

STANDARD AUDIT PROGRAMME GUIDE

SAPG Ref.: 0903	Function: Research & Development	Activity/System: Plant and Equipment
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Company:	Division:	Country:	Site:
Audit Ref.:	Date:	Completed by:	Reviewed by:

Control Objective(s):

(a) To ensure that all R & D plant and equipment requirements are accurately identified, justified, and authorised; (b) To ensure that appropriate resources are made available in order to support project activities and meet the defined R & D objectives; (c) To ensure that R & D equipment and associated costs are commensurate with planned activities; (d) To ensure that R & D assets are accurately identified, recorded, correctly accounted for, suitably valued, and periodically verified; (e) To ensure that all R & D equipment costs are accurately identified, authorised, and allocated to related projects, etc.; (f) To ensure that R & D and specialist equipment is adequately maintained in full working order and accurately calibrated; (g) To ensure that redundant, under-utilised, surplus or obsolete equipment is promptly identified and authorised for appropriate disposal; and (h) To ensure that staff have the relevant skills to correctly utilise R & D and specialist equipment.

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Seq.	Risk/Control Issue	Current Control/Measure	WP Ref.	Effective Yes / No	Compliance Testing	Substantive Testing	Weakness to Report
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1	Key Issues						
1.1	How are R & D plant and equipment requirements defined, and is the acquisition of such equipment subject to formal prior justification and authorisation (if so, how is this evidenced)?						
1.2	What mechanisms prevent the unauthorised procurement of R & D equipment outwith the project budget?						
1.3	How does management ensure that equipment is obtained using the most advantageous funding method (i.e. purchase, leasing, etc.)?						
1.4	What measures ensure that all R & D assets are accurately identified, recorded in the accounts,						

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	and correctly valued?						
1.5	What mechanisms ensure that the correct and appropriate accounting treatment is applied to R & D assets?						
1.6	Does management take adequate steps to periodically confirm the existence and valuation of all R & D assets (and would untraced or incorrectly valued items be identified and investigated)?						
1.7	Are all R & D equipment costs (i.e. acquisition, supply of consumables, and ongoing maintenance) identified, accounted for, and accurately allocated to specific R & D projects?						
1.8	How can management be certain that all R & D equipment is appropriately and regularly maintained in working order (and are the associated costs authorised						

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	and accounted for)?						
1.9	What steps do management take to avoid the accumulation of under-utilised, redundant or obsolete items of R & D equipment?						
1.10	What measures ensure that surplus items of R & D equipment are authorised for disposal and that the relevant proceeds are maximised and accounted for?						
1.11	How can management be sure that specialist equipment is being correctly used by research staff in order to support the validity of research and development activities?						

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2	Detailed Issues						
2.1	How can management be certain that decisions to obtain R & D equipment are appropriately related to the significance, length and perceived value of projects (i.e. are high-value items required for short-term projects leased or hired as opposed to being purchased outright)?						
2.2	Are all R & D assets capable of being promptly traced and located?						
2.3	Are orders and invoices for all R & D equipment authorised at the appropriate						

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	level?						
2.4	How can management be assured that the values of R & D equipment reflected in the company accounts are accurate, up-to-date and verified?						
2.5	Are write-offs of R & D assets subject to specific authorisation, and how is this evidenced?						
2.6	What measures ensure that items of long-term R & D plant are correctly treated as fixed assets and appropriately depreciated over an acceptable period?						
2.7	Are R & D equipment requirements for specific projects justified and authorised as part of the overall project appraisal process?						
2.8	Are project equipment budgets authorised, established, effectively						

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	monitored, and followed-up when necessary (and how are investigations of variances evidenced)?						
2.9	What steps are taken to ensure that specialist equipment is correctly installed and calibrated?						
2.10	What measures prevent the unauthorised disposal of R & D equipment?						
2.11	How are all disposal proceeds identified and accounted for?						
2.12	How can management be assured that the best prices are obtained against equipment disposals (and are such arrangements authorised)?						
2.13	How is the accuracy of data input from other systems (i.e. project appraisal) confirmed?						
2.14	How is the accuracy of data output to other systems (i.e. fixed assets or project						

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SYSTEM INTERFACES FOR PLANT & EQUIPMENT (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
Capital Projects	0112	√	√		R & D	0901-05		
Treasury	0201	√	√					
Accounts Payable	0203		√					
Fixed Assets	0206	√	√					
Product / Project Accounting	0212	√	√					
Purchasing	0401	√						
Facilities, Plant & Equipment	0602	√	√					
Safety (Production)	0606	√						
Maintenance (production)	0609	√						