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The Institute of  
**Internal Auditors**  
*Australia*

**White Paper**

# **Internal Audit and the ASX Corporate Governance Principles and Recommendations**

**4th Edition**

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# Internal Audit and the ASX Corporate Governance Principles and Recommendations

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## Background

### Purpose

This white paper provides more detail for IIA-Australia members on how to respond to Principle 7 (i.e. recognise and manage risk) and aspects of Principle 4 (i.e. safeguard the integrity of corporate reports) of the ASX Corporate Governance Council's Principles and Recommendations.

### Background

In February 2019, The Australian Securities Exchange Corporate Governance Council (ASX CGC) released the 4th edition of its Principles and Recommendations which set out recommended corporate governance practices for entities listed on the ASX. The practices are designed to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.

Under the ASX listing rules, all listed entities are required to actively consider the content of the Principles and Recommendations. The "if-not, why-not" regime adopted in the Principles and Recommendations requires listed entities to disclose whether they comply with each recommendation, and if another practice is taken, what that practice is, and why that alternative practice is considered to be appropriate.

All listed entities are required to report against the revised recommendations for full financial years from 1 January 2020 onwards. For example, entities with a 30 June balance date will be expected to measure their governance practices against the recommendations in the 4th edition commencing with the financial year ended 30 June 2021.

Principle 7 has four recommendations:

- › **Risk Committees (7.1)** – Disclosure of whether the entity has a risk committee, or if not, what alternative practices it has for risk oversight by the board.
- › **Board review of the risk management framework (7.2)** – Board-level review of the effectiveness (soundness) of the entity's risk management framework is required at least once a year.
- › **Internal audit or alternative mechanism (7.3)** – Disclosure of the structure and role of internal audit, or if there is no internal audit function, how the board ensures that there is continual evaluation and improvement of risk management and internal control.
- › **Economic, environmental and social risks (7.4)** – Disclosure of whether the company has any material exposure to these risk areas, and if so, how it is managing those risks.

In addition, the following provisions will also be of particular interest to IIA-Australia members:

- › **Processes to verify the integrity of its corporate reports. (4.1)** – recommends the establishment of an audit committee whose role includes review of the entity's corporate reporting and internal control processes and, in particular, review of whether the financial statements reflect a true and fair view of the financial position and performance of the entity. This oversight extends to the performance of the internal audit activity.

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This provision corresponds with professional internal auditing standards, in particular Standard 2120.A1 that requires the internal audit activity to (amongst other things) “*evaluate risk exposures relating to the organisation’s governance, operations and information systems regarding the reliability and integrity of financial and operational information.*”

## Risk Committees (7.1)

The *Principles and Recommendations* recommend that the board:

- a. have a committee or committees to oversee risk,  
  
or
- b. if it does not have a risk committee or committees, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.

Such a committee could be a stand-alone risk committee, a combined audit and risk committee or a combination of board committees addressing different elements of risk.

## Guidance

While there is an increasing trend for audit and risk committees to be separated, the decision on whether to do so should be based on the entity’s circumstances and capability.

We suggest that organisations:

1. Actively consider whether a separate risk committee would be of benefit, including considering the impact of running combined risk and audit committees on that audit committee’s existing workload and agenda.
2. Ensure there is clear accountability and demarcation between committees, but also ensure that structures promote information sharing between committees.
3. Update the Board and relevant committee charters and schedules to address the key matters outlined in the 4th edition of the *Principles and Recommendations*, and those normally considered by risk committees.
4. Disclose these Charters.
5. Ensure that the Board determines the skills and knowledge required of members of a risk committee

<sup>1</sup> Requirements for the OFR process is contained in sections 299 and 299A of the Corporations Act 2001.

<sup>2</sup> Regulatory Guide 247 (<https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-247-effective-disclosure-in-an-operating-and-financial-review/>)

and that the proposed members of the risk committee have the requisite skills.

6. Recognise in the relevant charters that risk management is a line management responsibility whereas the audit and/or risk committee has a governance responsibility.

Internal auditors may wish to proactively provide information and assurance that all key matters are included in the committee charters and annual program.

## Board Review of the Risk Framework (7.2)

The *Principles and Recommendations* recommend that the board or a board committee:

- a. review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
- b. disclose, in relation to each reporting period, whether such a review has taken place.

This wording differs from the wording in the 3rd edition by referencing a board-set risk appetite.

## Context / Interpretation

The Corporations Act requires market disclosure of likely developments in the entity’s operations, business strategies and prospects for future financial years through its Operating and Financial Review (OFR).<sup>1</sup>

ASIC’s guidance on the OFR states that “Unless an entity is relying on the exemption for unreasonable prejudice ... the OFR should describe... the material business risks that could adversely affect the achievement of the financial performance or financial outcomes described.”<sup>2</sup>

The wording reflects the ASX CGC’s intention that boards of listed entities should consider risks and the entity’s risk management framework in a holistic sense, and their consideration should not be limited to particular sets of risks or those considered to be material at a point in time.

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## Guidance

Entities should ensure that:

- › a review of the risk management framework is scheduled by the relevant board committee at least annually.
- › this review is supported by a rigorous assessment of the soundness of the entity's risk management framework, including whether
  - › it effectively supports the entity's OFR and continuous disclosure duties where appropriate.
  - › it contains mechanisms to monitor whether the entity is operating in accordance with its risk appetite.
  - › independent assurance is provided to support the conclusions of that review.
- › the entity reports on whether this review has taken place.

Internal audit can play a key role in conducting or coordinating the assurance over the risk management framework and/or assertions by management. In preparing for this, internal auditors may wish to review Implementation Guide 2100 – *Nature of Work* (Dec 2016) and Implementation Guide 2120 - *Risk Management* (2016).

While the recommendations do not specifically require a disclosure of the entity's risk management policies, disclosure is considered good practice and should be encouraged.

## Internal Audit (7.3)

The *Principles and Recommendations* recommend that the board or a board committee should disclose:

- a. if it has an internal audit function, how the function is structured and what role it performs; or
- b. if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

This provision is consistent with international markets.

## General

While this recommendation does not mandate internal audit, it does require organisations to disclose whether they have an internal audit function or explain why not and what they have as an alternative. In doing so, it raises an expectation that entities will have an effective internal audit function.

The recommendation also requires disclosure of key attributes (structure and role) where an internal audit function is in place. It is the intention that these disclosures will deal with key matters of scope and independence.

## Establishing Internal Audit

### What do we need to do?

If an entity does not have an internal audit function, the Board should review this carefully, respond appropriately and be prepared to disclose that response.

Entities can choose to:

- a. put an internal audit function in place, and describe its structure and role;
- b. put alternative arrangements in place that aims to deliver an equivalent outcome; or
- c. choose not to adopt the recommendation, and explain their rationale to the market under the "if not, why not?" approach.

Option A (internal audit) will be the preferred option for most entities and is the focus of this white paper.

Option B may be appropriate in some circumstances.

Option C is likely to only be appropriate for the smallest entities.

Boards of entities that are considering options B or C will need to satisfy themselves that:

- › The costs of other options outweigh the likely benefits.
- › The board is comfortable with the risks (particularly the risks related to relying too much on a single source of information) arising from not implementing other options.
- › The board is comfortable disclosing and explaining this decision to the market.

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## What do we need to disclose?

All listed entities are required to report against the revised recommendations for full financial years commencing on or after 1 January 2020.

Recommendation 7.3 requires organisations to disclose whether they have an internal audit function or explain why not and what they have as an alternative.

The recommendation also requires disclosure of key attributes where an internal audit function is in place. These disclosures will deal with key matters of scope (role) and independence (structure).

Model disclosures are available and are set out later in this document (pages 8 and 9).

## What is internal audit?

Internal auditing is an independent, objective assurance and consulting activity. It brings a systematic, objective and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

A well-structured and appropriately resourced internal audit function can be a catalyst for improving an organisation's governance, risk management and internal controls by providing insights and recommendations based on analyses and assessments of controls, data and business processes.

Internal audit gives the Board and management comfort that:

- › the entity's key risks are being managed.
- › controls are appropriate and operating effectively.
- › known deficiencies are known and being acted on.

## Why would we want an internal audit function?

Boards and management can derive significant value from internal audit. An internal audit function can provide the Board and management with:

- › Independent and objective opinions, findings and recommendations.
- › A systematic and disciplined approach to focus on what matters most, timely escalation of issues found and follow through to issue resolution.

- › Comfort on the adequacy and effectiveness of the entity's governance, risk management and internal control.
- › Confidence that the entity complies with all relevant laws and regulations.
- › Recommendations on the effectiveness and efficiency of operations.

The need for internal audit is typically triggered when the Board or management does not have a full and direct line of sight into the key areas of the organisation, or the expertise to assess them fully. This is typically triggered by factors such as:

- › Senior management being unable to be fully familiar with the detail due to the entity's size, complexity or locations.
- › Non-executive directors requiring additional comfort over the key areas of the business that is independent from management.
- › Technical areas such as compliance, fraud prevention, cyber-security that would benefit from independent expert review.

## What would internal audit do?

Internal auditors provide the Board and management with a mechanism to systematically review and assess of the adequacy and effectiveness of the entity's processes, systems and operations.

Typically, an internal audit function's activities are performed in four steps – plan, execute, report and follow up.

### PLAN

Internal audit works with the Board and management to identify areas of greatest exposure, and those where greatest assurance is sought. Using a structured process, Internal Audit would present recommendations on areas for review during a given period in the form of an "audit plan". The audit plan is typically set with a 12-month horizon, although it should be periodically reviewed and refreshed as circumstances change.

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## EXECUTE

The audit plan would contain a number of areas, which would typically be addressed as individual audit projects. In the execution of an audit project, the internal audit team would form a view of the adequacy and effectiveness of processes and internal controls. It would perform detailed work to give comfort that key areas are working as intended and identify any deficiencies.

## REPORT

Internal audit would report and escalate any findings and conclusions as appropriate. Findings and management response plans would be agreed with management and reported through to the Board or relevant Board committee. As well as reporting the results of individual audits, Internal Audit will normally provide summary reporting to allow a “bigger picture” of the entity’s controls and risk exposures to be developed.

## FOLLOW UP

Internal audit would work with management to track progress to address any deficiencies identified in previous audits and ensure that these are resolved on a timely basis and in full.

### Key attributes of an internal audit function

Internal Audit has a number of attributes that are set out in the *International Standards for the Professional Practice of Internal Auditing*.

An effective internal audit function should:

- › Evaluate and improve the governance, risk management and internal control processes using a systematic and disciplined approach as set out on page 5 in – “What would Internal Audit do?”
- › Be objective and independent of management as set out in section 4.2.13 – “How can I be assured that internal audit is independent of management?”
- › Have direct access to the Board or Board Audit Committee to discuss the plan and any findings or concerns the internal auditor may have.
- › Have access to all entity’s activities, records, premises and personnel as necessary to discharge its

responsibilities.

- › Be compliant with the *International Standards for the Professional Practice of Internal Auditing*.

If the function does not meet these key attributes, then it does not meet the generally accepted definition of internal audit. In this case, entities should carefully consider the basis on which they state they are compliant with Recommendation 7.3, as such statements could be misleading.

### What can we expect from internal audit?

A board audit committee and management should have high expectations of internal audit. If internal audit is appropriately resourced and supported by the Board, it should:

- › Provide independent and objective assessments and opinions on the most important areas of the business.
- › Follow a systematic and disciplined approach to focus on what matters most.
- › Provide independent assurance on the adequacy and effectiveness of the entity’s governance, risk management and internal controls and deliver confidence that the entity complies with relevant laws and regulations.
- › Provide commercially focused recommendations that improve the organisation’s internal control and performance.
- › Operate professionally, with high competence and integrity.

### WHAT INTERNAL AUDIT CANNOT DO

There are some limitations on what internal audit can do.

- › Make business decisions – Internal audit cannot make business operating decisions (except for those necessary for the operation of the internal audit function itself).
- › Manage risks – Internal audit does not manage the risks of the organisation as this is a role for management.<sup>3</sup>
- › Prevent fraud – While internal audit will be alert to the

<sup>3</sup> For more information see: The Role of Internal Auditing in Enterprise-Wide Risk Management, Institute of Internal Auditors, Jan 2009



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risk of fraud, it cannot prevent or detect all fraud in the organisation.

- › Review everything – Internal audit focuses on areas of greatest need, and typically would aim to cover all key areas over a 3–5 year cycle. It cannot cover all areas every year as the cost of doing so would likely to be prohibitive.
- › Provide absolute assurance – All audit procedures aim to provide the best level of comfort in a cost-effective manner. As such any assurance given will be convincing, but not absolute.

## How does internal audit differ from external audit?

External audit is a statutory function that provides assurance over the entity's annual report and financial statements. Its primary responsibility is to ensure that the financial statements are materially correct and present a "true and fair" view of the entity's financial position. While external audit will review internal control over financial reporting, external audit's scope is limited to work that supports their opinion on the financial statements.

The work to give the Board and management comfort over the entity's governance, risk management, internal controls and compliance with laws and regulations more broadly normally is outside the scope for external audit.

## How do I resource internal audit?

Entities have three options for resourcing the internal audit function:

- › In-house – the internal audit team is employed by the entity.
- › Outsourced – a specialist third party delivers the internal audit activity on behalf of the entity.
- › A blend (co-sourced) – in-house internal auditors are supplemented by specialist third parties.

All three models are acceptable for the purposes of recommendation 7.3 provided that the arrangements meet the key attributes listed on page 6. In the case of a fully outsourced internal audit activity, it is generally accepted that having an in-house internal audit professional on a full-time or part-time basis to lead the function helps to get the most of that investment.

## What will this cost?

The level of investment should be proportional to the level of comfort and assurance required and need not be prohibitive. Many small organisations experience the positive contribution of internal audit from a relatively small investment.

Conversely, organisations tend to increase their level of investment when additional comfort is required and see this as a good investment.

## How can I make this a useful investment?

Internal audit provides comfort and assurance to the Board and management, allowing for better risk taking, decision making, risk management, regulatory compliance and higher performance.

In order to get the most out of internal audit, it is important that the entity:

- › **Focuses the audit plan on the areas that matter most.** This may include providing assurance on the operation of key processes, execution of initiatives, management of risks, compliance with laws or regulations, or assurance over other areas where certainty is required.
- › **Establishes open communication channels** and trust between internal audit and the Board and management, and ensures that internal audit is able to say what needs to be said, when it needs to be said. It can achieve this through the independence mechanisms as set out below and on page 8.
- › **Ensures their internal audit function operates at a high standard.** It can do this through having the internal audit function conduct a self-assessment against the *International Standards for the Professional Practice of Internal Auditing*, and a formal external assessment every five years or more often if desired.

## Can internal audit be done by our external auditors?

IIA-Australia believes that the external audit firm should not perform the role of internal audit. This view is shared by leading commentators and regulators.

External audit is a statutory function on behalf of the shareholders and also has duties to regulators. Internal audit is a function on behalf of the board and management.

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IIA-Australia believes these roles are incompatible and combining the two could deprive the Board of an important additional source of independent advice.

If an entity's external auditors were to provide the internal audit function, then this should be noted in the disclosures in relation to Recommendation 7.3.

## How can I be assured that internal audit is independent from management?

The following mechanisms are usually applied to ensure independence of the function:

- › Prior to, or as part of each meeting, the Board Audit Committee Chairman or the full Board Audit Committee meets with the head of internal audit without management present.
- › The head of internal audit and Board Audit Committee have direct access to each other.
- › Decisions on the hiring and/or firing of the head of internal audit are reserved for the Board on recommendation from the Board Audit Committee. (Recommendation 4.1)
- › The final decision on the internal audit scope, annual plan and budget is reserved for the Board or Board Audit Committee on recommendation from internal audit and management. (Recommendation 4.1)
- › The Board or relevant Board Committee reviews the reasonableness of the remuneration, and remuneration structure of the head of internal audit.

## What are my other options?

If a listed entity has determined not to put an internal audit function in place, the entity must disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

In doing so, the entity is communicating to the market that the Board is confident that assurances received from management and other sources are sufficient so that internal audit is not necessary.

This option carries some risk for directors if something occurs that may normally have been found and escalated through an independent and properly resourced internal audit function.

Nonetheless for some entities, particularly those with low complexity, and a narrow span of control, this approach may be appropriate. Such circumstances may include:

- › The Board has direct line of sight into the key areas of the organisation, and the time and expertise to assess those areas fully.
- › Strong capability by management and the board in technical areas such as compliance, fraud prevention, cyber-security.

## Model Disclosures for Principle 7.3

### Model disclosure 7.3(A)

If a listed entity has an internal audit function that has the requisite attributes, the entity may report that it complies with recommendation 7.3(a). Listed entities are required to disclose:

- › How the function is structured.
- › What role it performs.
- › Whether the function was in place for the full year.

The following is provided as model guidance to demonstrate that the entity's management and Board have appropriately considered these matters.

### EXAMPLE DISCLOSURE

[Entity] has had an internal audit function that meets the definition of internal audit under the Institute of Internal Auditors' International Professional Practices Framework in place for the full year.

The function is internally led and resourced with supplemental resourcing provided by specialist third parties. While internal audit and external audit work closely together, they are separate functions. [Entity]'s external audit firm does not provide internal audit services to [Entity].

The Board and management receive assurance from a number of sources. Internal audit assists the Board and management to coordinate the broader assurance program, and also delivers a comprehensive audit program to provide additional comfort around significant risks, processes, systems and regulatory requirements where assurance is determined to be a priority for that period.

Internal audit coverage is determined using a structured approach. The Board Audit Committee determines the



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internal audit scope and budget on recommendation from management and the head of internal audit.

The Board and management receive regular reports from internal audit on the control environment, areas for improvement and progress in addressing those areas for improvement.

In conjunction with management, the Board Audit Committee (BAC) has satisfied itself that:

- a. The role of internal audit and the scope of internal audit work performed are appropriate; and
- b. The structure of internal audit is appropriate and the internal audit function is independent from management.

To ensure independence of the function:

- › Prior to, or as part of each meeting, the BAC and/or BAC Chairman meets with the head of internal audit without management present.
- › The BAC and head of internal audit have direct access to each other as required.
- › The BAC reviews the reasonableness of the remuneration, and remuneration structure of the head of internal audit.
- › The final decision on the internal audit scope and budget is reserved for the BAC on recommendation from internal audit and management.
- › Decisions on the appointment and/or termination of the head of internal audit are reserved for the Board on recommendation from the BAC.

An independent review of internal audit is undertaken and reported to the BAC every five years. This review assesses the internal audit function's effectiveness and compliance with the International Standards for the Professional Practice of Internal Auditing. This review was last performed in [year].

## Model disclosure 7.3(B)

If a listed entity has determined not to put an internal audit function in place, the entity must disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

In doing so, the entity is communicating to the market that the Board is confident that assurances received from management and other sources are sufficient so that internal audit is not necessary. This option carries some personal risk for directors in the event of significant loss or damage in an area that would normally have been reviewed by an independent and properly resourced internal audit function. Nonetheless for some entities, particularly those with low complexity, and a narrow span of control, this approach may be appropriate.

## EXAMPLE DISCLOSURE

The Board and management have considered the requirements under Recommendation 7.3 and determined not to establish an internal audit function.

*Describe what is in place and why it is considered appropriate to address:*

- › *The processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*
- › *The nature of assurance attained.*
- › *The scope and comprehensiveness of the assurance program.*
- › *Whether that assurance is independent.*

The Board has satisfied itself that:

- › Implementing an internal audit function is not appropriate for the entity.
- › The costs of implementing an internal audit function outweigh the likely benefits.
- › The board is comfortable with the risks arising from not implementing an internal audit function.

*Describe how the Board has satisfied itself that the risk of not implementing 7.3(a) (implementing an internal audit function) is acceptable.*

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## Economic, Environmental and Social Risks (7.4)

The *Principles and Recommendations* recommend that each listed entity disclose whether it has any material exposure to economic, environmental and social risks and, if it does, how it manages or intends to manage those risks.

### Guidance

This is an emerging area and hence the recommendation is framed broadly to allow a range of practices as practices evolve.

Entities should ensure their risk and continuous disclosure processes specifically address economic, environmental and social risks as defined in the 4th edition of the *Principles and Recommendations*. This may require consideration of a broader range of issues than previously considered, including exposures external to the organisation.

To the extent that organisations make additional disclosures such as those contained in sustainability reports or integrated reporting, internal audit may play a role in providing internal assurance over either reporting processes or content to allow management and the board to sign off on that information.

## Processes to Verify the Integrity of its Corporate Reports (4.1)

While the *Principles and Recommendations* do not require the board to establish an audit committee, they do require that “if it does not have an audit committee, [it should] disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting”.

The *Principles and Recommendations* go on to suggest a scope of activity of the audit committee that includes:

- › The adequacy of the entity’s corporate reporting processes and internal control framework.
- › Whether the entity’s financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity.

Recommendation 4.3 extends this consideration to the integrity of all reports released to the market, even if they are not subject to external audit.

### Guidance

We would expect most organisations to have mature processes in this area. Entities should:

- (Ensure that the processes over financial statement controls are in line with current good practice and relevant for their own organisation’s needs
- Ensure that their organisation is aware of the expectation that these processes cover other external information (not just the statutory financial statements) and also interim reports
- Reconfirm the roles of management representation and independent assurance in this regard.

### Bibliography and References

*IIA Global - The Role of Internal Auditing in Enterprise-Wide Risk Management*

*IIA Global - Implementation Guide 2100 – Nature of Work*

*IIA Global - Implementation Guide 2120 – Risk Management*

*IIA-Australia White Paper, Resourcing Internal Audit*

*IIA-Australia The 20 Critical Questions Series, What directors should ask about internal audit resourcing*

*IIA-Australia Factsheet, Internal Audit Resourcing Models*

*IIA-Australia Factsheet, Internal Audit versus External Audit*

*IIA-Australia Factsheet, Self-Assessment with Independent Validation (SAIV)*

*IIA Global - The IIA’s Three Lines Model*

Full documents published by the ASX CGC can be found at the [ASX Corporate Governance Council website](#).

ASIC has also published RG247 - *Effective disclosure in an operating and financial review* that provides useful information in relation to disclosures of material business risks. This can be found at ASIC’s [website](#).

### Purpose of White Papers

A White Paper is a report authored and peer reviewed by experienced practitioners to provide guidance on a particular subject related to governance, risk management or control. It seeks to inform readers about an issue and present ideas and options on how it might be managed. It does not necessarily represent the position or philosophy of the Institute of Internal Auditors–Global and the Institute of Internal Auditors–Australia.

# Internal Audit and the ASX Corporate Governance Principles and Recommendations

## Author's Biography

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Michael is an internal auditor and risk management consultant in private practice. He has more than 40 years of experience in a range of government and non-government environments. He has been active in the development of risk management and internal auditing standards and guidance for more than 15 years. Michael has practiced in Australia and South East Asia and currently serves on a number of Audit and Risk Management Committees.

Michael has been the recipient of the IIA-Australia Bob McDonald Award and the IIA-Global Victor Z Brink Award for services to the profession of internal auditing.

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## About the Institute of Internal Auditors–Australia

The Institute of Internal Auditors (IIA) is the global professional association for Internal Auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world including Australia.

As the chief advocate of the Internal Audit profession, the IIA serves as the profession's international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for Internal Audit integrity and professionalism around the world with its 'International Professional Practices Framework' (IPPF), a collection of guidance that includes the 'International Standards for the Professional Practice of Internal Auditing' and the 'Code of Ethics'.

The IIA-Australia ensures its members and the profession as a whole are well-represented with decision-makers and influencers, and is extensively represented on a number of global committees and prominent working groups in Australia and internationally.

The IIA was established in 1941 and now has more than 200,000 members from 190 countries with hundreds of local area Chapters. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

Historians have traced the roots of internal auditing to centuries BC, as merchants verified receipts for grain brought to market. The real growth of the profession occurred in the 19th and 20th centuries with the expansion

of corporate business. Demand grew for systems of control in companies conducting operations in many locations and employing thousands of people. Many people associate the genesis of modern internal auditing with the establishment of the Institute of Internal Auditors.

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