



INTERNAL AUDIT

Guidance on auditing planning for Internal Audit

Posted on July 29, 2020

A good audit planning process should also act as a platform to showcase what audit can do and build closer relationships with key stakeholders, writes James C Paterson on the ACCA blog.

I have been running a course on audit planning for more than 10 years. Common planning steps that you can find include consulting managers and the audit committee, up-dating the audit universe and considering areas of concern for Internal Audit and/or a regulator. However, after that, different approaches to the audit plan start to emerge, from:

- "Cross-checking against the key risk register" to "We can't rely on the risk register"
- "Co-ordinating with other functions and external audit" to "We do our most of our plan independent of others"
- "Calculating priority based on number of years since the last audit" to "We have a blend of factors we use to calculate priorities, and we adjust these if we don't think the plan is right".

Then greater differences emerge when we discuss the frequency of changes to the plan, how you determine what items are in/out of any audit universe, and what the weighting factors are for risk rankings.

Often participants recognise their planning process is a hotchpotch of historical steps, overlaid with specific priorities, where specific factors and weightings cannot be easily justified other than by explaining that: 1) They were used in the past and 2) They seem to give a reasonable result that stakeholders are happy with.

However, times are changing and problems with an audit plan are one of the key findings that arise when an audit team has an External Quality Assessment (EQA), especially when it comes to whether the plan formally recognises other sources of assurance. For this reason, it's worth looking at your audit plan again with a critical eye.

You can read the rest of this article on the ACCA [website](#)



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Internal audit assignment scoping – using ‘boundary diagrams.’

Posted on May 11, 2021

It's such a basic idea. Internal auditors are asked to look at an area. They (hopefully) establish the priority areas to be looked at, liaising with a management sponsor, ideally at a level of seniority above the level of the manager of the area they are looking at. They consider the time available for the assignment and then they issue a "Terms of Reference" (also known as an audit scope).

If the auditor is doing a good job they will spell out what is "in scope" and what is "out of scope". Based on this they will develop an assignment work programme of things they are going to check.

Spelling out what's in/out of scope is an important good practice for internal auditors because it helps to set expectations with stakeholders about what is going to be looked at, giving them an opportunity to challenge what work is going to be done and also setting their expectations.

Oftentimes, you will see terms of reference expressed in words. For example:

This assignment will look at the staff recruitment process. Key areas to be examined will include:

1. Staff selection and background checks,
2. Staff induction and on-boarding process.

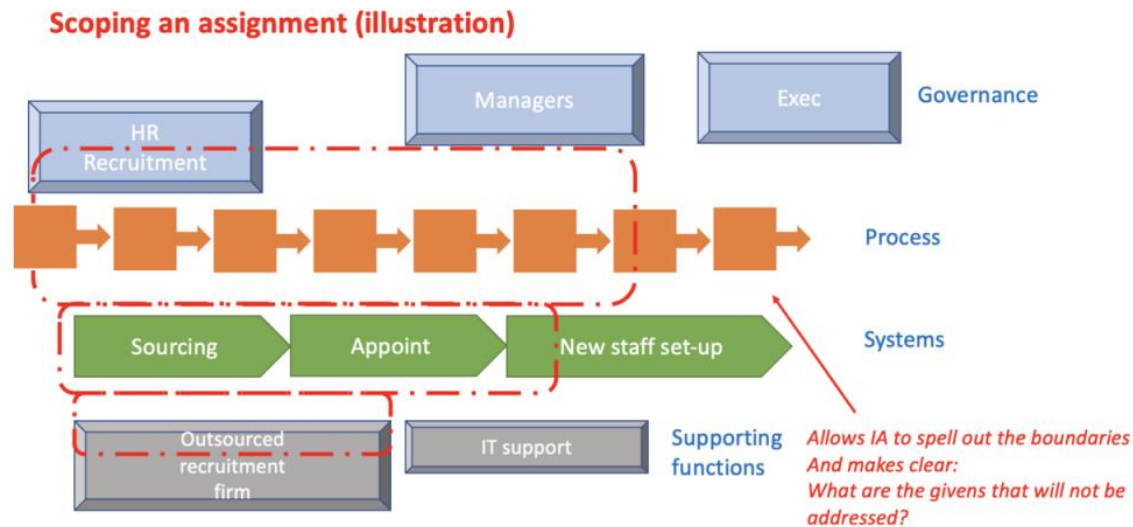
Outside of scope will be:

- A. The engagement/recruitment of part-time staff and contractors.
- B. Benchmarking the cost of recruitment.

The decision to exclude areas from an assignment may be based upon areas that are: i) less relevant to the key assurance needs and also ii) a lesser priority/risk, given the time available for the assignment.

But beyond this written approach to communicate scopes, I am seeing increasing use of diagrams to explain this. Diagrams do not replace words but can complement them. Furthermore, if done well, a diagram can show more clearly some of the “hard choices” around the boundaries of an assignment that may be less obvious when simply expressed in words.

Thus, when you consider an area to be examined, it may be addressed by a process, but that process will often be underpinned by IT systems/applications and data flows. In turn, processes/systems may be managed by support functions (e.g. IT/HR) and their role may be more/less important to the key issues under consideration. Also, there may also be third-party service providers who support a process (e.g. recruitment agencies), and – again – their role may be more/less important in relation to the management of a risk.





A diagram can make it clear, in an instant, which process areas/systems/departments will and won't be looked at. The power of a diagram is that it helps auditors, and managers, think carefully about what will/won't be relevant to an assignment. And if issues are uncovered, it can be simple to "locate" these on the diagram. and many times it will be clear that issues arise *between one part of a process and another, or between one department and another, rather than just in one area.*

Finally, a diagram also provides a great way of helping an audit team understand the totality of what has and has not been looked at so that when planning future assignments it is easier to "join up the jigsaw puzzle".

There is a whole body of practice to be shared about exactly how internal audit functions make robust choices around what is in/out of scope, but the starting point is to be crystal clear what is and is not being done – with diagrams an important tool to help do this.



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Internal Audit and more

Posted on July 12, 2021

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