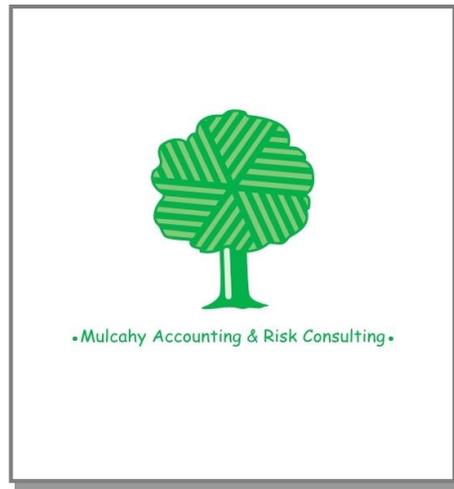


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## **Quis custodiet ipos custodes? (But who will guard the guards themselves?)**

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“But who will guard the guards themselves?” mused Juvenal in the first century. Now in the 21st century the questions being asked in the internal audit profession include:

“Why audit the internal auditor?”  
“How to audit the internal auditor?”  
“Who audits the internal auditor?”

### **Why should the audit cycle include ‘auditing the internal auditors’ at least once every five years?**

“If you think about it, internal auditing is a key component of governance, risk management and the system of internal controls. It seems logical that, just as independent, objective assurance is needed for governance, risk management and control activities, such assurance also makes sense for internal auditing” says Paul Sobel, CIA, VP Internal Audit and Chief Audit Executive at Georgia-Pacific. Sobel continues, “it demonstrates due diligence on the part of the audit committee that they had the audit department go through a quality assurance review. Otherwise, it could subject the audit committee to questions as to why they weren’t fulfilling their fiduciary, and chartered, responsibility to oversee the internal audit function.

Sobel’s comments are supported in Standards which says external assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.

In connection with this article, I’ve interviewed over ten Audit Committee members, CAE’s, CFO’s, and CEO’s and here are their composite answers to the question, “Why audit the internal auditor?”

1. Management, the Board and internal audit function are interested in continuous improvement throughout the organization, and a QAR is one of the ways of achieving that goal for the internal audit function.
2. Using the definition of internal auditing (1) the Board and management should value receiving “independent and objective assurance” that the internal activities are operating efficiently and effectively.
3. Any credible profession has standards, and internal auditing is no exception. The Standards require quality assurance around the function, and obtaining an external review is the best way to validate that the quality assurance is working.
4. An external assessment need not be limited to compliance with the Standards. An independent and objective perspective may also provide insights and foresights into new and emerging practices that the internal audit function has not yet thought of. By the way, did you know, address and implement, as needed, the 26 changes made to the Standards effective January 2011?
5. Having the confidence and humility to undertake an external review gives the Chief Audit Executive and the function more credibility when making recommendations to others.
6. The Audit Committee should receive assurance that internal audit follows widely accepted internal auditing Standards in the world.
7. It can help our relationship with our auditees if they know we go through an audit process – and answers the question of who audits the auditor – or as Juvenal mused “But who will guard the guards themselves?”

### **How to audit the internal auditor?**

Complying with the Standards using a full external review can be expensive, typically ranging from \$25,000 to \$35,000 on the low end to as much as \$70,000 or \$100,000. Another compliance approach, the Self-Assessment with Independent Validation (SAIV), is actually a better approach to achieving the Standard according to Fred Masci, CIA, CPA and VP Internal Audit at PRGX Global. Further, Pam Jenkins, CIA, CPA and Senior VP Internal Audit at The Wendy’s Company, agrees with Masci and says “the learning by the internal audit staff in documenting the compliance with the Standards by completing the self assessment is valuable to keep inside his/her organization instead of having that knowledge walk out the door when a consultant completes the workpapers and the report under the full external review approach.”

### **“Who audits the internal auditor?”**

The chief (internal) audit executive (CAE) should audit the auditors’, or as Juvenal would say, “guard the guards”. The CAE has these responsibilities under International Standards for the Professional Practice of Internal Auditing, Standard #1300 Quality Assurance and Improvement Program that states:

“The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of internal audit activity. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization’s operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics.”

As to independent external validation of the quality assurance program, Mulcahy Accounting & Risk Consulting is a firm that “audits the internal auditor.” As one satisfied customer says, “Mulcahy’s validation of our internal audit program gave the president and the Audit Committee comfort because of his reputation as a trustworthy ethically-engaged internal audit leader. In addition, his insights and more importantly, his foresights gave us a road map to the future of our Internal Audit Program”, C.O. Hollis, Jr. CPA, CIA, Chief Audit Officer, Morehouse College who is also a member of an Audit Committee.

**Footnote (1) Definition of Internal Auditing**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**About the author** – Bill Mulcahy, CIA, CPA, MS serves on the Board of Governors of the IIA Atlanta and is the past chairman of the Board (2006 – 2010) as well as Chairman of the IIA 2010 International Conference in Atlanta. Mulcahy is the namesake and recipient of the Chapter’s Mulcahy Leadership Award. Mulcahy is the sole proprietor of Mulcahy Accounting & Risk Consulting (MARC) providing accounting, audit, and governance services including Quality Assessment Reviews of the Internal Audit function.

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