



OWNERSHIP OF INTERNAL AUDIT DOCUMENTATION

Internal audit documentation is to remain the property of the audited agency, even if prepared by external providers.

Where an agency's internal audit services are performed by an external provider, the contract for those services must specify that internal audit documentation remains the property of the agency. This documentation must be provided to the agency at the end of the engagement unless otherwise required by the agency.

This circular withdraws and supersedes NSW Treasury Circular 02/10.

This Circular is a direction issued under section 9 of the *Public Finance and Audit Act 1983*.

Philip Mussared
For Secretary

Further Information: Refer attached Background Paper
Agency specific queries: Your Treasury Analyst
Other queries: Martin Smith (ph: 9228 5158)
NSW Treasury internet: www.treasury.nsw.gov.au

BACKGROUND PAPER OWNERSHIP OF INTERNAL AUDIT DOCUMENTATION

According to Auditing Standard ASA 610, internal auditing activities include:

- (a) monitoring of internal control,
- (b) examination of financial and operating information,
- (c) review of the economy, efficiency and effectiveness of operations, and
- (d) review of compliance with laws, regulations, and other external requirements and with management policies and directives and other internal requirements.

In addition, external auditors may obtain assurance by using internal audit's work. Where this occurs the relationship between internal and external audit is governed by auditing standards.

NSW Public Sector

The *Public Finance and Audit Act 1983* recognises the importance of internal audit. Section 11(2) of the *Public Finance and Audit Act 1983* states "Wherever practicable, the head of an authority shall establish and maintain an effective internal audit organisation".

In some agencies employees perform the internal audit function. In other agencies the internal audit function is performed by contractors (including the Internal Audit Bureau and private accounting firms).

Public accountability should not diminish because the internal audit function is performed by an external provider. The internal audit contract should state that internal audit documentation remains the property of the agency.

The Auditor-General may use the work of internal audit while conducting external audits on NSW public sector agencies.

Comments of External Providers of Internal Audit Services

External providers have asked that internal audit contracts allow them right of access to documentation for a specified time, or the right to take copies of the documentation. Agencies may include such a clause in contracts.

Standard Contracts - NSW Department of Commerce

NSW Department of Commerce administers a standard contract relating to the provision of internal audit services [Contract 068/7174]. This standard contract includes the following term which complies with this Circular:

"All working papers produced by the Contractor, and other materials shall remain the property of [agency] and shall be returned to [agency] at the end of the engagement/contract, unless otherwise required by [agency]."

Information on this standard contract can be obtained from the NSW Department of Commerce website www.contractservices.nswp.commerce.nsw.gov.au or by contacting Kim Chamberlain at NSW Department of Commerce (tel: 9372 7679) or e-mail kim.chamberlain@commerce.nsw.gov.au .