

SECTION C-2

ENGAGEMENT PLANNING

IIA Standard 2200, Engagement Planning, requires that Internal Auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

When planning for an engagement, the following are considered:

- 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 governance, risk management, and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

Engagement Planning:

At the beginning of each engagement, the audit staff conducts planning for the activity to be audited. The planning phase of an engagement varies with the type of engagement being performed. The planning phase for a non-routine audit may take several hours/days to complete whereas planning for a routine audit may only take a few hours. A Planning Memo is used to document various aspects of planning, including preliminary objectives; risks; and engagement objectives, scope, timing, resource allocations, as noted below. Planning Memos are reviewed and approved by the Executive Director and Chief Audit Executive.

As part of engagement planning, the following is performed:

- Meet with Internal Auditing management to discuss preliminary objectives/issues.
- Conduct a preliminary survey,
- Perform a risk assessment,
- Determine engagement objectives,
- Determine engagement scope,
- Determine engagement timing,
- Determine engagement resource allocation,
- Develop a work program,
- Notify auditee of the audit, and
- Conduct an entrance conference.

Preliminary Meeting with Internal Auditing Management:

Internal Auditing staff assigned to the engagement will meet with Internal Auditing management to discuss the preliminary objectives/information regarding the activity to be audited. The nature of the preliminary meeting depends on the engagement. For example, several preliminary issues/information may be discussed during a meeting for an activity that has never been audited. If a type of audit has been performed several times and is compliance oriented, such as a Departmental Review, a preliminary meeting with Internal Auditing management may not be necessary because the objectives have already been determined. Relevant comments from the meeting are documented in the Planning Memo.

Preliminary Survey/Risk Assessment:

After the preliminary meeting with Internal Audit management, the audit staff will conduct a preliminary survey of the activity to obtain an understanding of the activity to be audited and to identify risks associated with the activity. The audit staff should consider risks relating to reputation, technology, human resources, compliance, fraud, the probability of significant errors, and other exposures. Various reference sources regarding risks can be used to identify the risks associated with an activity, including ACUA's risk dictionary, professional associations, etc. In addition, the audit staff may work with management responsible for the activity to identify the risks and determine what procedures/criteria have been established to mitigate such risks. For certain audits, such as Chancellor/President and Board of Regents travel, risk assessments are not performed. The risks associated with the activity to be audited are documented as part of the Planning Memo.

Engagement Objectives:

Once the audit staff assigned to an engagement has completed its preliminary survey and identified risks associated with the activity to be audited, they will draft engagement objectives. During the drafting of the engagement audit objectives, consideration should be given to the COSO Internal Control – Integrated Framework. The draft engagement objectives are to be submitted to the Executive Director and the Chief Audit Executive for their review and approval. The nature of the engagement objectives depend on the engagement being performed. For example, the Departmental Review is a standard review and the engagement objectives were previously approved by Internal Auditing management. The engagement objectives are documented in the Planning Memo.

Engagement Scope:

Once the engagement objectives are determined, the audit staff assigned to the engagement determines the scope of the engagement. Considerations regarding the engagement's size, activities being reviewed, personnel, records, systems, original time budget, time period being reviewed, and other relevant matters are assessed. The engagement scope must be sufficient to satisfy the engagement objectives. Engagement scopes are approved by the Executive Director and Chief Audit Executive. The engagement scope is documented in the Planning Memo.

Engagement Timing:

The timing of an engagement is discussed with management responsible for the activity. The goal is to schedule engagements during the fiscal year scheduled in the Board approved annual audit plan and at a time acceptable with management that does not interfere with peak workloads. Major changes in operations/systems and staffing are also taken into account. Engagement timing is approved by Executive Director and/or the Chief Audit Executive. The engagement timing is documented in the Planning Memo.

Engagement Resource Allocation:

Resource allocations are assessed throughout the engagement in order to accomplish the engagement objectives as planned. The original time budget included in the Board approved annual audit plan is the basis for the resource allocation. Staffing is determined based on complexity of the engagement, timing of the engagement, and the skills of the audit staff and their availability. Project staffing and budgeted hours are approved by the Executive Director and/or Chief Audit Executive. Changes in staffing and budgeted hours are approved by the Executive Director. Also, explanations of deviations from the original/revised time budget should be documented on the Post Audit Review Form. Engagement resource allocations are documented in the Planning Memo.

Engagement Work Program:

A written work program is developed for each engagement. Work programs vary with the complexity of an engagement and include procedures that address the engagement objectives. Work programs include procedures for identifying, analyzing, evaluating, and documenting information obtained during an engagement. If the evaluation of the COSO Internal Control – Integrated Framework was included as an engagement objective, a method of evaluating whether the audited area has addressed the components and principles of the COSO Internal Control – Integrated Framework should be included in the work program. Work programs are approved by the Executive Director and Chief Audit Executive. Changes to the work programs are approved by the Executive Director promptly. Standard audit programs exist for Departmental Reviews, Research Center Reviews, Travel and Entertainment, and General Operational Audits.

Auditee Notification:

The Auditor-in-Charge will contact the auditee and inform them that an audit of their department/unit has been scheduled. The Auditor-in-Charge will schedule an initial meeting to discuss the audit process, contacts, and explain that a formal written notification will be sent. The Auditor-in-Charge will explain the contents of the notification message; which will include the audit program; an initial documentation request list; and other information, as applicable. Audit notifications are sent via email, and are reviewed/approved by the Executive Director prior to distribution. The notification format may vary depending on the type of engagement. Auditees of certain engagements, such as surprise cash counts and investigations, are not sent notifications.

Entrance Conference:

Entrance conferences are conducted with Internal Auditing staff and management of the activity being audited in order to discuss the audit process and to obtain information from the management of the activity. Certain engagements, such as surprise cash counts and investigations do not require entrance conferences. Noted below are standard agenda items that are discussed at entrance conferences.

- Board approved audit plan schedule/budget hours,
- Auditor duties/protocol – unrestricted access,
- Engagement objectives,
- Engagement work program,
- Audit report format,
 - Significant engagement observations – Will have a note of: During Internal Audit engagements which result in significant observations, the Chief Audit Executive (CAE) informs the institutional president of issues and requests responses from the president on actions taken or to be taken. The CAE notifies the Chancellor or issues and president's responses.
- Audit feedback questionnaire,
- Follow-up procedures,
- Fraud,
- Enterprise risk management,
- Benefits of the audit process, and
- Internal Auditing staff assigned to the engagement.