

Dear Q&A

From time-to-time, another part of the organisation will engage the internal audit service provider to perform consulting engagements. Is there a problem with this?

Answer

There may be a problem if there is potential for conflict of interest. The easiest way to avoid a potential conflict of interest is to confine the service provider to internal audit work and not permit consulting engagements. In saying this, there may be occasions when the internal audit service provider's knowledge, or one of their previously completed audits, means they have useful information which may take another service provider some time to obtain. This additional time can result in a potentially higher cost to the organisation. In these cases, the following steps should be taken:

1. It should be communicated to all management that they are not permitted to engage the internal audit service provider for consulting services without sign-off by the chief audit executive or the audit committee chair, in accordance with the formal conflict of interest policy.
2. The arbiter of whether a conflict of interest exists should be the chief audit executive or the audit committee chair – it should never be the service provider.
3. For transparency, all such consulting engagements should be incorporated into the internal audit plan at the time they occur, and be reported to the audit committee.

The IIA-Australia has issued a fact sheet titled '[Conflicts of Interest](#)'.