GUIDANCE ON ACCESS TO INTERNAL AUDIT WORKING PAPERS BY THE AUDITOR-GENERAL

The Auditor-General, where he acts as the external auditor of an entity, should not be requested to sign a “hold harmless letter” to gain access to the internal audit working papers of a member firm where the latter acts as the internal auditor of a public sector entity.

The purpose of the hold harmless letter, which is commonly used in private sector engagements, is to indemnify the firm giving access to its working papers against claims arising from making the working papers available to a third party.

Instead of requesting a hold harmless letter, SAICA suggests that the letter of engagement or the internal audit contract in respect of the internal audit function between the audit firm and the entity appointing that firm should regulate the ownership of the internal audit working papers and issues relating to indemnification, if applicable, where access to the working papers is required by a third party.

SAAS 610 – Considering the Work of Internal Audit provides guidance to external auditors in considering the work of internal audit. The external auditor should undertake an assessment of the activities of internal audit in order to determine their effects on the nature, timing and extent of the external audit procedures.

As a result of the requirements of the Public Finance Management Act, Act No 1 of 1999, as amended, in the public sector, the provision of internal audit services has become a significant service offered by member firms. The Auditor-General, as the external auditor of public sector entities, will need to have access to the internal auditors’ working papers in accordance with the requirements of SAAS 610 to determine the impact of internal audit on his work. In addition, section 15 of the Public Audit Act, Act No 25 of 2004, entitles the Auditor-General (or an authorised auditor) to have full and unrestricted access to all the entity’s information. A requirement for the Auditor-General to sign a hold harmless letter in order to have access to information could
be regarded as placing a restriction on his/her ability to have full and unrestricted access, since any such restriction would be contrary to legislation.

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Executive President