audit
- Anne Kiem OBE, Chief Executive, Chartered IIA

The committee is also being supported by secretariat provided by the following:

- Gavin Hayes, Head of Policy and Public Affairs, Chartered IIA
- Harjeet Powar, Partner, EY
- Saheet Gohil, Partner, EY
- Sophie Lazarus, Director, EY

# Draft Code of Practice

## The purpose of the Code

The principles which follow are aimed at enhancing the overall impact and effectiveness of internal audit within organisations operating in the UK and Ireland. They are regarded as a benchmark of good practice against which organisations should assess their internal audit function.

## Who is it for?

The intended audience for the Code of Practice (the 'Code') includes members of board audit and risk committees, chief audit executives, non-executive directors, senior management, and, where appropriate, regulatory bodies.

The Code is intended to be applied by all organisations in the financial services, private and third sectors with an internal audit function and a board audit committee of independent non-executive directors or their equivalent. This Code may prove useful for internal audit in the public sector, but it is not drafted with the public sector specifically in mind. Public sector internal audit functions should continue to follow the Public Sector Internal Audit Standards.

## How should it be applied?

The Code should be applied in conjunction with the Global Internal Audit Standards. The Code builds on these Standards and seeks to increase the impact and effectiveness of internal audit by clarifying expectations and requirements.

The Code is principles based. It is expected that the principles are applied proportionately, in line with the nature, scope and complexity of the organisation. Internal audit functions should apply the Code in the context of internal audit regulatory standards applicable to the organisation.

## A. Role and mandate of internal audit

**Outcome: Internal audit has a clear role and mandate. There is a strong tone at the top of the organisation which enables internal audit to effectively discharge its mandate.**

### Principles:

1. The primary role of internal audit should be to help the board and senior management to protect the assets, reputation and sustainability of the organisation.

It does this by:

- providing independent, risk-based and objective assurance, advice, insight and foresight;
- assessing whether all significant risks are identified and appropriately reported by management to the board and senior management;
- assessing whether the organisation is adequately controlled; and
- challenging and influencing senior management to improve the effectiveness of governance, risk management and internal controls, including identifying efficiencies and removing duplicative and/or redundant controls.

The role of internal audit should be articulated in an internal audit charter, which should be publicly available.

2. The board, its committees and senior management should set the right 'tone at the top' to ensure support for, and acceptance of, internal audit at all levels of the organisation.
3. The chief audit executive should report annually to the board audit committee on how the principles in the Code have been applied.
4. The annual report and accounts should summarise the role of internal audit, the function's main activities and conclude on internal audit's impact and effectiveness.

## B. Scope and priorities of internal audit

**Outcome: Internal audit has an unrestricted scope and access to all areas of the organisation and information. Internal audit has an effective process to determine internal audit coverage. Overall opinions are provided to the board audit committee on the scope areas outlined in the Code.**

### Principles:

#### 5. Internal audit's scope should be unrestricted.

There should be no aspect of the organisation which internal audit should be restricted from looking at as it delivers on its mandate. Whilst it is not the role of internal audit to second guess the decisions made by the board and its committees, its scope should include information presented to the board and its committees as discussed further below.

#### 6. Risk assessments and prioritisation of internal audit work.

In setting its scope, internal audit should form its own judgement on how best to determine internal audit coverage given the structure and risk profile of the organisation. It should take into account business strategy and should form an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assess how effectively these risks are being managed. Internal audit's independent view should be informed, but not determined, by the views of management, the risk function, or other control functions. In setting out its priorities and deciding where to carry out more detailed work, internal audit should focus on the areas where it considers risks to be higher.

Internal audit should make a risk-based decision as to which areas within its scope should be included in the internal audit plan. It does not necessarily have to cover all of the scope areas every year. Its judgement on which areas should be covered in the internal audit plan should be subject to approval by the board audit committee.

#### 7. Internal audit coverage and planning.

Internal audit plans, including significant changes, should be approved by the board audit committee. Internal audit plans should be dynamic, updated timely, and have the flexibility to deal with unplanned events to allow internal audit to prioritise any work of importance and emerging risks. Changes to the internal audit plan should be considered in light of internal audit's ongoing assessment of risk.

#### 8. Scope of internal audit.

The scope of internal audit's work should be regularly reviewed to take account of new and emerging risks. Where relevant, internal audit should assess not only the process followed by the organisation's first and second lines, but also the quality of their work. Internal audit should include within its scope the areas outlined below:



a. Purpose.

Internal audit should consider whether appropriate activities have been established to embed the organisations' purpose.

b. Strategy and business model.

Internal audit is not responsible for setting the strategy but should include within its scope an assessment of the processes and controls supporting strategic and operational decision-making, and the delivery of strategic priorities. It should include whether the information presented to the board and senior management fairly represents the benefits and an assessment of the risks and assumptions associated with the viability of the strategy and business model.

c. Organisational culture.

Internal audit should develop a plan for engaging in risk-based reviews of organisational culture, incorporating but not limited to risk culture assessments. This should include the evaluation of relevant processes, 'tone at the top,' behaviours, and way in which strategy, values, ethics, and risk policies are aligned.

d. Internal governance.

Internal audit should include within its scope the design and operating effectiveness of the internal governance structures and processes of the organisation.

e. The setting of, and adherence to, the risks the entity is willing to accept (risk appetite).

Internal audit is not responsible for setting the board's risk appetite but should assess whether the risk appetite has been established and reviewed through the active involvement of the board and senior management. It should assess whether risk appetite is embedded within the activities, limits and reporting of the organisation.

f. Key corporate and external events.

Examples of key corporate events could include significant business process changes, introduction of new products and services, outsourcing decisions and acquisitions/divestments. Examples of key external events include macroeconomic and geopolitical uncertainties. Internal audit should decide on a timely basis if these events are sufficiently high risk to warrant involvement and attention. In doing so, internal audit will evaluate whether the key risks are being adequately addressed (including by other forms of assurance, e.g. due diligence) and reported. Internal audit should also assess whether the information being used in such key decision-making is fair, balanced and reasonable, and whether the related procedures and controls have been followed.

g. Capital and liquidity risks.

Internal audit should include within its scope the modelling and management of the organisation's capital and liquidity risks, including the process for establishing and maintaining scenario analysis (stress testing) in relation to major risk categories, and recovery plans related to economic shocks.

h. Risks of poor customer treatment, giving rise to conduct or reputational risk.

Internal audit should evaluate whether the organisation is acting with integrity in its dealings with customers and in its interaction with relevant markets. Internal audit should evaluate whether business and risk management is adequately designing and controlling products, services and supporting processes in line with customer interests, protection of customer data and applicable conduct regulation.

i. Environmental sustainability, climate change risks and social issues.

Internal audit should include within its scope matters relating to environmental sustainability, climate change risks and social issues (including diversity, equity and inclusion). This should include an evaluation of the processes to support, and accuracy of, sustainability reporting and disclosures.

j. Financial crime, economic crime and fraud.

Internal audit should include within its scope risks relating to financial crime, economic crime and fraud. Internal audit should assess the adequacy and effectiveness of controls to prevent, identify, monitor and report on illegal acts including money laundering, bribery and corruption, accounting fraud, and other forms of financial and economic crime. This includes an evaluation of the adequacy and effectiveness of fraud risk governance and management.

k. Technology and data risks.

Internal audit should include within its scope coverage of technology risks. This should include assessing the governance, risk management and control framework for managing IT general controls, cyber, cloud and data risks including the use of emerging technology such as artificial intelligence.

l. Risk management, compliance, finance and control functions.

Internal audit should assess the adequacy and effectiveness of risk management, compliance, finance and other control functions. This should include an evaluation of the functions' mandate, organisational design, activities and priorities, capabilities, resources, tools and technology and reporting.

m. Outcomes of processes.

Internal audit should evaluate the design and operating effectiveness of the organisation's policies and processes. In doing so, it should not adopt a 'tick box' approach based purely on the design of processes and controls and should always consider the actual outcomes which result from their application.

## C. Reporting results

**Outcome: Internal audit's reporting to the board audit committee, board risk committee and other governance forums is impactful and relevant.**

### Principles:

9. Internal audit should be present at, and issue consolidated reports, to key governance committees, including the board audit committee and any other board committees as appropriate. The nature of the reports will depend on the remit of the respective governing bodies. Internal Audit should also issue relevant consolidated reports to the board risk committee and present as appropriate.
10. Internal audit's consolidated reporting to the board audit committee, board risk committee and any other board committees should provide:
  - insights on significant control weaknesses and breakdowns together with a robust root-cause analysis;
  - any thematic and systemic issues identified across the organisation including owners, accountabilities and timescales;
  - an independent view of management's reporting on the risk management of the organisation, including a view on management's remediation plans (which might include restricting further business until improvements have been implemented) highlighting areas where there are significant delays;
  - a review of any post-mortem and 'lessons learned' analysis if a significant adverse event has occurred at an organisation. Any such review should assess both the role of the first and second lines and internal audit's own role;
  - an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile;
  - insights on areas where governance, risk management and internal controls are effective, and where internal audit has identified efficiencies, including removal of duplicative and/or redundant controls; and
  - overall opinions on the areas included within internal audit's scope (refer to section 'B. Scope and Priorities', principle 8).
11. At least annually, internal audit's reporting to the board audit, board risk and any other board committees should include an overall opinion on the effectiveness of the governance, and risk and control framework of the organisation, and its overall opinion on whether the organisation's risk appetite is being adhered to. This should support any Board disclosure on the company's risk management and material controls and should highlight any significant weaknesses identified.

## D. Interaction with risk management, compliance, finance and control functions

**Outcome: Internal audit has an enterprise-wide remit and mandate which includes assessing and interacting with risk management, compliance, finance and other control functions.**

### Principles:

12. *The following is applicable to organisations who operate in the financial services sector and is considered best practice for organisations who operate in the private and third sectors.* Effective risk management, compliance, finance, and other control functions are an essential part of an organisation's corporate governance structure. Internal audit should be independent of these functions and be neither responsible for, nor part of, them.

*The following is applicable to organisations who operate in the private and third sectors.* In most organisations there will be some functions (e.g. finance, HR, compliance, legal, health & safety and risk management) whose responsibilities include designing and/or operating controls over risks which arise in other parts of the organisation. Functions with such control responsibilities have substantial potential to contribute to the effectiveness of governance, risk management and internal controls in an organisation. The objectivity of internal audit is strongest if it is neither responsible for, nor part of, the control functions and such separation is to be preferred.

In cases where the chief audit executive has been assigned some responsibility for other control functions, the board audit committee should ensure that the additional responsibilities of the chief audit executive:

- a. do not undermine their ability to give appropriate attention to their internal audit responsibilities.
- b. do not impair their independence from management and appropriate safeguards are put in place.
- c. are appropriately documented in the internal audit charter.

The board should also recognise that the chief audit executive is not able to make an objective assessment of the effectiveness of the additional functions for which they have responsibility and that it may be desirable to commission an external assessment of those functions.

13. In no circumstances should internal audit rely exclusively on the work of risk management, compliance, finance or other control functions, in either its risk assessment or in the determination of the level of audit testing required for the activities under review.

Any judgement which results in less intensive internal audit scrutiny should only be made after an appropriate evaluation of the effectiveness of that specific function in relation to the area under review. Internal audit should always examine, for itself, an appropriate sample of the activities under review. This should include an assessment of the function's methodology and approach.

14. Internal audit should coordinate with assurance providers to develop an assurance map on the organisations key risks and align on the timing of assurance. This should be presented to the board audit committee.

## E. Independence and authority of internal audit

**Outcome: Internal audit is independent and objective. Internal audit has the appropriate standing, stature and access.**

### Principles:

15. The chief audit executive should be positioned at a senior management level (normally expected to be at executive committee or equivalent) within the organisation to give them the appropriate standing, status, access and authority to challenge senior management. Subsidiary, branch and divisional heads of internal audit should also be of a seniority comparable to the senior management whose activities they are responsible for auditing.
16. Internal audit should have the right to attend and observe all or part of executive committee meetings and any other key management decision-making fora e.g. board risk committee. This enables internal audit to understand better the strategy of the business, key business issues and decisions, and to adjust internal audit priorities where appropriate.
17. Internal audit should have unrestricted and timely access to key management information and a right of access to all of the organisation's data, records, information, personnel and physical properties necessary to discharge its responsibilities. This includes access to Board and Executive Committee papers.

In organisations in which the internal audit function is outsourced this Code still applies, and the chief audit executive should always be employed directly by the organisation to ensure they have sufficient and timely access to key management information and decisions.
18. The primary reporting line for the chief audit executive should be to the chair of the board audit committee.
19. The chair of the board audit committee should be responsible for appointing the chief audit executive and for determining when they should be removed from post.
20. The chair of the board audit committee should be accountable for setting the objectives of the chief audit executive and appraising their performance at least annually. It would be expected that the objectives and appraisal would take into account the views of the chief executive/administrative reporting line manager. This appraisal should consider the independence, objectivity and tenure of the chief audit executive. Where the tenure of the chief audit executive exceeds seven years, the board audit committee should explicitly discuss annually the chair's assessment of the chief audit executive's independence and objectivity.
21. The chair of the board audit committee should be responsible for recommending the remuneration of the chief audit executive to the remuneration committee. The remuneration of the chief audit executive and internal audit staff should be structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and should not be directly or exclusively linked to the short-term performance of the organisation.

22. Subsidiary (including ring-fenced bank), branch and divisional heads of internal audit should report primarily to the group chief audit executive, while recognising local legislation or regulation as appropriate. This includes the responsibility for setting budgets and remuneration, conducting appraisals and reviewing the internal audit plan. The group chief audit executive should consider the independence, objectivity and tenure of the subsidiary, branch or divisional heads of internal audit when performing their appraisals.

23. *The following is applicable to organisations who operate in the financial services sector and is considered best practice for organisations who operate in the private and third sector.* If internal audit has an administrative reporting line, this should be to the chief executive in order to preserve independence from any particular business area or function and to establish the standing of internal audit alongside the executive committee members.

*The following is applicable to organisations who operate in the private and third sector.* In certain scenarios, the administrative reporting line can be to another member of senior management who promotes, supports and protects internal audit's independent and objective voice. This should be agreed with the chair of the board audit committee.

## F. Resources

**Outcome: Internal audit has the right skills, experience, resources and budget to fulfil its mandate.**

**Principles:**

24. The chief audit executive should ensure that the audit team has the skills and experience, including technical subject matter expertise, commensurate with the scale of operations and risks of the organisation. This may entail training, recruitment, secondment from other parts of the organisation or co-sourcing with external third parties.
25. The chief audit executive should provide the board audit committee with a regular assessment of the skills required to conduct the work needed, and whether the internal audit budget is sufficient to recruit and retain staff or procure other resources with the expertise, experience and objectivity necessary to provide effective challenge throughout the organisation and to senior management.
26. The chief audit executive should ensure that the internal audit team is made up of internal auditors from a diverse range of backgrounds in accordance with the organisation's diversity, equity and inclusion policies and procedures, as well as relevant legislation.
27. The chief audit executive should ensure that internal audit has the appropriate tools and technology to support the function's impact and effectiveness e.g. use of data analytics. Tools and technology should be used in all internal audit activities, including to help auditors, analyse the risk profile to support scoping decisions, test controls and enhance internal audit coverage and quality. The function should regularly evaluate how tools and technology can be used to improve its effectiveness and efficiency.
28. The board audit committee should be responsible for approving the internal audit budget and, as part of the board's overall governance responsibility, should disclose in the annual report and accounts whether it is satisfied that internal audit has the appropriate resources.

## G. Quality Assurance and Improvement Programme (QAIP)

**Outcome: The board audit committee and internal audit assess the quality, performance, impact and effectiveness of the function.**

### Principles:

29. The board audit committee is responsible for approving internal audit's performance objectives and evaluating the performance of the internal audit function on a regular basis. In doing so, it will need to identify appropriate criteria for defining the success of internal audit. This should include assessing internal audit's value, impact, effectiveness and efficiency. Delivery of the internal audit plan should not be the sole criteria in this evaluation.
30. Internal audit should maintain an up-to-date set of policies, procedures, methodology and performance and effectiveness measures for the internal audit function. Internal audit should continuously improve these in light of industry developments.
31. Internal audit functions should develop a QAIP, with the work performed by individuals who are objective of the delivery of the audit. The individuals performing the assessments should have the standing and experience to meaningfully challenge internal audit performance and to ensure that internal audit judgements and opinions are adequately evidenced.

The scope of the QAIP review should include internal audit's understanding and identification of risk and control issues and adherence to audit methodology and procedures. This may require the use of resource from external parties. The quality assurance work should be risk-based to cover the higher risks of the organisation and of the audit process. The results of these assessments should be presented directly to the board audit committee at least annually.

Internal Audit should conduct self-assessments on conformance with this Code and the Global Internal Audit Standards.

32. Where the internal audit function is outsourced to, or co-sourced with, an external provider, internal audit's work should be subject to the same QAIP work as an in-house function. The results of this QAIP work should be presented to the board audit committee at least annually for review. Chief audit executives should report regularly to the board audit committee on the actions or progress implementing the outcomes of the review.
33. The board audit committee should obtain an independent and objective external quality assessment at appropriate intervals, irrespective of the size of the organisation. This could take the form of periodic reviews of elements of the function, or a single review of the overall function. In any event, the internal audit function as a whole should as a minimum be subject to a review at least every five years, as set out in the Global Internal Audit Standards. The conformity of internal audit with this Code and the Global Internal Audit Standards should be explicitly included in this evaluation. The chair of the board audit committee should oversee and approve the appointment process for the independent assessor.



## **H. Relationship with regulators and external audit**

**Outcome: Internal audit has an open, constructive and cooperative relationship with regulators and external audit.**

**Principles:**

34. The chief audit executive, and other senior managers within internal audit, should have an open, constructive and cooperative relationship with relevant regulators to support sharing of information relevant to carrying out their respective responsibilities.
35. The chief audit executive and the partner responsible for external audit should ensure appropriate and regular communication and sharing of information.

## **I. Wider considerations**

**Principles:**

36. The Chartered Institute of Internal Auditors should commission further independent reviews of this guidance at least every five years, in the light of further experience, with a view to deciding whether any further changes are required.

## Appendix I - Glossary of terms

**Activity under review** – The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

**Annual report and accounts** – The annual report and accounts provides investors and other stakeholders with clear and relevant information on the organisation's performance to support informed decision making and effective stewardship.

**Board** – Highest level body charged with governance, such as a board of directors or a board audit committee.

**Business model** – An organisations strategy and plan to operate and achieve business objectives. This includes the products and/or services offered.

**Chief audit executive** – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards and the Code of Practice. The specific job title and/or responsibilities may vary across organisations.

**Consolidated reports** – A report that summarises the outcomes from internal audit's work including engagement conclusions, themes identified from internal audit's work, overall opinions and functional performance.

**Engagement** – A specific internal audit assignment or project that includes multiple tasks or activities to accomplish a specific set of related objectives.

**External event** – Events refer to incidents or occurrences outside of an organisation's control that can significantly impact its operations, performance and/or strategy.

**Fraud** – Any intentional act characterised by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organisations to secure unjust or illegal personal or business advantage.

**Governance** – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.

**Independence** – The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

**Internal audit charter** – A formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications.

**Internal audit mandate** – The internal audit function's authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

**Internal audit plan** – A document, developed by the chief audit executive, that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organisation.

**Key corporate events** – Any major changes within an organisation that can influence the organisation's strategy, business model, structure, operations, reputation and financial position.

**Material controls** – Material controls are specific to an organisation and should be identified by management. These will differ depending on an organisation's size, business model, strategy and structure. Financial materiality should not be the sole criteria for identifying material controls.

**Objectivity** – An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

**Organisational culture** – An organisation's values, attitudes, standards and beliefs.

**Outcomes** – Statements outlining the intended outcome of a section in the Code of Practice.

**Overall opinions** – An opinion provided based on a comprehensive assessment and judgement made considering all relevant findings, engagements, information and/or evidence. Overall opinions should reflect the professional judgement of the chief audit executive and be supported by relevant, reliable and sufficient information. Internal audit should consider a variety of inputs from across the organisation when providing overall opinions.

**Principles** – Broad principles to adhere to within the Code of Practice that should be applied in the context of an organisation's size, risk profile, nature, scope and complexity of their operations.

**Purpose** – An organisation's primary goal and fundamental reason for existence.

**Quality Assurance and Improvement Programme** – A programme established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards and the Code of Practice, achieves performance objectives, and pursues continuous improvement. The programme includes internal and external assessments.

**Risk appetite** – The types and amount of risk that an organisation is willing to accept in the pursuit of its strategies and objectives.

**Risk assessment** - The identification and analysis of risks relevant to the achievement of an organisation's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

**Risk and control culture** – An organisation's/management's values, beliefs, knowledge, attitudes and understanding about risk and control.

**Root cause** – Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

**Senior management** – The highest level of management of an organisation that is ultimately accountable to the board for the organisation’s strategic decisions. Typically this is a group of persons that includes the chief executive officer or head of the organisation.

**Technology** – The tools, systems and technology used within internal audit. This includes audit software and tools, data analytics, process mining and advanced technologies such as artificial intelligence.

**Thematic issue** – An issue which is pervasive across several areas of the organisation. This may include the findings and conclusions of multiple engagements, which when viewed holistically may reveal patterns or trends, such as root causes.

# Consultation questions

## Pre-survey questions

- **Please provide your contact details**
  - Name
  - Role
  - Organisation
  - E-mail
  
- **Please select the primary sector you work in**
  - Financial services sector
  - Private sector
  - Third sector
  - Other
  
- **Please select your role**
  - Chief audit executive, head of internal audit or equivalent
  - Internal audit professional
  - Board audit committee chair
  - Member of board audit or risk committee
  - Non-executive director
  - Senior management
  - Regulator
  - Professional services consultant
  - Professional/trade body
  - Civil servant
  - Institute/think tank/policy group
  - Other
  
- **Please select the size of your internal audit function (if applicable)**
  - 1 – 10
  - 11 – 20
  - 21 – 50
  - 51 – 100
  - 101 – 250
  - 251+
  - Not applicable

## Survey questions

- 1. The Committee intends to publish one Code of Practice. Do you support the development of one Code of Practice across the financial services, private and third sectors?**

**If you have answered no, please explain.**

The Committee has proposed the development of one combined Code of Practice across the financial services, private and third sectors. This seeks to harmonise practices across the profession, whilst recognising that differences may exist depending on the industry, nature, size and scale of an organisation. The Committee has sought to protect the requirements for financial services whilst recognising proportionality.

- 2. The Committee has introduced outcome statements for each section of the Code. Do you believe the outcome statements are helpful?**

**If you have answered no, please explain.**

The Committee has introduced outcome statements at the start of each section of the Code of Practice. These aim to provide clarity on the result and impact the principles in each section intend to deliver.

- 3. Principle 1 relating to internal audit's role and mandate has been strengthened to be forward looking and emphasise internal audit's role in influencing and challenging management. Do you support these changes?**

**If you have answered no, please explain.**

The Committee has enhanced principle 1 to align to the Global Internal Audit Standards, focus on internal audit's forward looking role, as well as influencing and challenging management to improve the control framework.

- 4. Principle 3 requires the chief audit executive to report annually to the board audit committee on how the principles in the Code of Practice have been applied. Do you support the addition?**

**If you have answered no, please explain.**

The Committee has introduced principle 3 which requires the chief audit executive to report annually to the board audit committee on how the Code of Practice has been applied.

**5. Principle 4 enhances internal audit reporting requirements in the annual report and accounts. Do you support the addition?**

**If you have answered no, please explain.**

The Committee has introduced principle 4 to require the annual report and accounts to include a summary of the role of internal audit, the function's main activities and internal audit's impact and effectiveness. The aim is to help raise the profile of the vital role of internal audit amongst wider stakeholders.

**6. Are the scope areas outlined in principle 8 fit for purpose?**

The scope and priorities section of the Code of Practice is intended to set out areas of scope which were found to have been restricted in some organisations, in practice, even if not in principle. This section is not intended to list all areas within internal audit's scope or that these areas should take priority over more commonly audited/business as usual risk areas. The Committee has reviewed this principle in the Code of Practice against corporate failures, evolving industry practice and corporate reforms. This has led to new considerations being added to the Code, including areas such as purpose, organisational culture, environmental sustainability, climate change risks and social issues, technology and data risks, and financial crime, economic crime and fraud.

**6.1 Purpose**

Do you agree with the addition of purpose?  
If you have answered no, please explain.

**6.2 Organisational culture**

Do you agree with broadening risk and control culture to organisational culture?  
If you have answered no, please explain.

**6.3 Capital and liquidity risks (non-FS organisations only)**

Do you agree capital and liquidity risks are relevant for organisations that operate outside of financial services?  
If you have answered no, please explain.

**6.4 Risks of poor customer treatment giving rise to conduct or reputational risk (non-FS organisations only)**

Do you agree conduct and reputational risks related to poor customer treatment are relevant for organisations that operate outside of financial services?  
If you have answered no, please explain.

**6.5 Environmental sustainability, climate change risks and social issues**

Do you agree with the addition of sustainability, climate and social risks?  
If you have answered no, please explain.

**6.6 Financial crime, economic crime and fraud**

Do you agree with the addition of financial crime, economic crime and fraud risks?  
If you have answered no, please explain.

**6.7 Technology and data risks**

Do you agree with the addition of technology and data risks?  
If you have answered no, please explain.

**6.8 Risk management, compliance, finance and control functions**

Do you agree with moving the assessment of the adequacy and effectiveness of these functions from Section D of the Code of Practice to section B?

If you have answered no, please explain.

**6.9 Do you support the list of areas being included in the main body of the Code (as opposed to an appendix)?**

If you have answered no, please explain.

**6.10 Are there any other additional topics that should be addressed in the scope and priorities section of the Code of Practice?**

**7. Are the principles outlined in section C ‘reporting results’ relating to internal audit’s opinion clear?**

**If you have answered no, please explain.**

The Committee has separated principle 10 on reporting to the board audit committee, board risk committee and other board committees as appropriate, and principle 11 on providing an overall opinion on the effectiveness of the governance, and risk and control framework. Principle 11 has also been updated to use this opinion to support the board’s internal control declaration in line with the UK Corporate Governance Code 2024.

**8. Are principles 12 and 13 in section D relating to interaction with first line, second line and control functions clear?**

**If you have answered no, please explain.**

The Committee has sought to clarify the importance of maintaining independence from these functions and provides specific guidance for those operating in the financial services sector and private and third sectors. This includes outlining the requirements of internal audit if reliance is to be placed on these functions.

**9. Do you agree with the addition of principle 14 on coordinating assurance?**

**If you have answered no, please explain.**

The Committee has sought to align the Code of Practice to the Global IIA’s Global Internal Audit Standards to encourage internal audit to coordinate with assurance providers. The new principle requires internal audit to support the development of an assurance map on the organisations key risks and align on the timing of assurance. This should be presented to the board audit committee.

**10. Is principle 23 relating to the chief audit executive’s administrative reporting line appropriate?**

**If you have answered no, please explain.**

The Committee has sought to clarify the importance of internal audit’s administrative reporting line enabling organisational independence and to strengthen internal audit’s standing.



**11. Do you support the addition of principle 26 relating to diversity, equity and inclusion?**

**If you have answered no, please explain.**

The Committee has strengthened the Code of Practice which requires the chief audit executive to ensure the internal audit team is made up of internal auditors from a diverse range of backgrounds and in line with the organisation's diversity, equity and inclusion policies.

**12. Do you support the addition of principle 27 relating to internal audit's use of tools and technology?**

**If you have answered no, please explain.**

The Committee has strengthened the Code of Practice to require the chief audit executive to ensure internal audit has the appropriate tools and technology to support the function's effectiveness and impact.

**13. Are there any provisions in the draft Code of Practice which have created/are liable to create unintended consequences?**

**If you have answered yes, please explain.**

Please provide details of any language or wording used in the draft Code of Practice who's wording, or underlying direction, may create unintended consequences and/or could negatively impact the profession.

**14. In order to continue to raise the bar for the internal audit profession, have the committee been bold enough?**

**If you have answered no, please provide details of any areas that the Code of Practice does not address.**

The questions the Committee have asked, cover the proposed changes made to the Code of Practice, and the areas of importance that we will need to consider carefully in the development of the combined Code of Practice.

**15. Are there any other comments/feedback you would like to provide to enhance the Code of Practice?**

Please provide any other comments/feedback to enhance the Code and or for the Committee to consider as part of this consultation.

## About the Chartered Institute of Internal Auditors

The Chartered Institute of Internal Auditors is the voice of the internal audit profession. We are the only professional body dedicated exclusively to raising the profile of the vital work of internal auditors in the UK and Ireland.

We champion and promote the valuable contribution our members make to good corporate governance, strong risk management and a rigorous internal control environment. This important work ensures the long-term success of organisations. By playing a key role in supporting boards and senior management in identifying, managing and mitigating their major risks effectively, internal audit help to protect the assets, reputation and sustainability of organisations. In turn they protect jobs, investments and growth across all sectors of our economy.

We are dedicated to supporting, educating, training, developing, promoting, and advocating for the internal audit profession. Our ability to award Chartered status through our Royal Charter is the benchmark for leadership in internal audit and recognises an internal auditor's commitment to excellence by meeting the profession's rigorous requirements and international standards.

For any enquiries concerning this consultation please contact:

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