**Introduction**

Independence and objectivity are at the heart of internal audit work. It ensures that internal audit stakeholders can rely on the assurance provided as bias and conflicts are removed as far as possible. This guidance explains the concepts of independence and objectivity considering the new Global Internal Audit Standards, 2024, (GIAS) and suggests some practical steps as a baseline benchmark.

**What is independence and objectivity**

Professional internal audit provides insights that helps boards to make effective decisions. To do this, Internal audit provides independent and objective assurance over how well the organisation is managing its risks, taking advantage of fast-moving opportunities and whether governance processes are operating effectively. As professionals, internal audit teams must be appropriately qualified, experienced, trained, and properly resourced, and work to the IIA’s GIAS.

As part of the GIAS Purpose Statement, Internal auditing is most effective when:

* It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
* The internal audit function is independently positioned with direct accountability to the board.
* Internal auditors are free from undue influence and committed to making objective assessments.

The GIAS glossary provides the following definitions:

**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.

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

Independence and Objectivity are interdependent and essential for the effectiveness of the internal audit function.

**Independence Without Objectivity -** If an internal audit function is independent but lacks objectivity, the auditors may still be influenced by personal biases or external pressures, compromising the integrity of their assessments and recommendations. Independence alone does not guarantee that the auditors will make unbiased judgments.

**Objectivity Without Independence -** Conversely, if internal auditors are objective but not independent, their ability to perform their duties without interference is compromised. They may face undue influence from

management or other stakeholders, which can affect their ability to provide impartial and accurate assessments.

**Interdependence**

* **Independence** provides the structural and organisational framework that allows internal auditors to operate without interference.
* **Objectivity** ensures that within this independent framework, auditors can make unbiased and impartial judgments based on facts and evidence.

Both elements are crucial for the credibility and reliability of the internal audit function. Without independence, objectivity is difficult to maintain, and without objectivity, independence is ineffective. Therefore, both independence and objectivity must coexist to ensure the internal audit function can effectively fulfill its mandate.

To carry out internal audit’s responsibilities effectively, it is imperative that independence and objectivity are maintained at the highest standard:

**‘The internal audit activity must be independent, and internal auditors must be objective in performing their work.’**

**Global Internal Audit Standards and Principles**

To meet this, internal auditors should follow these key practices in accordance with the Global Internal Audit Standards:

1. **Organisational Independence**: The internal audit function should report to a level within the organisation that allows it to fulfil its responsibilities. Typically, this means reporting directly to the audit committee or the board of directors. (Standard 7.1 – Organisational Independence)
2. **Unrestricted Access**: Work with senior management to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate. (Standard 6.3 Board and Senior Management Support)
3. **Free from Interference**: Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.
(Principle 7 Positioned Independently)
4. **Avoiding Impairments**: Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.
( Standard 2.2 Safeguarding Objectivity)
5. **Conflicts of Interest**: Internal auditors should avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority.
(Standard 2.2. Safeguarding Objectivity)
6. **Professional Scepticism**: Internal auditors must apply professional scepticism to critically assess and evaluate information.
(Principle 4)

**Examples of Practical Application**

1. **Rotation of Auditors**: Regularly rotating auditors to different areas can help maintain objectivity and prevent familiarity threats. Continuous auditing of the same area can lead to familiarity bias, where auditors may become too comfortable with the processes and personnel, potentially compromising their objectivity. It also helps prevent conflicts of interest that may arise from long-term relationships with the management of the activity under review.
2. **Continuing Education**: By engaging in continuing professional education, internal auditors can stay current with industry standards, best practices, and emerging risks, which helps them maintain their independence and objectivity while performing their duties.
3. **Quality Assurance and Improvement Program**: A Quality Assurance and Improvement Program (QAIP) is essential for maintaining and enhancing the quality, independence, and objectivity of the internal audit function.

By adhering to these practices, internal auditors can ensure they maintain the necessary independence and objectivity required to perform their duties effectively and in line with GIAS.

**Internal Audit Code of Practice**

The new Internal Audit Code of Practice, effective from January 2025, aims to enhance the effectiveness and impact of internal audit functions within organisations across the financial services, private, and third sectors in the UK and Ireland. This principles-based Code provides a comprehensive framework for managing an effective internal audit function, with thirty-seven key principles developed through extensive consultation with internal audit professionals and other stakeholders.

The key aspects of the Code particularly relevant to Independence and Objectivity include:

1. **Purpose and Mandate of Internal Audit (Code of Practice A)**
Outcome: Internal audit has a clear purpose and mandate. There is a strong tone at the top of the organisation, which enables internal audit to effectively discharge its mandate.

It does this by providing independent, risk-based and objective assurance, advice, insight and foresight (Principle 1).

1. **Scope and Priorities of Internal Audit (Code of Practice B)**Outcome: Internal audit has an unrestricted scope and access to all areas of the organisation and information, including the scope areas outlined in Principle 8. Internal audit has an effective process to determine internal audit coverage.
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 (Principle 5).
2. **Quality Assurance and Improvement Programme (QAIP) (Code of Practice G)**
Outcome: The board audit committee and internal audit assess the quality, performance, impact and effectiveness of the function:
	* **Importance**: Assessing performance and enhancing effectiveness.
	* **Independence**: Ensuring autonomous operations and unbiased assessments.
	* **Objectivity**: Evaluating performance objectively for reliable findings. ​
3. **Independence and Authority of Internal Audit (Code of Practice E)**:
Outcome: Internal audit is independent and objective. Internal audit has the appropriate standing, stature and access.
	* **Importance**: Seniority and access crucial for maintaining independence.
	* **Independence**: Granting auditors authority to challenge management effectively. ​
	* **Objectivity**: Providing standing, access, and autonomy for impartial assessments. ​
4. **Effective Communication and Relationship Building**:
	* **Importance**: Fostering trust and collaboration for effective audit functions. ​
	* **Independence**: Creating an environment free from external pressures. ​
	* **Objectivity**: Ensuring findings are based on factual evidence and unbiased assessments. ​

By focusing on these aspects, internal audit functions can enhance their credibility, effectiveness, and value to the organization while upholding ethical standards and delivering impartial assessments that support organisational objectives. ​

The Code is designed to be applied proportionately, considering the size, risk profile, and complexity of each organization. It aligns with the International Professional Practice Framework and the new Global Internal Audit Standards, aiming to further

elevate the role of internal audit in strengthening corporate governance and managing risks effectively.

**Public Sector Internal Audit Standards (PSIAS)**

At the time of this guidance being written a consultation was taking place on the PSIAS following the publication of the GIAS. Therefore, this guidance has not been written to reflect the Internal Audit Application Note for UK Public Sector as it had not been finalised.

However, it should be noted that the proposal is that the UK Public Sector adopts the GIAS with the Application Note explaining variations as appropriate. The concepts of independence and objectivity are not amended however the Application Note recognises the different reporting structures in place, which may bring different practical applications of the GIAS requirements.

Once the consultation has been completed then this guidance will be reviewed, and this section updated accordingly.

**Conclusion**

IIA Global explicitly requires that the internal audit activity and internal auditors always maintain independence and objectivity, and this transcends sectors and industries. It is the cornerstone of internal audit and helps to support our position as a trusted advisor and critical friend to our key internal audit stakeholders. Where independence and objectivity are compromised in reality or perception, internal auditors need to recognise this and address the challenge – not always an easy task and this is recognised in the Domain II – Ethics and Professionalism which calls for internal auditors to exercise professional courage.