Factsheet: Internal Audit Manual

This resource reflects the 'Global Internal Audit Standards' published in 2024

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Definitions

Engagement	A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives.
Manual	A document that provides instructions and information on how to use / operate / maintain a product / service / task – it comprises a set of instructions that give practical guidance on how to do something or how to use something.
Policy	A high-level statement of principle that defines what an organisation will do and why it will do it.
Procedure	A documented, step-by-step instruction that details how to perform a specific task or activity to comply with a policy.
Process	A series of co-ordinated actions or steps taken to achieve a particular outcome.
Task	A specific piece of work to be done which is often a single step within a larger process with a defined objective and a deadline.
Workpapers	Documentation of the internal audit work done when planning and performing engagements – the documentation provides the supporting information for engagement findings and conclusions.

What is Internal Audit?

The definition of internal audit is:

> *An independent, objective assurance and advisory activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.*
>
> Source: Global Internal Audit Standards 'Glossary'

The key reference document for internal audit practice is the 'International Professional Practices Framework' (IPPF) which contains the 'Global Internal Audit Standards'.

Standard 9.3 'Methodologies' requires the chief audit executive to:

> *'... establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Global Internal Audit Standards.'*

This requires a fit-for-purpose internal audit manual.

What is an Internal Audit Manual?

In the internal audit context, a manual is a document that provides instructions and information on how to perform tasks that result in internal audit outcomes – it comprises a set of instructions that give practical guidance on how to do something or how to use something.

To be effective, a manual needs to provide clear guidance on:

- Policy.
- Procedures for each policy.
- Tasks comprising a process.
- How to consistently perform the tasks.
- The review and quality process oversighting the process to ensure consistency and correction where inconsistency is identified.

Internal audit functions are no different from other corporate support services that need to provide a consistent service.

An internal audit manual should contain the tasks to be performed and how to actually perform those tasks.

The 'Global Internal Audit Standards' are not definitive on the content of internal audit manuals. The form / content / level of detail / degree of documentation of methodologies may differ based on size / structure / complexity / industry or regulatory expectations / maturity of the organisation and the internal audit function.

Documented methodologies most likely to be necessary to implement the internal audit strategy, achieve the internal audit plan, and conform with the 'Global Internal Audit Standards' include the internal audit function approach to:

- Assessing risks for the organisation and for each engagement.
- Developing and updating the internal audit plan.
- Determining the balance between assurance engagements and advisory engagements.
- Coordinating with internal and external assurance providers.
- Managing external service providers, when used.
- Performing internal audit engagements.
- Communicating throughout internal audit services.
- Retaining and releasing engagement records and other information, consistent with organisation guidelines and pertinent regulatory or other requirements.
- Monitoring and confirming the implementation of internal audit recommendations or management's action plans.
- Assuring the quality and improvement of the internal audit function.
- Developing performance measures to assess progress toward meeting objectives.
- Performing additional services identified in the internal audit mandate.

What Should an Internal Audit Manual Contain?

To be useful and effective, an internal audit manual will generally contain specific information on the following areas:

Domain	Principle of the GIAS	Examples of Inclusions / Processes Outlined
N/A Introduction	-	› Introduction › Objective of the manual
1	-	› Internal audit purpose / role / responsibility
2	1. Demonstrate Integrity 2. Maintain Objectivity 3. Demonstrate Competency 4. Exercise Due Professional Care 5. Maintain Confidentiality	› Requirements regarding the behaviour of internal auditors in each of the areas under the Principle and relevant Standards › Annual declaration processes › Protection of information and record keeping requirements › Security › Indicators of fraud › Response to fraud (including Whistleblowing processes)
3	6. Authorised by the Board 7. Positioned independently 8. Overseen by the Board	› Summary of the governance structures for the organisation, including functional and administrative reporting arrangements › Board interaction and reporting › Quality Improvement and Assurance Program (QIAP) structure › Internal quality assessments › External quality assessments › Reporting on the QIAP
4	9. Plan Strategically 10. Manage Resources 11. Communicate Effectively 12. Enhance Quality	› Risk-based internal auditing › Internal audit strategy › Risk assessment › Consideration of fraud › Service catalogue for the IA function › Assurance services › Advisory services › Assurance map › Integrated assurance › Coordination and reliance with other providers › Internal audit plan › Internal audit team roles and responsibilities › Inducting and managing internal audit talent › Stakeholder relationship strategy and engagement plan › Internal audit technologies › Management of service providers › Documentation

Domain	Principle of the GIAS	Examples of Inclusions / Processes Outlined
5	13. Plan Engagements Effectively 14. Conduct Engagement Work 15. Communicate Engagement Results and Monitor Action Plans	› Engagement planning processes › Consideration of fraud – engagement level › Engagement delivery › Engagement reporting › Agile internal auditing › Follow-up of action plans › Resource accounting › Reporting to the Audit Committee
Other		› Glossary of acronyms and terms › Roles and responsibilities of internal audit team members (for large internal audit functions) › Reference to other policies, procedures, source documents › Version control and document changes › Approval or endorsement protocols

The inclusions will be dependent on the nature of the internal audit function itself. IIA-Australia has developed a template internal audit manual that covers the minimum practices expected to be in place for quality assurance purposes. This manual has been designed to align to each of the Domains, Principles and Standards, to ensure no areas have been missed.

Internal Audit Manual Do's and Don'ts

Do	Don't
Be succinct as possible	Expand the internal audit manual size beyond what is necessary
Reference the 'Global Internal Audit Standards'	Repeat the 'Global Internal Audit Standards' verbatim
Scale the internal audit manual for the size of the internal audit function	Have a 'one size fits all' internal audit manual
Build the internal audit manual to be directly applicable to your internal audit function	Get another organisation's internal audit manual and change to your organisation's name
Tell internal auditors what they specifically need to do and why they need to do it	Provide a high-level view and expect internal auditors to work out what they need to do and why they need to do it
Have a robust Quality Assurance and Improvement Program and build quality into the internal audit processes – larger internal audit functions may appoint a specific person to be responsible for internal audit quality	Expect quality to just happen without making it a specific person's responsibility
Regularly review the internal audit manual – recommended annually or when there is significant change	Have a 'set and forget' internal audit manual
Provide training on the internal audit manual and its processes	Expect people to read the internal audit manual and understand what they need to do without training guidance

Conclusion

A fit-for-purpose internal audit manual is a foundation for successful internal auditing.

Useful References

International Internal Auditing Standards Board, 2024. *Global Internal Audit Standards*. [Online]
Available at: https://www.theiia.org/en/standards/what-are-thestandards/mandatory-guidance/standards/

The Institute of Internal Auditors - Australia, 2023. *Factsheet: Processes.* [Online]
Available at: https://www.iia.org.au/member-resources/factsheets/factsheet-processes

The Institute of Internal Auditors - Australia, 2025. *Internal Audit Management: Internal Audit Manual Example.* [Online]
Available at: https://www.iia.org.au/member-resources/resource-library/resource-internal-audit-management