**RISKS AND CONTROLS ASSESSMENT TEMPLATE (RCAT)**

**Audit Title**:

**PURPOSE:** This template is used to document the team’s identification and assessment of risks (subject matter risks and those identified in the Functional Risk Identification template (FRIT)) and key controls, and how these affect the audit scope and approach.

**REFERENCE MATERIAL:** Refer to the following additional resources when using this form to document the audit team’s key judgments related to identifying functional and subject matter risks.

* [OAG Audit 4010](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4010.shtm) Understanding the subject matter in planning an audit
* [OAG Audit 4020](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4020.shtm) Risk assessment
* [OAG Audit 4025](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4025.shtm) Internal controls
* [Guide on risk-based planning and scoping for direct engagements](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/22589_ENC_HTML_PROD.shtm) (the Guide outlines the key steps required to complete the template)

**SPECIAL EXAMINATIONS:** As for all direct engagements, during the planning phase, special examination teams must **assess the** **subject matter risks** related to the Crown corporation under audit and **identify the key internal controls** (i.e., systems and practices) that the Crown corporation uses to mitigate risks. In addition, the OAG has developed a set of core systems and practices **and related standard criteria that must be used in every special examination (see** [**Special Examination Audit Approach**](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/templates/OAG-SE_Audit_Approach_16151E.docx)**). Therefore, it is not necessary for special examination teams to include risks and controls related to core systems and practices.** However, if teams decide to expand the scope of the audit beyond the mandatory core systems and practices, they must identify any risks and controls related to the expanded scope.

Teams should assess the suitability of the design and implementation of the controls during the planning phase. Where there are significant risks facing the corporation, and where a significant deficiency in the mitigating systems and practices could prevent the corporation from having reasonable assurance of meeting its statutory objectives, teams have two options:

* If the risk is covered by the core systems and practices, the team considers **increasing audit effort** in the area of higher risk.
* If the risk is not covered by the core systems and practices, the team can justify **adding to the audit scope** based on the rationale that a significant deficiency in the non‑core system and practice could prevent the corporation from having reasonable assurance of meeting its statutory objectives.

**DEFINITIONS:**

**Controls** are the policies and procedures that are designed, put in place, and operated to mitigate the risks that threaten the achievement of the entity’s objectives.

**Design of a control** refers to theway the control is supposed to work to mitigate risks to achieving objectives. It is the way the control works as described by policy or procedural documentation. In other words, it is the plan on how the control is supposed to work (as contrasted with how it actually works).

**Effectiveness (or Operation) of a control** is its functioning over time. In other words, a control is operating it if continues to perform as expected over time (i.e., sustained effective performance or functioning). Effectiveness of the control is not assessed as part of this exercise.

**Implementation of a control** is the functioning of the control in one instance—its presence at one point in time. Implementation is often considered along with design and is distinct from the operation of the control.

**Subject matter** refers to both the entity and the topic areas being audited. For example, in a special examination, the subject matter is considered the Crown corporation. In some performance audits, the subject matter may be a function or activity across government, such as human resource management. In these cases, the audit team should obtain an understanding of both the topic area and how it is managed in each entity selected for audit.

**Subject matter objectives** are the purpose, mandate, key priorities, and/or commitments related to the subject matter. The subject matter should be defined broadly enough so that no important issues are missed at the early planning stage. The audit objective is part of the outcome of planning, regarding how the team will audit the subject matter (including how the approach will respond to assessed subject matter risks).

**Subject matter risks** are risks related to the entity and the topic areas being audited. Consider what could go wrong in trying to achieve the entity’s objectives related to the subject matter.

**work required to evaluate controls in the planning phase**

All audit teams must identify key controls (Column C) and determine the impact of controls on the audit scope and approach (Columns E and F). Depending on the audit objective, some teams may need to evaluate the design and implementation of controls (Columns D1 and D2) during planning. The following table will help you to determine the work required.

**Evaluating controls in the planning phase**

| **Check the situation that applies to your audit** | | **Requirement for evaluating control design and implementation in planning** |
| --- | --- | --- |
|  | Performance audit—controls are not relevant to the audit objective (i.e., the audit is entirely results-focused). | The team identifies only the key controls. Assessment of design (Column D1) and implementation (Column D2) are not required, but this work is highly recommended. |
|  | Special examination or performance audit—controls are relevant and are the subject matter of the audit (i.e., the audit is entirely controls-focused). | The team identifies the key controls. Assessment of design (Column D1) and implementation (Column D2) will be carried out in the examination phase. While Columns D1 and D2 are not required, this work is highly recommended. |
|  | Performance audit—controls are relevant to the audit objective (i.e., the audit is neither entirely results-focused nor entirely controls-focused. | Evaluation of the design and implementation of controls **is mandatory**. Assessment of design (Columns D1) and implementation (Column D2) are required. |

**RISKS AND CONTROLS ASSESSMENT**

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| --- | --- | --- | --- | --- | --- | --- |
| **SUBJECT MATTER OBJECTIVES** | [Describe the objective **of the entity or program** as it relates to the subject matter under audit.]  [If more than one party is involved, consider splitting the objectives out by function/responsibility area if the objectives are distinct.]  [For special examinations, include **both** the mandate-specific objectives and the statutory control objectives of the Crown corporation.] | | | | | |
| **Risks identified and rating** [[1]](#endnote-1)  (N–Normal  E–Elevated  H–High)  **[A]** | **Preliminary scoping decision [B]**[[2]](#endnote-2) | **Relevant key control**[[3]](#endnote-3)  **[C]** | **Evaluation of control**[[4]](#endnote-4)  **[D]** | | **Final scoping decisions** | |
| **Risk in scope?**  [Yes/No]  **Rationale** | **Suitable design?**  [Yes/No/Not assessed]  **[D1]** | **Implemented?**  [Yes/No/Not assessed]  **[D2]** | **Risk in scope?**  [Yes/No]  **Rationale[[5]](#endnote-5)**  **[E]** | **Impact on audit approach[[6]](#endnote-6)**  **[F]** |
| **Risk 1** |  | **Control 1** | [Hyperlink to Control Worksheet] as needed) | [Hyperlink to Control Worksheet] as needed) |  |  |
| **Control 2** |
| **Risk 2** |  | **Control 3** |  |  |  |  |
| **Control 4** |
| **Risk 3** |  | **Control 5** |  |  |  |  |
| **Control 6** |

1. **RISKS IDENTIFIED AND RATING**: In Column A, assess and include subject matter risks **and** any risks identified in the FRIT. Consider the **likelihood** that the risk(s) will occur and the **impact** the risk(s) would have on the entity’s ability to achieve its objectives related to the subject matter. [↑](#endnote-ref-1)
2. **PRELIMINARY SCOPING DECISION**: In Column B (Risk in scope), answer “yes” or “no” to indicate whether the risk should be included. This decision is based on the risk assessment, but you may also consider other factors raised through other planning work, such as early advisory committees and meetings with the Auditor General/Commissioner of the Environment and Sustainable Development. Additional factors may include: Parliamentary/Board interest, auditability issues, team resources and competencies, past audit issues, internal audit coverage, Office direction such as the focus on results for Canadians, etc. Provide a brief explanation for the decision to scope the risk in or out. [↑](#endnote-ref-2)
3. **RELEVANT KEY CONTROL:** For each risk in Column A, identify the **key** controls that the entity has put in place to mitigate it. Avoid wording controls as criteria—these are not generic expectations, but rather what is currently in place in the entity. [↑](#endnote-ref-3)
4. **EVALUATION OF CONTROL:** Work required in Columns D1 and D2 depends on the team’s choice from the table above, Evaluating controls in the planning phase. However, even if this work is not required for your audit, the Office still recommends you do this work in the planning phase. Doing this will help you understand the subject matter early and assess controls to the extent necessary to support and document decision making and the final audit scope and approach. The optional Control Worksheet will help teams understand the extent of work expected, as well as provide an appropriate structure to document the work.

   **SUITABLE DESIGN?** Assess the suitability of the design of each key control. Answer “yes” if the design appropriately addresses the risk(s). If there are no key controls that the entity uses to mitigate the risk, then the design by default is considered unsuitable (“no”).

   **IMPLEMENTED?** Determine the implementation of each key control. Answer “yes” if the control has been implemented. Select “not assessed” if you determine that an evaluation of design and implementation is not required in the planning phase (i.e., a special examination or performance audit that is controls-focused), **or** if you assess the design of the control as unsuitable (“no” in Column C1). Answer “no” if the control has not been implemented. [↑](#endnote-ref-4)
5. **IN SCOPE?** Update your scoping decisions based on the team’s understanding of the impact of controls on the risk. **All teams must complete this step**. The updated scoping decisions may also be based on additional factors raised through other planning work and may include considerations as identified above under Preliminary Scoping Decisions. Summarize the key points to provide a clear and brief rationale for the scoping decision. If the rationale does not flow directly from the risk and controls assessment as documented, the team needs to expand its rationale in Column E by adding other considerations that affected the scoping decision (as identified above under Preliminary Scoping Decisions). [↑](#endnote-ref-5)
6. **IMPACT ON AUDIT APPROACH:** Explain the impact of your scoping decisions on the audit approach going forward. If the risk is scoped out in Column E, then Column F is “N/A.” If the risk is scoped in, briefly explain in Column F how the audit approach will address the risk and related controls identified. Bring this forward to the Audit Logic Matrix (ALM) and audit programs. If the assessment of risk or controls changes, **DO NOT UPDATE THIS DOCUMENT**. Make any revisions directly in the ALM and audit program. [↑](#endnote-ref-6)