Best Principles for Utah Audit Charters

An organization's internal audit function supports the organization's success. The Institute of Internal Auditors states, "Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight."[1] Ensuring that internal audit is independent, objective, and competent helps internal audit be effective at fulfilling its mission to bring value to the organization. Audit charters support the governance structure of the audit function and set expectations for how auditors, organizational leaders, and oversight bodies collaborate to support the organization.

This document provides guidance on four key principles that should be within an audit charter to set auditors and organizations up for success. We recommend that internal auditor directors, senior management, and oversight bodies review this document then evaluate their own audit charter for improvements.

PRINCIPLE #1
Access to Leadership

The internal audit function must be granted full access to the oversight body and senior management so it can support organizational decision-making. It is critical that auditors be allowed to report on risk-based audit findings and make recommendations on a regular basis to improve the organization. An audit charter should grant internal audit access to the board and senior management and set expectations for how they will interact with and oversee internal audit.

PRINCIPLE #2
Access to the Organization

For internal audit to do its job and evaluate the organization, internal audit staff need access to the organization. This means access to documents, information, and any other resources that could help audit staff in their efforts to produce high-impact reports. An audit charter should grant audit staff this access and ensure that management cannot infringe upon the internal audit function's authority.

[1] *Global Internal Audit Standards*. The Institute of Internal Auditors (2024).

PRINCIPLE #3
Risk-Based Auditing

To support the organization, auditors should focus on high-impact auditing and be free from interference in determining the scope of the work they perform. The areas an auditor evaluates should be specified in an annual audit plan, and the audit plan should be risk-based. Risk-based audit plans can help ensure the audit function is aligning its work with the organization's top priorities. Audit charters should clarify that the internal audit function will focus on risk-based auditing and will seek to tie the annual audit plan to the organization's biggest risks.

PRINCIPLE #4
Non-Audit Work

Auditors should maintain their objectivity so they can fulfill their professional duties to the organization. The Government Accountability Office Government Auditing Standards specify that auditors should be aware of threats to their independence. One threat to independence that the standards identify is referred to as management participation threat, which arises when auditors are involved in managing any part of the entity they are auditing. Management participation threat "will lead an auditor to take a position that is not objective."[2] To maintain objectivity, auditors should avoid being directly involved in managing the organization as much as possible. Audit charters should set clear expectations regarding the importance of allowing auditors to remain free from any conflict of interest.

[2] *Government Auditing Standards*, U.S. Government Accountability Office, (2024).