

Dear Q&A

Can the same person be the chief audit executive in charge of internal audit and also the chief risk officer in charge of risk management?

Answer

Not every organisation has the luxury of sufficient size or budget to have a dedicated person or section for every governance or assurance activity. In some smaller organisations the chief audit executive (head of internal audit) may be responsible for internal audit (3rd line of defence) and also non-audit activities such as risk management (2nd line of defence).

This was recognised when the 'International Professional Practices Framework' (IPPF) was last updated in 2017 and a new standard was included at that time:

Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing

“Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.”

Interpretation: The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organisational independence of internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

Some people have a view that risk management and internal audit together produce a synergistic effect where the two processes interacting produces an effect more powerful than the processes used individually. Others believe internal audit should be totally separate from all other organisation activities.

Where the chief audit executive is assigned responsibility for non-audit activities, safeguards need to be put in place to provide some measure of separation of the dual roles. This is generally a statement in the internal audit charter such as:

Where the person occupying the role of chief audit executive may be responsible for non-audit activities, there are independence safeguards in place:

- › *When responsible for non-audit activities, the chief audit executive is not performing audit duties when managing or performing those activities; and*
- › *Review of non-audit activities must be managed and performed independently of the chief audit executive and reported direct to the audit committee.*