



Government of Mauritius

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

INTERNAL CONTROL CADRE

Internal Audit

Standard Operational Procedure Manual

(IASOPM)

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PREFACE

This Internal Audit Standard Operational Procedure Manual (IASOPM) establishes the procedures to be followed in the conduct of internal audit. The IASOPM aims at standardizing internal audit in terms of uniformity and consistency across all Internal Control Units (ICU). The IASOPM has been prepared in line with the International Standards for the Professional Practice of Internal Audit, which are developed and maintained by the Institute of Internal Auditors (IIA). Internal Control Officers (ICOs) must comply with the provisions contained in this document which forms an integral part of the Internal Audit Policy and Operational Manual issued under Financial Instructions No 22 of 2012.

1. INTRODUCTION

1.1 The IIA provides the following definition of internal audit:

Internal audit is an independent objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.2 In the Public Service internal audit activities are conducted by the Internal Control Cadre (ICC) which falls under the aegis of the Ministry of Finance and Economic Development (MOFED).

1.3 The objectives of internal audit are :-

- (a) evaluating of control systems;
- (b) ensuring compliance to rules, procedures and regulations;
- (c) evaluating organizational efficiency and effectiveness;
- (d) assessing accuracy and reliability of Departments' reporting processes;
- (e) evaluating effectiveness of Departments' accountability framework, and the extent of adherence to ethical standards; and
- (f) ensuring audit findings and recommendations add value to the organization and provide an independent opinion whether the organizational goals and objectives have been achieved in an economic, efficient and effective manner.

2. DUTIES AND RESPONSIBILITIES

Duties and Responsibilities of the Director Internal Control (DIC)

- 2.1 The DIC is responsible for providing advice and guidance to the Financial Secretary and other Accounting Officers on internal audit with a view to improving the internal control system in Departments.
- 2.2 The DIC is responsible to-
- (a) manage the staff of Internal Control Cadre including-
 - (i) assessment of staff requirement in Departments and taking appropriate action;
 - (ii) posting and transfer of staff ;
 - (iii) maintaining a Management Information System (MIS) on issues relating to internal audit;
 - (iv) designing and organising training of ICOs;
 - (v) making recommendations with regard to creation of posts, promotions and disciplinary matters; and
 - (vi) maintaining a database of staff and preparing rotational plans, providing notice to staff at least 6 months in advance.
 - (b) examine proposals made by OIC Internal Control with a view to improving the financial management system, and refer the proposals to FMRC;
 - (c) deal with cases referred by OIC Internal Control on failures in internal control systems, departures from instructions and provisions contained in the FM Kit, and irregularities and fraud;
 - (d) promptly alert the Financial Secretary whenever a weakness in the system is identified or an irregularity or a fraud is detected;
 - (e) ensure that PBB performance service standards applicable to ICOs are met;
 - (f) ensure that there is sufficient supervision at all levels of the internal audit process and uniformity in the application of internal audit procedures through-
 - (i) quality review assessment; and
 - (ii) monthly meetings with OICs Internal Control.
 - (g) ensure that the quality of audit meets the Institute of Internal Auditors (IIA) Professional Standards by-
 - (i) establishing and reviewing policies and procedures to guide ICOs in carrying out their work;

- (ii) developing and supporting the implementation of standard internal auditing methodology and procedures to be used across Departments;
 - (iii) reviewing the Internal Audit Charter as and when required; and
 - (iv) conducting periodic quality assurance reviews to ensure that audit work is being carried out according to IIA Standards.
- (h) review and finalise the Internal Audit Strategic Plan and Internal Audit Operational Plan of the Internal Control Units (ICUs);
 - (i) approve the Audit Engagement Plan for ICUs at the start of an audit;
 - (j) liaise with Accounting Officers, the National Audit Office and Office of Public Sector Governance (OPSG) on matters relating to internal audit;
 - (k) discuss with Accounting Officer on non-implementation of internal audit recommendations;
 - (l) ensure follow-up exercise is carried out on Internal Control Reports;
 - (m) report to the Office of Public Sector Governance about cases where Accounting Officers have not implemented recommendations of internal audit;
 - (n) prepare and submit to the Financial Secretary an Annual Internal Audit Report highlighting major internal audit findings and recommendations together with Accounting Officers' responses thereto; and
 - (o) conduct special investigations or inquiries at the request of the Financial Secretary.

The Deputy Director Internal Control will assist the DIC in the discharge of the above responsibilities.

Duties and Responsibilities of the Officer in Charge (OIC) Internal Control

2.3 The OIC is either an AMIC or MIC heading the internal control unit of a Ministry/Department.

2.4 The OIC is responsible for:

- (a) preparing and monitoring of the Strategic and Annual Internal Audit Plan;
- (b) supervising audits by providing instructions and approving audit programs;
- (c) reviewing audit work to ensure the adequacy of audit scope and tests performed as well as the accuracy of conclusions reached;

- (d) assessing the quality of audit by ensuring adherence to audit policies, standards and procedures;
- (e) documenting and maintaining evidence of supervision, such as review notes, to-do lists, and the audit work paper review checklist;
- (f) maintaining a data base in respect of audit status and any other information needed for the smooth operation of the unit as requested by the DIC;
- (g) reviewing and issuing audit reports to Accounting Officers;
- (h) performing audit work; and
- (i) training and providing guidance to internal audit staff.

Duties and Responsibilities of the Head of Audit (HOA)

- 2.4 HOA is the ICO/SICO or the Assistant Manager, IC to whom the responsibility for an audit assignment is entrusted. The HOA may be required to carry out such assignment alone or as head of a team.
- 2.5 The HOA is responsible for the conduct and completion of the audit including the preparing of the audit report. The HOA's duties involve conducting performance, financial and compliance audits, as well as providing advice to the organization's management on matters relating to internal controls. All organizational and professional ethical standards are maintained. The HOA works independently under general supervision, with considerable latitude for initiative and independent judgment.
- 2.6 Responsibilities of the HOA include-
- (a) conducting preliminary survey of audit assignments;
 - (b) carrying out the audit in accordance with the audit program and procedures;
 - (c) maintaining adequate documentations of audit work performed;
 - (d) analysing findings of Internal Control Officer and, where necessary, conduct further investigations ;
 - (e) reporting on internal audit findings and proposing corrective measures; and
 - (f) follow- up on internal audit reports to ensure that the recommendations made on audit findings are satisfactorily implemented.

Duties and Responsibilities of ICO

2.7 The duties and responsibilities of ICO include-

- Assisting in the conduct of preliminary survey of audit assignments.
- Carrying out the audit in accordance with the audit program and procedures.
- Maintaining adequate documentations and needs of work performed.
- Reporting on internal audit findings and proposing corrective measures.

Where an audit assignment is performed by ICO acting alone, that is as HOA, the above duties and responsibilities shall also apply to the HOA in addition to those stated at paragraph above.

3. OPERATING PROCEDURES

Internal Audit Charter

- 3.1 The Internal Audit Charter is a formal document which defines the purpose, authority, and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The Internal Audit Charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of assignments; and defines the scope of internal audit activities.

The Director will periodically review the Internal Audit Charter (**Appendix 1**) and present it to Accounting officers for endorsement.

Vision and Mission

3.2 *Vision*

To be a customer oriented organization providing value-added internal audit services in accordance with international professional and ethical standards.

3.3 *Mission*

To provide quality internal audit services in a spirit of partnership with Accounting Officers in the achievement of government's objectives through recommendations to improve governance, risk management, control processes and value for money.

Audit Objectives

- 3.4 The objectives of internal audit are to independently and objectively analyse, appraise, recommend, and provide pertinent comments concerning the activities audited.

3.5 In the course of their audit examinations, ICOs shall:

- (a) Review and appraise the adequacy, soundness, and application of accounting, financial, management reporting, and other operating controls and make recommendations for improved practices and techniques where appropriate.
- (b) Determine that policies and procedures are being interpreted properly and carried out as established, and are adequate and effective, and make recommendations for revision where changes in operating conditions have made them cumbersome, redundant, obsolete, or inadequate.
- (c) Determine the reliability, effectiveness, and efficiency of procedures designed to ensure the organization is compliant with applicable laws and regulations.
- (d) Determine whether appropriate procedures exist within operations for self-assessment and continuous improvements.

3.6 In carrying out these objectives, the ICOs work should be performed **with proficiency and due professional care**.

3.7 **Proficiency** – “ICOs should possess the knowledge, skills, and competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills, and competencies needed to perform its responsibilities”.

- (a) “The OIC should obtain competent advice and assistance if the individual internal audit staff lacks the knowledge, skills, or competencies needed to perform all or part of an engagement”.
- (b) “The ICOs should have sufficient knowledge to identify the indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud”.

-
- 3.8 **Due Professional Care** – “ICOs should apply the care and skill expected of reasonably prudent and competent ICOs. Due professional care does not imply infallibility”.
- (a) “The ICOs should exercise due professional care by considering the:
 - (i) Extent of work needed to achieve the engagement objectives.
 - (ii) Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
 - (iii) Adequacy and effectiveness of risk management, control, and governance processes.
 - (iv) Probability of significant errors, irregularities, or noncompliance.
 - (b) “The ICOs should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified”.

Relations with Management

- 3.9 It is the policy of internal audit to conduct internal audits in a constructive manner. Whenever possible, the assistance of division personnel will be solicited in the planning and performance of the assignment and the development of improvement actions. A spirit of collaborative teamwork between the auditor and those audited will be adhered to. This attitude shall not alter the fact that internal audit personnel have full access to all records, personnel, properties, and any other sources of information needed in the performance of an audit. When necessary, special arrangements will be made for the examination of confidential or classified information.
- 3.10 Prior to the start of each audit, the division head or appropriate department head will be advised concerning the tentative time schedule and general scope of the audit. A confirming memo signed by the OIC shall be sent to appropriate management, who in turn are responsible for conveying the audit schedule to persons affected.

Relations with External auditor

- 3.11 The DIC is the primary management official responsible for coordinating the external audit relationship. An attitude of cooperation and collaboration best describes the relationship of internal audit to the organization's external auditor.
- 3.12 Coordination of internal audit activities with the external auditor principally involves checking and working with each other to ensure: (1) optimum audit coverage is obtained; (2) there is an exchange of information; (3) a minimum duplication of effort and expense; and (4) cost-effective reliance on the work of the ICOs.
- 3.13 Ongoing, direct communication between the OIC and the external auditors is maintained to foster coordination of audit work. Annual meetings are conducted with the Director and external auditors to determine appropriate areas of mutual reliance or potential sharing of specific objectives. Internal or external audit work/report sharing is subject to the OIC and the Accounting Officer authorization and should be carefully performed to ensure proper safeguarding, confidentiality, and interpretation of audit results. The OIC receives copies of all external audit management letters that are used for annual audit plan risk analysis input and as a preliminary survey reference item.

Special Assignments

- 3.14 The Internal Control Team may, upon request by the Accounting Officer, be assigned audit work on **Special Assignments** that are in no way connected with the Annual Internal Audit Program. This may be done provided approval is obtained from the DIC. After approval, the OIC will be responsible for the audit assignment and he will report to the DIC after completion of the assignment.

Follow-up on Internal Audit Reports

- 3.15 The Accounting Officer is responsible for the timely implementation of improvement action for items reported in the internal control reports. The OIC will report to the Accounting Officer on progress the organization is making on those matters previously reported by ICOs. If there are delays in implementing improvement action, the Director should be notified immediately as to the nature and reason for the delay. Where progress is not satisfactory, the Director may discuss the matter with the Accounting Officer.

4. PLANNING AND PERFORMANCE

Internal Audit Strategic and Annual Planning

Strategic and Annual Planning

- 4.1 The OIC must establish a risk-based strategic and annual plan to determine the priorities of the internal audit activity, consistent with the organization's goals. The OIC should will use his own judgment of risks and past experience after consultation with senior management.
- 4.2 The OIC should prepare the strategic and annual plans in accordance with templates provided at **(IC-1, 2, 3 & 4) [Appendices 2-5]**. The DIC will consult the Director of Audit on matters relating to the annual plan, and subsequently obtain approval of the Accounting Officer.

Risk Exposure Analysis

- 4.3 Risk exposure analysis is a technique used to examine potential internal audit projects and choose projects that have the greatest risk exposure. A risk exposure analysis approach to audit project selection is important in that it affords a means of providing reasonable assurance that internal audit resources are deployed in an optimal manner, i.e., the audit plan for the internal audit activity allocates audit resources in a manner likely to achieve maximum benefits. To this end, the risk exposure approach provides explicit criteria for systematically selecting audit projects.
- 4.4 Risk exposure analysis, as applied to internal audit planning, is an area that will evolve as experience is gained through implementation. Although risk exposure analysis is difficult and not well defined, it cannot be ignored. However, the appropriate and prudent course of action is to use due care to consider and document all relevant factors in making risk exposure decisions. Assuming a good faith effort in this regard, judgments should stand the test of scrutiny.

Evaluation Framework

4.5 During the audit project evaluation and selection process, internal audit faces the problem of unlimited potential projects couple with limited human resources. Given a scarcity of audit resources, it is important to focus on projects with the greatest risk exposure.

4.6 This phase of the analysis should be structured to capture both tangibles and qualitative intangibles that play a key role in the audit selection process. The seven key variables listed below will be used in order to prioritize the auditable areas.

Key Variables:

1. Rupees volume
2. Strength of Internal control in place
3. Executive management interest
4. Results of prior internal and external audits
5. Changes in personnel/systems/procedures
6. Complexity of activity
7. Time since last internal audit

4.7 A simple numerical scale is adopted to structure the evaluation of the auditable areas. The purpose of this exercise is to assign descriptive values to those attributes which pique audit interest. The response scales which are developed below have been structured in such a manner that assignment of higher values is consistent with increased audit concern. The analysis requires the evaluator to assign a value of 1 to 5 for each of the variables.

4.8 To begin an illustration of the application of this analysis, an assumed descriptive evaluation of the cash management function is presented below:

Key Variables	Descriptive Value (1-5)
1. Rupees volume	5
2. Strength of Internal control in place	2
3. Executive management interest	3
4. Results of prior internal and external audits	1
5. Changes in personnel/systems/procedures	1
6. Complexity of activity	2
7. Time since last internal audit	3

4.9 While the key variables considered in the first step are assumed to be general indicators of risk exposure, the key variables cannot be assumed to be of equal significance in evaluating every prospective audit project. Therefore, the second step of the extended analysis is the assignment of a significance weight to each key variable. This weighting is based upon a ranking of variables in terms of audit significance. Assuming seven key variables, significance values of 1 to 7 are assigned to the variables. Higher values are consistent with increased significance. That is, assignment of 7 indicates that a particular variable is most important and a value of 1 indicates that the variable has little significance.

4.10 In order to standardize the attribution of weightage to the key variables, the DIC will assign the value at the time of preparation of the Annual Plan (as tabled below). The assigned significance weighting value may be reviewed each year.

Key Variables	Significance Weighting Value
1. Rupees volume	7
2. Strength of Internal control in place	6
3. Executive management interest	1
4. Results of prior internal and external audits	3
5. Changes in personnel/systems/procedures	5
6. Complexity of activity	4
7. Time since last internal audit	2

4.11 Incorporating this rank ordering of variables into the cash management illustration, the project evaluation analysis to this point appears as follows:

Key Variables	Descriptive Value (1-5)	Significance Weighting Factor (1-7)
1. Rupees volume	5	7
2. Strength of Internal control in place	2	6
3. Executive management interest	3	1
4. Results of prior internal and external audits	1	3
5. Changes in personnel/systems/procedures	1	5
6. Complexity of activity	2	4
7. Time since last internal audit	3	2

4.12 After the issue of the yearly circular for the preparation of Strategic and Annual plan of work by the DIC, the OIC of each Department will assign the descriptive value to each auditable area in the Department. The OIC will have to assess the relative significance of each of the descriptive indicators and to arrive at a consistent significance evaluation. As the final step in the extended analysis, the descriptive values are multiplied by the assigned significance weights (Value assigned by the DIC) and the extended values are combined to obtain a risk evaluation score.

4.13 Given the seven variables, each with a maximum assigned value of 5 and a maximum significance weighting of 7, the maximum attainable risk evaluation score is 140. The completed analysis for the cash management function appears below.

Key Audit Variable Risk Evaluation

Key Variables	Descriptive Value (1-5)	Significance Weighting	
		Factor (1-7)	Extended Value
1. Rupees volume	5	7	35
2. Internal control	2	6	12
3. Executive management interest	3	1	3
4. Results of prior audit	1	3	3
5. Changes in personnel/procedures	1	5	5
6. Complexity of activity	2	4	8
7. Time since last audit	3	2	<u>6</u>
TOTAL			<u>72</u>

4.14 In the cash management illustration, the attained risk evaluation score was 72. To simplify further calculations, the attained risk evaluation score may be converted to a factor by simply expressing the attained score as a percent of the maximum, e.g., 72 divided by 140. The risk evaluation factors for all projects provide a means of systematically selecting projects to maximize audit effectiveness in the annual planning process to develop the five-year audit plan.

4.15 At each step the process described has required the evaluator of projects to quantify subjective judgments. After the steps described have been carried out, the rank ordering of audit projects should be critically reviewed. OIC should be hesitant to accept blindly the outcome of this process. The project rank ordering should be evaluated to assure that the results coincide with intuitive judgment. Management must critically evaluate the output of this process; stand back and look at the project ranking and ask, "Does the ranking make sense?" and "Are we comfortable with the ranking?" If this type of postmortem is not undertaken, there is danger that the process described could give impractical results. As a consequence of this type of critical review, the audit priority model can be adjusted and refined so that it accurately captures the decision process.

4.16 A number of relevant factors have not been incorporated into the evaluation model as described. As one example, the deterrent effect of subjecting all phases of the operation

2. Strength Internal Control in place

The design and past performance of an internal control system is important in judging the probability of errors in the system. Other things being equal, areas with weak internal control are of greater audit interest.

1	2	3	4	5
Strong				Weak

3. Executive Management Interest

Other things being equal, expressed or implied concern relating to an activity or project by management increases audit interest. If there is no basis for assessing management interest, arbitrarily assign a three.

1	2	3	4	5
Weak				Strong

4. Results of Prior internal and external Audits

Other things being equal, significant adverse findings in a prior audit increase audit interest. If there is no prior experience, arbitrarily assign a three.

1	2	3	4	5
No Significant Deficiency Findings				Serious Deficiency Findings

5. Changes in Personnel/Procedures

Other things being equal, a dynamic environment in terms of personnel or procedures increases the probability of errors and inefficiency occurring, and consequently increases audit interest.

1	2	3	4	5
Static				Dynamic

6. Complexity of Activity

Other things being equal, as the operating complexity of an area increases, information and control systems tend to become more complex. This complexity increases both the probability of error and the effort required to monitor the system.

1	2	3	4	5
Simple				Complex

7. Time Since Last internal Audit

As the time since the last audit lengthens, the value of a new audit is likely to increase. The beneficial effects of an audit are greatest immediately before and after a project.

1	2	3	4	5
Recently Audited				Never Audited or Not Recently Audited

RISK EVALUATION - STEP 2

ASSIGNMENT OF SIGNIFICANCE WEIGHTING FACTORS

Instructions:

Rank order key variables in descending order of importance. Assign the largest value (equal to the number of relevant key variables) to the most significant variable. Do not assign a significance weighting factor to a variable that is inappropriate to a specific project. Simply indicate N/A (not applicable) in the space provided.

If other variables not appearing in the list are appropriate in the evaluation of a specific project, add those to the list. If other variables are added, return to Step 1 and assign a descriptive value for each new variable.

Key Variables	Significance Weighting Factor (Maximum - 1)*
1. Rupees volume	_____
2. Strength of Internal control in place	_____
3. Executive management interest	_____
4. Results of prior internal and external audit	_____
5. Changes in personnel/procedures	_____
6. Complexity of activity	_____
7. Time since last internal audit	_____

* Maximum equals the number of key variables considered relevant.

RISK EVALUATION - STEP 3

CALCULATION OF RISK EVALUATION SCORE

Instructions:

Enter the values assigned in Steps 1 and 2 in the summary table. Multiply the descriptive value in column 1 by the significance weighting factor in column 2 and enter the products in the

extended value column. Sum the extended values and enter the total as the risk evaluation score.

SUMMARY

RISK EVALUATION

Key Variables	Descriptive Value (1-5)	Significant Wt. Factor (Max - 1)	Extended Value
1. Rupees volumes	_____	_____	_____
2. Internal control	_____	_____	_____
3. Executive management interest	_____	_____	_____
4. Results of prior audit	_____	_____	_____
5. Changes in personnel/procedures	_____	_____	_____
6. Complexity of activity	_____	_____	_____
7. Time since last audit	_____	_____	_____
8. Results of last NAO	_____	_____	_____
RISK EVALUATION SCORE			_____

RISK EVALUATION - STEP 4

COMPUTATION OF RISK EVALUATION FACTOR (REF)

Instructions:

Divide the risk evaluation score developed in Step 3 by the maximum attainable score. Maximum attainable scores are presented below:

<u>Number of Variables Used</u>	<u>Maximum Attainable</u>
1	5
2	15
3	30
4	50
5	75
6	105
7	140
8	180
9	225
10	275

RISK EVALUATION FACTOR =
STEP 3 - RISK EVALUATION SCORE /
STEP 4 - MAXIMUM ATTAINABLE SCORE

RISK EVALUATION - STEP 5

RANK ORDERING OF AUDIT PROJECTS BY REF

Instructions:

Enter the REF developed in Step 4 in the space provided on the summary sheet. Sort audit projects into descending order by REF. Review the project ordering for reasonableness and consistency.

Audit Planning

Project Level

4.17 To uniformly document the Audit Planning and Execution, an Audit Planning and Execution Form **(IC-5) [Appendix 6]** will have to be filled in by the HOA as and when the audit progresses. The OIC will be responsible for the timely completion of the form.

4.18 **IC-6** has been designed to document the following:

- A. Initial Planning
- B. Preliminary Survey
- C. Risk Assessment
- D. Audit Program
- E. Field Work
- F. Report Writing

Project Assignment

4.19 The project assignment, prepared by the OIC, initiates the start of the internal audit activity. It is to be completed before any work is done on the project. The OIC direction as to what the project's objectives are and any special concerns or considerations, determines the audit period, and assigns audit personnel and time budget. The estimated time budget is initially obtained from the annual audit plan.

Project Time Budget

4.20 A Project Time Budget **(IC-6) [Appendix 7]** provides overall guidelines for the performance of the audit. In addition, it enables the Head of Audit (HOA) and OIC to

control the audit work in process. It is essential that time is controlled carefully in order that it may be utilized in the most effective manner possible and to provide data input to future audit planning.

- 4.21 Budget controls are necessary for effective time management, but will be sufficiently flexible to permit the adoption of new audit procedures or changes in the scope of the existing audit project. **IC-6** should be prepared by the OIC together with the HOA, and approved by the Director before the start of the audit.
- 4.22 Revisions to the project time budget should be documented and approved by the OIC for variation up to 20 %. The DIC's approval should be obtained for variation exceeding 20 % of the initial time budget.

Guidelines and Format

- 4.23 The budget process will be broken down into two phases. A portion of the budget will be allocated for the planning process. This will provide the necessary control over this phase of audit work.
- 4.24 Near the completion of the planning process, the remaining budget will be allocated to the rest of the audit and recorded on the Project Time Budget. The following items should be taken into consideration when allocating the time budgeted for the project:
- (a) Prior experience with similar audits
 - (b) The nature and complexity of the function under audit
 - (c) The experience level of the staff and the amount of supervision necessary
 - (d) Job wrap-up
- 4.25 For purposes of overall control, the time budget should be broken down into the following general categories:
- (a) Planning - initial planning, preliminary survey
 - (b) Audit Program
 - (c) Field Work - allocated to the various segments of the audit project
 - (d) Internal Audit Manager's Review
 - (e) Report Writing and Editing
 - (f) Exit Conference

Opening Conference

4.26 After the completion of the initial planning, an opening conference shall be conducted by the OIC/HOA with management. The Opening Conference **(IC-7) [Appendix 8]** provides the opportunity to begin building good relationships. Points that should be discussed during the opening conference include:

- (a) Scope and Objectives - Review the basic scope and objectives planned for the audit. Outline the general audit work plan. Emphasize that the purpose of the audit is to add value to the organization and assist management by providing analysis, appraisals, recommendations, and information concerning the activities reviewed — all designed to assist management in the attainment of their objectives.
- (b) Internal Audit Findings - Explain how audit findings will be handled, e.g., resolution of minor findings, the discussion of all findings on a current basis to permit the audit customer to assist in developing the improvement actions and take timely improvement action, the exit conference at the completion of the fieldwork to reconfirm all findings and improvement actions planned, the review of the report draft, and the distribution of the formal audit report. Obtain update on status of prior audit findings.
- (c) Audit Progress - Establish a clear understanding with audited management about keeping their personnel advised of the audit progress and findings. Determine the frequency of progress updates and management levels to be appraised of audit progress and findings and consulted on design of improvements. Consideration should be given to providing the audit customer with an audit event timeline. This timeline should include estimated dates of fieldwork, interim meetings, exit meeting, audit report issuance, and follow-up audits.

Preliminary Survey Techniques

4.27 The techniques discussed in this procedure should not be considered all-inclusive. Only those techniques necessary for the specific program or activity to be surveyed, may be used. In selecting the best method for surveying a particular activity, the HOA should use the techniques that will produce the desired result and at the least cost. The most effective method may actually be a combination of several methods depending on the circumstance as elaborated below:

➤ ***Interviewing***

The preliminary survey includes the use of interviews in each major functional area. Interviews must be planned in advance, keeping in mind that the purpose of the survey is to disclose areas with potential for improvement of risk management, control, governance, and operations. The HOA should document all the points raised during the interview.

➤ ***Comparative Analysis***

This technique involves comparing data, sometimes from various sources, to identify unusual situations, deviations, or trends. Data can be compared to budget, prior periods, other departments, similar operations elsewhere in the organization, financial to statistical, and vice versa. Creativity and business knowledge will enhance the variety of options to consider. This is similar to analytical review below.

➤ ***Analytical Review***

This technique involves comparing results such as income, expenses, etc., for the same entity from period to period. It also can be used when evaluating changes in results that are dependent or affected by other factors. For example, if the number of employees increased from the last period, the payroll costs should also go up in addition to the normal increase due to raises, inflation cost etc.

➤ ***Flowcharting***

This technique involves using a diagrammatic network to chart steps that must be completed before a program or activity can be concluded successfully. This technique can be particularly useful to the auditor in documenting controls and in identifying bottlenecks and duplications in operations.

➤ ***Narratives***

This can often be the simplest and most effective way to describe a situation or process.

➤ ***Visual Observations***

A tour of the facilities of the entity to be audited may disclose material weaknesses in the operations in various areas, including supervision, safety, security, operational efficiency, and employee morale. Visual observations also include scanning records and reports for unusual items.

➤ ***Risk and Control Matrices***

This tool is often an efficient way to document preliminary survey data in a visual way. It can match risks to controls, or lack thereof, and can further be customized or expanded to cross-reference to or show program steps or results of evaluation of the controls.

Preliminary Survey

4.28 The purpose of the preliminary survey is to obtain the information needed to prepare the program for the audit work. The survey work can be broken down into four distinct phases:

- (a) Familiarization
- (b) Identification of potential areas of improvement
- (c) Confirmation
- (d) Planning the detailed audit

- 4.29 One of the challenges in performing effective surveys is to complete all phases of the survey prior to preparing the formal audit program and beginning the fieldwork.

Familiarization

This phase consists of obtaining significant background information and a practical working knowledge of the following:

- (a) Department or program objectives
- (b) Applicable laws, regulations, and departmental policies and procedures
- (c) Management, operating, and financial controls
- (d) Operating procedures
- (e) Size and scope of the activities under review
- (f) Organization and staffing

Some of the specific data needed to obtain a practical working knowledge are:

- (a) Statement of mission
- (b) Current goals and areas of emphasis
- (c) Specific objectives
- (d) Significant programs and activities
- (e) Principal delegations of authority
- (f) A concise picture of the organizational arrangement, particularly how the program, function, entity, or activity to be audited fits into the overall operation

Some sources of information are:

- (a) Audit programs
- (b) Prior audit work papers
- (c) Operating procedures
- (d) Organizational charts
- (e) Processing flow charts and system narratives
- (f) Management, budget, financial, and operating reports
- (g) Personnel

Identification of Potential Areas for Improvement

In evaluating the controls, HOA should identify:

- (a) Controls that are adequately designed for later testing during fieldwork to ensure effective operation
- (b) Controls that are inadequately designed or are missing – to make recommendations for improvement – and/or to assess during fieldwork if there has been any loss as a result or what the potential impact might be
- (c) Controls that are unnecessary in relation to risk to recommend elimination of the control in order to streamline the process or save costs

Confirmation

This phase consists of limited testing to confirm the critical improvement areas and the need for detailed audit work. A limited examination of documents, records, and reports is generally necessary to add supporting evidence to the preliminary findings observed during the first two phases of the preliminary survey. Tests to determine the extent and significance of such matters, however, are to be performed during the detailed audit. Indicated problem areas should be discussed with the auditee at this point to help ensure that the HOA has an accurate understanding of the situations in question and has obtained all available information needed to arrive at decisions on the extent of audit work needed.

Planning the Detailed Audit

The results of the survey should be analyzed to determine the need for a detailed audit and the specific areas to be covered. To assist in identifying those vital activities and to help evaluate their relative importance, the following steps can be applied:

- (a) Briefly record each improvement area indicated during the survey.
- (b) Record your evaluation of the significance of the issue.

- (c) Record the potential effect if improvement is not undertaken.
- (d) Record what is needed and the estimated time required to confirm the extent and significance of the problem.
- (e) Rank the issues in order of importance.

Flowcharting Documentation

- 4.30 This procedure outlines the overall approach that internal audit will use to document the activity's major control systems and verify the accuracy of the flowcharts, data flow diagrams, or narratives through examination of documentation, observation, or inquiry.
- 4.31 The primary purpose of internal audit flowcharting is to identify the key control attributes - those attributes that achieve control objectives in order to assess their adequacy and plan testing of their effectiveness, or to determine where additional information is needed.
- 4.32 Internal control flowcharts created by internal audit will highlight, among others, the five general control objectives a system should incorporate to provide reasonable assurance that information is reliable, accurate, and complete, and that controls are adequate to support the attainment of management objectives. These control objectives are:
- (a) **Authorization** - Transactions are authorized by a person with the appropriate level of authority and are executed in conformity with management's intentions.
 - (b) **Recording** - All authorized transactions are recorded in the appropriate records, accounts, sub-accounts, and accounting period.
 - (c) **Safeguarding** - Responsibility for security of business information is assigned to specific personnel.
 - (d) **Reconciliation** - Records are regularly compared with related assets, documents, control accounts, or other reliable comparable data.

Audit Work Program

- 4.33 After the completion of the preliminary survey an Audit Work Program **(IC-8)** **[Appendix 9]** should be prepared by the HOA and approved by the OIC. The audit program is a detailed plan for the work to be performed during the audit. A well-constructed program is essential for the audit to be completed efficiently.
- 4.34 The audit program is intended to guide the HOA to:
- (a) Confirm the adequacy of the controls in place.
 - (b) Confirm the effectiveness of controls.
 - (c) Evaluate the effects or potential effects of inadequate or missing controls in order to develop recommendations for improvement.
 - (d) Gather missing information needed to evaluate risks and their related controls and the overall control environment.
- 4.35 The program consists of specific directions for carrying out the audit and the objectives of the operation being reviewed. For each segment of the audit, the program should:
- (a) List the risks that must be covered in that segment;
 - (b) Show for each risk the controls that exist or that are needed to protect against the indicated risk;
 - (c) Show for each of the listed controls the work steps required to test the effectiveness of those controls, or set forth the recommendations that will be required to install needed controls.
- 4.36 A Risk and Control Matrix **(IC-9)** **[Appendix 10]** will be prepared to summarize the above information. The Audit Program is derived from the outcome of the risk and control analysis.

5. FIELDWORK PHASE

Evaluating Internal Controls

- 5.1 The evaluation of the system of internal controls should provide reasonable, but not absolute, assurance that the fundamental elements of the system are sufficient to mitigate the related risks and contribute to the attainment of management's objectives.
- 5.2 Throughout the audit examination internal controls are identified and evaluated. The result should be adequately documented and properly supported by results of tests, observations, and inquiries. The objectives of the examination will include the following:
- (a) Evaluating the adequacy of controls in relation to the identified risks in order to develop the level of tests.
 - (b) Identifying weaknesses in controls or missing controls in order to evaluate the potential or actual effects of the weakness and to design improvement action to correct the weakness.
 - (c) Identifying areas where additional information is necessary in order to carry out either of the above.
- 5.3 Although the written Audit Programs Guidelines are invaluable aids, OIC should ensure that each assigned staff is familiar with the scope and objectives of the internal control system. In order to evaluate the system of internal control HOA should consider the following:
- (a) Types of errors and irregularities that could occur.
 - (b) Control procedures to prevent or detect such errors and irregularities.
 - (c) Whether the control procedures have been adopted and are being followed satisfactorily.
 - (d) Weaknesses that would enable errors and irregularities to pass through existing control procedures.
 - (e) The effect these weaknesses have on the nature, timing, and extent of auditing procedures to be applied.

-
- 5.4 The HOA should document the conclusions reached after the evaluation of internal controls. Only those internal control activities that are related to management's objectives and related risks should be tested and evaluated.
- 5.5 The procedures for the evaluation of internal control should include:
- (a) Preliminary survey to obtain and analyse background information about the area audited.
 - (b) Ascertaining by analysis and inquiry what controls have been established-drafting tentative organizational charts, flowcharts and narratives.
 - (c) Performing Walk through test- selected transactions through the system to confirm whether it is functioning as described.
 - (d) Document - Complete the organizational charts, flowcharts, and procedural memoranda.
 - (e) Performing an evaluation of the effectiveness of internal control.
 - (f) Testing and reevaluating-Confirm, modify, or reject the tentative evaluation of internal control through the use of test samples or data analysis techniques. Document the results of the tests and the conclusions as to the effectiveness of internal control.

Attributes of a Well-Developed Audit Finding

- 5.6 Attributes to be discussed:
- (a) Condition (What is!)
 - (b) Criteria (What should be!)
 - (c) Effect (So what?)
 - (d) Cause (Why did it happen?)
 - (e) Recommendation (What should be done?)

- (a) *Condition*

The statement of condition identifies the nature and extent of the finding or unsatisfactory condition. It is the facts. It often answers the question: "What is wrong?" Normally, a clear and

accurate statement of condition evolves from ICOs comparison of results with appropriate evaluation criteria.

(b) *Criteria*

This attribute establishes the legitimacy of the finding by identifying the evaluation criteria, and answers the question: "By what standards was it judged?" In operational or management audits, criteria could be contribution to management objectives, compliance with objectives, plans, contracts, policies, procedures, guidelines, laws or regulations, and expectations for efficiency, effectiveness, and economy.

(c) *Effect*

This attribute identifies the real or potential impact of the condition and answers the question: "What effect did/could it have?"

(d) *Cause*

The fourth attribute identifies the underlying reasons for unsatisfactory conditions or findings, and answers the question: "Why did it happen?"

If the condition has persisted for a long period of time or is intensifying, the contributing causes for these characteristics of the condition should also be described.

(e) *Recommendations*

This final attribute identifies suggested improvement action and answers the question: "What should be done?"

Recommendations in the audit report should state precisely what improvement action has been agreed upon. Well-written internal audit findings should result in recommendations that add value to the organization by including the nature of the findings, the criteria used to determine the existence of the condition, the root cause of the condition, the significance of its impact, and

what should be done to improve the situation. Each finding should be supported by an Audit Finding Data Sheet (**IC-10**) [**Appendix 11**] filed in the working paper.

The OIC will have to review the IC-11 and approve the findings to be included in the file copy IC report prepared by HOA addressed to the OIC.

6. INTERNAL AUDIT WORKPAPERS

- 6.1 Work papers serve as tools to aid the HOA in performing audit work, as input to communication with client management during the audit, and as written evidence of the work done to support the HOA report.
- (a) Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the HOA.
 - (b) Competent information is reliable and the best attainable through the use of appropriate audit techniques.
 - (c) Relevant information supports audit findings and recommendations and is consistent with the objectives for the audit.
 - (d) Useful information helps the organization meet its goals.

Qualities of Good Workpapers

Complete

- 6.2 Workpapers must be able to "stand alone." This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.

Concise

- 6.3 Workpapers must be confined to those that serve a useful purpose.

Uniform

- 6.4 Electronic workpapers should be created and saved in the common formats adopted by the Internal Control Cadre. They should be promptly filed and readily accessible within the standard filing structure.

Neat

- 6.5 Workpapers should not be crowded. Allow for enough space on each schedule so that all pertinent information can be included in a logical and orderly manner. At the same time, keep workpapers economical. Copies, forms, and procedures should be included only when relevant to the audit or to an audit recommendation. Also, try to avoid unnecessary listing and scheduling. All schedules should have a purpose that relates to the audit procedures or recommendations.

Workpaper Techniques

Descriptive Headings

- 6.6 All workpapers should include the title of the audit, audit project number, title of the workpaper, preparer's initials, date prepared, source of information, and purpose of the workpaper.

Cross-referencing

- 6.7 Cross-referencing within workpapers should be complete and accurate, using electronic links to speed navigation where possible. Workpapers should be cross-referenced to the audit findings. Audit findings should be cross-referenced to the exit conference memo and/or the audit report to indicate final disposition of the item. These references readily provide direct access to the working papers.

Types of Work papers

- 6.8 For electronic workpapers, a separate directory should be created for each audit. Subdirectories should be used for each separate section of the audit. Any manual work papers produced should be maintained in binders, fully cross-referenced into the electronic files and vice-versa.

Interviews

6.9 Most verbal information is obtained through informal or formal interviews conducted either in person or by telephone. Formal interviews are most desirable because the interviewers know they are providing input to the audit; however, impromptu interviews, or even casual discussions, can often provide important information. Any verbal information which is likely to support a conclusion in the audit workpapers should be documented. Interviews are useful in identifying problem areas, obtaining general knowledge of the audit subject, collecting data not in a documented form, and documenting the audit customer's opinions, assessments, or rationale for actions. Interview notes should contain only the facts presented by the person interviewed, and not include any of the HOA's opinions.

6.10 In preparing interviews for workpapers, consider the following suggestions:

- (a) Be sure to include the name, department, and position title of all persons from whom information was obtained. This includes data gathered during casual conversations.
- (b) Indicate when and where the meeting occurred.
- (c) Organize notes by topic wherever possible.
- (d) Identify sources of information quoted by interviewee.

Observations

6.11 What HOA's observe can serve the same purposes as interviews. If observations can be used to support any conclusions, then they should be documented. They are especially useful for physical verifications.

6.12 Observations used as supporting documentation should generally include:

- (a) Time and date of the observation.
- (b) Where the observation was made.
- (c) Who accompanied the auditor during the observation?

- (d) What was observed? When testing is involved, the workpapers should include the sample selections and the basis of the sample.

Findings

- 6.13 All audit findings should be documented in the workpapers. Findings should be summarized on an Audit Finding Data Sheet whether or not they are to be included in the audit report. All findings should be documented immediately by HOA discovering the situation.

Security and Control of Workpapers

Ownership

- 6.14 The audit workpapers are owned by the organization's internal audit activity.

Physical Control/Access

- 6.15 Workpapers are the ICOs' property and should be kept under their control.
- 6.16 Workpapers may contain confidential data as well as data related to internal audit concerns and development of recommendations that should be considered confidential.
- 6.17 Access to electronic workpapers should be controlled via security controls (passwords, shared file controls, etc.), and portable computers should be subject to careful physical security measures. ICOs should maintain close control of any manual workpapers and supporting documents during the audit. When not in use, they should be kept in a locked file or otherwise secured so they are not readily available to persons unauthorized to use them.
- 6.18 The OIC should obtain approval of the Accounting Officer prior to releasing work papers to external parties.

Exit Conference

- 6.19 The objective of the exit conference is to confirm the accuracy of facts supporting the finding, enhance the quality of the proposed improvement action, prevent any surprises in the exit meeting, and thereby contribute to the success and sustainability of the improvement action.
- 6.20 The head of audit should discuss all audit findings, proposed exemptions, and results with the OIC before the exit conference is held.
- 6.21 The OIC is responsible for scheduling the exit conference. The purpose of the exit conference is to inform management of the organization audited about the audit results and the report process, reach final agreement on findings, and finalize planned improvement actions. An Exit Conference Summary Sheet **(IC-11) [Appendix 12]** should be prepared for all findings discussed during the exit conference.

Internal Audit Reports

- 6.22 Audit reports should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.
- 6.23 The format of internal audit reports will generally be as follows:
- (a) The date of the report, who the report is addressed to, and the title or subject of the audit.
 - (b) A brief description of the scope and objectives, background information of the audit and the time period covered. Background information should be used when the auditor believes the various report readers do not have the firsthand knowledge necessary to correctly interpret the audit report.
 - (c) Significant audit findings contained in the Audit Finding Data Sheets and recommendations for corrective action. If the report does not contain significant matters, the favorable results should be stated. For example, "Our audit procedures and tests indicated favorable results and adequate controls. The minor deficiencies noted have been corrected."

- (d) A paragraph stating the date that an exit conference was held and including the action plan discussed in the meeting as well as a follow-up date agreed with management.

6.24 All reports should incorporate the following characteristics.

- (a) **Accuracy** — All reports must be supported with facts.
- (b) **Objective** — Objective communication is factual, unbiased, and free from distortion. Audit report observations, conclusions, and recommendations should be included without prejudice.
- (c) **Clarity** — All reports must be understandable and clear. Clear communication is easily understood and logical. Clarity is improved by avoiding unnecessary technical language or audit terminology and providing sufficient supportive information.
- (d) **Quantification** — All comments must be quantified to the maximum extent possible to identify the significance and impact of the points made. Examples of quantification are rupees amounts, quantities, number of test exceptions, and scope of testing.
- (e) **Conciseness** — All reports must be to the point. This does not necessarily mean short.
- (f) **Constructive** — All reports should maintain a diplomatic balance with respect to the sensibilities of all readers. Emphasis should be on improvement, not on criticism of processes, people, or the past.
- (g) **Complete** — Internal audit reports should be complete. The report should stand by itself.
- (h) **Timeliness** — All reports must be issued in a timely manner upon completion of the assignment. The goal is within one week.

An Internal Audit Report Status Monitor **(IC-12)** [**Appendix 13**] should be prepared for each audit report.

- (i) **Resolution** — All reports must contain action plans and time frame for remedial action.

Internal Audit Report Follow-Up

- 6.25 One of our primary responsibilities as ICOs is determining that the audit customer takes corrective or improvement action on internal audit recommendations. This applies in all cases except where "the Accounting Officer has accepted the risk of not taking action."
- 6.26 Follow-up activity should be scheduled to confirm completion of the changes that were planned. Follow-up can be done when improvements have been implemented and can be reassessed for adequacy of design, and/or when implemented improvements have been operating for sufficient time to evaluate effectiveness.
- 6.27 During follow-up auditing to assess the adequacy and effectiveness of improvement action, it is also important to consider whether changes to circumstances since the original audit observation may have affected the need for improvement.
- 6.28 At the end of each quarter, a follow-up audit is conducted. The follow up report reflects action taken on all recommendations made.

7. MANAGEMENT OF AUDIT

Audit monitoring

7.1 As and when the audit progresses the OIC should monitor the progress of the audits under his responsibility and fill in an Audit Monitoring Sheet **(IC-13)** **[Appendix14]**.

Time reports

7.2 It is the responsibility of each HOA and its staff to complete Time Report **(IC-14)** **[Appendix15]** at the end of each day and submit for review by the appropriate OIC at the end of each month.

7.3 The time report lists all projects worked on during the month and the number of hours worked. It also includes all general administrative time such as training, staff meetings, special research assignments, etc., and leave hours such as vacation, sick and casual leaves.

7.4 Time reports should be reviewed by the appropriate OIC and submitted to the Director by the fifth day of each month.

Monthly Progress

7.5 It is the responsibility of each OIC to complete Monthly Progress **(IC-15)** **[Appendix16)** at the end of each day and submit for review by the DIC by the fifth of the following month.

7.6 Whenever an OIC, is proceeding on long leave, (vacation, leave without pay, maternity leave etc.) he/she should inform the DIC in writing.

Quarterly report

- 7.7 OIC should prepare Quarterly Return **(IC-16) [Appendix 17]** of all audit activities carried out during the period and submit to the DIC by the seventh day of the following month.

Annual Report

- 7.8 At the level of Departments, the OIC will have to prepare an annual report by the end of January of the following year and submit to the Accounting Officer with copy to the DIC. The annual report will contain the following:

- **Introduction**
- **Achievement for the year**
- **Constraints encountered**
- **Major Findings and Recommendations**
- **Conclusion**

- 7.9 The DIC should prepare an Annual Internal Audit Report for submission to the Financial Secretary, indicating major audit findings and recommendations, and Departments' responses by the end of March of the following year.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

- 8.1 The Director Internal Control (DIC) should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The program should be designed to help the internal audit activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with laws and regulations.
- 8.2 The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. There are four components to consider in designing an effective quality program:
- (a) Engagement supervision that ensures objectives are achieved, quality is assured, and staff are developed.
 - (b) Ongoing reviews or performance measurements.
 - (c) Periodic reviews performed through self-assessment or by others in the department with knowledge of internal audit practices, Financial Management Kit Volume VI and the Internal Audit *SOPM standards*.
 - (d) External assessments should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.
- 8.3 The quality assurance program should evaluate and conclude on the quality of the internal audit activity and lead to recommendations for appropriate improvements. Assessments of quality programs should include evaluation of:
- (a) Compliance with the Financial Management Kit Volume VI and the Internal Audit *SOPM standards*,
 - (b) Adequacy of the internal audit activity's charter, goals, objectives, policies, and procedures,
 - (c) Contribution to the organization's risk management, governance, and control processes,
 - (d) Compliance with applicable laws and regulations,

- (e) Effectiveness of continuous improvement activities and adoption of best practices, and
- (f) Whether the auditing activity adds value, improves the organization's operations, and contributes to the attainment of objectives.

8.4 There are three levels of quality assurance reviews.

- **Level One** –This level consists of ensuring that the audit assignment has been conducted in line with procedures established in the IASOPM. This is performed by the HOA
- **Level Two** - It consists of a Level One review plus a detailed review of the audit comments and supporting workpapers to ensure the accuracy of statements made and appropriateness of conclusions reached. The OIC will also ensure that the audit is in accordance with the IASOPM
- **Level Three** - The reviewer will perform internal quality review (IQR) as per Internal Quality Review Questionnaire **(IC-17) [Appendix 18]**. This include all steps in Level One and Two, as well as ensure that all conclusions are based on solid evidence and all appropriate signoffs are present. The reviewer will check to make sure that the entire report and workpapers are in compliance with the IASOPM. The reviewer is encouraged to make suggestions that will improve the quality of the audit report/workpapers without significantly increasing time consumption.

Supervision

8.5 Supervision is a process that begins with planning and continues throughout the examination, evaluation, communicating, and follow-up phases of the engagement. Supervision includes:

- (a) Ensuring that the HOA assigned possess the required knowledge, skills, and other competencies to perform the engagement.
- (b) Providing appropriate instructions during the planning of the engagement and approving the engagement program.
- (c) Seeing that the approved engagement program is carried out unless changes are both justified and authorized.

- (d) Determining that engagement working papers adequately support the engagement observations, conclusions, and recommendations.
 - (e) Ensuring that engagement communications are accurate, objective, clear, concise, constructive, and timely.
 - (f) Ensuring that engagement objectives are met.
 - (g) Providing opportunities for developing HOA knowledge, skills, and other competencies.
- 8.6 Appropriate evidence of supervision will be documented and retained in Review notes Level I & II **(IC-18) [Appendix 19]**. OIC should make a written record of questions or notes arising from their review. When clearing notes, staff should amend workpapers.
- 8.7 All engagement workpapers should be reviewed. Evidence of supervisory review should include the OIC initialing and dating each workpaper after it has been reviewed.
- 8.8 Internal Audit Work paper Review Checklist **(IC-19) [Appendix 20]** should be filled for each audit after the HOA and OIC has completed their review of the workpapers, prior to the preparation of the audit report.

Internal Quality Reviews (IQR)

- 8.9 IQR include performance measures and analysis. A number of performance measures appear below.
- **Independence**
 - **Professional Proficiency**
 - **Scope of work**
 - **Performance of Audit work**
 - **Management of the Internal Audit Department**
- 8.10 As part of internal audit's quality assurance process, and to facilitate management involvement, an Audit Customer Survey is conducted with management personnel of the organization audited at the conclusion of each audit. Criteria to be assessed are:
- 8.11 Communication of audit objectives:

- (a) Coverage of key risks, internal controls, and key financial and operating information.
- (b) Feedback of findings during the audit.
- (c) Extent of involvement of audit client in assessing risks, evaluating issues, and formulating improvement recommendations.
- (d) Duration of the audit.
- (e) Timeliness of the audit report.
- (f) Accuracy of audit comments.
- (g) Value of audit recommendations.
- (h) Clarity of the audit report.
- (i) Professionalism of the auditor(s).
- (j) Usefulness of the audit.
- (k) The one thing that internal audit could do to improve its value and effectiveness on similar audits

8.12 To insure candid responses, the replies to these surveys are kept confidential. The objective of requesting an independent assessment of internal audit relationships and results is continuous improvement of internal audit services. Internal audit management recognizes that certain audit situations and circumstances will result in unfavorable ratings. Some management personnel will rate higher than their peers. Judgment will be required in the interpretation of replies. It is also recognized that recipients of the surveys are our customers, and we must work to improve our product and how it is delivered. Each staff member should work to market the internal audit activity and make each audit assignment a favorable working relationship.

8.13 If the review is completed after the audit report has been completed, the reviewer should make appropriate suggestions for inclusion in future audits.

8.14 For Level One review, the HOA is required to initial and date the working paper . For Level Two review the OIC is also required to initial and date the working paper. For Level Three reviews, the reviewer is required to submit a report to the DIC indicating the scope of the review, conclusion, and areas needing attention.

- 8.15 The review levels of the audits completed by the internal control units will be determined by the DIC.
- 8.16 The DIC shall complete an overall assessment of the internal audit activity on an annual basis. The assessment will focus on independence/objectivity, professional proficiency, scope of work, performance of work, and management of the department.

External Assessments

- 8.17 External assessments of an internal audit activity should appraise and express an opinion as to the internal audit activity's compliance with the *IASOPM*. It should evaluate the effectiveness of the activity in carrying out its mission as set out in its charter and expressed in the expectations of the audit committee and management. As appropriate, it should include recommendations for improvement to internal audit management and processes, and the value added to the organization. The assessment must be done once every five years.

9. INTERNAL AUDIT APPROACH TO FRAUD

- 9.1 Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the organization; and by persons outside as well as inside the organization. Internal audit activities are specifically designed in a manner that provides review of the control environment and the inherent potential for fraud.
- 9.2 ICOs should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment, and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, ICOs may become involved in audit or investigative work in these areas.

Deterrence of Fraud

- 9.3 Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. ICOs are tasked to evaluate the control environment at audited locations to determine the adequacy of internal control in selected systems.
- 9.4 Internal audit is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various departments' operations. In carrying out this responsibility, internal audit should determine whether-
- (a) The organizational environment fosters control consciousness.
 - (b) The organizational environment is considered along with other appropriate factors in the risk analysis process leading to audit selection and audit program development.

- (c) Realistic organizational goals and objectives are set. Audit actions such as system reviews evaluate the adequacy of the total system of the internal controls, including review of strategic plans, annual plans, and performance indicators.
- (d) Written department policies (e.g., code of ethics and good governance) exist that describe prohibited activities and the action required whenever violations are discovered.
- (e) Appropriate authorization policies for transactions are established. Authorization practices are commonly audited including procedure reviews, management interviewing to determine authorization expectations and detailed compliance testing to determine authorization compliance.
- (f) Policies, practices, procedures, reports, and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas.
- (g) Communication channels provide management with adequate and reliable information. .
- (h) Recommendations will have to be made for the establishment or enhancement of cost-effective controls to help deter fraud and whenever appropriate, potential risk/impact/effect statements in audit reports highlight irregularity risks.

Detection of Fraud

- 9.5 Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by ICOs, and other sources both within and outside the organization.
- 9.6 ICOs should have sufficient knowledge of fraud to be able to identify indicators that fraud might have been or could be committed and be alert to opportunities, such as control weaknesses, that could allow fraud.
- 9.7 If significant control weaknesses are detected, additional tests may be performed to identify other indicators of fraud. All audit and investigation activity will be carefully coordinated with the approval/involvement of the Accounting Officer.
- 9.8 The OIC will review potential fraud indicators derived from fieldwork or from employee or management contact, and refer it to the DIC.

Investigation of Fraud

- 9.9 Investigation consists of performing extended procedures necessary to determine whether fraud, as suggested by the indicators, has occurred. It includes gathering sufficient evidential matter about the specific details of a discovered fraud.
- 9.10 When an investigation is deemed necessary, the DIC will confer with the Accounting Officer leading to a decision as to the appropriate mix of internal or external resources to complete the investigation based on required expertise or competency.
- 9.11 ICOs involved in a fraud investigation assess the probable level and the extent of fraud within the organization, to help ensure ICOs avoid providing information to, or obtaining misleading information from, persons who may be involved. A written program will be used to detail carefully designed procedures to attempt to identify the perpetrators, extent, techniques, and cause of fraud.
- 9.12 Once a fraud investigation is concluded, internal audit assesses the facts in order to-
- (a) Determine if controls need to be implemented or strengthened to reduce future vulnerability.
 - (b) Help meet the ICOs's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

Reporting of Fraud

- 9.13 The form and nature and timing of appropriate fraud investigation communication to management will be predetermined by the DIC and the Accounting Officer.
- 9.14 A preliminary or final report may be made at the conclusion of the detection phase. The report should include the ICOs's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize findings that serve as the basis for such decision.
- 9.15 When the incidence of significant fraud has been established to a reasonable certainty, the Accounting Officer will be notified immediately.

- 9.16 Written reports are issued to communicate the results of internal audit involvement in the investigation phase. It will include findings, conclusions, recommendations, and, where appropriate, corrective action taken.

10. AUDIT OF COMPUTERISED SYSTEMS

Introduction

- 10.1 The objectives and standards of the Internal Control Unit and the practice of internal audit apply irrespective of the method of processing and recording of information used by a department.
- 10.2 However, computer systems do record and process information in a manner which is significantly different from manual systems giving rise to such possibilities as a lack of visible evidence and systematic errors.

Implications for Internal Audit Work

- 10.3 Consequently, Internal Control Officers will need to take into account additional considerations when deciding on the internal audit approach e.g.
- the audit techniques available to them (including Computer-Assisted Audit Techniques);
 - the timing of their work;
 - the form in which information is maintained;
 - the availability of information; and
 - the length of time it is retained in readily useable form.
- 10.4 When internal audit operates in a computer environment, Internal Control Officers need to have a basic understanding of the fundamentals of data processing and a level of technical computer knowledge which, depending on the circumstances, may need to be extensive. This is because Internal Control Officers knowledge and skills need to be appropriate to the environment in which they are auditing. Otherwise, they will not be able to exercise due professional care in the discharge of their responsibilities.
- 10.5 When there is a computer based accounting system, many of the Internal Control Officers' procedures may still be carried out manually. For instance, the ascertainment

of a department's systems will normally be performed manually and the Internal Control Officers may also decide to select manual audit techniques in appropriate circumstances.

Computer Assisted Audit Techniques (“CAATs”)

10.6 The nature of computer-based systems may be such that the Internal Control Officers is afforded opportunities to use either the departments or another computer to assist him in the performance of his work.

10.7 Techniques performed with computers in this way are known as Computer-Assisted Audit Techniques (‘CAATs’) of which the following are the major categories:

- Use in ‘audit software’ i.e. computer programs used for audit purposes to examine the contents of the department’s computer files; and
- Use of test data i.e. data used by the Internal Control Officers for computer processing to test the operation of computer programs.

10.8 At the planning stage, Internal Control Officers should consider the appropriate combination of CAATs and manual procedures, taking account, inter alia, of the following:

- it will frequently not be practicable to perform manual tests’ in circumstances where computer programs perform functions of which no visible evidence is available;
- the respective efficiency of the alternatives having regard to the extent of testing required, cost and the ability to incorporate a number of different audit tests within CAATs;
- the time-scale for reporting;
- the availability of the required computer facilities, files and programs to ensure that CAATs can be used; and
- the use of some CAATs may require frequent attendance or access by Internal Controllers.

Internal Controls in a computer environment

- 10.9 The principles relating to internal control are the same in a computer environment as in any other environment. However, there are additional considerations which need to be taken into account by the Internal Control Officers operating in a computer environment.
- 10.10 The Internal Control Officers needs to be aware of internal controls over computer-based systems which can be divided into applications controls and general controls.
- 10.11 Application controls relate to the transactions and standing data appertaining to each computer-based application and are therefore specific to each application. The objectives of application controls are to ensure the completeness and accuracy of information and its validity. The specific requirements to achieve this are:
- controls over completeness, accuracy and authorization of input and output;
 - controls over the completeness and accuracy of processing; and
 - controls over the maintenance of master files and standing data.
- 10.12 General controls relate to the environment within which computer-based systems are developed, maintained and operated, and which are therefore applicable to all the applications.
- 10.13 The purpose of general controls is to ensure the proper development and implementation of applications, and the integrity of program and data files, and of computer operations.
- 10.14 General controls cover four main areas:
- **Installation** – the selection and installation of hardware and software and subsequent enhancements;
 - **System development** – controls over programs and systems;
 - **Administrative** – separation of duties, access control, stand by, back up, control over files and personnel; and
 - **Documentation** – existence of standards, manuals, operating instructions, disaster plans.

- 10.15 Application and general controls are inter-related. Strong general controls contribute to the assurance which may be obtained by an Internal Controller in relation to application controls. Weak general controls may well negate the effects of strong application controls.
- 10.16 As with controls in other circumstances, the Internal Control Officers can evaluate application controls and general controls by using documentation designed to help identify and evaluate controls.
- 10.17 The documentation may consist of questions asking whether there are controls in a system which meets specified overall control objectives or which prevent or detect the occurrence of specified errors or omissions.

11. APPENDICES

SN	Description	Forms	Appendix	Page
1.	Internal Audit Charter		1	
2.	Resources Allocation	IC – 1	2	
3.	Internal Audit Risk Assessment	IC – 2	3	
4.	Strategic Audit Planning for (3 years)	IC – 3	4	
5.	Annual Plan	IC – 4	5	
6.	Audit Planning & Execution	IC – 5	6	
7.	Project Time Budget	IC – 6	7	
8.	Opening Conference	IC – 7	8	
9.	Audit Work Program	IC – 8	9	
10.	Risk and Control Matrix	IC – 9	10	
11.	Audit Finding Data Sheet	IC – 10	11	
12.	Exit Conference Summary Sheet	IC – 11	12	
13.	Internal Audit Report Status Monitor	IC – 12	13	
14.	Audit Monitoring Sheet	IC – 13	14	
15.	Time Report	IC – 14	15	
16.	Month Progress – Audit Manager	IC – 15	16	
17.	Quarterly Return	IC – 16	17	
18.	Internal Quality Review Questionnaire	IC – 17	18	
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20.	Internal Audit Workpaper Review Checklist	IC – 19	20	
21.	Post-Audit Review Form	IC – 20	21	

INTERNAL AUDIT CHARTER

1. Purpose

The purpose of the internal audit activity (IAA) is to provide independent and objective appraisals and consultative services regarding risk management, control, and governance processes of financial, operational and information technology areas, and other relevant matters within the Ministry/Department, in order to assist management and employees in the effective discharge of their responsibilities, by furnishing them with analyses, appraisals, recommendations, and pertinent comments concerning the activities reviewed.

2. Authority

The Director and the internal control staff are authorized to review all areas of the organization and have full, free, and unrestricted access to all of the organization's activities, records, property, and personnel necessary to complete their work.

3. Independence

Internal Auditing is an appraisal function having independent status within a Ministry/Department. The officer in charge ICU: -

- is directly responsible to the Accounting Officer ,is independent of any other section, branch or officer and has direct access to the Accounting Officer;
- has no executive or managerial powers, functions or duties except those relating to the management of the Internal Audit office;
- is not involved in the day to day operations of the Ministry/Department;

-
- is not responsible for the detailed development and or implementation of new systems but should be consulted during system development process on the control measures to be incorporated in new or amended systems.

4. Responsibilities

1. Conduct reviews of departments activities and control systems within the organization, at appropriate intervals, to determine whether the departments are effectively carrying out their functions of administration, accounting, safeguarding of assets, and control in accordance with management's instructions, policies, and procedures, and in a manner which supports the attainment of department's objectives
2. Promptly report the results of examinations made by the internal auditors and their findings and recommendations to management to ensure that appropriate action is taken with respect to any deficiency noted.
3. Evaluate any plans or actions taken in respect of activities to achieve departments' objective and reports if any, for improvement of the business process. Validate the improvement action once management asserts that the matter has been completed.
4. Coordinate audit efforts with those of the external auditor.
5. Conduct special examinations at the request of management
6. Identify opportunities for cost reduction and revenue maximization.
7. Review contracts and other agreements with outside firms providing goods and services as appropriate. Review the records and documentation of these outside firms when deemed necessary to ascertain compliance with contract terms.
8. Submit to Accounting officer annual audit plan for their review and approval and report regularly on progress against plan.
9. Report to the Accounting Officer as to whether:

- (a) Internal audit plans are adequate;
- (b) Audit activities have been directed toward highest exposures to risk and toward increasing efficiency, economy, and effectiveness of operations, and attainment of business objectives;
- (c) Appropriate action has been taken on significant audit findings;

There is any unwarranted restriction on access by internal auditors to all of the organization's activities, records, property, and personnel.

- 10. Review management's process for fulfilling their internal/disclosure control assessment
- 11. Review effectiveness of the internal audit activity to include compliance with the [*International Standards for the Professional Practice of Internal Auditing*](#).
- 12. Periodically review the adequacy of the organization's ethics program to include the process to receive, retain, and treat complaints received on accounting and auditing matters.
- 13. Annually review this internal audit charter and modify as appropriate.

Planning Audit Assignments

- 14. As an aid to managing the Internal Audit Service the Manager/Assistant Manager will assess the audit needs for the Ministry/Department using an ongoing risk-based approach and will prepare a written plan of proposed activities. The plan will be drawn up yearly in consultation and agreement with the Accounting Officer.
- 16. The plan will take account of key risk areas identified by management. It may therefore flex in response to key emerging risks to ensure that appropriate actions are in place.

17. The following is an illustration of the auditing process for specific audit assignments:

Initial Audit planning – The assigned audit staff will review background information, contracts, prior audit files, policies, laws, regulations, etc. applicable to the audit

Entrance conference – A meeting will be held between the audit staff and the managers of the audit area. The audit staff will discuss the purpose of the audit, the time period included in the audit, and the resources needed. Management is given the opportunity to discuss any concerns or questions about the audit.

Preliminary survey – During preliminary survey the auditors will interview personnel concerning their duties and responsibilities, observe day to day operations, flowchart processes, match risks to controls using the risk matrices, perform limited tests of transactions and draw a preliminary conclusion. Based on the preliminary survey, an audit program is prepared to carry out the field work

Field work – Perform substantive test to obtain audit evidence and consider the extent to which that evidence together with any evidence from test of control support the relevant audit objective

Report draft – Once the fieldwork is completed, the auditor will write a report that reflects what was done, what was found, and any recommendations for improvement.

Exit conference – A meeting will be held with management of the audited area to discuss the audit findings before findings are officially released. Management of the audited area is allowed the opportunity to concur or not concur with the findings and to present evidence to support any non-concurrence with the auditors. Any recommendations by the auditors for improvement or corrective action are also discussed at this time.

Management's response – An official written response is obtained from management which outlines proposed corrective actions, where applicable, and the time frame for implementation. (Management implementation schedule action plan)

Follow up – After a reasonable period of time, the audit staff will conduct a follow up review of areas previously audited, to determine if corrective action has been effectively implemented as previously agreed.

18. Audit Responses

The need for a written response to an audit report will be specifically indicated in the report. Normally a time limit to respond to audit findings and recommendations will be included in the audit report when a response is required.

The auditee’s views about audit conclusions or recommendations may be included in the report. As part of the internal auditor discussions with the auditee, the internal auditor should try to obtain agreement on the results of the audit and a schedule management action plan to improve operations.

If management response to any audit finding is not considered adequate, internal audit department personnel shall consult with the management of the function being audited and attempt to reach a mutually agreeable resolution. If an agreement is not reached, internal audit management shall pursue the matter through channels to appropriate members of management for resolution. The status of unresolved items will be reported to the accounting officer.

_____ **Date** _____
Supervision Officer/Accounting Officer

_____ **Date** _____
Director Internal Control

**Ministry of Finance and Economic Development
Resources Allocation**

Ministry/Department:

Description	IC	Total	Hourly
Staffing			
Calenders Days			
Less			
Public Holidays			
Total Gross Productive Days			
Less			
Casual Leave			
Sick leave			
Vacation Leave			
Training			
Total Chargeable Mandays			
Allocation of Total Chargeable Mandays			
Planned Audit			
Follow up			
Contingencies			
Allocation of Planned Audit			
Core Audit			
Non Core Audit			

Prepared by OIC

Approved by Director

Name:

Name:

Signature:

Signature:

Date:

Date:

Ministry of Finance and Economic Development

Internal Audit Risk Assessment

Ministry/Department:

Programme	Auditable Areas	Key Variables	Descriptive Value (1-5)	Significance Weighting Factor (1-10)	Extended Value	Risk Evaluation Score	Maximum Attainable Score	Risk Evaluation Factor
		Monetary Value						
		Internal Control						
		Executive management interest						
		Complexity of activity						
		Time since last audit						
		Monetary Value						
		Internal Control						
		Executive management interest						
		Complexity of activity						
		Time since last audit						

Prepared by OIC

Approved by Director

Name:

Name:

Signature:

Signature:

Date:

Date:

Ministry of Finance and Economic Development
Strategic Audit Planning for Three Consecutive Years

Ministry/Department:

Auditable Area	Risk Evaluation Factor (Marking)	Ranking of Audit (H,M,L)	Current Year (Manhours)	Financial Year (Manhours)	Financial Year (Manhours)	Financial Year (Manhours)

Prepared by OIC

Approved by Director

Name:

Name:

Signature:

Signature:

Date:

Date:

Ministry of Finance and Economic Development

AUDIT PLANNING & EXECUTION

MINISTRY/DEPARTMENT OF

Audit Title: _____ Audit No.: _____

Audit Mandays: _____

Officer In Charge of the Audit: _____

Staff: _____

Targeted Start Date: _____

Targeted Completion Date: _____

	W/P Ref.	Done By:	Reviewed by
1. Prepare a Project Time Record (IC-7) .	A-1		
2. Review the annual plan risk assessments, the Prior Audit Report and Post-audit Review Form (IC-21) to determine and document any specific follow-up steps required. Review and document status of prior audit findings	A-2		
3. Review the audit time summary from the prior audit versus the findings and conclusions actually reported. Document your observations regarding scope adjustments, if any, driven by past audit results.	A-3		
4. Document your current assessment of risks and highlight areas of concern.	A-4		
5. Contact independent parties to determine if they have any specific concerns about this audit or any specific audit tests they want internal auditing to perform.	A-5		
6. Summarize the audit objectives in writing to focus efforts toward meeting objectives and to later facilitate evaluation of whether or not the audit accomplished the purpose intended. As a guide, audit objectives can generally be summarized regarding the evaluation of:	A-6		

	W/P Ref.	Done By:	Reviewed by
<ul style="list-style-type: none"> • Reliability and integrity of information or recorded transactions. • Compliance with policies, directives, procedures, plans, laws, or regulations. • Safeguarding of assets. • Economic and efficient uses of resources. • Accomplishment of established goals and objectives for programs or operations. 			
7. Develop a staffing plan for the audit, appropriately matching skills and competencies to the identified needs and objectives, and ensuring adequate objectivity.	A-7		
8. Document the rationale for selecting audit entrance- and exit-level management to make sure that the management level selected has the authority to implement the agreed corrective actions.	A-8		
9. Prepare and mail an audit notice advising all who need to know about the audit, its timing, and the audit objectives.	A-9		
10. At the entrance conference, communicate the audit objectives to management audit customers. Obtain and document their comments and suggestions on how to facilitate positive audit results. (IC-8)	A-10		
<p><u>Preliminary Survey</u> Analyze background information about the area audited. Based on these analyses and reviews, select relevant objectives for the audit. Objectives should be based on the major functions of the area audited and, whenever possible, should include management’s suggestions for items to be addressed in the audit.</p>			
11. Familiarize yourself with the mission statement, departmental objectives, how they are attained, how they are monitored, and how results are measured and determined	B-1		
12. Familiarize yourself with the activities carried out by the department or operation and review the risk assessments and systems of control over those activities .this is achieved by review any departmental policies and procedures manuals, flowcharts, or control narratives that may exist	B-2		
13. Obtain copies of related written policies and procedures. If there are no written procedures, document the practices followed in the working papers.	B-3		
14. Obtain general background information about structure and activities of area audited such as <ul style="list-style-type: none"> • Organization chart. • Key personnel and their major areas of responsibility. • Approximate number of employees 	B-4		
15. Examine Financial information to identify: <ul style="list-style-type: none"> ▪ Source of funding. ▪ Types and amount of revenue. ▪ Nature and amount of expenditures. ▪ Patterns and trends analysis 	B-5		

	W/P Ref.	Done By:	Reviewed by
16.	B-6		
17.	B-7		
18.	B-8		
19.	B-9		
20.	C-1		
21.	C-2		
22.	C-3		
23.	C-4		
24.	C-5 C-5-1		
25.	C-6		

Approval of Adequate Completion of Preliminary Survey Procedures:

Name

Date _____

FIELDWORK PHASE:			
1.	Perform and document the reviews and tests set forth in the audit program and analyze results.	D-1	
2.	Be alert for opportunities for revenue enhancement, cost reduction, and process improvements.	D-2	
3.	Prepare summary of findings, review with auditee, and record auditee comments and corrective actions planned or taken. (IC-11)	D-3 D-3-1	
FINAL PHASE:			
1.	Review working papers for compliance with the items listed on the Audit Workpaper Review Checklist (IC-20).	E-1	
2.	Obtain manager's approval of work papers.	E-2	
3.	Prepare report draft. Report should follow standard format and should be referenced to supporting work papers.	E-3	
4.	Obtain approval of Director for release of Draft Report.	E-4	
5.	Issue report (stamped "DRAFT")	E-5	
6.	Hold an exit conference to discuss findings and recommendations; provide management with draft report in advance of the meeting.	E-6	
7.	Document results of exit conference using the Exit Conference Form and .Show whether auditee agreed with finding and any significant discussion about findings and recommendations (IC-12)	E-7	
8.	Incorporate auditee's responses in report.	E-8	
9.	Obtain approval of Director for release of Final Report	E-9	
10.	Proof read and reference final report signed by Audit Manager.	E-10	
Approval of Adequate Completion of Communicating Results Procedures:			
Name:		Date _____	

11.	Complete the Project Time Record. (IC-7)	E-10		
12.	Prepare a Post-Audit Review Form. ()	E-11		
1.	Internal Audit Report Status Monitor (IC-13)	F-1		
1.	Fill Query Sheet	G-1		
2.	Reviewer Note	G-2		

Note of Responsibility

Manager – A-1, A-7, C-5, C-6, E-1, E-3, E-4, E-5, E-8, E-9, E-10, F-1, G-2

Manager + Field Officer to carry out workshop – A-2, A-3, A-4, A-6, A-8, A-9, A-10, B-1, B-9, C-3, C-4, E-6, E-7

Field Officer – A-5, B-2 to B-9, C-1, C-2, D-1, D-2, D-3, E-2, E-11, G-1

Head of Audit

OIC

Date:

Date:

Ministry of Finance and Economic Development

PROJECT TIME BUDGET

MINISTRY/DEPARTMENT

Project Title:

Project Number:

Targeted start Date:

Targeted completion date:

	Original Plan Budget	Revised Budget	Actual Time	Actual Over/(Under) Budget
Planning				
Initial Planning				
Prelim. Survey 1. Analytical review 2. Naratives/Flowcharting 3. Interview 4. Exploratory sampling 5. Observation				
Risk Assessment				
Audit Program				
Field Work				
Report Writing				
Exit Conference				
Last review and final report issued by Audit Manager				
Total				

OIC

Director

Head of Audit.

Date _____

* To get approval to start the audit

Ministry of Finance and Economic Development

OPENING CONFERENCE

Ministry/Department: _____

Audit Project Title _____ Project No _____

Conference Date _____

Attendees – Internal Audit Department _____

Attendees – Auditee _____

The notes of meeting should be documented in the engagement work papers.

Agenda:

1. Introduce the members of the audit team, including the Audit Supervisor.
2. Explain the audit objective, scope, methodology, general process and time table for the audit work.
3. Ministries/Departments deadlines to respond to preliminary findings and to the preliminary draft report.
4. Gain an understanding of the protocol to be followed in contacting staff and requesting information.
5. If applicable, request work space and network connectivity for the audit.
6. Solicit the views and concerns of the Department head on the project.

Audit staff must document the meeting result, including a list of the meeting attendees.

Ministry of Finance and Economic Development

AUDIT WORK PROGRAM

Ministry/Department:

Project Title:
Project No:

Index:		
	Initial & Date	
Prepared by		
Reviewed by		

Subject:

Period of Examination:

Starting Date: **Completion Date:**

- Control/Objectives:** (1)
- (2)
- (3)
- (4)

		No. of Tests Carried out	WP Ref	Initial
	Steps for Objective1:			
1.				
2.				
3.				
	Steps for Objective 2:			
1.				
2.				
3.				
	Steps for Objective 3:			
1.				
2.				
3.				

Ministry of Finance and Economic Development

Risk and Control Matrix

Risk and Control Analysis

Audit:.....

Date:.....

Business Activity,Function or Area:						Risk Owner:		
Risk No	Risk identification		Risk analysis(Before Control)			KEY Controls Currently in Place	Auditing Testing Req? (Y/N)	Residual Risk To be Reported
	What can Happen	Consequences	Likelih. Rating	Cons. Rating	Risk Rating			

Prepared by:

.....

Reviewed by:

.....

Ministry of Finance and Economic Development

AUDIT FINDING DATA SHEET

Ministry/Department: _____

Project Title: _____

Project #: _____ W.P. Ref: _____

Prepared By: _____ Date: _____

Reviewed By: _____ Date: _____

1. **DISCUSSION OF CONDITION** — Include a statement of the existing situation requiring improvement, supporting facts and test results, and the real or potential effect of the condition (reasons to change, deviation from standard). State the root cause of the deviation, and address the criteria by which the condition requires improvement (i.e., ineffective control, noncompliance with policy, etc.).

CONDITION:

- Criteria
- Cause
- Effect

Condition reviewed with: _____

2. **RECOMMENDATION** - How can the situation best be corrected based on acceptable criteria as agreed by management and affected personnel?

Recommendation reviewed with: _____

3. REACTION - State if affected personnel agrees or disagrees with the finding and the recommendation. If there is disagreement, indicate the position taken by the audit customer.

4. EXIT CONFERENCE - Show final disposition, open issues, sensitive verbiage, initial response, and items for background section.

5. CHECK ONE (To be fill in by Audit Manager):

- To be included in final report.
- To be reported by memo.
- Reported verbally.
- Not reported.

State reason for selection.

Ministry of Finance and Economic Development

EXIT CONFERENCE SUMMARY SHEET

Ministry/Department: _____

Audit Project Title _____ Project No _____

Conference Date _____

Attendees – Internal Audit Department _____

Attendees – Auditee _____

- W/P Ref.

- Finding (nature of control weakness and/or opportunity for improvement)

- Recommendation for improvement action

- Possible impact and effect of weakness on the nature and extent of future audit procedures

- Finding to be included in report: _____ Yes _____ No (give reason and disposition – memo, verbal, drop)

- Client management's response, including proposed improvement action and timeline (Implementation Schedule)

Ministry of Finance and Economic Development

INTERNAL AUDIT REPORT STATUS MONITOR

Ministry/Department: _____

Audit Project _____ Project Number _____

Head of Audit: _____ OIC _____

	Date
1. Fieldwork completion and reviewed by head of Audit	
2. First draft prepared	
3. Draft and working papers to OIC	
4. Draft returned to Head of Audit for revision, if necessary	
5. Revised draft prepared & Submitted to Director	
6. OIC's review and approval for auditee's comments	
7. Last review completed	
8. Final report to Head of Audit for proofing and signature	
9. Director approval for release	
10. Final report released under cover of Head Quarters	

Ref Checked by OIC: _____

Signature: _____

Date: _____

Ministry of Finance and Economic Development

Internal Control Management Team

Monthly Progress – Audit Manager

Progress for the Fortnight ending:

Day	Date	Ministry/Department	Project No.	AP Code	Other Nature of Work	Hours Spent
Monday						
Tuesday						
Wednesday						
Thursday						
Friday						
Monday						
Tuesday						
Wednesday						
Thursday						
Friday						

Prepared by Audit Manager

Reviewed by Deputy Director

Name:

Name:

Signature:

Signature:

Date:

Date:

Ministry of Finance and Economic Development

QUARTER RETURN

Monitoring of Internal Control Activities

Period:

Planned Audit

	Audit	Audit No	Completed	In Progress	Hours Budgeted	Hours Actual	Excess/ Reduced Hours	No. of Recommendation

Prepared by OIC

Name:

Signature:

Date:

Unplanned Audit

	Audit	Audit No	Completed	In Progress	Hours Budgeted	Hours Actual	Excess/ Reduced Hours	No. of Recommendation

Prepared by Audit Manager

Name:

Signature:

Date:

Reviewed by Deputy Director

Name:

Signature:

Date:

Follow-up Audit

	Audit	Audit No.	No. of Recommendations	No. of Recommendation Implemented	% Implemented

Prepared by Audit Manager

Name:

Signature:

Date:

Reviewed by Deputy Director

Name:

Signature:

Date:

Ministry of Finance and Economic Development
INTERNAL QUALITY REVIEW
QUESTIONNAIRE

Ministry/Department:

Project Number :

Project Title : **Held on:**

	Questions	Yes or N/A	No	Test Req.
I. Independence				
1.	Is the internal auditing activity organized in a way that allows for organizational independence?			
2.	Are you satisfied that the internal auditors are objective in performing audits?			
3.	Are you satisfied with the method and the frequency of reporting to management and the board?			
II. Professional Proficiency				
4.	Are the technical proficiency and the educational background of each internal auditor appropriate for the audit being performed?			
5.	Does the internal audit activity as a whole possess the knowledge, skills, and disciplines necessary to carry out its audit responsibilities?			
6.	Does the internal auditing activity use consultants where special disciplines are required?			
7.	Are you satisfied with the amount of supervision given to audits? Do you consider it necessary for the review team to evaluate this area?			
8.	Do the internal auditors comply with professional standards of conduct? Are you aware of exceptions by any person who is a member of the staff?			
9.	Do you believe that each internal auditor possesses the knowledge, skills, and disciplines that are essential in performing internal audits?			
10.	Are the internal auditors skilled in dealing with people and in communicating effectively?			
11.	Do the internal auditors maintain their technical competence through continuing education? Are records maintained?			
12.	Do you believe that each internal auditor exercises due professional care in performing audits?			
III. Scope of Work				
13.	Do the internal auditors review the reliability and the integrity of financial and operating information and the means used to identify, measure, classify, and support this information?			

	Questions	Yes or N/A	No	Test Req.
14.	Do the internal auditors review the systems established to ensure compliance with policies, plans, procedures, laws, and regulations? Do the internal auditors determine whether the organization is in compliance?			
15.	Do the internal auditors review the means to safeguard assets? Do they test-verify the existence of such assets?			
16.	Do the internal auditors appraise the economy and the efficiency with which organizational resources are employed?			
17.	Do the internal auditors review operations or programs to ascertain that: Results are consistent with established objectives and goals? Operations or programs are carried out as planned? Controls are in place to contribute to the attainment of objectives?			
IV. Performance of Audit Work				
18.	Are internal audits planned in advance? Are you satisfied with the planning process?			
19.	Do the internal auditors adequately collect, analyze, interpret, and document information to support audit results?			
20.	Do the internal auditors adequately report the results of their audit work?			
21.	Do the internal auditors adequately follow up to ascertain that appropriate action is taken on reported audit findings?			
V. Management of the Internal Audit Department				
22.	Do you have a statement of purpose, authority, and responsibility (charter) for the internal auditing activity?			
23.	Do you have established plans to carry out the responsibility of the internal auditing activity?			
24.	Are plans based on the organizations risk management process and criteria such as financial exposure, potential loss, risk, etc.?			
25.	Have you provided written policies and procedures to guide the internal audit staff?			
26.	Do you have a program for selecting and developing the human resources of the internal auditing activity?			
27.	Do you coordinate internal and external audit efforts and with those of other compliance groups within the organization?			
28.	Do you have and maintain a quality assurance program to evaluate the operations of the internal auditing activity?			

Name of OIC:

Signature:

Date:

Ministry of Finance and Economic Development

INTERNAL AUDIT WORKPAPER REVIEW CHECKLIST

Audit Project _____ Project Number _____

Reviewed By OIC _____ Date _____

	Yes	No	Level 1 Head of Audit	Level 2 OIC
Audit Guide/Detailed Audit Program:				
1) Has every detailed audit program step been completed and initialed to indicate completion?				
2) Are the reasons for omissions of any audit step clearly documented?				
3) Are the reasons for omissions justified?				
4) Was the omission of each audit step approved by the audit Manager?				
Audit Finding Data Sheets:				
5) Do all data sheets indicate: <ul style="list-style-type: none"> • Date? • Workpaper reference? • Preparer? 				
6) Is there adequate supporting evidential material supporting each finding and recommendation?				
7) Does each data sheet adequately analyze the root cause of the finding?				
8) Do all data sheets contain adequate quantification regarding the effect or potential effect of the subject being addressed?				
9) Are all data sheets complete as to Criteria, Condition, Cause, Effect, Recommendation, and Response?				

	Yes	No	Level 1 Head of Audit	Level 2 OIC
10) Are findings treated as "less significant" appropriately classified?				
11) Are there findings not classified as less significant that should be?				
12) Were all data sheets given to responsible management on a timely basis?				
13) Do all data sheets indicate with whom the finding was discussed?				
14) Are the data sheets clear, concise, and do they reflect proper objective tone?				
Detailed Workpapers:				
15) Do all pages include: <ul style="list-style-type: none"> • Proper numbering, pages not used accounted for? • Date(s) prepared? • Preparer's initials? • The proper header and reference to audit step number? • Source(s) of data/information? • Basis of selection? • Adequate conclusions? • Adequate cross-referencing? • Indication of review by the auditor-in-charge? 				
16) Were all findings in the workpapers set forth in audit finding data sheets or adequately resolved in the workpapers?				
17) Do all workpapers appear responsive to the detailed audit program step as to the extent of testing and audit scope?				
18) Were the audit workpapers prepared efficiently using available client data/information so as not to waste time creating what already exists?				
19) Do the workpapers contain any extraneous or unnecessary pages or documentation?				
20) Are the workpapers legible, neat, and logically arranged so that information flows from summary to detail?				
21) Have the carry-forward files been appropriately updated and has the Head of Unit signed for the update?				
22) Have unnecessary miscellaneous workpapers/data been purged from the files?				
Overall Audit Evaluation:				
23) Is the draft copy of the audit report cross-referenced to the applicable audit finding data sheets?				
24) Does it appear that the audit was performed objectively and independently?				
25) Did the audit accomplish the written audit objectives established before the audit				

	Yes	No	Level 1 Head of Audit	Level 2 OIC
began as part of the audit planning process?				
26) Are there changes that should be made to the detailed audit program before a similar audit is performed again? Have they been documented?				
27) Are there any areas of noteworthy exposure or potential improvement that were not addressed by this audit but should be considered as a part of the department's ongoing risk assessment? Have they been documented?				
28) Does the draft audit report reflect the proper tone, i.e., on improvement — not criticism?				
29)				
30) Was audit time consistent with the audit plan, or budget variance explanation necessary?				
31) Did the auditor(s) effectively use available computer hardware and software?				
32) Were any new templates, standard schedules, or worksheet innovations made?				
33) Should these innovations be passed on to other audit staff members?				
34) Have all electronic workpapers been filed in the database in standard folder and file structure?				
35) Have all manual workpapers and documents not scanned been filed in standard manner and adequately referenced into the electronic workpapers?				
36) Have all to-do list items and review notes been satisfactorily resolved?				
37) Have all internal audit quality improvement steps been completed and signed off by the audit manager?				

Ministry of Finance and Economic Development

POST-AUDIT REVIEW FORM

Project Title: _____ Project #: _____

Question/Answer (Give reasons)

1. Should this audit project be repeated? Yes No

If yes:

a. How soon?

b. Should it be combined with another project?

2. What budget is recommended?

For a full-scope project?

For a limited review (survey)?

If no, why not?

3. What part of the audit project:

a. Should be scheduled for an interim examination?

b. Must be covered or warrants special attention in future examinations?

c. Should be eliminated in future examinations?

4. What suggestions do you have for the internal auditor making the next examination in this area?

5. What, if any, matters were disclosed that warrant review during other audit projects?

6. What, if any, matters arose during the internal audit process that could contribute to internal auditing's quality improvement program?

Head of Team _____ Date _____

Audit Manager _____ Date _____

On approval of this document, all items for future attention should be noted into the internal audit planning or quality process.