Dear Q&A

I am seeking advice about the scope of internal audit services and whether internal auditors can provide expert services beyond 'traditional audits'.

Answer

The 'International Standards for the Professional Practice of Internal Auditing' (IIA Standards) issued by the Institute of Internal Auditors (IIA) state that internal audit can provide assurance and consulting services. It should be noted the definition of consulting services is quite specific:

> "Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training."

Consulting is about giving expert professional or technical advice. This can be confusing to management as they often interpret consulting services as going further than the IIA definition shown above. For this reason, many internal audit functions prefer to use the term 'advisory services'.

The IIA–Australia has issued a white paper titled 'Internal Audit Service Catalogue' which identifies ways in which internal audit can move from a largely one-dimensional approach to the service it delivers, to an approach offering more dynamic and flexible service offerings to the audit committee and management. This revolves around a range of service offerings, not just 'traditional audits'.

There is a requirement that internal auditors must refrain from assessing specific operations for which they were previously responsible. The IIA Standards offer guidance on this, stating that objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year – 'auditing your own work'. Though, every instance should be carefully assessed.

The nature of consulting (advisory) services should be clearly defined in the internal audit charter.

Need an answer? Send your questions through to IAassist@iia.org.au

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