

Dear Q&A

When internal auditors conduct internal audit engagements, they test samples and review documents. When preparing the audit file, are internal auditors required to retain copies of all samples and documents tested, or are they only required to retain evidence of exceptions? What do the IIA Standards require? What is the most common practice used by internal auditors?

Answer

This is an interesting question. The IIA Standards are only a little help in answering it. The relevant standards are:

Standard 2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

Standard 2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

Standard 2330 – Documenting Information

Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

Noting the use of the word 'sufficient' in Standard 2330, this means the working papers must contain factual, adequate and convincing information and analysis so that another reader of the working papers would come to the same conclusion.

The internal auditor should always retain the rationale for the sample, a description of the method of sampling, a description of the tests performed, and the results of testing. Implications of the result should also be documented in the working papers.

In answer to your specific question, it would be wise to record:

Enough information about all items examined, so another person with the same level of access would be able to locate them. This means that if they are records in a computer system or documents in a records

management system, then all that need be recorded is the identifying information that would enable them to be retrieved again. There are circumstances in which it might be appropriate to retain a copy of the reviewed document, a photograph, or some other detailed record that allows reperforming the test, but this would be exceptional.

Details of the exceptions should be recorded, but this does not mean it will always be necessary to retain a copy of the item. If there is no danger of the record or item being changed then, once again, all that need be retained is the identifying information to enable retrieval and the reason the internal auditor has decided it is an exception. Sometimes, the most efficient thing to do is to retain a photograph, screenshot or scanned copy of the item.

The IIA-Australia has prepared a fact sheet listing things that would ordinarily be expected in a set of working papers. This is not really a list of documents, for example, if you use a risk and control matrix (RACM), then it would address many of these items.

The fact sheet can be accessed at:

http://iia.org.au/sf_docs/default-source/technicalresources/2018-fact-sheets/internal-audit-evidence.pdf?sfvrsn=2