Governance Structures
Level 4 – Managed
Independent Oversight of the IA Activity

Purpose — To establish an oversight body, including members independent of the organization’s management, to assure the independence of the IA activity, broaden the activity’s scope of input and influence, and help to strengthen the organization’s accountability.

Essential Activities
- Contribute to the establishment and performance of the independent oversight body by recommending membership attributes, assisting in the development of its charter, providing secretariat support, and influencing the agenda.
- Align the charter of the oversight body with that of the IA activity to reinforce the critical relationship between the oversight body and the IA activity.
- Establish policies and procedures for the IA activity to communicate, interact, and report to the independent oversight body.
- Establish the role of the oversight body with respect to appointment and removal of the CAE.

Outputs
- An oversight body (including members independent of management) that provides oversight and functional direction to the IA activity.
- Policies and procedures for the IA activity to communicate, interact, and report to the independent oversight body.

Outcomes
- The independence of the IA activity is assured and the activity’s scope of input and influence is broadened.
- Accountability within the organization is strengthened.
- The IA activity meets the needs of the oversight body and other significant stakeholders resulting in improved stakeholder support for internal auditing.
- The oversight body is seen as exemplary (e.g., sets and adheres to its own charter and follows the organization’s code of ethics; oversees and evaluates the responsibilities of management, the IA activity, and the external auditors).

Institutionalizing Practice Examples
- Senior management support to establish the infrastructure necessary for the oversight body (e.g., resources, secretariat).
- Legislation requiring an independent oversight body.
- Internal audit charter includes reference to independent internal audit oversight.
- Organizational policies and procedures relating to independent oversight of the IA activity.
- Audit oversight committee with members independent of the organization’s management.
- Formal recruitment processes and orientation/training for audit committee members.
- Annual audit committee self-assessment.