

# Harmonization of engagement-level audit ratings

September 2016



**World Food Programme**

# Objectives of the working group

## As defined in UN-RIAS meeting of September 2015:

- ⇒ The majority of engagements were rated within the Partially Satisfactory middle category in using the three tier rating system
- ⇒ There are clear benefits in maintaining some harmonization of the engagement-level ratings (especially with public disclosure)

## As further agreed in the working group:

- ⇒ Closer alignment to IIA and INTOSAI guidance
- ⇒ Applicable to all UN agencies and accommodating their various levels of maturity.
- ⇒ Link to overall audit opinion to be clarified in macro-level guidance

## The working group:

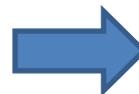
- ⇒ WFP, FAO, ICAO, PAHO, UNDP, UNFPA, UNICEF, UNOPS, UNRWA and WHO,
- ⇒ Monthly meetings from Dec 2015 to April 2016.
- ⇒ Proposal agreed upon by the Working Group, circulated in June 2016 for input by UN-RIAS members
- ⇒ Revised draft sent in August 2016.

# Consideration in the ratings

- ⇒ Introduce a four-tier rating system (no middle rating)
- ⇒ Include the concept of reasonable assurance in the achievement of objectives
- ⇒ Reference to “the assessed” controls as in scope and to allow various IAS to adapt to their mandate/coverage
- ⇒ Take into consideration the maturity of various organizations, especially governance and risk management
- ⇒ Provide a differentiation of the audit rating based on:
  - ⇒ The extent of improvement required: “some”, “major”;
  - ⇒ The urgency of management action required: “prompt”, “urgent”
  - ⇒ Weakness in the design or/and functioning of controls;
  - ⇒ The achievement of objectives: not affected, not significantly affected, significantly affected; seriously compromised;
  - ⇒ Provide symmetry for the ratings Effective/Satisfactory – Ineffective/unsatisfactory - some/major improvement

# Proposal and next steps

Effective/Satisfactory	<p>The assessed &lt;&lt;governance arrangements, risk management practices and controls&gt;&gt; were adequately &lt;&lt; established and functioning well/ designed and operating effectively &gt;&gt; to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issue(s) identified by the audit, if any, do not affect the achievement of the objectives of the audited entity/area</p>
Some Improvement Needed	<p>The assessed &lt;&lt;governance arrangements, risk management practices and controls&gt;&gt; were adequately &lt;&lt; established and functioning well / designed and operating effectively &gt;&gt; but need some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issue(s) identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.</p> <p>Management action is recommended to ensure that identified risks are adequately mitigated.</p>
Major Improvement Needed	<p>The assessed &lt;&lt;governance arrangements, risk management practices and controls&gt;&gt; were generally &lt;&lt; established and functioning / designed and operating &gt;&gt; but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.</p> <p>Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
Ineffective/Unsatisfactory	<p>The assessed &lt;&lt;governance arrangements, risk management practices and controls&gt;&gt; were &lt;&lt;not adequately established and not functioning well / not adequately designed and not operating effectively&gt;&gt;to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.</p> <p>Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>



Each IAS wishing to adopt the proposed harmonized rating to engage with their respective management

Provide feed back to the UN-RIAS on progress, variations to the wording and adoption

**THANK YOU!**