

# STANDARD AUDIT PROGRAMME GUIDE

<b>SAPG Ref.:</b> 0902	<b>Function:</b> Research & Development	<b>Activity/System:</b> Project Appraisal & Monitoring
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<b>Company:</b>	<b>Division:</b>	<b>Country:</b>	<b>Site:</b>
<b>Audit Ref.:</b>	<b>Date:</b>	<b>Completed by:</b>	<b>Reviewed by:</b>

**Control Objective(s):** (a) To ensure that all research and development activities are in accordance with the defined and authorised strategic objectives of the organisation; (b) To ensure that all R & D projects are fully assessed in respect of (*inter alia*) technical implications, product potential, equipment and tooling costs, timescale, research costs, production costs, selling price, etc.; (c) To ensure that project appraisals are effectively conducted in order to assure management as to the value and justification of the project under review; (d) To provide (where justified) a formal, documented, and authorised project appraisal procedure and ensure compliance; (e) To recommend to management those projects which should be implemented and to obtain management authorisation to proceed; (f) To ensure that the appraisal process identifies and accurately costs the R & D resources required to fulfill the project; (g) To ensure that the key project stages and deliverables are identified and monitored for achievement; (h) To ensure that key responsibilities are defined and allocated; (i) To ensure that an appropriate project management framework is defined and established; (j) To ensure that budgets are established and monitored against actual expenditure and efforts; (k) To ensure that the progress of the research and development project is adequately monitored and that shortcomings, variations, etc. are promptly identified and dealt with; (l) To ensure that all the key stages and project objectives are met on time and within budget; (m) To ensure that management is provided with adequate, timely and accurate information on project progress, costs, etc.; and (n) To ensure that all the relevant legal and regulatory requirements are identified, monitored, and fulfilled.

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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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<b>1</b>	<b>Key Issues</b>						
<b>1.1</b>	<b>Has management defined and authorised strategic business objectives, and how can they be sure that all R &amp; D activities comply with these targets?</b>						
<b>1.2</b>	<b>Have formal, documented and authorised Project Appraisal Procedures been defined and implemented (and if so how is compliance with them ensured)?</b>						
<b>1.3</b>	<b>How can management be sure that all R &amp; D activities are valid, justified and authorised ( and what mechanisms prevent unauthorised activities)?</b>						
<b>1.4</b>	<b>Are all R &amp; D projects subject to adequate appraisals incorporating the following factors?</b>						

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	<ul style="list-style-type: none"> <li>- technical implications;</li> <li>- product and market potential;</li> <li>- research costs;</li> <li>- equipment and tooling costs;</li> <li>- estimated production costs;</li> <li>- project timescale;</li> <li>- specialist requirements, etc.</li> </ul>						
1.5	How can management be assured that the appraisal staff will conduct the assessment in an objective, considered and professional manner?						
1.6	How does management signify their authorisation to proceed with an R & D project, and what prevents the initiation of an unauthorised project?						
1.7	How can management be assured that the appraisal process will identify and cost all the R & D resources						

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	required to fulfill the project?						
1.8	What measures ensure that clear (and authorised) objectives, key stages, targets, and deliverables are identified and established for each R & D project?						
1.9	What mechanisms ensure that the project budgets, and all the factors noted in point 1.7 above are adequately monitored and achieved?						
1.10	What measures ensure that all key responsibilities are defined, allocated, and monitored?						
1.11	Would management be promptly made aware of project progress shortcomings, problems and delays, and what measures ensure that objectives are met on time and within budget?						

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<b>2</b>	<b>Detailed Issues</b>						
2.1	Are all R & D project costs subject to effective accounting and budgetary control (and would significant variations be promptly brought to management's attention)?						
2.2	Are all the management information requirements identified and addressed (and how can the accuracy and reliability of such data be assured)?						

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2.3	Is overall responsibility for managing and coordinating the project allocated, and is the nominated individual charged with the appropriate authority to achieve the defined objectives?						
2.4	Has a formal, documented and appropriate Project Management Framework been established to progress and monitor the project?						
2.5	Have steps been taken to consult with and coordinate the action of all the affected functions so that the project objectives and timescales are satisfactorily achieved?						
2.6	Are all costs outwith the authorised budgets subject to prior justification and special authority?						
2.7	What measures ensure that all the relevant legal and regulatory requirements are identified and appropriately						

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	addressed?						
2.8	How is accuracy of data input from other systems (i.e. corporate planning or industry regulation) confirmed?						
2.9	How is accuracy of data output to other systems (i.e. budgetary control) confirmed?						

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## SYSTEM INTERFACES FOR PROJECT APPRAISAL & MONITORING

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
Planning	0104	√	√					
Risk Management	0105	√	√					
Legal Department	0106	√						
Capital Projects	0112	√	√					
Treasury	0201	√						
Product / Project Accounting	0212	√	√					
Product Development (Sales)	0701	√						
Product Development (R & D )	0901	√						

R & D	0903-05	√	√				
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