

FREE AUDIT TOOL

INTERNAL AUDIT RESOURCE LIBRARY

FIELDWORK

Audit Exception Evaluation Tool

Decide whether an exception is isolated, recurring, systemic or evidence of control failure

1. Purpose & When to Use It

Not every exception deserves the same conclusion. This tool helps auditors evaluate an exception by considering frequency, impact, pattern, control dependency, recurrence and management awareness before deciding whether to expand testing or raise a finding.

Use this tool when

- An audit test identifies exceptions
- A process owner says an issue is isolated
- Several small exceptions appear across a population
- You need to decide whether to expand testing

Core Inputs

1. Exception description	
2. Population and sample	
3. Frequency / recurrence	
4. Financial or operational impact	
5. Pattern across users / locations	
6. Root-cause indicator	
7. Compensating controls	
8. Management awareness	

2. Decision / Scoring Matrix

Use this matrix as a disciplined prompt for professional judgment. Adapt thresholds to the organization, engagement risk and available evidence.

Dimension	0	1	2	3
Frequency	One-off	Rare	Recurring	Pervasive
Impact	Negligible	Low	Meaningful	Severe
Pattern	No pattern	Possible	Clear subgroup	Systemic
Control failure	No	Minor weakness	Control bypassed	Control absent / ineffective
Recurrence	First seen	Old but fixed	Repeated	Long-standing

Judgment Notes

RECORD THE RATIONALE BEHIND YOUR DECISION

3. Working Sheet

Complete this page during planning or fieldwork. Keep entries brief, evidence-based and specific enough for another auditor to understand your reasoning.

Exception observed	
Expected condition	
How many instances?	
Pattern / common characteristic	
Impact / exposure	
Compensating control	
Likely cause	
Expand testing? Why?	
Finding / observation / no issue	

4. Worked Example

The example shows the level of detail the tool is designed for. Replace it with your own engagement information.

Exception	4 of 25 vendor bank changes lacked independent verification.
Pattern	All four were processed by the same role during one month.
Impact	Potential payment diversion risk.
Decision	Expand testing to all bank changes for the quarter and review access / staffing changes.
Conclusion logic	The clustered pattern and high fraud exposure make an “isolated documentation issue” conclusion premature.

Auditor Reflection

What conclusion would you draw from this example? What evidence, challenge or additional test would you need before relying on it?

REFLECTION / NEXT STEP

5. Quick Reference

Five reminders to keep the tool practical and audit-ready.

1

Do not judge significance from count alone.

2

Look for patterns across time, people, locations and transaction types.

3

Expand testing when the exception changes the risk hypothesis.

4

Distinguish documentation failure from actual control failure.

5

Record why you stopped - or expanded - testing.

Use & Share

This resource is provided free for professional use. You may use it in your audit work and share the original PDF with colleagues. Please retain the attribution to Salih Ahmed Islam and the Internal Audit Resource Library.

More free tools, checklists, templates and guides: visit the Resources section of Salih Ahmed Islam's website.