The Institute of Internal Auditors Malaysia

Technical Newsletter

GIAS APPLICATION

Issue Q3/2026

(August 2026)

From "Are we completing our audits?" to "Can we demonstrate that Internal Audit itself is an effective function?"

Practical Application for CAEs and Internal Auditors in Applying the 2024 Global Internal Audit Standards

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The challenge for Internal Audit is no longer simply whether audits are being completed. The more important question is whether the Internal Audit (IA) function can demonstrate that it is properly governed, adequately resourced, independent, risk-based, quality-assured and delivering value in accordance with the 2024 Global Internal Audit Standards (GIAS).

1. Can We Demonstrate It?

A practical starting point for CAEs and internal auditors is to assess the IA function against six fundamental expectations:

GIAS expectation	Key question
Governed	Is Internal Audit properly authorised, positioned and overseen by the Board/Audit Committee?
Resourced	Does Internal Audit have sufficient people, competencies, technology, time and budget?
Independent	Can Internal Audit demonstrate freedom from undue influence and appropriate organisational independence?
Risk-based	Can the function demonstrate that its strategy and audit plan are driven by organisational risks and priorities?
Quality-assured	Can Internal Audit demonstrate ongoing monitoring, assessment and continuous improvement?
Value-driven	Can Internal Audit demonstrate that its work contributes to stronger governance, risk management, controls and decision-making?

These expectations are reflected throughout the GIAS. Domain III establishes the governance foundation; Domain IV addresses the CAE's management of the IA function, including strategy, resources, stakeholder relationships and performance; and Domain V addresses the performance of individual engagements.

The key question should therefore not simply be "Do we comply?", but: "What does the Standard require, what are we doing, and what evidence demonstrates that it is operating effectively?"

2. Common Challenges in Achieving GIAS Conformance

Challenge 1: "We have an Internal Audit Charter, therefore we are governed."

An approved Charter is necessary, but it does not automatically demonstrate effective governance.

The CAE should assess whether the Board or Audit Committee actively oversees:

- the Internal Audit Charter;
- IA strategy and risk-based audit plan;
- budget and resources;
- CAE appointment and performance evaluation;
- access to information and personnel; and the independence and effectiveness of Internal Audit.

The CAE should also have appropriate access to the Board/Audit Committee, including the ability to meet privately when necessary. The GIAS specifically describes Domain III as requiring the CAE to work closely with the Board to establish, position and oversee the internal audit function.

🔑 The key question is:

"Can we demonstrate that our governance arrangements are actually operating?"

Challenge 2: "We are independent because Internal Audit reports to the Audit Committee."

Independence must be demonstrated in practice, not merely stated.

The CAE should consider:

- Who appoints and evaluates the CAE?
- Who approves the IA budget?
- Can the CAE meet privately with the Audit Committee?
- Can Internal Audit raise sensitive findings without management interference?
- Can management influence the audit plan?
- Are internal auditors performing operational responsibilities that could impair objectivity?

The objective is to establish governance mechanisms that protect and demonstrate independence.

Challenge 3: "Our audit plan is risk-based because we perform a risk assessment."

A risk assessment alone does not make an audit plan genuinely risk-based.

There should be a clear linkage:

Organisational Objectives → Risks → Risk Assessment → Audit Universe → IA Strategy → Audit Plan → Engagements → Findings → Board Reporting

The CAE should be able to explain why specific areas were selected for audit and how the plan responds to the organisation's significant risks.

Risk assessment should also consider emerging risks such as:

- cybersecurity and technology;
- artificial intelligence;
- fraud;
- third-party risks;
- ESG and sustainability;
- regulatory change;
- data risks; and
- reputational and strategic risks.

Challenge 4: "We have enough auditors because we completed the audit plan."

Completion of the audit plan does not necessarily demonstrate resource sufficiency.

The CAE should consider whether Internal Audit has the appropriate:

- number of auditors;
- technical and industry competencies;
- technology and data analytics capability;
- specialist expertise;
- budget;
- time, and access to external expertise

The more effective Board discussion is therefore not:

"We need more auditors."

but:

"Based on the organisation's risk profile and planned assurance coverage, these are our capacity and competency gaps, and these gaps may affect our ability to deliver the approved IA strategy."

Challenge 5: "We have quality assurance because someone reviews our audit files."

File review is only one part of a comprehensive Quality Assurance and Improvement Program (QAIP).

A functioning QAIP should encompass:

Quality should therefore be embedded throughout the IA lifecycle rather than treated as an exercise conducted at the end of an audit.

Challenge 6: "Management implemented our recommendations, so we delivered value."

Recommendation implementation is not necessarily equivalent to value.

The more meaningful question is:

"What changed because Internal Audit was involved?"

For example:

- Was a significant risk better controlled?
- Was a major control weakness corrected?
- Was potential loss avoided?
- Was governance strengthened?
- Was decision-making improved?
- Was an emerging risk identified earlier?
- Did Internal Audit provide insight or foresight?

This reflects the Purpose of Internal Auditing under the GIAS, which focuses on helping organisations create, protect and sustain value through assurance, advice, insight and foresight.

3. A Practical Step-by-Step GIAS Implementation Approach

Step 1 — Establish the GIAS Baseline

Conduct a structured assessment of the current IA function against the applicable GIAS requirements.

GIAS Requirement → **Current Practice** → **Evidence** → **Gap** → **Action**

The assessment should distinguish between:

A requirement that exists on paper	A process that has been implemented	A process that can be demonstrated to be operating effectively

Internal auditors should also understand the GIAS requirements relevant to their individual responsibilities.

Step 2 — Strengthen the Governance Foundation

Review:

Internal Audit Charter
Board/Audit Commitee mandate
CAE reporting arrangements
Private sessions
CAE appointment and evaluation
IA strategy approval
Audit plan approval
Budget and resource approval
Unrestricted access to records, personnel and systems

Evidence may include:

Board/Audit Commitee minutes	Approval papers	Private-session records	Approved Charter	IA strategy	Budget

Key principle:

Do not merely have governance arrangements. Demonstrate that governance is operating.

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Step 3 — Develop the Internal Audit Strategy

Where is Internal Audit going over the next three to five years?

The strategy should consider:

1	IA vision and objectives
2	Organisational strategy
3	Stakeholder expectations
4	Risk coverage
5	People and competencies
6	Technology and data analytics
7	Resources
8	QAIP
9	Performance measures
10	Continuous improvement

The strategy should then be translated into a risk-based audit plan. Strategic planning is a key component of the 2024 GIAS requirements for managing the IA function.

The Institute of Internal Auditors Malaysia

Technical Newsletter

GIAS APPLICATION

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Step 4 — Make Risk Assessment Genuinely Risk-Based

The starting question should not be:
What did we audit last year?

Instead ask:

What could prevent the organisation from achieving its objectives?

The risk assessment should drive:

The CAE should be able to demonstrate the rationale behind audit selections, exclusions and changes to the audit plan.

Step 5 — Address resource and competency gaps

Compare:

Required Capability vs Current Capability

Required capability	Current capability	Gap	Response
Cybersecurity	Limited	High	Co-source specialist
Data analytics	Moderate	Medium	Training/tool investment
ESG	Limited	High	Upskill / specialist support
Fraud	Strong	Low	Maintain
AI	Limited	High	Training / external expertise

This provides objective evidence when discussing resource requirements with the Board.

The focus should be on risk, capacity and capability, rather than simply headcount.

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Technical Newsletter

GIAS APPLICATION
Issue Q3/2026
(August 2026)

Step 6 – Embed GIAS into Audit Execution

GIAS should be visible in every engagement.

1

Planning

Establish clear:

- objectives
- risks
- scope
- criteria
- information requirements
- relevant controls

2

Fieldwork

Ensure:

- sufficient and appropriate evidence;
- appropriate testing;
- professional judgement;
- documentation;
- supervision and review; and
- clear linkage between risks, controls, testing and conclusions.

3

Reporting

Communicate:

- condition;
- criteria;
- root cause;
- consequence/risk;
- management action;
- responsible owner; and
- target date.

Follow-up

Move beyond:

"Has management implemented the recommendation?"

to:

"Has the corrective action addressed the underlying risk and root cause?"

4. From CCER to the 6Cs

A proposed practical enhancement to the traditional Condition–Criteria–Effect–Recommendation (CCER) approach is the 6Cs Internal Audit Finding Model.

6Cs	Key question
Condition	What did Internal Audit find?
Criteria	What should be happening?
Cause	Why did it happen?
Consequence	Why does it matter?
Corrective Action	What needs to change?
Commitment	Who will do what, by when, and how will completion be demonstrated?

The 6Cs approach strengthens audit findings by moving beyond identifying a deficiency to understanding its root cause, risk, corrective action and management accountability.

For example, rather than simply reporting:

"Three quotations were not obtained."

the auditor should determine why the control failed, what risk it creates, what needs to change, and who is responsible for addressing it.

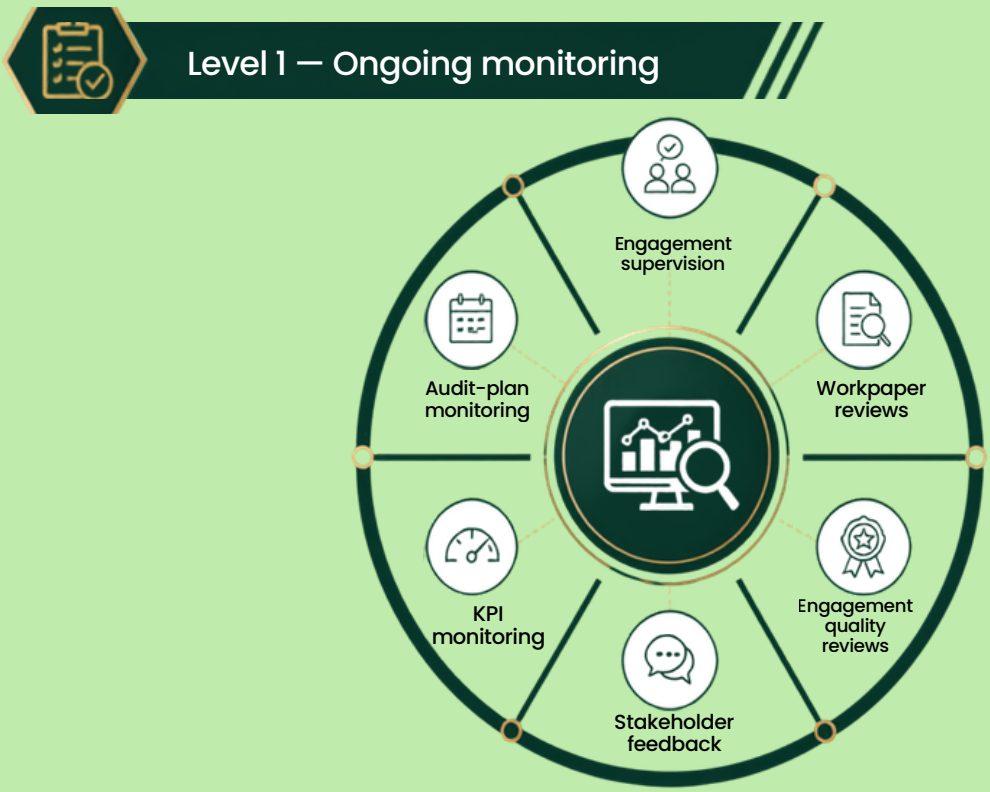
The resulting finding becomes more useful to management and easier to validate during follow-up.

The key message:

"Do not stop at what went wrong. Understand why it happened, why it matters, what needs to change, and how management will demonstrate that the underlying risk has been addressed."

5. QAIP, Performance and Demonstrating Value

A three-level QAIP model



The Institute of Internal Auditors Malaysia

Technical Newsletter

GIAS APPLICATION
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Level 2 – Periodic self-assessment

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Technical Newsletter

GIAS APPLICATION

Issue Q3/2026

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Level 3 – External Quality Assessment

Use an independent assessment to evaluate conformance and identify opportunities for improvement. The GIAS provides a dedicated CAE toolkit for Domain III and specifically encourages dialogue between the CAE, Board and senior management regarding the essential conditions needed for an effective IA function.

should be complemented by measures covering:

The ultimate objective is to demonstrate outcomes and impact, rather than simply outputs.

6. CAE and Internal Auditor: Different Roles, One Objective

CAE – Build and lead the system

The CAE's role can be summarised as:

- Govern
- Strategy
- Resources
- Risk-based Plan
- Stakeholder Relationships
- QAIP
- Performance
- Board Reporting

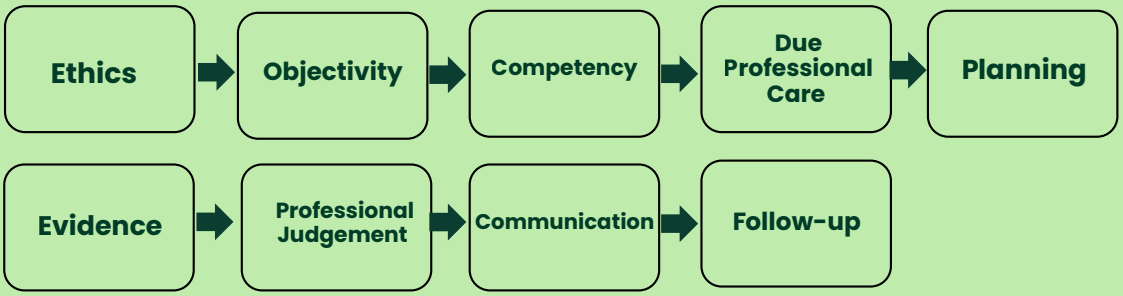
The CAE should continually ask:

? **Is my Internal Audit function capable of fulfilling its mandate effectively?**

2

Internal Auditors — Execute and demonstrate the system

Internal auditors should focus on:



They should continually ask:

"Can I demonstrate that this engagement was performed in accordance with GIAS and our IA methodology?"

The CAE therefore establishes and manages the system, while internal auditors apply the system consistently through their individual engagements.

The Institute of Internal Auditors Malaysia

Technical Newsletter

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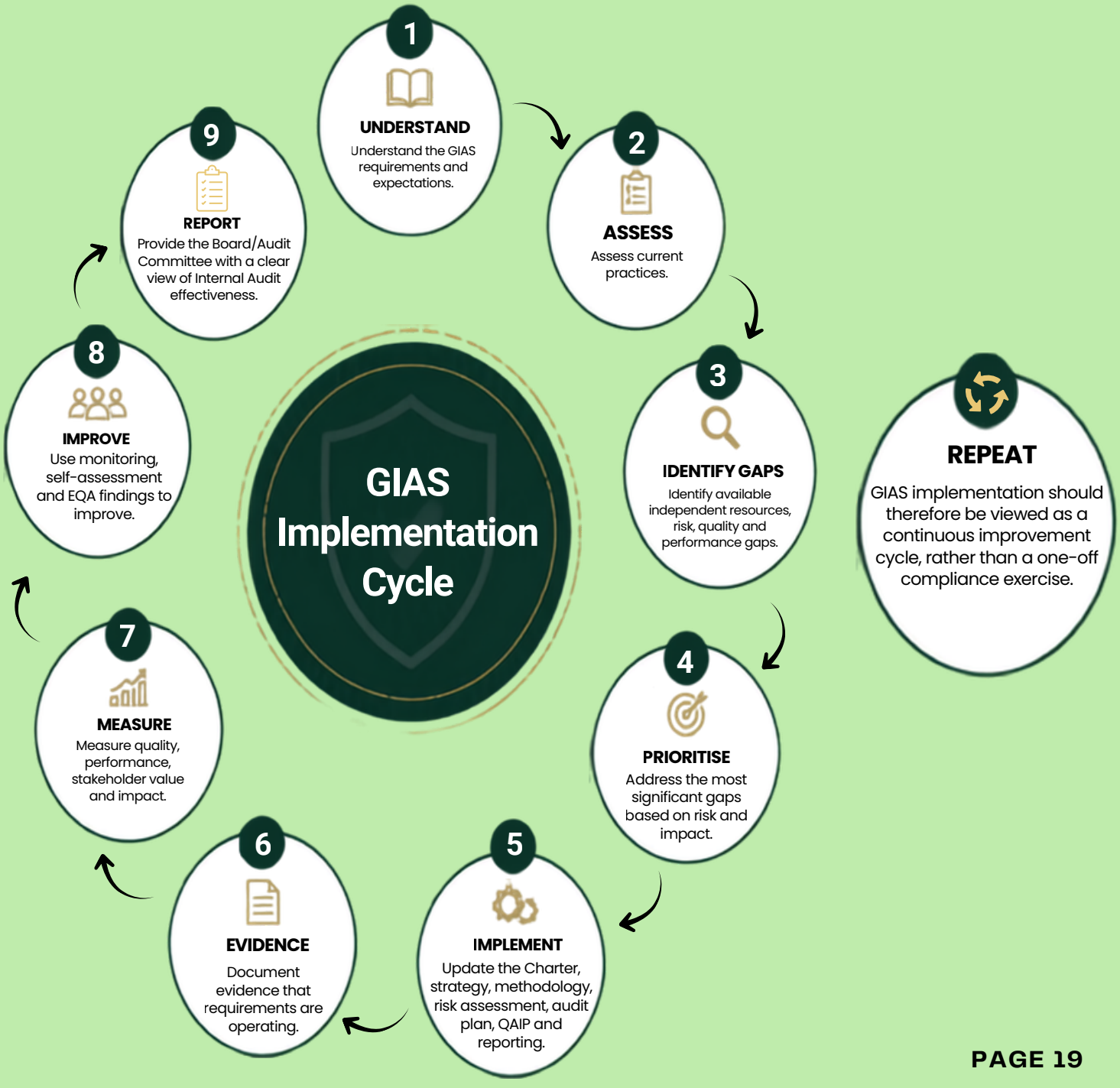
7. The GIAS Implementation Cycle

GIAS implementation can be embedded through a continuous cycle:



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Key Takeaways

1

GIAS is not merely an audit checklist

It is a framework for establishing and sustaining an effective Internal Audit function.

2

Governance comes before audit execution

Completing high-quality audits cannot compensate for weaknesses in governance, authority or positioning.

3

Independence must be demonstrated

Internal Audit should be able to demonstrate the governance arrangements that protect its independence.

4

Risk-based means more than having a risk assessment

There must be a visible connection between organizational objectives, risks, IA strategy, audit plan and engagement work.

5

Resource sufficiency is a governance issue

People, competencies, technology, budget and time should be assessed against the organisation's risk profile and assurance expectations.

6

Quality is everyone's responsibility

QAIP should be embedded throughout the IA lifecycle, not treated as an end-of-process inspection.

7

Evidence matters

A powerful question for every CAE and auditor is:

"If an EQA assessor asked me to demonstrate this requirement, what evidence would I show?"

8

Measure outcomes, not just outputs

"Twenty audits completed" describes activity. Demonstrating that significant risks were addressed, recurring weaknesses reduced and governance strengthened demonstrates value.

9

Internal Audit should provide assurance, advice, insight and foresight

The function should contribute meaningful perspectives that help the organisation make better decisions and respond to current and emerging risks.

Conclusion: The Mindset Shift

The central challenge facing Internal Audit today is not simply:

"Are we performing audits?"

It is:

"Can we demonstrate that Internal Audit itself is an effective function?"

The practical test is:

Can we say it? → Can we show it? → Can we demonstrate it is working? → Can we demonstrate that it creates value?

This is the mindset shift required to move from technical conformance towards a mature, credible and value-adding Internal Audit function.

"GIAS implementation is not about proving that Internal Audit has completed its audits. It is about proving that Internal Audit itself is an effective function — properly governed, adequately resourced, independent, risk-based, quality-assured and capable of delivering assurance, advice, insight and foresight that creates, protects and sustains organisational value."

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