

## Dear Q&A

I am the head of internal audit at a company. With the coronavirus situation at present, some management are taking an interesting approach to closing-out remediation action from internal audit reports.

Instead of actually doing it, they are saying that business imperatives around the coronavirus situation means they will now accept risks instead of closing-out audit actions. Is there guidance to be followed by internal audit when management decides to accept a risk instead of closing-out an audit action?

## Answer

The IIA-Australia receives consistent commentary and feedback from Members with issues associated with management obligations in regard to internal audit including (a) difficulty getting management responses for internal audit reports (b) getting management actions implemented in a timely way (c) management wanting to accept a risk rather than implement a remedial action. This is also a consistent theme we see when the IIA-Australia consulting business performs independent external assessments of internal audit functions.

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 (audit committee)".

The start point for this situation you mention would be the organisation's (1) risk appetite policy (b) audit action implementation policy.

It should be very clear within the organisation what management obligations are in relation to closing-out audit actions. This should be contained in a document approved by the audit committee that binds management, which would most likely be the internal audit charter or in an audit protocol. Putting it into the internal audit manual would not bind management in most organisations as the manual is generally an internal document used purely by the internal audit function.

The IIA-Australia provides guidance in the Factsheet 'Management obligations'

[http://iia.org.au/sf\\_docs/default-source/technical-resources/2018-fact-sheets/management-obligations.pdf?sfvrsn=2](http://iia.org.au/sf_docs/default-source/technical-resources/2018-fact-sheets/management-obligations.pdf?sfvrsn=2)

It is not to say this is what should be done. The Factsheet contains ideas your organisation may wish to consider and select what might be appropriate. If an organisation is silent on this and there is not a strong tone at the top to enforce management action in a timely way, we often end up with audit action aged analysis reports to the audit committee showing strike-through of dates multiple times because timely close-out is not taken seriously. In these cases, the cost of the audit is likely to be wasted.