Engagement Planning: Establishing Objectives and Scope

2nd Edition

Global Practice Guide

Aligns with the Global Internal Audit Standards

The Institute of Internal Auditors

GENERAL GUIDANCE

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A framework provides a structural blueprint and coherent system to facilitate the consistent development, interpretation, and application of a body of knowledge useful to a discipline or profession. The International Professional Practices Framework® (IPPF®) organizes the authoritative body of knowledge, promulgated by The Institute of Internal Auditors, for the professional practice of internal auditing. The IPPF includes the Global Internal Audit Standards™, Topical Requirements, and Global Guidance.

The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high-quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.

Global Guidance

Global Guidance supports the Standards by providing nonmandatory information, advice, and best practices for performing internal audit services. It is endorsed by The IIA through formal review and approval processes.

Global Practice Guides provide detailed approaches, step-by-step processes, and examples on subjects including:

- Assurance and advisory services.
- Engagement planning, performance, and communication.
- Financial services.
- Fraud and other pervasive risks.
- Strategy and management of the internal audit function.
- Public sector.
- Sustainability.

Global Technology Audit Guides® (GTAG®) provide auditors with the knowledge to perform assurance and advisory services related to an organization's information technology and information security risks and controls.

Global Guidance is a benefit of IIA membership.

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Executive Summary

Planning internal audit engagements involves considering the strategies and objectives of the activity under review, prioritizing the risks relevant to the engagement, determining the engagement objectives and scope, and documenting the approach. This practice guide contains the engagement planning steps necessary to fulfill Standard 13.3 Engagement Objectives and Scope and related assurance and advisory implementation considerations.

The exact order and details of establishing the objectives and scope may vary according to the needs of the individual organization, internal audit function, and engagement. However, these steps are generally included:

1. Understand the context and purpose of the engagement and describe the specific goals to be achieved (objectives), including whether the engagement provides assurance or advisory services.
2. Develop an understanding of the activity under review to assess the relevant risks (Standard 13.2 Engagement Risk Assessment).
3. Specify the activities, components, time period, and other elements to be covered in the engagement that are sufficient to achieve the engagement objectives and determine the engagement timeline (scope).
4. Identify the types and quantity of resources necessary to achieve the engagement objectives (Standard 13.5 Engagement Resources).
5. Develop and document an engagement work program to achieve the engagement objectives (Standard 13.6 Work Program).
6. Communicate the objectives, scope, and timing of the engagement with management (Standard 13.1 Engagement Communication), and involve the board as appropriate based on engagement circumstances.
7. Discuss scope limitations when identified with management, which can include resource constraints (Standard 13.5).

To plan an engagement's objectives and scope effectively, internal auditors must start by understanding the context and purpose of the engagement, the initial expectations for the engagement, and how the organization's mission, vision, strategic objectives, and other elements align with those of the activity under review. Internal auditors must also consider whether the engagement is a request for assurance or advisory services, as stakeholder expectations and Standards requirements differ depending on the type of engagement.

Introduction

Business Benefits of Establishing Objectives and Scope

Establishing clear **engagement objectives** and scope provides a foundation for delivering internal audit work that is both efficient and value driven. This disciplined approach ensures that each **engagement** is aligned with the organization's strategic objectives and **risk** priorities, allowing the **internal audit function** to focus on what matters most. Clear objectives and scope reduce ambiguity, set **stakeholder** expectations early and clearly, and promote consistency in how engagements are planned and executed across the audit function.

From a broader business perspective, the process of establishing objectives and scope contributes to improved **governance**, **risk management**, and **control processes** across the organization. It encourages alignment between the internal audit function and the organization's overall strategy, helping management identify emerging risks and performance opportunities earlier. By consistently applying this principle, internal audit functions can strengthen their role as strategic partners by providing **assurance** and insights that drive informed decision-making, enhance operational efficiency, and ultimately support long-term organizational success.

When planning each audit engagement, internal auditors must assess the governance, risks, and control processes related to key areas such as the reliability and **integrity** of financial and operational information, the effectiveness and efficiency of operations and programs, the safeguarding of assets, and **compliance** with applicable laws and regulations.

Beyond evaluating these areas, the auditor should design the engagement to deliver forward-looking advisory insights that help protect and enhance the organization's value. This includes identifying opportunities for improvement, anticipating emerging risks, and proposing actionable recommendations that support long-term sustainability, resilience, and sound governance.

Note

Terms appearing in **bold blue** are defined in the [Global Internal Audit Standards](). To understand and implement the Standards correctly, it is necessary to understand and adopt the specific meanings and usage of the terms as described in the glossary.

The Standards use the word "must" in the Requirements sections and the words "should" and "may" to specify common and preferred practices in the Considerations for Implementation sections.

Key Risks of Not Establishing Objectives and Scope

Failing to properly establish engagement objectives may introduce risks that compromise the internal audit function's ability to:

- Prioritize risks at the engagement level and align them to those of the organization.
- Meet the expectations of the organization and/or stakeholders.
- Protect and enhance organizational value by providing assurance, advice, and foresight.
- Improve the organization's governance, risk management, and control processes.
- Enhance the organization's successful achievement of its objectives, decision-making process, reputation, and its ability to serve the public interest.

Likewise, if the engagement scope is not properly defined before the engagement starts, the internal audit function risks inefficiencies or ineffectiveness, including:

- Failing to address the significant risks to the **activity under review**.
- Failing to ensure that management or personnel in the activity under review understand the scope and purpose of the engagement.
- Duplicating efforts or performing work that does not add value.
- Allocating inadequate time or misalignment of skills to complete the engagement efficiently and effectively.

Integration with Topical Requirements

The Global Internal Audit Standards introduced Topical Requirements as a key element of the International Professional Practices Framework (IPPF). These requirements provide subject-specific expectations for internal auditors performing engagements in areas of significant organizational and societal importance, such as cybersecurity, organizational behavior, and third-party relationships, among others. While the Standards establish universal principles and mandatory guidance for **internal auditing**, Topical Requirements extend this foundation by providing practical, detailed direction for applying those principles to specialized risk areas.

When engagements involve subjects covered by applicable Topical Requirements, internal auditors must incorporate those requirements into the objectives, scope, and evaluation **criteria** of the engagement. For example, if the engagement involves third-party risk or cybersecurity, applicable Topical Requirements must inform the planning process, helping auditors define what must be examined, which **controls** or risks warrant focus, and what minimum procedures must be included in the engagement plan.

Use of Data Analysis in Establishing Objectives and Scope

Data analysis plays an increasingly critical role in **engagement planning** under the Global Internal Audit Standards. Internal auditors are expected to use data-driven insights to better understand the activity under review, identify emerging risks, and refine the focus of engagements. During the planning phase, data analysis supports the auditor's understanding of the organization's operations, processes, and control environment by revealing trends, anomalies, and outliers that may not be evident through traditional document review or interviews.

Increasingly, internal audit functions may leverage artificial intelligence (AI)-enabled analytics to assist in processing large and complex datasets, identifying patterns, and highlighting potential risk indicators. When appropriately governed and validated, these tools can augment professional judgment and enhance evidence-based understanding that underpins well-designed engagement objectives.

IIA Resources

The IIA's "Data Analytics Guidance and Resources for Internal Auditors" provides additional information.

By applying data analytics, including artificial intelligence, early in the planning process, internal auditors can conduct more precise **risk assessments** and develop targeted engagement objectives and scope. Analytical techniques, such as stratification, correlation analysis, predictive modeling, and AI-assisted anomaly detection, enable auditors to evaluate large volumes of data efficiently, prioritize high-risk transactions or entities, and determine where audit resources will have the greatest **impact**.

In doing so, auditors should exercise appropriate caution when using public or third-party AI platforms, ensuring that sensitive or proprietary organizational data is protected and that data governance, confidentiality, and regulatory requirements are maintained, consistent with Standards 5.1 Use of Information and 5.2 Information Security, while remaining accountable for the reliability, explainability, and ethical use of these methods.

Establishing Objectives and Scope in an Engagement

Understanding the engagement context and purpose enables internal auditors to plan effectively in alignment with the approved internal audit plan, which is developed based on the organizationwide risk assessment (Standard 9.4 Internal Audit Plan). Internal auditors must begin by gaining an understanding of the annual internal audit plan, the planning and discussions that led to its development, and the rationale for including the engagement. Engagements included in the internal audit plan arise from the internal audit function's organizationwide risk assessment, conducted at least annually.

When internal auditors begin an engagement, they must consider the risks applicable to that particular engagement and inquire whether any changes have occurred since the annual internal audit plan was developed. Reviewing the organizationwide risk assessment and any other risk assessments recently conducted (such as those completed by management and other assurance providers) may help internal auditors identify relevant risks and coordinate with other assurance providers, consistent with Standard 9.5 Coordination and Reliance.

IIA Resources

The IIA's "Coordination and Reliance: Working with Other Assurance Providers" offers additional information.

To obtain an understanding of the engagement context, internal auditors may also examine the alignment between the organization and the activity under review, particularly regarding the following elements:

- Mission, vision, and strategic objectives.
- Structure and processes related to governance, risk management, and control.
- Policies and procedures.
- Risk appetite and **risk tolerance**, if established.

Additionally, internal auditors must consider whether the engagement is a request for **assurance** or **advisory services** because stakeholder expectations and the Standards requirements differ depending on the type of engagement. The purpose, objectives, and scope of assurance engagements may also differ significantly from those of advisory engagements. For assurance engagements, the objectives and scope are determined primarily by the internal auditors, whereas for advisory engagements, they are typically determined by the client.

Engagement Risk Assessment

Assurance engagements focus on providing assurance that the controls in place are adequately designed and operating to manage the risks that could prevent the activity under review from achieving its business objectives. These include controls designed to manage risks related to:

- Assignment of authority and responsibility.
- Compliance with policies, plans, procedures, laws, and regulations.
- Reporting accurate and reliable information.
- Effectively and efficiently using resources.
- Safeguarding assets.

Objectives and scope must be directly informed by the results of the risk assessment process and the organization's **risk appetite**, ensuring that audit resources focus on areas that most impact the achievement of strategic objectives.

Due to time and resource constraints, not all risks can be reviewed during an engagement. Therefore, internal auditors must assess relevant risks to the activity under review and prioritize them to inform the engagement objectives and scope (Standard 13.2 Engagement Risk Assessment).

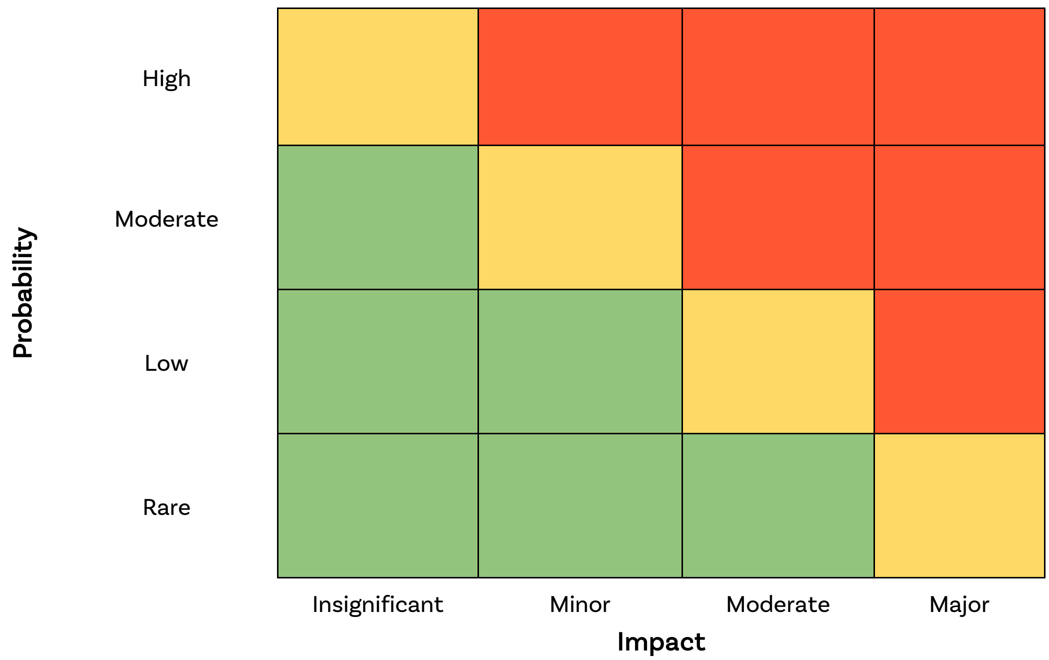
An effective way to perform and document a preliminary engagement-level risk assessment is to create a chart showing the relevant risks and controls, such as a **risk and control matrix**. This is a tool commonly used by internal auditors to identify, organize, and assess risks that may impact the business objectives of the activity under review, along with any mitigating controls. A risk and control matrix can be created in a spreadsheet, a word processing document, or via an audit software program. See an example of a risk matrix below:

Exhibit 1: Simple Risk Control Matrix Example

RISK CATEGORY	RISK DETAIL	SEVERITY	CONTROL
Compliance	Bribery offense	High	Managerial review
Compliance	Regulatory breach	Medium	Enhanced vetting
IT	Malware	High	Network monitoring
IT	Obsolete software	Medium	System upgrades
Financial	Foreign exchange	High	Currency hedging
Operational	Natural catastrophe	Low	Contingency planning

The significance of each risk can then be represented on a basic graph, such as a heat map. To create a heat map, internal auditors plot each risk based on two variables of significance, typically impact and likelihood.

Exhibit 2: Sample Risk Heat Map



This approach creates clear documentation that can be retained as part of the engagement workpapers, which become part of the engagement work program (Standard 13.6 Work Program). The documents can also serve as engagement documentation supporting the procedures performed and conclusions reached, in accordance with Standard 14.6 Engagement Documentation.

For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders. The objectives of these engagements direct the priorities for testing the controls of processes and systems during the engagement.

Forming Engagement Objectives

The engagement objectives articulate what the engagement is specifically attempting to accomplish; therefore, the objectives must be established to define what the engagement is intended to achieve and be informed by the results of the engagement risk assessment (Standard 13.3 Engagement Objectives and Scope).

Assurance Engagement Objectives

Internal auditors must ensure that the objectives of the assurance engagement align with the business objectives of the activity under review, as well as those of the organization. The assurance engagement must focus on ensuring controls are in place to effectively mitigate the risks that could prevent the activity from accomplishing its business objectives.

Internal auditors must also identify adequate criteria to evaluate the governance, risk management, and control processes, as stated in the Standards, of the activity under review and determine whether the business objectives and goals have been accomplished. Identifying such criteria ensures that assurance engagement objectives are practical and aligned with the objectives of both the organization and the activity under review.

Important Note:

- Assurance engagement objectives should be based on the results of the engagement risk assessment, aligned with the risks to the activity under review (Standard 13.2 Engagement Risk Assessment), clearly defined to achieve the purpose of the engagement (Standard 13.3), and supported by appropriate evaluation criteria (Standard 13.4.)

According to Standard 13.4 Evaluation Criteria, internal auditors must use the criteria already established by management and/or the board if such criteria exist. If no criteria are in place, internal auditors must identify appropriate criteria through discussion with management and the board. Internal auditors must also consider seeking input from subject matter experts to help develop relevant criteria.

Examples of adequate criteria include:

- Internal criteria such as policies, procedures, key performance indicators, or targets for the activity under review.
- External criteria, including laws, regulations, and contractual obligations.
- Authoritative practices such as frameworks, standards, guidance, and benchmarks specific to an industry, activity under review, or profession.
- Established organizational practices.

- Expectations based on the design of a control.
- Procedures that may not be formally documented.

To avoid misinterpretation or challenge by any personnel responsible for the activity under review, the evaluation criteria must be relevant, represent the desired state of the activity, and be specific and practical. Adequate, appropriate criteria provide a reference for internal auditors to evaluate evidence, understand **findings**, and assess the adequacy of the controls in the activity under review. The criteria, or lack thereof, must be compared to industry benchmarks, trends, and forecasts, as well as the organization's policies and procedures.

The following is an example of how assurance engagement objectives could be formulated for an accounts payable engagement.

The internal audit function will provide assurance that:

- Expenses incurred are appropriate according to the organization's expense policy.
- The expense report submission, approval, and payment process controls are effective and efficient.
- Operating expenses are appropriate and authorized by the proper personnel.
- Expense payments are made accurately, completely, and timely.

Advisory Engagement Objectives

Because advisory services are supportive in nature, expectations and objectives are determined either by or in conjunction with the engagement client. Thus, advisory engagement planning typically occurs after the engagement objectives and scope have already been determined. Internal auditors may not need to complete a preliminary risk assessment, as they would when planning an assurance engagement. However, Standard 13.3 requires internal auditors to establish an understanding with the advisory engagement client about objectives, scope, responsibilities, and other expectations, and this understanding must be documented.

Additionally, internal auditors must address governance, risk management, and control processes to the extent agreed upon with the advisory engagement client. Although the engagement client directs the advisory engagement purpose and expectations internal auditors must ensure that the engagement work program supports the established objectives and scope of the advisory engagement (Standard 13.6 Work Program).

An objective for an accounts payable advisory engagement could be "The internal audit function will advise on the risks of **outsourcing** the accounts payable process to a third party."

Establishing Engagement Scope

Once the engagement objectives have been established, internal auditors should use professional judgment and consult with the **engagement supervisor** as necessary to determine the scope of engagement work. The scope should be broad enough to achieve the engagement objectives. When determining the scope, internal auditors should consider each engagement objective independently to ensure that it can be accomplished within the scope.

Internal auditors should consider whether requests from the engagement stakeholders for items to be included or excluded from the scope, or restrictions on the length of the engagement, constitute a scope limitation.

The scope may define elements such as specific processes and/or areas, geographic locations, business units, systems, and time period (point in time, fiscal quarter, or calendar year) to be covered by the engagement, given the available resources. Internal auditors must carefully consider the scope to ensure it enables the timely identification of reliable, relevant, and useful information to accomplish the identified engagement objectives. The internal auditor should strongly consider including a statement on exclusions from the engagement scope and their reasons, to ensure stakeholders have a clear understanding and avoid misinterpretation. Please note that a statement on exclusions is not required by the Standards.

Assurance Engagement Scope

To ensure the scope of an assurance engagement is sufficient to meet the engagement objectives and aligns with the organization's annual internal audit plan, internal auditors must use sound professional judgment based on relevant experience and/or supervisory assistance. They must also consider relevant systems, records, personnel, and all physical properties.

Internal auditors must also consider how legal factors may affect the engagement scope and approach. For example, if the organization or activity under review has nondisclosure agreements with third parties, the organization may be required to notify regulatory authorities before starting the engagement. Pending or imminent litigation and cases of noncompliance must also be considered.

The following is a list of possible inclusions and exclusions for the scope of an accounts payable assurance engagement:

- Expenses (such as operational, travel, supplies, personnel, and/or corporate).
- Personnel (executive, management, all).
- Locations (corporate office, operational locations, countries).
- Timeframe (current period, previous period, month, quarter, year).
- Materiality (any amount or only amounts over certain authorized limits).

- Systems (only systems that process expenses or also human resources systems, all systems).

The following is an example of an engagement scope for the aforementioned accounts payable assurance engagement.

> "The assurance engagement will cover personnel and operating expenses submitted for the 12-month period ending August 20XX and the processes for submitting, approving, and paying expense reports (including a third-party software used to submit expense reports). The engagement scope includes all personnel who utilize the third-party software to submit personnel and operational expenses. The engagement will also include a compliance review of the organization's expense policy."

Advisory Engagement Scope

The scope of an advisory engagement should be sufficient to address the agreed-upon objectives with the engagement client, as established under Standard 13.3 Engagement Objectives and Scope. If internal auditors develop reservations about the scope during the advisory engagement, these reservations must be discussed with the engagement client to determine whether to continue the engagement. For example, internal auditors may develop reservations when there is insufficient information to perform the advisory engagement, or when they recognize that the results of such an engagement are unlikely to add value to the organization.

Additionally, Standard 13.6 Work Program requires internal auditors to address controls consistent with the engagement objectives and to remain alert to significant control issues. Furthermore, Standard 9.1 Understanding Governance, Risk Management, and Control Processes requires internal auditors to incorporate knowledge of controls gained from advisory engagements into the evaluation of the organization's control processes.

Engagement Approvals

The **chief audit executive** is responsible for approving the engagement objectives and scope before fieldwork begins to ensure that the planned work aligns with the results of the risk assessment and supports the priorities of senior management and the governing body. This approval confirms that the engagement is structured to address the most significant risks, includes appropriate boundaries for systems and processes to be examined, and provides sufficient clarity to guide the internal audit function in carrying out its responsibilities with due professional care. Proper authorization by the chief audit executive also reinforces the disciplined and systematic approach expected within the internal audit function.

Allocating Appropriate and Sufficient Resources

Allocating appropriate and sufficient resources is essential to ensuring that the engagement objectives and scope can be achieved with the level of quality expected under the Standards. In accordance with The IIA's Global Practice Guide "Internal Auditing Competency Framework," the chief audit executive must assess the **competencies** needed for the engagement and confirm that the internal audit function assigned possesses the requisite knowledge, experience, and skills to address the risks identified during planning.

Adequate time, tools, and access to subject matter expertise must also be considered to support the depth of analysis required. Proper resource allocation reinforces the disciplined and systematic approach of the internal audit function and helps ensure that the engagement is designed to produce insightful and reliable results.

As the engagement progresses, internal auditors must remain aware of whether the resources initially allocated continue to be sufficient to accomplish the approved objectives and scope. If emerging risks, complexities, or unforeseen conditions require adjustments, these needs must be promptly communicated to the chief audit executive. Any changes to staffing levels, time requirements, or specialized expertise must be evaluated and approved to maintain transparency and alignment with the established direction of the engagement. This ongoing assessment of resource adequacy supports effective execution, preserves the credibility of the assurance provided, and demonstrates adherence to the principles of due professional care (Standard 4.2 Due Professional Care).

Engagement Work Program

The **engagement work program** is a structured plan that guides internal auditors in carrying out procedures that support the approved objectives and scope. It translates the defined objectives into specific tasks designed to evaluate the activity under review and ensures that the work is aligned with the results of the risk assessment. By clearly outlining the systems, processes, and time periods to be examined, the work program provides a disciplined foundation for the engagement and helps confirm that auditors apply due professional care when performing their responsibilities.

As the engagement progresses, the work program must remain closely linked to the established objectives and scope. Any adjustments to the objectives or scope require corresponding updates to the work program to ensure that planned procedures continue to address the most relevant risks and provide meaningful assurance. The chief audit executive is responsible for approving these changes, which must be documented to maintain transparency and traceability. This alignment between the work program and the approved direction of the engagement reinforces consistency, supports effective oversight, and upholds the principles set forth in the Standards.

The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks.
- Internal auditors assigned to perform each task.

The internal auditors should look at key controls for assurance engagements, which are the controls most critical to managing the risks of the organization. The chief audit executive must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.

Communicating Objectives and Scope

Once the objectives and scope have been defined and approved, internal auditors must ensure that key stakeholders — including management of the area under review, senior management, and the board — understand the purpose, approach, and intended outcomes of the engagement. Clear communication at this stage fosters alignment, prevents misunderstandings, and ensures that the audit plan supports the organization's broader strategies and risk management framework.

Communicating the established objectives and scope also provides an opportunity for internal auditors to confirm stakeholder expectations and validate that the planned work will address the most significant risks. These communications typically summarize the engagement's purpose, scope boundaries, key risk areas, and the rationale for their selection. Sharing this information early helps stakeholders prepare for the engagement, ensures access to relevant data and personnel, and builds confidence in the internal audit function's process and professionalism. Changes to the objectives and scope that are approved by the chief audit executive must also be communicated to the stakeholders.

Documenting these communications is critical for demonstrating conformance with the Standards and maintaining transparency. Internal auditors may summarize this information in a scope document or similar document that outlines objectives, scope, timing, resource requirements, and key stakeholders consulted.

An example of this memorandum could be documented meeting minutes that the internal auditor has with board members, and/or key stakeholders. These minutes must include what was communicated, how it was communicated, whom it was communicated with, and when it was communicated. This documentation becomes part of the engagement workpapers and serves as a reference throughout the engagement. If any stakeholder feedback leads to changes in objectives or scope, these adjustments and their rationale should also be recorded to ensure a clear audit trail.

Changes to Objectives for Assurance and Advisory Engagements

During the execution of an engagement, internal auditors must remain attentive to conditions that warrant reassessment of the initially established objectives. As audit work progresses, evolving risk exposures, newly identified control deficiencies, or emerging operational considerations may reveal that the original objectives no longer provide sufficient coverage or alignment with stakeholder expectations.

In such cases, auditors should apply professional judgment to determine whether modifications are necessary to maintain the engagement's relevance and ensure that the assurance or advisory work continues to address the most significant risks. Any proposed changes should be supported by evidence obtained during the engagement and evaluated in the context of the overall risk assessment and organizational priorities.

When adjustments to the engagement objectives are deemed appropriate, internal auditors must formally communicate the rationale for the changes to the engagement sponsor and other relevant stakeholders. Updates should be documented in the work program and reflected in subsequent testing strategies, scope boundaries, and evaluation criteria to ensure continuity and traceability.

Clear communication helps maintain transparency, reinforces the risk-based nature of the audit approach, and ensures that stakeholders understand the implications of the revised objectives on timelines, resource needs, and expected outcomes. Consistent with the Standards, internal auditors should ensure that all modifications are authorized, properly recorded, and incorporated into the final engagement results to demonstrate adherence to due professional care and a disciplined, systematic approach.

Changes to Scope for Assurance and Advisory Engagements

As the engagement progresses, internal auditors may identify conditions that require adjustments to the approved scope. When such changes become necessary, the rationale must be clearly documented and communicated to the chief audit executive for review and approval before the revised direction is implemented.

This process ensures transparency, maintains alignment with stakeholder expectations, and upholds the integrity of the risk-based approach. Approval of changes by the chief audit executive supports consistent oversight and demonstrates adherence to the Standards by validating that the engagement continues to focus on areas of greatest importance to the organization.

Scope Limitations

Scope limitations should be identified and communicated promptly to ensure the engagement can achieve its objectives, consistent with Standard 13.3 Engagement Objectives and Scope. They must be promptly identified and communicated to ensure that the engagement remains aligned with the approved objectives and maintains its ability to provide meaningful assurance.

When auditors encounter restrictions such as constraints on access to information, data, locations, or personnel that prevent internal auditors from performing the work as expected in the audit work program, they must first assess the nature and extent of the limitation and determine its potential impact on the engagement objectives. Also, in accordance with the Standards, limitations arising from insufficient resources, including staffing, expertise, or time constraints as referenced in Standard 13.5 Engagement Resources, must receive careful consideration because they may significantly affect the depth and reliability of audit procedures.

Scope Limitation Alert

If a scope limitation arises, the internal audit function should pause the affected procedures, assess the significance of the limitation, determine its potential impact on achieving engagement objectives, and promptly discuss the matter with management and, when appropriate, the board.

Once a scope limitation has been assessed, internal auditors must discuss the matter with the appropriate level of management to seek a resolution. This discussion should clearly describe the nature of the restriction, the risks it presents to the engagement, and the potential implications for the assurance to be provided. Management responses, including decisions or actions taken to address or maintain the limitation, should be documented to support transparency and future reporting. These communications reinforce the risk-based and collaborative nature of the audit process while keeping stakeholders informed of factors that could diminish the effectiveness of the work.

If management is unable or unwilling to resolve the limitation, or if the restriction continues to impair the internal audit function's ability to meet the approved engagement objectives, the matter must be escalated. In line with the Standards, the chief audit executive is responsible for presenting any unresolved scope limitations to the board or to the audit committee.

Elevating Scope Limitations to the Board

The chief audit executive assesses the significance of the restriction, its impact on the ability of the internal audit function to achieve the approved engagement objectives, and whether the limitation affects the reliability or completeness of the assurance to be provided. If the chief audit executive determines that the limitation remains material and continues to impede the engagement despite reasonable efforts to address it, the issue must be formally documented along with the actions taken to seek resolution. Then, the chief audit executive reports the scope limitation to the board or the audit committee in accordance with the Standards.

This communication ensures that the governing body is fully informed of obstacles that may impair the internal audit function's ability to carry out its mandated responsibilities. Escalating the issue allows the board to exercise appropriate oversight, determine whether additional actions are required, and understand the potential implications for the assurance provided. This process reinforces transparency, supports sound governance, and upholds the **independence** and **objectivity** of the internal audit function.

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