Planning audit projects, or engagements, well will ensure you deliver a quality assurance and consulting service to your organisation or clients.

You need to take account of a great many factors when planning. This guide draws together all of those factors and aims to help internal auditors who are new to planning as well as providing a useful reminder to more experienced internal auditors.

Why bother planning? What are the benefits?

1. Increased chance of success (fail to plan = plan to fail)
As with any project, taking time to plan the internal audit engagement increases the chances that you will complete it to the agreed quality standards in the agreed time and with the available resources.

2. A more comprehensive outcome
In terms of the content of the work, planning allows the internal auditor to clarify the objectives of the work and to set out all the tasks needed to achieve them. This helps to ensure that the work done is comprehensive.

The real outcomes of internal audit depend on the relationships between the internal auditor and the organisation's managers and governors. Planning provides an opportunity to establish or develop those relationships, establishing the foundation for communications later in the engagement.

Done well, planning makes communicating engagement results easier and quicker.

3. Resource availability
The better the internal auditor understands the tasks, the better he or she will be able to identify the resources needed and to secure their availability:

- General or specialist skills
- Technology requirements
• Time with key personnel

4. Better management of expectations

Documenting the thought processes and decisions taken helps to ensure that everyone involved knows what to expect, what to do and when to do it. It also avoids repeating the same processes later.

Documenting the tasks and the timeline allows the internal auditor to monitor progress and to take alternative action if necessary as the engagement takes place.

During planning, the internal auditor can also obtain whatever approvals are necessary from internal audit management and from the organisation's managers and governors.

Stages of planning an engagement

The internal auditor needs to prepare and then, as required by Performance Standard 2200, internal auditors must develop and document the engagement's objectives, scope, timing, resource allocations and work programme.

Internal auditors may find that their internal audit activity has decided on specific ways to plan engagements, documented in a methodology or manual or other policies and procedures. If the activity conforms to the IPPF, the specific ways should cover all of the points below. Internal auditors should follow the IPPF where possible.

Graphical representation of the stages
1. Prepare

Internal auditors of any level need to start by putting the engagement into context. The data available to assist with this will depend on the nature and size of the organisation. The strategic plan or the business plan of the organisation may be useful, as may be information on the risks identified by the organisation’s managers and their responses to them.

The overall plan for the internal audit activity is likely to provide information on the reason for selecting this engagement and on whether it is designed primarily to provide assurance or to be a consultancy engagement. In larger departments, the head of internal audit (HIA) or an internal audit manager may provide the person responsible for planning the engagement with this background information in a written or oral briefing.

Whatever the source of data, the Definition of Internal Auditing provides internal auditors with a key question to decide during planning:

How will this engagement help my organisation to accomplish its objectives?
Finding out about the business area and building relationships with managers

Before you start detailed planning, it is important to understand the area under review. To do this, you can research the internet and organisational documents. You can also talk to the managers responsible for the area.

This helps you not only to gather information about the activities they manage, but also to lay the foundation for good communications. It will help you to understand their aspirations and what matters to them.

Also read our guide: How to approach unfamiliar areas of work. This is equally valid for familiar and unfamiliar areas of work:

- What activities occur?
- Who does what and where?
- What are its strategic objectives?
- Who is accountable for what?
- What information is made available to whom?
- How does it contribute to the organisation’s strategy or purpose?
- What are the likely risks and responses?

Planning considerations from Performance Standard 2201

The results of this research will help the internal auditor in meeting the obligations in Performance Standard 2201. This says that in planning the engagement, internal auditors must consider:

1. The objectives of the activity being reviewed and the means by which the activity controls its performance
2. 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
3. The adequacy and effectiveness of the activity’s risk management and control processes compared to a relevant control framework or model
4. The opportunities for making significant improvements to the activity’s risk management and control processes.

Your professional obligations and opportunities

Internal auditors can use the preparation stage to review other requirements of the IPPF. The most relevant parts are duplicated in full later in this guidance. Ask yourself:

1. How does this engagement meet the Definition of Internal Auditing?
2. Thinking about the principles and rules of conduct relating to Objectivity in the Code of Ethics and the guidance in Attribute Standards 1120 and 1130, do I have an impartial, unbiased attitude and can I avoid any conflict of interest with this work?
3. Thinking about the principles and rules of conduct relating to Competency in the Code of Ethics and the guidance in Attribute Standard 1210, do I have the proficiency and experience to carry out this engagement?
4. Given my obligations under the principles and rules of conduct relating to Competency in the Code of Ethics and the guidance in Attribute Standard 1230, are there learning and development opportunities for me and other internal auditors?
5. How will these opportunities contribute my studies for internal audit qualifications or support the requirements of continuous professional development (CPD)?
Additionally, you should ensure you are applying the following:

- Principles and rules of conduct relating to Integrity and to Confidentiality
- Principles in Attribute Standard 1220 on Due Professional Care
- Principles in 2100 series of Performance Standards, outlining the Nature of Work for each of Governance, Management of Risk and Control
- Principles in 2200 series of Performance Standards on Engagement Planning

The requirements for assurance and consulting engagements differ. You will find them in the Implementation Standards under the Attribute and Performance Standards listed above.

### 2. Objectives

Performance Standard 2210 requires the internal auditor to establish objectives for each engagement. You can use the IPPF to help you think what your objectives might be.

1. Agree what is the main purpose of the engagement: assurance or consulting. This will determine which implementation standards you will need to apply.

2. Performance Standard 2100, Nature of Work, sets an overall objective for any internal audit work: it is about evaluating and contributing to the improvement of your subject matter.

3. Moving to a level of greater detail, the Performance Standards in the 2100 series explain the objectives of work on governance, risk management and control processes. For governance processes this includes looking at ethics programmes, IT governance, performance measurement and coordination between the cornerstones of governance, 'the board, external and internal auditors and management'.

4. For assurance engagements, the assurance Implementation Standards (indicated by an "A" in the number) provide more detailed considerations. This includes looking at the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations; the safeguarding of assets; and compliance with laws, regulations and contracts. It also includes considering how well your organisation is managing the risk of fraud. Of course, not all these considerations will be relevant to every engagement.

5. For consulting engagements, the consulting Implementation Standards (indicated by a 'C' in the number) provide more detailed considerations.

Most assurance engagements are about evaluating and contributing to the improvement of the management of the risks in a particular area.

A risk based approach will start with understanding what the business area does - its purpose and objectives - and will seek to provide assurance on the way management is responding to risks to those objectives.

In other words, the objectives of the engagement will be to evaluate the effectiveness of the responses to risk, including the treatment of risks using controls.

**Agreeing the objectives with management**
For consulting engagements, Implementation Standard 2201.C1 requires the internal auditor to agree the objectives with the 'client'.

For assurance engagements, the internal auditor is not normally required to do this and, indeed, Implementation Standard 1110.A1 requires that 'the internal audit activity must be free from interference in determining the scope of internal auditing…'

The only exception to this is when the work is being performed on behalf of 'parties outside the organisation', see Implementation Standard 2201.A1.

However, there are benefits to discussing the engagement objectives with managers.

1. It will help to confirm that the priorities you have chosen are valuable to the organisation.
2. It encourages the managers to see the engagement as something that can help them to improve the organisation's operations.
3. You will have an opportunity to demonstrate that internal auditors are prepared to listen to the manager's problems and concerns.

In these ways, it will be another way to build a constructive relationship with the managers, making the later stages of the engagement easier. Establishing effective working relationships with management is therefore as important as defining the engagement objectives.

**Examples of internal audit objectives**
Defining criteria for assurance engagements
At the heart of assurance engagements are the criteria the internal auditor uses to evaluate the area under review. Ideally, you will be able to use the same criteria that managers use to monitor and report on their area.

Implementation Standard 2210.A3 requires the internal auditor to look at whether managers have established adequate criteria. If they have, you must use those criteria; if they have not, you have...
an immediate opportunity to improve the overall management of risk, by helping managers to develop appropriate criteria.

Given these requirements, if you are planning an assurance engagement, you must discuss the criteria with managers.

**Documenting objectives**

Performance Standard 2200 requires you to document the objectives of the engagement. The format for such documents is a matter for professional judgement: there is no single correct method.

The International Standards require you to agree the objectives with managers only for consulting engagements and for assurance engagements for parties outside the organisation. However, the Institute believes that in most cases it will build a better relationship with managers if you show them the documentation of the objectives with them and check that you all share the same understanding.

In addition, documenting engagement objectives also provides an important basis for contact with other assurance providers who may work within or for the organisation. Sharing information helps to reinforce the role of internal audit, can avoid duplication of effort and prevent the arrival of two or more audit teams in the same area at the same time.

If you identify a consulting engagement while performing an agreed assurance engagement, the International Standards expect you to document and agree the objectives and scope of the new work, just as if you were planning from scratch (see Implementation Standard 2220.A2). This is to ensure that you realise all the benefits of careful planning even in these circumstances.

### 3. Scope

The scope of the engagement is the extent of the subject matter with which the engagement deals. Implementation standard 2220.A1 (for assurance engagements) provides suggestions of what the subject matter may include: systems, records, personnel and physical properties.

**What to include**

The purpose of defining and documenting the scope is to establish boundaries and to set expectations. It allows you to identify the records and systems etc to which you will need access - a practical consideration. This includes items that are under the control of third parties with whom you may need to negotiate how and when to access them.

**What not to include**

It clarifies for managers and governors the exact subject matter, the period under review or any special conditions. Perhaps equally as important, it shows what the engagement will not cover.

Some internal auditors are specific about omissions; others concentrate on stating what the engagement includes, thereby implying what it does not. The best way to handle that will depend upon the requirements of your stakeholders and the culture of the organisation.

**Related to objectives**

Performance Standard 2220 states that ‘the established scope must be sufficient to satisfy the objectives of the engagement.’ Therefore, start with the objectives and identify all the systems,
business areas and people that are relevant.

For a risk-based approach, this will be the managers who monitor the effectiveness of responses to risk and the information systems and processes they use; and the activities and processes that put responses into effect. You may also wish to look at the underlying assets and transactions.

**Root cause analysis**

The value that internal audit provides is not limited to assurance. Insight into how and why things are done to provide a window into the real culture of the team, department or subsidiary under review using some form of root cause analysis, such as the 5 Why technique, is also valuable. As Practice Advisory 2320-2 explains “Internal audit can be the ideal group to analyze issues and identify the root cause(s) given their independence and objectivity. This perspective helps ensure biases are minimised, assumptions are challenged, and evidence is fully evaluated.”

The introduction of root cause analysis will be more effective and more readily received when discussions about its use take place with stakeholders around when the scope of the audit engagement is being considered. As the Practice Advisory points out early discussion will hopefully resolve any concerns and potential barriers to using root cause analysis.

**Flexing objectives to create more manageable scope**

It is possible that the objectives of an engagement are so broad that the required scope is enormous. This means that the engagement is likely to take a long time and consume many internal audit resources.

If the objectives are fixed, then this may be unavoidable. However, it is a good idea to go back and reconsider the objectives if the scope is too large. It may be possible to focus the objectives more tightly, achieving most of the benefits with a smaller scope of work.

**Chunking (sizing) down the engagement**

Another approach is to divide the engagement into a series of smaller ones, making up a linked programme. Approaching the engagement this way creates a series of more manageable packages of work that can fit around the timetable of the business area - allowing you to provide the assurance and consulting service without interfering adversely with the organisation's ability to meet its objectives.

It may also allow more frequent communication of results, allowing more timely information to flow to both managers and governors. There is no problem with doing this in the internal audit world, as long as all the stakeholders are happy with the approach.

**Comparison to external audit**

This is one advantage that internal audit work has compared to external audit work. The audit of the financial statements has clear, fixed and time-sensitive objectives and external audit standards provide guidance and protection for external auditors so that there are no restrictions on the scope of their work.

For internal audit, the objectives of the work are more flexible so it is possible to change these in order to ensure that the scope of work is manageable.

**Free from interference**

At the same time, once the objectives of an internal audit assurance engagement have been
agreed, internal auditors too have protection from restrictions on their scope of work. Implementation standard 1110.A1 states that 'the internal audit activity must be free from interference in determining the scope of internal auditing ...'

Therefore, the internal auditor must apply professional judgment when discussing objectives and scope and be alert to situations where managers and governors may be seeking to restrict the scope without good reason.

4. Resources

There are two important aspects to allocating resources to an internal audit engagement: firstly enough resource and secondly the right resource. Performance Standard 2230 requires the internal auditor to evaluate 'the nature and complexity of each engagement, time constraints and available resources'.

Sufficient
The objectives and scope provide some idea of the nature and complexity of the engagement. The internal audit activity's overall plan or schedule may provide estimated start and finishing dates and the managers may have provided other information on time constraints.

In some organisations the number of planned engagement days is the basis for a budget for travel, subsistence and other operating expenses.

The internal auditor must consider all of this information, together with schedules for the availability of individual internal auditors or specialist resources, in order to decide which resources to use to deliver the engagement objectives in the required timescale.

However, this may be only a preliminary allocation until the detailed programme of work is complete. After that is finalised, it may be necessary to revise the allocation of resources.

Appropriate
Appropriate resources are a function of both their competency and their objectivity and independence.

Our guide How to approach unfamiliar areas of work covers the issue of competency. Here is a recap of some of the important points:

1. The role of internal audit is to evaluate and to help the organisation to improve its governance and management of risk, including internal controls. Therefore, internal auditors need the knowledge, skills and experience to address these aspects of an area; they do not need to be able to operate or manage the activities of an area.

2. The knowledge, skills and experience may be spread among different members of a team so that not every internal auditor needs to have all of them. For example, a technical expert in computing, accountancy, fraud, contract management etc may be assigned to the engagement at some point.

3. There is a development opportunity for internal auditors who can work under supervision of more experienced auditors.
4. Where there are gaps the HIA may need to look outside the internal audit team for support.

According to both the Code of Ethics and the 1100 series of the Attribute Standards internal auditors have a professional duty to ensure that they have the necessary individual objectivity, in fact and appearance, to perform the engagement.

This means combining an ability to be impartial and unbiased with the knowledge, skills and experience to review the subject area.

For assurance engagements, there are specific impairments to objectivity that are forbidden:

- 1130.A1 requires that internal auditors not assess operations for which they were previously responsible within the previous year.
- 1130.A2 requires the HIA to find someone from outside the internal audit activity to oversee assurance engagements in functions for which the HIA is responsible.

5. Programme of work

Performance Standard 2240 Engagement Work Programme states that internal auditors must develop and document work programmes that achieve the engagement objectives.

From a practical point of view, considering the engagement as a project with many tasks and relying on the availability of different people and other resources, it is good practice for the internal auditor to map out what is going to be done, where and when.

This may be relatively straightforward for a simple engagement with one person doing all the work. The key action then is to request access to information and to set up meetings in good time.

For larger, more complex engagements with many interrelated activities such as surveys, interviews, data gathering and analysis, benchmarking, and a team of internal auditors, it will be useful to build a formal project plan to coordinate all the activities and resources.

This includes key events, tasks and a detailed timeline so that everyone involved knows what they are doing and so that internal audit managers can monitor progress.

The level of involvement of managers and staff from the business area will vary from one engagement to the next. In some engagements, it may be necessary to not to provide notice of visits, meetings and information requests. However, where you can, try to set these up well in advance in order to make the work smoother.

These project plans may meet the requirements of Performance Standard 2240 which requires internal auditors to ‘develop and document work programmes that achieve the engagement objectives’. They must show how the work achieves the objectives.

It is also possible, and may be necessary in larger teams or when working with less experienced staff, to formulate a more detailed work programme.

For assurance engagements, Implementation Standard 2240.A1 requires that the work programme include ‘the procedures for identifying, analyzing, evaluating and documenting information during the engagement.’ A detailed testing plan may establish the breadth and depth of testing, taking into
consideration:

• The adequacy and effectiveness of responses that guard against high impact risks
• High levels of residual risk
• Criteria established by management and the nature of management assurance
• Volume and materiality of transactions
• Previous audit findings, reported incidents and recurring problems/issues

In addition, Implementation Standard 1220.A2 requires internal auditors to ‘consider the use of technology-based audit and other data analysis techniques’. If you decide to use these, they should appear in the work programme.

According to Attribute Standard 1311, day-to-day supervision and review provides the ongoing monitoring required for a complete Quality Assurance and Improvement Programme.

There are very few areas where the nature of such review is specified. One of the instances is in the planning for assurance engagements where it states that ‘the work programme must be approved prior to its implementation’.

The engagement work programme guides the internal auditors’ subsequent work. It ensures thorough and complete coverage and documentation of the engagement.

However, it is not intended to be a static or rigid document. The activities and tests that the internal auditor performs throughout the engagement may deviate from the original plan, if the results of previous tests warrant it.

Internal auditors should not be afraid to stray off the path as long as they evaluate their activities in light of their overall objectives, maintain perspective on their resource limitations, and communicate the nature of their activities to their supervisor or manager. Significant adjustments must be approved promptly.

**Input, oversight and review**

At all stages, you may receive input from both internal audit managers and the HIA and from business managers and other interested parties. This will help provide different insights into the purpose of the engagement and into the nature of the business area. However, you may have to seek help in prioritising the input from different interest groups.

As noted above, day-to-day supervision and review is part of a Quality Assurance and Improvement Programme. Your internal audit activity is likely to have procedures and expectations of how the processes of oversight and review take place. Make sure you leave time for those as you are completing your planning.

In smaller internal audit activities, it may be difficult or impossible to establish procedures for detailed review. If you can exchange files or even just discuss your ideas with a colleague, this may be a good way to gain comfort that you have identified the key issues.

In larger internal audit activities, the requirements are likely to be more formal with sign-off levels established for different engagements and for different stages.
Planning as an iterative process

The stages appear in this guidance as consecutive. However, as suggested above in the section on resources and scope, in fact the process is likely to be iterative. So, scoping considerations may cause you to refine the objectives. The detailed work programme may have consequences for the preliminary resource allocation.

Furthermore, even during the detailed work, a specific issue or problem may extend or reduce the scope of an engagement. An example of this is where finding irregularities creates a suspicion of fraud. This could cause you to change the scope of the current engagement or to establish a new engagement with a specific objective to address this particular issue.

Therefore, it is important not to consider the process to be rigid but to move between the stages as necessary.

There are few tips to keep in mind:

1. Find a way to limit the number of iterations or you could spend all your time planning!
2. Make sure you consult with all the appropriate people - do not agree one thing with your supervisor or the business area manager on one iteration and then forget to update them when the plan changes.
3. Document the key decisions whether it is on the first iteration or on the twentieth!
4. Obtain approval of changes to work programmes for assurance engagements.

Summary

All the stages of planning an engagement are equally important. They apply both to simple and to very complex engagements. Together, they help to ensure consistency between engagements and to provide the foundations for a quality service to the organisation. Weakness in any one of the stages will impact upon the others, so give each one the attention it deserves.

Here is a simple list to help you:

 DO:

1. Research the subject area thoroughly.
2. Treat audit engagements like a project.
3. Be open with business area managers about what you are doing and encourage participation.
4. Agree objectives - linked to governance, risk management and control.
5. Agree success criteria for the area under review as a basis for audit objectives and scope.
6. Work with the business area to set a reasonable timetable and agree requirements.
7. Consider the application of root cause analysis.
8. Set performance measures and targets.
9. Communicate with other assurance providers.
10. Draw in and schedule expertise when you need it.
11. Timetable key activities and map out a project plan if need be.
12. Obtain approval for an assurance engagement work programme.

 DON'T:
1. Set vague objectives that are open to interpretation
2. Take for granted that people understand the objectives and scope of the audit
3. Make the engagement too long and drawn out
4. Assume all the elements of the engagement will come together once it starts
5. Assume people in the business will be able to cooperate with your requests and requirements as they arise

Further reading

Top tips: Engagement planning

Standards:
2200 Engagement planning
2201 Planning considerations
2240 Engagement work programme

Practice advisories
1200-1 Proficiency and due professional care
1210-1 Proficiency
1210.A1-1 Obtaining external service providers to support or complement the IA activity
1220-1 Due professional care
2200-1 Engagement planning
2210-1 Engagement objectives
2210.A1-1 Risk assessment in engagement planning
2230-1 Engagement resource allocation
2240-1 Engagement work programme