

Factsheet: Internal Audit versus Compliance

Updated 2020

- Compliance means:
 - Meeting all the organisation's compliance obligations.
 - Non-compliance is non-fulfilment of a compliance obligation.
 - Compliance is an outcome of an organisation meeting its obligations. It is made sustainable by embedding it in the culture of the organisation, and in the behaviour and attitude of people working for it and other entities dealing with it.
- A compliance obligation is:
 - Compliance requirement – compliance with the external rules imposed on an organisation.
 - Compliance commitment – compliance with an organisation's voluntary or self-imposed rules.
- Organisations often establish internal systems of control (management systems) to achieve compliance with their obligations.
- Effective compliance programs ensure that organisations are adhering to laws, regulations, standards, licences, policies, plans, procedures, contracts, guidelines, specifications, or other requirements relevant to their business.

Internal Audit		Compliance
3rd Line of Defence – assures risk is managed	Line of Defence	2nd Line of Defence – monitors risk.
Employees of the organisation, or can be an independent entity through outsourced or co-sourced arrangement.	Status	Employees of the organisation appointed by management.
Independent of activities audited and independent of management; truly independent.	Independence	Best positioned as independent of functional management – this is an emerging trend. May be maturity dependent – may initially focus on assisting management, and later move to a more independent stance. Note: Regulators have powers to review specific compliance activities.
Serves the needs of the organisation as a whole; in particular the audit committee, chief executive officer and senior management.	Serving	Management, which may be senior management; may report to the audit committee, governance risk compliance (GRC) committee, or risk management committee.
Audit committee functionally for operations and chief executive officer for administration.	Reports to	Management, which may be senior management; may report to the audit committee, governance risk compliance (GRC) committee, or risk management committee. Collaborates with Internal Audit.

Varies according to the audit; focus on evaluating controls designed to assure accomplishment of the organisation's goals and objectives.	Objective	Limited focus; whether there is compliance with specified compliance obligations and associated management systems.
Covers all organisation activities; able to respond to the needs of the audit committee, chief executive officer and senior management.	Scope	Limited to compliance with prescribed processes over a specified period.
Forward-looking.	Focus	Limited to compliance with specified obligations and associated management systems.
Reviews governance, risk management, control processes and compliance framework according to risk-based need. [Note: See IIA-Australia White Paper: Auditing your organisation's compliance framework]	Coverage	Continuous cyclical review of relevant operational processes; maintains the compliance policy and framework.
Helps organisation to enhance and protect organisation value and accomplish objectives	Outcome	Statement of adherence to compliance requirements of management systems.
Is directly concerned with prevention of fraud in any activity reviewed.	Fraud	Concerned with compliance to obligations; continuously concerned with prevention and detection of fraud.
Audit committee, chief executive officer and senior management.	Reports go to	Top management; reports may go to the audit committee, governance risk compliance (GRC) committee, or risk management committee.
Internal audit standards (IPPF).	Standards	Compliance management systems – Guidelines (ISO 19600).
Yes: <ul style="list-style-type: none"> • A theoretical body of knowledge. • Relative independence in decision-making in practice. • Specialised education. • A code of ethics for behaviour of its members 	Profession	Yes: <ul style="list-style-type: none"> • A theoretical body of knowledge. • Relative independence in decision-making in practice. • Specialised education. • A code of ethics for behaviour of its members.
Specialised university courses, certifications and short course training available.	Qualifications	Specialised university courses, certification, accreditation, diplomas, certificates and short course training available.