



International Professional
Practices Framework

Implementation Guide 1000

Standard 1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Revised *Standards*, Effective 1 January 2017

Getting Started

The internal audit charter is a critical document, as it records the agreed-upon purpose, authority, and responsibility of an organization's internal audit activity. To create this document, the chief audit executive (CAE) must understand the Mission of Internal Audit and the mandatory elements of The IIA's International Professional Practices Framework (IPPF) — including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing.

This understanding provides the foundation for a discussion among the CAE, senior management, and the board to mutually agree upon:

- Internal audit objectives and responsibilities.
- The expectations for the internal audit activity.
- The CAE's functional and administrative reporting lines.
- The level of authority (including access to records, physical property, and personnel) required for the internal audit activity to perform engagements and fulfill its agreed-upon objectives and responsibilities.

The CAE may need to confer with the organization's legal counsel or the board secretary regarding the preferred format for charters and how to effectively and efficiently submit the proposed internal audit charter for board approval.

Considerations for Implementation

Based on the agreed-upon elements, as noted above, the CAE (or a delegate) drafts an internal audit charter. The IIA offers a model internal audit charter that may be used as a guide. Although charters may vary by organization, they typically include the following sections:

- **Introduction** – to explain the overall role and professionalism of the internal audit activity. Relevant elements of the IPPF are often cited in the introduction.
- **Authority** – to specify the internal audit activity's full access to the records, physical



property, and personnel required to perform engagements and to declare internal auditors' accountability for safeguarding assets and confidentiality.

- **Organization and reporting structure** – to document the CAE's reporting structure. The CAE should report functionally to the board and administratively to a level within the organization that allows the internal audit activity to fulfill its responsibilities (see Standard 1110 – Organizational Independence). This section may delve into specific functional responsibilities, such as approving the charter and internal audit plan and hiring, compensating, and terminating the CAE. It may also describe administrative responsibilities, such as supporting information flow within the organization or approving the internal audit activity's human resource administration and budgets.
- **Independence and objectivity** – to describe the importance of internal audit independence and objectivity and how these will be maintained, such as prohibiting internal auditors from having operational responsibility or authority over areas audited.
- **Responsibilities** – to lay out major areas of ongoing responsibility, such as defining the scope of assessments, writing an internal audit plan, submitting the plan to the board for approval, performing engagements, communicating the results, providing a written engagement report, and monitoring corrective actions taken by management.
- **Quality assurance and improvement** – to describe the expectations for developing, maintaining, evaluating, and communicating the results of a quality assurance and improvement program that covers all aspects of the internal audit activity.
- **Signatures** – to document agreement among the CAE, a designated board representative, and the individual to whom the CAE reports. This section includes the date, names, and titles of signatories.

Once drafted, the proposed internal audit charter should be discussed with senior management and the board to confirm that it accurately describes the agreed-upon role and expectations or to identify desired changes. Once the draft has been accepted, the CAE formally presents it during a board meeting to be discussed and approved. The CAE and the board may also agree on the frequency with which to review and reaffirm whether the agreement's provisions continue to enable the internal audit activity to accomplish its objectives, or whether any changes are warranted. If a question should arise in the interim, the charter may be referenced and updated as needed.



Considerations for Demonstrating Conformance

The minutes of the board meetings during which the CAE initially discusses and then formally presents the internal audit charter provide documentation of conformance. In addition, the CAE retains the approved charter. Typically, the CAE asks the board to create a standing annual agenda item to discuss, update, and approve the internal audit charter as needed. Evidence that the CAE periodically reviews the internal audit charter with senior management and the board also exists in minutes from those meetings.



About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 180,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla. For more information, visit www.globaliia.org or www.theiia.org.

About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (nonmandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

Disclaimer

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