

## Dear Q&A

**In some organisations a senior person may be appointed head of internal audit but have no internal audit experience.**

**Isn't this like getting a surgeon to operate on you who doesn't have medical qualifications?**

### Answer

The International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) defines chief audit executive (head of internal audit) as:

*Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and / or responsibilities of the chief audit executive may vary across organisations.*

You can see it says here that the chief audit executive or those reporting to the chief audit executive will have appropriate professional certifications and qualifications, however the IPPF is silent on what these might be.

The role of the chief audit executive is a complex one and the primary role of the IPPF strategic guidance requires above all that the person be in a senior position within the organisation. They must be senior enough to access the board and organisational executives without intermediation. Best practice set out in Internal Audit Standard 1100 is a dual reporting line to the board (audit committee) and the chief executive officer. Standard 1111 also says “The chief audit executive must communicate and interact directly with the board”.

Recognising that the chief audit executive may also have other non-internal audit responsibilities, the Standards make provision for this circumstance at Internal Audit Standard 1112. In many organisations the chief audit executive also has responsibility for some second line functions such as risk management, quality or compliance. If this is the case, should the chief audit executive have formal qualifications in all of these? Or in a complex organisation is the most important qualification based on the industry in which the organisation operates?

In the absence of clear guidance on what certifications and qualifications a chief audit executive should ideally have, we suggest current Professional Membership of the Institute of Internal Auditors–Australia would be a good start. The IIA-Australia has two levels of membership – Associate Member (entry level) and Professional Member (experienced). Being a Professional Member indicates a degree of knowledge and competency of internal audit practice obtained through a course of study (Certified Internal Auditor (CIA) or Graduate Certificate in Internal Auditing (GradCertIA), or assessment of current competence by internal audit peers.

Some government jurisdictions specify minimum requirements for appointment of a chief audit executive which generally includes Professional Membership of the IIA-Australia.

Many job advertisements for chief audit executives still have a focus on accountants (CA, CPA). This was relevant in days gone by when internal audit functions primarily audited finance in their organisations. However, this has changed over time and we now see internal audit functions focusing on the big organisation risks and issues such as business operations, technology and projects. In these circumstances, a focus on accounting may not be looking at the biggest organisation risks and may not be best use of internal audit resources.

IIA professional examinations suggest that a professional internal auditor should have an appropriate level of competence in internal auditing standards, internal audit techniques, risk management, accounting, IT and law.

It is becoming common for chief audit executives to have qualifications and frontline experience in the specific industry in which their organisation operates, for example a mining engineer might be chief audit executive for a mining company. This may be an appropriate starting point for the occupant of this position, but it can only be to the benefit of the organisation for the chief audit executive to extend their competence by engaging with other internal auditors and pursuing a professional internal auditing qualification.

We would suggest:

- › Mandatory –Membership of the IIA-Australia.
- › Highly regarded – Certified Internal Auditor (CIA) or Graduate Certificate in Internal Auditing (GradCertIA).
- › Where an industry specialist is appointed as chief audit executive, they attain Professional
- › Membership of the IIA-Australia within a specified timeframe.

The IIA-Australia has issued a Factsheet on Professional Membership:

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