

12.36 Very few departments pay more than lip service to determining priorities based on materiality, the importance to management and the degree of risk. Frequently, the major audit effort is directed towards activities representing a small proportion of the department's expenditures with the result that audit findings may be of little significance.

12.37 There is a general lack of stated objectives for carrying out audits. In many instances, an area is audited simply because "it has always been done". There is a tendency to choose the easiest thing to audit rather than to venture into complex or sensitive areas requiring high skill levels or representing substantial risk. Consequently, internal audit groups seldom play a constructive role in assisting in the management of departmental resources.

12.38 The Department of National Health and Welfare recently prepared a model which identified and weighed the importance of over 100 auditable units and from this a six-year audit plan was developed, a commendable approach. The ranking process is vital for obtaining value for money in auditing.

12.39 *Organizational status and mandate.* The internal audit group should have an organizational status that will permit it to report objectively and effectively on any operation or activity of the department. Its responsibilities should be clearly communicated in a mandate from the deputy head that demonstrates visibly his support.

12.40 For internal audit to be effective:

- The head of the internal audit group should report directly to the deputy head and thereby be organizationally independent of all operations audited.
- Internal auditors should not plan, design, install or operate systems that they will subsequently audit.
- The internal audit group should have, and be perceived to have, support from the deputy head. The audit mandate should receive wide distribution to demonstrate his visible support. Departmental managers should always be required to respond to internal audit findings on a timely basis.
- All audit activities carried out by or on behalf of the department should be integrated into a single audit group.