

Dear Q&A

My organisation's records management policy requires hard copy files to be kept and this extends to internal audit engagements – is it necessary for internal audit work paper review to include a signature on each page of evidence?

Answer

Internal Audit Standard 2340 'Engagement Supervision' arises directly from a number of requirements:

- › The chief audit executive is obliged to ensure an appropriate level of competence is applied to an internal audit engagement (Internal Audit Standard 1210 'Proficiency'); and
- › The chief audit executive is obliged to ensure:
 - › An engagement plan is developed and documented (Internal Audit Standard 2200 'Engagement Planning').
 - › Engagement results must be based on 'sufficient, reliable, relevant, and useful information' (Internal Audit Standard 2320 'Analysis and Evaluation').

When the internal audit engagement team includes specialist skills for a particular engagement, it is important the specialist subject matter components of the engagement are reviewed by the subject matter expert. It is also important that a person other than the originator of documents examine them for logic. Both these tasks commonly fall to the engagement team leader and the extent to which they will formally review documents (or confirm they have been reviewed) will depend on circumstance. The evidencing of this review is a different matter.

The Internal Audit Standards make no particular demand. Internal Audit Standard 2340 'Engagement Supervision' (Interpretation) says "The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement". It also makes clear that while the chief audit executive has overall responsibility, they may delegate this to others. The chief audit executive may demand every page be evidenced for review, but this is a practice no longer demanded by the Internal Audit Standards – it was removed in the revision of the Standards that took place about 2000.

A file note could form a substantial part of necessary evidence. The chief audit executive might require:

- › Specific review of the terms of reference – engagement objectives, scope, resource requirements and assigned team.
- › Specific review of the engagement plan.
- › Specific review of the statement of control adequacy.
- › Specific review of the schedule of observations.
- › Specific review of the draft internal audit report.

This could be evidence contained in a single file note, together with a statement from the engagement team leader that they have reviewed the work papers and assert the approved terms of reference have been met and the results are supported by appropriate evidence.

Where the internal audit team is small and supervision is performed by the chief audit executive, then the assertion need not be included, but a checklist of documents reviewed would be appropriate. In a very small internal audit team, the chief audit executive may be performing the engagement – in this case they should seek supervisory review from another professional internal auditor which may be a peer or a senior subordinate but must be someone who is competent to perform the supervision.