

Domain III: Governing the Internal Audit Function

In an organization, governance structures and processes facilitate the achievement of organizational objectives. These structures and processes also enable the internal audit function to be effective, enhancing:

- The board’s ability to exercise its oversight responsibilities.
- Senior management’s ability to make decisions and manage risks effectively, enabling the achievement of organizational objectives.
- The organization’s ability to create, protect, and sustain value.

In the *Global Internal Audit Standards*™, Domain III outlines requirements for chief audit executives plus “essential conditions,” which are activities of the board and senior management that enable the internal audit function’s success.

Domain III requires the chief audit executive to meet with the board and senior management to discuss the responsibilities and essential conditions of the Standards and how the parties can collaborate to establish and maintain an effective internal audit function.

The discussion includes informing the board of its role and responsibilities for authorizing the internal audit function, establishing and protecting the function’s independence, and overseeing the function’s performance. Domain III also outlines senior management’s responsibilities to implement the board’s decisions to support and promote governance structures and processes that enable an effective internal audit function.

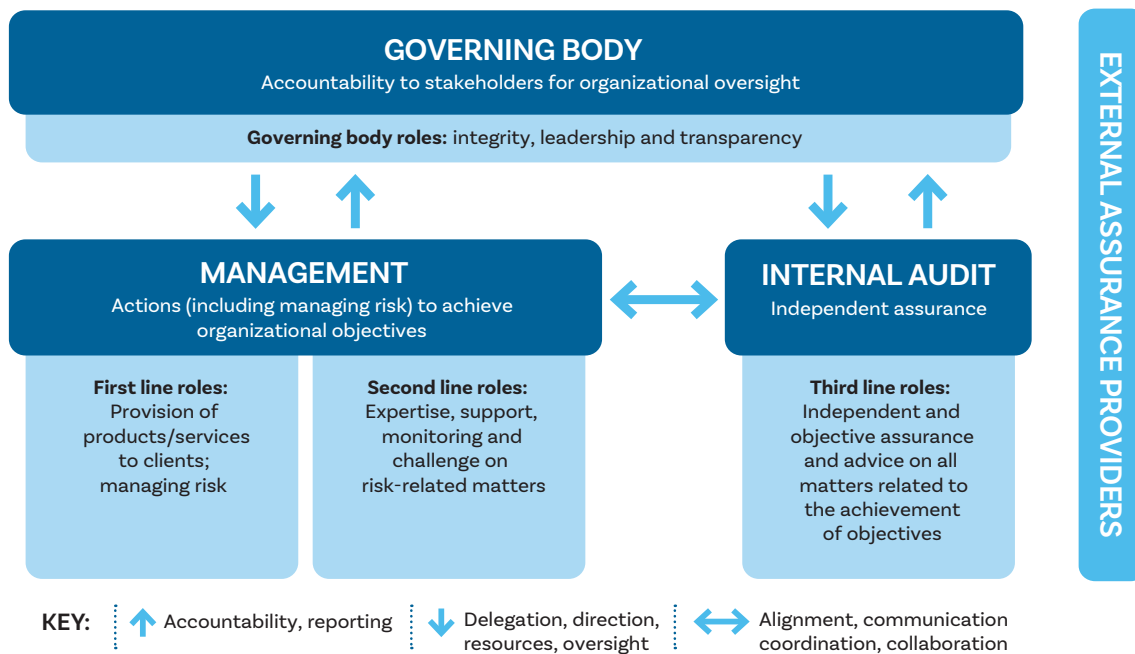


The table below depicts the three principles and nine standards of Domain III.

<p>6. Authorized by the Board</p> <p>The board establishes, approves, and supports the mandate of the internal audit function.</p> <ul style="list-style-type: none"> 6.1 Internal Audit Mandate 6.2 Internal Audit Charter 6.3 Board and Senior Management Support 	<p>7. Positioned Independently</p> <p>The board establishes and protects the internal audit function’s independence and qualifications.</p> <ul style="list-style-type: none"> 7.1 Organizational Independence 7.2 Chief Audit Executive Qualifications 	<p>8. Overseen by the Board</p> <p>The board oversees the internal audit function to ensure the function’s effectiveness.</p> <ul style="list-style-type: none"> 8.1 Board Interaction 8.2 Resources 8.3 Quality 8.4 External Quality Assessment
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The Three Lines Model and the Global Internal Audit Standards

The globally recognized **Three Lines Model** illustrates the governance structures and processes that best enable organizations to achieve their objectives. Similarly, Domain III in the Global Internal Audit Standards™ describes the unique partnership between the board, senior management, and the internal audit function that drives organizational success.



In the **Three Lines Model**, the governing body, referred to as the “board” in the Standards, ensures organizational objectives and activities align with the interests of stakeholders and that the organization’s structures and processes enable accountability, actions, and independent assurance and advice. Management, which includes senior and line management, implements actions to achieve the organization’s objectives. The internal audit function is independently positioned to provide objective assurance and advice on the adequacy and effectiveness of governance, risk management, and control processes.

Domain III in the Global Internal Audit Standards outlines the requirements and essential conditions necessary for a successful partnership between the board, senior management, and internal audit function.

- In **Principle 6**, the board, senior management, and chief audit executive agree on the authority, roles, and responsibilities of the internal audit function (Standard 6.1 Internal Audit Mandate). The chief audit executive commits to providing the board and senior management with the information they need to support, promote, and oversee the function.
- **Principle 7** calls for the internal audit function’s independence from the responsibilities of management, which is critical to internal audit objectivity, authority, and credibility. The function’s independence is enhanced when the board appoints and retains a qualified chief audit executive who reports at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management.
- **Principle 8** embodies the notion that board oversight is essential to enable the overall effectiveness of the internal audit function. This requires interactive communication between the board and the chief audit executive as well as the board’s support to ensure the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through its oversight of the quality assurance and improvement program and direct review of the external quality assessment results.