PEM PAL IA COP AiP Working Group
**Guidance to Audit Engagement Planning**

**A primary question to be addressed**: do we want one or two distinct planning documents.

* One single audit plan
* A separate work program or a risk/control matrix

Expert suggestion:

* A structured and general audit plan, to be used for every audit engagement.
* Plus as an addendum, a risk/control matrix specific for the audit engagement to be performed.

Remember the four phases of an audit engagement:

1. The initial planning
2. The preliminary survey
3. The fieldwork
4. The report

Please mark all the elements you want to see included in the planning documents, and add anything that seems to be missing.

1. **The initial planning**

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| --- | --- | --- | --- |
| # | **Description** | **Yes** | **No** |
|  |  |  |  |
| 1. | Define the preliminary audit objective(s). |  |  |
| 2. | Define the audit scope. |  |  |
| 3. | Identify applicable laws, policies and standards affecting the process or system and related documentation such as the interconnectivity with other processes/systems, process/system risk assessment and process/system roles and responsibilities.  |  |  |
| 4. | Identify previous reports of internal audit and other internal/external assurance providers and consultants related to the process/system under audit. |  |  |
| 5. | Define the required staff skills and expertise. |  |  |
| 6. | Identify the audit team members. |  |  |
| 7. | If technical support is needed, state what, when, who and estimated time/cost.  |  |  |
| 8. | Prepare a time budget plan for the following phases of the audit engagement:* Initial planning
* Preliminary survey
* Field work
* Draft report
* Final report
* Administration
* Supervision
* Quality control
 |  |  |
| 9. | Identify the relevant frameworks (criteria) for this audit engagement. |  |  |
| 10. | Prepare an Engagement Memorandum that includes:* Audit objectives and scope
* Estimated starting and completion dates
* Audit team
* Logistics and access rights required
* General questionnaire of background information needed
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| 11. | Schedule a kick-off meeting with the auditees. |  |  |

1. **The preliminary survey**

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| # | **Description** | **Yes** | **No** |
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| 1. | Gain knowledge of the area being audited by reviewing related documents, conducting interviews and observing the processes and functions.  |  |  |
| 2. | Obtain the organizational chart of the area being audited and the job descriptions of staff members.  |  |  |
| 3. | List the major segments/processes of the area under review and reference to the detailed narratives or flowcharts for each.  |  |  |
| 4. | Include completed samples of input and output documents, forms and reports.  |  |  |
| 5. | Obtain or draft narratives and flowcharts of the processes being audited.  |  |  |
| 6. | Obtain auditee sign off on narratives and flowcharts to ensure accurate representation. |  |  |
| 7. | Finetune the original audit objective(s). |  |  |
| 8. | Finetune the original audit scope. |  |  |
| 9. | Analyze the strengths and weaknesses of the major processes in the narratives and flowcharts.  |  |  |
| 10. | Prepare a Risk/Control Matrix that identifies the following for each preliminary audit objective:* the risks and expected controls for each objective
* actual practices that fulfill each element (strength) or the absence of such (weakness) with work paper reference to the flowchart or narrative
 |  |  |
| 11. | Discuss the design of controls with the auditees. |  |  |
| 12. | Conclude on the adequacy of controls. |  |  |
| 13. | Prepare a summary of proposed modifications to the audit scope and objectives and prioritize the objectives in order of significance.  |  |  |
| 14. | Develop the detailed fieldwork program in the Risk/Control Matrix to include test steps for each objective as well as the sampling plans.  |  |  |
| 15. | Prepare the working papers for the audit engagement. |  | ²² |
| 16. | Submit working papers for review and clear subsequent review notes. |  |  |

1. **The fieldwork**

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| --- | --- | --- | --- |
| # | **Description** | **Yes** | **No** |
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| 1. | Perform testing as specified on the detailed fieldwork program in the Risk/Control Matrix. |  |  |
| 2. | Ensure that testing results are discussed with affected personnel as encountered.  |  |  |
| 3. | For each testing section prepare a Conclusion Summary stating objective, conclusion, procedures and summary of the prioritized results of testing which substantiate conclusions.  |  |  |
| 4. | Submit working papers for review and clear subsequent review notes. |  |  |
| 5. | Review work to ensure that working papers are complete:* Have a heading, state name of the function examined, description of the contents of the work paper, period of the audit, and detailed fieldwork program steps performed.
* Have a page number, initial and date.
* State purpose, source, scope and conclusion.
 |  |  |
| 6. | Submit working papers for review and clear subsequent review notes. |  |  |
| 7. | Prepare overall conclusions with regard to adequacy and effectiveness of controls. |  |  |
| 8. | Discuss conclusions with operational managers and directors, document the results. |  |  |

1. **The report**

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| # | **Description** | **Yes** | **No** |
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| 1. | Prepare a draft report:* Write report introduction, background and scope.
* Consolidate conclusion summary into the report.
* Write memo for less significant items.
* Submit report for review and clear review notes.
* Set up the Closing Meeting and distribute Draft Report.
* Conduct Closing Meeting to brief on the audit results and request a date for completion of the corrective action plan. (Note: If any material changes to the audit report are identified, establish the date for revised report to be issued.)
 |  |  |
| 2. | Obtain a corrective action plan:* Analyze the corrective action plan for adequacy and document.
* Advise management of any apparent inadequacies in the corrective action plan and resolve.
 |  |  |
| 3. | Prepare a final report:* Add the revised corrective action plan to the revised draft report and prepare the final report.
* Integrate comments from the auditees if applicable.
* Submit the final report for review and clear review notes.
* Distribute the final report.
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**The Risk / Control Matrix**



Components

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| --- | --- | --- | --- |
| **#** | **Description** | **Yes** | **No** |
|  |  |  |  |
| 1. | Name of (sub)process |  |  |
| 2. | Inherent risk(s) to (sub)process |  |  |
| 3. | Risk rating |  |  |
| 4. | Expected mitigating controls |  |  |
| 5. | Tests of control design |  |  |
| 6. | Conclusion on control adequacy |  |  |
| 7. | Tests of control implementation |  |  |
| 8. | Conclusion on control effectiveness |  |  |
| 9. | Overall conclusion |  |  |