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	230.00 ENGAGEMENT PROGRAM, SCOPE & OBJECTIVES <hr/> LAST REVISED: JULY 1, 2019	

AUDIT/ENGAGEMENT PROGRAM

DEFINITION –

Set of specific audit/engagement procedures designed to meet identified audit/engagement objectives, reduce AR, and provide the framework for sufficient and appropriate evidence based upon proficient analysis and evaluation.

PURPOSE –

- Align the allocation of resources to meet the audit/engagement objectives;
- Provide an evidentiary basis for support and reportable documentation of findings, results, and conclusions; and
- Define elements/components of scope.

APPROACH AND METHODOLOGY –

The *initial* Audit/Engagement Program is developed to guide the planning process, by performing a preliminary survey, preliminary risk assessment and internal control assessments, identifying specific audit objectives and then additional procedures for substantive testing, as required.

Before an auditor begins substantive audit procedures, the auditor must document an understanding of the initial audit scope and objectives. In every audit/engagement, the internal auditors must exercise due professional care (See Policy No. 130.00) as guided by professional auditing standards. This includes consideration of the following:

- The needs and expectations of the City of Houston departments requesting non-audit services, special project or consulting services engagements, including the nature, timing, and communication of engagement results;
- The relative complexity and extent of work needed to achieve the engagement's objectives; and
- The cost associated with non-audit services, special project or consulting services engagement in relation to any potential benefits to be derived from the engagement.

Due professional care requires the AD staff to apply the same or similar care and skill expected of a reasonably prudent and competent auditor in like circumstances. The auditor must be aware of the possibility of fraud, intentional wrongdoing, errors and omissions, inefficiencies, waste, ineffectiveness, and conflicts of interest, as well as being alert to those conditions and activities where irregularities are most likely to occur – (See [Policy No. 180.00](#)). This also involves internal auditors identifying inadequate controls and recommending improvements to promote conformance with acceptable procedures and practices.

Due professional care implies reasonable care and competence, not infallibility or extraordinary performance. As such, due professional care, requires the internal auditor to conduct examinations and verifications to reasonable extent. Accordingly, internal auditors cannot give absolute assurance that noncompliance or irregularities do not exist. Nevertheless, the possibility of material irregularities or noncompliance needs to be considered whenever an internal auditor undertakes an internal audit assignment.



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Examples of substantive audit procedures include:

- Obtaining, Reviewing, and/or Considering
 - Industry or Auditee Documentation;
 - Control, involvement, and/or dependence on third parties
 - Reports;
 - Account reconciliations;
 - Vendor invoices; and
 - Payments, etc.
- Performing
 - Interviews;
 - Test of controls, (including walk-throughs); and
 - Detail tests of account balances and transactions.

The supporting information for audit/engagement procedures is part of the required Audit/Engagement Documentation (See [Procedure No. 240.00](#)).

Flexibility is available by creating an **initial** Audit/Engagement Program in either:

- A Microsoft (MS) Word document;
- An Excel file; or
- Electronic Workpaper software.

The initial Audit/Engagement Program is reviewed by the Audit Manager and submitted to the CAE for approval.

The **final** Audit/Engagement Program will exist in the electronic workpapers identified by individual steps. Each defined procedure is assigned an audit step and is entered into the electronic workpapers. The additional documents that serve as supporting information for the work performed are saved as attachments to the related audit step (procedure). An Audit/Engagement Checklist exists that provides assurance of the existence, occurrence, and proper approval of the Audit/Engagement Program and is included as an attachment to the electronic workpapers.

NOTE: Each audit step is assigned to an auditor and is subsequently reviewed and signed off by the supervisor (Lead Auditor) and/or the Audit Manager. A quality review is performed for audits/engagements (See [Procedure No. 270.00](#)) and the CA ultimately signs off on the project as a whole.

**AUDIT/ENGAGEMENT SCOPE
DEFINITION –**

Scope is the defined parameters of examination and performance of the AD function, and the related engagements, expressed primarily through the Audit Charter, *The Plan*, overall and specific audit/engagement objectives and the Audit/Engagement Program. It applies at the entity, division, engagement and procedure levels. From the perspective of the audit/engagement and procedure, it is commonly referred to as the 'nature, timing, and extent' of procedures sufficient to derive conclusions to meet the engagement's objectives.

PURPOSE –



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- Defines boundaries and limits of focus for AD activities, audit/engagement testing, and adequate allocation of resources, and
- Allows for audit/engagement efficiency by delineating areas of concentration based on risk and objectives.

APPROACH AND METHODOLOGY –

The Audit/Engagement Scope is initially identified in the Audit Plan (*Plan*) and can be created using either:

- A MS Word document;
- An Excel file; and
- Electronic Workpaper software.

If an office document/file is used, it is attached to the electronic workpapers and associated with a specific procedure/step or part of the Audit/Engagement Set-up. The Scope initially identified becomes part of the Engagement Letter sent to the 'auditee' and is also included in the final engagement deliverable.

The Audit/Engagement Scope is modified and refined based on the:

- Results of the ICA and RA, and
- Interaction with the specified Audit/Engagement Objectives in consideration of interim and final results related to specific audit procedures.

Where audits/engagements are broken down into respective cycles or functions, each workpaper that involves documenting substantive testing will identify the scope of the specific procedure and the corresponding audit objective.

A checklist is used for the Planning process (Engagement Planning Checklist) which includes documented consideration of the scope. This is used to identify and support the existence and occurrence of this process and becomes an attachment to the electronic workpapers.

SAMPLING POPULATION AND TESTING SELECTION

In determining the nature, timing and extent of testing required to meet the audit/engagement objectives, the AD considers the methodology of sampling from a defined population. This consists of the type of test, population and technique used for sample selection. The selection the auditor uses is identified in the audit workpapers.

The population universe is all potential items to be selected for testing. The universe is defined by the scope period and objectives of the test/procedure. The auditor should verify the completeness and validity of the population before selecting samples for testing. Any deviations or errors identified should be noted and necessary adjustments to the procedure should be made and documented (e.g., the sample selection modified/expanded accordingly, unable to verify completeness and validity of the population, etc.)

The AD typically uses auditor judgment in defining the universe but interacts with the designated client contacts to provide a level of assurance in doing so. The AD also uses computer assisted auditing tools (CAAT) to verify and analyze data sets for testing, planning, and magnitude, etc.



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The required "Audit Sampling Documentation" form documents the sample selection methodology used. The form is completed and included in the audit workpapers. (See also 240.00 Audit/Engagement Documentation and Workpapers).

AUDIT/ENGAGEMENT OBJECTIVES

DEFINITION –

The Yellow Book defines audit/engagement objectives as what the audit/engagement is supposed to accomplish. Objectives identify the audit subject matter and performance aspects and may also be thought of as questions that the audit seeks to answer. An initial objective may be further refined and granulated throughout the engagement process.

It is important to distinguish between business/performance objectives and engagement objectives, of which the former affects the latter. Thus, business/performance objectives need to be understood in order to identify risks and related controls that management has in place.

PURPOSE –

- Set the course and initial focus of the audit/engagement;
- Gain an understanding of the operating environment and management's approach to risk and control;
- Create specific, measurable, attainable, realistic, and trackable (SMART) goals, which help identify specific audit/engagement procedures;
- Identify standards to apply; and
- Define a critical element/component of scope.

APPROACH AND METHODOLOGY –

The Enterprise Risk Assessment (ERA), the Audit Universe, and *The Plan* drive the development of initial Audit/Engagement Objectives, which are implied as one element in the Scope section of each audit/engagement identified in *The Plan*.

The initial Audit/Engagement Objectives are entered in the electronic work paper software. These are further refined to engagement specific objectives which are the resulting output of the ICA and related RA where appropriate.

These refined objectives become the catalyst for the specific audit procedures as detailed in the final Audit/Engagement Program. The combination of Audit/Engagement Objectives and specific audit procedures set the framework of the refined scope. Thus, the sufficiency and appropriateness of evidence needed, and tests of evidence will vary based on the Audit/Engagement Objectives and interim conclusions.

The identified Audit/Engagement Objectives are documented along with the related Audit/Engagement Procedures that are associated with them. Checklists can be used that identify and support the existence and occurrence of this process and becomes an attachment to the electronic workpapers (Engagement Checklist and Engagement Planning Checklist). Also, the objectives are identified and the related audit procedures are associated with them directly in the electronic workpapers. (See [Procedure No. 240.20](#)).

Some examples of Audit/Engagement objectives for performance audits are:



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- Assessing the extent to which legislative, regulatory, or organizational goals and objectives are being achieved;
- Assessing the relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;
- Analyzing the relative cost-effectiveness of a program or activity;
- Determining whether a program produced intended results or produced results that were not consistent with the program’s objectives;
- Determining the current status or condition of program operations or progress in implementing legislative requirements;
- Determining whether a program provides equitable access to or distribution of public resources within the context of statutory parameters;
- Assessing the extent to which programs duplicate, overlap, or conflict with other related programs;
- Evaluating whether the audited entity is following sound procurement practices;
- Assessing the reliability, validity, or relevance of performance measures concerning program effectiveness and results, or economy and efficiency;
- Assessing the reliability, validity, or relevance of financial information related to the performance of a program;
- Determining whether government resources (inputs) are obtained at reasonable costs while meeting timeliness and quality considerations;
- Determining whether appropriate value was obtained based on the cost or amount paid or based on the amount of revenue received;
- Determining whether government services and benefits are accessible to those individuals who have a right to access those services and benefits;
- Determining whether fees assessed cover costs; and
- Determining whether and how the program’s unit costs can be decreased or its productivity increased.

NOTE: In some audits and attestation engagements, the standards applicable to the specific audit/engagement objective will be apparent. For example, if the audit objective is to express an opinion on financial statements, the standards for financial audits apply. However, some engagements may have multiple or overlapping objectives. For example, if the objectives are to determine the reliability of performance criteria, this work can be done in accordance with either the standards for attestation engagements or for performance audits. In cases in which there is a choice between applicable standards, auditors should evaluate users' needs and the auditors' knowledge, skills, and experience in deciding which standards to follow.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS:

OVERALL	1.13 – 1.16, CHAPTER 2, 8.08 – 8.10
FINANCIAL AUDITS	1.17, CHAPTER 6
ATTESTATION ENGAGEMENTS	1.18 – 1.19, CHAPTER 7
PERFORMANCE AUDITS	1.21 – 1.23, CHAPTER 8
NONAUDIT SERVICES	3.64 – 3.106

IIA STANDARDS

1220 DUE PROFESSIONAL CARE



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- 2200 ENGAGEMENT PLANNING
- 2201 PLANNING CONSIDERATIONS
- 2210 ENGAGEMENT OBJECTIVES
 - 2210.A1
 - 2210.A2
 - 2210.A3
 - 2210.C1
- 2220 ENGAGEMENT SCOPE
 - 2220.A1
- 2230 ENGAGEMENT RESOURCE ALLOCATION
- 2240 ENGAGEMENT WORK PROGRAM
 - 2240.A1
 - 2240.C1
- 2300 PERFORMING THE ENGAGEMENT
- 2310 IDENTIFYING INFORMATION
- 2320 ANALYSIS AND EVALUATION
- 2340 ENGAGEMENT SUPERVISION

IIA IMPLEMENTATION GUIDANCE

- 1220 DUE PROFESSIONAL CARE
- 2200 ENGAGEMENT PLANNING
- 2201 PLANNING CONSIDERATIONS
- 2210 ENGAGEMENT OBJECTIVES
- 2220 ENGAGEMENT SCOPE
- 2230 ENGAGEMENT RESOURCE ALLOCATION
- 2240 ENGAGEMENT WORK PROGRAM
- 2300 PERFORMING THE ENGAGEMENT
- 2310 IDENTIFYING INFORMATION
- 2320 ANALYSIS AND EVALUATION
- 2340 ENGAGEMENT SUPERVISION

NOTE: The concept of fieldwork, as a professional standard, is broader than the time 'spent in the field' and is a term not used in the standards issued by the IIA, except in relationship to Quality Assurance and assessing the timeliness of engagement reporting.

CHANGE HISTORY

Chg #	Date	Section	Description/Reason
1	3/31/2016	Approach and Methodology and Due Professional Care	To address concerns brought about in preparation for the 2014 Peer Review as well as to address professional IIA and GAGAS standards on the subject matter.
2	5/1/2017	Sampling Population and Testing Selection	Updated information in sampling section to clarify that the Audit Sampling Documentation form is required.
3	7/1/2019	Relevant Professional Standards	Updated to reflect updates to Professional Standards