

## Dear Q&A

### Should the chief audit executive manage an audit where they have responsibility for the topic being audited?

#### Answer

The strength of internal audit comes from it being independent of management.

Where the chief audit executive may be responsible for a non-audit activity, for example risk management or investigations, safeguards need to be included in the internal audit charter so the chief audit executive cannot 'mark their own homework'. As well as being good governance practice, this is also a requirement of Internal Audit Standard 1312 'External Assessments'.

Where it may occur, chief audit executive responsibility for non-audit business activities generally extends to select Line 2 activities. However, in some organisations a Line 1 manager such as the person responsible for corporate services may also be the chief audit executive. This usually occurs in smaller organisations where there is limited in-house internal audit capability.

Suggested safeguard wording for inclusion in the internal audit charter could be:

Where the chief audit executive may be responsible for a non-audit activity <specify non-audit activities>, there are independence safeguards in place:

- ▶ When responsible for non-audit activities, the chief audit executive is not performing internal audit duties when managing or performing those activities; and
- ▶ Internal audit review of non-audit activities under the control of the chief audit executive must be managed and performed independently of the chief audit executive and reported direct to the audit committee.

The words shown are illustrative and can be replaced with other safeguard words – the point is there needs to be some form of safeguard included in the internal audit charter.

It does not mean that if the chief audit executive has responsibility for a non-audit business activity they cannot be involved in the audit process. It is important for a business activity owner to be involved in audits of topics for which they are responsible.

What it does mean is that where the chief audit executive is responsible for a non-audit business activity that is to be audited, they should not be involved in such things as (a) selecting the auditor to perform the audit (b) managing the auditor or service provider performing the audit (c) control over the internal audit report.

They would, of course, be involved and contribute to such things as (a) input to the audit objectives and scope (b) providing information to the auditor (c) reviewing the draft internal audit report (d) providing periodic updates of audit action implementation progress after the audit.

They should not have overall control of the audit process which should be assigned to someone independent of the activity being reviewed. This could be the audit committee chair or an executive in a business area that receives few audits.