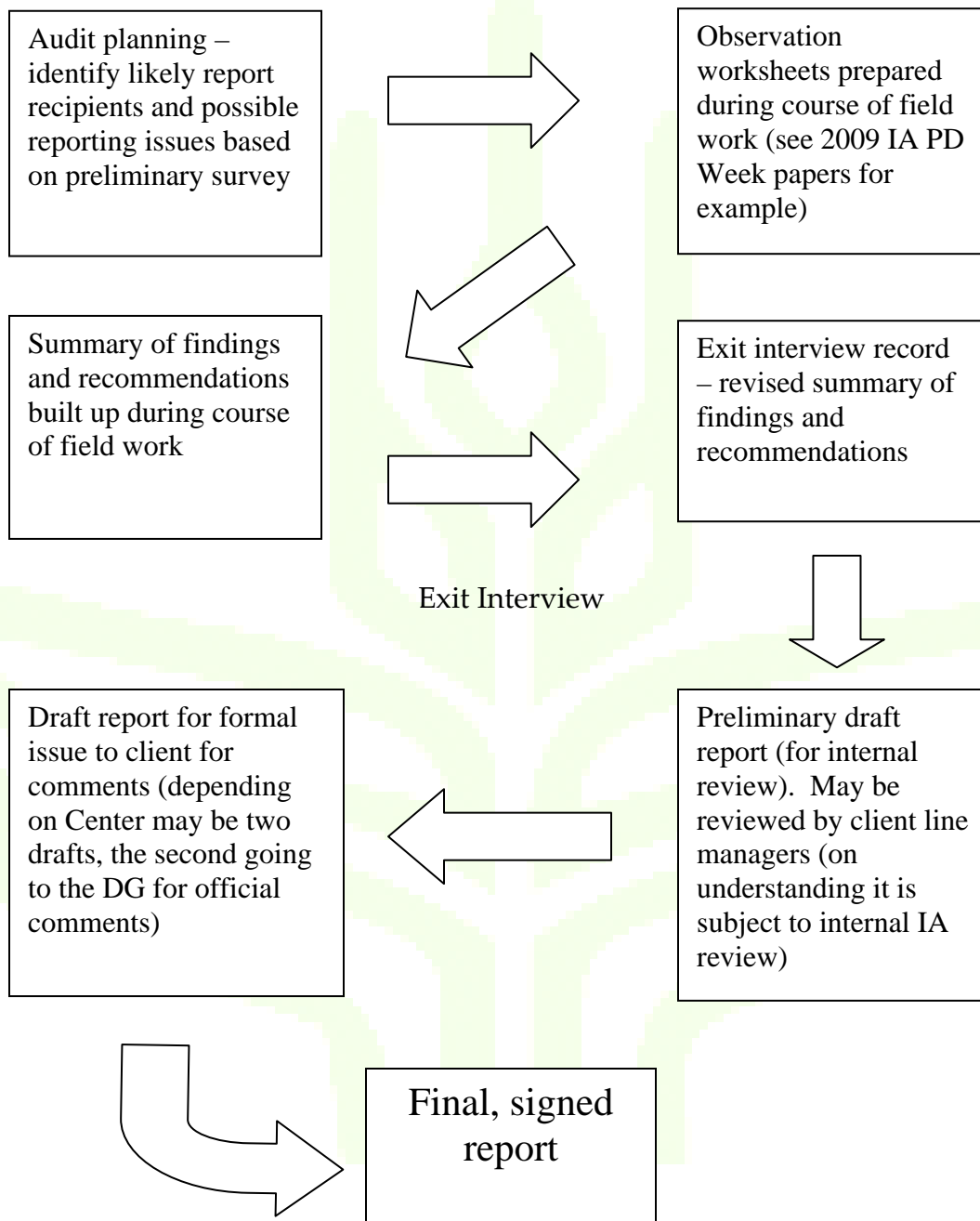




SECTION I.5 - AUDIT ENGAGEMENT REPORTING

OVERVIEW OF AUDIT ENGAGEMENT REPORTING PROCESS





Ref.	Policy and Practice Requirements	IIA Standards and Other References
I.5-1	<p>Policy: Auditors should keep auditee staff and managers progressively informed of the results of the audit work during the course of the engagement, including at the end of field visits and/or field work phases of the audit.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Progress reporting during the audit may most often be done orally, but may also occur in the form of progress presentations, summary notes made available to auditees, or interim reports in the case of long engagements. In such case copies of these should be retained in the engagement working papers. ▪ Progress reporting helps check the validity of audit results and conclusions before they become formally reported, alerts auditees to matters they might need to address immediately or to changes in audit scope, offers an opportunity to auditees to clarify or provide more information on points raised by the auditor in a timely fashion, and helps build a relationship with the auditee that facilitates the gathering of information helpful to the audit. Open and timely communication during the audit will also help reduce the tension that auditees will naturally feel when their work is subject to external scrutiny. ▪ Notwithstanding the above, internal auditors should use judgment as to the amount of detail or certain areas of audit they might disclose to auditees during the course of the audit engagement. There may be cases, such as 	<p>Standard 2400 – Communicating Results - Internal auditors must communicate the engagement results.</p> <p>Practice Advisory 2410-1 Communication Criteria</p>



	<p>investigations of potential fraud or significant non-compliance, or where communication with auditees may need to be limited or managed so that confidentiality is maintained and audit evidence preserved, and the integrity of an investigation process is maintained.</p>	
I.5-1:1	<p>Practice Requirement:</p> <p>A wrap up meeting (audit exit meeting) should be held at a suitable time on or near the conclusion of the audit field work, or of key segments of the work (e.g. at the conclusion of each geographic visit made as part of the audit).</p>	
I.5-1:2	<p>Practice requirement:</p> <p>The discussions at an audit exit should be documented in the audit engagement working papers.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Documentation may take the form of auditor’s notes, a copy of any summary or listing provided to participants in the wrap up meeting (annotated for comments at the meeting), electronic presentations and any additional material furnished by auditees at the meeting; ▪ Records of audit exit meetings should record date of meetings, who attended, responses received on proposed findings and recommendations, and additional information obtained at the meetings. 	
I.5-2	<p>Policy: Reports should be prepared for each audit engagement (whether assurance or consulting in nature) and distributed to the Director General and concerned managers</p> <p>Discussion:</p> <p>CGIAR FG3 (paragraph 3.31) covers</p>	<p>Standard 2400 – Communicating Results –</p> <p>Internal auditors must communicate the engagement results.</p>



	<p>engagement reporting in detail. It provides that:</p> <ul style="list-style-type: none">▪ Internal auditors should communicate and disseminate the engagement results to the individuals agreed with their clients during the engagement planning phase. This is to be done according to the reporting arrangements indicated in the terms of reference of the audit engagement.▪ the purpose of communicating the results is to inform, persuade, and effect positive change.▪ The results should include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans. Specifically, each audit engagement report should:<ol style="list-style-type: none">a) Be clear, concise and complete.b) Explain clearly, where applicable, the objectives and scope of the audit engagementc) Present findings, conclusions and recommendations in an objective and dispassionate mannerd) Include only factual information and findings and conclusions adequately supported by evidence. Detailed supporting data could be included to allow for a convincing presentation where appropriate but this should be done sparingly as it can make reports unnecessarily lengthy.e) Reflect the balance between critical comments and recognition of management-initiated improvementsf) Be appropriately updated for, or recognize, client comments in the final	
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	<p>engagement report.</p> <ul style="list-style-type: none"> ▪ Communications should be accurate, objective, clear, concise, constructive, and timely. ▪ Results may be communicated in a presentational format as well as in more traditional narrative reports format. 	
<p>I.5-2:1</p>	<p>Practice requirement:</p> <p>Audit reports should normally always contain the following components</p> <ul style="list-style-type: none"> ▪ Cover page with table of contents ▪ Transmittal Letter. The final report will usually be addressed to the Director General, but if not the Director General should be copied. The final report should be signed by the Head of Internal Audit for the Center or the CGIAR IAU Director or Associate Director and (if different) the Auditor in Charge of the audit engagement. ▪ Introduction. This should indicate the auditor(s) who carried out the audit, the timing of the audit and/or dates of audit visits, and the period of coverage for any review of financial information if included in the audit scope. ▪ Overall conclusions against the audit objectives as set out in the terms of reference. ▪ Detailed report, wherein any positive findings to be highlighted should come first, followed by more detailed discussion of identified problem areas/risk exposures or opportunities for further improvement (depending on the way the subject matter is most appropriately portrayed) and recommendations/action plan. 	<p>Standard 2410 – Criteria for Communicating – Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.</p> <p>Standard 2410.A1 - Criteria for Communicating – The final communication of results must, where appropriate, contain the internal auditor’s overall opinion and/or conclusions.</p> <p>Standard 2410.A2 – Criteria for Communicating – Engagement communications should acknowledge satisfactory performance.</p> <p>Practice Advisory 2410-1 para 8 - Engagement conclusions, if included in the engagement report, should be clearly identified as such.</p>



	<ul style="list-style-type: none">▪ Each recommendation should follow the related audit finding or observation, and this should be accompanied (in tabular format) by management comments and proposed action, title of the manager responsible for the action, and management’s target date for implementation of the proposed action.▪ Audit Terms of Reference (Annex). <p>Discussion:</p> <ul style="list-style-type: none">▪ An example of recommended report layout is set out in the templates in Appendix 1 of this Section.▪ The use of a standard format helps ensure consistency of reporting and establishes a “house style” to which auditees can become accustomed. The standard format will readily identify the document as an Internal Audit report.▪ Exceptions to the standard format may be appropriate for short audit reports, where abridged documents or electronic presentations may suffice to communicate the results.▪ In some cases management comments and target dates may have to be left off if this information is not provided on a timely basis, so as not to delay the issue of the report. This information will continue to be sought during subsequent follow up activities.▪ Other Annexes can be added to the report to provide detailed information on findings, exhibit certain information referred to in the report, reproduce detailed guidance or benchmarks used in the audit, or provide suggested formats for implementing recommendations▪ Normally, due to the wide geographic	<p>Practice Advisory 2410-1 Communication Criteria</p> <p>Practice Advisory 2420-1 – Quality of Communications</p> <p>Standard 2410.C1 – Criteria for Communicating – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.</p>
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	<p>dispersion of auditees, audit reports are to be distributed to recipients by electronic mail.</p> <ul style="list-style-type: none"> ▪ While draft reports may be issued in editable format, to allow auditees to annotate the report and make suggestions for changes in edit mode, the final signed report should be issued in PDF format to provide an “unalterable” copy. ▪ Practice Advisory 2420-1 – Quality of Communications – provides a useful checklist to guide the drafting of reports. The CGIAR IAU also produces style guidance which is posted in the IA website. 	
<p>I.5-2:2</p>	<p>Practice requirement:</p> <p>Overall conclusions in the report should be expressed in terms of the audit objectives, as set out in the audit terms of reference. For reports on audits commenced after July 2007, these should be accompanied by result ratings according to the following scale</p> <ul style="list-style-type: none"> ▪ Satisfactory – the related risks being reviewed under this audit objective are adequately mitigated, and/or residual risks are accepted by Center management and considered reasonable by internal audit. There may be further opportunities for improvement identified but these are not considered critical to the achievement of the objective. ▪ Partially Satisfactory – the related risks being reviewed under this audit objective are partially mitigated but not to a level acceptable to Center management or considered reasonable by internal audit. ▪ Unsatisfactory – there are significant or 	

¹ Representatives of Internal Audit Services of UN Entities, Multilateral Financial Institutions and Other Associated Multilateral Organizations



	<p>pervasive deficiencies in the management of the related risks being reviewed under this audit objective.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Reporting against audit objectives helps readers confirm if the audit coverage as set out in the audit terms of reference was achieved. ▪ Reporting against audit objectives which are framed in terms of reviews of key business risks facilitates the input of audit results into Center-wide risk assessments ▪ The three category scale has been proposed for harmonized adoption by RIAS¹ members, which include the CGIAR IAU. Definitions have not yet been agreed and the ones in this Manual are the ones proposed by CGIAR IAU. ▪ The ratings should, if possible, reflect a consensus with the auditee. ▪ The definition of the ratings should be included in the audit report ▪ Phrasing such as “generally satisfactory” or , “In general, the control system is satisfactory....” should be avoided. If there is a need to modify a satisfactory conclusion, but not enough to shift the conclusion to “partially satisfactory”, a formulation like “satisfactory, except that(and provide the specifics)” can be used. 	
<p>I.4-2:3</p>	<p>Practice requirement:</p> <p>Overall conclusions where there are “partially satisfactory” or “unsatisfactory” ratings should be supported, in the detailed part of the report, by information in either a succinct</p>	<p>Practice Advisory 2410-1 Communication Criteria</p>



	<p>narrative or tabular form that identifies:</p> <p>(i) the related business risk and its potential impact rating as assessed by the audit (high, medium, low)</p> <p>(ii) the criteria used to assess the adequacy of the risk mitigation (e.g. the relevant policy, standard or good practice that is used as a benchmark in the audit);</p> <p>(iii) that current situation as indicated by the audit, and reasons identified in the audit or explained by the auditee;</p> <p>(iv) any initiatives already taken or proposed by management to reduce the resulting exposure; and</p> <p>(v) the resulting risk likelihood rating as assessed by the audit (high medium, low).</p>	
<p>I.5-2:4</p>	<p>Practice requirement:</p> <p>Normally all audit reports which identify areas where organizational governance, risk management, internal control, or value for money can be improved should also include recommendations to address these findings. Recommendations may be general or specific, depending on the nature of the findings.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ IIA Practice Advisory 2410-1 paragraph 9 covers this aspect in detail – “Engagement communications should include recommendations for potential improvements, acknowledgements of satisfactory performance, and corrective actions. Recommendations are based on the internal auditor’s observations and conclusions. They call for action to correct existing conditions or improve operations. Recommendations may suggest approaches to correcting or 	<p>Practice Advisory 2410-1 Communication Criteria</p>



	<p>enhancing performance as a guide for management in achieving desired results. Recommendations may be general or specific. For example, under some circumstances, it may be desirable to recommend a general course of action and specific suggestions for implementation. In other circumstances, it may be appropriate only to suggest further investigation or study.”</p> <ul style="list-style-type: none">▪ Feedback from Center auditees has been that specific recommendations are more helpful to them. The Auditor in Charge will need to make a judgment how specific these can be without crossing over the line of actually designing in detail the internal controls.▪ Audit recommendations must be trackable – they should not be vague, so broad as to be merely “motherhood” statements or open ended. They should be framed such that implementation can be readily verified by management and by auditors during follow up reviews.▪ Risk and priority ratings should be attached to audit recommendations. This will facilitate prioritization of management attention to, and internal audit follow up of, the recommendations. <p><i>Risk Ratings</i></p> <p>Consistent with the risk assessment framework adopted by the Center, the risk ratings should be a composite of the impact of the risk which the recommendation is addressing and the likelihood of that risk occurring if the recommendation is not implemented.</p> <p><i>Priority Ratings</i></p> <p>The priority ratings should influence the setting of target dates for implementing</p>	
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	<p>the recommendations. For example:</p> <p>High - Should be actioned within three months of the release of the audit report. These recommendation meets one the following criteria:</p> <ul style="list-style-type: none">○ pertains to high-risk, serious or materially significant audit finding;○ control weakness; due to the seriousness or significance of the matter, immediate attention and appropriate corrective action is warranted; or○ can be implemented easily. <p>Medium - Should (a) be completed, (b) have achieved significant progress, or (c) have a schedule for completion within six months of the release of the audit report 6 months. Although implementation of these recommendations may have already begun or should begin upon the release of the management audit report, significant implementation or measurement of the results may take up to 6 months. This rating is applicable to recommendations relating to low risk findings that could evolve to higher risk if not addressed over a reasonable period.</p> <p>Low - The recommendation requires long term process changes. While Priority 3 recommendations address serious issues concerning the Center operations as identified in this report, they are either long-term goals or are dependent upon the implementation of Priority 1 and 2 recommendations. The Center should be prepared to report the initial steps taken to implement priority 3 recommendations during a one-year management audit update.</p>	
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	<ul style="list-style-type: none">▪ Where possible this implementation timetable should be promoted. However this is not something that can be hard and fast as some issues may be high risk but are acknowledged will require longer than one month to address.▪ Audit recommendation target dates for implementation should be realistic, but not so distant as to be meaningless. The audit recommendations should be framed to promote the setting of short term target dates.▪ Each audit recommendation should be self-contained (not just referring to the preceding narrative), so that they will remain meaningful when extracted from the report and put into a recommendation follow up database.▪ For completeness of the report as a record of the audit, if a specific recommendation was immediately implemented or acted upon by the auditee, the internal auditor should still include in the report the finding and recommendation, noting under the “management comments” section that the recommendation was immediately implemented.▪ There will be occasions where management has already identified exposures and proposed actions to address these. Audit reports should acknowledge these, rather than contain recommendations which duplicate them, and which may not give due credit to management. It is desirable that such actions be included in the audit follow up. One way in which this can be facilitated is to show these in a way similar to audit recommendations, but	
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	clearly label them separately as management-identified recommendations.	
I.5-2:5	<p>Practice requirement:</p> <p>Every effort should be made to produce a report that reflects agreement on the findings and the recommendations. However, disagreements on significant findings or recommendations should be recorded in the audit report.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The IIA’s Practice Advisory 2410-1 paragraph 12 deals in some detail with this: “As part of the internal auditor’s discussions with the engagement client, the internal auditor should try to obtain agreement on the results of the engagement and on a plan of action to improve operations, as needed. If the internal auditor and engagement client disagree about the engagement results, the engagement communications may state both positions and the reasons for the disagreement. The engagement client’s written comments may be included as an appendix to the engagement report. Alternatively, the engagement client’s views may be presented in the body of the report or in a cover letter. ▪ Recommendations in a report that reflects agreement are more likely to be implemented. 	Practice Advisory 2410-1 Communication Criteria
I.5-2:6	<p>Practice requirement:</p> <p>Audit results indicating potential fraud or other illegal acts or matters which may lead to disciplinary proceedings against auditee staff should only be reported to appropriate levels</p>	



	<p>of senior management.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Generally indications of fraud or illegal acts will be discussed orally, at the time they are identified, with appropriate levels of senior management and legal counsel, and appropriate arrangements for reporting agreed at this time. Indications of other significant noncompliance which may lead to staff disciplinary proceedings will also usually be discussed at the time they are identified with senior management and with appropriate human resources professionals, and reporting arrangements agreed. ▪ In view of the sensitivity of such matters, the Auditor in Charge should consult with the Head of Internal Audit for the Center on the appropriate means of communicating such results. 	
<p>I.5-2:7</p>	<p>Practice requirement:</p> <p>Reports on audits of project or interim Center financial statements should clearly indicate that these are internal audits of the financial statements, to avoid any potential misunderstanding that the report is from the external auditor</p>	
<p>I.5-2:8</p>	<p>Practice requirement:</p> <p>Audit reports (for all assurance and consulting engagements) should be issued in final form to the Director General of the Center. Draft versions of the report should be issued for comment to the auditee managers, below the level of Director General, who are responsible for ensuring agreed recommendations are implemented.</p>	<p>Standard 2440 – Disseminating Results</p> <p>The chief audit executive must communicate results to the appropriate individuals.</p> <p>Practice Advisory 2440.1 – Disseminating Results</p>



	<p>Discussion:</p> <ul style="list-style-type: none">▪ Depending on the topic of the audit, an initial (pre-) draft report may first be circulated for informal comment by the immediate concerned managers (and staff nominated by them). Formal draft reports should be issued to the relevant senior managers below Director General for comment before the report is finalized. In some cases, it may also be appropriate to send a draft version of a report to the Director General before it is put in final form.▪ Draft reports should be clearly marked as such. Use of a watermark feature to mark all pages of the report and its annexes as “Draft” is recommended.▪ Recipients of draft reports should be agreed during the planning of the engagement and reflected in the audit terms of reference. Additional report recipients may be identified during the audit, and depending on the recipient and the findings of the report the additions should be discussed with auditee management. In general, Internal Audit should be able to independently decide the report recipients.▪ Draft and final report recipients should include the Auditor in Charge and other members of the audit team. All final reports issued or co-issued by the CGIAR IAU should also include as a recipient ‘CGIAR IAU report file’▪ Depending on what is agreed with the auditee, the formal draft report may include management comments (actions/managers/target dates) already obtained on proposed recommendations,	<p>Standard 2440.A1 - Disseminating Results The chief audit executive is responsible for communicating the final results to individuals who can ensure that the results are given due consideration.</p> <p>Standard 2440.C1 - Disseminating Results The chief audit executive is responsible for communicating the final results of consulting engagements to clients.</p> <p>Practice Advisory 2410-1 Communication Criteria</p>
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	<p>or the relevant space may be left blank and the information requested to be provided by the auditee for inclusion in the final report.</p> <ul style="list-style-type: none"> ▪ If findings of illegal acts or significant non-compliance by top management are to be reported, an alternative reporting procedure will apply – confidential reporting should be made to the chairman of the Board of Trustees Audit Committee, and/or the Chairman of the Board. Auditors in Charge should consult immediately with the Head of Internal Audit for the Center if such an event occurs. 	
1.5-2.9	<p>Practice Requirement:</p> <p>Auditors in charge should complete, for all draft reports prepared after November 2009, a pre-review checklist for draft reports, to ensure that the requirements for reports as set out in this section of the Manual, and other good presentation practices, have been met prior to submitting their draft reports for quality review. This checklist should be reviewed by the person assigned as the quality reviewer of the report.</p> <p>Discussion:</p> <ul style="list-style-type: none"> • The current pre-review checklist is copied at Appendix 2, and can be downloaded from the CGIAR IA website. • Completion of the checklist will promote an efficient review process. 	
1.5-2:10	<p>Practice Requirement:</p> <p>The results of all audit engagements (for both assurance and consulting engagements) shall be reported to the Board, through the Audit Committee.</p>	<p>Standard 2440 – Disseminating Results</p> <p>Standard 2440.A1 - Disseminating Results</p>



	<p>Discussion:</p> <ul style="list-style-type: none"> • Depending on the arrangements agreed with the Audit Committee and Board, this reporting may be made in the form of: <ul style="list-style-type: none"> ○ Summary results included in the periodic internal audit activity reports ○ Summary plus copies of the reports ○ Summary plus posting of the reports to a secure webspace where Board members may access the reports at any time. 	<p>Standard 2440.C2 – Disseminating Results During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.</p> <p>Standard 1111 – Direct Interaction With the Board The chief audit executive must communicate and interact directly with the board.</p>
<p>I.5-2:11</p>	<p>Practice requirement:</p> <p>Audit reports for each Center should be given a consecutive number within each fiscal year's audit program.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ The order of the report numbering should be according to when the final report is issued ▪ A register of report numbers should be maintained for each Center to avoid omission or duplication of numbers, and to serve as a reference for the number of reports issued. This can be part of a report database. ▪ For report numbering purposes consolidated reports to the Director General of the status of audit recommendations from past audits 	



	<p>should be given report numbers.</p> <ul style="list-style-type: none"> ▪ The Medium Term Internal Audit Plan, Administrative reports to the Director General on the status of the Internal Audit function, and progress reports and general presentations to the Board of Trustees Audit Committee, are usually not numbered. 	
I.5-2:12	<p>Practice requirement:</p> <p>The Head of Internal Audit shall maintain an archive of audit reports for each Center.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ One paper copy of each final report issued should be on file in Internal Audit. ▪ An electronic copy of each final report issued should be maintained. This may be done via an electronic database maintained by Internal Audit. ▪ Paper and electronic copies of audit reports should be secured and subject to access control in the same way as working papers (see Manual section on working papers for details on this) 	
I.5-2:13	<p>Practice requirement:</p> <p>Audit reports whose circulation should be strictly limited due the nature of the findings should indicate this clearly and be transmitted in ways that preserve this level of confidentiality.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Draft and final audit reports should be labeled (on each page in the footer) “Confidential – For Center Use Only”. ▪ The transmittal memo should indicate any special limitations on circulation. 	Practice Advisory 2410-1 Communication Criteria



	<ul style="list-style-type: none"> ▪ Internal Auditors should consider whether highly sensitive reports should be prepared outside of Center computer networks, not stored on Center computer networks, and not be transmitted by electronic mail, to ensure complete electronic confidentiality. Internal Auditors should also avoid using commercial electronic mail services (in lieu of the CGIAR electronic mail service) for transmitting any highly sensitive reports. ▪ Certain information that may not be appropriate for disclosure to all report recipients because it is privileged, proprietary, or related to improper or illegal acts may be disclosed in a separate report from the main audit report which is subject to more limited circulation. 	
<p>I.5-2:14</p>	<p>Practice requirement:</p> <p>Draft reports prepared by Internal Auditors should, where possible, be reviewed before circulation by at least one other, experienced Internal Audit colleague as an internal quality assurance procedure.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ This requirement may be satisfied by the Center’s Head of Internal Audit reviewing the report, where this person is not also the Auditor in Charge. However, for certain technical topics such as information technology, the Head of Internal Audit may request an external expert or another Internal Auditor to undertake a review of the report. ▪ Peer review by other Internal Audit colleagues, especially those who have experience auditing the topic being 	<p>Standard 2420 – Quality of Communications</p> <p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely</p>



	<p>audited or who have previous professional experience in the area, will help ensure all relevant aspects of the audit are covered and that some consistency of approach or linkage to past audits is adopted in the conclusions and recommendations. It will also help the planning of similar audits in other Centers by the reviewing Internal Auditors.</p>	
<p>I.5-2:15</p>	<p>Practice requirement: External distribution of internal audit reports will follow the same requirements as for release of working papers (see Section I.4)</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ External auditors should have access and be able to make copies as necessary of internal audit reports ▪ Release of internal audit reports, or extracts or summaries of the reports, to other external parties should only be made with the (written) approval of the Center’s Director General. ▪ Release may be conditional upon limitation of any further distribution by the external recipients. In such case the report or accompanying communication must indicate this 	<p>Standard 2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results</p> <p>Standard 2440.A2 – Disseminating Results If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:</p> <ul style="list-style-type: none"> • Assess the potential risk to the organization; • Consult with senior management and/or legal counsel as appropriate; and • Control dissemination by restricting the use of the results.
<p>I.5-2:16</p>	<p>Practice requirement: If a final communication contains a significant error or omission, the final report signatories</p>	<p>Standard 2421 – Errors and Omissions</p>



	<p>should communicate corrected information to all individuals who received the original communication.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ A revised report may have to be issued. The same report number as the original report should be used but with “Revised” added. 	
1.5-2:17	<p>Practice requirement:</p> <p>Audit reports shall report if the engagement has been “conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>”, provided that this is supported by the results of the quality assurance review of the engagement.</p> <p>Discussion:</p> <ul style="list-style-type: none"> • The quality assurance review should consider not only the engagement itself but the circumstances in which it was conducted to ensure that these also met the standards e.g. independence, objectivity. 	<p>Standard 2430 – Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>”</p> <p>Internal auditors may report that their engagements are “conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>”. However, internal auditors may use the statement only if the results of the quality assurance and improvement program support the statement.</p>
1.5-2:18	<p>Practice requirement:</p> <p>Audit reports should identify any limitations on the original agreed scope and the reasons for this, and any limitations on the audit due to noncompliance with the Code of Ethics or the IIA Standards.</p> <p>Discussion:</p> <ul style="list-style-type: none"> ▪ Limitations on scope may be agreed during the audit for a variety of reasons or may occur because information is not 	<p>Standard 2431 – Engagement Disclosure of Nonconformance -</p> <p>When nonconformance with the Definition of Internal Auditing, the Code of Ethics or <i>Standards</i> impacts a specific engagement, communication of the results must disclose the</p> <ul style="list-style-type: none"> ▪ Principle or rule of conduct of the Code of



	<p>readily available.</p> <ul style="list-style-type: none">▪ Reports may be issued in situations where non-compliance with the IIA standards occur but there is a compelling need to report findings rather than cancel the audit. Non-compliance may take the form of significant defects in the execution of the audit, the independence of the auditor or other reasons. Such cases are expected to rarely if ever occur▪ The report should indicate:<ul style="list-style-type: none">○ Principle or rule of conduct of the Code of Ethics or <i>Standard(s)</i> with which full conformance was not achieved;○ Reason(s) for nonconformance; and○ Impact of nonconformance on the engagement and the communicated engagement results.	<p>Ethics or <i>Standard(s)</i> with which full conformance was not achieved;</p> <ul style="list-style-type: none">• Reason(s) for nonconformance; and▪ Impact of nonconformance on the engagement and the communicated engagement results.
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Appendix 1 – Section I.5

GENERAL REPORT TEMPLATE



Report on an Audit of.....

<u>Table of Contents</u>	<u>Paragraph</u>
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IV. Risk and Priority Ratings Definitions	

October 00, 2009

Dr. Emile Frison, Director General

Report on an Audit of

Attached is a report on an audit of at Headquarters. This audit, carried out by, was included in the 2009 Internal Audit Plan [was added to the 2009 Internal Audit Plan at the request of management]. The objectives, scope and methodology for the audit are set out in the terms of reference copied at Annex I.

The audit concludes that the overall management of is satisfactory (the rating scale used is defined in the report). However this report includes recommendations and agreed actions by management on some areas where Bioversity could make improvements:

- ...[audit objective 1].....: (overall rating – satisfactory)
.....
- ...[audit objective 2].....: (overall rating – partially satisfactory)
.....
- ...[audit objective 3].....: (overall rating – satisfactory)
.....
- ...[audit objective 4]...: (overall rating – satisfactory)
.....

We wish to express our gratitude to the management and staff at Headquarters for their assistance and cooperation during the audit engagement.

Sincerely,

Erwin Lopez
Senior Auditor, CGIAR IAU

John Fitzsimon
Director, CGIAR IAU

Copy Distribution:

n. abcdefg, Deputy Director General
x. xyzwfdha, Director for Finance and Administration
t. mvciouprty, Finance Manager
f. asdfghjkl, Human Resources Manager
CGIAR IAU report file

REPORT OF AN AUDIT OF

INTRODUCTION

1. As part of the 2009 internal audit plan for Bioversity [at the request of Bioversity management], the CGIAR Internal Auditing Unit (IAU) carried out an audit of at headquarters. The audit covered This was the second internal audit of this area, and since then it was reviewed as part of the CCER on The current audit included a follow up of past audit and CCER recommendations. The objectives, scope and methodology for the audit are set out in the terms of reference copied at Annex I.

2. The audit was carried out by Mr. Erwin Lopez, Senior Auditor, and included a visit to Headquarters from May ... to ..., 2009. The final version of this report incorporates comments received to earlier draft versions circulated to The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

3. *[summarized background information on the topic of the audit, e.g. purpose of the activity/program/project being audited, locations, budget information, staffing information, relevant Center or CGIAR policies, or donor imposed requirements if significant.]*

OVERALL CONCLUSIONS

1. The overall conclusions against the specific audit objectives are as follows *[use same or consistent language to that in the transmittal memo]*:

- ...*[audit objective 1]*.....: (overall rating – satisfactory)
.....
- ...*[audit objective 2]*.....: (overall rating – partially satisfactory)
.....
- ...*[audit objective 3]*.....: (overall rating – satisfactory)
.....
- ...*[audit objective 4]*..: (overall rating – satisfactory)
.....

2. Details of related findings, recommendations and related actions agreed by management are set out in the rest of this report. Risk and implementation priority ratings are attached to recommendations in this report. Definitions of the risk and priority ratings are provided in Annex IV of the report.

DETAILS OF FINDINGS AND RECOMMENDATIONS

PART A: SUMMARY ANALYSIS AGAINST THE IAU GOOD PRACTICE NOTE ON

3. Table 1 below summarizes the status in Bioversity of the good practices contained in the CGIAR IAU Good Practice Note on which was used as a benchmark in this audit:

Table 1

	GOOD PRACTICES	STATUS IN BIOVERSITY
1		Cross-reference as needed to paragraphs in other sections of the report
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

PART B: STATUS OF PREVIOUS AUDIT [CCER, EPMR, EXTERNAL AUDIT] RECOMMENDATIONS

4. The last internal audit of this area [or related area] was carried out in 200X. Table 2 below summarizes the status of recommendations made in the report of the audit [other review]:

Table 2

	RECOMMENDATION	STATUS
1		Cross-reference as needed to paragraphs in other sections of the report
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

PART C: MAJOR TOPIC AREA 1

Main Sub-heading

Sub-sub Heading

5. Blahblahblahblah.....

6. Blahblahblah.....

7. Blahblahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
1					

8. Blahblahblahblahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
2					
3					

Sub-sub Heading

9. Blahlahblahlahblah.....

Sub-sub Heading

10. Blahblahblahlahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
4					

Sub-sub-sub Heading

11. Blahblahlahlahlahlahlahlah.....in Table 2 below:

Table 2

12. Blahblahblahblahblah.....

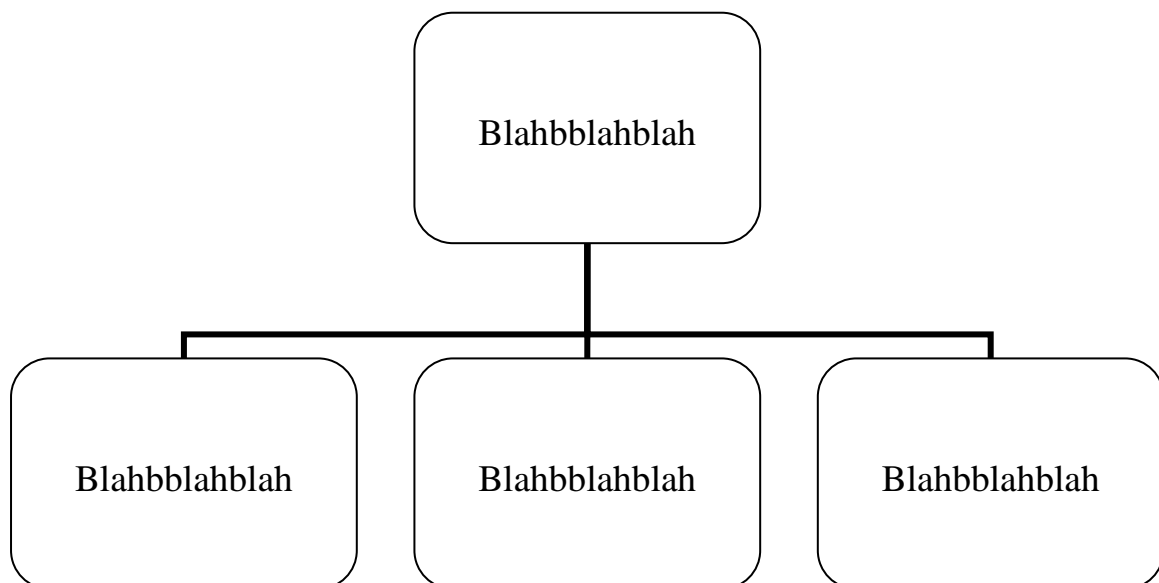
No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
5					

Sub-sub-sub Heading

13. .

14. Blahblahblahblahblahblah.....in Diagram 1 below. Blahbalhblah blah balhblahblah.

Diagram 1



15. .

16. .

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
6					

17. .

Main Sub-heading

18. .

19. .

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
7					

20. .

21. .

Main Sub-heading

22. .

23. ..

24. .

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
8					

Main Sub-heading

25. Blahblahblahblahblah.....(see Box 1 below).

<p>Box 1: Blahblahblahblah</p> <p><i>*Source:blablahblah, October 200x</i></p>

26. .

27. ..

28. .

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
9					

PART D: MAJOR TOPIC AREA 2

Main Sub-heading

Sub-sub Heading

29. Blahblahblahblah.....

30. Blahblahblah.....

31. Blahblahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
10					

32. Blahblahblahblahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
11					
12					

Sub-sub Heading

33. Blahlahblahblahblah.....

Sub-sub Heading

34. Blahblahblahblahblah.....

No.	Recommendation	Risk Level	Priority Ranking	Responsible Officer	Management Comments & Target Date
13					

REPORT OF AN AUDIT OF

AUDIT TERMS OF REFERENCE

[See IA Manual Section I.1 Appendix 1 for sample structure of audit terms of reference]

REPORT OF AN AUDIT OF

??

REPORT OF AN AUDIT OF

??

REPORT OF AN AUDIT OF

RISK AND PRIORITY RATINGS DEFINITIONS

Risk and priority ratings are attached to the audit recommendations in this report. This will facilitate prioritization of management attention to, and internal audit follow up of, the recommendations.

Risk Ratings

Consistent with the risk assessment framework adopted by Bioversity, the risk ratings are a composite of the impact of the risk which the recommendation is addressing and the likelihood of that risk occurring if the recommendation is not implemented.

Risk impact – The severity of the exposure to the Center if a risk event occurred. For analytical purposes, this will be measured in terms of:

- High – failure has the potential to significantly damage or destroy the effective functioning of the Center or its future viability, particularly through loss of important donors' confidence or major financial or reputational loss. Also includes potentially significant employee health and safety hazards.
- Moderate – failure has the potential to damage important aspects of the Center's functions or future viability, which would require significant management effort and time to recover.
- Limited – failure has the potential to damage particular aspects of the Center's functions, diverting management effort if an adverse event occurred, but not expected to damage the overall medium-long term operations of the Center.

Risk probability - The probability of a risk event occurring, given what is known about the degree or quality of the preventive controls in place for a given risk, or (for externally generated risks) based on an assessment of current external conditions relevant to that risk. For analytical purposes, this will be measured in terms of:

- High – Actions taken by the Center, in terms of (i) avoidance of certain activities; or (ii) implementing preventive controls (such as policies, procedures, clarity of responsibilities, training, management monitoring and information), are assessed as inadequate or are limited. External conditions are assessed as very likely to generate

ANNEX 4

risks for Center. Occurrence of adverse events for the Center is therefore considered likely over the short-medium term.

- Moderate – Appropriate preventive controls have been designed by the Center but are not yet operating effectively; or there are important omissions or further opportunities in terms of action the Center should take, which if addressed would reduce the likelihood of an adverse event occurring. External conditions are assessed as moderately likely to generate risks for Center.
- Low – Preventive controls put in place by the Center are sufficiently designed and operating effectively to reasonably protect the Center against foreseen adverse events. External conditions are assessed as unlikely to generate risks for the Center.

Priority Ratings

The priority ratings influence the setting of target dates for implementing the recommendations.

High (1) - should be actioned within three months of the release of the audit report. These recommendations meet one of the following criteria:

- pertains to high-risk, serious or materially significant audit finding;
- control weakness; due to the seriousness or significance of the matter, immediate attention and appropriate corrective action is warranted; or
- can be implemented easily.

Medium (2) - should (a) be completed, (b) have achieved significant progress, or (c) have a schedule for completion within six months of the release of the audit report. Although implementation of these recommendations may have already begun or should begin upon the release of the management audit report, significant implementation or measurement of the results may take up to 6 months. This rating is applicable to recommendations relating to low risk findings that could evolve to higher risk if not addressed over a reasonable period.

Low (3) - The recommendation requires long term process changes. While Priority 3 recommendations address serious issues concerning the Center operations as identified in this report, they are either long-term goals or are dependent upon the implementation of Priority 1 and 2 recommendations. The Center should be prepared to report the initial steps taken to implement priority 3 recommendations during a one-year management audit update.

Appendix 2 – Section I.5

Pre-Review Checklist for Draft Internal Audit Reports

Auditors-in-charge are requested to complete this checklist prior to submitting their draft reports for quality review.

<i>Item</i>	<i>Done (Yes/No/NA) Comments</i>
COVER SHEET	
<p>Cover sheet prepared in accordance with standard format:</p> <ul style="list-style-type: none"> ○ Center Logo/Internal Audit (usually on left hand side above table of contents) ○ Title of report in standard font size 36 (bolded Times New Roman); uses the style “Report on an Audit of.....” ○ Table of contents box showing elements of report, paragraph numbering for sub-sections of the main report – introduction; overall conclusions; details of findings and recommendations) ○ Table of contents box properly centered on page ○ Footer shows report number (“Center acronym: FY200X-00”) and date (“Month 00, 200X” – until the final version is issued the day can be left as “00”). No page number. Includes slogan “Confidential – For Center Use Only” ○ There is a line spacing in the footer between the top of the footer and solid line above the report number/date 	
TRANSMITTAL MEMO	
<p>Transmittal memo prepared in accordance with standard format:</p> <ul style="list-style-type: none"> ○ Header with Center logo/internal audit (usually on right hand side) ○ Date of issue of report (“Month 00, 200X” – until the final version is issued the day can be left as “00”). ○ Addressed to Director General 	

<ul style="list-style-type: none"> ○ Title of report in standard font size (bolded Times New Roman 12 or 11); uses the style “Report on an Audit of....” Same title as on cover sheet. ○ Signed by Auditor in Charge, and cosigned by Director or Associate Director where AiC is not one of these ○ Copy distribution list complete – includes all recipients agreed in ToR and any additional agreed with management. Includes “CGIAR IAU Report File”. Where signatory does not include relevant client liaison and/or Center internal auditor and/or Director, these staff are copied ○ Footer shows report number (“Center acronym: FY200X-00”) and date (“Month 00, 200X” – until the final version is issued the day can be left as “00”). No page number. Includes slogan “Confidential – For Center Use Only” ○ There is a line spacing in the footer between the top of the footer and solid line above the report number/date. This avoids the text of the report being too close to the footer 	
<p>Transmittal memo covers the following:</p> <ul style="list-style-type: none"> ○ An audit of ... has been completed as part of the 200X internal audit work plan [or mention if it was added to the plan and why] ○ The overall conclusion(s) of the audit [in terms of the audit objectives]. This may be the same or a shorter version of the “Overall Conclusion(s)” section of the main report. ○ The report contains details of the findings and recommendations ○ Management has agreed on an action plan to address the related recommendations in this report. The status of implementation of the recommendations will be periodically followed up. ○ Express appreciation to the management and staff of the areas audited for their support and cooperation during the audit. 	

MAIN REPORT	
<p>Main report prepared in accordance with standard format:</p> <ul style="list-style-type: none"> ○ Header with Center logo/internal audit (usually on right hand side). ○ Title of report in standard font size (bolded Times New Roman 12 or 11 all capitalized); uses the style “Report on an Audit of.....” Same title as on cover sheet. Heading centered on page. ○ All paragraphs are consecutively numbered (note: text that follows a series of bullets, but is a continuation of information in the previous para is still treated as a <u>separate</u> paragraph. <i>The only exception is where recommendations are presented as indented paragraphs rather than in tabular format – they are not counted as paragraphs for purposes of paragraph numbering as they have their own series of recommendation numbers</i>) ○ All paragraphs are indented <u>only</u> on the first line ○ Paragraph indentations are consistently the same throughout ○ All text in paragraphs is center-justified and same margins kept throughout ○ All text in tables and boxes is left justified (works better visually) ○ All numbers in tables are right justified (works better visually) ○ All tables and boxes do not exceed the margins of text on either side of the page. ○ No “orphan” headings – headings separated by a page break from the text that follows ○ No “widow” or “orphan” text (i.e. single lines at beginning or end of a paragraph separated by a page break) or bullets (i.e. single bullet separated from the rest of a series by a page break) ○ Footer shows report number (“Center acronym: “FY200X- 	

<p>00”) and date (“Month 00, 200X” – until the final version is issued the day can be left as “00”). Consecutive page numbering. Includes slogan “Confidential – For Center Use Only”</p> <ul style="list-style-type: none"> ○ There is a line spacing in the footer between the top of the footer and solid line above the report number/date. This avoids the text of the report being too close to the footer 	
<p>Main report structure in accordance with IA Manual Section I.5:</p> <ul style="list-style-type: none"> - Introduction - Overall Conclusion(s) - Details of Findings and Recommendations - Annex – Audit Terms of Reference - Other Annexes with detailed information or supporting data if required. All Annexes must be referred to in the text of the main report. 	
<p>The above structure is reflected in an appropriate hierarchy of heading styles (it is suggested that “Introduction”, “Overall Conclusions” and “Details of Findings and Recommendations” are presented as headings in bolded and all capitalized text. Sub-headings are then shown in a consistent hierarchy throughout the report:</p> <p>DETAILS OF FINDINGS AND RECOMMENDATIONS</p> <p><u>Main sub-heading</u></p> <p><i>Sub-sub-heading</i></p> <p><u>Sub-sub-sub heading</u></p> <p><i>Sub-sub-sub-sub heading</i></p>	
<p>Introduction covers the following content:</p> <ul style="list-style-type: none"> ○ An audit of has been completed as part of the 200X internal audit work plan [or mention if it was added to the plan and why] – same as in transmittal memo ○ Any special information concerning the audit e.g. scheduled at management request, timed to coincide with some event, timed early in the life of a new office or project to provide advice... ○ The audit was carried out by and [where the audit involved travel for the auditor] included a visit to ...in 	

<p>[month] 200X.</p> <ul style="list-style-type: none"> ○ The objectives of the audit were ○ The audit included follow up of recommendations from the last (200X) internal audit on this topic and....[note any other (e.g. external audit, CCER) reviews being followed up] ○ The audit was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> [or if not note this and why]. ○ The terms of reference of the audit, which details the audit objectives, scope and methodology are set out in Annex 1 ○ Brief description of the unit, office, function, process that is the subject of the audit, some volume data (value of transactions, budget, staffing etc), program or project information. Note – if this is already shown in some detail in the audit terms of reference the introduction to the main report can include a cross-reference back to the ToR ○ Note any relevant Center policies, CGIAR Financial or Governance Guidelines or IAU benchmarks e.g. Good Practice Notes used in the audit 	
<p>Overall conclusion(s) set out the conclusions by audit objectives as shown in the ToR – must be the same unless otherwise explained that there was a change in scope since the issue of the ToR</p>	
<p>The conclusions for each audit objective are rated according the “satisfactory”, “partially satisfactory” and “unsatisfactory ratings” as per the IA Manual Section I.5.</p>	
<p>The definitions of the ratings are explained. It is suggested this is done in an Annex that also explains the definitions of audit recommendation risk and priority ratings.</p>	
<p>Where there were previous internal or external audit, or EPMR/CCER, recommendations concerning the subject matter, the “details” section of the report starts with a tabular analysis of the status of the recommendations. Pending recommendations are either noted as reiterated or described why they are superceded in the table. New but related recommendations in the rest of the report are cross-referenced in the table.</p>	

<p>Status of prior recommendations uses the standard classifications in the IA Manual Section I.6 – implemented, implementation in progress, not yet implemented, partially implemented, superceded, not agreed but alternative action taken to address finding, not agreed.</p>	
<p>Previous internal audit recommendations which are pending are not duplicated by new recommendations in the same form (this causes “recommendation inflation” and prevents proper ageing of pending recommendations)</p>	
<p>Where there are two or more previous audits and there are recommendations from earlier audits which are still pending, all pending recommendations - not just those of the last audit - are analyzed in the table (<i>the older ones are not just “forgotten”</i>).</p>	
<p>Where an IAU Good Practice Note is used as the benchmark for the audit, the next section of the main part of the report is a tabular analysis of whether the Center implements each good practice listed in the Note. Where not, and this gives rise to a recommendation later in the report, the recommendation should be cross-referenced in this table.</p>	
<p>The “detail” section either covers the results for all scope items in the ToR or makes clear that the report only includes exceptions and other areas are considered satisfactory.</p> <p><i>(One or the other might be preferable depending on the type of audit and scope, or expectations of management for an assurance opinion on each scope item, so this must be decided on a case by case basis)</i></p>	
<p>All findings noted in the report where action by management is considered necessary are followed by a recommendation</p>	
<p>All findings noted in the report where management is already taking action should reflect this information.</p> <p><i>(Note: If the action in progress is considered appropriate, there may be no need to have an audit recommendation, but there may be a need to track the status of the action to ensure that in any post audit follow up the completion of the action can be confirmed. These actions should be suitably flagged in the report so they are not overlooked at the time of follow up)</i></p>	

<p>All recommendations made are preceded by a finding paragraph giving context to the recommendation.</p> <p><i>(Note: the AiC can exercise judgment as to how much information on the criteria, condition, cause and effect in the narrative for the finding. See IA Manual Section I.5 for further guidance)</i></p>	
<p>Recommendations are shown below the related finding in the following format:</p> <ul style="list-style-type: none"> - Number of recommendation - Recommendation - Manager (or group of managers) responsible for taking or overseeing action to address the recommendation - Management comments (could include specifics of actions proposed to address the recommendation) - Target date for implementation (this is set by management) <p><i>(Note: recommendations may be presented as indented text or in a tabular format – see IAU Audit Report – Some Useful “Style Guide” Hints #1 for further guidance on presenting recommendations)</i></p>	
<p>All recommendations are consecutively numbered</p>	
<p>All recommendations are given a risk rating as defined in the IA Manual Section I.5</p>	
<p>All recommendations are given a priority rating as defined in the IA Manual Section I.5</p>	
<p>The definitions of the recommendation risk and priority ratings are explained. It is suggested this is done in an Annex that also explains the definitions of the overall conclusion ratings.</p>	

ANNEXES	
<p>Each annex prepared in accordance with standard format:</p> <ul style="list-style-type: none"> ○ Header with Center logo/internal audit (usually on right hand side). ○ Header also includes “ANNEX X” below the logo/internal audit so this appears on each page of the annex ○ Title of report in standard font size (bolded Times New Roman 12 or 11 all Capitalized); uses the style “Report on an Audit of.....” Same title as on cover sheet. ○ Title of Annex is below the Title of the report in standard font size (bolded Times New Roman 12 or 11 all capitalized);. For terms of reference annex, the title should be “AUDIT TERMS OF REFERENCE”. ○ All paragraphs are consecutively numbered (note: text that follows a series of bullets, but is a continuation of information in the previous para is still treated as a <u>separate</u> paragraph) ○ All paragraphs are indented <u>only</u> on the first line ○ All text in paragraphs is center-justified and same margins kept throughout ○ All text in tables and boxes is left justified (works better visually) ○ All numbers in tables are right justified (works better visually) ○ All tables and boxes do not exceed the margins of text on either side of the page. ○ No “orphan” headings – headings separated by a page break from the text that follows ○ No “widow” or “orphan” text (i.e. single lines at beginning or end of a paragraph separated by a page break) ○ Footer shows report number (“Center acronym: FY200X-00”) and date (“Month 00, 200X” – until the final version is 	

<p>issued the day can be left as “00”). Consecutive page numbering. Includes slogan “Confidential – For Center Use Only”</p> <ul style="list-style-type: none"> ○ There is a line spacing in the footer between the top of the footer and solid line above the report number/date. This avoids the text of the report being too close to the footer 	
<p>GENERAL ITEMS</p>	
<p>All pages of the document have a “DRAFT” watermark to indicate the report status</p>	
<p>Acronyms are defined where they first appear in a report, i.e. spell out the full name and then put the acronym in parenthesis.</p> <p><i>(See IAU Audit Report – Some Useful “Style Guide” Hints #1 for detailed guidance on acronyms)</i></p>	
<p>Spacing of words and paragraphs is consistent</p> <p><i>(See IAU Audit Report – Some Useful “Style Guide” Hints #1 for detailed guidance on spacing)</i></p>	
<p>Bullets are used in consistent format and each set of bullets structured so as to be grammatically parallel to each other</p> <p><i>(See IAU Audit Report – Some Useful “Style Guide” Hints #1 for detailed guidance on use of bullets)</i></p>	
<p>The document has been spell-checked and grammar-checked</p> <p><i>(Note – the IAU uses US English as the convention. However some Centers use British spelling for some names e.g. “Programme” rather than “Program”. Where this is part of a title, it should be retained rather than converted to US spelling)</i></p>	