

# **The Relationship between Internal and External Audit in the Public Sector – A Case Study**

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## **Abstract**

This project was designed to answer the research question "To what extent does the external auditor rely on the work of internal audit and what factors determine the extent of this reliance?" The overall aim was to examine the audit approach of Western Australia's (WA) largest state government agency - WA Police. A qualitative approach, framed within agency theory, was adopted using document analysis combined with structured interviews. Three major findings were evident. The first determined that the perception of reliance placed on the work of the internal auditor by the external audit team was inconsistent between parties. The second related to the planning of internal audits and obvious communication barriers. The third found different views regarding efficiencies when auditing a huge geographical area. These findings begin to fill the void in the literature around the extent of external auditor's reliance on internal audit in the West Australian public sector. Efficiency and effectiveness of audit in a public sector context is more complex than in the private sector and this research addresses relevant issues by way of an original and unique case study.

Key words: internal audit; external audit; interrelationship; agency theory; reliance; Australia.

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## **1. Introduction**

The relationship between internal and external audit has been considered by many previous researchers (eg, Brown 1983; Schneider 1984; Edge and Farley 1991; Krishnamoorthy, 2002). Nevertheless, primarily due to the relatively recent formal introduction of internal audit into public sector agencies in Australia, little research exists examining the relationship between external and internal audit in that sector. This study begins to bridge the gap in the extant literature by examining the extent of reliance placed by the external auditor on the work of the internal audit function of a public sector agency in Australia's largest state geographically, Western Australia (WA). Insights are also provided into what factors determine the extent of the reliance placed by the external auditor on the efforts of the internal auditors. Finally, recent changes to the auditing standards, specifically Auditing Standard ASA 610 *Using the Work of Internal Auditors* and how this is likely to impact the decision to rely upon the work of internal audit, are examined.

A number of regulatory reforms have resulted in an increasing emphasis on the role of internal audit as an important corporate governance mechanism in both the private and public sectors (Goodwin, 2004). While there are crucial differences between internal auditing in the private and public sectors (Coupland, 1993), public sector reforms have sought to reduce the differences between the two sectors, especially in relation to governance (Barrett, 2002a, b).

As internal audit in the Australian public sector becomes more widely implemented, the potential for external auditors relying on the work of the internal auditors will increase over time (Ward and Robertson, 1980). The extent of such reliance will, however, depend on the quality of the internal audit function and the ability and willingness of external and internal auditors to communicate effectively with the aim of increasing their co-ordination efforts (Haron et al., 2004; Brody et al., 1998). In relation to the private sector, previous research

concluded that three factors – competence, objectivity and work performed – are used by external auditors to determine whether or not to rely on internal auditors' work (Haron et al. (2004). One of the important contributions of this study is the investigation of these private sector concepts within a public sector setting. Given it is the people's taxes that are used by state government agencies to provide services, efficiencies are an important consideration for the public sector. Internal and external audit are clearly significant mechanisms for ensuring efficacy and efficiency in public sector expenditure in their own right. However, appropriate reliance by external audit on internal audit can also create efficiencies.

The Auditing and Assurance Standards Board (AuASB) updated ASA 610 in October 2009. This standard is operative for financial reporting periods commencing on or after 1 January 2010. One of the key changes to the standard is the inclusion of effective communication (between the external and internal auditor) as a factor in determining whether the work of the internal auditors is likely to be adequate for the purposes of the external audit (para. 9(d)). In determining the planned effect of the work of the internal auditors on the nature, timing and/or extent of the external auditor's procedures, the external auditor shall consider (among other things) "the nature and scope of specific work performed, or to be performed, by the internal auditors" (para. 10(a)).

The importance of communication between the external and internal auditors is well documented in the literature. It has been argued that communication barriers between the two can significantly impair the efficiency and effectiveness of an audit (Brody et al., 1998). Whittington (1989, p.125) noted that whilst effective communication minimises the overlap of audit efforts, it requires "joint planning and co-ordination, open lines of communication and a consideration of various aspects of human relations". Although it would seem that the concepts contained in ASA 610 and in prior literature are merely common sense, findings

from this study would suggest otherwise. Findings show that both parties – internal and external auditors – considered they were operating effectively in terms of their organisation's expectations. Unfortunately, these expectations were not being communicated between internal and external audit. Hence, any potential efficiencies were not identified and exploited.

The following section provides a brief review of the literature and an introduction to the Australian public sector. Section three outlines the theoretical framework applied and section four the research design. Section five provides an insight into the results from the interviews with section six concluding the paper.

## **2. Background and Literature Review**

As defined by the Institute of Internal Auditors in Australia (IIA), internal auditing is a dynamic activity designed to help organisations achieve their objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation ([www.iaa.org.au](http://www.iaa.org.au)). According to Gay and Simnett (2007), the traditional view of internal audit is that it is an independent appraisal function which evaluates the adequacy and effectiveness of controls within a firm. This view has evolved over time such that the internal audit function is now seen as an assurance and consulting service which promotes the understanding of risk exposures and control strategies (Leung et al., 2007). As such, it usually extends across all areas of risk in an organisation including finance, asset management and OHS.

The 191<sup>st</sup> report of the Joint Committee of Public Accounts (1981) in the Commonwealth Parliament asserts that an important function of internal audit in the public sector is to keep management informed about the reliability and appropriateness of the systems and procedures it employs and the efficiency of its practices. In Australia, specific legislation governing the activities of public sector entities determines whether these entities are required to have an

internal audit function (Goodwin, 2004). In Western Australia, various legislation provides guidelines as to how public sector agencies discharge their governance duties. The Financial Management Act (2006) (FMA) applies to government departments and statutory bodies. Under section 53(1)(d) of the FMA, the accountable authority (usually the Director General) of a department must establish an internal audit function. Additionally, the Treasurer's Instructions provide guidance and requirements under Part XII. These instructions have the force of regulations.

More recently, in the aftermath of well-publicised corporate collapses, the role of internal audit has broadened to encompass risk management and corporate governance (Brody and Lowe, 2000; Carey et al., 2006). Internal auditors can add value by providing assurance that organisational risk exposures are properly identified and managed (Leithhead, 1999; Walker et al., 2003). Hence, internal audit should play a key role in monitoring a company's risk profile and in identifying areas where risk management practices can be improved (Lindow & Race, 2002). Barrett (2002a, b) posited that reforms in the public sector have led to a greater focus on corporate governance and while governance foci may differ between the private and public sector, most public sector agencies now bear more similarities to their private sector counterparts with regards to their use of internal audit.

There has been extensive research on the importance of an internal control function as part of an effective corporate governance structure. Prior internal audit research has evaluated: objectivity issues (Brody & Kaplan, 1996; Brody & Lowe, 2000; Church & Schneider, 1991, 1992); the interaction between internal and external audit (Brody et al., 1998; Carey et al., 2000; Felix, Gramling, & Maletta, 2001; Lempe & Sutton, 1994; Stein et al. , 1994); the trend to outsource internal audit functions (Caplan & Kirschenheiter, 2000; Widener & Selto,

1999); and the relationship between internal audit and the audit committee (Raghunandan et al., 2001).

The contemporary corporate governance setting has led to a greater focus on the relationship between internal and external auditors (Gramling et al., 2004). The internal audit function serves as a potentially valuable resource to each of the other components of corporate governance: external auditors, audit committee and management. The work performed by internal auditors may be a factor in determining the nature, timing, and extent of the independent auditor's procedures (Schneider, 1985).

ASA 610 provides guidance to the external auditor on whether and to what extent reliance should be placed on the work of the internal auditors. Factors that are likely to influence the adequacy of the internal audit work for the purposes of external audit include: the objectivity of the internal audit function; the technical competence of the internal auditors; whether the work of the internal auditors is likely to be carried out with due professional care; and whether there is likely to be effective communication between internal and external audit.

Paragraph A4 of ASA 610 provides further explanation on each factor including communication between the internal and external auditors. Communication between these two parties may be most effective when the auditors are free to communicate openly with the external auditors and both the external and internal auditors inform each other of significant matters that may affect their respective work (ASA 610, 2009). Effective communication between internal and external auditors is a critical element of audit quality. This is an important aspect that ensures the external audit is conducted efficiently and effectively via the placing of an appropriate level of reliance on the work of the internal auditors. This notion of effective communication has received considerable attention in prior research focussing on commercial entities (Lempe and Sutton, 1994; Brody et al., 1998; Felix et al., 2001).

Lempe and Sutton (1994) found that most internal audit directors wish to co-ordinate activities with those of the external auditor in order to reduce the total audit fees charged. The objectives of both internal and external audit can be achieved at marginally lower cost when internal auditors recognise the objectives of external audit and as a result modify their audit programmes to help achieve those objectives and the external auditors recognise that internal auditors have performed necessary procedures with the necessary levels of quality (Lempe and Sutton, 1994). Brody et al. (1998) argued that the existence of communication barriers between the external and internal auditor during the planning and evidence gathering stage of the audit will affect the extent of external audit redundancy. If the external auditor perceives there to be significant barriers to communication, they may avoid the internal auditors and find alternative means to gather the necessary audit evidence, thus affecting the efficiency and effectiveness of the audit.

Felix et al. (2001) investigated the extent that the internal auditors' contribution influences the external audit fee. Findings indicate that the extent to which internal audit contributes to the financial statement audit is a significant determinant of external audit fees – the greater the contribution of internal audit, the lower the external audit fee. These findings suggest that external audit fees can be reduced by clients who are able to facilitate greater co-ordination between internal and external auditors. Felix et al. (1998) argued that co-ordination efforts of the external and internal auditor have the potential to maximise the effectiveness of the internal auditor's contribution to the financial statement audit and increase overall efficiency through the reduction of duplicated audit work. Here, findings indicate that internal auditors are not seeking to improve co-ordination with the external auditors, thereby missing an opportunity to add value to the organisation.

In the Public Sector, the issues of efficiency and the quantum of audit fees are considerably more complex. The findings from this research will inform and influence this area.

### **3. Theoretical Framework**

Research in auditing has traditionally been carried out under the framework of agency theory (Watts and Zimmerman, 1986). Literature is either scant on a theoretical framework for auditing in the public sector or it implicitly relies on agency theory and research pertaining to the private sector. Since auditing is, to a considerable degree, a monitoring mechanism on the veracity of financial reporting, agency theory is an appropriate starting point from which to examine the relationship between external and internal audit in the public sector.

Much of agency theory focuses on notions of accountability. Financial reporting and auditing emerged in order to reduce agency costs of contracts between owner shareholders and debt holders (Jensen and Meckling, 1976). In the public sector, public interest groups (the principals) and politicians (the agents) contract to share returns that accrue from the public service (Baber, 1983). In these relationships, contracting parties also share the costs which arise when agents have incentives to breach their agreements. To reduce these costs, principals demand and agents supply monitoring of their activities (Jensen and Meckling, 1976). This manner of increasing accountability is desired in order for the agent of the public sector entity to meet efficiently and effectively the demands of the principal (Mayston, 1993). Although the majority of the literature relates to the private sector, Mayston (1993) argued that the principal/agent theory and accountability still held in the public sector. The notion of, and desire for, accountability is especially pronounced in agencies such as WA Police.

A contribution of this paper is to distil agency theory down to its most general form to ensure it is applicable to the public sector and indeed to the role of the external and internal auditors in enhancing public accountability by discharging their roles in a more efficient and effective

manner. Given the pressures and constraints imposed by the current economic and political environment in WA, Australia-wide and globally this goal is even more essential. One of the key concerns when applying agency theory to the public sector is to consider the identity of the principal and agent. Mayston (1993, p.77) argued that public sector accountability is "not a simple one-to-one relationship between a principal and agent". Instead it is the relationship between a number of different groups whose economic and political interests overlap. Conducting effective and efficient audits becomes more critical to accountability given the multiple principal-agent relationships in the public sector.

Another key tenet of agency theory is the desired outcome of decision usefulness. Information provided under a framework where principals incur monitoring costs and agents incur bonding costs is considered to meet the requirements of decision usefulness. Funnell (2003) reported concerns by auditors-general in Australia over the use of private sector "decision-useful" reporting models being inconsistent with the discharge of public accountability. Coy et al. (2001) argued that recent developments in the public sector, including numerous scandals involving public officials as well as the propensity for governments to become more involved in economic activity, has led to an increased demand for public accountability. Coy et al. (2001) asserted that a public accountability paradigm would include key features of more traditional strands of agency theory such as stewardship and decision usefulness.

"Public accountability refers to the public right to know about the condition and performance of the organisation under the accountant's charge" (Coy et al., 2001, p.8). Normanton (1966, in Porter, 2009, p.170) argued that "accountability is an abstraction which is only given reality by the process of audit". Given the far reaching impact of WA Police on the lives of West Australians, as beneficiaries of the services provided as well as providers of the significant public resources consumed, accountability obligations are extensive and are required to

address multi-faceted information criteria (e.g. financial, legal, political and social). Hence, the decision by the external auditors (Office of the Auditor General (OAG)) as to what extent they rely on the work of the internal auditor has clear ramifications for the efficiency and effectiveness of the audit and how this process enhances public accountability.

Funnell (2003) claimed that attacks on the ability of auditors-general to meet the demands of an ever changing public sector not only brought into question the competencies of public sector auditors but also encouraged suggestions that private sector auditors be allowed greater opportunities to bid for public sector audits. The introduction of private sector auditors is thought to result in a reduction in costs and also an improvement in the quality of public sector audits. Currently a number of jurisdictions sub-contract their audit work to the private sector auditors. Increasing audit effectiveness and efficiency by better leveraging of the work of internal audit is an important avenue for the external auditors (OAG) to consider.

Much of the accountability literature has focused on the power of various types of accountability systems to ensure behavioural compliance by the agent (Broadbent and Laughlin, 2003). Relationships in the public sector are considered more complex than in the private sector and not as easily monitored with contracts. Different forms of accountability mechanisms are used to overcome the risks associated with these complex relationships. Porter (2009, pp.171-172) argued that the development of corporate accountability in recent times has led to a need for an effective and fully integrated "'audit trinity' comprising, external auditors, internal auditors and an audit committee". In order to be effective in ensuring the achievement of accountability, each member of the 'trinity' must have clearly defined complementary roles where open and effective communication plays a pivotal role.

Given the proposed view of accountability in the public sector, based on a distillation of the tenets of agency theory, accountability relationships in an organisation such as WA Police

will be highly complex and the external audit function alone will be challenged as a sole monitoring mechanism. In the WA public sector, and in particular in WA Police, the multi-faceted principal-agent relationships are more likely to be very complex and therefore internal governance mechanisms such as internal audit are more likely to play a complementary role to external audit in mitigating the agency problem and ensuring the discharge of accountability.

#### **4. Research Design and Case Study Background**

Following preliminary ethical clearance from all participating parties, a qualitative approach was adopted for this research using a single case study. Document analysis was combined with structured interviews of nine staff employed in internal audit activities within the WA Police Management Audit Unit (MAU) – both sworn police officers and civilian staff – and seven staff involved in the external audit team from the WA Office of Auditor General (OAG). Notes were taken at the time of interview and participants’ comments were recorded and subsequently transcribed. These transcriptions were then sent back to the relevant participants for confirmation. Key background information for each of the interviewees is provided in Table 1.

[insert Table 1 about here]

In general terms, since the late 1980s, case study research has been seen as a response to the call to develop a greater understanding of how management accounting actually functions in organisations and society (eg Yin, 1994; Kaplan, 1983, 1986; Jensen, 1983; Hopwood, 1978, 1979 and 1983). Focused interviews consisting of both open- and close-ended questions were conducted with questions based on prior literature and discussions with the Assistant Director WA Police MAU.

WA Police is responsible for policing the largest single police jurisdiction in the world, an area covering 2.5 million square kilometres with a structure comprising three regions, 14 districts, 163 police stations and approximately 5,000 police officers. As an integral part of WA Police, the MAU is a small multi-disciplinary team that has been formed to independently appraise the activities, operations and systems of the agency. In line with research considering the role of internal audit in an organisation (see for example, Arena and Azzone, 2009) the MAU provides an internal audit function intended to add value to the management of the agency. It has a legislative mandate to examine all parts of the agency and plays an important role in providing independent advice to management in support of the agency's efficient and effective operation. The MAU undertakes key audit functions including assurance audits and reviews of controls; comprehensive topic audits; coordination of the Business Area Management Review (BAMR) program; and other associated activities such as internet and email monitoring, professional consultation and management initiated reviews. With WA Police covering such a large geographical area, it is impractical for the MAU to audit all districts within its jurisdiction. The BAMR program plays a significant role in achieving the MAU's goals by identifying and addressing weaknesses in the business area's procedures, systems and management practices. Internal governance processes are reviewed to ensure continued compliance with relevant statutory requirements and agency policies as well as the safeguarding of resources within the agency.

The WA OAG is one of four integrity institutions with responsibility for reporting to the Parliament of WA. Established over 180 years ago, the position of Auditor General is responsible for undertaking, amongst other tasks, an assurance audit role over the public sector in that state. The key legislative support for this role is the Auditor General Act (2006) and the FMA (2006). This legislation provides, amongst other things, for the Auditor General to be an independent officer of Parliament and for that Officer's powers in terms of audit and

access to information. Uniquely the Auditor General is required to provide an opinion not only in relation to the financial reports to be tabled in Parliament but two further and separate opinions relating to the effectiveness of controls in each agency and the fair presentation and appropriateness of reported key performance indicators. The Auditor General audits in excess of 200 agencies including the WA Police.

## **5. Findings and Discussion**

In regards to internal audit, WA Police MAU produce an audit plan annually. However, additionally they must respond to requests from the Commissioner of Police or other Management Heads of Department in regards to operational or other high risk audits.

Three major findings were evident. The first was in respect to the perception of reliance placed on the work of the internal auditor by the external audit team. Prior research in public sector internal auditing reports that more than 85% of internal audit functions coordinate the areas of audit coverage with the external auditor, while two thirds coordinate their work schedule (Goodwin, 2004). Findings from previous research indicate that external auditors are provided with a high level of access to internal audit work papers and reports. These results appear consistent with findings here. However, providing access to the external auditor to internal audit working papers and reports is likely to have led to the perception that a high degree of reliance is placed on the work of the internal auditor. Within the MAU itself, confidence was displayed with respondents claiming that the external auditors placed between 80 – 100% reliance on their work. Comments included:

They would rely a lot on my team's efforts, at least 80-100%. (MAU)<sup>1</sup>

The external effort relies so much on what the internal audit does because they have very limited hours that they can devote to auditing an agency this size. Consequently they need to rely very heavily on the internal audit function. (MAU)

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<sup>1</sup> Quotes are only identified as coming from the MAU or OAG. No personal identifiers are included.

On the other hand, the external auditors had an entirely different viewpoint. BAMR audit results were relied upon while MAU audit results were not. According to respondents from the external audit team, a significant reason that BAMR results were relied upon was that it was too costly to send an external audit team to various parts of regional Western Australia. However, external audit was careful to gain an understanding of the work done. As to the other controls, it was found that a maximum of 15% of internal audit work was relied upon.

Not more than 15% - and that is BAMR. (OAG)

I would say that we probably don't rely a lot on internal audit mainly because of the way our methodology is at the time. (OAG)

Reasons for this discrepancy included timing of cycles, duration examined and scope of the audits.

Historically as it turns out the main impediment for our reliance has been the period of reliance. It's just usually the period is too small to rely on efficiently. (OAG)

Questions need to be asked as to why this is a recurring problem. Unfortunately the external auditors do not communicate their lack of reliance to the MAU and so the perceptions of both internal and external audit remained unchanged over a considerable period. A recognition that barriers to communication exist between internal and external auditors is critical before improvements in communication can be made (Brody et al., 1998). There were differences of opinion in regards to all aspects of communication. For example, the external audit team leader considered he communicated well at audit committee meetings and ensured all members were informed of any feedback from the external audit team. However, the MAU Assistant Director and other members of the committee claimed the external auditor seemed intimidated as he very rarely, if ever, volunteered any information. Hence, issues such as inefficiencies discussed earlier in this paper were not raised at pertinent times.

The second finding related to the planning of internal audits. It was obvious that risk management is now considered explicitly in regards to planned and requested audits across the Agency.

It has sharpened our resolve to better identify and allocate our projects or our audit work according to risk. We have now got a recognised framework, a risk management framework that applies right across our organisation that I can use based on what that generates. It acts as a basis to direct our audit resources. Before we did not have that – it was ad hoc, reactive (MAU)

The MAU considered that their annual audit activities included incorporating a 'planned' component whilst at the same time responding to demands from across the agency – particularly from the Commissioner – to conduct ad-hoc audits at various times during the year. Although, from the MAU's viewpoint, the external auditors see the internal audit plan prior to it going to the Audit and Risk Management Committee, very little external input is received.

The external auditors on the other hand claimed they provided input as to the areas they would like the MAU to focus on. Here the relationship appeared to be less than effective due to a perceived lack of communication.

Part of our planning is obviously to consider the work with internal audit. So there we have a meeting with the Assistant Director in the area and one or two of the other guys. We meet with him to see what type of reliance we can place on the work based on the audit planning. Before the audit plan goes to the audit committee we provide input as to what areas we would like them to focus on (OAG)

The external auditor (usually the audit director who takes the role of engagement leader) sits ex officio on the Audit and Risk Management Committee. Additionally, the external auditor meets with the MAU on a regular basis throughout the year. This lack of communication appears less as a result of a lack of opportunity than a lack of a planned approach to audit committee meetings or the fact that more pressing issues may be dealt with at those meetings.

Unique to WA police is the fact that the Audit and Risk Management Committee comprises the Commissioner's Executive (management) Team, with the Commissioner chairing the Committee. As such, often operational issues take precedence in the meetings. For example, in regards to the annual audit plan:

We develop a program and it goes to the Audit and Risk Management Committee, and they say "you beauty, off you go". (MAU)

Finally, the question was raised as to how an internal audit function operating in a jurisdiction which is spread over such a huge geographical area, can effectively and efficiently audit all the areas within the agency. As a control self-assessment tool, *theoretically* it was agreed that BAMR had the potential to be an excellent resource. However, there were still many problems associated with the resourcing of the function using uniformed officers in regional locations. In these areas in particular, where human resources were limited, questions were raised as to the effectiveness of the controls and the ability of the staff to perform these audits.

Often you will see BAMR has issues and so we can't rely on controls from that because the control's not effective. So that's where the issue is because the country towns are not interested in the compliance – they are ignorant or not trained to do so and their priority is not there. Also the staffing level ... there are very few people at some stations [and so] they don't have time (OAG)

In other words it was recognised by the OAG that BAMR may have issues. For example, the competency of the staff to conduct effective internal audits was questioned. Another issue was having sworn police officers conduct the audits:

Officers on the ground think it is something onerous and it has been pushed down on them. Whereas if you said to them, right you have just locked someone up for stealing, you have to do this, that and the other. They understand that very well. I think there has to be more education. The supervisors need to get this right. (MAU)

This was an area where external audit might be considered complementary. However, questions are raised as to the extent to which external audit could realistically rely on such results.

## **6. Implications and Conclusions**

The WA Police has the largest internal audit function of all state government agencies in Western Australia. From an external viewpoint it is seen as one of the most effective and has been recognised with a best practice award annually for the past few years. The external auditors have what appears to be a good working relationship with the agency. However, upon further investigation, there is little effective communication between the two elements when it comes to increasing the efficiency of the audit process. For example, the external auditors consider the period of testing by WA Police is too short and hence they need to re-perform much of the work themselves. Instead of working with WA Police to rectify this problem, they simply accept the situation. This supports the initial enquiry into the relationship between MAU and the external auditors which determined that the external audit was more often supplementary to the MAU's work rather than complementary. In turn this implies an inefficient use of resources and the potential for audit fees to be higher than perhaps is necessary. From the OAG's perspective, if more efficiencies could be achieved, then less audit work would need to be outsourced, thus reducing overall costs required to be recovered. From the agency's perspective, with all public sector agencies recently told they needed to reduce their expenditure by 3%, this is one possible area which could contribute to the reduction.

Additionally communication barriers are likely to have a negative impact on the efficiency of the external audit. With the changes to ASA 610 focusing on communication between the external and internal auditors, this presents an opportunity for improving the coordination between the two parties to contribute to the efficiency and effectiveness of the external audit. Opportunities are likely also to arise to provide training and professional development in the area of communication and coordination between the external auditor and internal auditors.

As the changes to ASA 610 take effect, public sector agencies (via the audit committees) together with the OAG could develop best practice operational procedures around communication between auditors. This, in turn, could lead to increased efficiencies and lower audit fees.

Future research will extend this study to include the WA Police Audit and Risk Management Committee as well as examine more closely the effectiveness of BAMR. It is then intended to expand the research to include all WA state government agencies. As an unique agency, the WA Police has provided insights into why complementary external audit is sometimes unavoidable given insurmountable barriers, such as geographic size of the audit area and risk being interpreted more from an operation rather than a financial perspective. Further investigation will determine if this is the case throughout Australia and in countries such as New Zealand and the United Kingdom. It also provides an opportunity to investigate audit in this unique agency – police – across Australia and the world.

**Table 1: Background to Interviewees**

	Position	Qualifications	Professional Accreditation	PD hours / year	No. of years working in internal audit	No. of years with WA Police
1	Assistant Director	Degree	IIA	40	30	30
2	Coordinator Audit & Review	Diploma	None	0	6	38
3	Principal Review Officer	Masters	None	0	7	24
4	Senior Review Officer	Diploma	None	0	9	40
5	Senior Review Officer					
6	Internal Auditor	Diploma	None	16	6	4.5
7	Coordinator Assurance & Control	Degree	MIM	6	17	21
8	Senior Internal Auditor	Diploma	None	20	5	15
9	Internal Auditor	Masters	None	21	0.75	0.75

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