



SECTION I.1 - AUDIT ENGAGEMENT PLANNING

Ref.	Policy and Practice Requirements	IIA Standards references
I.1-1	<p><u>Policy:</u> The Head of Internal Audit shall ensure that persons assigned to each assurance or consulting engagement collectively possess the necessary knowledge, skills, and other competencies to conduct the engagement appropriately.</p>	<p>1200 – Proficiency and Due Professional Care</p> <p>Engagements must be performed with proficiency and due professional care.</p> <p>Practice Advisory 1200-1: Proficiency and Due Professional Care</p>
I.1-2	<p><u>Policy:</u> Internal Auditors shall apply due professional care through adequate planning conducted prior to assurance and consulting assignments</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The following policies and practice requirements are designed to guide the Internal Auditors as to the appropriate planning processes to ensure they apply due professional care. 	<p>Standard 1220 - Due Professional Care</p> <p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p>
	<p>ASSURANCE ENGAGEMENTS</p>	
I.1-3	<p><u>Policy:</u> The planning records for each assurance audit engagement shall comprise:</p> <ul style="list-style-type: none"> (a) preliminary survey, which records the results of pre-audit information gathering to assist with the planning of the audit; (b) terms of reference, agreed with Center management, which sets out the audit objectives, scope, period of coverage, 	<p>Standard 2200 – Engagement Planning</p> <p>Internal auditors must develop and document a plan for each engagement, including the scope, objectives, timing and resource allocations.</p> <p>Standard 2210 - Audit</p>



	<p>internal audit resource allocation, timing (including those for audit visits for site work), and the audit reporting process;</p> <p>(c) audit programs, which record the tests and other procedures to be carried out to meet the audit objectives and scope.</p>	<p>Objectives - Objectives must be established for each engagement.</p>
<p>I.1-3:1</p>	<p>Practice Requirement:</p> <p>For most types of assurance engagements, Internal Auditors should complete a preliminary survey to obtain and analyze information to assist with the planning of the engagement, well ahead of the planned start of the engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The preliminary survey may be made, or at least started, during the preparation of the medium term and annual internal audit work plans, but should be updated or completed near the time the audit is expected to start, and prior to the development of the proposed audit terms of reference ▪ A preliminary survey for an assurance engagement should normally gather information on: <ul style="list-style-type: none"> <i>Control environment</i> <ul style="list-style-type: none"> ○ the volume of activity, objectives, organization, locations and processes to be reviewed, for the period to be covered by the planned audit; ○ policies, plans, procedures, laws, regulations, and contracts, which could have a significant impact on operations and reports. ○ Other control environment aspects such as managerial tone and operating style, 	<p>Standard 2210.A1 - Audit Objectives – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment</p> <p>Standard 2201 Planning Considerations</p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> - The objectives of the activity being reviewed and the means by which the activity controls its performance; - The significant risks to the activity, its 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 processes compared to a



	<p>and assignments of responsibility</p> <p><i>Risk assessment</i></p> <ul style="list-style-type: none"> ○ the risks which are being managed by the unit, location or process and the results of any recent risk and control self assessments ○ the risk appetite of management, i.e. the accepted trade off between control and risk exposure. <p><i>Control activities</i></p> <ul style="list-style-type: none"> ○ the overall system of internal controls governing the unit, location or process (though not at a detailed level, this will be examined during the audit) <p><i>Monitoring</i></p> <ul style="list-style-type: none"> ○ the results of past internal and external audits, EPMRs, CCERs or internal reviews carried out. Internal auditors should reconcile this information with that obtained from risk and control self-assessments; ○ the results (current, recent trends) of performance indicators where available for the unit, location or process, or particular problems or events which indicate vulnerabilities in the policies, processes or systems to be audited. Internal auditors should reconcile this information with that obtained from risk and control self-assessments; <p><i>Information and communications</i></p> <ul style="list-style-type: none"> ○ the information systems being used to support the unit, location or process and whether it would be appropriate to include the use of computer-assisted audit tools and other data analysis techniques 	<p>relevant control framework or model; and</p> <ul style="list-style-type: none"> - The opportunities for making significant improvements to the activity's risk management and control processes. <p>Practice Advisory 2200-1: Engagement Planning</p> <p>Practice Advisory 2210.A1-1: Risk Assessment in Engagement Planning</p> <p>Standard 1220.A1 Due Professional Care - The internal auditor must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> - Extent of work needed to achieve the engagement's objectives. - Relative complexity, materiality, or significance of matters to which assurance procedures are applied. - Adequacy and effectiveness of governance, risk management and control processes. - Probability of significant errors, fraud, or noncompliance.
--	---	--



	<ul style="list-style-type: none"> ○ reports and communication on the unit, location or process to be audited <p><i>Others</i></p> <ul style="list-style-type: none"> ○ aspects which Center or unit/location/process managers wish to see included in the audit; ○ information on planned or possible changes in the unit, location or process which may influence the objectives and scope of the audit, or whether to proceed with the audit at all on cost-benefit grounds. ○ the Center and CGIAR policies, and external benchmarks which will be used in the audit. For system implementation audits, these may be general IT industry as well as specific (vendor or other) system standards and benchmarks to be used in the audit assessment <ul style="list-style-type: none"> ▪ The preliminary survey may include “walk throughs” of procedures to gain a full understanding of the process and controls to be audited ▪ Where the assurance engagement is to audit the operations of a regional, country or other outreach office or experimental station, the preliminary survey should identify the location of original vouchers supporting the expenditures of these offices/stations. Some Centers require all original vouchers to be kept at HQ, others allow document retention. Normally, voucher audits should be conducted on originals not on photocopies kept in the offices. Where the vouchers are sent to HQ, the audit visits may have to be planned in two stages, one at HQ for voucher testing, and the other at the office to complete other parts of the audit. ▪ As part of the preliminary survey, the 	<p>- Cost of assurance in relation to potential benefits</p> <p>Standard 1220.A2 Due Professional Care - In exercising due professional care the internal auditor must consider the use of technology-based audit and other data analysis techniques.</p> <p>Standard 1220.A3 Due Professional Care - The internal auditor must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.</p>
--	--	--



	<p>Internal Auditor should hold meetings or (if the auditor is remote) communicate electronically with management responsible for the activity being examined. A summary of matters discussed and any conclusions reached should be prepared, distributed to individuals, as appropriate, and retained in the engagement working papers. These may be in the form of electronic mail messages. Topics of discussion may include:</p> <ul style="list-style-type: none">○ Planned engagement objectives and scope of work.○ The timing of engagement work.○ Internal auditors assigned to the engagement.○ The process of communicating throughout the engagement, including the methods, time frames, and individuals who will be responsible.○ Business conditions and operations of the activity being reviewed, including recent changes in management or major systems.○ Concerns or any requests of management.○ Matters of particular interest or concern to the internal auditor.○ Description of the internal auditing activity's reporting procedures and follow-up process.▪ Evaluating the types of risks helps Internal Auditors decide the scope of the audit. The internal auditor should consider management's assessment of risks relevant to the activity under review. The internal auditor will want to take into account:<ul style="list-style-type: none">○ Management's own assessment of controls related to risks.○ The reliability of management's	
--	--	--



	<p>assessment of risk.</p> <ul style="list-style-type: none">○ Management’s monitoring and reporting of risk issues.○ Management reports of events that have exceeded the agreed limits for risk toleration.○ Whether there are risks identified by management elsewhere in the organization in related activities or supporting systems that may be relevant to the activity under review. <ul style="list-style-type: none">▪ Knowing the Center management’s risk appetite with regard to the unit, location or process to be audited helps the Internal Auditor evaluate the adequacy of the controls in place. It may not always be cost-effective to control risks to a level where residual risk is very low, and recommendations which are inconsistent with this principle will likely not add value.▪ In determining the period of coverage of the planned audit, the Internal Auditor should consider adopting:<ul style="list-style-type: none">○ A period since the last independent audit or review of the unit, location or process;○ A period which will efficiently provide sufficient coverage to provide a clear result in terms of the audit objectives, for the purpose of management making decisions on the unit, location or process going forward.▪ Sometimes assurance audit engagements may be requested at short notice by Center management. In these cases there may be less time to conduct a preliminary survey but sufficient information should be gathered to enable a soundly based terms of reference for the engagement to be prepared.	
--	--	--



	<ul style="list-style-type: none"> ▪ Where the assurance audit engagement is a standard, repetitive item in the Center’s annual internal audit work plans (e.g. compliance audits of payroll, inventory control and bank reconciliations; annual internal attest audits of project financial statements; routine analysis of financial system transactions using audit software) and is carried out either once per year or in stages throughout the year, the preliminary survey should be conducted during the preparation of the annual internal audit work plan, and can be limited to updating a standard set of planning information for these types of audit engagements. ▪ The preliminary survey may indicate the need to cancel or postpone the proposed audit engagement. In such cases the Head of Internal Audit shall discuss and agree a decision on this with Center management. ▪ The CGIAR Internal Auditing Unit is preparing standard preliminary survey questionnaires for assurance audits of units, locations or processes which are commonly audited. These are intended to help Internal Auditors efficiently carry out the surveys, but should be customized as necessary for the particular planned engagement. The current versions of the available questionnaires are made available to all Internal Auditors via the CGIAR IA website. 	
<p>1.1-3:2</p>	<p>Practice Requirement:</p> <p>Preliminary surveys should include assessment of the significance – to the unit, location or topic – of errors, fraud and non-compliance with Center policies, and where these are a significant factor, the engagement objectives should be developed so that controls over these risks are adequately covered.</p>	<p>Standard 2210.A2 – Engagement Objectives -</p> <p>Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.</p>



	<p>Discussion:</p> <ul style="list-style-type: none"> • Not all audit topics will include financial management or accounting, and so financial reporting errors or financial fraud will not be relevant risks for all audits. However they should always be relevant for audits of financial management or accounting topics, and audits of locations with these as elements. • For many audits, compliance with Center or CGIAR policies and reliability of operational reporting will be relevant considerations. In some cases compliance with host country laws, regulations and standards will be relevant and this should be identified in the preliminary survey. 	
<p>1.1-3:3</p>	<p>Practice Requirement:</p> <p>When relying on audit evidence obtained in a prior audit, the Internal Auditor shall perform audit procedures to establish that it was correctly interpreted, continues to be relevant and can be accepted for the current audit.</p>	
<p>1.1-3:4</p>	<p>Practice Requirement:</p> <p>The Internal Auditor shall prepare a summary of results from the preliminary survey.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The summary should identify: <ul style="list-style-type: none"> ○ Significant engagement issues and reasons for pursuing them in more depth. ○ Pertinent information acquired from all sources. ○ Engagement objectives, engagement procedures, and special approaches such as computer-assisted audit techniques. ○ Potential critical control points, control 	<p>Practice Advisory 2210.A1-1: Risk Assessment in Engagement Planning</p>



	<p>deficiencies, and/or excess controls.</p> <ul style="list-style-type: none"> ○ Whether the audit coverage will provide reasonable or only limited assurance ○ Preliminary estimates of time and resource requirements. ○ Revised dates for reporting phases and completing the engagement. ○ When applicable, reasons for not continuing the engagement, e.g. the cost of assurance would be disproportionate to the potential benefits, in view of the size of the activity to be audited or imminent changes which may limit or fully offset the value to be obtained from the audit. 	
<p>I.1-3:5</p>	<p>Practice Requirement:</p> <p>Following appropriate internal quality review (within the Internal Audit team for the Center), draft terms of reference for assurance engagements, taking into account the results of the preliminary survey, shall be sent to the Center and direct audit client management as far ahead as possible, so that they can comment and make suggestions on the proposed engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The draft terms of reference should be issued for comment to audit client management by the Auditor in Charge ▪ All those in management who need to know about the engagement should be sent a copy of the draft terms of reference. ▪ The CGIAR Internal Auditing Unit is preparing standard assurance audit terms of reference for units, locations or processes which are commonly audited. These are intended to help Internal Auditors efficiently prepare these documents, but 	



	<p>should be customized as necessary for the particular planned engagement. The current versions of the available standard audit terms of reference are made available to all Internal Auditors via the CGIAR IA website.</p> <ul style="list-style-type: none"> ▪ Where the assurance audit engagement is a standard, repetitive item in the Center’s annual internal audit work plans (e.g. compliance audits of payroll, inventory control and bank reconciliations; annual internal attest audits of project financial statements; routine analysis of financial system transactions using audit software) and is carried out either once per year or in stages throughout the year, a “blanket” terms of reference may be developed. If already reviewed in previous years by current audit client management and there is no requirement to change them due to system, process or organizational changes, the terms of reference do not need to be re-issued each year as draft and final versions, but may be referred to in the annual audit work plan and in planning communications with the audit client. 	
<p>I.1-3:6</p>	<p>Practice Requirement:</p> <p>Final terms of reference for assurance engagements, taking into account comments and suggestions received on the draft, shall be issued by the Head of Internal Audit to the Director General (or other designated managers where a different protocol is agreed with the Center) ahead of the start of the audit.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The final terms of reference serve as the record of the agreed objectives (including whether reasonable or limited assurance is to be provided), scope, resource allocation, 	



	<p>timing, details of audit visits, and reporting process. They also serve as the basis for developing the audit programs.</p>	
I.1-3:7	<p>Practice Requirement:</p> <p>Internal Auditors shall make appropriate linkage, during the audit planning, between the assurance engagement objectives and the risks relevant to the unit, location or process to be audited</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Engagement objectives are broad statements developed by internal auditors and define what the engagement is intended to accomplish. ▪ Engagement objectives and procedures should address the risks associated with the activity under review. The risk assessments carried out by the unit or the Center as part its enterprise risk management system should be consulted during the preliminary survey. 	<p>Practice Advisory 2210.A1-1: Risk Assessment in Engagement Planning</p> <p>Practice Advisory 2210-1: Engagement Objectives</p>
I.1-3:8	<p>Practice Requirement:</p> <p>The audit scope, as presented in the assurance engagement terms of reference, shall be structured according to the COSO Integrated Control Framework, which has been adopted by the CGIAR (see FG3).</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Normally, all assurance engagements should cover all the 5 elements of the COSO framework i.e. control environment, risk analysis, control activities, monitoring and information and communications. However in some cases one or more elements may not be relevant. 	<p>Standard 2220 Engagement Scope - The established scope must be sufficient to satisfy the objectives of the engagement.</p>



<p>I.1-3:9</p>	<p>Practice Requirement:</p> <p>The audit scope, as presented in the assurance engagement terms of reference, shall indicate the relevant systems, records, organizational units and locations to be covered in the audit, and whether the audit will involve examinations of such aspects in third parties who are providing related services to the Center.</p>	<p>Standard 2220.A1</p> <p>Engagement Scope - The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.</p>
<p>I.1-3:10</p>	<p>Practice Requirement:</p> <p>Internal auditors shall determine appropriate and sufficient resources to achieve engagement objectives. Staffing shall be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. If an appropriate match or availability of staffing to the assignment is not possible from within the Internal Audit team, the Head of Internal Audit shall discuss this with Center management and agree on an alternative course of action (hire of an external expert, reduce scope, defer the assignment).</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ In determining the resources necessary to perform the engagement, evaluation of the following is important: <ul style="list-style-type: none"> ○ The number and experience level of the internal auditing staff required should be based on an evaluation of the nature and complexity of the engagement assignment, time constraints, and available resources. ○ Knowledge, skills, and other competencies of the internal audit staff should be considered in selecting internal auditors for the engagement. 	<p>Standard <u>2230 - Engagement Resource Allocation</u></p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives, based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.</p> <p>Practice Advisory 2230-1: Engagement Resource Allocation</p>



	<ul style="list-style-type: none"> ○ Training needs of internal auditors should be considered, since each engagement assignment serves as a basis for meeting developmental needs of the internal auditing activity. ○ Consideration of the use of external resources in instances where additional knowledge, skills, and other competencies are needed. 	
I.1-3:11	<p>Practice Requirement:</p> <p>The terms of reference shall indicate how, when, and to whom the engagement results will be communicated.</p>	Practice Advisory 2200-1: Engagement Planning
I.1-3:12	<p>Practice Requirement:</p> <p>Draft and final terms of reference for assurance engagements shall include a statement that the objectives and scope may be modified during the course of the audit, in consultation with Center management.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The terms of reference may need to be amended during the audit, based on the results of testing, new information coming to light that was not available during the preliminary survey phase, or agreed reductions in the audit objectives and scope for other reasons. Having this statement in the terms of reference ensures that Center and audit client management are aware of this possibility and helps avoid disputes over the process. 	
I.1-3:13	<p>Practice Requirement:</p> <p>Changes to assurance audit objectives and scope during the course of the audit should be adequately communicated to management and documented in the audit working papers</p>	



<p>I.1-3:14</p>	<p>Practice Requirement:</p> <p>Audit programs shall be prepared, subject to internal quality review (within the Center internal audit team) and updated during the course of assurance audit as necessary, to guide the audit effort and ensure adequate coverage of the agreed objectives and scope. The programs establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The programs shall be structured around:</p> <ul style="list-style-type: none">▪ the audit objectives;▪ the potential risks related to the audit objectives; and▪ the control criteria identified to measure the adequacy of preventive and detective internal controls and other activities in place to mitigate the risks. <p>Discussion:</p> <ul style="list-style-type: none">▪ Audit planning at this level is a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of the audit procedures, the Internal Auditor may need to modify the plan. Modifications should be subject to the same internal quality control as the original plan.▪ Except for sensitive engagements where confidentiality of the audit procedures is desirable, assurance audit programs can be shared with audit clients and suggestions encouraged▪ The CGIAR Internal Auditing Unit is preparing standard assurance audit programs for units, locations or processes which are commonly audited. These are intended to help Internal Auditors efficiently carry out the audits, but should	<p>Standard 2240 - Engagement Work Program</p> <p>Internal auditors must develop and document work programs that achieve the engagement objectives.</p> <p>Standard 2240.A1 Engagement Work Program - Work</p> <p>programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.</p> <p>Standard 2210.A3 Control</p> <p>- Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must</p>
------------------------	---	---



	<p>be customized as necessary for the particular planned engagement. The current versions of the available standard audit programs are available to all Internal Auditors via the CGIAR IA website.</p> <ul style="list-style-type: none"> ▪ The Good Practice Notes prepared by the CGIAR Internal Audit Unit provide guidance on the audit criteria to be used in the audit programs, based on common risks associated with the units, processes or locations that are the subject of the Notes. The current versions of the available Good Practice Notes are available to all Internal Auditors via the CGIAR IA website. 	<p>work with management to develop appropriate evaluation criteria.</p> <p>Practice Advisory 2200-1: Engagement Planning</p> <p>Practice Advisory 2240-1: Engagement Work Program</p>
<p>I.1-3:15</p>	<p>Practice Requirement:</p> <p>The control criteria may be already well established via Center policies and manuals. However the adequacy of these for use in the audit shall be assessed in discussion with management and evaluated against external good practice where this is available. These external benchmarks shall be shared with and discussed with audit clients to gain their acceptance.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ In some cases the Center’s policies and manuals may not adequately cover all risks identified in the preliminary survey, or may be out of date. In such cases they should only be used as audit criteria where suitably supplemented or updated, in discussion with audit clients. ▪ While the inputs of audit clients is important, the Internal Auditor must have the final word on the control criteria to be used in the assurance engagement, otherwise there are risks of audit scope limitation. In the unusual situation where 	



	<p>there are significant disagreements with audit clients on the control criteria, these should be clearly identified, and the reasons for disagreement discussed with Center management.</p>	
I.1-3:16	<p>Practice Requirement:</p> <p>The control criteria used in the audit shall take into account management’s risk appetite as identified in the preliminary survey.</p>	
I.1-3:17	<p>Practice Requirement:</p> <p>Assurance engagement programs shall incorporate, when relevant, audit procedures that will test the controls around the related financial accounting and reporting.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ This may include, for testing of transactions and events, the testing of financial reporting assertions for occurrence, completeness, cut-off (including treatment of accruals), accuracy and presentation/disclosure. ▪ This may include, for testing of balances at the end of a period, the testing of financial reporting assertions for existence, completeness, valuation and allocation, and rights and obligations ▪ Typical audits where this may be relevant are the audits of management of liquid assets, tangible assets, accounts payable and receivable, disbursements and financial system controls. ▪ This approach may assist the external auditor to rely on internal audit work and thereby reduce their own efforts and related cost. 	
I.1-3:18	<p>Practice Requirement:</p> <p>The assurance engagement program shall document the procedures to be followed for</p>	



	<p>collecting, analyzing, interpreting, and documenting information during the engagement. This should include the nature and degree of testing required to achieve the engagement objectives in each phase of the engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Typical audit procedures are: <ul style="list-style-type: none"> ○ Inspection ○ Observation ○ Enquiry ○ Confirmation ○ Recalculation ○ Re-performance ○ Analytical procedures 	
I.1-4	Policy: Assurance engagement audit programs shall include quality assurance plans for the engagement	
	CONSULTING ENGAGEMENTS	
I.1-5	Policy: In discussions with Center management on consulting engagements to be included in the Center’s annual internal audit work plans, the Head of Internal Audit shall include such engagements only where there is internal capacity or available and affordable outsourced assistance to cost-effectively carry them out.	Standard 1210.C1 – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
I.1-6	Policy: The planning records for each consulting engagement shall comprise: (a) preliminary survey, which records the results of pre-audit information gathering to assist with the planning of the consultancy;	Standard 2201.C1 – Planning Considerations - Internal auditors must establish an understanding with



	<p>(b) terms of reference, agreed with Center management, which sets out the consultancy objectives, scope, internal audit resource allocation, timing (including those for audit visits for site work), and the audit reporting process;</p> <p>(c) engagement programs, which record the procedures to be carried out to meet the consultancy objectives and scope.</p>	<p>consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.</p> <p>Standard 2210.C1 – Engagement Objectives - Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.</p> <p>Standard 2220 – Engagement Scope - The established scope must be sufficient to satisfy the objectives of the engagement.</p> <p>Standard 2220.A2 – Engagement Scope - If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.</p> <p>Standard 2220.C1 – Engagement Scope - In</p>
--	---	---



		<p>performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.</p>
<p>I.1-6:1</p>	<p>Practice Requirement:</p> <p>For most types of consulting engagements, Internal Auditors shall complete a preliminary survey to obtain and analyze information to assist with the planning of the engagement, well ahead of the start of the engagement</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ A preliminary survey for a consulting engagement should normally gather information on: <ul style="list-style-type: none"> ○ the proposed objectives, scope and timing of the engagement as envisaged by the audit client ○ the relevant Center or CGIAR policies which will govern the proposed organizations or processes for which advice will be given ○ risk management (controls and other mitigating actions) benchmarks which can be used to assess proposed organizational models or processes for which advice will be given ○ the complexity of the assignment and 	<p>Standard 1220.C1 Due Professional Care - The internal auditor must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> - Needs and expectations of clients, including the nature, timing, and communication of engagement results; - Relative complexity and extent of work needed to achieve the engagement's objectives; and - Cost of the consulting engagement in relation to potential benefits.



	<p>extent of work needed</p> <ul style="list-style-type: none"> ○ whether the consulting engagement is viable on cost-benefit grounds ▪ Sometimes consulting engagements may be requested at short notice by Center management. In these cases there may be less time to conduct a preliminary survey but sufficient information should be gathered to enable a soundly based terms of reference for the engagement to be prepared. 	
I.1-6:2	<p>Practice Requirement:</p> <p>The Internal Auditor shall prepare a summary of results from the preliminary survey.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Similar items may be covered in the summary as those described in the discussion of practice requirement I.1-2:3 above. 	
I.1-6:3	<p>Practice Requirement:</p> <p>Following appropriate internal quality review (within the Internal Audit team for the Center), draft terms of reference for consulting engagements, taking into account the results of the preliminary survey, shall be sent to the Center and direct audit client management as far ahead as possible, so that they can comment and make suggestions on the proposed engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The draft terms of reference should be issued for comment to audit client management by the Auditor in Charge ▪ All those in management who need to know about the engagement should be sent a copy of the draft terms of reference. 	



<p>I.1-6:4</p>	<p>Practice Requirement:</p> <p>Final terms of reference for consulting engagements, taking into account comments and suggestions received on the draft, shall be issued by the Head of Internal Audit to the Director General (or other designated managers where a different protocol is agreed with the Center) ahead of the start of the engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The final terms of reference serve as the record of the agreed objectives, scope, resource allocation, timing, details of audit visits, and reporting process for the consulting assignment. They also serve as the basis for developing the engagement programs. 	
<p>I.1-6:5</p>	<p>Practice Requirement:</p> <p>Consulting engagement objectives shall address risks, controls, and governance processes to the extent agreed upon with the client.</p>	
<p>I.1-6:6</p>	<p>Practice Requirement:</p> <p>The audit scope, as presented in the consulting engagement terms of reference, shall indicate the relevant systems, records, organizational units and locations to be covered in the audit, and whether the audit will involve examinations of such aspects in third parties who are providing related services to the Center.</p>	<p>Standard 2220.A1 Engagement Scope - The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.</p>
<p>I.1-6:7</p>	<p>Practice Requirement:</p> <p>Internal auditors shall determine appropriate resources to achieve consulting engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each</p>	<p>Standard <u>2230</u> - <u>Engagement Resource Allocation</u> Internal auditors must determine appropriate and sufficient resources to</p>



	engagement, time constraints, and available resources.	achieve engagement objectives, based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. Practice Advisory 2230-1: Engagement Resource Allocation
I.1-6:8	Practice Requirement: The terms of reference shall indicate how, when, and to whom the engagement results will be communicated.	Practice Advisory 2200-1: Engagement Planning
I.1-6:9	Practice Requirement: Draft and final terms of reference for consulting engagements shall include a statement that the objectives and scope may be modified during the course of the engagement, in consultation with Center management.	
I.1-6:10	Practice Requirement: Changes to consulting engagement objectives and scope during the course of the audit shall be adequately communicated to management and documented in the audit working papers	
I.1-6:11	Practice Requirement: Consulting engagement work programs shall be prepared, subject to internal quality review (within the Center internal audit team) and updated during the course of assurance audit as necessary, to guide the engagement effort and ensure adequate coverage of the agreed objectives and scope. Discussion: <ul style="list-style-type: none"> ▪ As consulting engagements are usually advisory in nature, where testing is less 	Standard 2240.C1 - Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.



	important than analysis of proposed organizational models, draft policies and procedures, and proposed project management arrangement, the engagement programs will usually focus more on defining the steps for the activities or components of the consultancy, rather than the control criteria or audit tests.	
I.1-7	<u>Policy:</u> Consulting engagement audit programs shall include quality assurance plans for the engagement	



Appendix 1 – Section I.1

SAMPLE OF AUDIT TERMS OF REFERENCE

REVIEW OF MANAGEMENT OF LIQUID ASSETS

Terms of Reference

Introduction

1. The audit of management of liquid assets is scheduled as part of the approved 2007 Internal Audit work plan for <Center>. Liquid assets are those cash and equivalent financial assets of the Center, which principally derive from grants received by the Center from donors, but also to a small extent from other income such as interest income earned on investments. The assets include:
 - Money held in bank accounts for day to day operational needs – <Center> headquarters currently manages xx bank accounts; and a further xx bank accounts are managed by regional and other outreach offices in other countries;
 - Money held in bank accounts or other financial instruments to earn income while not required for operational needs – <Center> headquarters currently manages xx investment accounts; and
 - Money held in petty cash floats
2. The management of liquid assets relates to how decisions on cash and equivalent financial assets of the Center are made, the policies and procedures around such decision making, the accounting and reporting of such decisions, and the physical safeguard of cash and accountable documents such as check books and receipt books which are used in the process.
3. The audit will focus on the management of liquid assets at <Center> Headquarters. The audit will however include the policies and procedures for Headquarters oversight of how its regional and other outreach offices manage liquid assets under their control.



Audit Objectives

4. Review the adequacy of internal control systems operating in respect of <Center>'s liquid assets management to ensure that the Center fulfills its responsibilities for the following categories:
 - managing funds effectively and efficiently
 - protecting and safeguarding funds and related information
 - ensuring timeliness and reliability of the accounting information related to the management of funds
 - complying with CGIAR accounting policies (Financial Guideline No. 2) and <Center> policies and procedures concerning the management of funds, including Board of Trustee's approved investment and borrowing policies

Audit Scope

5. The audit scope is set out below in terms of the COSO Framework control categories, and unless indicated below compliance testing will focus on the situation as at the time of the audit:

(a) *control environment*

- clarity and communication of the policies and performance measures related to the management of funds
- clarity of staff roles and responsibilities
- adequacy of staff training in relation to funds management

(b) *risk assessment*

- extent of assessment by <Center> Finance staff of current and emerging risks affecting the management of funds

(c) *control activities*

- opening and closing of accounts with financial institutions (HQ and regions) – does <Center> have adequate procedures to control this? Are the documents related to the opening and closing of bank accounts by headquarters or by regional/other offices readily available on file at CIP headquarters? Testing of compliance regarding opening of accounts will be done on a sample of currently active bank accounts.



- controls over bank account signatories (those approved to sign checks or funds transfer requests) and over internet access to bank accounts, including controls over electronic instructions to the bank to make payments.
- regional office imprest oversight from HQ (note that imprest accounting will be reviewed in detail as part of regional office audits) – does <Center> Finance at Headquarters have adequate procedures to control this? Testing of compliance will focus on the period since January 1, 200X
- bank reconciliations (HQ reconciliations and monitoring of bank account reconciliations carried out in regional offices) – are bank reconciliations being effectively done and reconciliation items investigated and resolved in a timely manner? Testing of compliance will focus on the most recent bank reconciliations.
- cash flow management – is this being adequately handled by <Center> headquarters to ensure funds are available when needed to make payments or funds transfers at the right time
- management of foreign currency transactions and related accounting
- investments (purchases and sales) and related accounting
- control of petty cash floats – does <Center> have adequate procedures to control these? Testing of compliance will comprise of unscheduled (surprise) cash counts for petty cash floats operating in <Center> Headquarters.
- delegations of authority with regards to funds management

(d) Monitoring/Information

- accessibility by staff to information they need to perform their funds management functions
- availability and use of information on status of cash on hand and in financial institutions, cash flow, liquidity, and investment activity.
- management reports and reports to the Audit Committee/Board on cash flow, liquidity and investment activity.

Audit Methodology

6. In accordance with the policies and practice requirements of Section I.1 of the CGIAR IA Manual, the audit will be carried out in 2 phases – a preliminary survey phase which involves information gathering and remote analysis for the purpose of sharpening the audit planning; and a field work phase, mainly



spent on site, which involves discussions, observation, testing and analysis of controls.

Preliminary survey:

- obtain information from <Center> on number and types of bank accounts, other investment accounts and cash floats; purposes of these; historical information on amounts held and (for imprests and cash floats) the maintained balances
- obtain policy and procedural documentation relating to the control of funds, including Board policies on investments and borrowings
- obtain copies of recent Board and senior management reports on funds management
- review recent external audit reports for any observations on funds management and obtain information from <Center> on the status of any recommendations
- prepare or a preliminary risk inventory, and identify those risks on which the audit could most efficiently focus
- discuss audit scope and priority with <Center> management
- complete audit terms of reference

Field Work:

- interview managers and staff individually to discuss strengths, weaknesses, opportunities and threats concerning funds management
- analyze the Board and management reporting formats to identify any improvement opportunities based on external good practice
- review and test the procedures for opening and closing bank accounts and advising check signatories
- review controls over cheque, wire transfer and internet banking (if used) disbursement and account transfer transactions to ensure adequate segregation of duties and adherence to approved delegations of authority
- test check bank reconciliations for accuracy, completeness and appropriate monitoring of reconciling items
- review suspense, miscellaneous charges or similar accounts in the <Center> general ledger to ensure these are properly monitored and suspense items promptly cleared (to validate the integrity of the bank reconciliations)
- review the investment activities for compliance with Board approved policies



- review cash flow management
- review strategies for reserve management (build up, protection of earmarked funds approved by the Board for special purposes)
- review management of foreign exchange, including accounting treatment and strategies adopted for hedging against adverse exchange movements, and benefiting from natural hedges which do not violate policies against currency speculation.
- review treatment of interest earned on restricted donor funding obtained in advance of need, to ensure compliance with donor agreements
- based on results of testing and interviews with staff, assess whether staff need any training or professional updating in their areas of responsibility

Audit Administration

7. The audit will be carried out for the CGIAR Internal Auditing Unit (IAU) by <auditor name(s)>. Quality assurance will be provided by <auditor name>.
8. Working papers will be prepared in conformity with the policies and practice requirements set out in Section I.3 of the CGIAR Internal Audit Manual.
9. The working papers may be kept in English or <Spanish/French>.
10. The timetable and estimated resource allocation for the audit is as follows:

Audit Phase	Comments	Timing	Resources
Planning	<p>This includes completion of a preliminary survey, on which the final terms of reference and audit work plans will be based.</p> <p>The preliminary survey instrument and audit ToR will be prepared by the <AiC> and discussed with <Center></p>	August/early September 200X	<p><AiC> – x days</p> <p><auditor> - x days (preliminary survey)</p> <p><QA reviewer> - x days</p>



Field Work	On site and desk work to complete the field audit work plan.	Week of September X, 200X	<auditor> – x days
Reporting – preparation of draft report	This includes preparation of findings and recommendations and quality assurance review	Week of September X, 200X	<AiC> – x days <auditor> – x days <QA reviewer> - x days
Reporting – final report	This includes processing of comments by <Center> on circulated 1 st draft report, issue of 2 nd draft report to DG and finalization of the report	September/ October 200X	<AiC> – x days <auditor> – x days <QA reviewer> - x days

Audit Reporting

11. The report shall comprise:
 - a transmittal memorandum
 - a report comprising an Introduction, Overall Conclusions and Details of Findings and Recommendations; and
 - annexes as appropriate.
12. The 1st draft report will be circulated to the xxxxxx for initial comments and proposed actions/timing to address any recommendations.
13. The 2nd draft report, incorporating inputs from the 1st draft, will be formally circulated to xxxxxx for comment / confirmation of comments and actions.
14. The final report, incorporating inputs from the 2nd draft, will be issued in signed form by the <Head of Internal Audit> and <AiC if different> to the Director General.



15. Audit reporting will conform to the policies and practice requirements as set out in Section I.4 of the CGIAR IA Manual.
16. Results of the audit will be summarized in the status report by the <Head of Internal Audit> to the <Center> Audit Committee next due after the issue of the final version of the audit report.

