

## Dear Q&A

**Should an internal audit function check that audit observations have been implemented before the business switches them to closed in an audit monitoring system, or would that mean internal audit becomes part of the control system if they do so?**

### Answer

Internal Audit Standard 2500 'Monitoring Progress' requires the chief audit executive to "establish and maintain a system to monitor the disposition of results communicated to management".

Internal Audit Standard 2600 'Communicating the Acceptance of Risks' states "When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board".

When these two standards are read together, we can see that if an internal audit observation is related to an unacceptable risk, then the chief audit executive has a duty to confirm the matter has been satisfactorily addressed. Using the same logic, external audit observations should similarly be tracked to conclusion.

The level of monitoring should be cost-effective, so there are circumstances where the chief audit executive may elect to rely on representations from responsible senior management that a matter has been concluded. However, there are circumstances where the chief audit executive will want to confirm the risk has been properly addressed.

If the chief audit executive is satisfied the matter has been satisfactorily addressed, they will recommend to the audit committee that the matter be closed and no longer tracked. If satisfactory progress addressing the issue is not being made, the chief audit executive will draw this to the attention of the audit committee.

It should be noted the decision-maker in both cases is the audit committee. In monitoring the issue, the internal auditor is not becoming part of the control system – they are undertaking assurance.