

STANDARD AUDIT PROGRAMME GUIDE

SAPG Ref.: 0905	Function: Research & Development	Activity/System: Legal & Regulatory Issues
------------------------	---	---

Company:	Division:	Country:	Site:
Audit Ref.:	Date:	Completed by:	Reviewed by:

Control Objective(s):

(a) To ensure that all the relevant and prevailing legal and regulatory issues are identified, addressed, and complied with; (b) To ensure that defined quality, performance, and testing standards are achieved; (c) To ensure that all research activity, theories, specification, drawings, technologies, and products are adequately protected from exploitation by others; (d) To ensure that research and development activities do not, in themselves, violate existing patents and copyrights; (e) To ensure that projects comply with the conditions of any grant funding schemes; (f) To ensure that all processes utilised during the R & D project fully comply with the relevant health and safety standards; and (g) To ensure that, when appropriate, project facilities and products obtain the necessary certifications.

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

1	Key Issues						
1.1	How can management be assured that all the relevant and prevailing legal and regulatory issues have been accurately identified and planned for?						
1.2	What mechanisms are in place to prevent liabilities for legal penalties and related commercial and reputation implications?						
1.3	Have management identified and addressed all the industry quality, safety, testing, and performance standards, and have the relevant certifications and accreditations been obtained?						
1.4	Have the resource and cost implications of compliance been accurately determined						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

	and authorised?						
1.5	What measures are taken to adequately protect research activities, intellectual property, specifications, technologies, innovations, and data from either exploitation by other or unauthorised exposure?						
1.6	How does management ensure that research activities do not violate existing patents and copyrights?						
1.7	Does management fully investigate the possibility of offsetting R & D costs by identifying and applying for available government and trade research funding grants?						
1.8	What steps are taken to ensure that the project remains eligible to receive grant funding and that amounts due are received,						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

	correctly applied, and accounted for?						
1.9	Does management ensure that all projects are assessed for health and safety implications as the basis for providing all the required precautions, equipment and staff training?						
1.10	How can management be confident that any failure to comply with relevant laws and regulations would be promptly identified for action?						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

2	Detailed Issues						
2.1	Are the costs associated with regulatory and legal compliance accurately identified, authorised, accounted for and monitored against budget?						
2.2	Does management take appropriate and prompt action to protect the various aspects of in-house research by filing patent applications?						
2.3	How does management ensure that the level of legal protection obtained for R & D activities is sufficient (i.e. are overseas patents required and justified)?						
2.4	What precautions are in place						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

	to prevent unauthorised access, copying or manipulation of R & D project materials?						
2.5	How does management ensure that adequate investigations are conducted into existing third party research activities, patents, and published materials which may present legal implications for the proposed R & D project?						
2.6	How does management maintain an accurate awareness of all the potential sources of grant funding?						
2.7	What steps are taken to ensure that grant income is fully accounted for and only utilised for the defined purposes?						
2.8	How can management be assured that the maximum benefit is derived from grant income?						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
2.9	When considering applications for grants, are all the implications assessed (i.e. stipulations that the resultant research must be published for general use)?						
2.10	Where products have to be officially registered before being marketed, what steps are taken to minimise the possibility of failure?						
2.11	When applicable and commercially acceptable, are the benefits of jointly funded research projects fully assessed and authorised?						
2.12	How is the accuracy of data input from other systems confirmed?						
2.13	How is the accuracy of data output to other systems (i.e. industry regulation) confirmed?						

STANDARD AUDIT PROGRAMME GUIDE

Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
------	--------------------	-------------------------	---------	--------------------	--------------------	---------------------	--------------------

STANDARD AUDIT PROGRAMME GUIDE

SYSTEM INTERFACES FOR LEGAL & REGULATORY ISSUES (R & D)

It is unlikely that any activity or system will operate in complete isolation, but will need to interact with other data and systems in order to be fully effective. At a simple level, such interaction could relate to the input of data from a source system and the generation of amended or enhanced data which can be output to the next process. For example, taking coded transactions from an accounts payable system into the general ledger as the basis for subsequently producing management accounts information.

It is often at the point of interaction between systems where controls are critical. Auditors should be satisfied that the data moving between systems is consistent, complete and accurate, in order that the subsequent processes are undertaken upon a reliable basis.

The following table aims to plot, for the subject system of this Standard Audit Programme Guide, the potential interfaces with other systems which may require audit attention. Indicators are provided to differentiate between those interfaces which act as input sources to the subject system and those which are potential output targets. The "SAPG Ref." column records the reference number of the Programme Guide which addresses the issues for the related system

System	SAPG Ref.	Input Source	Output Target		System	SAPG Ref.	Input Source	Output Target
Risk Management	0105	√			Law & Regulation (prod)	0608	√	
Legal Department	0106	√	√		R & D	0901-05	√	√
Environmental Issues	0109	√						
Industry Regulation & Compliance	0113	√	√					
Company Secretarial Department	0115	√						
Taxation	0210	√	√					
Health & Safety	0309	√						
Safety (Production)	0606	√						
Environmental Issues (Production)	0607	√						

