

A.1 Engagement Planning

Learning Outcomes:

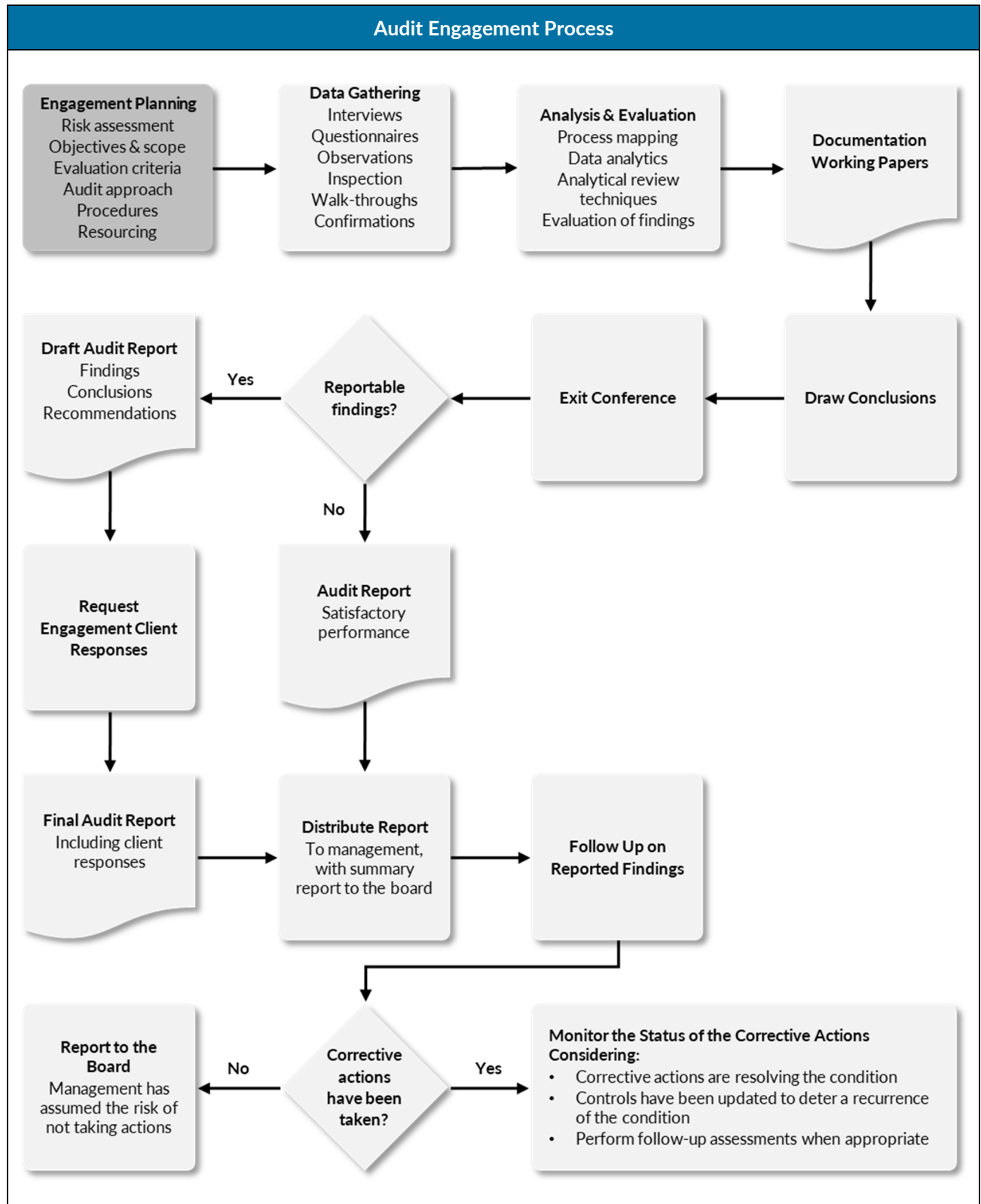
1. Determine engagement objectives and scope
 - a. Recognize elements to be considered in the development of engagement objectives.
 - b. Identify and document relevant scope limitations during planning.
 - c. Evaluate approaches for managing and documenting stakeholder requests.
 - d. Identify effective methods for addressing changes in objectives and scope.
2. Determine evaluation criteria based on relevant information gathered
 - a. Identify the most relevant criteria for evaluating the activity under review
 - b. Determine whether a set of evaluation criteria is specific, practical, relevant, aligned with the objectives of the organization and the activity under review, and produces reliable comparisons
3. Plan the engagement to assess key risks and controls.
4. Determine the appropriate approach for an engagement
 - a. Evaluate various approaches such as agile, traditional, integrated, and remote auditing to determine the most suitable approach.
 - b. Describe project management concepts as they relate to planning and conducting an engagement.
5. Complete a detailed risk assessment of each activity under review.
6. Determine engagement procedures and prepare the engagement work program
 - a. Determine procedures to evaluate control design.
 - b. Identify procedures to test the effectiveness of controls.
 - c. Identify procedures to test the efficiency of controls.
 - d. Evaluate the adequacy of the engagement work program.
 - e. Identify testing methodologies for an engagement that includes accounting, finance, IT systems, business operations, or cybersecurity.
7. Determine the level of resources and skills needed for the engagement.
 - a. Determine financial resources required for the engagement.
 - b. Determine human resources required for the engagement.
 - c. Determine technological resources required for the engagement.
 - d. Evaluate implications of resource limitations.

Introduction

- A. Performing internal audit services requires internal auditors to effectively:
 1. Plan engagements.
 2. Conduct the engagement work to develop findings and conclusions.
 3. Collaborate with management to identify recommendations and/or action plans that address the findings.
 4. Communicate with management and the personnel responsible for the activity under review throughout the engagement and after it closes.
- B. The steps in performing engagements are not always distinct, linear, and sequential. In practice, the order in which steps are performed may vary by engagement and have overlapping and iterative aspects. For example, engagement planning includes gathering information and assessing risks, which may continue throughout the engagement. Each step may affect the other steps or the engagement as a whole.

C. Three Levels of Planning

1. It is important to distinguish between the three levels of planning in the internal audit function. Generally, planning is a continuous process throughout the internal audit function's operations and over several time spans. The types of plans may be combined into less or more levels depending on the organization and nature of engagement, but generally, there are three basic levels of planning:
 - a. **Internal audit plan** – for each period, the CAE develops an internal audit plan that identifies the engagements and other internal audit services anticipated to be provided during the period. This plan should be the result of the risk assessment of the entire organization.
 - b. **Engagement Plan** – for each engagement, the internal auditor develops an engagement plan which is based on a detailed risk assessment of the engagement area and identifies the engagement objectives, scope and evaluation criteria.
 - c. **Engagement Work Program** – is a document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.
 2. The internal audit plan will be discussed in Section-B of Part-3. The engagement plan and the engagement work program will be discussed in this section.
- D. The following chart summarizes the basic steps of the entire audit engagement. The first step “Planning Engagement” will be covered in this section. The remaining steps will be covered in the following sections.



Engagement Planning

Principle 13: Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

Related Standards

- 13.1 Engagement Communication
- 13.2 Engagement Risk Assessment
- 13.3 Engagement Objectives and Scope
- 13.4 Evaluation Criteria
- 13.5 Engagement Resources
- 13.6 Work Program

- A. **Engagement Planning** – According to the IIA’s glossary, engagement planning is a process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.
- B. During the planning phase, the CAE normally:
1. Determines the engagement period covered, estimated duration and completion dates.
 2. Considers the final engagement communication. This consideration includes:
 - a. Format of final communications.
 - b. How, when, and to whom engagement results will be communicated.
 3. Determines the level of direct supervisory needs of the audit staff, specific to the engagement plan.
 4. Informs all those in management who need to know about the engagement. Further, meetings may be held with management responsible for the activity under review and topics for discussion may include:
 - a. Planned engagement objectives and scope of work.
 - b. The timing of engagement work.
 - c. Internal auditors assigned to the engagement.
 - d. The process of communicating throughout the engagement, including the methods, time frames, and individuals who will be responsible. (The how, when, and to whom engagement results will be communicated is the CAE’s responsibility).
 - e. Business conditions and operations of the activity being reviewed, including recent changes in management or major systems.
 - f. Concerns or any requests of management.
 - g. Matters of particular interest or concern to the internal auditor.
 - h. Description of the internal audit function’s reporting procedures and follow-up process.
- C. During the engagement’s planning stage, internal auditors will determine the level of formality and documentation needed. Throughout the engagement planning process, internal auditors typically retain documentation from discussions and conclusions reached during meetings and include such documents in the engagement workpapers.
- D. Engagement planning involves the following basic steps:
1. Understanding the context and purpose of the engagement.
 2. Gathering information to understand the area or process under review.

3. Performing a detailed risk assessment of the area to be reviewed to prioritize risk/control factors.
4. Forming engagement objectives and scope based on results of the risk assessment.
5. Identifying or developing evaluation criteria.
6. Determining the appropriate approach for an engagement.
7. Determining engagement audit procedures.
8. Allocating appropriate resources to the engagement.
9. Developing engagement work program.
10. Documenting the plan.

Understanding the Purpose and Context

- A. Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. Understanding the engagement purpose and context enables internal auditors to plan effectively and ensure that the goals and objectives set forth in the annual internal audit plan are accomplished.
- B. To obtain an understanding of the engagement context, internal auditors may also examine the alignment between the organization and the area or process under review, particularly with regard to the following elements:
 1. Mission, vision, and strategic objectives.
 2. Structure and processes related to governance, risk management, and control.
 3. Policies and procedures.
 4. Risk priorities.
- C. Internal auditors must consider whether the engagement is a request for assurance or advisory services, because stakeholders' expectations and the Standards' requirements differ depending on the type of engagement. For example:
 1. The objectives and scope of assurance engagements may differ significantly from those of advisory engagements. The objectives and scope for assurance engagements are determined primarily by the internal auditors, whereas the objectives and scope for advisory engagements are typically jointly established by the internal auditors and the management of the activity under review.
 2. A formal, documented risk assessment is necessary for assurance engagement, whereas it may not be necessary for advisory engagements depending on the agreement with relevant stakeholders.
 3. Evaluation criteria must be identified for assurance engagements. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

Gathering Information to Understand the Area

- A. Internal auditors must develop an understanding of the activity under review to assess the relevant risks.
- B. When planning engagements, internal auditors gather the information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding:
 1. The organization's strategies, objectives, and risks relevant to the activity under review. This must include identifying the criteria that management uses to measure whether the activity is achieving its objectives.

2. The organization's risk tolerance, if established.
 3. The risk assessment supporting the internal audit plan.
 4. The governance, risk management, and control processes of the activity under review.
 5. Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.
- C. To develop such understanding, internal auditors should start with obtaining an understanding of:
1. The organization's annual internal audit plan, including the discussions that led to its development, and the reasons the engagement was included. Engagements included in the internal audit plan may arise from the internal audit function's organization-wide risk assessment or from stakeholder requests.
 2. Any significant changes affecting the organization since the audit engagement was included in the annual internal audit plan.
 3. The organization-wide risk assessment and any other risk assessments recently conducted (such as those completed by management) in order to help internal auditors identify risks relevant to the activity under review.
 4. The results of work performed by other internal or external assurance providers and/or prior audit results from the area to be reviewed in the upcoming engagement.
 5. The strategies, objectives, and risks related to the area to be reviewed in the upcoming engagement.
 6. Stakeholders' expectations regarding the upcoming engagement.
- D. Internal auditors should examine the alignment between the organization and the activity under review. Internal auditors gather and consider information about the organization's strategies and processes for governance, risk management, and control processes, as well as the organization's objectives, policies, and procedures. Internal auditors should consider how these aspects of the organization relate to the activity under review and to the engagement.
- E. To gather information, in the planning phase, internal auditors may perform the following actions:
1. Review risk assessments recently conducted by the internal audit function, management, or external service providers. The objectives considered should include those related to:
 - a. Compliance.
 - b. Financial reporting.
 - c. Operations or performance.
 - d. Fraud.
 - e. Information technology.
 - f. Strategy.
 - g. Internal audit plans.
 2. Review communications of engagements previously performed by:
 - a. The internal audit function.
 - b. Other assurance and advisory service providers, such as financial, environmental, social responsibility, and governance.
 3. Review workpapers from previous engagements.
 4. Review reference materials, including authoritative guidance from The IIA and other bodies, laws, and regulations relevant to the organization's sector, industry, and jurisdiction.
 5. Consider the relevant risk categories of the organization, including strategic, operational, financial, and compliance.

6. Consider risk tolerance, if it has been defined.
 7. Use organizational charts and job descriptions to determine who is responsible for relevant information, processes, and other aspects of the activity under review.
 8. Understand and map the process flow and controls in the area or process under review.
 - a. A high-level process map, which depicts the broad inputs and outputs, helps internal auditors in obtaining an understanding of the area or process under review in order to identify the risks that could affect the achievement of business objectives.
 - b. Internal auditors may create a process map or refer to one that has already been documented, if they can verify that it is accurate and current.
 - c. Process maps enable internal auditors to identify and better understand:
 - i. The systems and information that should be considered when determining the engagement objectives and scope.
 - ii. How critical information is used in the process under review, and which information is relevant to the engagement.
 - iii. Who has the ability to access critical information.
 - iv. Points in the process where controls may be missing or where there are opportunities for improvements.
 9. Inspect physical property of the activity under review.
 10. Examine documentation from the information owner or outside sources, including management's policies, procedures, flowcharts, and reports.
 11. Examine websites, databases, and systems.
 12. Inquire through interviews, discussions, or surveys.
 - a. Interviewing relevant stakeholders is a critical step that helps internal auditors better understand the objectives, design, operations, and control environment of the area or process under review.
 - b. Internal auditors commonly interview stakeholders such as:
 - i. Personnel who perform the steps in a process.
 - ii. Management.
 - iii. IT personnel.
 - iv. Legal counsel.
 - v. Compliance officers.
 - vi. Contracted third parties.
 13. Observe a process in action.
 14. Meet with other assurance and advisory service providers.
- F. Internal auditors must review the gathered information to understand how processes are intended to operate.

Passing Tip:

Considerations when planning the engagement include:

- The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.

- The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model, such as COSO frameworks or ISO 31000.
- The opportunities for making significant improvements to the activity's governance, risk management, and control process.

Performing Engagement Risk Assessment

- A. The engagement risk assessment allows internal auditors to identify and prioritize the risks to determine the engagement objectives and scope.
- B. In the engagement risk assessment, internal auditors must identify the risks to review by:
 - 1. Identifying the potentially significant risks to the objectives of the activity under review.
 - 2. Considering specific risks related to fraud.
 - 3. Evaluating the significance of the risks and prioritizing them for review.
- C. To perform the engagement risk assessment, internal auditors use the gathered information to understand and document:
 - 1. The objectives of the activity under review.
 - 2. The risks that could affect the achievement of each objective.
 - 3. The controls intended to manage each risk.
- D. When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.
- E. Internal auditors may create a chart, spreadsheet, risk and control matrix, process narrative, or other tool to document the risks and the controls designed to manage these risks. Such documentation enables internal auditors to apply professional judgment, experience, and logic to consider the information gathered in the context of the activity under review and to estimate the significance of the risks in terms of a combination of impact, likelihood, and possibly other risk factors.
- F. **Identifying Risks and Controls** – One effective way to document engagement-level risks and controls is to create a chart showing the relevant risks and controls, such as a risk and control matrix.
 - 1. **Risk and Control Matrix** is a tool commonly used by internal auditors to identify, organize, and assess the risks that may impact the business objectives of the area under review, as well as any mitigating controls. The significance of each risk can then be represented on a basic graph, such as a heat map.
 - a. The risk and control matrix is populated with information gathered throughout the engagement planning process. The format of a risk and control matrix may vary; however, the basic elements of the matrix may include:
 - i. **Business Objective** – Each objective of the area under review.
 - ii. **Inherent Risk** – Individual inherent risks to achieving the business objectives. Inherent risks are the risks that could occur if no controls were implemented to mitigate the risk.
 - iii. **Impact** – The degree to which each identified inherent risk could affect achievement of the business objective. Impact is commonly described as high, medium, or low and should consider financial and nonfinancial factors.
 - iv. **Likelihood** – The probability of the occurrence of each identified inherent risk, commonly in terms of high, medium, or low.

- v. **Control** – The controls intended to mitigate each risk, which were identified during the information-gathering step. Internal auditors may add columns to the risk and control matrix to categorize the controls in terms of:
- **Criticality** of the control.
 - **Type** – Preventative or detective.
 - **Automation** – Manual, systemic, or semi-automated. (Semi-automated controls are manual controls that rely on application functionality, such as an exception report.)
 - **Frequency** – Annually, quarterly, monthly, weekly, daily, or per transaction.
- b. Risk and Control Matrix can assist the internal audit function in:
- i. Identifying objectives and the risks to achieving them.
 - ii. Determining the significance of risks, taking into consideration the impact and likelihood.
 - iii. Ascertaining the appropriate response to significant risks (e.g. accept, pursue, transfer, mitigate, or avoid).
 - iv. Ascertaining the key controls management uses to manage risks.
 - v. Evaluating the design adequacy of controls to help determine whether it may be appropriate to test controls for effectiveness.
 - vi. Testing controls that have been deemed adequately designed to determine whether they are operating as intended.
- c. The following is an example of a risk and control matrix.

Risk and Control Matrix				
Objectives	Inherent Risk	Impact	Likelihood	Control
Objective 1	Risk 1	L	H	Authorization from a higher level of management is required.
	Risk 2	H	M	No control is in place
Objective 2	Risk 1	M	L	Biometric access controls are in place
	Risk 2	L	M	Duties are segregated
Objective 3	Risk 1	H	H	No control is in place

G. Prioritizing Risks

1. The risks to be addressed during the engagement should be prioritized according to significance. This is often illustrated by plotting the risks on a graph, such as a heat map, based on the likelihood of the risk occurring and its potential impact. Such documentation should be retained as part of the engagement workpapers.
2. For the most significant risks, assessing the adequacy of the design of the controls helps internal auditors determine which controls to continue testing for operating effectiveness.

3. Heat Map

- a. A heat map is a basic graph that internal auditors can create to visually represent the combined significance of the risk ratings from the risk and control matrix. The combined significance may be shown by plotting the risk's impact along one axis and likelihood along the other axis. Risks with a higher likelihood of occurrence and the greatest impact are generally given the highest priority for testing.
- b. Once the heat map has been created, internal auditors can easily identify the significant risks that need to be included when forming the engagement objectives.

H. The Effectiveness of the Design of the Control System

1. After conducting the detailed risk assessment of the area under review and identifying the controls and other techniques for managing the major risks, internal auditors should be able to draw a preliminary conclusion on the effectiveness of the design of the control system.
2. Later in the testing stage, internal auditors determine whether those controls and techniques are working as intended. Internal auditors may still detect some design issues during testing, however, much of the design evaluation should be conducted during the planning phase.

I. Examples of Evidence of Conformance with the requirements of the Standards regarding the engagement risk assessment: Workpapers documenting:

1. Relevant organizational strategies, objectives, and risks of the organization.
2. Objectives of the activity being reviewed.
3. Governance, risk management, and control processes of the activity under review.
4. Organizational charts and job descriptions.
5. Notes and/or photographs from direct observation or inspection.
6. Policies and procedures of the activity under review.
7. Relevant laws and/or regulations and documented compliance assessments.
8. Relevant information gathered from websites, databases, and systems.
9. Notes from interviews, discussions, or surveys.
10. Relevant information from previously completed risk assessments and engagements and the work of other assurance providers.
11. Each risk's significance and the adequacy of the control design.

Engagement Objectives and Scope

The Standards clearly state that internal auditors must establish and document the objectives and scope for each engagement.

- A. **Engagement objectives** are statements that articulate the purpose of an engagement and describe the specific goals to be achieved.
1. The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.
 2. Engagement objectives are typically developed based on key risks of the area under review that were identified during risk assessment.
 3. Internal auditors should align the engagement objectives with the business objectives of the activity under review, as well as with those of the organization.
 4. The objectives of assurance engagements determine the priorities for testing the controls of processes and systems during the engagement. These include controls designed to manage risks related to:
 - a. Assignment of authority and responsibility.
 - b. Compliance with policies, plans, procedures, laws, and regulations.
 - c. Reporting accurate, reliable information.
 - d. Effectively and efficiently using resources.
 - e. Safeguarding assets.

Passing Tip:

- Considerations when establishing engagement objectives include:
- The objectives and control procedures of the area under review
- Factors NOT considered include:
- The qualifications of the audit staff selected for the engagement
 - Recommendations of the auditee's employees
 - The recipient of the audit reports

- B. **Engagement Scope** – Once the engagement objectives have been established, internal auditors should use professional judgment and consult with the engagement supervisor as necessary to determine the scope of engagement work.
1. The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.
 2. When determining the scope, internal auditors should consider each engagement objective independently to ensure that it can be accomplished within the scope.
 3. **Scope limitations** must be discussed with management when identified, with the goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal auditors from performing the work as expected in the audit work program.
 - a. If a resolution cannot be achieved with management, the chief audit executive must elevate the scope limitation issue to the board according to an established methodology.
 - b. Internal auditors should consider whether requests from the engagement stakeholders for items to be included in or excluded from the scope, or restrictions on the length of the engagement, constitute a scope limitation.

- C. Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.
 - 1. **For assurance engagements**, the objectives and scope are determined primarily by the internal auditors.
 - 2. **For advisory engagements**, the objectives and scope are typically jointly established by the internal auditors and the management of the activity under review.
- D. Properly defining the engagement objectives and scope before the engagement starts enables internal auditors to:
 - 1. Focus efforts on the risks relevant to the activity under review based on the results of the engagement risk assessment.
 - 2. Develop the engagement work program.
 - 3. Avoid duplicating efforts or performing work that does not add value.
 - 4. Determine the engagement timeline.
 - 5. Allocate appropriate and sufficient resources to complete the engagement.
 - 6. Communicate clearly with management and the board.
- E. Internal auditors must communicate the objectives, scope, and timing of the engagement with management. Subsequent changes must also be communicated with management in a timely manner.
- F. **Changes to Objectives and Scope**
 - 1. Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.
 - 2. The CAE must approve the engagement objectives and scope and any changes that occur during the engagement.
- G. **Examples of Evidence of Conformance** with the requirements of the Standards regarding the engagement objectives and scope:
 - 1. Engagement planning memorandum.
 - 2. Engagement workpapers documenting:
 - a. Alignment of objectives and the engagement risk assessment.
 - b. Scope that achieves the engagement objectives.
 - c. Approved engagement work program containing the engagement objectives and scope.
 - d. Minutes from meetings with stakeholders about the engagement objectives and scope.
 - e. Scope limitations and requests from engagement stakeholders for items to be included or excluded.
 - f. Final engagement communication.

Passing Tip:

Responsibility for Engagement Objectives

- Internal auditor and internal audit supervisor ⇒ Responsible
- CAE ⇒ Ultimate responsibility for engagement objectives
- Audit committee ⇒ Responsible for the objectives of the annual audit plan

Passing Tip:**Risk Assessment**

Distinguish between the three levels of risk assessments:

1. Organization-wide risk assessment, which could be a separate function and is the responsibility of the organization's management. The internal auditor's role could either be assurance on the function or assistance in establishing or managing the function (but the latter impairs independence).
2. Risk assessment conducted by the internal audit function during annual planning to identify and prioritize risks that will require internal audit attention to assist in the engagement selection process.
3. Risk assessment during the planning phase of each engagement to identify significant areas of activity that must be examined as potential engagement objectives.

Evaluation Criteria

- A. Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope.
- B. Internal auditors must assess the extent to which the board and senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals.
 1. If such criteria are adequate, internal auditors must use them for the evaluation.
 2. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with the board and/or senior management.
- C. **Criteria** refer to the standards, measures, or expectations used in making an evaluation and/or verification (what should exist).
- D. As part of gathering information and planning the engagement, internal auditors identify the criteria used by the organization to evaluate the effectiveness and efficiency of the governance, risk management, and control processes of the activity under review. The criteria should:
 1. Be adequate.
 2. Represent the desired state of the activity.
 3. Be specific and practical.
- E. Internal auditors compare the criteria (what should exist) against the existing state (condition).
 1. For example, if an engagement objective is to assess the effectiveness of the control processes in the activity under review, the criteria could be the expected results or outcomes of the activity's control processes, while the condition is revealed by the actual outcomes.
- F. **Adequacy of the Criteria**
 1. Adequate criteria are essential for:
 - a. Identifying a difference between the desired state and the condition, which represents potential findings.
 - b. Determining the significance of the findings and reaching meaningful conclusions.
 2. Adequate criteria are:
 - a. Relevant to the engagement.
 - b. Aligned with the objectives of the organization and the activity under review.
 - c. Produce reliable comparisons.

3. Internal auditors use professional judgment to determine whether the organization's criteria are adequate. Examples of adequate criteria include:
 - a. Internal (policies, procedures, key performance indicators, or targets for the activity).
 - b. External (laws, regulations, and contractual obligations).
 - c. Authoritative practices (frameworks, standards, guidance, and benchmarks specific to an industry, activity, or profession).
 - d. Established organizational practices.
 - e. Expectations based on the design of a control.
 - f. Procedures that may not be formally documented.
 4. When evaluating the adequacy of the criteria, internal auditors should determine whether the organization has:
 - a. Established basic principles to define appropriate governance, risk management, and control processes.
 - b. Developed and clearly articulated its risk tolerance, including materiality thresholds for various business units, functions, or processes.
 - c. Adopted or clearly articulated a satisfactory level of control.
 - i. For example, satisfactory could mean that a certain percentage of transactions within one control objective are conducted in accordance with established control procedures or that a certain percentage of controls overall are working as intended.
 5. Internal auditors may determine that management's criteria lack detail or are otherwise inadequate. Internal auditors may assist management in determining adequate criteria or may seek input from experts to help identify or develop relevant criteria. Management's criteria may appear adequate generally, but internal auditors may suggest better criteria for the engagement.
 6. When the criteria used by the activity under review are inadequate or nonexistent, internal auditors may recommend that management implement the criteria identified by the internal auditors. The discussion about the lack of adequate criteria may lead to a decision to provide advisory services.
- G. **For advisory services**, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.
- H. Internal auditors should inform the management of the activity under review of the criteria to be used during the engagement. The agreed-upon criteria should be documented to preclude misinterpretation or challenge by the management of the activity under review.
- I. **Examples of Evidence of Conformance** with the requirements of the Standards regarding the evaluation criteria:
1. Workpapers documenting the sources of criteria considered and the process used to determine the adequacy of the criteria used.
 2. Documentation, such as meeting minutes, a planning memorandum, or an email, indicating internal auditors' discussion of criteria with the management of the activity under review and/or the board.

Passing Tip:

Management is responsible to establish criteria, but if management did not identify standards for measurement or if such standards are vague, the auditor needs to seek agreement with management on the standards needed to measure performance. As a last measure, the auditor may formulate criteria believed to be adequate, and perform the audit in relationship to the alternative criteria.

Maturity Models

The IIA's Practice Guide "Selecting, Using, and Creating Maturity Models"

- A. **Maturity Models** establish a systematic basis of measurement for describing the "as is" state of a process. A process's maturity can then be compared to management's expectations or contrasted with the maturity of other similar processes for benchmarking purposes.
1. Organizations may use a maturity model to describe their developmental state or their processes in relation to established expectations of control and management. A low level of maturity implies a lower probability of success in consistently meeting an objective, while a higher level of maturity implies a higher probability of success.
 2. Maturity models exist to help organizations move from less mature processes to more mature processes. They help the organization identify current weaknesses and gaps in capability, and identify its current level of maturity, and then plot a strategy for improving to the next level of maturity.
- B. Auditors may use maturity models **as criteria** to assess business processes as part of assurance engagements, thus providing an easy-to-communicate understanding of the governance, risk, or control environment under review. In the absence of defined criteria for a process, the auditor can work with management to define adequate criteria using a maturity model.
- C. **Benefits of Maturity Models** – Maturity models, when appropriately designed, provide:
1. A framework for envisioning the future, the desired state, and the development of improvement plans.
 2. Benchmarks for the organization to compare its processes internally or externally.
 3. A mechanism to provide insight into the improvement path from an immature to a mature process.
 4. A disciplined method that comparatively is easy to understand and implement.
- D. **Building and Using Maturity Models** – Auditors with the appropriate proficiency, or in conjunction with management or outside experts, can construct models that are fit for purpose. Building a model involves three steps, and using the model involves 5 additional steps:
1. **Step 1: Determine the purpose of the model and its components** – The objective to be addressed should first be defined in order to build a model that supports the objective. For example, the objective may be to assess systems development lifecycle success, sales process excellence, or environmental safety. With the objective in mind, the components that drive that objective are then identified. Components are those categories of process attributes relevant and necessary to meet the objective being assessed.
 2. **Step 2: Determine the scale** – Once the components are identified, the auditor should determine what scale would be used. While many variations of maturity models exist, all models generally have levels from 0 to 5 that describe an organization, management process, control set, or other element of an organization's operations. Level 0 is usually some variation of nonexistent of controls or ad hoc execution, while level 5 is usually considered a high maturity, sustainable, and/or optimized process. The followings are examples of maturity levels from well-known maturity models:
 - a. Compliance and Ethics Program Maturity Model, by the IIA's Research Foundation (IIARF):
 - i. Level 1 – Initial
 - ii. Level 2 – Repeatable
 - iii. Level 3 – Defined
 - iv. Level 4 – Mature
 - v. Level 5 – World Class

b. **Public Sector Internal Audit Capability Maturity Model, by the IIA** – In addition to applying the maturity model to different processes within the organization, internal audit also can perform an assessment of its own processes by tailoring the maturity model framework. The example levels below are from a model published by the IIA that was built for assessing public sector internal audit departments, but can easily be adapted and applied to all sectors:

- i. Level 1 – Initial
- ii. Level 2 – Infrastructure
- iii. Level 3 – Integrated
- iv. Level 4 – Managed
- v. Level 5 – Optimizing

3. **Step 3: Develop the expectations for each component level** – The next step is to define the expectations regarding what should be in place for a process to have met a given level for each component being assessed.
4. **Step 4: Set a target for each component** – Once the scale and components are defined, the next step is to determine the organization’s target maturity level for each component. For example, level 5 may not be an organization’s goal, as the cost to achieve level 5 may at times exceed the benefits.
5. **Step 5: Assess the level of maturity by component** – Finally, the auditors assess the process itself through observation, inquiry, re-performance, and other appropriate tests to determine the current maturity of the process
6. **Step 6: Consider what the model may have missed** – Using a maturity model does not preclude an auditor from the responsibility to consider for the specific process under review what the model may be missing in terms of risk mitigation and control guidance. Auditors must apply due professional care in determining the level of analysis beyond just the application of the model necessary to fulfill their engagement scope.
7. **Step 7: Report on conclusions** – For each component of the process under review, the internal auditor reports on the expected level of maturity and the current level. Where gaps exist, the auditor will want to work with management to develop recommendations for improvement.
 - a. Auditors also should disclose in their report:
 - i. The source of the model.
 - ii. How the model was constructed and who participated in the construction.
 - iii. Why the selected model is valid for the process and objective.
8. **Step 8: Revisit the model regularly** – After applying the model, internal audit will want to revisit how each of the model elements when implemented appears to be achieving the desired process outcomes.

E. Internal Audit Considerations when Using Maturity Models

1. When using or developing maturity models, the auditor should:
 - a. Consider whether the model is fit for the purpose.
 - b. Independently determine what “maturity level” of the model is adequate to meet an objective.
 - c. Independently determine whether management has established adequate criteria in the selection and application of the model, if management has determined the level of maturity that is considered adequate.
2. Maturity models involve a certain level of subjectivity. Therefore, caution is warranted when providing assurance to management that a process is adequately controlled based on an assessment driven by a maturity model.

3. Care should be taken not to apply the model as a simple checklist. The use of a maturity model does not preclude an auditor from the responsibility to consider for the specific process under review what the model may be missing in terms of risk mitigation and control guidance.
4. Auditors – and management – must be cautious not to overstate the probability that a given level of process maturity will achieve a specified outcome over time.

Audit Approaches

In the planning phase of the engagement, the internal auditors should determine the appropriate approach for the engagement. The auditors may choose one or more of the following approaches:

- A. **Traditional Auditing** – is a structured and methodical approach that adheres to a predefined annual audit plan and a standardized set of procedures.
 1. **Features**
 - a. Follows a standardized and systematic process.
 - b. Audit scope and objectives are set during the planning phase and rarely change.
 - c. Primarily focused on compliance with rules, regulations, and internal controls.
 - d. Relies heavily on documentation, checklists, and prescribed procedures.
 - e. Auditors work on-site and perform audits according to a fixed schedule.
 2. **Advantages**
 - a. Clear structure and consistency in the audit process.
 - b. Well-suited for regulatory compliance and areas with stable risks.
 3. **Limitations**
 - a. Less adaptable to dynamic or fast-changing risks.
 - b. May not address emerging issues in a timely manner.
 - c. Can be time-consuming and inflexible.
 - d. Less emphasis on the overall effectiveness and efficiency of business processes.
- B. **Integrated Auditing** – is an approach that examines multiple aspects of an organization (financial, operational, IT, compliance, and more) in a unified manner. It reflects the growing recognition that risks and controls are interconnected across business functions, requiring a holistic view to provide comprehensive assurance.
 1. An integrated audit differs from a traditional audit in terms of scope and overall complexity. A traditional audit and an integrated audit differ in scope and depth and breadth of coverage. For example, a traditional audit may focus on financial or operational aspects while an integrated audit will take a more global approach that looks at several aspects including, but not limited to, financial, operational, IT, regulatory, compliance, environmental, and fraud.
 2. **Features**
 - a. Combines financial, operational, IT, and compliance audits into a single, comprehensive audit process to address cross-functional risks and controls.
 - b. Evaluates interconnected risks and controls across different business units and functions.
 - c. Involves auditors with expertise in various domains (e.g., IT, finance, operations).
 - d. Analyzes how risks in one area impact other areas and risks.

3. **Advantages**
 - a. Provides a holistic view of the organization's risks and controls and can improve efficiency by avoiding duplication of efforts.
 - b. Improves efficiency by avoiding redundant audits.
 - c. Enables auditors to provide more valuable insights to management.
 4. **Limitations**
 - a. Can be complex to manage and may require more specialized knowledge and coordination among different audit teams.
 - b. Needs auditors with diverse skill sets.
 - c. May require significant changes to existing audit processes and systems.
- C. **Agile Auditing** – applies principles from agile project management to the internal audit process. It emphasizes flexibility, collaboration, and speed in adapting to evolving risks and stakeholder needs.
1. **Features**
 - a. Auditors work in short, time-boxed cycles or "sprints" and continuously re-evaluate and prioritize risks.
 - b. Involves close engagement and collaboration with stakeholders throughout the audit lifecycle.
 - c. Prioritizes high-risk areas and delivers insights continuously.
 - d. Adjusts audit plans dynamically based on changing organizational priorities.
 - e. Utilizes data analytics and technology to gain real-time insights.
 2. **Advantages**
 - a. Highly flexible and increases responsiveness to emerging risks.
 - b. Allows for faster identification and resolution of issues.
 - c. Enhances stakeholder satisfaction through constant communication and quick feedback loops.
 - d. Promotes continuous improvement.
 3. **Limitations**
 - a. Requires cultural change and adaptability within audit teams.
 - b. Demands strong communication among team members and stakeholders.
 - c. May require significant upfront investment in technology and training.
- D. **Remote Auditing** – involves conducting audit activities without being physically present at the audit location, using digital tools and technology.
1. **Features**
 - a. Leverages video conferencing, email, and virtual collaboration tools for communication.
 - b. Relies on the collection and analysis of electronic data and digital evidence.
 - c. Uses platforms for data analytics, document sharing, and real-time monitoring.
 2. **Advantages**
 - a. Enables auditing of geographically dispersed teams or remote locations.
 - b. Reduces travel costs and environmental impact.
 - c. Allows for audits to continue even during disruptions like the COVID-19 pandemic.

3. **Limitation**
 - a. May face difficulties in accessing some physical records or verifying physical controls.
 - b. Relies on technology infrastructure and cybersecurity safeguards.
 - c. May require adjustments to audit procedures and methodologies.
 - d. May face challenges with maintaining the same level of communication and trust as in-person audits.
- E. Determining the most suitable audit approach depends on the organization's needs, risk profile, and maturity level. For example:
 1. Agile auditing is ideal for fast-paced, risk-heavy industries.
 2. Traditional auditing remains suitable for highly regulated sectors.
 3. Integrated auditing works best for organizations with complex, interdependent systems.
 4. Remote auditing is critical in geographically diverse or pandemic-affected scenarios.
- F. In planning and conducting an engagement, internal auditors utilize project management techniques relevant to the engagement. Project management is discussed in topic A.2 of this section.

Engagement Procedures

- A. Engagement procedures (also referred to as engagement audit procedures or audit procedures) are specific steps conducted during the audit to achieve the engagement's objectives. After identifying the risks and the objectives of the engagement, the auditor determines the procedures to be performed and the scope (nature, timing, and extent) of those procedures. Engagement procedures performed within an appropriate scope are the means to derive conclusions related to the engagement objective.
- B. Engagement procedures, including testing and sampling techniques, need to be selected in advance where practicable, and expanded or altered when warranted. These engagement procedures are documented in the engagement work program.
- C. Engagement procedures for identifying, analyzing, evaluating, and recording information must be established. By completing the audit procedures, the internal auditor would be able to reach conclusions on the established audit objectives, and by reaching conclusions on the established audit objectives, the internal auditor would be able to reach conclusions on the overall engagement objectives.
- D. **Engagement Procedures and Internal Controls**
 1. When an auditor's preliminary evaluation of internal controls results in an observation that controls may be inadequate, the auditor expands audit work (by conducting extensive substantive audit procedures) prior to the preparation of the engagement final communication.
 2. When an auditor's preliminary evaluation of internal controls results in an observation that controls are adequate, the auditor documents the related controls, and the reasons behind justifying reliance on existing controls, including documentation of testing those controls. Reliance on existing controls does not eliminate the need for substantive testing, but the extent and sample sizes of such substantive testing may be limited.

Passing Tip:

Audit procedures include data gathering and data analyzing procedures. CIA candidates should be able to determine which of the available audit procedures is appropriate in a specific situation. Audit procedures are covered in Section-B of Part-2.

Engagement Resource Allocation

- A. When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives. Internal auditors must consider:
 - 1. The nature and complexity of the engagement.
 - 2. The time frame within which the engagement is to be completed.
 - 3. Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.
- B. Identifying and assigning resources is typically handled by an internal auditor designated to lead and supervise the engagement (the auditor in charge).
- C. To determine the type and quantity of resources needed, the engagement supervisor should:
 - 1. Understand the information gathered and developed throughout engagement planning.
 - 2. Pay special attention to the nature and complexity of work to be performed.
 - 3. Apply professional judgment to assign resources based on:
 - a. The steps identified in the work program to achieve the engagement objectives.
 - b. The time that each step is expected to take.
 - 4. Consider constraints that may affect the engagement's performance, such as the number of hours budgeted, timing, logistics, and communications in multiple languages.
- D. The following are also evaluated to determine the necessary appropriate resources:
 - 1. The number and experience level of the internal auditing staff required.
 - 2. Knowledge, skills, and other competencies of the internal auditing staff would be considered in selecting internal auditors for the engagement.
 - 3. Training needs of internal auditors would be considered, since each engagement assignment serves as a basis for meeting developmental needs of the internal auditing function.
 - 4. Available technologies that may be helpful or necessary to perform the engagement.
- E. Planning the engagement requires determining whether the available resources are appropriate and sufficient or additional resources are necessary to complete the engagement.
 - 1. **Appropriate** refers to the mix of knowledge, skills, and other competencies needed to perform the engagement.
 - 2. **Sufficient** refers to the quantity of resources needed to accomplish the engagement with due professional care.
- F. Internal auditors should consider the most efficient and effective application of available financial, human, and technological resources.
- G. **Resource Limitations** – If the available resources are inappropriate or insufficient, internal auditors must discuss their concerns with the CAE to obtain the resources. The CAE is responsible for discussing with senior management and the board the implications of resource limitations and determining the course of action to take. Such actions may include for example:
 - 1. Providing additional training to the existing internal audit staff.
 - 2. Performing closer supervision.
 - 3. Obtaining external competent advice or assistance to fill any gaps.
 - 4. Reducing the engagement scope when the CAE is unable to obtain the necessary resources.

- H. Any significant changes to the resource requirements that may also affect the overall internal audit functions' resource requirements are communicated to senior management and the board for review and approval.
- I. **Examples of Evidence of Conformance** with the requirements of the Standards regarding engagement resources:
 1. Approved engagement work program showing utilization of appropriate and sufficient resources.
 2. Planning documentation analyzing the engagement's resourcing needs and assignment of resources.
 3. Post-engagement survey of the management of the activity under review inquiring about timeliness and resource adequacy.
 4. Contracts and/or relationships with external service providers.

Engagement Work Program

- A. **Engagement Work Program**, as defined in the IIA's glossary, is a document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.
- B. Internal auditors must develop and document an engagement work program to achieve the engagement objectives.
- C. The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.
- D. The engagement work program must identify:
 1. Criteria to be used to evaluate each objective.
 2. Tasks to achieve the engagement objectives.
 3. Methodologies, including the analytical procedures to be used, and tools to perform the tasks.
 4. Internal auditors assigned to perform each task.
- E. The engagement work program is based on the engagement objectives and scope. It is typically prepared after the auditor has obtained background information, determined the necessary resources, and performed a preliminary survey.
- F. Work programs should also include:
 1. References to work performed during the planning phase.
 2. A place to add:
 - a. The name of the internal auditor who completed the work.
 - b. The date the work was completed.
 - c. An indication of review and approval of the various tasks completed.
 3. The sampling methodology, population, sample size, and whether the results can be projected to the population.
- G. To ensure effectiveness, each engagement procedure in the work program should be designed to test a particular control that addresses a specific risk. The work program may be developed by linking the risks and controls identified during the engagement risk assessment with a testing approach to be implemented. As analyses and evaluations are conducted, internal auditors may link the risks and controls to the findings and conclusions.

H. Documenting the Adequacy of the Control Design

1. Evaluating the adequacy of the control design may be completed as part of engagement planning, because it helps internal auditors clearly identify key controls to be further tested for effectiveness.
 2. The evaluation of the adequacy of the control design should be documented in either the work program or a separate workpaper.
 3. However, the most appropriate time to perform this evaluation depends on the nature of the engagement. If it is not completed during planning, the control design evaluation may occur:
 - a. During engagement planning.
 - b. As a specific stage of engagement performance.
 - c. While performing tests of the effectiveness of the controls.
- I. **For advisory services**, the work program should be developed in collaboration with the stakeholders who requested the service.
- J. The CAE must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.

Passing Tip:

If during the course of an audit, an auditor determined that there is a need for significant procedures not currently covered by the current program, the auditor would typically evaluate whether completion of the audit as planned will be adequate. If it is decided to expand or change the work program, the CAE must review and approve the changes promptly.

- K. Work programs should be developed and documented in such a way that ensures all members of the engagement team understand what they need to do, and which tasks remain to be performed. Well-documented work programs assist in communicating roles, responsibilities, and tasks to the members of the engagement team.
- L. **Examples of Evidence of Conformance** with the requirements of the Standards regarding work program:
1. Workpapers supporting the development of the work program, such as:
 - a. Risk and control matrix with testing approach.
 - b. Maps or descriptions of control processes.
 - c. Notes on evaluation of the adequacy of the control design.
 - d. Plan for additional testing.
 - e. Minutes, notes, or documentation from planning meetings during which tasks and procedures were determined.
 - f. Complete engagement work program with documented approval.
 - g. Documented approval of changes to the work program.

Passing Tip:

When preparing an audit program, the following are essential:

- The performance of a preliminary survey.
- A review of material from prior audit reports.
- A review of the measurement criteria or performance standards set by management.

Documenting the Plan

- A. Documentation of the engagement plan should cover the planning considerations, engagement scope, objectives, resource allocations, and the approved engagement work program.
- B. During planning, internal auditors document planning information in engagement workpapers. This information becomes part of the engagement work program that must be established to achieve the engagement objectives. Therefore, the work program can be considered as a documentation of the audit planning process.
- C. The process of establishing the engagement objectives and scope may produce any or all of the following workpapers that should be part of planning documentation:
 - 1. Process map.
 - 2. Summary of interviews and brainstorming sessions.
 - 3. Preliminary risk assessment (e.g., risk and control matrix and heat map).
 - 4. Rationale for decisions regarding which risks to include in the engagement.
 - 5. Criteria that will be used to evaluate the area or process under review.

Section A.1 Quiz

1. QUC 13291

In a preliminary risk assessment, the next step after determining the impact of a risk is to:

- a. Determine the likelihood of the risk.
- b. Report the issue to senior management when the impact is high.
- c. Recommend an appropriate control.
- d. Report the issue to senior management and the board when the impact is high.

2. QUC 13288

In order to establish audit objectives for an audit engagement of a specific process, the first step would be to:

- a. Understand the business objectives of the process.
- b. Conduct a risk assessment to understand the governance, risk management, and controls of the process.
- c. Determine the scope of the audit engagement.
- d. Review the related IIA's guidance.

3. QUC 13276

Which of the following is included in the 'Scope' statement of the audit engagement report?

- a. Determining the adequacy of internal controls over the procurement processes.
- b. The audit engagement covers the period from January to June 2024.
- c. Overall, the internal controls over the sales department are adequate.
- d. 7 percent of the procurement transactions were not authorized properly.

4. QUC 13278

Which of the following statements is correct regarding engagement work programs? Work programs:

- a. Cannot be adjusted during fieldwork.
- b. Can be adjusted during fieldwork subject to approval by audit management.
- c. Can be adjusted during fieldwork subject to approval by senior management.
- d. Can be adjusted during fieldwork subject to approval by management of the audited area.

5. QUC 13265

Which of the following audit objectives would be appropriate in an audit of the efficient use of an organization's facilities?

- a. To determine whether rates to lease office space for the organization are reasonable when compared to market lease rates.
- b. To determine whether facilities are procured competitively.
- c. To determine whether the actual capacity is reasonable compared to the needed capacity.
- d. To determine whether employees are satisfied with the allocation of office space among departments.

6. QUC 13252

Which of the below is the first course of action to be taken by the internal auditor when the auditor discovers that management did not establish criteria or standards for performance measurement?

- a. The internal auditor should immediately stop the engagement due to scope limitation.
- b. The internal auditor should seek agreement with management as to the standards needed to measure performance.
- c. The internal auditor should rely on his knowledge and experience to set appropriate standards for performance measurement.
- d. The internal auditor should communicate the issue to the audit committee to decide what should be the next action.

7. QUC 13233

As a particular audit is being planned in a high-risk area, the director of internal auditing determines that the available staff does not have the requisite skills to perform the assignment. The best course of action consistent with audit planning standards would be to:

- a. Not perform the audit, since the requisite skills are not available.
- b. Use the audit as a training opportunity and let the auditors learn as the audit is performed.
- c. Consider using external resources to supplement the needed knowledge, skills, and disciplines and complete the assignment.
- d. Perform the audit but limit the scope in light of the skill deficiency.

8. QUC 13215

Audit engagement programs testing internal controls need to:

- a. Be tailored for the audit of each operation.
- b. Be generalized to fit all situations without regard to departmental lines.
- c. Be generalized so as to be usable at various international locations of an organization.
- d. Reduce costly duplication of effort by ensuring that every aspect of an operation is examined.

9. QUC 13203

Internal auditors must plan each audit. Audit planning must be documented. The planning process includes all the following, except:

- a. Establishing audit objectives and scope of work.
- b. Obtaining background information about the activities to be audited.
- c. Collecting audit evidence on all matters related to the audit objectives.
- d. Determining how, when, and to whom the audit results will be communicated.

10. QUC 13195

Which of the following would be an appropriate objective for an audit of the human resources department?
Determining if:

- a. Hourly employees are being paid only for hours actually worked as indicated by timecards or similar reports.
- b. An equitable training program exists that provides all employees with approximately the same amount of training each year.
- c. Reference checks for prospective employees are being performed.
- d. Recruitment is being delegated to the various departments that have needs for human resources.

Section A.1 Quiz Answers

1. QUC 13291

Answer (a) is correct. In risk assessment, risks are measured in terms of significance by two factors, impact and likelihood. In order to complete the risk assessment, the auditor should first determine these two factors.

2. QUC 13288

Answer (a) is correct. Internal auditors can formulate the preliminary objectives of engagements through a review of the annual internal audit plan and prior engagement results, discussions with stakeholders, and considerations of the mission, vision, and business objectives of the area or process under review.

Not (b) because risk assessment cannot be conducted before understanding the objectives of the process in order to determine the risks to achieving these objectives.

Not (c) because the scope is determined after establishing the objectives.

Not (d) because reviewing the related IIA's guidance can be helpful in general, but is not related to the objective of the question.

3. QUC 13276

Answer (b) is correct. The engagement scope defines the boundaries of the work performed, the activities audited, and the time period covered by audit work.

Not (a) because this is included in the statement of purpose or objective of the engagement.

Not (c) because this is included in the results under the 'Opinion' section.

Not (d) because this is included in the results under the 'Observations' section.

4. QUC 13278

Answer (b) is correct. According to the IIA's guidance, work programs must be approved by internal audit management before the commencement of audit fieldwork. However, with new information and knowledge gained during fieldwork, the audit program may be adjusted, subject to prompt approval by internal audit management.

5. QUC 13265

Answer (c) is correct. The goal of this audit is to test the efficient use of an organization's facilities.

Generally, efficiency is a measure of the extent to which input is well used for an intended output.

Determining whether the actual capacity is reasonable compared to the needed capacity is an appropriate audit objective for measuring efficiency. For example, if the actual capacity of the organization facilities is larger than the needed capacity, then there is a waste in using the facilities.

6. QUC 13252

Answer (b) is correct. Management is responsible for establishing criteria, but if management did not identify standards for measurement, or if such standards are vague, the auditor needs to seek agreement with the auditee as to the standards needed to measure performance. As a last measure, the auditor may formulate criteria believed to be adequate, and perform the audit in relationship to the alternative criteria.

7. QUC 13233

Answer (c) is correct. Proper planning includes documented determination of resources including consideration of supplementation.

Not (a) because the director is responsible for staffing each assignment as needed to meet the audit objectives.

Not (b) because training is to be properly supervised and the department does not have anyone with knowledge in this area to provide supervision.

Not (d) because this is not the best course of action. If the requisite skills are not accessible through supplementation, this might be necessary, but the resource constraint should be communicated to management in an interim report.

8. QUC 13215

Answer (a) is correct. A tailored program will be more relevant to an operation than a generalized program.

Not (b) because a generalized program cannot take into account variations resulting from changing circumstances and varied conditions

Not (c) because as in answer (b).

Not (d) because not every aspect of an operation needs to be examined, only those likely to contain issues and risks.

9. QUC 13203

Answer (c) is correct. Planning includes establishing audit objectives and scope of work, obtaining background information about the activities to be audited, determining the resources necessary to perform the audit, communicating with all who need to know about the audit, performing, as appropriate, an on-site survey to become familiar with the activities and controls to be audited, to identify areas for audit emphasis, and to invite management of the activity under review to comment and provide suggestions; writing the audit program; determining how, when, and to whom audit results will be communicated, and obtaining approval of the audit work plan. Evidence is collected during fieldwork, not planning.

Not (a) because the planning process includes establishing audit objectives and scope of work.

Not (b) because the planning process includes obtaining background information.

Not (d) because the planning process includes determining how, when, and to whom the audit results will be communicated.

10. QUC 13195

Answer (c) is correct. An effective human resources function is necessary for hiring, training, and monitoring human resources. One purpose of this function is to recruit, select, hire, train, supervise, and evaluate individuals who are suitable in light of job requirements, job descriptions, and job specifications (the abilities needed for particular jobs). In an audit of this function, an appropriate objective is to determine whether the selection process is being properly performed. Thus, potential employee's references should be checked to determine whether (s)he is truthful and has the desired qualifications.

Not (a) because it states an objective of an audit of payroll.

Not (b) because employees do not need the same annual training.

Not (d) because the human resources department should usually perform recruiting tasks.