United Nations Development Programme
Office of Audit and Investigations

Audit Planning and Front-loading
Standard Operating Procedures No. 211
Date of Original Issue: 2 June 2009
Date of Revision: 2 December 2016

This Standard Operating Procedure outlines the basic requirements for planning audits and for conducting preliminary reviews prior to the fieldwork (referred to in OAI as **"front-loading").**

1. The purpose of audit planning is to identify the specific scope, objectives, timing, and resource allocations for an audit. This includes identifying the nature and testing required to achieve the specific audit objectives identified through an audit-level risk assessment.

2. Front-loading is one of the ways to also improve the quality of the audit work by focusing the fieldwork more on validating and adequately pursuing preliminary observations and emerging risks, drafting the audit report even prior to fieldwork[1], and consequently, reducing the duration of the fieldwork and the corresponding costs.

    a. Advance drafting of report is a separate exercise from preparing the Exit Meeting Notes. The latter is still required to facilitate the exit meeting at the conclusion of the audit fieldwork.
    b. **Preliminary** observations that are later refuted or dismissed during the fieldwork should neither be included in the Exit Meeting Notes nor in the draft report.

Auditors' references

3. The main references for auditors are IIA Standards 2200 (Engagement Planning), 2201 (Planning Considerations), 2210 (Engagement Objectives), 2220 (Engagement Scope), 2230 (Engagement Resource Allocation), 2240 (Engagement Work Program). For recommended best practices, the IIA has Practice Advisories 2200-1, 2200-2, 2210-1, 2210.A1-1, 2230-1 and 2240-1.

Preliminary Review

4. The preliminary review should be designed in such a way that the information obtained facilitates remote testing (i.e., desk review prior to on-site review) to the maximum extent possible. The review enables the auditor to distinguish which among the various auditable areas or activities within these areas are significant and worth pursuing further during the fieldwork.

    a. The preliminary review should not preclude auditors from pursuing any risk emerging in the field, which may not be apparent during the planning stage.

    b. Since OAI audits are generally risk-based, not all audit areas preliminarily assessed will eventually be pursued in the field. However, auditors are expected to exercise due professional care and be alert to any significant emerging risk during the audit (see IIA Standard 1220).

5. Apart from requesting documents from audit clients, the auditor may employ various methodologies to elicit more information as necessary prior to fielding the audit mission. Depending on the nature of audit, this may include using questionnaires, conducting interviews, or run Atlas reports/queries.

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[1] This pertains to audit issues that are more or less solid after the frontloading work, subject to validation in the field.

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6. The Audit Chief should ensure that the auditors obtain and review adequate information from the office that would be reflective of the KEY controls of the office. **OAI's audit guidelines** suggest a list of documents for each audit area/sub-area to be reviewed.

Conducting audit-level risk assessment

7. All possible audit areas must be identified.
    a. For audits of country offices, Global Fund grants and DIM projects, follow the audit areas/sub-areas defined in the respective audit guidelines.
    b. For consistency with this approach, audit areas/sub-areas for audits conducted by HAS and SAS should also be identified by function, unless other classification is more appropriate.

8. Keeping in view the audit objectives per the audit guidelines (such as the Country Office Audit Guide, the Global Fund audit guidelines and the DIM audit guidelines) or the annual work plan (for HAS and SAS audits), the auditor must consider the gross risk, relevant controls, and projected net risk at the levels of areas/ sub-areas for the audit based on the preliminary review of available documentation or information. This will enable the auditor to focus the audit and come up with more specific audit objectives.

9. It is important to also consult with the Investigations Section to know any ongoing cases or trends that could be useful inputs for assessing fraud risks as they may have impact on their audit.

10. For consistency in measuring the risk, the severity of the possible impact and the likelihood of occurrence must be assessed using 3-**level scale of "high", "medium" or "low"**.

Severity	Likelihood		
	High	*Medium*	*Low*
High	HIGH RISK	HIGH RISK	MEDIUM RISK
Medium	HIGH RISK	MEDIUM RISK	LOW RISK
Low	MEDIUM RISK	LOW RISK	LOW RISK

11. The auditor should also explicitly acknowledge if it was the audit client (or the office under audit) which identified the risk**, based on the auditor's review of the office risk log or preliminary interview with the** clients. This note will serve as an aide-memoire for the audit team to look into the adequacy and/or reliability of the risk management process of the office once the audit team is in the field.

12. In all instances, the results of the preliminary risk assessment and soundness of the controls in mitigating the risks must be validated once in the field through adequate substantive testing.

13. At the completion of each audit, the Audit Chiefs should review the actual audit procedures done vis-à-vis procedures identified at the planning stage and compile suggested amendments to existing audit guidelines, for submission to and further assessment by the Quality Assurance and Policy Unit (QAP) which is tasked with issuing updates to audit guidelines periodically or as needed.

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Audit Planning Memorandum (APM)

14. The results of the preliminary review and audit-level risk assessment must be adequately documented in an APM (see template in the Annex).

15. The Audit Chief has the prerogative to decide on when the APM would be prepared, as planning and front-loading work would overlap.

    a. For practical purposes as the results of the front loading work would supersede the usual planning work, updates in APM after front loading work is highly suggested to guide further audit work in the field.
    b. The APM should allow time to address any emerging risks.

16. The APM must be approved by the Audit Chief and the approved APM shall be submitted to the Director and Deputy Director (Audit) at least 3 working days prior to the fieldwork, in order for them to provide inputs/comments (if any) before the fieldwork takes place.

    a. For Global Fund audits, the APM must also be shared with the SAS, in order for them to provide their inputs/comments (if any).
    b. For other field-based audits that may likely have corporate-wide impact, the APM must also be shared with the HAS, in order for HAS to provide their inputs/comments.

17. The approved APM should be retained in the audit repository system, SHAPE, for post-audit independent quality assurance review by the Quality Assurance and Policy Unit and/or for external quality assurance reviews.

Planning timeframe

18. The Audit Chief shall allow a reasonable time to enable the auditors to do an adequate preliminary desk review before the audit fieldwork. **What is "reasonable" depends on the audit unit's experience in obtaining** documentation from clients and its collective capacity to conduct a preliminary assessment, including front-loading, within a timeframe that will enable them to achieve the results that they require before their on-site work.

19. For purposes of obtaining information from the audit clients well ahead of time, the Audit Chief has the prerogative as to when to give notification to the head of the office to be audited.

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Resources allocation

20. In determining the staff resources necessary to perform the audit and in determining the composition of the team and its leader, the Audit Chief should consider:
    a. the nature and potential complexity of the audit (based on size of the office as indicated by the number of personnel and amount of programme delivery; as well as the results of audit risk assessment at the annual planning stage, which must be updated at the audit planning stage);
    b. the knowledge, skills and other competencies of **audit unit's** staff;
    c. time constraints of the audit unit; and
    d. available financial resources.

    For all audits, the following should be taken as a guide

Nature of audit	Fieldwork duration (in weeks)	Team size (number of auditors)	Remarks
Standard audits (typically medium risk audit entities)	1.5	2	One extra working day for the Exit Meeting may be added.
High risk, large and complex office/business unit Small office/business unit, with major issues (based on preliminary assessment)	2	2	For exceptional cases, the duration of the mission may either be extended to 3 weeks or increase the number of auditors to 3. NOTE: At the time of annual work planning and annual budget formulation, OAI determines the size of audit team and duration of mission based on gross risk. The audit size and duration is finalized at the audit engagement planning stage when updated information is available about mitigating key controls and extent of testing. One extra working day for the Exit Meeting may be added.
Small office/business unit, no major issues	1	2	Depending on the nature and size of programme activities, one of two Audit Specialists may participate in the field for less than 2 weeks or participate by providing guidance remotely. One extra working day for the Exit Meeting may be added.
On-site follow-up	1	2	

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21. The presence of the Audit Chief and the duration of his/her time with the team depend largely on the complexity of the audit and anticipated workload in the field as well as the criticality of his/her presence at the Exit Meeting. In case of small and low risk offices, the Audit Chief may not have to be physically present.

Roles and responsibilities

22. Audit/Administrative Associate: Provides support to the audit team in data extraction, data compilation, and follow-up as requested by the audit team leader; May also perform basic data analysis and review under direct supervision of the auditor that he/she is assisting.

23. Audit team member: Conducts the preliminary review for the area assigned to him/her by the audit team leader; Accountable to the audit team leader for the quality, accuracy and timeliness of the task(s) assigned to him/her by the audit team leader in preparing the APM.

24. Audit team leader: Leads and coordinates the planning phase of the audit assignment and the conduct of the preliminary review; Assigns tasks and responsibilities to the audit team members and Audit/Administrative Associate; Serves as the main contact person with the audit client; Reviews, updates and submits APM to the Audit Chief for review and approval; Ensures adequate response to the review points of the Audit Chief; Accountable to the Audit Chief for the quality, accuracy and timeliness in preparing the APM; Supervises the rest of the audit in accordance with the APM.

25. Audit Chief: Guides, supervises, and ensures preparation of a comprehensive APM; Reviews and approves the APM; Submits approved APM to the Directorate Office at least three working days prior to the audit mission; Responsible for overall implementation of the APM; Consults with Deputy Director (Audit) or the Director for any major deviations from the APM.

26. Chief, QAP: Ensures quality of the planning process through periodic (preferably annual) assessments on a sample basis; Develops SOPs, templates and other audit tools.

27. Deputy Director (Audit): Provides guidance to the Audit Chiefs of Regional Audit Centres, as deemed necessary.

28. Director, OAI: Provides guidance to the Audit Chiefs of HQ-based audit units (HAS, SAS, UN Women Audit Unit), as deemed necessary. Responsible for the overall conduct of OAI audits.

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This SOP is effective immediately.

Approved by:

Helge S. Osttveiten
Director, OAI

Client	<<insert main audit client>>
Location	<<insert address>>
Type of Assignment	<<select: CO Audit, Follow-up Audit, DIM Audit, Global Fund Audit, UN Women Audit, HQ Audit, Functional Audit, Inter-agency Audit>>
Audit Team	<<name, position>>, Team Leader <<name, position>>

Background and Justification for the Audit

Included in work plan for	<<insert year; if not applicable, put "N/A">>
Risk rank at annual planning stage	<<insert rank; if not applicable, put "N/A">>
Not in plan / Reason	<<insert reason, e.g., requested by xxx; if not applicable, put "N/A">>

Statistical Operational Overview: <<*NOTE: The following example is applicable only for country office audits. For other types of audit, use statistical information only if it helps the auditor/reviewer visualize the area to be audited. Statistics for two calendar years plus current period will give some indications of trend. If deemed not necessary, this table can be deleted altogether.*>>

	<<insert current period (fraction of a year)>>	<<insert previous 2 calendar years>>	
Number of personnel: • International • National Officers • General Service • SC holders • Others (UNVs etc. - pls specify)			
Budget/resources: • Core • Non-core • GLOC • Admin • Programme • XB reserve (in months)			
Income: • GMS • ISS			
Programme/projects: (No. and expenditure) • DIM • HACT/NIM/NGO			
Procurement: • Number of requisitions • Number of POs processed • Total PO value ($) • Number of ICs			
Finance: • Number of vouchers paid • Vouchers value ($) • Paid manually • Paid through Atlas			
Security Level			

<<Present source of info through a footnote>>

Additional information:
• Last audit done by: <<insert OAI or UNBOA>>

- Fieldwork date/Report date:
- Audit rating:
- Result of latest desk follow-up (implementation rate):

For the organizational structure of the office, see <u>attached</u> latest organigramme (Attachment 1).

Audit Client Management Team

Position	Name	Date assigned to the Office
<<head of the office>>		
<<2nd in command>>		
<<other senior posts relevant to the audit>>		

Specific Audit Objectives

Audit area / sub-area	Objectives *<<this depends on the results of the preliminary review and is not restricted to the specific objectives in the audit guidelines>>*

Audit Scope

<u>Audit period to be covered</u>: <<specify from/to; at least one calendar year; not to exceed 24 months>>

<u>Audit areas/sub-areas to be reviewed, based on preliminary risk assessment</u>: All areas rated high and medium. No further fieldwork to be done for areas rated low risk. See table below:

<u>Scope limitation</u>

<<identify area/sub-area and reasons. This should be beyond the control of the audit team, for example, security reasons, or office prevents auditors from doing site visits, etc. Anticipated resource constraints such as no available auditor should be dealt with the Deputy Director (Audit) earlier on and should not be a reason for a scope limitation.>>

Review sample: <<If actual samples already known, present details in the annex >>

Audit area/sub-area	Methodology	Proposed criteria	Proposed size (No. & percentage)

Preliminary Risk Assessment (Subject to validation in the field)

<<*part of the APM maybe in a landscape orientation so that size of columns can be adjusted accordingly*>>

Auditable Area/Sub-areas	Gross Risk			Proposed Audit Procedures (Focus on KEY controls. If space is not enough, have Attachment 2)	√ if Risk and Controls are validated on-site and net risks are at acceptable level <<Change in audit procedures: Y/N>> WP Ref.
	Rank	Severity (H/M/L)	Likelihood (H/M/L)		

<<*NOTE 1: Use this as guide in deciding on the RISK RANK*>>

	Likelihood

Severity	High	Medium	Low
High	**HIGH RISK**	**HIGH RISK**	**MEDIUM RISK**
Medium	**HIGH RISK**	**MEDIUM RISK**	**LOW RISK**
Low	**MEDIUM RISK**	**LOW RISK**	**LOW RISK**

*<<NOTE 2 : **Under "Proposed Audit Procedures" specify only those procedures in COAG** or other available audit guidelines that are applicable (i.e., section/subsection/para nos). If the proposed procedures are not in any of the available audit guidelines, describe them here, focusing on key controls aimed to mitigate the risk that you have identified – all these will subsequently be reviewed for future updates of the relevant audit guidelines.>>*

<<NOTE 3: Ensure that the auditors obtain preliminary information (through documents request, interviews) that are reflective of the KEY controls of the office. Review the suggested documents for request as noted in the audit guidelines before sending this out to the office.>>

<<NOTE 4: The last column is to be filled DURING or AFTER the fieldwork. The audit unit may design a separate worksheet, for this purpose.

Resources allocation

(1) Staff/Time allocation (in person days)
<<NOTE: Replace the column headings below with the auditors' initials. Insert additional column as needed.>>

Audit Process/Area	Team Leader	Auditor 1	Total
Remote review (Planning/Front-loading work)			
On-site work, per audit area <<or sub-area (if more useful)>>			
<<Audit area>>			
<<Audit area>>			
<<Audit area>>			
<<Audit area>>			
Reporting <<referring to time spent on final drafting, i.e., not the pre-drafting at frontloading phase>>			
Total		xx	xx

(2) Financial resources

        Estimated travel cost   :
        DSA   :
        Other expenses   :
        Total   :

Audit Timetable (Milestones)	
Audit notification memo to the audit client	
APM submitted to Chief for review and approval	
Approved APM submitted to Directorate, SAS Chief (if Global Fund)	
Audit on-site work start date	
Audit on-site work end date	
Exit meeting notes to auditee	

Audit Timetable (Milestones)	
Submission of draft report to audit client for comments	
Final draft with management comments to QAP	
Submission of final audit report to the Administrator (target: no more than 90 calendar days after end of on-site work)	

Clearance		
	Name	Signature Date
Prepared by: <<name, position>>, Team Leader		
<<name, position>>, Member <<NOTE: insert additional boxes as needed>>		
Approved by: <<name> >, Chief <<unit>>		

<<NOTE: Signed pdf version must be submitted to the Directorate's Office and SAS Chief (if Global Fund).>>

Attachment 1: Organigramme of <<audited office>>

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Audit Working Papers
Standard Operating Procedure No. 222
Date of Original Issue: 20 May 2011
Date of Revision: 2 December 2016

This Standard Operating Procedure outlines the minimum requirements to ensure OAI's compliance with the IIA Standard 2330 on Documenting Information, which stipulates "Internal auditors must document relevant information to support the conclusions and engagement results".

It also presents a practical solution to ensure that working papers are consistently filed in a specified location in SHAPE to facilitate access by remote reviewers and other users, such as auditors of other audit units in OAI and other UN agencies. SHAPE is an online audit working paper database used by OAI.

Purpose
1. The purpose of having working papers is to facilitate the planning, conduct of fieldwork, the documentation of audit findings and the review of auditors' work. Working papers document the information obtained, the analyses made, and the support for the conclusions and audit results. Generally, they document whether audit objectives were achieved, support the accuracy and completeness of work performed, facilitate third- party reviews, and provide the basis for the internal audit activity's quality assurance and improvement programme.

OAI audit files

2. The audit files of OAI are stored in SHAPE and CARDS.

3. SHAPE library contains the essential working papers and documents pertaining to planning, fieldwork, reporting of all audits conducted by OAI.

4. CARDS audit record contains the approved final audit report and the recommendation implementation status and relating documentations uploaded by audit clients.

Minimum documentation requirements in SHAPE

5. At the very least, the following documents must be in SHAPE to adequately capture the work done from planning to reporting stages of the audit. The different type of files should be found in SHAPE under respective Domains (Domain in SHAPE means folder or functional area. Domain normally contains sub-domain which is sub-folder where supporting document is saved):

    (a) Audit Planning - Main Documents (Domain 0).
        - Scanned copy of the formal audit notification sent to the office concerned
        - Approved audit planning memorandum

    (b) Audit Fieldwork
         Main Documents (Domain 0)
        - Exit Meeting Notes shared with the auditee during the Exit Meeting
        - Risk and Audit Issues Cross Reference Table (or any similar information)

         Audit Sub-**Domains (1, 2, 3, 4, 5, …10)**

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- Audit Working Papers (Lead Sheets)
- Working papers documenting work done and sources of evidence

  (c) Audit Reporting - Main Documents (Domain 0)
- First draft submitted by the Audit Chief
- Management's Response
- Draft with management's response included
- Scanned copy of the Final Report submitted to the Administrator, with cover memo.

6. It is mandatory to complete property fields for the files uploaded to SHAPE. The only optional field is Description.

Basic elements of a working paper

7. A working paper documents the audit procedures and the results of the audit. This is meant to support the auditor's findings.

8. Each working paper must contain "sufficient, reliable, relevant and useful information" (IIA Standard 2310). As a minimum, OAI's working paper must have the following basic elements (see template OAI working paper). This is MANDATORY.

  (a) Lead sheet indicating audit objectives, risk identified, audit work performed, audit results (criteria, condition, cause, effect/impact/risk, recommendation, name of auditee with whom finding was discussed, and disposition), team leader and Chief comments/attestation. Summary of audit results on the lead sheet cross-referenced with sources of evidence.
  (b) Explanation of the symbol/tickmarks used to identify and describe the specific tests done
  (c) Sources of evidence (flexible format as long as all required information is disclosed):
      a. documentation of analysis/ test performed by OAI on internal or external information (indicate source)
      b. document (internal or external, indicate source)
- attach full document only if essential
- if bulky, just note down specifics on the working paper, such as title of document, date, table of contents, relevant pages (or copies thereof)
- if applicable, website links (internet, intranet)
      c. e-mail (convert to pdf to facilitate external QA review)
      d. interview
- list attendees (name/position title)
- date and place
- detailed questionnaire or interview guide should be attached
- NOTE: Significant statements of interviewee must be validated or corroborated.
      e. Sample of transactions or activities
- Total population (in number, amount, percentages)
- Sample size (in number, amount, percentages)
- Sampling methodology (if judgmental, describe criteria and rationale)
- NOTE: Specific information (such as totals, any figure used) cross-referenced to working paper.

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9. The working paper reference number should consist of the main audit area number followed by the audit sub-area then the working paper sequence number.
10. Do not upload documents subsequently found not relevant to any observation even if they were obtained and/or reviewed during the planning phase and/or fieldwork.

Cross-referencing

11. Cross-referencing is important to ensure an appropriate audit trail between audit findings and the relevant evidence. This also facilitates 3'rd party report reviews and subsequent tracing of information after issuing the final report.

12. This should be done as follows:
    (a) Within the working paper, referencing the summary of audit results on the lead sheet with sources of evidence [as described in 8(d) above].
    (b) Within the source documents, cross-reference specific data, analyses, totals, etc. to the working paper.
    (c) Any new source of evidence (e-mail, document interview, etc.) obtained after the draft report has been submitted by the Audit Chief should be listed and cross referenced in the relevant working paper and the revised working paper (if any) should be uploaded in SHAPE.

13. To facilitate QA review of working papers, the working papers with corresponding source documents must be completed and uploaded in SHAPE before the draft report is submitted by the Audit Chief to QAPU for review. This is MANDATORY.

Review of working papers

14. Team leaders are required to conduct a detailed review of working papers. Appropriate time must be allocated for this purpose, during and after the audit mission.

15. Based on his/her professional judgment, the Audit Chief may conduct either a complete review of all the working papers or an adequate review of a sample of the working papers. The scope of the review will reflect the significance of the audit findings and operational risks in the audit.

16. In view of the public disclosure policy, the Audit Chief must ensure the adequacy of audit documentation in SHAPE upon submission of the draft; the QAPU should conduct a risk based random test check of working papers before endorsing the draft report for approval and final issuance by the Director, OAI.

17. The Team Leader is responsible for the following, *inter alia:*
    - Ensure that audit procedures envisaged in the Audit Planning Memo have been carried out. Any finding (omission or deviation or addition) must be explained either as a post-facto notation on the Audit Planning Memo itself or a separate note.
    - Ensure that audit work procedures done fully met the audit objectives.

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- Ensure that all audit observations / conclusions are adequately supported, documented and that information gathered is sufficient, reliable, relevant and useful.
- Ensure that audit criteria, especially referring to Best Practice, is appropriate and adequately documented.
- Ensure that, even for areas where no findings were noted, adequate working papers are prepared and appropriate documents (to the extent possible) are uploaded in SHAPE for any third-party validation of auditor's conclusions.
- Ensure that the working papers contain all the basic elements as defined in paragraph 7 to 10 of this SOP.

18. The Audit Chief is responsible for the following, *inter alia*:
    - Ensure that audit objectives have been fully met and that auditor's objectivity is maintained in conducting the audit and arriving at conclusions.
    - Ensure that audit observations/ conclusions are adequately documented.
    - Ensure that conclusions reached by the auditors are reasonable, consistent and valid.
    - Ensure that audit criteria, especially referring to Best Practice, is appropriate and adequately documented.
    - Ensure adequate documentation of supervisory reviews (i.e., pertaining to the Team Leader's or the Chiefs reviews).
    - Ensure that any negative statement or conclusion relating to a third party is confirmed with the third party and such confirmation is well documented.

19. In addition to the working paper test checks per audit report during the normal report review process (see para 16 above) the QAPU Chief is also responsible for conducting, on a sample basis, a comprehensive QA review of audits, periodic self-assessment in accordance with IIA Standard 1311 at least once every two years. The results may form the basis for the extent of working paper test checks for each and every audit report issued the following year.

20. For DIM audits, the Audit Chiefs take on the role of a QA reviewer of the working papers of the audit firm. The nature and extent of testing will depend on the Audit Chief's assessment of the audit firm at the selection stage.

Access to working papers

21. Working papers are the sole property of OAI and thus are accessible to all OAI staff for reference.

22. The United Nations Board of Auditors, as UNDP's external auditors, is provided full access to the working papers upon request.

23. Access for others is provided only upon approval by the Director, OAI.

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Retention of working paper files

24.   Working paper files must be retained for at least six years, considering OAI's audit cycle of normally not more than six years. Thereafter, the files may be deleted from SHAPE but not until the next audit of the same entity has been completed.

This SOP is effective immediately.

Approved by:

Helge S. Osttveiten
Director, OAI

United Nations Development Programme
Office of Audit and Investigations

Audit Report Format
Standard Operating Procedures No. 232
Date of Original Issue: 8 March 2006
Date of Latest Revision: 3 March 2017

This Standard Operating Procedure presents the revised report format for all audit reports of OAI. This supersedes SOP No. 232 updated on 11 December 2011 and 6 December 2013.

With the overall intention to make the reports more concise and focused on the critical risks, reduce the time for preparation, review and finalization of reports, OAI staff are asked to address the following:

1. The audit report is expected to follow the standard templates per audit type.

2. In line with the IIA Standards, auditors are encouraged to briefly acknowledge good performance and/or any good practice of the office during the period under audit for each audit area.

3. Satisfactory audit areas should be described briefly. Adequate evidence for any audit conclusion should remain in the working paper file.

4. The report should contain management's action plan to implement the recommendation and the estimated completion date.

    a. The Audit Chief is expected to resolve any differences with the office management and amend the audit observation, conclusion or recommendation based on evidence presented by the office.

    b. If no agreement is reached and OAI is retaining its conclusion and/or recommendation, OAI should formally present its response in the report. For a general guide, refer to SOP 232.1 on Dealing with Management Comments.

5. Issues with less significance can be dealt with separately by the Audit Chief and the head of the office. This can be done before or concurrently with the issuance of the final report.

    a. Recommendations that had been subsequently validated by the auditors to be implemented as claimed by the office can be removed from the final report. In the comments box, the work and validation should be referenced.

    b. In all instances, whether medium or high priority recommendations, if the auditor is unable to validate the action reported by the office, the issue and corresponding recommendation should remain in the report and the action taken by the office must be acknowledged subject to validation by OAI during the follow-up process after the issue of the report.

6. All high priority recommendations need to be highlighted in the Executive Summary. The Audit Chief should carefully assess all issues to ensure the appropriateness of the ranking of recommendations. Only critical recommendations needing immediate action by the relevant office merit a "high priority" ranking.

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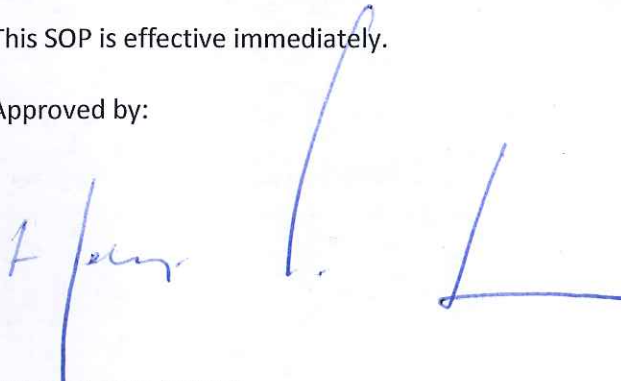**Audit Report Format**
Standard Operating Procedures No. 232
Date of Original Issue: 8 March 2006
Date of Latest Revision: 3 March 2017

7. The Audit Chief is encouraged to ensure the quality of the overall report according to the Quality Assurance Review Checklist.

This SOP is effective immediately.

Approved by:

HELGE S. OSTTVEITEN
Director, OAI

References:

Report templates for the following audits:
    (a) Country Office and HQ/SAS
    (b) Global Fund
    (c) UN Women
    (d) DIM
    (e) Follow-up
Quality Assurance Review Checklist

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Audit Report Format
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This Standard Operating Procedure presents the revised report format for all audit reports of OAI. This supersedes SOP No. 232 issued on 11 December 2011.

With the overall intention to make the reports more concise and focused on the critical risks, as well as reduce the time for preparation, review and finalization of reports, the following changes are being introduced:

1. In line with the IIA Standards, auditors are encouraged to briefly acknowledge good performance and/or any good practice of the office during the period under audit.

2. There is no need for elaborate write-up for audit areas that are assessed to be satisfactory and where no issues were found. Adequate evidence for any audit conclusion should remain in the working paper file.

3. Audit rating for sub-areas will not be presented in the report. This should, however, be maintained in the working paper file as basis for the overall audit rating.

    a. At the discretion of the Audit Chief, the sub-area ratings may be presented during the exit meeting or when the draft report is shared with management to give management a better understanding of the overall rating.

4. The "agreed/disagreed" checkmark will be removed. OAI, however, should obtain the management's action plan to implement the recommendation and the estimated completion date.

    a. The Audit Chief is expected to resolve any differences with the office management and amend the audit observation, conclusion or recommendation based on evidence presented by the office.

    b. If no agreement is reached and OAI is retaining its conclusion and/or recommendation, OAI should formally present its response in the report. For general guide, refer to SOP 232.1 on Dealing with Management Comments.

5. Issues with lesser significance should be dealt with separately through a memo by the Audit Chief to the head of the office. This can be done before or concurrent with the issue of the final report.

    a. Medium priority recommendations that had been subsequently validated by the auditors to be truly implemented as claimed by the office should be removed from the final report.

    b. Even if a high priority recommendation has been validated to be truly implemented, it should be presented in the report for the record, as "Comment", and OAI should formally acknowledge the action taken by the office.

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Updated: 6 December 2013

c.   In all instances, whether medium or high priority recommendations, if the auditor is unable to validate the action reported by the office, the issue and corresponding recommendation should remain in the report and the action taken by the office must be acknowledged subject to validation by OAI during the follow-up process after the issue of the report.

d.   As a general guide on the number of audit issues, if the audit rating is "satisfactory", the maximum number of issues is 5; if "partially satisfactory", maximum of 10 issues; if "unsatisfactory", maximum of 15 issues.

6.   All high priority recommendations will be highlighted in the Executive Summary. The Audit Chief should carefully assess all issues to ensure the appropriateness of the ranking of recommendations. Only critical recommendations needing immediate action by the relevant office merit a "high priority" ranking.

This SOP is effective immediately, except for those audit reports which are currently under finalization.

HELGE S. OSTTVEITEN
Director, OAI

Attachments:

Report templates for the following audits
   (a) Country Office and HQ/SAS audits
   (b) Global Fund audits
   (c) UN Women audits
   (d) DIM audits (Executive Summary); the full report template (used for country office audit) should be shared with the audit firm conducting the audit on behalf of OAI
   (e) Performance audits
   (f) Follow-up audits

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Guide for independent quality assurance reviewers in OAI
Standard Operating Procedure No. 236
Date of Original Issue: 5 November 2013
Date of Revision: 2 December 2016

1. The purpose of this Guide is to ensure consistency and efficiency in the independent review, as well as help ensure that the report is issued within the 90-day target, as per OAI's Charter.

2. In addition to the quality assurance (QA) reviews done by the Audit Chiefs, the Quality Assurance and Policy Unit (QAPU) conducts an independent QA review of all draft reports before the OAI Director signs the final report for issuance to the Administrator.

3. To the extent practicable, one technical reviewer is assigned per report, and the technical reviewer works directly with the Audit Chief throughout the review process.

Purpose of an independent review

4. Having the draft report independently reviewed by a reviewer who is not part of the audit team helps ensure the objectivity of the audit report. With the UNDP disclosure policy, this independent review also contributes to the readability and understandability of the report. This independent review also provides assurance to the OAI Director, who takes full accountability for the integrity and credibility of the report. This, however, does not lessen the responsibility of the Audit Chief and his/her audit team for the audit results.

Potential items for QA review comments

5. Technical reviewers must independently assess the appropriateness of the overall audit rating, the proper presentation of the audit observations (ref. IIA Practice Advisory 2410-1 relating to attributes on criteria, condition, cause, effect and recommendation) as well as the priority of recommendations (high or medium). Independent technical reviewers can gauge this from the way the issues are presented in the report, i.e., if any reader would be convinced to reach the same conclusion as the auditor.

6. To minimize the number of times draft reports are exchanged between Audit Chiefs and technical reviewers, language edits and minor review comments will be resolved within QAP.

7. Only significant review comments on either form or substance will be conveyed back to the Audit Chief. This may pertain to instances such as:
    (a) conclusions and audit observations that do not appear to be evidence-based, e.g., based on opinion;
    (b) conclusions and audit observations that are not adequately documented. This is captured by a sample test-check of work papers uploaded in the internal documentation system used by OAI (Shape);
    (c) pervasive deviations from SOPs and report templates;
    (d) unclear or inappropriate/wrong criteria;
    (e) conditions with no identified cause;
    (f) unclear or illogical formulation of observations;
    (g) observations with unnecessary details and/or technical jargon;
    (h) contradictory or inconsistent statements, information or data presented in the report;
    (i) information, observations, or statements that can trigger negative reactions from the public;
    (j) observations with no corresponding recommendations (unless already validated to be implemented and only a "comment" is required);
    (k) recommendations with no basis in the observations;

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(l) recommendations that are broadly formulated, do not address the cause of the problem, or do not include clear criteria that will later help determine their implementation;

(m) not clearly formulated, or illogical risk statements;

(n) inconsistency between management comments and audit observations, or recommendations that have not been properly addressed;

(o) cases where an OAI response is needed; and

(p) any language edits that border on the technical side or that may change the intent of the auditor.

Physical movements of the draft report

8. The draft report is returned to the Audit Chief depending on the nature of review comments (see item 8).

9. When **the technical reviewer's comments are** expected to result in significant changes to the report, the reviewer will ask the Audit Chief for a Skype/Lync meeting in order to clarify his/her points, agree on the changes, and thereby speed up the process. The QAPU Chief participates when necessary. The purpose of the meeting is to develop a common understanding of the issues raised and the way to address the issues. The technical reviewer must draw the attention of the Audit Chief to the most significant changes.

    (a) The Audit Chief will be requested to return <u>one and the same document,</u> but updated with a revised substantive text addressing the review comments (i.e., with edits tracked). The Audit Chief should <u>avoid sending two versions</u> of the reviewed documents as this always causes confusion.

    (b) The technical reviewer must assess the revisions made by the Audit Chief. It is expected that the Audit Chief has addressed the issues raised in a way that makes further exchange of the same document redundant. If this is not the case, the full draft report must be returned to the Audit Chief, highlighting those remaining comments that must be resolved immediately. Otherwise, the draft report may be endorsed to the QAP Chief (see item 11 below). The technical review is responsible for deleting the review comments once satisfied with the response or amendments made by the auditors/Audit Chief.

    (c) When the draft is exchanged between the audit unit and QAPU, the draft should have an embedded watermark showing date/time stamp. The watermark is removed by QAPU only in the very last version submitted for signature.

10. Generally, technical reviewers need not review all working papers. It is expected that the Audit Chief has adequately reviewed the quality of the working papers prior to submission of the draft for a QA review. Considering the criticality of issues raised in the report and the possible reputational risks to UNDP if the issues are found to be unsubstantiated, the technical reviewer decides, based on his/her professional judgment, which issues in the report need to be independently validated. The issues leading to high priority recommendations are always validated, as well as the areas assessed as satisfactory, with no issues.

    (a) If the working papers are not uploaded in SHAPE, the draft report will normally be returned without being reviewed, and the Audit Chief will be requested to amend the submission date in CARDS accordingly.

    (b) At the very least, working papers, any relevant source documents, and the report (or summary of findings/observations) must be cross-referenced to speed up the review process (refer to SOP 222 on 'Audit working papers').

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11. The final reviewed draft version should be submitted by the technical reviewer to the QAPU Chief for final processing. As a general rule, the technical reviewer should accept all of the changes and all review comments satisfactorily resolved with the Audit Chiefs and leave only any remaining comments requiring the intervention of the QAPU Chief.

    (a) This final draft version then goes to the language editor. If deemed necessary, the technical reviewer should brief the language editor on certain technical nuances in the report that the latter should keep in view when editing.

    (b) The QAPU Chief resolves any pending review comments either with the technical reviewer or the Audit Chief.

    (c) Any other additional issues from this final review by the QAPU Chief is directly resolved with the Audit Chief or the Director, as needed.

    (d) QAPU gives clearance to the Audit Chief before draft reports with "unsatisfactory" rating are sent to management for comments.

    (e) Generally, once satisfied with the overall quality of the final draft report and the QA process, the QAPU Chief submits a clean copy to the Director for approval and issuance to the Administrator. Exceptionally, for reports rated "unsatisfactory," the QAPU Chief might submit a clean copy to the Deputy Director (Audit) for clearance prior to the Director's approval.

    (f) Prior to submitting the final draft report to the Director, the Chief QAPU will consult with the Investigations Manager to check if there is any ongoing or recently concluded investigation work pertaining to the office and amend the report as appropriate.

This SOP is effective immediately.

Approved by:

Helge S. Osttveiten
Director, OAI