

Dear Q&A

Who should appoint the internal auditor?

Answer

Appointing an in-house internal auditor (chief audit executive)

The chief audit executive should report functionally to the audit committee via the chair, therefore the audit committee should be involved in the selection process. This will often include (in conjunction with management):

- › Reviewing the job description before the position is advertised.
- › Agreeing the proposed internal auditor job level within the organisation.
- › Reviewing applications and contributing to the shortlisting process.
- › Being a member of the selection panel that interviews shortlisted candidates.
- › Playing a part in deciding which candidate will be made a job offer.

When the bulk of internal audit services are outsourced, an existing senior executive may be appointed to also be the chief audit executive. The audit committee should be directly involved in ensuring that:

- › The selected senior executive is at an appropriate level in the organisation with direct access to the chief executive officer.
- › Conflicts of interest associated with the senior executive's duties beyond internal audit are addressed with appropriate safeguards.

Appointing an outsourced service provider

An organisation may elect to engage external expertise to deliver internal audit services, but a service provider cannot take on the responsibility of chief audit executive. An organisation must appoint an internal officer of sufficient status to provide strategic guidance to the internal audit function and to oversight the service provider firm delivering the outsourced internal audit services.

When selecting a service provider firm to provide internal audit services, audit committee involvement is usually via the chair and would generally involve in conjunction with management:

- › Reviewing the scope of work, request for proposal, or tender before it is advertised.
- › Reviewing responses and contributing to the shortlisting process.
- › Being a member of the selection panel and interviewing shortlisted service provider firms.
- › Playing a part in deciding which service provider firm will be made an offer.

This commentary is not targeted at a situation where an organisation may appoint service providers to perform internal audit engagements one-at-a-time or on a case-by-case basis. In that case, selection of internal audit service providers is generally left to the person responsible for internal audit (chief audit executive).