

Internal audit :

The role and functions of internal audit vary across jurisdictions, but they can include assessment and evaluation of governance, risk management, and internal control processes.

Both internal and external audit functions should be clearly articulated so that the board can maximise the quality of assurance it receives. It should also be regarded as good practice for the audit committee, or equivalent body, to review and report to the board the most critical policies which are the basis for financial and other corporate reports.

It is considered good practice for the internal auditors to report to an independent audit committee of the board thereby allowing a co-ordinated response by the board. However, the board should retain final responsibility for oversight of the company's risk management system and for ensuring the integrity of the reporting systems.

Audit committees :

Boards should consider setting up specialised committees to support the full board in performing its functions, in particular the audit committee, for overseeing disclosure, internal controls and audit-related matters.

The audit committee should provide oversight of the internal audit activities and should also be charged with overseeing the overall relationship with the external auditor including the appointment, reappointment and compensation of external auditors, as well as approving and monitoring the nature of non-audit services provided by the auditor to the company.

Audit committees should also be able to oversee the effectiveness and integrity of the internal control system, which may include the internal audit function. The separation of the functions of the audit and risk committees may be valuable given the greater recognition of risks beyond financial risks, to avoid audit committee overload and to allow more time for risk management issues.