

The 20 Critical Questions Series

What Directors should ask about Internal Audit

Updated 2022

Internal Audit Foundations

1. Does the internal audit charter (mandate) specify good practice reporting arrangements, what internal audit should be doing, and the type of relationships it should have with stakeholders?
2. Does internal audit report functionally for its operations directly to the audit committee through the chair, and administratively to the chief executive officer?
3. Does internal audit get sufficient support from the audit committee, chief executive officer and senior management?
4. Is the internal audit budget and resources adequate, and has benchmarking confirmed this?
5. How does internal audit prove it conforms to the international internal auditing standards, and has a mandatory independent external assessment of internal audit been performed in the past five years?
6. Does internal audit communicate effectively, provide risk-based assurance that tackles the big risks, and is it insightful, proactive and future-focused?

Internal Audit Planning

7. What strategy and culture does the chief audit executive create to align to organisational strategies, help accomplish organisational objectives, and enhance and protect organisational value?
8. Is the internal audit plan risk-based, and is there clear rationale for what is included and not included?
9. Does the internal audit plan include unallocated time for audit committee and management requests for internal audit services where issues and risks may emerge during the year?
10. Is the internal audit plan 100% delivered in the year it is due?
11. Does internal audit provide competent and professionally qualified internal auditors, including for specialist technical areas where skills may not be available from in-house internal audit?

Internal Audit Performance

12. Are there performance measures to prove internal audit effectiveness, including how people who are audited rate the internal audit service? Are the performance measures achieved?
13. Does internal audit prepare an annual report showing value added over the year, systemic issues identified, and trends to better position the organisation for the future?
14. Is internal audit agile and prepared to continuously improve? Does it embrace industry leading professional practices?
15. What is the cost per productive audit hour delivered, and how does this rate against other internal audit delivery models?

Adding Value

16. How does internal audit add value to the organisation and help improve its operations?
17. What assurance is provided by internal audit to demonstrate the organisation has effective controls over its significant risks, including fraud and corruption risks?
18. Does internal audit offer a range of services, including project assurance over high-risk projects?
19. Does internal audit specify the value proposition from each audit to confirm the audit cost was well-spent?
20. Are actions from internal audit reports implemented by management in a timely way?

The Big Question

Is internal audit truly independent and are its reports and messages filtered by management?