

Summary of the Essential Conditions in Domain III

6. Authorized by the Board

The Board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

- Audit Committee, senior management and Director, Internal Audit agree on the authority, roles, and responsibilities of the Internal Audit function.
- The Director, IA commits to providing the Board and senior management with the information they need to support, promote, and oversee the function.

7. Positioned Independently

The Board establishes and protects the Internal Audit function's independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

- Calls for Internal Audit's independence from the responsibilities of management, which is critical to Internal Audit's objectivity, authority and credibility.
- Requires the Director, IA to report at a level in the organization that enables Internal Audit's services and responsibilities to be performed without interference from management.
- The function's independence is enhanced when the CAE is appointed by the Audit Committee.
- The Standards recognizes that there may be some limitations with public sector entities with regard to remuneration, hiring and dismissal of the Director, Internal Audit, however, other compensating measures should be put into place (i.e. Audit Committee's input to performance evaluations and decisions to appoint and remove the Director, IA).

8. Overseen by the Board

The Board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interactions

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

- Board oversight is essential as this requires communication between Audit Committee and the Director, IA, and the Audit Committee's support to ensure Internal Audit obtains sufficient resources to fulfill its mandate.
- Additionally, Audit Committee receives assurance about the quality of the performance of the Director, IA and Internal Audit function through its oversight of the quality assurance and improvement program, and direct review of the external quality assessments' results.