



CATHOLIC UNIVERSITY OF HEALTH AND ALLIED SCIENCES

INTERNAL AUDIT MANUAL

NOVEMBER 2022

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PREFACE

Internal Audit Manual provides guidelines to internal Auditors when performing their daily activities. This manual allow uniformity during auditing exercise and act as a reference platform.

The Internal Audit Manual is intended to:

- i. Provide members of the Internal Audit Unit with practical profession guidance, tools and information for managing the Internal Audit activities, planning and reporting on internal audit work.
- ii. Enhance the quality and effectiveness of the Internal Audit service by paving the way to put into practice procedures and processes that would help it conform to professional standards and best practice.
- iii. Describe the generic guidance for establishing risk based annual audit plans, planning and conducting audit engagements and reporting the result of the Audit work.
- iv. Outline the key internal audit processes and activities. It is intended to serve as an efficient resource to explain the main principles and identify the relevant standards underlying the conduct of internal audit activities.

This Manual was discussed and approved by the Council on **11th November, 2022** to be used by the Internal Audit Function as an important guideline in the execution internal audit activities.

Signed on behalf of the Council by



.....
Vice Chancellor



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Chairman of the Council

LIST OF ABBREVIATIONS

AIC	Audit in Charge
AO	Accounting Officer
AR	Audit Risk
CAATs	Computer Assisted Audit Technique
CAF	Current Audit File
CIA	Chief Internal Auditor
CUHAS	Catholic University of Health and Allied Sciences
GRN	Goods Received Note
HR	Human Resource
IA	Internal Audit
IIA	Institute of Internal Auditors
IFRS	International Financial Reporting Standards
IPPF	International Professional Practices Framework
IR	Inherent Risk
PAF	Permanent Audit File
BOQ	Bill of Quantities
TCU	Tanzania Commission of Universities
TEC	Tanzania Episcopal Conference
VC	Vice Chancellor

CHAPTER ONE

1. INTRODUCTION

This Internal Audit Manual is designed to ensure that internal audit provides Catholic University of Health and Allied Sciences (CUHAS) Council and Management with added assurance, independent from line management, on risk management, control and governance processes.

The Council is responsible for establishing an internal audit function that is appropriately resourced and that operates in accordance with the policy and professional internal auditing standards and for establishing an independent audit committee that includes a majority of external members.

The Institute of Internal Auditors (IIA), the world-wide professional organization for internal auditing, defines the internal audit activity as "*A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity 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.*

1.1 Purpose and Scope

This Internal Audit Manual is intended to provide members of the CUHAS with practical guidance, tools and information for managing the internal audit activity and for planning, conducting and reporting on internal auditing assurance engagements.

It is based on the basic principles and roles of internal audit and the central focus on risk and controls contained in the Internal Audit Manual. In order to use the manual effectively, a clear understanding of all sections of the Audit Manual is of vital importance. In cases where the audit programmes are not sufficient, it is important for an auditor not to be constrained by the audit instructions but to keep his/her eyes open and analyze what is seen and heard.

Users of this Manual are assumed to possess at least basic knowledge and understanding of management frameworks and controls and to be capable of exercising sound professional judgment. The Manual brings to the attention of users major items that should be considered when managing the internal audit activity, when identifying internal auditing engagements that will strengthen management control framework, when planning, conducting and reporting upon an internal auditing engagements.

Users of the Manual are expected to draw upon the information provided to form their own judgments on the most suitable approaches to fulfilling the specific responsibilities that they have been assigned in the context of continuously striving for the most effective internal audit activity possible.

To demonstrate links with the CUHAS Policies or the IIA Standards, related references are cited at the beginning of certain sections.

1.2 Objectives of the Internal Audit Procedures Manual

The Internal Audit Procedures Manual is intended to be used by the CUHAS Internal Audit staff in executing the day-to-day internal audit functions. By using this internal audit procedure manual it is expected that internal audit functions will contribute to the effectiveness of controls that management is responsible for establishing and maintaining. While particular responsibilities and activities vary among institutions, the fundamental purpose of the internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve the CUHAS operations.

Each internal audit function shall adhere to the International Federation of Accountants and Auditing Standards and Code of Ethics.

This Manual will assist the Internal Audit staff in the Unit to ensure that internal audit activities and transactions of the University are systematically carried out and recorded in working paper in accordance with the International Standards on Auditing (ISA) and also in line with the laws prevailing in Tanzania. The aim of the manual is also to lay down standard procedures,

documentations and reporting of the audits with a view to improving audit efficiency and effectiveness.

1.3 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 to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system for accounts for the safeguarding of assets among other things; assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. The auditor's knowledge of such transactions is limited to that acquired through his examination. Accordingly, the fairness of the representations made through the financial statements is an implicit and integral part of management's responsibility.

The original role of internal auditing was financial auditing. As internal auditing matured, however, its independent appraisal activities expanded beyond financial auditing to include a review of the effectiveness, economy and efficiency of operations. This aspect of auditing is known as 'Operational Auditing'.

1.4 The Roles and Responsibilities of Internal Auditor

The Internal Auditor is responsible for:

- i. Establishing appropriate policies and procedures to guide the internal audit function
- ii. Establishing risk-based audit plans to set out the priorities of the internal audit function
- iii. Coordinating internal audit plans and activities with other internal and external providers of assurance activities
- iv. Communicating the internal audit plan of engagements and the related resource requirements (including the impact of resource limitations) to the Audit Committee and Vice Chancellor.

- v. Ensuring that internal audit resources are appropriate (i.e. professional qualifications and skills), sufficient and effectively deployed to achieve the approved plan
- vi. Ensuring the timely completion of and reporting on individual internal audit engagements in accordance with professional standards
- vii. Reporting periodically/monthly to the Audit and Evaluation Committee on whether management's action plans have been implemented and whether the actions taken have been effective
- viii. Maintaining a quality assurance and improvement program that covers all aspects of the internal audit function
- ix. Providing annually a holistic opinion to the University Management and the Audit and Evaluation Committee on the effectiveness and adequacy of CUHAS's risk management, control, and governance processes

1.5 Overview of Financial and Operational Auditing

1.5.1 Financial Auditing

- i. Financial auditing is focused on determining whether:
- ii. The financial statements of an audited entity present fairly the financial positions and the results of financial operations in accordance with International Financial Reporting Standards (IFRS) and International Public sector Accounting Standards (IPSAS).
- iii. The entity has complied with the appropriate organization policies and procedures as well as with the laws and regulations governing that organization.

1.5.2 Operational Auditing

Operational auditing focuses on determining whether:

- i. The organization is managing and utilizing its resources (such as personnel, property, and space) economically, effectively and efficiently;
- ii. The causes and inefficiencies or uneconomical practices are identified and rectified promptly;
- iii. The desired results of benefits for a program, division, system or other effort has or is being achieved; and
- iv. The organization has considered alternatives that might yield desired results at lower cost.

1.6 Objectives of Internal Auditing

The objectives of internal auditing are to assist all members of management in the effective discharge of their responsibilities, by furnishing them with independent analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective such activities as:

- i. Reviewing and appraising the soundness, adequacy and application of accounting, financial and other operating controls and promoting effective control at reasonable cost;
- ii. Ascertaining the extent of compliance with established policies, plans and procedures;
- iii. Ascertaining the extent to which CUHAS assets are accounted for and safeguarded from losses of all kind;
- iv. Ascertaining the reliability of management data developed within the organization;
- v. Appraising the quality of performance in carrying out assigned responsibilities and
- vi. Recommending operating improvements.
- vii. Identify the nature of Consulting and assurance to be provided to internal and external parties have to be included in the Internal Audit Charter.

The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

CHAPTER TWO

2. INTERNAL CONTROLS

2.1 Definition

Internal Control is defined according to International Standard on Auditing (ISA) as the process designed and affected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The overall system of control is conceptual in nature. The internal controls consist of many specific policies and procedure set by management in order to achieve organization objectives and goals.

The many variations of the term control (for example administrative control, management control, internal control) can be incorporated within the genuine term.

Internal auditing examines and evaluates the management planning, organizing and directing process to determine whether reasonable assurance exists that objectives and goals, functions and activities within the organization are properly being carried out to give the desired results. Such evaluations in the aggregate, provide information to appraise the overall system of control.

Control is essentially a response to risk i.e. it is intended to contain uncertainty of an outcome that has been identified. Every control action has an associated cost and it is important that the control action offers values for money in relation to the risk that it is controlling.

It should be noted that the responsibility of the internal control of any organization lies within the management. The internal audit plays an advisory role to the management and therefore has a significant role to plan to ensure that there are adequate internal controls in the organization.

2.2 Classification of Internal Controls

Internal controls can be classified in four categories as follows:

- i. **Detective Controls:** These controls are designed to identify circumstances of undesirable outcomes having been realized. Their effect is, by definition, “after the event”, so they are only appropriate when it is possible to accept the loss or damage incurred. Examples of detective controls include stock or assets checks/verification, reconciliation, performance review, evaluation etc.
- ii. **Directive Controls:** These controls are designed to provide the directives/guideline/instructions how to appropriately approach ascertain task for successful achievement of expected outcome.
Directives controls are typically associated with health and safety or with security. Examples of this type of control would include a requirement that protective clothing are worn during the performance of dangerous duties, or that staff be trained on required skills before being allowed to work unsupervised.
- iii. **Preventive Controls:** These controls are designed to limit the likelihood of an undesirable outcome from occurrence. Generally these controls aimed to deter the instances of errors or frauds.
Examples of preventive controls include separation of duty, separate authorization limits, access limit, checks and reviewing, pre audit etc.
- iv. **Corrective Controls:** These are the controls that are designed to correct undesirable outcomes which have been realized. They provide a route of recourse to achieve some recovery against loss or damage. An example of this would be design of contract terms to allow recovery of overpayment. Insurance can also be regarded as a form of corrective control as it facilitates financial recovery against the realization of a risk.

2.3 Types of Internal Control

There are various types of control within the classifications explained above. Such various types are as follows:

- i. **Organizational Controls:** If the system has no proper organization (i.e. no clear reporting lines or explicit flows of goods or information), the Internal Auditor will be unable to give assurance on the adequacy of the internal control system in general.

- ii. **Separation of Functions/Duties:** No member of staff should have sole control over any transaction(s). The sort of duties which should be separated includes dealing and settlement, custody of valuables and recording them and authorization of transactions and recording them.
- iii. **Dual Control:** It is essential that control over valuables should be vested in at least two people. Dual control also protects *the individual against suspicion in the event of irregularity occurring. However, there is a risk of collusion between the two sides of the control.* This risk is difficult to avoid, other than making sure that staff are not roistered together regularly.
- iv. **Accountability:** The management of an office or Head of a Division/Department will normally have defined and allocated responsibilities delegated authorities and established lines of reporting for all its operations. All these must be published and circularized as appropriate and must be in force.
- v. **Verification and Supervision:** There must be an element of supervision, which may be continuous or occasional but must always be evidenced. Such supervision will cover a range of checks and controls such as enquiring into causes of variances shown in exception reports, or simply ensuring that when leave is taken there is adequate cover for the essential jobs.
- vi. **Documentation Controls:** These include maintaining up-to-date manuals of policies, procedures and systems. This helps to ensure that correct procedures are carried out, particularly during periods of leave and sickness.
- vii. **Processing:** Processing Controls include arithmetical checks, reconciliation of accounts and trial balances. In order to ensure that entries are made correctly and to minimize the risk of non-recording, each transaction should be recorded as soon as possible. Pre-numbering of documents and comparison of for example, payments request with invoices also help to control the processing of transactions.
- viii. **Physical:** These are mainly concerned with the custody of assets and valuables in the University. They restrict access both directly and indirectly, for example through computer terminals.

- ix. **Systems:** Controls over development of new systems or amendments to existing ones are important. Controlling access to systems themselves through passwords, encryption, authentication etc. is also important.

CHAPTER THREE

3. RISK AND RISK MANAGEMENT

3.1 Definition

Risk refers to the uncertainty that surrounds future events and outcome. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. In principle risks always result as a consequence of activity or as consequence of non-activity.

This applies to strategic risks (e.g. market observation and not/wrong evaluating competitors), financial risks (e.g. hedging thus foreign exchange risk security) or also operational risks (e.g. contractual penalties of single risk evaluations for assets).

Risk is the chance of something to happen that will have an impact on the achievement of objectives. It can be expressed in terms of consequences and likelihood. It can have either a beneficial or detrimental impact on the achievement of the objectives. Thus, risk is inherent in all the activities we perform in our day-to-day life, and all of us remain concerned about it. It can be defined by other words as deviations of the actual results from the expected.

Risk Management is a systematic approach to setting the best course of action under uncertainty by identifying, assessing understanding, acting on and communicating risk issued. Risk management requires "all business activities organizational rules, tools and measures in a company recognizing and controlling technical as well as commercial risks. Risk management is a firm element in modern management systems. Risk management is the process of:

- i. Understanding the organization objectives,
- ii. Identifying the risk associated with achieving the risk associated objectives,
- iii. Developing and implementing programs/procedures to address identified risks and
- iv. Monitoring and evaluating risks and the programs/procedures in place to address them.

3.2 Requirements on Management of Risks

- i. The management must ensure that effective systems of risk management are established as part of the framework of control.

- ii. The management must identify internal and external risks in order to react to (or initiate) changes in an appropriate and timely manner.
- iii. Other staff should also know what risks are acceptable by the organization.
- iv. The risks that have been accepted by the organization should be documented and communicated to senior managers and relevant staff.

The responsibility for risk management in CUHAS lies with the Vice Chancellor (VC) who is the accounting officer. However, the internal auditor, being in an advisory position in the organization, has a big role to play in the management of risk as elaborated in this manual.

3.3 The role of Internal Auditor in the Management of Risks

The internal audit function, by virtue of its expertise, is in good position to help senior management identify certain risks, to suggest ways in which these risks might be managed and, ultimately, provide assurance that they are being appropriately managed. It may be used by management as an expert internal consultant to assist with the development of a strategic risk management process for the organization.

Internal auditors have a wide-ranging view of the whole range of activities which the organization undertakes and will have already undertaken some form of assessment to inform its planning of systems and processes to be audited.

The internal audit work will provide an independent assurance about adequacy of management's embedded risk and control mechanism.

In developing an appreciation of risk from an internal audit perspective, it is important to consider the following roles of internal audit in contributing to the successful achievement of the organizational objectives.

- i. **Assurance:** One of the functions of the internal auditor is to give an independent assurance about the way in which risk is controlled. The internal auditor should provide substantiated assurances relative to risk management, control and information for decision making. The internal auditor will play an important role in assuring that the fundamental elements of the management framework supporting the achievement of

objectives are in place. Decisions may then rightly be directed towards other areas of higher risk in line with knowledge provided by the auditor.

- ii. **Professional Excellence:** Internal auditors must strive to set a positive example in demonstrating professional excellence, adherence to high standards and accountability for the effective application of assigned resources. Internal audit findings and conclusions must be clearly presented and appropriately situated, including a description of their reliability. In order for the Internal Auditors to demonstrate their competencies it is imperative that they are academically and professionally qualified.
- iii. **Looking Outward:** Genuine results-oriented management and risk management are fundamentally outward looking. In order to be effective, internal audit must also be outward looking. It must seek collaboration with professionals in other fields of specialization, form knowledge-based alliance and partnership with external sources of expertise and ensure that audit criteria are defensible and relevant. For example, an internal auditor may seek collaboration with professionals in engineering, environment, medicine, law etc.

3.4 Higher Risk Areas for Potential Consideration by Internal Auditors

The following can be considered as high-risk areas that should be considered by the internal auditor.

3.4.1 Human Resources (HR)

Achievement of objectives is heavily dependent on the availability of skilled and motivated workforce. Human resources management is mainly concerned with the recruitment and retention of the workforce pay and benefit administration, performance management, disciplinary and grievances mechanism, leave etc. It is sometimes easy to focus on the financial areas as payroll administration, but other areas of HR can be equally or more important to the future of the organization. The internal auditor can give attention to the adequacy of HR planning, including identification of required core competencies, gap analyses, training, development and career management etc.

The internal auditor should also give attention to the health and safety relating to the well-being of the employees. The issue of HIV/AIDS should be given attention including involvement into awareness creating related programs.

This is due to the fact that if this issue is not addressed well it can significantly affect the attainment of the organization's objectives. HIV/AIDS can affect the organization in terms of increase in medical and burial expenses, high labor turnover, increase in recruitment expenses etc. Increase in expenses can result into decrease in achieving objectives and ultimately a threat to the going concern of the organization. Death of potential clients/suppliers can also pose a threat to the going concern status of the organization.

Employment of incompetent personnel can put the organization into a risky position. The same applies to lack of motivation of workers in an organization.

3.4.2 Financial

Main areas of financial risk include:

- i. Economic: Relating to economic factors such as interest rates, exchange rates, inflation etc.
- ii. Budgetary: Relating to the availability of resources of the allocation of resources.

3.4.3 Fraud or theft

Fraud or theft risk relating to the unproductive loss of resources.

- i. Insurable: Relating to potential areas of loss which can be insured against possible losses.
- ii. Capital investment: Relating to be making of appropriate investment decisions.

Foreign currency risk for example, can be managed by hedging (i.e. matching foreign currency liabilities with assets, leading and lagging, forward, future, options or money market hedge—borrow foreign currency and convert into local currency and repay loan from proceeds of foreign currency receivable).

Some of the above financial risks can also be managed by ensuring that the organization has in place a sound cash flow management system, segregation of duties, employees are appropriately trained and have appropriate skills.

Non-compliance with financial regulations may also put the organization into a risky position. Thus, Internal Auditor should be fluent on the requirements of the Public Finance Act.2001 and its related regulations and the University's Financial Regulations.

3.4.4 Information Security

Information system security for any organization is not an IS or IT department's issue alone; it is a business issue. Business leaders need to understand and own the process of security because compromise of any information system would impact employee productivity corporate image, consumer and stakeholders trust and in addition cause financial loss. Apart from outside threats, there are threats from insiders such as ignorance, carelessness, disregard for security policies and malicious intent.

Measures to manage information security may include, but not limited to physical security of the information assets, disaster recovery and business continuity, creating security awareness in the organization, strictly following policies and procedures e.g. password protection etc.

3.4.5 Procurement

Organizations spend significant amounts of money on procurement of goods and services. This area must be effectively controlled to minimize the risk of financial loss, fraud or damage to the organization's reputation.

Non-compliance with procurement regulations may put the organization into a risky position. Thus, an Internal Auditor should be conversant with the requirement of the Public Procurement Act (PPA) of 2004 and its related regulations.

- i. Public Procurement Regulations (GN 446)
- ii. Public Procurement amendments 2016 GN 333

3.4.6 Marketing

There are significant risks related to marketing that could damage the finance and/or reputation of the organization. Examples of main areas of exposure include: excessive or inappropriate use of marketing entertainment, breach of regulatory requirements in marketing campaigns, poor brand

image, fraudulent practices etc. The internal auditor may ensure that this type of risk is managed by ensuring that there is an agreed and documented marketing strategy in place, making cost/benefit analysis or other financial information produced for marketing campaigns, that there are appropriate skills and training of marketing staff etc.

3.4.7 Other Risk Areas

- i. **Infrastructure:** relating to infrastructures such as transport systems for staff, power supply systems, suppliers, and business relationships with partners, dependency on internet and e-mail.
- ii. **Legal and Regulatory:** relating to the laws and regulations which if complied with should reduce hazards (e.g. – Health and Safety at Work Act).
- iii. **Environmental:** Relating to issues such as fuel consumption, pollution etc. which negatively impact on the environment.
- iv. **Political:** Relating to possible political constraints such as change of government.
- v. **Act of God”:** Relating to issues such as fire, draught, flood and earthquake, civil wars and famine.
- vi. **Policy:** Relating to the appropriateness and quality of policy decisions.
- vii. **Operational:** Relating to the procedures employed to achieve particular objectives.
- viii. **Information:** Relating to the adequacy of information which is used for decision making.
- ix. **Reputation:** Relating to the public reputation of the organization and consequent effects.
- x. **Transferable Risks:** Relating to risks which may be transferred or to transfer of risks at inappropriate cost.
- xi. **Technological:** Relating to the use of technological to achieve objectives.
- xii. **Project:** Relating to project planning and management procedures.
- xiii. **Innovation:** Relating to the exploitation opportunities to make gains.

CHAPTER FOUR

4. INTERNAL AUDIT PLANNING

4.1 Introduction

Planning is the process of identifying what should be done on an internal audit assignment, by whom and when. To conduct an effective and efficient audit, it is essential that the audit assignment be planned and the plan be documented. The extent of planning varies with the size and complexity of the area or operations/activities to be audited. Generally, planning is viewed as those activities up to the design of audit program but before performance of detailed internal audit tests.

Internal audit professionals should plan each internal audit assignment. Audit planning is a continuous process. Planning should be documented and it can be broken down into the following stages:

- i. Establishing audit objectives and scope of work;
- ii. Obtaining background information about the activities to be audited;
- iii. Determining the resources necessary to perform the audit;
- iv. Communicating with all who need to know about the audit;
- v. Performing as appropriate on-site survey to become familiar with the operations or activities and controls to be audited, to identify areas of audit emphasis and invite comments and suggestions;
- vi. Developing an overall plan which will cover audit strategy, timing staffing and liaison with the auditees and others with an interest in the internal audit assignment;
- vii. The designing and writing of the audit program which are used to ensure that the internal audit work is carried out in accordance with the planned audit strategy;
- viii. Determining how, when and to whom the audit results will be communicated; and
- ix. Obtaining approval of the internal audit work plan.

4.2 Importance of Proper Internal Audit Planning:

- i. Direct internal audit effort to important areas of the audit assignment;
- ii. Identify potential problems promptly;
- iii. Facilitate control, timing and coordination of internal audit work;

- iv. Enable internal audit work to be completed efficiently and
- v. Simplify review of work done.

4.3 Preliminary Survey

Conducting a preliminary survey is the first step in the audit process. The purpose of the survey is familiarization. A good preliminary survey is likely to result in good planning and design of a good audit program. A good audit plan and program is likely to result in a good internal audit. The following are the major steps in the conduct of a preliminary survey:

- i. **Initial Study:** The preliminary survey begins before the internal audit professional leaves his/her office. A great deal of documentation and familiarization process is carried out there. The audit professional will review the permanent file and prior current audit file and where necessary carry out research.
- ii. **Documentation:** At his/her office, the internal audit professional will prepare remainder list and the initial table of contents for working papers. Finally, he or she will prepare a questionnaire or points for interview and discussion with the auditee.
- iii. **Meeting:** The time and place of the meeting should be arranged in advance. Wherever possible surprise visits should be avoided except for cash audits or matters of extreme sensitivity. The preliminary meeting will most likely set the tone for the audit.

That tone should be one of cooperation. An internal audit professional should have the skill of interviewing. Interviewing is the act of carefully following all the identified acts in that process. These identified acts are preparing, scheduling, opening, conducting, closing and recording.

4.3.1 Preparing

The auditor should learn as much as possible about the auditee before the interview. Determine the objectives of the interview. Determine the objectives of the interview and prepare questions that are calculated to achieve those objectives.

4.3.2 Scheduling

Do not drop in uninvited, unless it is surprise cash audit, suspected fraud or the like. Call the interviewee, and mutually arrange for acceptable time and place.

4.3.3 Opening

Clearly state the purpose of the interview and how the results will be used. Make sure interviewee understand that conversation alone rarely result in reportable findings; those will be the product of field work. Let the greeting be friendly and the smile sincere. Learn the person's name and use it often. Show consideration for his or her time and assure the interviewee of as little disruption to his or her routines as possible. Present the forthcoming audit as an opportunity to provide a service and ask how the auditee can be of help.

4.3.4 Conducting

An interview is an exercise in communication. Avoid technical jargon. Make sure the preparatory list of questions or presentation flow logically. Introductory questions should put people at ease. Create an informal setting, develop a "we" rather than a "you" situation and produce a positive tone for the meeting.

4.3.5 Closing

Try to end the interview on a positive note by summarizing agreements or recognizing laudable actions. If all significant questions have not been asked, schedule another meeting.

4.3.6 Recording

An unrecorded interview is a waste of time. Information is gathered by jotting down brief notes, words, phrases and numbers during the interview. As soon as possible after the interview expand on the jotted notes. Do not let your notes get cold, as they are too important to lose. Good notes can be a treasure.

4.3.7 Gathering Information

Preliminary surveys will move along swiftly, smoothly and systematically if internal audit professionals have a clear idea of what they want to achieve. In most audits, information can be readily classified under the basic functions of management e.g. planning, organizing, directing and controlling.

4.4 Planning

The planning function will involve:

- i. Identify the objectives of the activity or department/section, both short range and long range;
- ii. Obtain copies of policies, directives and procedures;
- iii. Obtain copies of budgets;
- iv. Determine what special projects or studies are underway;
- v. Ask if people have advanced any ideas for improvement that remain under-developed;
- vi. Determine how goals are set and who developed or helped develop them.

4.5 Organizing

The organizing function includes:

- i. Obtain copies of organization charts;
- ii. Obtain copies job descriptions;
- iii. Inquire about relationships with other departments/sections;
- iv. Review the physical layout, the equipment records and the locations and condition of assets;
- v. Determine what organization changes were made recently or since the last audit;
- vi. Obtain information of the authority delegated and responsibility;
- vii. Obtain information on the location, nature and size of field audit office.

4.6 Directing

The directing function includes:

- i. Obtain copies of operating instruction;
- ii. Ask employees if instructions are clear and understandable
- iii. Determine whether the spans of management and supervisory control permit adequate direction of work;
- iv. Determine whether authority equals responsibility;
- v. Identify any restrictions on the department/section's ability to carry out its assigned duties.

4.7 Controlling

The directing controlling includes:

- i. Obtain copies of written standards and performance guides;
- ii. Review systems and work flow. Be alert to signs of waste and extravagance, backlogs, excess equipment or material, idle personnel and poor working conditions.
- iii. Review historical financial data, seeking to identify trends;
- iv. Review financial operating reports: budgets compared with revenues and expenditures; comparisons between benefits and costs; volume of receipts and expenditures, indicating trends. If management does not have this information, ask what other means they use to control the work in their departments/sections;
- v. Identify specific procedures to be illustrated by means of flow chart e.g. hiring employees or selecting suppliers.

4.8 General

Merely cataloguing information is not enough. Experienced internal audit professionals should not only list and array data but also understand its implications. So while obtaining information during the preliminary survey, they should be alert to obvious and potential difficulties.

These difficulties become the focus of audit program. For example internal audit professional should look for:

- i. Duplication of efforts;
- ii. Unbudgeted purchases;
- iii. Not accepting responsibilities for duties assigned;
- iv. Not receiving authority to do the job;
- v. Not exercising control over activities;
- vi. People without background, education or training to do the work;
- vii. Ineffective use of people or resources;
- viii. Records or reports seldom consulted or serving no useful purpose; unnecessary reporting or excessive copies of reports;
- ix. Excessive backlogs or no backlogs at all where some would be expected. The possibility of using information technology (IT) instead of manual methods;

- x. Standards, goals and budgets to work towards;
- xi. Unclear instructions and
- xii. Clients' complaints.

When a significant number of these items or deficiencies seem to be indicated, they are recorded for inclusion in the audit program and developed during the field work.

4.9 Observing

Observations go on throughout the entire preliminary survey. By persistent observation and diligent inquiry, the internal audit professional is able to:

- i. Determine objectives, goals and standards;
- ii. Assess controls to achieve these aims;
- iii. Evaluate risks;
- iv. Identify controls to minimize risks;
- v. Make risk assessment; and
- vi. Assess management style

4.10 Determine Objectives, Goals and Standards

Internal audit professionals should differentiate among objectives, goals and standards. Objective is the thing aimed at the purpose or end. The goals are milestone along the path to that end. It has a quantitative flavour. Standards are authoritative, recognized examples of correctness, perfection, quantity or some definite degree of quality. Standards can sometimes do double duty as both goals to be achieved and measures of excellence.

Internal auditors should know the goals of the activities they intend to review before proceeding to preparation of audit program and fieldwork. If goals and standards cannot be satisfactorily established, detailed review during the audit may become a chancy exercise.

When goals and standards have not been set and no agreement on them can be reached, that itself is a deficiency; the absence of goals and standards by which management can be measured or, more important, can measure itself.

During their surveys, the internal audit professionals will be sorting out in their minds precisely what objectives, goals and standards the auditee department/section should be or is working toward. The controls applicable to a system are directly related to the objectives, goals and standards of the system.

4.11 Assess Controls to Achieve Aims

Once objectives, goals and standards have been identified and agreed upon during the preliminary survey, the next step is to determine what controls are, or should be, in effect to make sure that the desired result will be achieved.

Internal auditors are faced with a host of potential controls when they perform preliminary survey: University's policies, procedures, manuals, special instruction, reports, logs, registers, forms, division of duties, approval systems, supervision and others. Attempting to read and absorb the literature on a myriad of controls is often a waste of time. When read without relevance to a particular problem, all these controls appear unconnected to reality.

When a control is sought out, because the internal auditor sees a need for it, it will appear to have some meaning. The most productive way to identify and evaluate controls is look, first, for problem areas, and, then, for controls that should have identified or prevented those problems or for the controls that should reduce a perceived risk. One way of identifying problem areas is through conversation with people in the activity being audited and skimming through performance reports provides indicators of actual or potential problems.

Once these problems have been brought to light, internal auditors can study the procedures in effect and determine why the procedures did not prevent the improper actions.

Another way of linking the problems to the control is to make use of something internal auditors are responsible for identifying: the risks. Whenever a risk is known to exist, a control should be in effect to help prevent the adverse effects of that risk. Determining the adequacy of a control is a matter of professional competence. Determining the actual existence of controls, i.e. whether purported controls are actually in effect and working is a function of the "walk-through".

Determining the effectiveness of the controls, whether they are doing the job for which they were designed; is a function of tests carried during fieldwork.

4.12 Evaluate Risks

In the preliminary survey, potential exposures to risks for particular activity should be identified. The controls required to protect against those exposures should be sought out and evaluated. If controls are absent or inadequate, conditions may warrant reporting to management.

Internal audit professionals should be on the lookout for all such uncontrolled exposures, which create the kind of risks that auditors are responsible for bringing to the management's attention. In some cases, exposure to risks can be assessed during an audit that is directed exclusively to the identified risk.

4.13 Identify Controls to Minimize Risks

When internal auditors perceive risks, they should search out the controls designed to protect against them. Controls that are inadequate or ineffective should be discussed immediately with the auditee. If agreement on corrective action is reached and adequate action is taken, further audit effort would be pointless. If however, the auditee remains unconvinced and needs proof that the risks are real and controls are weak, the auditor will carry out a purposive test rather than a test by random sample; to support the existence and significance of the risks.

4.14 Make Risk Assessments

In making risk assessment the internal audit professional should know that the objectives of the University, the control system and risk assessment are inextricably tied together. It is impossible to determine risk if one does not know the danger. Once the risk has been identified the next step is create means of controlling the risk. In making risk assessment the internal auditor should take into consideration the following:

4.14.1 Inherent Risk

Is the risk that is intrinsic to the University business. The internal auditor is able to evaluate some of the inherent risk by looking at the business environment as a whole. There is also inherent risk

that CUHAS imposes on itself through the corporate culture it maintains. Risks created by corporate culture are risks inherent to a management style.

When the inherent risks in the University have been considered, the next stage is to assess safeguards established to prevent or detect occurrences resulting from those risks. This consideration will deal with control risk.

4.14.2 Control Risk

Is the risk that internal control fails to prevent or detect material misstatement that occurs. Some control risk will always exist because of inherent limitations of any internal control structure.

An internal auditor may assess control risk at the maximum level when either policy or procedures are unlikely to be effective or it is not worth the cost of evaluating their effectiveness. If the auditor assesses control risk below the maximum, the internal auditor is expected to obtain evidence about the design and operation of the appropriate policies and procedures to justify such an assessment.

4.14.3 Detection Risk

Is the risk that the internal Professional will not detect material misstatement that occurs. Detection risk occurs when the auditor decides not to examine 100 per cent of balances or transaction or because of other uncertainties included in these other uncertainties are selection of inappropriate procedures, misapplication of an audit procedure, or misinterpretation of the results of an audit procedure. Other uncertainties will be reduced to an acceptable level through appropriate planning and supervision.

4.14.4 Relationship between risks

An auditor can evaluate these risks either quantitatively or qualitatively. The appropriate formula is:

$$\text{Audit risk} = \text{Inherent risk} \times \text{Control risk} \times \text{Detection risk}$$

An auditor will select those audit procedures that in his or her opinion will reduce detection risk below the planned detection risk by solving for detection risk:

$$\text{Detection risk} = \text{Audit risk} / \text{Inherent risk} \times \text{Control risk}.$$

This emphasizes the concept that inherent risk and control risk exist independent of the audit. The internal audit professional will modify the nature, timing and extent of planned audit procedures, staff assignment and supervision required in considering reactions to changes in detection risk.

The concept of inherent risk is one that should be of particular concern to the internal auditor. The nature of activities of the University and style of management create an atmosphere that has great impact on the University's inherent risks.

4.15 Assess Style of Management

During the preliminary survey and especially during interviews with heads of departments/sections the internal auditor should take measure of management. There is no better control than knowledgeable, accessible, all seeing management. When that kind of management exists, the manager is in effect an internal auditor. And where such management is effective, the internal auditor can safely reduce the extent of audit. Audits, in effect, are being done by the watchful manager or head of department/section.

In assessing management, auditors should look for the following attributes: those who plan for the future; have reasonable span of control; employ appropriate means of control like logs, registers and priorities; and recognize the importance of communication. These attributes of good department/section head, managers are, in effect, the standards internal auditors can apply as they observe management during preliminary surveys.

At the same time, internal auditors should be able to detect signs of ineffective management and assess the potential problems they portend. The shortcomings of ineffective management are: authorizing an action without really understanding what is involved; not knowing what subordinates are doing; not comparing achievements with goals and analyzing variances; not keeping accurate, current and complete control records; not monitoring ongoing process and not identifying risks and preparing controls to deal with them. The purpose of these assessments is to get an indication of where problems lie, so as to give proper priority and depth to the audit tests that are to be made.

Sometimes, management problems are not the fault of heads of departments/sections. They may be working under intolerable constraints that prevent them from doing an effective job. When internal auditors detect deficient conditions as a result of such constraints; it is their responsibility to present the conditions and their causes, to higher management. The auditors' objective appraisal might get better hearing than the complaints of operating heads of departments/sections.

4.15.1 People

People are the muscle of every organization. Good controls in and of them, are powerless to see an activity is successfully carried out unless competent people in adequate numbers are there to do the work. Internal auditors, while surveying an activity and determining the extent of their audit, must consider the people engaged in activity.

For this reason, the preliminary survey may include, in appropriate cases, a review of personnel records and practices. This review may not permit auditors to make definitive determinations, but it may raise danger signals and influence the compilation of the audit programme.

Where the survey indicates unsatisfactory personnel practices, auditors may have to test more rigorously, expand their samples and be on lookout for ineffective, inefficient job performance.

4.15.2 Physical Observations

Personal observation creates pictures that are impressed on the mind. So internal auditors must go out and see for themselves the facilities, the physical layouts, processes, flow of materials and documents. Personal observation proves whether what was purported to exist actually does exist.

Physical observations should be two phases. In the first phase internal auditors should tour facilities to obtain understanding of location, conditions and layout. In relatively simple operations, this tour may be enough of an inspection. In complex operations internal auditors may find it necessary to go the next phase.

The second phase may be used in conjunction with preparation of flow charts. This type of inspection is often referred to as "walk-through". A walk-through helps internal auditors determine

if policies and procedures are being implied with and controls points are really functioning. It will not tell how well transactions are being processed; that must await substantive tests. A walk-through provides a faster and more efficient identification of weaknesses and potential problem areas.

Internal auditors should walk through these documents they believe to be significant to CUHAS objectives. The results of this walk-through may be readily documented in flowcharts.

4.15.3 Reporting

A properly conducted survey produces a considerable amount of useful information. It can identify important issues and problem areas and help decide if further investigation is needed. If the survey provides assurances of good systems, good controls, good surveillance and good management it may form the basis for “not audit” decision.

It is advisable to issue an audit report if it is contemplated no audit will be carried out beyond the survey. With the information gleaned during the survey, a respectable report can be prepared. It would be wise, however, to delineate the scope of such limited audit, concentrating on the adequacy of controls and pointing to the basis for the decision to proceed no further with the audit.

Even in situations where audit strategy, planning and program will be prepared and fieldwork will be carried out, it may be useful to summarize the survey results and report them informally to management. Sometimes, enough information will be obtained during the survey to recommend improvements even before substantive tests are made.

During the review of the results of the survey with management, it is conducive to good auditor–auditee relations to report positive as well as negative findings. This approach communicates what all internal audit professionals seek to convey: a healthy, objective, unbiased, cooperative attitude toward the appraisal of operations.

4.16 Audit Planning

After conducting a preliminary survey, the internal audit professionals will use the information gathered to prepare audit strategy, planning memorandum and audit program.

4.17 Audit Strategy

An audit strategy can be defined as the plan that sets the process and direction of the audit and link internal auditors understanding of department/section activities to the focus of their audit work.

Audit strategy is fundamental in the delivery of internal audit services. The strategy setting process enables the auditors to:

- i. Take account of Auditee's perspective, so that findings can be expressed in a way that is relevant to University's management;
- ii. Understand the activities of the department/section that is to be audited in objectives and the risks of failing to attain these;
- iii. Recognize the effectiveness of internal control and design the appropriate audit tests;
- iv. Obtain effective audit evidence by focusing audit work on audit objectives for which there is a higher risk of significant misstatements; and
- v. Promote clear communication with the auditee department/section.

Before detailed audit, testing is planned an overall strategy must be determined. When developing audit strategy, the internal auditor aims to:

- i. Set the level of planning materiality. Planning materiality is a preliminary estimate of size error that would be regarded as material in relation to account balance or transactions under review. The auditor will design tests to give the required assurance that any error that exists of the level of planning materiality will be detected. At this stage the internal auditor will also decide the minimum level of noting errors;
- ii. Identify or determine the main audit objectives or critical audit objective and the audit approach to these;
- iii. Identify risks and inadequate controls;
- iv. Identify or determine important audit objectives; although not critical;
- v. Identify subsidiary audit objectives. Detailed consideration of relatively minor audit objectives can safely be left until the audit program is written.

- vi. Identify the applicability of computer-assisted audit techniques;
- vii. Identify other factors that influence the delivery of internal audit professional services.

4.18 Preparation of Planning Memorandum

- i. Audit strategy sets the broad direction for the audit. Audit planning expands on this, providing instructions to guide internal auditors through the audit.
- ii. The audit planning decisions are documented in the planning memorandum. The planning memorandum summarizes technical matters, auditee service matters and logistical matters. Technical matters include planning approach to main audit objectives or critical audit objectives and internal control.
- iii. The planning memorandum is not intended to duplicate matters covered in the audit strategy. The planning memorandum may be combined with the strategy document.
- iv. Performance of analytical procedure to assist in planning the audit:
 - a. Internal auditors will perform analytical procedures to assist in planning the audit and to enhance their overall understanding of the auditee's activities or operations. To the extent it was not done so during the development of audit strategy, they will: Analyze relevant information; Discuss the results with management
 - b. Based on the analytical procedures, auditors will identify significant account balances and classes of transactions. The balances reflect classes of transactions recognized during the period. These include: routine transactions, non-routine transactions and accounting estimates. Internal auditors will identify significant classes of transactions in these three categories. The categories are used when assessing the risk of significant misstatement.

4.18.1 Understanding Internal Control

Internal auditors obtain or update the required understating of internal control by a combination of the following procedures:

- i. Inquiries of appropriate management, supervisory and staff personnel;
- ii. Observation of the department's/section's activities; and
- iii. Limited inspection of documents and records.

When auditors have obtained or updated an understanding of internal control, they will make preliminary of control risk for each audit objective. The preliminary assessments of control risk are stated as low, moderate or high. An assessment is made for each audit objective.

If internal audit professionals believe internal control is ineffective to prevent, or detect significant misstatements, they will consider whether such audit objectives are critical and plan substantive audit procedures accordingly.

When internal auditors obtain or update an understanding of internal control or at any time during the audit, they may become aware of deficiencies in internal control. It is therefore appropriate to report control deficiencies with suggestions for improvements, at an interim date.

In addition, they may become aware of control deficiencies that affect the ability of the University to attain its objectives relating to operations or compliance with laws and regulations. If so, they will consider reporting them to management.

4.18.2 Auditee Service Matters

Provision of first-class professional service to auditees does not just happen; like everything else, it has to be planned for. As part of audit plan, internal auditors will consider ways of creating value for auditees and making internal audit services more visible to management.

During audit planning auditors take the auditee service initiative identified during audit strategy and translate these into action steps.

4.18.3 Logistical Aspects

Having planned the said procedures to gather audit evidence and satisfy other auditee service objectives, internal auditors will consider the logistical aspects of how they may efficiently perform these tasks. As part of planning, auditors will look at what resources will be required as well as when and where they will be needed.

In considering the resources required for the audit, internal audit professionals will look at:

- i. staffing and resources for the audit assignment;
- ii. the planned use of computer assisted audit techniques;
- iii. the planned timing of the audit work;
- iv. The preparation of time and cost budgets.

4.18.4 Time and Cost Budgets

Ordinarily the internal auditors will prepare a budget analyzing tasks to be performed, time and cost allotted. As the audit progresses, comparison is made between actual time/cost and estimates of time/cost to complete the work against budget. Explanations are given for significant variations.

4.19 *The Preparation of the Audit Programme*

- i. The internal audit program is a guide to the auditor and it contains certain audit steps that will be taken. The audit steps are designed to:
 - a. Gather audit evidence; and
 - b. Permit internal auditors to express opinions on the efficiency, economy and effectiveness of the activities to be reviewed.
- ii. The audit program is the link between the preliminary survey and field-work. In the preliminary survey internal auditors identify operating objectives, risks, operating conditions and controls. In the fieldwork, they gather evidence about effectiveness of control systems, the efficiency of operations, the accomplishment of objectives and the effects of risks on the University.
- iii. Internal auditors should prepare their-audit program immediately after the preliminary survey. Program prepared too late may have gaps and inadequacies and may fail to establish proper priorities.
- iv. The audit program should indicate the scope of the audit work. It should make clear what is covered in the audit and what is not. The audit objectives should govern the scope of the work.
- v. Operating Objectives and Procedures

- a. Operating objectives are ends to be achieved by operating management and their people. Among the operating objectives of a procurement activity are those of purchasing the right goods or services at the right price at the right time and of the right quality. Each of these objectives is pursued through procedures or techniques e.g. use of requisitions from user department/section.
 - b. All audit program therefore, should identify the operating objectives whose accomplishment auditors seek to evaluate.
- vi. **Audit Objectives and Procedures**
- a. Audit objectives can be general or specific. General audit objectives are pursued in all assignments. For example, internal auditor may be restricted to accounting and financial matters only. In that event their general audit objectives may be directed solely to determining reliability and integrity of financial information; compliance with policies, plans, procedures, laws and regulations and the safeguarding of assets.
 - b. If internal auditors' scope as set by management is comprehensive, however, the general audit objectives would be increased to include reviewing operating reports as well as evaluating the economical and efficient use of resources and accomplishment of established objectives and goals for operations.
 - c. Specific audit objectives are linked to operating objectives; e.g. If procurement objective is to purchase the right goods, the audit objective is to determine whether systems are designed to see that the operating objective has been achieved and whether the right goods have indeed been purchased.
 - d. Audit procedures are techniques the auditor employs to determine whether operating objectives have been met e.g. audit program will specify that the auditors should examine a sample of purchase orders and determine whether they are supported by required requisitions.
 - e. Determining which operating objectives warrant audit examination and therefore should become audit objectives and be included in an audit program, becomes a matter based on study and experience. The audit program should be designed to tell auditors, which audit procedures to perform to meet the audit objectives. Internal auditors experience and logic will enable them determine which audit procedures

apply to which audit objectives. Procedures should be relevant to the selected objectives.

vii. **Design of Audit Program**

- a. The background information gained through the preliminary survey will help dictate the programmed audit coverage. It is not possible to examine every activity being carried out. Internal auditors should therefore design effective, economical audit program that will focus on what is essential to meet the operation's key objectives.
- b. Internal auditors must look to their professionals' responsibilities in deciding what to audit and what not audit. Internal auditors cannot be held responsible for the prevention of fraud, misconduct, or error. These are managements' responsibilities. However, internal auditors are responsible for identifying matters that permitted undesirable actions.
- c. When fraud or misconduct surfaces they will have to defend themselves by showing that their methods and procedures were professional and were calculated to identify such risks within CUHAS.
- d. The auditors must be able to produce documentation in form of internal auditing program and demonstrate that the program is effective, addressing what is significant and to give proof that significant risks and controls were identified and evaluated.
- e. Tailor made program are more relevant to an operation than generalize program. The latter do not necessarily take into account the variation resulting from changing circumstances, varied conditions and different people.

viii. **Avoiding Ambiguities in Audit Program**

In order to reduce ambiguities in audit program, the internal audit section should adopt uniform meanings for various terms used in audit program. Here are some definitions that will help eliminate confusion between the audit program writer and the staff auditor:

- a. **Analyze:** to break into significant component parts and determine the nature of something.
- b. **Check:** to compare or recalculate, as necessary, to establish accuracy or reasonableness.

- c. **Confirm:** to prove to be true or accurate, usually by written inquiry or by inspection.
- d. **Evaluate:** to reach a conclusion as to worth, effectiveness or usefulness.
- e. **Examine:** to look at or into closely and carefully for the purpose of arriving at accurate, proper and appropriate opinions.
- f. **Inspect:** to examine physically.
- g. **Investigate:** to ascertain facts about suspected or alleged conditions.
- h. **Review:** to study critically.
- i. **Scan:** to look rapidly for the purpose of testing general conformity to pattern, noting apparent irregularities, unusual items or other circumstances appearing to require further study.
- j. **Substantiate:** to prove conclusively.
- k. **Test:** to examine representative items or samples for the purpose of arriving at a conclusion regarding the population from which the sample is selected.
- l. **Verify:** to establish accuracy.
- m. **Economy:** to use to the best advantage without waste.
- n. **Efficiency:** to minimize the loss or waste of energy when effecting, producing, or functioning. When referring to people, the term efficient suggests exercising skill and competence.
- o. **Effectiveness:** to produce desired results. Something may be effective without being efficient or economical.

The audit program should include estimates of the time required to carry out each segment of the audit. These are preliminary estimates, but they help the auditor to control and review progress of the work. Audit program will hold the auditor in charge to control and review the progress of audit work. When tests are carried out, a reference should be made to the working papers. Each programmed audit step should bear a working paper reference. This will show what work was done and what still remains. Also, it helps the auditor to avoid omitting steps inadvertently.

Audit staff composed of one or two auditors should still prepare audit program. Similarly, even one-person section should prepare audit program for audit assignments since it is possible for that individual to forget or omit significant audit steps.

CHAPTER FIVE

5. OBTAINING, EXAMINING AND EVALUATING AUDIT EVIDENCE

5.1 The purpose and Objectives of Audit Testing

5.1.1 Fieldwork

Fieldwork is a systematic process of objectively gathering evidence about CUHAS's operations, evaluating it and; finding whether those operations, evaluating it, finding whether those operations meet acceptable standards and providing information for management decision.

5.1.2 Purpose

The purpose of fieldwork is to complete audit procedures that are spelled out in the audit programme, in response to audit objectives. Fieldwork is simply the gathering of audit evidence for measurement and evaluation.

5.1.3 Internal audit

Internal audit professionals achieve audit objectives by a process known as testing. Testing is placing activities or transactions on trial by putting selected items to the proof and revealing their inherent qualities or characteristics.

5.1.4 Testing

Testing is the measurement of representative transactions or processes and comparison of the results with established standards or criteria. The purpose is to help the auditor with a basis for forming an audit opinion or conclusion.

5.1.5 Audit testing

Audit testing is the evaluation of transactions, records, activities, functions and assertions by examining all or part of them.

Audit testing comprises the methods of examining, comparing, analyzing and evaluating subject data, items and transactions in terms of some of standards or criteria. The objective of testing is to determine:

- i. Validity i.e. propriety, genuineness, reasonableness.

- ii. Valued appropriately i.e. lower of cost and net realizable value.
- iii. Accuracy i.e. neither overstated, priced correctly mathematically correct e.g. extensions and additions, descriptions are appropriate and allocations are to the correct accounting period.
- iv. Determining the sequence of the testing processes.
- v. Defining the standards or criteria.
- vi. Deciding on the methodology of sampling to be used.
- vii. Examining the selected transactions, items or processes.

5.2 The Techniques for Examining Transactions, Items or Processes

5.2.1 Defining the standards or criteria

Standards or criteria are explicit or implicit. They are explicit when they are set forth clearly in directives, job instructions, specifications or law. Auditors in such cases have well calibrated measuring sticks for their comparison; units of measurements and established standards.

Standards are implicit when CUHAS may have established or may be working toward objectives and goals, but has not explicitly set forth how they will be achieved. Auditors under such circumstances after reviewing the objectives and goals and determining the controls established or needed, will have to consult with management on what it considers to be satisfactory performance.

5.2.2 Defining the Test Population

The population to be tested must be considered in terms of audit objectives. If the objective is to form an opinion on the last transactions that took place since the last audit, the totality of those transactions represents the population. If the objective is to form an opinion on the adequacy, effectiveness and efficiency of existing systems of control, the population may be more restricted.

5.2.3 Methodology of Sampling to be used

Sample selection should follow the plan that best fits the audit objective: judgmental or statistical. The most reliable selections are made from lists that are separate from records of transactions

themselves. In this way, the auditors have better assurance that items, which may be removed from the files, will not be overlooked.

5.2.4 Internal Audit Professionals

Internal audit professionals examine documents, transactions, conditions and processes to get the facts and to reach conclusions. The term examination includes both measurement and evaluation. Auditors use techniques grouped under six headings to achieve this audit objective. They are: observing, questioning or inquiry, analyzing, verifying, investigating and evaluation.

The first five may be considered part of the measurement process. The last, evaluation gives meaning to the information that the auditor has gathered.

The auditor obtains audit evidence by one or more of the following techniques;

- i. **Physical Observation:** This involves looking at the process or procedures being performed by others. Incidences where the internal auditor can do this is attending stock taking.
- ii. **Computation:** This involves checking of arithmetical accuracy of source documents and accounting records;
- iii. **Enquiry:** This is by way of seeking information from knowledgeable persons inside or outside the College;
- iv. **Inspection or Documentary Verification:** It consists of examining records, documents or tangible assets;
- v. **External Confirmation with Third Parties:** this includes bankers, creditors and debtors; and
- vi. **Written Representations:** Example Reports, Guidelines, Rules, Regulations and Policies.

5.2.4.1 Observing

Observing means seeing, noticing, and not passing over observing differs from analysis because analysis is setting down and arranging data. Observation, on the other hand, means seeing and making mental notes and judgments. These observations can be committed to notes, diagrams, charts etc. While making observations is important, it is generally preliminary to other techniques. It usually requires confirmation through analysis or investigation.

5.2.4.2 Questioning or Inquiry

Inquiry consists of seeking information from knowledgeable person inside or outside the related entity. Inquiries may range from formal written inquiries addressed to third parties to oral inquiries addressed to formal persons inside the entity.

The reliability of information obtained from inquiry depends on the source from which such information obtained. It is therefore, imperative that the inquiry be carefully worded in order to avoid ambiguity and hence improper information. Responses to enquiries may provide the auditor with information not previously known or with corroborative audit evidence.

5.2.4.3 Analyzing

Analyzing involves a detailed examination. It means dividing a complex entity into parts for the purpose of determining its true nature. It is laying bare the inner working of some function, activity or mass of transactions and determining the relationships among the individual parts. The purpose of making an analysis is to discover or uncover qualities, causes, effects, motives and possibilities, often as a springboard to a further research or as a basis of judgment.

5.2.4.4 Verifying

Verifying is confirming the truth, accuracy, genuineness, or validity of something. It is the auditor's oldest tool. It is a deliberate effort by the auditor to establish the accuracy or validity of details given in account or statement by putting it to test, such as comparing it with known facts, with an original, or with some standard. Verification includes corroboration and comparison.

5.2.4.5 Investigating

Investigating is a term that generally applies to an inquiry aiming at uncovering hidden facts and establishing the truth. It includes, but not limited to, probing; investigations that search deeply and extensively with intent to detect wrongdoing.

Auditors may investigate but investigating is different from auditing. Audits imply Investigations seek to establish evidence of impropriety. Investigations, therefore, deal with conditions that are suspect.

Probes are specifically related to wrongdoing and here auditors must be careful since often they involve legal and criminal considerations.

5.2.4.6 *Evaluating*

Evaluating, as well as its kindred term appraising is estimation of worth. In auditing, it means arriving at a judgment. It means weighing what has been analyzed and determining its adequacy, its efficiency and effectiveness. Evaluation involves the exercise of professional judgment and it is the thread that runs through the entire fabric of the audit.

As auditors compared a transaction with a standard and find a variance, they must evaluate the significance of the variance and determine whether corrective action is necessary. When they summarize the results of an audit, they must evaluate what those results imply.

5.2.4.7 *Analytical Reviews*

Analytical reviews are used to determine reasonableness of certain data. Traditionally, these reviews have related to financial matters: e.g. comparing current financial information with what is expected i.e. budgets, forecasts and industry experience and investigating the relationship between financial and non-financial information.

5.3 *Audit Evidence*

5.3.1 *Definition*

Audit evidence is information internal auditors obtain through observing conditions, interviewing people and examining records. Audit evidence should provide factual basis for audit opinions, conclusion and recommendations.

5.3.2 *Classes of Audit Evidence*

Audit evidence has been categorized as physical, testimonial, documentary and Analytical.

5.3.2.1 Physical Evidence

Physical evidence is obtained by observing people, property and events. When the observation is the sole evidence, it is preferable to have two or more auditors make important physical observations or if possible representative of the auditee should accompany the auditors on such inspections.

5.3.2.2 Testimonial Evidence

Testimonial Evidence takes the form of letters or statements in response to inquiries or interview. These, standing alone, are not conclusive; they should be supported by documentation.

5.3.2.3 Documentary Evidence

Documentary Evidence is the most common form of audit evidence. It may be external or internal. External documentary evidence includes letters or memorandums received by the auditee, suppliers' invoices and packing sheets. Internal documentary evidence originates within CUHAS. It includes accounting records, copies of outgoing correspondence, receiving reports etc.

The source of documentary evidence will affect its reliability. An external document obtained directly from its source is more reliable than a document obtained from the auditee. The possibility always exists that internal documents can be altered.

5.3.2.4 Analytical Evidence

Analytical evidence stems from analysis and verification. The sources of such evidence are computation: comparisons with prescribed standards, past operations, similar operations, law or regulations; reasoning and information that has been broken down into its components.

5.3.3 Standards of Audit Evidence

All audit evidence should be sufficiency, competence (reliability) and relevance.

5.3.3.1 Sufficiency

Evidence is sufficient if it is so factual, adequate and convincing that it would lead a prudent person to the same conclusions as the auditor.

5.3.3.2 *Competence*

Competence evidence is reliable evidence. It should be the best that is reasonably obtainable. An original document is more competent than a copy. A corroborated oral statement is more competent than one standing alone.

5.3.3.3 *Relevance*

Relevance refers to the relationship of the information to its use. The facts and opinions used to prove or to disprove an issue must have a logical, sensible relationship to that issue.

5.4 *Audit Findings*

5.4.1 **Forms of Audit findings**

Audit findings are conditions identified by internal audit professionals that require corrective action. Audit findings come in all shapes and sizes. For example, they can describe:

- i. **Action not taken:** goods received but no Goods Received Note issued.
- ii. **Action taken improperly:** double payment of goods and supplies.
- iii. **Unsatisfactory Systems:** uncollected insurance claims given the same follow-up action even though they varied widely in amount and significance.
- iv. **Prohibited action taken:** an employee diverting stationery stores for personal use.
- v. Some audit findings fall under suggestions for improvements, for example, a goods requisition and issue voucher that needs simplification.

5.4.2 **Policies, Procedures and practices for Development and Reporting of Audit Findings**

In order the audit findings to be reported, it should have the following characteristics:

- i. Significant enough to deserve being reported to management;
- ii. Documented by facts, not opinions and by evidence that is sufficient, competent and relevant;
- iii. Objectively developed without bias or preconceived ideas;
- iv. Relevant to the issue involved; and
- v. Convincing enough to compel action to correct the defective condition.

In developing facts and details into a significant reportable finding, the internal audit professional need to apply acquired skills and experience.

They must be realistic, fair in their judgments and conclusions and bring good business sense to the development and reporting of audit findings.

For most purposes, audit findings can be classified as insignificant, minor, or major.

- i. An insignificant finding is the sort of clerical errors that the University like all organization experience and does not warrant formal action. Including such audit finding in a formal audit report would tarnish truly significant finding in the report. Such errors should be discussed with individuals concerned, see that the errors are corrected and note the matter in the working papers.
- ii. A minor audit finding is one that requires reporting because it is more than random human error, it will continue to have adverse effect; e.g. an employee who commingles personal and CUHAS petty cash violates both University's rules and goods business practice.
- iii. A major finding is one that will prevent the University or a department/section within CUHAS from meeting a significant objective. Therefore, it is a major audit finding and should be so reported.

5.5 Development of Audit Findings

In developing audit findings, internal audit professionals have to ensure that they meet all acceptable audit standards. In order to meet acceptable standards, they must be logical, reasonable and compelling and hence provide a stimulus for motivating corrective action.

All reportable audit findings should therefore contain the following elements:

- i. **Criteria:** what the operation is supposed to accomplish.
- ii. **Condition:** what the operation is actually accomplishing.
- iii. **Cause:** why the deviation from criteria occurred.
- iv. **Effect:** what is happening or could happen because conditions do not meet criteria.
- v. **Conclusions:** need to be corrected
- vi. **Recommendations:** how correction might be made.

When internal auditors report a finding, they should expect to be challenged. Hence, they should know about their findings as anyone else. Their knowledge should encompass all the elements of the findings. Auditors should, therefore, be prepared to answer any questions about a finding. They should have thorough understanding of the following if they are to develop audit findings that are convincing:

i. Criteria

A first and significant step in developing an audit finding is to include two things in the concept of criteria.

- a.** Goals and objectives that represent what management want the audited operation to accomplish. These may include operating standards.
- b.** The quality of accomplishment.

In any audit of an activity, the auditor's goal is to ensure that all resources are used with a minimum of waste. To see how proper, how efficient, how economical, how effective an operation is, internal auditors must have a yardstick i.e. standard of measurement.

They have to identify or develop with management valid standards of criteria of performance. They must know what should be, before they can criticize what is.

Closely allied to standards are procedures and practices. These refer to established methods of meeting goals and standards. Poor procedures may contribute to unsatisfactory condition or poor practice may violate an adequate procedure. In developing audit findings, internal auditors should seek to determine what the practices and procedures are or should be.

ii. Condition

The term condition means the facts determined by the internal auditors' observations, questions, analysis, verification and investigation.

The condition is the heart of the finding and the information should be sufficient, competent and relevant. It must be able to withstand any attack. It must be representative of the total population under review or, if an isolated instance, it should be a significant defect.

A finding may not be considered properly developed if the auditee can validly assert that the auditors did not their facts right. Thus, conditions should be discussed early on with

those in a position to know the fact. Any disputes about facts should be resolved before the finding is reported.

iii. Cause

The underlying cause explains why there are deviations from criteria, why goals are not met and why objectives are not attained. Every audit finding can be traced to a departure from what is expected. Only when the departures are identified and their causes are known the problems can be solved.

iv. Effect

Effect answers the “so what” question, the adverse results should be significant; not merely deviation from procedures. Effect is the element needed to convince auditees and senior management that the undesirable condition, if permitted to continue, will cause serious harm and would cost more than the action needed to correct the problem. Effect is the convincer.

v. Conclusions

Conclusions are professional judgments, not a reciting of details. Conclusions should present potential causes of action and point out the cost of correcting the defects will be exceeded by the benefits. The extent of losses shown in the effects is a spring board to the need for corrective action.

vi. Recommendations

Recommendations describe the course of action management might consider to rectify defective conditions and to strengthen weaknesses in systems of control. Recommendations should be positive in nature, should be as specific as possible, and should identify who is to act on them.

Internal auditors should propose possible methods of corrective action for management’s consideration. Audit recommendation should be considered, not blindly taken, along with other

possible courses, because management and not the internal auditors will have to live with the corrective action.

5.5.1 Discussing Audit Finding

The most satisfactory means of resolving an audit finding is to discuss it with management before the written report is issued. At that time, agreement should be reached on the facts and on some reasonable course of action to correct the deficiency.

Especially welcome are the opinion of managers/heads of departments and experienced employees concerning results of recommended action.

5.5.2 Record of Audit Findings

Internal auditors who want to make sure they have the elements of an audit finding use a form titled “Record of audit Finding (RAF)”. It embodies the elements just discussed.

5.5.3 Supervisory Reviews

Audit supervision remains the key control over professional development of audit findings. Each reportable finding should be subjected to close supervisory review. And the review should be evidenced by supervisor’s signature. An audit finding is by definition a criticism. Those criticized will be prompted to counter-attack the critic. Audit findings must, therefore, be beyond reproach.

5.5.4 Follow-up of Audit Findings

Internal auditors should follow up to ascertain that appropriate action is taken on reported audit findings. Internal audit professionals should determine that corrective action was taken and is achieving the desired results, or management or the Council has assumed the risk of not taking corrective action on reported findings.

CHAPTER SIX

6. INTERNAL AUDIT REPORT

A way of communication Internal Auditor made is to share the results through reporting.

A report before been issued it has to pass some stages. First it has to be seen and discussed with Auditees, Management, Audit Committee and finally to the Board or Council.

6.1 Policies and Procedures for Communicating Audit Results in Audit Reports

Internal audit reports serve as the internal audit professionals' opportunity to get management's undivided attention. The auditors should regard reporting as an opportunity or perfect occasion to show management how internal audit professionals can help.

The first rule in report writing is to know the readers.

- i. Top management can best perceive general concepts; those matters that affect CUHAS as a whole and expects to be told about matters of significance. It expects to act on some risks that can be avoided or some significant defects that can be corrected.
- ii. Operating management can perceive the details of its operations. It can fully understand the details of defective conditions.

In seeking to communicate through internal audit reports, the auditors must remember their principal objectives: i.e. to provide useful and timely information, both oral and written, on significant matters and to promote improvements in control and performance of the University's operations or activities.

6.2 Interim Audit Reports

Internal audit reports for certain specific purposes may be issued but these may not be substituted for a final report. Audit findings discussed in an interim report and satisfactorily disposed of before the final report is issued; need not be included in the final report. Audit findings discussed in an interim report, and satisfactorily disposed of before the final report is issued; need not be included in the final report. An exception can be made where the findings are material and have importance in the auditee's operations.

The internal audit professionals should exercise caution in eliminating significant findings from the final report.

6.2.1 Summary Reports

Audit reports can supply objective information about the University that is usually not available elsewhere. Senior management should know about significant findings issued by the internal audit section. They need to know which matters unearthed by the auditors need prompt and/or continued attention. Such information can be provided to busy executives through summary reports of one page or two at most.

In preparing summary report the following should be observed:

- i. A brief description of what was audited.
- ii. The auditors' conclusion.
- iii. Condensed statements of truly significant findings, referencing the pages where the details can be found.
- iv. Action taken by the auditees on those findings.
- v. An overall statement that puts findings and conclusions in proper perspective.

6.3 *Writing Audit Reports that are Objective, Clear, Concise, Constructive and Timely.*

6.3.1 Internal Audit Reports must be Objective

- i. An internal audit report must be completely and scrupulously factual. Every statement, figure and reference must be based on hard evidence. It should be written and documented so as compel belief and reliance and ultimately endorsement. Statement of fact must carry the assurance that the auditors personally observed or validated the fact. If auditors have not personally observed a statement to that effect in a report should indicate the source e.g. the Head of Department told us the backlog of undelivered goods was excessive.
- ii. Objectivity means the matter reported on is material. It must be shown in report that if the reported condition is allowed to continue, the condition will do significant harm.
- iii. Some words are too imprecise—to appear without specific quantification in a report, several, few many, almost all, hardly ever, sometimes. These may be used in a lead sentence that

summarizes a condition, but should be followed by specific numbers e.g. sample size, population and specific number of items.

6.3.2 Internal Audit Reports must be clear

- i. The first cardinal rule for internal audit professionals to observe in order to write clearly is to have a firm grasp of the subject they intend to report on. Writing clearly means conveying ideas in terms that mean something to the reader.

For example, it is one thing to say Goods Received Notes (GRN) are being matched with invoices and it is quite another to say that there was no assurance that CUHAS was receiving goods it was paying for. The second is more factual.

- ii. Reporting on finding without setting the stage impedes clarity. Giving the proper background information is essential to an understanding of a process, condition or to appreciate of its significance. If auditors are recommending a new procedure, they should first explain the existing one, what is wrong with it and the probable effect of its continued use.
- iii. When dealing with technical matters, auditors should use well-designed schedules, tabulations, charts and graphs to bring clarity to their reports. Clarity is a condition precedent to persuasiveness. Auditors must be able to convince management of the validity of their positions, so findings must be presented convincingly. The conclusions and recommendations must flow clearly and logically from the facts presented.
- iv. Clarity is impeded by poor organization of the reported material. Reports should flow easily from the beginning to the end. All closely related material should appear in one section.

6.3.3 Internal Audit Reports should be Concise

- i. Conciseness means cutting out what is superfluous in a report. Conciseness does mean eliminating what is irrelevant and immaterial. It means tossing out the ideas, the findings, the words, the sentences and the paragraphs that do not help get the central theme of the report. After doing this the report must still have continuity of thought, ease to read and a comfortable integrated flow of ideas.

- ii. However, one person's conciseness may be another's lack of information. That is concise enough for head of operating department to know how to correct a condition may be too detailed for the executive who is interested in a general idea. The report should then give both sufficient details for the head of operating department and a summary for the executive.

6.3.4 Internal Audit Report should be Constructive

- i. The audit report should have proper tone. It should be courteous. It should consider the report's effect upon subordinate operating people. It should not, therefore, identify individuals or highlight the mistakes of individuals. It must avoid pettiness and not concern itself with trivia. It should sound like voice of management.
- ii. The tone of internal audit reports must be constructive so that the hard-pressed executive can discern in the report a calm, objective, thoughtful, dispassionate exposition on which to rely.

6.3.5 Internal Audit Reports must be Timely

The final, formal report is not designed to be a historical document though it can serve as such. It is a call for action. Its effect is therefore lost if it is not timely. These sometimes-conflicting needs, i.e. thoughtful and promptness must be met. The interim report, issued while the audit is still going on, may be answer. The transmittal memo for interim report can start by saying: "This interim report is designed to provide current information on conditions needing management attention. Our final report will include the matters discussed here, along with other information obtained during the remainder of our fieldwork".

6.4 The Format of Internal Audit Reports

The following are important attributes of formal written audit report:

6.4.1 A summary

A summary of what has been done during the period under review.

6.4.2 Background Information

Background information is provided in a section labelled “Introduction”. It should be written crispy and clearly. It is usually a stage setter and it can be used to:

- i. Identify the audit as a regular examination or as the response to a special management request;
- ii. Identify the department/section or functions reviewed;
- iii. Comment on findings or recommendations in prior reports and on their current status;
- iv. Provide explanatory information needed to acquaint the reader with the subject under examination; and
- v. Set forth the value or volume of transactions processed so as to give the reader an idea of significance of the functions.

6.4.3 Audit Purpose

The purpose should describe the audit objectives. It should be in sufficient detail to help readers know what to expect from the rest of the report. When the purpose is spelled out with some precision and when the discussion of findings address themselves to each statement in the purpose, then it serves as a road map; making easier for readers to find their way through the report.

6.4.4 Audit Scope

- i. The scope statement is sometimes combined with the purpose. The description of scope identifies the breath or limitation of the audit or review. It should point out areas that were not covered; areas that because of the report, readers would expect to be covered.

The scope is particularly important when normal auditing techniques are dispensed with and other techniques are relied up e.g. “The review of receiving activities was confined to those carried out in the central receiving stores section. Controls over direct deliveries, which bypass central receiving stores section were not reviewed. A separate review of direct deliveries is planned”.

- ii. Auditors should avoid giving detailed account of audit steps taken. For some activities of a sensitive nature, such disclosure may provide some people with a blueprint to follow in manipulating transactions for personal gain.

6.4.5 Audit Finding(s)

The four attributes of a finding are: criteria, condition, cause and effect. By employing these four attributes when reporting unsatisfactory findings, auditors can accomplish three (3) important audit objectives: create awareness of a problem; achieve acceptance of the reported condition and impel action to correct the condition. Thus, a comment worksheet can be useful to the auditor to make sure none of the attributes are overlooked when reporting the finding.

6.4.6 Audit Conclusions (Opinions)

- i. The conclusion (opinion) is the auditor's professional judgment of the activities reviewed. It is not easy to arrive at a good conclusion; to embody in one sentence the entire auditor has determined about significant operation. But the one sentence rule can help identify the conclusion with which to start writing. Developing a workable conclusion is simplified by meeting the following standards:
 - a. The conclusion should answer the questions raised by the audit purpose.
 - b. The conclusion should include a statement of the subject of the report deals with.
 - c. The conclusion should include the writer's opinion on what was found.
- ii. Good report does not come easily. It needs time, practice and training. Therefore, if the report writer puts in all the required efforts, under goes the required training and insist on meeting high standards, his/her reports are bound to improve.

6.4.7 Audit Recommendations

Audit Reports will include recommendations for potential improvements and acknowledge satisfactory performance.

- i. All audit recommendations should be discussed during the audit with the auditee. This will enable the auditee to explain the side effect of the recommendations. The auditee has a broader understanding of the operation or activities that are beyond the auditors' knowledge and thus can predict results to the proposed measures. When the recommended action is agreed upon, it helps foster auditor-auditee relations to make the idea of the proposed action the idea of the auditee.

- ii. Auditors must consider the cost of improving a condition when they make recommendations. At the same time, some controls must be installed and enforced without regard to cost e.g. safety or CUHAS image.
- iii. In general, a recommendation for corrective action must relate directly to specific finding. In addition, internal audit professionals may find, during their audits, certain methods that can be improved but do not stem from improper condition. For reporting purpose, the two categories are separately summarized in the audit report under “Findings Requiring corrective Action and suggestions for improvement”.

6.5 Discussing Internal Audit Reports with Appropriate Levels of Management before Issuing Final Written Reports

No findings, conclusions and recommendations should ever be incorporated in an audit report that was not previously discussed with the auditees.

During discussions of the final report, disagreements between the auditor and auditee may arise. In such circumstances, the auditee will be given space in the audit report to present their views and reasons for them. The auditee’s written comments may be included as an appendix to the audit report. Such disagreements may call for executive intervention and decision. Higher management levels should have both views to make an informed decision.

As much as possible, the auditee and the auditor should avoid using the audit report as a forum for debate. Firm positions should be stated and presented to higher management for decision.

- i. Documentation, including working papers arrangement;
- ii. Summaries, including records of audit findings;
- iii. Indexing and cross-referencing;
- iv. Supervisory review of working papers;
- v. Ownership of and control over working papers;
- vi. Criteria for ideal working papers;
- vii. Writing working papers as audit progresses; and
- viii. Retention of working papers.

CHAPTER SEVEN

7. AUDIT WORKING PAPERS

7.1 *Meaning of Audit Working Papers*

Audit Working papers are record of all matters which are important in supporting the report and, in particular, the reasoning of auditors in all significant matters that require the exercise of judgment.

Working papers document the audit, and among other things, may include:

- i. Planning documentation
- ii. ICQs, flowcharts, checklists, and the results of control evaluations
- iii. Notes of interviews, organization charts, policy and procedures statements, and job descriptions.
- iv. Photographs, diagrams, and other graphic displays.
- v. Test and analysis of transactions; results of analytical review procedures.
- vi. Copies of financial statements and their supporting schedules
- vii. Audit summary including significant and unusual matters
- viii. Audit reports and management replies etc.

It can generally be summed that working papers are any evidence that support the conclusion of auditors made in the report collected from all stages of the audit process.

7.2 *Types of Audit Working Papers*

The Audit Working papers are normally classified and contained into two separate files namely Current Audit File (CAF) and Permanent Audit File (PAF) or standing file.

7.3 *Contents of Audit Working Papers*

7.3.1 **Current Audit File**

The Current Audit File will contain papers relating to the year under review, these may include, but not limited to the following papers;

- i. Draft financial statements under review

- ii. Internal control questionnaire and audit programs;
- iii. Schedules in support of the balance sheet
- iv. A record of queries raised in previous audit
- v. Letter of representations (in case of external auditors)
- vi. Records of extracts of minutes, etc.
- vii. Evidence of Internal audit annual work plan
- viii. Records of audit work done, problems encountered and conclusion reached

7.3.2 Permanent Audit File

The permanent audit file will contain the documents which are in use for more than one year, that is those documents of permanent use and which would be of relevance to subsequent audits of the organization (e.g. governance arrangement, nature of the organization and its activities, accounting and internal control systems, manuals and structure charts, policies and procedures etc.

In general, Audit Working papers are required to record all the information obtained in the conduct of audit work and the conclusions there from.

On the face of the Audit Working Paper the following components are expected to be fulfilled:

- i. The Audit Objective;
- ii. The name of client or audited unit or department in case of internal Audit;
- iii. The period to which the assignment covers;
- iv. The name or initials of staff carrying out the assignment;
- v. The date when the working paper was prepared;
- vi. Details of the assignment under review;
- vii. Tick Marks and Other Symbols
Tick marks and other symbols should be uniform throughout the audit. They should be small and neatly placed, useful but unobtrusive. They should be explained in footnotes.
- viii. Coverage of the work done against the total population;
- ix. The name or initials of senior audit staff reviewing the work done by the junior, for quality review purposes; and
- x. Observation and conclusions reached.

7.4 Other qualities of Audit Working Papers

- i. Audit Working papers should be prepared as the work progresses;
- ii. Audit Working papers should clearly indicate the auditor in charge;
- iii. Audit Working papers should always be reviewed by a senior auditor for quality review purposes;
- iv. Audit Working Papers must form the basis of the opinion, conclusion and recommendations thereon.

Accordingly, the following qualities of Audit Working papers should be met:

7.4.1 Working Papers should be neat

Neat working papers mirror neat thinking and give an immediate impression of care and professionalism. Only one side of worksheet should be used, material on reverse side can easily be overlooked.

7.4.2 Working Papers should be Uniform

All working papers should be prepared on paper of uniform size and appearance. Larger pieces of paper should be folded in a manner that simplifies later review.

7.4.3 Working Papers should be Understandable

Working papers should be clear and understandable. They should need no supplementary information. Anyone reading the papers should be able to determine what the auditors set out to do, what they did, what they found, what they concluded and what they decided not to do.

7.4.4 Working Papers should be Relevant

Working papers should be restricted to matters that are relevant and material, they should be directly related to audit objective. Well-organized audit program and effective supervisory instructions can help ensure inclusion of relevant documents only.

7.4.5 Working Papers should be Economical

- i. An auditor should make use of auditee records or computer printouts. These can show by distinctive tick marks what audit steps were carried out and record audit comments on the margins. Cover as many tests as feasible on one worksheet. The same sample can thus be used for a number of analyses.

- ii. Make full use of papers developed in the prior audit. Those papers that remain useful should be transferred to the current working papers. They should be updated with current information, renumbered, referenced and then initiated and dated by current auditors.

7.4.6 Working paper should be Complete

- i. Working papers should leave nothing hanging. Auditors should keep a “to do” list with their papers. On it they may note matters still to be covered, new thoughts worth pursuing and any other items not specifically set forth in the audit program but warranting audit action. Then, each item on the “to do” list should be answered otherwise commented on. The “to do” list becomes part of the working paper file.
- ii. If the internal auditor is reporting on financial information, the audit working papers should show whether the accounting records agree or reconcile with such information.

7.4.7 Writing of Working Papers should be Simple

Working papers should be readily understandable to uninitiated reviewer. The final test of a set of good working papers is whether another internal auditor, who had nothing to do with the assignment, could step into the audit assignment in mid-stream, understand what was done and proceed with the examination without, wasted effort.

7.4.8 Working Papers should be Logically Arranged

- i. Working papers should be arranged in a manner that makes them parallel with the audit program. The parallel relationship between the program and the working papers will afford ready reference during and after the audit.
- ii. At the beginning of the working paper, the auditor should include the objective of the operation being audited department, operation or section, detailed purposes of the audit and set out related matters set out in the audit program.
- iii. Also, auditors should explain in the working papers the scope of the audit; what was covered and what was not covered. Here the auditors will discuss the sample selection methods used and the size of the sample.
- iv. After the statement of purpose and scope, the auditors will record their tests and findings. These should be restricted to facts i.e. good as well as bad. Based on the facts, the auditors

should draw their conclusion. Supported by their findings on control and performance, the auditors should state whether the conditions found are unsatisfactory or satisfactory. That is, whether the operation's goals were or not being met.

- v. Finally, the auditors should document their recommendations to correct the conditions they found and the corrective action by the auditee.

7.4.9 The Date of Preparation and the Auditors' Initials

The date should indicate when the worksheet was completed. The auditors' initials should appear on each worksheet.

Working papers should be referenced as they are prepared and should be kept in logical groupings.

7.4.10 Source of Data

Source of data should be clearly identified.

7.5 Working Papers Indexing and Cross-Referencing

Good cross-referencing serves many purposes.

- i. First, it simplifies supervisory review. References should lead reviewers easily to related facts in other parts of the working papers.
- ii. Second, cross-referencing eases the path of the next auditor who uses the paper for a follow up review.
- iii. Third, cross-referencing simplifies later reviews of the papers. In a heated review with the auditee, good cross-referencing helps prevent fumbling and bumbling.
- iv. Fourth, cross-referencing improves the final product: the internal audit report. As the auditors prepare the draft of the report, the well-referenced papers reveal their supporting information readily and helpfully. The ill-referenced papers tend to hide their secrets.

The system of indexing should be simple and flexible. Thorough cross-referencing takes time. But in the final analysis it saves time when the auditors discuss matters with the auditees or when the final report is being prepared and verified.

7.6 Ownership of and Control over Working Papers

Working papers are the auditors' property and should be kept under their control. If there is any risk of loss the papers should be kept in a locked file cabinet or a locked desk during lunch hours and overnight. The papers should not be made available to people who have no authority to have or use them. Access to audit working papers and reports may be allowed to external auditors and to people within CUHAS other than the auditees, but this must be with the approval of the head of internal audit section.

The auditors should adopt appropriate procedures for maintaining the confidentiality and safe custody of the working papers and for retaining them for a period of not less than three (3) years.

CHAPTER EIGHT

8. MANAGEMENT OF THE INTERNAL AUDIT UNIT

8.1 Head of Internal Audit

- i. The Chief Internal Auditor shall be the Head of the Internal Audit Unit at CUHAS
- ii. The Chief Internal Auditor shall be reporting periodically, to the Audit Committee and on day-to-day, to the Vice Chancellor.
- iii. The University Council shall approve the appointment or removal of the Chief Internal Auditor.
- iv. The Chief Internal Auditor shall be an invitee to the Council meetings to ease communication with the Council.

Together with other duties and responsibilities as shown in the Scheme of Service, the Chief Internal Auditor should properly manage the Internal Audit Unit.

The Chief Internal Auditor should specifically oversee the following matters pertaining to the Unit :

(a) Purpose, authority and Responsibility.

The Chief Internal Auditor should have a statement of purpose, authority and responsibility for the Internal Audit Unit.

(b) Planning

The Chief Internal Auditor should establish plans to carry out the responsibilities of the Internal Audit Unit.

(c) Internal Auditors shall not accept anything of value from an employee, client customer, supplier or business associate of their organization which would impair or be presumed to impair their professional judgment.

(d) Internal Auditors shall undertake only those services which they can reasonably expect to complete with professional competence or otherwise expert advice and assistance on the issue should be sought.

- (e) Internal Auditors shall adopt suitable means to comply with the Standards for Professional Practice of Internal Auditing.
- (f) Internal auditors shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in any manner which would be contrary to law or detrimental to the welfare or their organization.
- (g) Internal Auditors, when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations under review or conceal unlawful practices.
- (h) Internal Auditors shall continually strive for improvement in their proficiency and in the effectiveness and quality of their services.
- (i) Internal Auditors in the practice of their profession shall be ever mindful of their obligation to maintain the high standards of competence, morality and dignity.

8.2 Code of Ethics and Conduct for CUHAS Internal Auditors

8.2.1 Ethics

- i. Internal Audit staff shall exercise honesty, objectivity and diligence in the performance of their duties and responsibilities.
- ii. Internal audit staff shall exhibit loyalty in all matters pertaining to the affairs of the CUHAS or to whomever they may be rendering a service. However, CUHAS Internal Audit staff shall not knowingly be a party to any illegal or improper activity within or outside CUHAS premises.
- iii. Internal audit staff shall not knowingly engage in acts or activities which are discreditable to the profession of internal auditing or to the organization.
- iv. Internal audit staff shall refrain from entering into any activity which may be in conflict with the interest of their organization or which would prejudice their ability to carry out objectively their duties and responsibilities.
- v. Internal Audit staff shall not accept anything of value from an employee, client, customer, supplier, or any other person which would impair or be presumed to impair their professional judgment.
- vi. Internal Audit staff shall undertake only those services which they can reasonably expect to complete with professional competence.

- vii. Internal Audit staff shall adopt suitable means to comply with the International Standards on auditing for the Professional Practice of Internal Auditing.
- viii. Internal Audit staff shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in any manner which would be contrary to law or detrimental to the welfare of CUHAS.
- ix. Internal Audit staff, when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations under review or conceal unlawful practices.
- x. Internal audit staff shall continually strive for improvement in their proficiency and in the effectiveness and quality of their service.
- xi. Internal Audit staff in the practice of their profession shall be ever mindful of their obligation to maintain the high standards of competence, morality and dignity promulgated by the University. Members shall abide by the By-laws and uphold the objectives of the University.

8.2.2 Conduct

The following guidelines are established regarding personal conduct and the confidentiality of audit or business information acquired through audit assignments.

- i. As member of the Internal Audit staff, you are representing the highest level of management. Conduct yourself in manner that reflects favourably upon yourself and those you represent. You are expected to exercise professional skill, integrity, maturity of behaviour and tact in your relations with others. In general, you are encouraged to be friendly with all CUHAS employees without affecting your objectivity. You should guard against any conduct or mannerisms which permit an impression that you consider yourself an “expert” sent to check on employees. As far as possible, take the position of an independent/objective analyst and advisor. Avoid the image of policing.
- ii. In the course of your assignments, you will be in contact with personnel at all levels of authority and position. At all times, independence in mental attitude is to be maintained. Reports resulting from your efforts should always contain full and unbiased disclosure of all but minor audit findings. Although you report to the Internal Audit Unit, you have responsibilities to both management and the personnel being audited.

- iii. Much of your work is confidential; therefore, be discreet on and off the job in discussing current or past audits or your personal assessments of audit clients. Judgment should be exercised in the security of audit work papers, programs, records and information at all times.
- iv. Never indiscreetly discuss any information you obtain during audits.
- v. Avoid extremes of dress or personal grooming.

8.3 *Audit Committee*

8.3.1 Introduction

Audit Committee may be defined as a specialist, independent oversight body of an organization designed to improve the organization's overall governance framework.

Increasing risk and complexity in the financial community, together with the pressure for greater accountability to various stake holders, have prompted many boards of organizations to introduce audit committees as management tools to enhance accountability. Corporate governance; which insists on good governance, transparency and accountability, has become increasingly a demand by both national and international policy makers.

8.3.2 Composition of Audit Committee

The composition of audit committee is a key determinant of its effectiveness. Factors which including the size of the committee, the qualifications, experience and status of members (in particular the chairperson, and the duration of appointment of members, all impact on its effectiveness).

In general, the optimum number of members is considered to be in the range of 3 to 5. It is envisaged that such a range will provide a suitable range of views and experience without being unwieldy to manage. The key word is ‘balance’

However, appointment of at least one member of the Audit Committee shall be done by the Tanzania Episcopal Conference (TEC).

8.3.3 Roles and Functions of Audit Committee

The exact descriptions of the functions of an Audit Committee will normally be stated in the Audit Committee Charter. The Audit Committee Charter is a document developed by the Audit Committee and approved by the Council and will usually specify all the key functions and mandate of the Committee delegated to it by the full Council.

The roles of Audit Committee are as follows:

- i. **Review systems of Internal Accounting Controls:** Review with the external auditors, the Department of Internal Auditor, the Accounting Officer to the extent deemed appropriate by the Chairperson of the Audit Committee;
- ii. **Review Annual Financial Statements and Audit Results:** Review with appropriate officers of the entity and the External Auditors the annual audited financial statements before submission to the Council;
- iii. **Review Internal Audit Reports:** Review with the Chief Internal Auditor all major findings on internal audits, investigations, recommendations and management responses or actions thereto;
- iv. **Review the External Auditor's Performance:** Review the performance of external Auditors and recommend to the Council annually;
- v. **Provide Advice to the Accounting Officer:** Advice on actions to be taken on matters of concern rose in a report of the internal auditor;
- vi. **Discuss with External Auditors:** Any reservations and problems arising in the course of audit, management letter and management responses prior to the issuance of the audit report;
- vii. **Review and Approve:** Internal Audit Plans, Internal Audit Manual, Internal Audit Charter and other Internal Audit Documents with the Chief Internal Auditor and appropriate members of staff of the Internal Audit Unit for approval;
Refer CUHAS Organisation chart show internal audit function
- viii. **Review Legal Matters:** Review any legal matter that could have material impact on the financial statements of the entity on a periodic basis and at least annually;

- ix. **Review Charter:** The Audit Committee will review and reassess, with the assistance of management, including the Legal Officer, the Chief Internal Auditor, and the External Auditors, the adequacy of the Audit Committee Charter at least annually. The Audit Committee will submit the Charter to the Council for approval;
- x. **Provide Guidance to Internal Audit Unit staff:** monitor implementation of their findings regarding such areas as internal control systems, compliance with organizational policies and practices and performance of special projects e.g. income generating activities, cost saving measures as well as investigating financial frauds in special cases; and
- xi. **Recommend for the Appointment or Dismissal of the Chief Internal Auditor:** The Audit Committee will be responsible for recommending to the University Council on the appointment of the Chief Internal Auditor. Also, the audit committee should review the performance of the Chief internal auditor and recommend for the Council on the performance and rewards of the Chief Internal Auditor. The dismissal of the Chief Internal Auditor should be initiated by the Audit committee as well.

8.3.4 The Relationship of Audit Committee with Internal Auditor

The function of the Internal Audit Unit in an entity is an important management tool for continuous monitoring and reporting on compliance with established policies and procedures.

The role of the internal audit function will also usually complement that of the external audit function. Taken together, the results of this audit activity will provide executive management and the governing body with a strong insight into the health of the internal control framework of the entity.

Internal audit also has an important role to play in assisting management to identify, assess and reduce risks.

- i. The existence of an audit committee can be used to strengthen the objectivity of the internal audit function through the effective oversight of its activities;
- ii. It is in the interest of the committee, in meeting its own obligations, to ensure that the internal audit function has adequate and appropriate resources, and that these resources are used to the greatest possible advantage; and

- iii. It is also in the interest of the committee to ensure that the planned coverage of the entity's operations and systems by internal audit is comprehensive and timely and takes into account identified business risks.

Additionally, Audit Committee can serve the following:

- i. Promote the understanding of internal audit's role and status within the organization;
- ii. Enhance the independence and perceived value of internal audit;
- iii. Provide a forum for senior management to discuss internal controls including issues raised by internal and external audits in their reports and in the audit committee meetings; and
- iv. Aid the coordination of internal audit and any other consultancy and inspection reviews.

8.3.5 Meetings

Audit Committee meetings should be held at regular intervals but at a frequency of not less than once in every three months to maintain continuity and effectiveness of its presence. Minutes of each meeting should be taken and agreed amongst the committee members.

The head of Internal Audit should have a prominent role at committee meetings, as he or she will be the originator of many of the papers considered. The audit committee is the right forum for discussing specific audit findings arising from individual assignments with observations and recommendations featuring in the quarterly reports for the Internal Audit Unit submitted to the Audit Committee for review.

8.3.6 Items to be addressed at Audit Committee Meetings

The Audit Committee meetings should be scheduled to address the following concerns and the items on the agendas should, when appropriate, include those matters detailed as follows:

i. Statutory Audit Matters

- a. Management's responsibility for adequate internal control, both financial and otherwise.
- b. External Auditors engagement letters and ensuring that all alterations in the terms of the engagement have been agreed in writing.
- c. Review of internal/external audits to ensure efficiency and effectiveness in the accomplishment of intended objectives.

- d. Rotation of locations or functions.
- e. Number of external audit personnel and allocation of responsibilities.
- f. Special emphasis areas including reviews of information systems.
- g. Specialized services to be rendered by the external auditor.
- h. Audit scope and coverage including levels of materiality and scope of audit coverage in the University's operations.
- i. Timing of fieldwork.
- j. Deadlines and expected date of completing external audit assignments.
- k. Anticipated audit problems and measures to be taken towards other disposition.
- l. Recent changes in policies and practices including changes in University and their implementation by the University's Management (Internal Audit, Finance and other relevant Directorates affected by said policy and other changes)
- m. Internal audit reporting arrangements.
- n. Unresolved findings from audit assignments
- o. Audit needs assessment and the resources implications arising from it.
- p. Internal audit qualifications, skills and competencies.
- q. Accounting and audit developments in the Accounting profession.
- r. Any reported material weaknesses in internal control.
- s. Finance and accounting policies.
- t. Internal audit working relations with auditees and external auditors.

ii. Internal Control and Audit

- a. Internal Audit plan, scope of audit coverage and objectives.
- b. Internal audit resource requirements
- c. Training facilities for internal auditors
- d. Any reported significant control deficiencies.

iii. Interim Reports

- a. Audit status
- b. Internal control problems
- c. Accounting disclosure issues
- d. Accounting policy changes
- e. Actions required before year-end.

- f. Possible Audit opinion qualifications.
- iv. Review of External Audit**
 - a. Audit recommendations and opinion qualifications
 - b. Management's response to auditor's recommendations and auditors opinion on the financial statements and financial management, including that of the Directors.
- v. Annual Financial Statements**
 - a. Results of operations
 - b. Extra-ordinary or abnormal items
 - c. Adequacy of disclosures and explanations of accounting policies
 - d. Auditor's report

8.4 Internal Audit Reports

8.4.1 Introduction

The Head of Internal Audit should report formally to the Vice Chancellor and the Audit Committee once in every three months. The main purpose of the quarterly report is to provide a formal opinion to the Vice Chancellor and the Audit Committee on the adequacy, reliability and effectiveness of the University's Internal Control system in the form of a statement of assurance. It is thus more than a summary of audit activity in the year. Similarly, the assurance offered should be more than a compilation of individual assurances on systems audited in the period.

8.4.2 Assurance

Assurance can never be absolute—the most internal audit can provide to the Vice Chancellor is a reasonable assurance that there are no major weaknesses in the internal control system.

In assessing the level of assurances to be given, the Head of Internal Audit should take into account:

- i. All audits undertaken during the period covered by the report, including where appropriate follow-up internal audits and key control testing;
- ii. Any of follow-up action taken in respect of audits from previous periods;
- iii. Significant recommendations not accepted by management and the consequent risks;
- iv. The effects of any significant changes in the University's objectives or systems;
- v. Matters arising from previous report to the Audit Committee of the Council;
- vi. Any limitations that may have been placed on the scope of internal audit;

- vii. The extent to which resource constraints may impinge on the Head of Internal Audit's ability to meet the full audit need of the University;
- viii. What proportion of the University's audit need has been covered to date?; and
- ix. The quality of audit performance.

The Head of Internal Audit should ensure that financial control; fraud and value for money issues are specifically considered as part of the assurance. Any limitations on the assurance, however, arising, should be clearly explained.

8.4.3 Contents of the Report

The report should contain, as a minimum:

- i. A statement of the extent to which the Management of the University can rely on the internal control system;
- ii. An analysis of common or significant weaknesses arising;
- iii. A comparison of activity during the year with that planned, placed in the context of the overall audit need;
- iv. Details of any major audit findings where action appears to be desirable but has not been taken and which thus need to be brought to the Vice Chancellor and Audit Committee's attention;
- v. The extent of achievement of any objectives (including targeted performance indicators) which may have been agreed for internal audit;
- vi. The report may also record:
 - a. The results of any external review of internal audit.
 - b. Any significant changes to the strategic plan.
 - c. The views of Head of Internal Audit on the status and prospects of internal audit.
 - d. The extent to which internal audit is adequately staffed and trained.
 - e. A summary of audit activity for the year.
- vii. The reports' contents, presentation and design should be carefully considered in the light of the Vice Chancellor and Audit Committee's requirements. Detailed tables, etc. should be placed in appendices. Overall, the report should enable the Vice Chancellor and the Audit Committee to judge the calibre of internal audit and to give direction to it or senior line Directors and Managers.

APPENDIXES

1. Appendix One

This chapter presents exhibits and formats of different documentations appearing at each stage of an audit engagement and on other administrative issues for internal auditing in the University.

Sample of Structure and Contents of an Internal Audit Charter

The Internal Audit Charter should have, at least, the following key contents:

- i. *Introduction:* Specifies that the internal audit function has been established in accordance with the laid down legislation and the charter has been approved by the University Council.
- ii. *Purpose of internal audit:* Defines the purpose of internal audit
- iii. *Independence:* Specifies the organizational independences of internal audit, defines the reporting arrangements and lines of accountability between the Head of Internal Audit, the Vice Chancellor and the Audit Committee, provides for unrestricted access to the Head of Internal Audit, and the Audit Committee Chair and members, and provides for periodic meetings with the Audit Committee
- iv. *Authority and confidentiality:* Details internal audit's authority to access all records, assets, personnel and premises and its authority to obtain such information as it considers necessary to fulfil its responsibilities. And specifies information accessed in the course of internal audits will only be used for auditing purposes.
- v. *Role and responsibilities:* Details the role and responsibilities of internal audit including its role in undertaking: audit activities, audit support activities, and non-audit activities (if any)
- vi. *Scope of internal audit activity:* Defines the scope of internal audit, that is, the programs, activities, processes, systems and organizations that are (and are not) subject to internal audit review.
- vii. *Standards:* Specifies the professional and other standards that will be followed when conducting internal audit assignments.
- viii. *Relationship with internal stakeholders:* Defines the relationship between internal audit and internal stakeholders- Accounting Officer, Audit Committee, Management
- ix. *Relationship with external audit:* Defines the relationship between internal audit and external audit.
- x. *Planning:* Specifies the requirement for an internal audit strategic business plan and an internal audit annual work plan.
- xi. *Reporting:* Specifies the reporting arrangements required including the provision of an annual assessment of the entity's system of internal controls and advice to the Audit Committee and entity management of patterns, trends or systemic issues arising from internal audit work.
- xii. *Administrative arrangements:* Specifies adherence to the internal audit manual and protocols. And Specifies internal audit performance will be assessed annually, based on key performance indicators approved by the Audit Committee.
- xiii. *Review of charter:* Provides for the periodic review of the Charter by the Audit Committee and approval of any substantive changes by the Vice Chancellor or Council on the advice of the Audit Committee.

Appendix 2: Sample of Auditable Unit Risk Assessment Spreadsheet

Auditable Unit	Identified Risk	Risk Type/ Category	Root Cause	Likelihood or Probability	Consequence (Impact)	Risk Score	Overall Rank
Admission Unit							
Procurement Management Unit							
Human Resource Section							
Examination Unit							
Accounts Section							
Etc							
Etc.							
Etc.							

Appendix 3: Sample of Engagement Letter

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To: Admission Department

U.F.S: DVC ARC

From: Chief Internal Auditor

SUBJECT: AUDIT ENGAGEMENT

In accordance with our Financial Year 202/23 Internal Audit Plan, the Internal audit unit will conduct an audit at Admission Department from 8th September, 2022 to 10th September, 2022. The days could be extended further if the planned activities are not completed. The audit will be approached in the same manner as that of any other activity.

We will have the entrance conference on 8th September 2022 at 10:00 AM to discuss the various aspects of our audit

Regards

.....

[Auditor Name]

[Title]

Appendix 4: Specimen of Audit Program

<i>Auditable Area</i>	
<i>Audit Duration (Date)</i>	

Audit Objective	Program (Activities)
i.	
ii.	
iii.	

Audit Objective	Program (Activities)
iv.	
v.	
vi.	
vii.	

Appendix 5: Exit Meeting Minutes

<p>Title: <u>Exit Meeting Minutes</u></p> <p>Period _____</p>	<p>Prepared by: _____</p> <p>Prepared on: _____</p> <p>Reviewed by: _____</p> <p>Reviewed on: _____</p>																				
<p>Date and Venue:</p>																					
<p>I. Attendees:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Name</th> <th style="text-align: left;">Title</th> <th style="text-align: left;">Org./Dept</th> <th style="text-align: left;">Telephone/E-mail</th> </tr> </thead> <tbody> <tr> <td>1. _____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>2. _____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>3. _____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>4. _____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table>		Name	Title	Org./Dept	Telephone/E-mail	1. _____	_____	_____	_____	2. _____	_____	_____	_____	3. _____	_____	_____	_____	4. _____	_____	_____	_____
Name	Title	Org./Dept	Telephone/E-mail																		
1. _____	_____	_____	_____																		
2. _____	_____	_____	_____																		
3. _____	_____	_____	_____																		
4. _____	_____	_____	_____																		
<p>II. Opening Remarks:</p>																					

-
-
-

III. Key issues/findings observed:

-
-
-

IV. Reaction/Comments from the auditee’s members:

-
-
-

V. Conclusion and Agreement on the way forward:

-
-

Auditee		Auditors	
Signed by	Title	Signed by	Title
Date		Date	

Appendix 6: Follow-up Audit Documentation

Title: Follow-up Audit	Prepared by: _____
_____	Prepared on: _____
Period _____	Reviewed by: _____
Subject _____	Reviewed on: _____

Ref. No. From Report	Recommendation	Agreed Plan	Action	Implementation Status	Auditor’s Comments or Remarks

Appendix7: Statement of Physical Cash Verification:

• •

Name of the auditor:.....

Name of Cashier:

Details of Cash in Hand:

Denominations	Amount
500x	
100x	
50x	
Coins	
Total	Xxxxxxx
Add : Stamps	Xxxxxxx
Total Cash in hand	Xxxxxxx
Cash balance in cash book	Xxxxxxx
Cash Shortage/ Excess	Xxxxxxx

Chief Accountant
(Signature)

Cashier
(Signature)

Auditor
(Signature)