

## Dear Q&A

**In my organisation, internal audit reports functionally for its operations to the audit committee through the chair, and administratively to the head of corporate services. Is this a recommended practice?**

### Answer

Where busy chief executive officers may decide to delegate administrative responsibility for internal audit, and this does not conflict with mandated requirements in their jurisdiction, it is usually to the next most independent senior executive who should be in a business area where there is little internal audit activity, for example general counsel or company secretary, or a 2nd line of defence area.

Should this occur, safeguards need to be built-in to the internal audit charter, such as regular meetings and right of direct access to the chief executive officer preserved.

Internal audit administrative reporting to a line management area where many audits are performed risks loss of independence, with potential interference and filtered messages to the audit committee and chief executive officer. In particular, the worst possible internal audit administrative reporting arrangements are to the chief financial officer or head of corporate services.

It should be noted that administrative reporting does not involve internal audit operations and is limited to such things as internal audit resources and annual budget, provision of corporate services to internal audit including office accommodation, computers and equipment, and human resource administration.

Administrative reporting does not mean reviewing internal audit reports before they are issued, unless they directly relate to the specific business area of the senior executive to whom the chief audit executive administratively reports, as would normally occur in an internal audit – audit executive sponsor relationship for any internal audit engagement.

Organisations that take internal audit seriously will implement serious independence arrangements; those that do not are merely paying ‘lip service’ to good governance.