



**SECTION I.6 - ENGAGEMENT RESULTS FOLLOW UP**

Ref.	Policy and Practice Requirements	IIA Standards and Other References
I.6-1	<p><b>Policy:</b> The Head of Internal Audit shall establish and maintain a system to monitor the status of recommendations made from assurance engagements and periodically report Internal Audit’s evaluation of actions taken to the Center’s senior management and the Audit Committee.</p>	<p><b>Standard 2500 - Monitoring Progress</b> The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p><b>Standard 2500.A1 Monitoring Progress -</b> The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p> <p><b>Standard 2500.C1 Monitoring Progress -</b> The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.</p>
I.6-1:1	<p><b>Practice Requirement:</b></p> <p>The Head of Internal Audit shall review the feasibility of including in Internal Audit’s follow up system, the status of recommendations from other assurance activities such as external audit,</p>	



	<p>CCERs and EPMRs</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ External audit recommendations should be included in the Internal Audit follow up system</li> <li>▪ For other assurance activities such as CCERs and EPMRs, Internal Audit may review and note management status reports prepared for the Board of Trustees</li> </ul>	
<p><b>I.6-1:2</b></p>	<p><b>Practice Requirement:</b></p> <p>The Head of Internal Audit shall establish procedures to include:</p> <ul style="list-style-type: none"> <li>▪ A time frame within which management’s response to the assurance engagement observations and recommendations is required.</li> <li>▪ An evaluation of management s response.</li> <li>▪ A verification of the response (if appropriate).</li> <li>▪ A follow-up engagement (if appropriate).</li> <li>▪ A communications procedure that escalates unsatisfactory responses/actions, including the assumption of risk, to the appropriate levels of management.</li> </ul> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Certain reported observations and recommendations may be so significant as to require immediate action by management. These conditions should be monitored by the internal audit activity until corrected because of the effect they may have on the organization.</li> <li>▪ Techniques used to effectively monitor progress include: <ul style="list-style-type: none"> <li>○ Addressing engagement observations and recommendations to the appropriate</li> </ul> </li> </ul>	<p><b>Practice Advisory 2500-1</b></p> <p>Monitoring Progress</p>



	<p>levels of management responsible for taking corrective action.</p> <ul style="list-style-type: none"> <li>○ Receiving and evaluating management responses to engagement observations and recommendations during the engagement or within a reasonable time period after the engagement results are communicated. Responses are more useful if they include sufficient information for the Internal Auditor to evaluate the adequacy and timeliness of corrective action.</li> <li>○ Receiving periodic updates from management in order to evaluate the status of management’s efforts to correct previously communicated conditions.</li> <li>○ Receiving and evaluating information from other Center organizational units which are assigned responsibility for procedures of a follow-up or corrective nature.</li> </ul>	
<p><b>I.6-1:3</b></p>	<p><b>Practice Requirement:</b></p> <p>The Head of Internal Audit shall establish a database to facilitate the tracking of the status of previous assurance engagement recommendations.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ The recommended classification for the tracking of status is shown below:             <ul style="list-style-type: none"> <li>○ <b>Implemented or appropriate alternative action taken</b> – recommendation was agreed appropriate alternative action identified or appropriate alternative action identified and all action recommended has been taken. In those cases where a one-off action or group of actions is required these have been taken. Where action is one that is ongoing, this action has been put in</li> </ul> </li> </ul>	



	<p>place and is operating as of the time of this status report.</p> <ul style="list-style-type: none"><li>○ <b>Implementation in progress</b> – recommendation was agreed. Work is underway to implement the action, or some part of a group of actions required is not yet complete but work is underway on these.</li><li>○ <b>Pending – agreed but not yet implemented</b> – recommendation was agreed but action to implement has not yet been started. This may be because the action awaits completion of a necessary preconditional action, or requires funding not yet allocated.</li><li>○ <b>Partially implemented</b> – recommendation partly agreed and action in this area taken</li><li>○ <b>Superseded</b> – recommendation was agreed but the situation since the audit has changed such that the recommendation is no longer relevant.</li><li>○ <b>Not agreed</b> – recommendation is not agreed, and no action has been taken to implement the recommendation or an alternative action in relation to the finding. This may be due to a disagreement on the finding, or to an assessment that the cost of implementing the recommendation is too high in relation to the risk identified.</li><li>○ <b>Not yet Due</b> – deadline for completion of action on an agreed recommendation, as identified in the audit report, is not yet due.</li><li>▪ To avoid inflation of audit recommendation statistics in the database, a recommendation made in a previous audit but not yet implemented but still considered relevant should be kept and referred to as an</li></ul>	
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	<p>outstanding recommendation in the current audit report. A duplicate, separately trackable recommendation should not be made in the current audit report. Follow up of the original recommendation should continue until it is implemented or otherwise disposed.</p>	
<b>I.6-1:4</b>	<p><b>Practice Requirement:</b></p> <p>The Head of Internal Audit shall provide periodic reports to senior management and the Audit Committee on the status of responses to assurance engagement recommendations</p>	<p><b>Practice Advisory 2500-1</b> Monitoring Progress</p>
<b>I.6-1:5</b>	<p><b>Practice Requirement:</b></p> <p>The Head of Internal Audit shall establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ This can include incorporating verification of actions reported by management in the terms of reference of the next audit covering the same unit, location or process</li> <li>▪ This can also include incorporating the results reported in periodic management progress reports</li> <li>▪ Internal auditors should determine that corrective action was taken and is achieving the desired results, or that senior management or the board has assumed the risk of not taking corrective action on reported observations.</li> <li>▪ The nature, timing, and extent of follow-up should be determined by the Head of Internal Audit. Factors that should be considered in determining appropriate</li> </ul>	<p><b>Standard 2500.A1</b> <b>Monitoring Progress -</b> The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p> <p><b>Practice Advisory</b> <b>2500.A1-1</b> Follow Up Process</p>



	<p>follow-up procedures are:</p> <ul style="list-style-type: none"> <li>○ The significance of the reported observation or recommendation.</li> <li>○ The degree of effort and cost needed to correct the reported condition.</li> <li>○ The impact that may result should the corrective action fail.</li> <li>○ The complexity of the corrective action.</li> <li>○ The time period involved.</li> </ul>	
<p><b>I.6-1:6</b></p>	<p><b>Practice Requirement:</b></p> <p>Internal auditors shall ascertain that actions taken on engagement observations and recommendations remedy the underlying conditions.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ There may be instances where the Head of Internal Audit judges that management’s oral or written response shows that action already taken is sufficient when weighed against the relative importance of the engagement observation or recommendation. On such occasions, follow-up may be performed as part of the next engagement.</li> <li>▪ In other cases verification of actions reported may be taken immediately or before the next scheduled audit. This will particularly be the case where (a) the verification is a simple and inexpensive matter; or (b) the nature of the findings and recommendations are such that there may be a high impact and likelihood risk for the Center if the action reported is not being effectively implemented, and it is considered important to be able to provide assurance on the action for the Director General and the Audit Committee as soon as</li> </ul>	<p><b>Practice Advisory</b> <b>2500.A1-1 Follow Up Process</b></p>



	<p>possible.</p> <ul style="list-style-type: none"> <li>▪ The Head of Internal Audit is responsible for scheduling follow-up activities as part of developing engagement work schedules. Scheduling of follow-up should be based on the risk and exposure involved, as well as the degree of difficulty and the significance of timing in implementing corrective action.</li> </ul>	
<p><b>I.6-1:7</b></p>	<p><b>Practice Requirement:</b></p> <p>When the Head of Internal Audit believes that senior management has accepted a level of residual risk that is unacceptable in light of indicated risk appetite by the Board or senior management, the Head of Internal Audit shall discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Head of Internal Audit and senior management should report the matter to the Board, through the Audit Committee, for resolution.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Management is responsible for deciding the appropriate action to be taken in response to reported engagement observations and recommendations. The Head of Internal Audit is responsible for assessing such management action for the timely resolution of the matters reported as engagement observations and recommendations.</li> <li>▪ Management may decide to assume the risk of not correcting the reported condition because of cost or other considerations. The Director General and Audit Committee should be informed by the Head of Internal Audit of such decisions on all significant assurance engagement recommendations.</li> </ul>	<p><b>Standard 2600 Management's Acceptance of Risks</b></p> <p>When the chief audit executive believes that senior management has accepted a level of residual risk that is unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.</p>



*Appendix 1 – Section I.6*

**TEMPLATE FOR AUDIT RECOMMENDATIONS FOLLOW-UP DATABASE**

**(A) Summary Data**

*(may be sub-totaled by year)*

<b>Audit Report</b>	<b>Total</b>	<b>Implemented or acceptable alternative action taken</b>	<b>Impl or alt action in progress</b>	<b>Partially Implemented</b>	<b>Pending: Agreed but not yet Implemented</b>	<b>Superceded</b>	<b>Not agreed</b>	<b>Not yet due</b>
2000-01								
2000-02								
2000-03								
2001-01								
2001-02								
2001-03								
2002-01								
2002-02								
2002-03								
2003-01								
2003-02								
2003-03								
2004-02								
2005-01								



2005-02								
2005-03								
2005-04								
<b>Total</b>								

**(B) Detailed Data**

Audit Report No / Title	Rec No.	Recommendation	Person/ Unit Responsible	Mgt Comment	Original Impl. Target Date	Status Indicator	Status Description	Date of Status	Revised Impl Target Date