

Dear Q&A

Should an internal audit function be providing internal audit services to a subsidiary organisation?

Answer

A subsidiary organisation is a risk to the parent (holding) organisation. An internal audit plan is required to be risk-based and focus on risks relevant to the organisation. Therefore, an internal audit service at a subsidiary organisation should be considered if the internal audit risk assessment shows it to be warranted on a risk basis.

Options for resourcing internal audit at a subsidiary organisation could be:

- a. No internal audit service.
- b. Parent (holding) organisation provides an internal audit service.
- c. Subsidiary organisation has their own internal audit service which may be in-house, co-sourced or outsourced.
- d. In some cases, even when a subsidiary organisation has its own internal audit service, there may still be internal audit review by the parent (holding) organisation.
- e. Where multiple organisations own part of the subsidiary organisation such as a joint venture:
 - › The majority owner may provide internal audit services.
 - › An internal audit team may be put together comprising representatives of the various part-owners.