

Dear Q&A

How long do internal audit engagement work papers and reports need to be retained?

Answer

These days most internal audit functions would be operating with electronic records management systems or at least an on-line shared folder records repository. These records can generally be available for decades.

Internal audit engagement work papers are referenced in three places in the 'International Standards for the Professional Practice of Internal Auditing' issued by the Institute of Internal Auditors.

Standard 2330.A1 – *The chief audit executive must control access to engagement records.* – and Standard 2330.A2 – *The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.* – apply to Assurance engagements. Similarly – Standard 2330.C1 – *The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.* – is applicable to Consulting engagements.

These place responsibility for determining rules for access and retention of working papers in the hands of the chief audit executive. They also require the chief audit executive to make these rules consistent with those of their organisation.

Some jurisdictions continue to require hard copy records be retained because of archive legislation or policy, possibly because these have not been updated to reflect contemporary electronic on-line practice. ISO 16175 on information and documentation provides internationally agreed principles and functional requirements for software used to create and manage digital information in office environments. This ISO standard been adopted by the National Archives of Australia and a number of jurisdictions have equivalent requirements. These address matters of storage, but not of retention which must be decided separately for each record type.

Retention periods will be determined by a number of questions:

- › Does the record relate to compliance with a law or regulation?
- › Is the record in support of a contract or agreement?
- › Is the record evidence in support of a decision?
- › Is the record evidence in support of a formal report?
- › Is the record likely to be useful in relation to a future piece of work?
- › Is the record likely to be used in a legal case?

To find out how long internal audit work papers should be retained, an internal audit function should seek out the approved retention schedule for their organisation. This should clearly stipulate the organisation's rules for retention of documents in line with legal and policy obligations.

If your organisation does not have a retention schedule, there is your next internal audit recommendation.

In the absence of a clear retention schedule, an internal audit function might develop its own work paper retention policy considering:

- › Whether previous audit work papers would be necessary for reference purposes in the event the same audit topic is to be audited in the future.
- › Whether the work papers will be required for a future 5-year internal audit external quality assessment.
- › The legal obligation to retain documents and reports according to the relevant statute of limitations or archives policy. It may be that reports are required to be kept for a minimum time period but not the related work papers.

Statutes of limitation in most jurisdictions for civil proceedings to be commenced is six years: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Completed_inquiries/1999-02/child_migrat/report/e06.

The IIA-Australia issued a Factsheet 'Internal Audit Evidence' which provides guidance on what should be retained in internal audit work papers: <https://iia.org.au/technical-resources/fact-sheets>.