

Dear Q&A

An internal audit report prepared by internal audit formed part of the papers for an audit committee meeting. Between internal audit submitting the report to the secretariat and it reaching the audit committee, it was altered by senior management. How can this be avoided?

Answer

The internal audit mandate for its work is the internal audit charter, which should include such things as internal audit independence arrangements and management obligations in relation to internal audit.

The internal audit charter should be clear about treatment of internal audit reports. It should be clear that when management receive a draft internal audit report, they are required to provide their management responses and action plans, which should contain:

- › Agreed, partially agreed or not agreed.
- › If not agreed, why not.
- › Action to be taken – these do not need to include lengthy comments or explanations; the action to be taken is all that is required.
- › Responsible person.
- › Timing.
- › Interim control arrangements to be relied upon where there is a long lead time, such as waiting to close-out an improvement action through implementation of a technology solution.

Where management may disagree with an internal audit report or its audit recommendations, management are within their rights to disagree and have their dissenting comments recorded in the report.

Where this happens, the chief audit executive should consult with management of the area audited and attempt to reach a mutually agreeable resolution. If agreement is not reached, the chief audit executive should refer the matter to the chief executive officer for resolution. If agreement is still not reached, the final arbiter should be the audit committee. This process should be prescribed in the internal audit charter.

If an internal audit report is altered and this is unauthorised, the situation should be reported to the audit committee via the chair.

In some organisations, the chief audit executive distributes internal audit reports as they are finalised, rather than waiting until the next audit committee meeting which may be months away.

Internal audit reports should be distributed in PDF format.