

Dear Q&A

I am a solo internal auditor in a not-for-profit organisation. From time-to-time, and when budget permits, a service provider is procured to audit a technical topic that I don't have the skills to audit such as IT.

We recently requested service provider proposals from a small number of firms and selected one to perform an IT audit. We were getting ready to start the audit when we received a service agreement from the service provider saying we needed to sign it before the audit commenced.

The service agreement document was a few pages and contained reference to the audit being performed in accordance with ASAE 3000 'Assurance engagements other than audits or reviews of historical financial information', plus a bunch of stuff such as:

- › The internal audit report and the information contained in it will be confidential and not to be used or disclosed in any way without the service provider's prior consent.
- › The report will be copyright to the service provider, with all rights reserved.
- › Work papers from the audit will be retained by the service provider which is accepted industry practice.

Is this normal?

Answer

The reason an organisation has a contract or agreement with a supplier is to protect its interests. For example, a government department procuring goods or services, including internal audit services, will almost always require the supplier (service provider) to sign the department's contract.

For this reason alone to protect your interests, an organisation procuring internal audit services should insist on a service provider signing the procuring organisation's contract. Where a service provider will not sign it, or comes back with a list of required changes, the best option would be to find another service provider who will sign your contract.

On specific points you mentioned:

- › ASAE 3000 is an external audit standard and would be relevant to few, if any, internal audit engagements. An appropriate statement would be 'The audit will be performed in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.'
- › Contracts for internal audit services and the resulting internal audit reports containing confidentiality conditions, limits to disclosure, and copyright should be dismissed and sent back to the service

provider for removal of those statements.

- › It is generally accepted that external audit work papers remain with the external auditor, but it does not necessarily follow that the same applies to internal audit work papers. A procuring organisation is well within its rights to insist on ownership of work papers at conclusion of an internal audit engagement and should write this into the contract with the service provider. For example, the NSW Government mandates ownership of internal audit engagement work papers with the procuring organisation. Whether you leave the work papers with the service provider or insist on getting copies is up to you. Internal audit should ideally have visibility of internal audit engagement work papers from all audits. While there will be a quality review process by a service provider, quality should ideally be reviewed by an in-house inspection of the service provider's work papers to ascertain what work was done, the extent of testing, whether there is sufficient evidence for the assertions made in the report, and whether the work papers are complete. Otherwise inhouse review of a draft internal audit report is a grammatical exercise and not supported by evidence.