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A. INTERNAL AUDIT OVERVIEW

A.1 RATIONALE
Internal Audit Division (IAD) reports functionally to the Board and administratively to the Executive Director (ED) of the Fund. IAD bears primary responsibility for all audits. IAD’s coverage and service extends to all Fund functions and activities. Internal Audit (IA) is also a control which functions by examining and evaluating the adequacy and effectiveness of other controls throughout the Fund. Finally, IA provides assistance to the Fund’s external auditors in their performance of the annual audits of the Fund’s financial statements as well as to assist other regulatory agencies, and the Auditor General.

A-2 CHARTER

Introduction

The Institute of Internal Auditing provides the following definition of an audit:

IA is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Fund. It is to assist the Fund in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control, and governance processes.

Role of IAD
The IA function is established by the Board, and the Board also defines its responsibilities as part of their oversight function.

Professional Standards
The IA Staff shall govern themselves by adherence to the Institute of Internal Auditors’ Code of Ethics. (Appendix I). The Institute's "International Standards for the Professional Practice of Internal Auditing" (Standards) shall constitute the operating procedures for the IA function. These two documents constitute an addendum to their Charter. The Institute of Internal Auditors’ "Practice Advisories" shall be adhered to as applicable. In addition, IA shall adhere to the Fund policies and procedures as set out in this manual.

Authority
Authority is granted for full, free, and unrestricted access to any and all of the Fund records, physical properties, and personnel relevant to any function under review. All employees are required to assist IA in fulfilling their staff function.
IA shall also have free and unrestricted access to the Chairman of the Board, and the Audit Committee of the Board. Documents and information given for IA during a review shall be handled in the same prudent and confidential manner as, by those employees normally accountable for them.

5.0 Organization
The Internal Auditor shall report administratively to the ED and functionally to the Audit Committee of the Board.

6.0 Independence
All IA activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering audit services.

IA shall have no direct operational responsibility or authority over any of the activities reviewed. Accordingly, it shall not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

7.0 Organisational Structure
The Internal Audit function is headed by the Manager, Internal Audit who reports functionally to the Board Audit Committee and administratively to the ED. Under the current structure Internal Audit has only one position.

The Board is the governing body of the Uganda Road Fund (URF). The Board Audit Committee (BAC) serves as an audit and oversight body in discharging its oversight function.

The BAC should have three members of the Board, at least one of whom should have recent and relevant financial experience. The BAC can co-opt members from outside the Fund when particular skills or expertise are required.

A quorum shall be 2 members.

The Chairman of the Board shall not be a member of BAC.

The BAC should meet at least three times each year. Only members of BAC have a right to attend meetings; other members of the Board and staff of the URF may be invited to attend.

The Chairman of BAC shall report to the URF Board after each meeting of BAC and the work of BAC should be a standard agenda item for meetings of the URF Board.

The Manager, Corporate Services shall act as secretary to BAC.
The Annual Report of the Fund shall include a section on the work of BAC that covers:

(i) Roles and responsibilities of BAC
(ii) Number of meetings and attendance levels
(iii) Composition of BAC (including qualifications, appointment process and fees paid)
(iv) Description of main activities e.g. monitoring the integrity of the financial statements, reviewing the integrity of the internal financial control and risk management systems, oversight and effectiveness of external audit

The tasks of the BAC in discharging its oversight function on IAD are:

(i) To examine and approve the work plan of IAD taking into account the work plan of other oversight agencies
(ii) To review and approve the budget proposals of IAD taking into account its work plans
(iii) To review the effectiveness, efficiency and the impact of the internal audit activities and other oversight functions on a regular basis with a view of optimizing their cooperation and complementarities.
(iv) To monitor independence of the Internal audit function
(v) To ensure that findings and recommendations are adequately addressed
(vi) To undertake the appraisal of the Manager, Internal Audit in line with policies and procedures set out in the Human Resources manual
(vii) To monitor the integrity of financial statements
(viii) To monitor internal control and risk management systems
(ix) To meet, from time to time, with Manager, Internal Audit without the presence of senior management

8.0 Audit Scope
The scope of IA encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization’s stated goals and objectives. It includes:

(i) Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.
(ii) Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a
significant impact on operations and reports and whether the organization is in compliance.

(iii) Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

(iv) Reviewing and appraising the economy and efficiency with which resources are employed.

(v) Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

(vi) Reviewing specific operations at the request of the Board, Audit Committee or management, as appropriate.

(vii) Monitoring and evaluating the effectiveness of the organization’s risk management system.

(viii) Coordinating with the external auditors while executing their assigned duties.

9.0 Audit Planning
Annually, the IA shall submit to management and the Board Audit Committee a summary of the audit work schedule, staffing plan, and budget for the following fiscal year. The audit work schedule is to be developed based on a prioritization of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to management and the Board Audit Committee through periodic activity reports.

10.0 Reporting
A written report shall be prepared and issued by the IA or designee following the conclusion of each audit and shall be distributed as appropriate. A copy of each audit report and a summary shall be forwarded to the ED and the Chairman of the Board Audit Committee.

The IA or designee may include in the audit report the auditee’s response and corrective action taken or to be taken in regard to the specific findings and recommendations. The auditee’s response shall include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

In cases where a response is not included within the audit report, the manager of the audited area shall respond, in writing, within thirty days of publication to IA and those on the distribution list.

IA shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings shall remain in an open-issues file until cleared by the IA or the Audit Committee.
11.0 Periodic Assessment
The IA in consultation with the Board shall periodically assess (at least once every two years) whether the purpose, authority, and responsibility, as defined in this manual, continue to be adequate to enable the IA activity to accomplish its objectives.

A-3 MISSION STATEMENT, OBJECTIVES AND VALUES

A-3.1 MISSION STATEMENT
IA exists to support management and the Board in the effective discharge of their responsibilities. Using knowledge and professional judgment, IA shall provide an independent appraisal of the Fund's financial, operational, and control activities. IA shall report on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with institutional policies and government laws and regulations. Additionally, IA shall provide analysis, recommendations, counsel, and information concerning the activities reviewed.

A-3.2 IA’S OBJECTIVES IN ACCOMPLISHING ITS MISSION

(i) Determine the accuracy and propriety of financial transactions.
(ii) Evaluate financial and operational procedures for adequacy of internal controls and provide advice and guidance on control aspects of new policies, systems, processes, and procedures.
(iii) Verify the existence of the Fund assets and ensure that proper safeguards are maintained to protect them from loss or damage.
(iv) Determine the level of compliance with the Fund policies and procedures, laws and regulations.
(v) Evaluate the accuracy, effectiveness, and efficiency of the Fund’s electronic information and processing systems.
(vi) Determine the effectiveness and efficiency of the Fund in accomplishing its mission and identify operational opportunities for cost savings.
(vii) Investigate all forms of misconduct.

A-3.3 VALUES
In carrying out its mission, IA share certain beliefs and values:

(i) The primary focus of IA is to provide excellent service to the Fund. Its examinations shall be performed in accordance with applicable
standards established by the IIA, Government of Uganda regulatory instruments, and any other applicable regulatory instruments.

(ii)IA is committed to the highest degree of fairness and integrity in the performance of its mission. Auditors shall adhere to the Code of Ethics as established by the IIA.

(iii) The audit relationships with the Fund community shall be characterized by integrity.

(iv) IA is committed to maintaining professionalism through continuance of education/training and other forms of upgrading audit skills and development.

(v) Although IA is part of the Fund, it is committed to maintaining independence in defining the scope and objectives of IA examinations.

A-4 STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDIT

100 Independence
IA shall be independent of the activities audited. IA is independent when it can undertake its work freely and objectively. Independence permits IA to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity.

110 Organizational Status

(i) The organizational status of IA shall be sufficient to permit the accomplishment of its audit responsibilities. IA shall have the support of management and the Board so that it can gain the co-operation of auditees and perform work free from interference.

(ii) The Manager, IA shall be an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

(iii) The Manager, IA shall have direct communication with the Board. Regular communication with the Board helps ensure independence and provides a means for the Board and the Manager to keep each other informed on matters of mutual interest. Suggestion----that Internal Audit should be a standard agenda item for the Board.

(iv) Independence is enhanced when the Board concurs in the appointment or removal of the Manager, IA. Only the Board can appoint or remove the Manager, IA.

(v) The purpose, authority, and responsibility of IA shall be defined by the Board. The Board shall; (a) establish the IA position within the organization, (b) authorize access to records, personnel, and physical
properties relevant to the performance of audits, and (c) define the scope of IA activities.

(vi) The Manager, IA shall submit annually to the Board for approval and to management for its information a summary of the IA work schedule, staffing plan, and financial budget. The Manager, IA shall also submit all significant interim changes for approval and information. Audit work schedules, staffing plans, and financial budgets shall inform management and the Board of the scope of IA work and of any limitations placed on that scope.

(vii) The Manager, IA shall submit activity reports to management and the Board annually or more frequently as necessary or as required by the Board. Activity reports shall highlight significant audit findings and recommendations and shall inform management and the Board of any significant deviations from approved audit work schedules, staffing plans, and financial budgets, and the reasons for them.

120 Objectivity
IA shall be objective in performing an audit.

(i) Objectivity is an independent mental attitude which IA shall maintain in performing audits. IA shall not subordinate their judgment on audit matters to that of others.

(ii) Objectivity requires IA to perform audits in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. IA are not to be placed in situations in which they feel unable to make objective professional judgments.

(iii) Staff assignments shall be made so that potential and actual conflicts of interest and bias are avoided. The Manager, IA shall periodically obtain from audit staff information concerning potential conflicts of interest and bias.

(iv) The Manager, IA shall report to the ED any situations in which a conflict of interest or bias is present or may reasonably be inferred. In consultation with the ED, the Manager, IA shall then reassign such auditors.

(v) Staff assignments of IA shall be rotated periodically whenever it is practicable to do so.

(vi) IA shall not assume operating responsibilities. But if on occasion, management directs IA to perform non-audit work, it shall be understood that they are not functioning as IA. Moreover, objectivity is presumed to be impaired when IA audit any activity for which they had authority or responsibility. This impairment shall be considered when reporting audit results.
(vii) Persons transferred to or temporarily engaged by the Manager, IA shall not be assigned to audit those activities they previously performed until a reasonable period of time has elapsed. Such assignments are presumed to impair objectivity and shall be considered when supervising the audit work and reporting audit results.

(viii) The results of IA work shall be reviewed by the Manager, IA before the related audit report is released to provide reasonable assurance that the work was performed objectively.

The IA objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented. Designing, installing, and operating systems are not audit functions. Also, the drafting of procedures for systems is not an audit function. Performing such activities is presumed to impair audit objectivity.

200 Professional Proficiency
IA shall be performed with proficiency and due professional care. Professional proficiency is the responsibility of the Manager, IA but this does not preclude any individual IA from taking responsibility for his/her own professional proficiency. The Manager, IA shall ensure any staff undertaking IA work possess the necessary knowledge, skills, and disciplines to conduct the audit properly.

210 Staffing
The Manager, IA shall provide assurance that the technical proficiency and educational background of IA are appropriate for the audits to be performed. The Manager, IA shall establish suitable criteria of education and experience for filling IA positions, giving due consideration to scope of work and level of responsibility. Reasonable assurance shall be obtained as to each prospective auditor's qualifications and proficiency.

220 Knowledge, Skills, and Disciplines
IA shall possess or shall obtain the knowledge, skills, and disciplines needed to carry out audit responsibilities.

IA staff shall collectively possess the knowledge and skills essential to the practice of the profession within the organization. These attributes include proficiency in applying IA standards, procedures, and techniques.

The Manager, IA shall have employees or use consultants who are qualified in such disciplines as accounting, economics, finance, statistics, electronic data processing, engineering, taxation, and law as needed to meet audit responsibilities. Each member of the department, however, need not be
qualified in all of these disciplines. The IA shall use of outside consultants to provide assistance on assignments where IA does not have the requisite competency. Prior to selection IA shall assess the competency, independence and objectivity of the consultants as it relates to the particular assignments to be performed. IA shall specify the scope of work of the consultants and require that IA activities be performed in accordance with this manual and IIA standards. IA shall evaluate the adequacy of the work performed by the Consultant and ensure that sufficient information was obtained to support conclusions reached.

230 Supervision
The Manager, IA shall provide assurance that IA staff are properly supervised.

The Manager, IA is responsible for providing appropriate audit supervision. Supervision is a continuing process, beginning with planning and ending with the conclusion of the audit assignment.

Supervision includes:

(i) Providing suitable instructions to subordinates (including consultants where used) at the outset of the audit and approving the audit program.
(ii) Seeing that the approved audit program is carried out unless deviations are both justified and authorized.
(iii) Determining that audit working papers adequately support the audit findings, conclusions, and reports.
(iv) Making sure that audit reports are accurate, objective, clear, concise, constructive, and timely.
(v) Determining that audit objectives are being met.

Appropriate evidence of supervision shall be documented and retained.

The extent of supervision required shall depend on the proficiency of the IA and the difficulty of the audit assignment.

All IA assignments remain the responsibility of the Manager, IA.

240 Compliance with Standards of Conduct
IA shall comply with professional standards of conduct. The Code of Ethics of The IIA sets forth standards of conduct and provides a basis for enforcement among its members. The Code calls for high standards of honesty, objectivity, diligence, and loyalty to which IA shall conform.

260 Human Relations and Communications
IA shall be skilled in dealing with people and in communicating effectively.
(i) IA shall understand human relations and maintain satisfactory relationships with auditees.

(ii) IA shall be skilled in oral and written communications so that they can clearly and effectively convey such matters as audit objectives, evaluations, conclusions, and recommendations.

270 Continuing Professional Development

IA shall maintain their technical competence through continuing professional development.

(i) IA are responsible for continuing their education in order to maintain their proficiency. They shall keep informed about improvements and current developments in IA standards, procedures, and techniques. Continuous education may be obtained through membership and participation in professional societies; attendance at conferences, seminars, college courses, and in-house training programs; and participation in research projects.

(ii) As a minimum staff are required to complete 80 hours of continuing professional education and for each annual performance cycle. IA staff shall be encouraged to obtain appropriate professional certification(s) and incentives such as time off and reimbursement of fees and costs incurred to attain these certifications while staff are employed will be met by URF

280 Due Professional Care

IA shall exercise due professional care in performing IA.

(i) Due professional care calls for the application of the care and skill expected of a reasonably prudent and competent IA in the same or similar circumstances. Professional care shall, therefore, be appropriate to the complexities of the audit being performed. In exercising due professional care, IA shall be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest. They shall also be alert to those conditions and activities where irregularities are most likely to occur. In addition, they shall identify inadequate controls and recommend improvements to promote compliance with acceptable procedures and practices.

(ii) Due care implies reasonable care and competence, not infallibility or extraordinary performance. Due care requires the auditor to conduct examinations and verifications to a reasonable extent, but does not
require detailed audits of all transactions. Accordingly, the IA cannot give absolute assurance that noncompliance or irregularities do not exit. Nevertheless, the possibility of material irregularities or noncompliance shall be considered whenever the IA undertakes an IA assignment.

(iii) When an IA suspects wrongdoing, the appropriate authorities within the organization shall be informed. The IA may recommend whatever investigation is considered necessary in the circumstances. Thereafter, the auditor shall follow up to see that IA responsibilities have been met.

(iv) Exercising due professional care means using reasonable audit skill and judgment in performing the audit. To this end, the IA shall consider:

(a) The extent of audit work needed to achieve audit objectives.
(b) The relative materiality or significance of matters to which audit procedures are applied.
(c) The adequacy and effectiveness of internal controls.
(d) The cost of auditing in relation to potential benefits.
(e) Due professional care includes evaluating established operating standards and determining whether those standards are acceptable and are being met. When such standards are vague, authoritative interpretations shall be sought. If IA are required to interpret or select operating standards, they shall seek agreement with auditees as to the standards needed to measure operating performance.

290 Use of technology
IA shall deploy technology in the following areas:

(i) All audit work shall be maintained in audit management automated software that IA will acquire to enhance efficiency and effectiveness in the use of audit resources throughout the audit cycle. The audit system shall be comprehensively designed to facilitate the following key internal audit processes:

(ii) Preparing/updating annual audit plans including risk assessment
(iii) Scheduling and monitoring audit assignments and staff resources.
(iv) Creating and maintaining audit working papers for the audit process
(v) Draft audit findings, recommendations and report; and
(vi) Generating management reports
(vii) Recommendations monitoring
(viii) IT data analysis software shall be available to IA so that electronic data can be analysed in order to assess data integrity and perform audit
tests efficiently. IA staff shall be adequately trained in the use of computer assisted audit techniques.

300 Scope of Work
The scope of the IA shall encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.

(i) The scope of IA work, as specified in international auditing standards encompasses what audit work shall be performed. It is recognized, however, that management and the Board provide general direction as to the scope of work and the activities to be audited.

(ii) The purpose of the review for adequacy of the system of internal control is to ascertain whether the system established provides reasonable assurance that the organization's objectives and goals shall be met efficiently and economically.

(iii) The purpose of the review for effectiveness of the system of internal control is to ascertain whether the system is functioning as intended.

(iv) The purpose of the review for quality of performance is to ascertain whether the organization's objectives and goals have been achieved.

(v) The primary objectives of internal control are to ensure:

(a) The reliability and integrity of information.
(b) Compliance with policies, plans, procedures, laws, and regulations.
(c) The safeguarding of assets.
(d) The economical and efficient use of resources.
(e) The accomplishment of established objectives and goals for operations or programs.

310 Reliability and Integrity of Information
IA shall review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

(i) Information systems provide data for decision making, control, and compliance with external requirements. IA shall examine information systems and, as appropriate, ascertain whether:

(a) Financial and operating records and reports contain accurate, reliable, timely, complete, and useful information.
(b) Controls over record keeping and reporting are adequate and effective.
320 Compliance with Policies, Plans, Procedures, Laws, and Regulations

IA shall review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and shall determine whether the organization is in compliance.

(i) Management is responsible for establishing the systems designed to ensure compliance with such requirements as policies, plans, procedures, and applicable laws and regulations. IA are responsible for determining whether the systems are adequate and effective and whether the activities audited are complying with the appropriate requirements.

330 Safeguarding of Assets

IA shall review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

(i) IA shall review the means used to safeguard assets from various types of losses such as those resulting from theft, fire, improper or illegal activities, and exposure to the elements.

(ii) IA, when verifying the existence of assets, shall use appropriate audit procedures.

340 Economical and Efficient Use of Resources

IA shall appraise the economy and efficiency with which resources are employed.

(i) Management is responsible for setting operating standards to measure an activity’s economical and efficient use of resources. IA are responsible for determining whether:
   a) Operating standards have been established for measuring economy and efficiency.
   b) Established operating standards are understood and are being met.
   c) Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
   d) Corrective action has been taken.

(ii) Audits related to the economical and efficient use of resources shall identify such conditions as:
   a) Underutilized facilities
b) Non-productive work

c) Procedures which are not cost justified

d) Overstaffing or understaffing

350 Accomplishment of Established Objectives and Goals for Operations or Programs

IA shall review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

(i) Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing desired operating or program results. IA shall ascertain whether such objectives and goals conform to those of the organization and whether they are being met.

(ii) IA can provide assistance to managers who are developing objectives, goals, and systems by determining whether the underlying assumptions are appropriate; whether accurate, current, and relevant information is being used, and whether suitable controls have been incorporated into the operations or programs.

400 Management of the IA Function

The Manager, IA must effectively manage the audit activity to ensure that it adds value to the organization. The Manager, IA is responsible for properly managing the IA function of the Fund so that:

(i) Audit work fulfills the general purposes and responsibilities approved by Board.

(ii) Resources of the IA function are efficiently and effectively employed.

(iii) Audit work conforms to the Standards for the Professional Practice of IA.

410 Purpose, Authority, and Responsibility

The Manager, IA shall have a statement of purpose, authority, and responsibility for the IA function.

(i) The Manager, IA is responsible for seeking the approval by the Board and the acceptance by management of a formal written document for the IA function.
420 Planning

(i) The Manager, IA shall establish risk based plans to determine priorities of the internal audit activity, consistent with the organisational goals. The IA activity's plan shall be based on a documented risk assessment, undertaken at least annually. The input of management and the Board must be considered in this process.

(ii) IA activities shall be carried out according to an IA work plan prepared by the Manager, IA in consultation with the Board Audit Committee. IA shall prepare audit work plans on a three year rolling cycle, based on risk assessment exercises carried out by December of each year. IA work plans shall be sufficiently flexible to cover unanticipated demands on the IA function. It shall be emphasized that the final determination as to which areas shall be included in the audit plan cannot be based solely on the results of this audit risk assessment. Rather, the performance of the assessment is a tool for use by IA.

(iii) The IA work plan shall be submitted to the Board Audit Committee for approval. On approval, details shall be disseminated to the auditable entities for their information.

(iv) In preparation and implementation of the work plan, IA shall actively cooperate and coordinate efforts with agencies and other oversight bodies in order to ensure proper coverage and minimize duplication of efforts.

(v) Staffing plans and financial budgets, including the number of auditors and the knowledge, skills, and disciplines required to perform their work, shall be determined from audit work schedules, administrative activities, education and training requirements, and audit research and development efforts. IA shall hire out external audit services in specialized areas.

(vi) Activity reports shall be submitted periodically to management and to the Board. These reports shall compare; (a) performance with the department's goals and audit work schedules and (b) expenditures with financial budgets. They shall explain the reasons for major variances and indicate any action taken or needed.

(vii) IA shall report on its activities annually to the Board. The report shall cover a description of significant findings during the year and related recommendations including costs savings recommended and amounts recovered. The report shall also give the status of implementation of recommendations.
430 Policies and Procedures

The Manager, IA shall, with the approval of the Board, shall provide written policies and procedures to guide audit staff.

(i) The form and content of written policies and procedures shall be appropriate to the size and structure of the IA function and the complexity of its work.

(ii) Formal administrative and technical audit manuals should be used where appropriate.

(iii) A small IA function may be managed informally. Its audit staff may be directed and controlled through daily, close supervision and written memoranda. In a large IA function, more formal and comprehensive policies and procedures are essential to guide the audit staff in the consistent compliance with the function’s standards of performance.

440 External Auditors

The Manager, IA shall coordinate internal and external audit efforts.

(i) The internal and external audit work shall be coordinated to ensure adequate audit coverage and to minimize duplicate efforts.

(ii) Coordination of audit efforts involves:

(a) Periodic meetings to discuss matters of mutual interest.
(b) Access to each other’s audit programs and working papers.
(c) Exchange of audit reports and management letters.
(d) Common understanding of audit techniques, methods, and terminology.

450 Quality Assurance

The Manager, IA shall establish and maintain a quality assurance program to evaluate the operations of the IA function.

(i) The purpose of this program is to provide reasonable assurance that audit work conforms to appropriate standards. A quality assurance program shall include the following elements:

(a) Supervision
(b) Internal reviews
(c) External reviews
(ii) Supervision of the work of the IA shall be carried out continually to assure conformance with IA standards, policies of the Fund and audit programs.

(iii) Internal reviews shall be performed periodically by the Manager, IA in the case of staff. For the internal review of the Manager, IA this should be undertaken by the Chairman of the Board and the ED. These reviews shall be performed in the same manner as any other IA.

(iv) External reviews of the IA function shall be performed to appraise the quality of the function’s operations. These reviews shall be performed by qualified persons who are independent of the organization and who do not have either a real or an apparent conflict of interest. Such reviews shall be conducted at least once every three years. On completion of the review, a formal, written report shall be issued. The report shall express an opinion as to the function’s compliance with the Standards for the Professional Practice of IA and, as appropriate, shall include recommendations for improvement.

500 Overview of the audit process

Audit work shall include planning the audit, examining and evaluating information, communicating results and following up.

(i) The IA is responsible for planning and conducting the audit assignment, subject to supervisory review and approval.

510 Planning the Audit

IA shall plan each audit. Planning shall be documented and shall include:

(i) Obtaining background information about the activities to be audited.
(ii) Determining the resources necessary to perform the audit.
(iii) Notifying the audit agency/auditee.
(iv) Conducting an entry meeting
(v) Establishing audit objectives and scope and methodology.
(vi) Writing the audit program.
(vii) Determining how, when, and to whom audit results shall be communicated.
(viii) Obtaining approval of the audit work plan.

520 Audit field work
The audit fieldwork involves executing the audit plan and audit programme in accordance with the IIA standards and this manual. Activities central to fieldwork phase include collecting, analyzing, interpreting, and documenting information to support audit findings, conclusions and recommendations. The fieldwork phase ends with holding an exit meeting.

(i) The process of examining and evaluating information is as follows:

(a) Information shall be collected on all matters related to the audit objectives and scope of work.
(b) Information shall be sufficient, competent, relevant, and useful to provide a sound basis for audit findings and recommendations. Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Competent information is reliable and the best attainable through the use of appropriate audit techniques. Relevant information supports audit findings and recommendations and is consistent with the objectives for the audit. Useful information helps the organization meet its goals.
(c) Audit procedures, including the testing and sampling techniques employed, shall be selected in advance, where practicable, and expanded or altered if circumstances warrant.
(d) The process of collecting, analyzing, interpreting, and documenting information shall be supervised to provide reasonable assurance that the auditor's objectivity is maintained and that audit goals are met.
(e) Working papers that document the audit shall be prepared by the auditor and reviewed by the Manager, IA. These papers shall record the information obtained and the analyses made and shall support the bases for the findings and recommendations to be reported.

530 Communicating Results

IA shall report the results of their audit work in the following manner:

(i) A signed, written report shall be issued after the audit examination is completed. Interim reports may be written or oral, and may be transmitted formally or informally.

(ii) The IA shall discuss conclusions and recommendations at appropriate levels of management before issuing final written reports.

(iii) Reports shall be objective, clear, concise, constructive, and timely.

(iv) Reports shall present the purpose, scope, and results of the audit; and, where appropriate, reports shall contain an expression of the auditor's opinion.
(v) Reports may include recommendations for potential improvements and acknowledge satisfactory performance and corrective action.

(vi) The auditee’s views about audit conclusions or recommendations may be included in the audit report.

(vii) The Manager, IA or designee shall review and approve the final audit report before issuance and shall decide to whom the report shall be distributed. In all cases the Board Audit Committee shall receive a copy of the report.

540 Following Up

IA shall follow up to ascertain that appropriate action is taken on reported audit findings.

(i) IA shall determine that corrective action was taken and is achieving the desired results, or that management or the Board has assumed the risk of not taking corrective action on reported findings.

600 ROLES AND RESPONSIBILITIES OF AUDIT PERSONNEL

610 Manager, IA

The Manager, IA shall be responsible for the overall direction of the audit function in the Fund. He shall ensure that audit resources are efficiently and effectively employed and that the audit work performed fulfills the mission of the IA function. The Manager, IA shall also have the following duties and responsibilities:

(i) Attend entrance and exit interviews
(ii) Discuss, direct, advise, etc., the assigned auditors during the course of the assignment including writing the report
(iii) Ensure that audit program steps shall accomplish the objectives, address major risks and exposures, and shall reasonably ensure the completion of the assignment within allocated resources. Final approval of the audit program shall be done by the Manager, IA.
(iv) Review, edit, and approve the draft report
(v) Ensure that the audit is performed according to agreed standards, staying within the scope and resource allocation limits (hours and dates), and meet stated assigned objectives.

630 Assigned IA

Assigned auditor(s) shall be responsible for performing the audit and shall have the following duties and responsibilities:
(i) Perform the preliminary review, including the internal control evaluation, with guidance from the Senior IA.
(ii) After discussions with the Senior IA, prepare an audit program and time estimate for each program section.
(iii) Perform all assigned activities in conformance with agreed standards, staying within the scope and resource allocation limits of the assigned activity or program section.
(iv) Write the draft audit report

640 Quality Assurance Reviewer

All working papers shall be independently reviewed to ensure that there is sufficient evidence to support conclusions and that all audit objectives have been met. A detailed review shall be conducted by the Manager, IA or assigned quality assurance staff. Initialing working papers, signing the "review/approval form," and filing "cleared" review notes in the current working papers shall serve as documentation of the review process. The reviewer shall:

(i) Determine working papers compliance to general working paper standards.
(ii) Review from audit program steps to the referenced working papers ensuring cross-referencing is proper, the working papers support the steps performed, and all steps have been completed.
(iii) Review working papers from the report(s), the summary of significant findings, working paper summaries, to the detailed working papers to ensure that all findings are stated adequately and documented and support the opinions, findings, and recommendations stated in the report.
(iv) Ensure that working papers "stand alone" in that they clearly stated what work was performed, how and from where samples were selected, the purpose of the working paper, what findings were made, etc.
(v) Document review comments on review notes form.
(vi) After all audit review notes have been resolved, sign off on working paper section of final working paper/report approval form.
(vii) Determine report(s) compliance with IA function report standards.
(viii) Sign off on report(s) section of final working paper/report approval form.
(ix) Determine Permanent/Continuing Audit File's compliance with IA function standards.

650 Report Reviewer

The Report Reviewer's primary responsibility is to provide a final independent review of audit reports to help ensure that proper grammar, spelling, and IA function format has been used. The report reviewer shall also perform or supervise:
(i) Printing of revised draft copies for the Manager, IA approval
(ii) Printing of final report copy for auditors and Manager, IA signature
(iii) Mailing final report copy
(iv) Filing of electronic copy on LAN
(v) Mailing feedback questionnaire
(vi) Updating feedback spreadsheet when feedback is received
(vii) Adding response to electronic copy of report and filing paper copy with final report
(viii) Creating follow-up working papers, electronic copy of report on LAN, etc.
(ix) Updating the Board report

B - AUDIT PROCESS

B-1 PLANNING - GENERAL RATIONALE

Risk assessment is an integral part of the IA planning process. The audit planning process encompasses all activities related to the development of the IA plan including audit scope and objectives, timing, design of detailed procedures, and audit resource planning for the audit activity/agency. The primary objective of the audit planning process is to design the audit approach to ensure that audits are performed in the most effective and efficient manner. In undertaking this process IA attempt the following:

(i) Define the potential audit universe at the Fund.
(ii) Define the significant risks to the activity/agency, its objectives, resources and operations and the means by which the potential impact of risk is kept to acceptable levels.
(iii) Assess the adequacy and effectiveness of the activities risk management and control systems compared to a relevant control framework or model.
(iv) Assessing opportunities for making significant improvements to the activities risk management and control process.

B-2 PLANNING - RESEARCH, SCHEDULING, AND AUDITS
Selection of individual assignments shall be from an approved annual work plan. If a proposed assignment is not from the approved annual work plan, approval to take the assignment must be obtained from Management and the Board Audit Committee after giving reasons for the request to add the assignment. The Board Audit Committee will review the justification for the request and determine the effect of the proposed assignment on the resources and planned activities for the year. If in agreement, the Board Audit Committee will approve the request and forward to the IA to update the work plan and schedule the assignment. Requests for audit services can come from several sources e.g. the Board, ED, designated agencies.

B-2 AUDIT ASSIGNMENT

All audits/tasks shall be authorized by the Manager, IA using an audit assignment sheet. The objective of this process is to ensure that work is performed on only, authorized activity. This form shall provide sufficient information on the audit/task scope, objectives, and resource restrictions (allocated hours, expected completion date) so the assigned IA shall have a clear understanding of expectations for their particular assignment. On notification, auditors identified to participate in an assignment should assess their relationship with the audit agency and its staff and determine whether there are any circumstances that could impair their independence or objectivity while conducting the assignment. Each member of the audit team should read and if in compliance sign the Aud-1.2 Statement of Independence form.

B-2.1 DEFINITION OF TERMS OF THE ASSIGNMENT

The scope section shall define the terms of the assignment by including in the Aud-1.3 Assignment Sheet form:

(i) Title of Project: A short description of the project
(ii) Assignment Date: Beginning of the project
(iii) Allocated Hours: Time budgeted for the project. Any deviation from these hours must be approved by the Manager, IA.
(iv) Expected Completion Date: The date the final report is expected to be issued.
(v) Assigned Staff: Names of the quality assurance reviewer, project manager and assigned staff shall be listed on assignment sheet with project hours that are assigned to each.
(vi) Scope & Objectives: A short description of the scope and objectives that will be covered.

B-2.2 SCOPE AND OBJECTIVES
The scope section shall define the limitations of the audit/task assignment. The scope shall generally include a time period, which records, processes, funds, transactions, policies, controls, etc that shall be reviewed. Scope limitations that restrict audit work shall be mentioned in the audit report. For example: “We did not test actual expenditure transactions”.

The objectives shall explain what the audit is trying to accomplish. Audit objectives shall generally:

(i) Determine the accuracy and propriety of financial transactions.
(ii) Evaluate financial and operational procedures for adequacy of internal controls and provide advice and guidance on control aspects of new policies, systems, processes, and procedures.
(iii) Verify the existence of Fund assets and ensure that proper safeguards are maintained to protect them from loss and damage.
(iv) Determine the level of compliance with Fund policies and procedures, Public Finance and Accountability Act 2003, other applicable laws, contracts, agreements and government regulations.
(v) Evaluate the accuracy, effectiveness, and efficiency of the Fund’s electronic information and processing systems.
(vi) Determine the effectiveness and efficiency of the Fund in accomplishing its mission and identify operational opportunities for cost savings.
(vii) Provide assistance and a coordinated audit effort with the Auditor General and other external auditors.
(viii) Determine if a loss occurred, if so the amount of the loss and circumstances (control weaknesses) that contributed to it.

**B-2.4 ANNOUNCEMENT LETTER**

(i) The auditee shall be informed of the audit project through an Announcement Letter from the Manager, IA. However, IA shall not provide advance notifications for cash counts, subsidiary business audits and fraud investigations. Additionally, IA may not send an announcement letter for requested consulting services.

(ii) The announcement letter shall communicate an approximate date for the entry meeting, the scope and objectives of the audit, the period covered, and the auditor(s) assigned to the project. IA’s mission statement shall also be enclosed for the client’s information. The announcement letter should be issued at least one month prior to the commencement of the field work to give the entity sufficient time to make proper logistical and other arrangements to conduct the audit.

**B-2.5 APPOINTMENT OF AUDITORS**
Each member of the audit team shall be appointed by the Manager, IA using Aud-1.5 Auditors Introductory Letter. Letters of introduction for audit shall be issued and given to each member of the Audit Team.

B-3 PRELIMINARY REVIEW

B-3.1 GENERAL/RATIONALE

The objective of the Preliminary Review is to gain sufficient knowledge of the unit being reviewed so that the auditor can design an audit program to accomplish the assigned objectives. The review shall help the auditor to determine if the assigned objectives are attainable with the allocated resources and what audit procedures shall be performed, based on assessed risks and exposures, to achieve the objectives.

The preliminary review work can be broken down into four distinct phases:

1. Familiarization
2. Identification of potential problem areas
3. Evaluation of internal controls
4. Planning the detailed audit

B-3.1.1 Entry Meeting

A formal entry meeting with the agency should be arranged in the timeframe indicated in the announcement letter. In preparation for the meeting the IA should gather background information to obtain an overview of the nature of the agency’s mandate, operations, risk profile and the current issues it faces. Recommendations from prior internal and external oversight assignments should be reviewed. The entry meeting should be held prior to the travel of the audit team for the audit exercise. This is to ensure that pertinent issues facing the audit entity are identified at the appropriate level and the audit is focused on the areas of relevance and risk. It also enable the field office to be prepared for the audit before the arrival of the auditors. The entry meeting should be used to set the tone for the audit and should obtain information in the following areas:

(i) Discuss and obtain the agencies view on the status of previous oversight findings and recommendations. (If no action is taken the issues should be included for follow up)

(ii) Discuss the areas determined to be high and moderate risk during development of the work plan, the preliminary objectives and scope as well as the audit criteria for the targeted audit areas

(iii) Discuss the agency’s concerns in the area under audit and determine the extent to which areas identified can be incorporated into the audit
(iv) Agree on the focal point from the agency's responsible for handling audit queries, administrative and logistical matters and establish lines of communication with the entity.

An agenda for the entry meeting should be sent ahead of the scheduled date. A supplementary meeting may be held with senior personnel to introduce the audit team. The Manager, IA should ensure that an **Aud-1.6 Entry Meeting Note** summarizing agreements reached, comments from the agency on the preliminary objectives, scope and criteria on targeted areas is prepared.

**B-3.1.2 Initial Research (Familiarization)**

Prior to meeting with the auditee the assigned auditor(s) shall obtain a basic understanding of the auditee to understand how the entity plans, organizes directs and controls its activities. The following sources of information should be reviewed:

<table>
<thead>
<tr>
<th>Management function</th>
<th>Source of information</th>
</tr>
</thead>
</table>
| Planning            | • Strategic plan, annual work plans  
                        • Copies of policies  
                        • Internal management reports |
| Organising          | • Organisational charts and job descriptions  
                        • Relations with other agencies  
                        • Delegation of authority  
                        • Location, nature size and field offices |
| Directing           | • Copies of relevant regulations and rules |
| Controlling         | • Copies of manuals and operating procedures  
                        • Historical financial data  
                        • Prior audit reports |

In order to obtain a thorough understanding of the entity’s operations and be in position to conduct an objective appraisal of its activities, auditors must analyze and assimilate the information collected and on the basis of their analyses, make decisions about the work to be performed in the subsequent stages of the audit. The following techniques may be adopted to carry out analyses:

(i) **Interviews**
Interviews are conducted to help auditors understand the agency's operations. In order to obtain useful information, right questions must be asked and posed in an appropriate manner that puts an interviewee at ease and gains his trust. Successful interviews are based on (i) determining areas to be covered in advance and the questions to be asked (ii) scheduling an appropriate time and place (iii) establishing a rapport with an interviewee (iv) explaining the purpose of the interview and how the results will be used (v) asking the questions (vi) listening to the responses, and (vii) wrapping up or closing the interview. Notes to the interview should be prepare as soon as possible afterwards

(ii) Questionnaires
A list of questions on a particular area or function may be developed to obtain information relating to the audit objective. The questionnaire should be as short as possible and the questions should be designed such that they (i) avoid ambiguity, vagueness or confusion (ii) do not lead to obvious response (iii) require narrative response and (iv) are within the capabilities of the respondent. Questionnaires may be sent to staff of the agency for completion or may be completed during an interview session or by telephone.

(iii) Flow charts
Flow charts are two dimensional graphic representations of an operation in terms of flow of activities through a process. A flow chart is beneficial because it visually depicts processes designed or intended for control purposes. Flow-charting provides the auditor with a good understanding of the process being evaluated. Guidance on flow charting including the standard flow chart format

(iv) Narrative Notes
Narrative notes provide a step by step description of the agencies major systems or operations. The primary purpose of preparing narrative notes is to identify key control activities. Information for preparing narrative note is obtained from interviewing personnel and reviewing procedure manuals and other system documentation. The notes should include all significant parts of the process especially control points, the names and positions of the people performing actions and taking decisions and the timing of such actions.

(v) Walk throughs
Auditors may conduct walk through tests after they have documented the audited entity's process. This involves following one or two transactions through the process from beginning to the end. A walk through test helps to confirm the accuracy of the auditor's documentation of the process and ensure that it is understood. Walk throughs are more effective in understanding the entity's process that a general review of manuals and operating procedures as
they provide a faster and more effective identification of weaknesses and potential problem areas.

(vi) **Analytical procedures**

Analytical procedures are used to obtain an understanding of the entity and its environment. They highlight significant variations and trends and assist IAs in identifying conditions that may need to be addressed during the assignment. Analytical procedures involve the study, comparison, and evaluation of relationships among financial and nonfinancial data at a point in time and a trend over a period. They also encompass the investigation of identified fluctuations and relationships that are inconsistent with the relevant information or deviate significantly from predicted amounts. Analytical procedures are useful in identifying:

a. Differences that are not expected and the absence of differences when they are expected.

b. Potential errors, fraud or illegal acts; and

c. Unusual or non-recurring transactions or events

There are three general steps in performing analytical procedures: (i) develop an expectation of an account balance or item (ii) compare the expected amount to the recorded balance (iii) determine the nature and extent of further audit testing based on the difference between the recorded and estimated balance.

(vii) **Data analysis**

Data analysis is the act of transforming data with the aim of extracting useful information and facilitating conclusions. By using data analysis software auditors are able to analyse data from many dimensions, categorise them and summarise relationships or patterns identified. Instances where the data do not follow a predictable pattern could be indications of possible errors and potential fraud. Questionable differences should be subject of detailed testing. Data analysis software is available for IA use.

(viii) **Physical observations**

Personal observations reveal what is going on, how and whether what is purported to exist corresponds to reality. They involve touring facilities, site visits, reviewing processes, flow of materials and documents

**B-3.1.2 Identification of Potential Problem Areas**

Risk assessment is conducted at the activity level to identify and evaluate risk exposures at the operations or micro level of the entity. It involves considering business process risks, quality of local management and individual performance
in different situations. A part of the planning activities the risks that threaten the objectives of each process within the activity to be audited should be identified and classified into the respective categories. The purpose of risk assessment at activity level is to determine the audit objectives. The audit will concentrate on those areas which are assessed as moderate or high risk. The risk categories of the areas indicate the types of objectives that should be included in the audit programme. For example if compliance risks are rated as moderate or high, the IA should ensure that audit objectives include review of compliance with the procedures related to the activity.

**B-3.1.3 Review and Evaluation of the design of Internal Control System**

All audits, regardless of the nature, typically involve providing assurance on the design and effectiveness of the system of internal control. After obtaining an understanding of the internal control system by way of interviews, questionnaires, systems documentations, walk-throughs and/or performing some initial analytical procedures or data analysis, auditors should make a preliminary assessment of the internal control system to determine whether identified controls are designed to meet the control objectives and mitigate risks. Limited examination of documents, records and reports should be undertaken to assess the design of the controls.

The auditor is responsible for determining how much reliance can be placed on the entity's controls to protect its assets, ensure accurate information, ensure compliance with applicable laws and regulations, promote efficiency and economy, and produce effective results.

A complete review of all controls is not always necessary because some controls may be irrelevant to basic issues which are the subject of the audit effort. Therefore, the auditor must identify those controls which are the most important and critical to the operation and concentrate on them. Some controls which can normally be identified as critical are those which are designed to protect against:

- (a) Substantial financial losses
- (b) Program violations
- (c) Mismanagement
- (d) Legal violations
- (e) Adverse publicity
- (f) Lack of program or mission accomplishment

Evidence gathered during the planning activities shall be documented and filed in a logical manner, in the Planning Activities section of the audit file. On reviewing the data collected, IA should finalize the audit objectives and scope of the audit. IA shall also determine the extent of testing i.e. sample sizes, that will be required to enable reach a conclusion on the audit objectives, and the methodology to be adopted to extract samples.
B-3.5.4 Audit of activities with significant MIS component
Where the audit relates to an activity or unit which maintains its information primarily on an ICT platform, auditors should (i) determine the size and complexity of the system and the extent of the activity’s dependence on it, (ii) gain an understanding of how the information system is used to support the organization, and (iii) assess the application level risks the activity may face. These risks include:

(i) Availability risks – lack of system operational capability;
(ii) Security risks – unauthorized access to systems and/or data;
(iii) Integrity risks – incomplete, inaccurate, untimely, or unauthorized processing of data;
(iv) Maintainability risks – inability to update the system when required in a manner that continues to provide for system availability, security, and integrity; and
(v) Data risks – relating to completeness, integrity, confidentiality, privacy, accuracy and timeliness of data.

The review should be conducted regardless of whether the system is established like IMIS or Sun, or it is developed by the end-user. Reference should be made

B-4.2 AUDIT SAMPLING

B-4.2.1 Rationale
Audit sampling is performing an audit test on less than 100 percent of a population. In ‘sampling’, the auditor accepts the risk that some or all errors shall not be found and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. Audit sampling can either be statistical or non-statistical approach.

B-4.2.2 Types of Sampling
(i) Statistical or probability sampling allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor.
(ii) Attribute sampling - is used when the auditor has identified the expected frequency or occurrence of an event. It allows the auditor to determine whether the rate of occurrence of a characteristic or attribute (usually errors) in a population is small enough to assume that procedures are working effectively or is indicative of an issue which needs to be included in
the audit report. It is applied to test items that have only two possible values (e.g. correct or incorrect) Attribute sampling should most widely be used in tests of control. Attribute sample selection techniques include survey sampling and decision sampling.

(iii) Variables sampling - is used when the auditor samples for values in a population which vary from item to item. Variable sampling provides answers to the question “How much?” It is usually applied to stated monetary amounts and attempts to provide information about their accuracy. By taking a sample and drawing an inference about a population, The IA can reach a conclusion on whether the amount is materially misstated. IA should use variable sampling in substantive tests of details. Variable sampling selection techniques include simple and systematic random sampling and stratified sampling.

(iv) Judgment sampling - is used when it is not essential to have a precise determination of the probable condition of the universe, or where it is not possible, practical, or necessary to use statistical sampling. It is based on the auditor’s judgment. It is appropriate when looking for existence of a problem or when the auditor does not need to draw conclusions about the whole population. Non statistical selection techniques include haphazard, judgment, and biased sampling.

B-4.2.3 Sampling Criterion

The decision whether to use a statistical or non-statistical sampling approach is a matter for the auditor’s professional judgment regarding the most efficient manner to obtain appropriate audit evidence in the particular circumstances. To the extent possible, statistical sampling should be used in all audits.

Sampling is not always required and it may be possible to apply audit procedures to the entire population if all the data is held on computer systems and data analysis software is available. The IA may also decide not to sample if:

(i) The population is small;
(ii) IA is unwilling to accept the sampling risk; or
(iii) IA is searching for rare occurrences or known problem areas

B-5 PLANNING THE DETAILED AUDIT
(i) The elements of materiality and relative risk must be considered in performing the audit. The due professional care standards do not imply unlimited responsibility for disclosure of irregularities and other deficiencies. The auditor's principal effort shall be in those areas where significant problems or deficiencies may exist, rather than in areas that are relatively less important. Time shall not be spent examining or developing evidence beyond what is necessary to afford a sound basis for a professional opinion.

(ii) The results of the preliminary review shall be analyzed to determine the need for a detailed audit and the specific areas to be covered. The detailed audit program shall be prepared allocating the project budget time established for the fieldwork to the specific areas to be covered in the audit.

B-5.1 STATEMENT OF RISK AND EXPOSURE

Rationale

A risk/exposure analysis shall be performed to prioritize audit testing that must be performed to achieve the audit objectives. This determination is essential for providing reasonable assurance that IA resources are deployed in an optimal manner. *(Most time is spent examining areas with the greatest risk exposure).*

Exposure is the potential loss or liability to the Fund. It is not only loss of money but also the Fund’s reputation, etc.

A Risk/Exposure analysis shall involve determining the highest possible combined factors. *(High risk/high exposure as opposed to high risk/low exposure or low risk/high exposure).*

Policy

During the preliminary review/internal control evaluation stage of the audit, the auditor shall make a determination of what areas contain the greatest risks and potential exposures. This determination shall be discussed with the audit administration before the audit program is written.

Process

During the preliminary review/internal control evaluation stage of the audit, the auditor shall complete a schedule detailing the greatest risks and potential exposures and discuss with audit administration.

B-5.3 AUDIT PROGRAM
Preparation of the audit program concludes the Preliminary Review phase. The audit program outlines the necessary steps to achieve the objectives of the audit within the defined scope as listed on the assignment sheet. The audit program is a detailed plan for the work to be performed during the audit. A well-constructed program is essential to completing the audit project in an efficient manner.

A well-constructed program provides:

(a) A systematic plan for each phase of the work that can be communicated to all audit personnel concerned
(b) A means of self control for the audit staff assigned
(c) A means by which the Manager, IA can review and compare performance with approved plans
(d) Assistance in training inexperienced staff members and acquainting them with the scope, objectives, and work steps of an audit
(e) An aid to the Manager, IA in making possible a reduction in the amount of direct supervisory effort needed
(f) Assistance in familiarizing successive audit staff with the nature of work previously carried out

Standardized audit programs should be prepared and used or modified to achieve the audit objectives using the AUD-1.9 Audit Programme form. The auditor includes an estimate of the hours necessary to complete the project. Manager, IA reviews the auditor’s work to-date (preliminary review work) and then discusses any concerns or proposed program changes.

B-5.3.1 Objectives

The audit program shall contain a statement of the objectives of the area being reviewed. The statement of objectives in the audit program shall correspond with the audit objectives stated in the assignment sheet. These objectives shall be achieved through the detailed audit program steps.

B-5.3.2 Audit Steps

A well-constructed audit program provides specific, detailed steps (procedures) for achieving the audit objectives. Standardized audit programs with specific audit steps for achieving objectives, once prepared, shall be used or modified as appropriate.

B-5.3.3 Time Budget

A project time budget provides overall guidelines for the performance of the audit. In addition, it enables the Manager, IA to control the audit work in process. It is essential that IA control their time carefully so that it is
utilized in the most effective manner possible. The detailed project time budget shall be completed at the conclusion of the preliminary review.

(ii) Each project shall have a time budget that shall be approved by the Manager, IA. This budget shall include all time necessary to complete the audit, from assignment through issuance of the final report. The preliminary review phase should be completed when not more than 25 percent of the total time budget has been depleted.

(iii) The budget process shall be broken down into two phases. A portion of the budget shall be allocated for the planning process. This shall provide the necessary control over this phase of audit work.

(iv) Near the completion of the planning process, the remaining budget shall be allocated to the rest of the audit and recorded on the Time Budget Summary. For purposes of overall control, the time budget shall be broken down into the following general categories:

   (a) **Planning** - initial planning, preliminary survey, audit program.
   (b) **Fieldwork** - allocated to the various segments of the audit project.
   (c) **Audit report and wrap-up** – IA review, quality assurance review, report writing and editing, report review, auditee’s review, exit meeting, etc).
   (d) **Preparation and Approval** - The project time budget shall be prepared by the Manager, IA.
   (e) **Budget Revisions** - Any revisions to the project time budget shall be approved by the Manager, IA and documented on the Time Budget Summary.

**B-6 FIELDWORK**

**B-6.1 INTRODUCTION**

Fieldwork is the process of collecting, analyzing, interpreting and documenting information on matters related to the audit objectives and scope. The objective is to obtain sufficient, competent, relevant, and useful information to provide a sound basis for audit findings and recommendations. Some preliminary audit testing would have been conducted as part of the planning stage of the audit. During the fieldwork the auditor performs more detailed reviews and analyses, tests the operation of established controls and evaluates the effectiveness of the internal control system.

**B-6.2 AUDIT EVIDENCE**

Audit evidence refers to all the information used by the auditor in arriving at the audit opinions, conclusions and recommendations. It is obtained through applying audit procedures such as observing conditions, interviewing people,
examining records and analyzing data. In forming the audit opinion, the auditor need not review all the information available because conclusions can sometimes be reached by using sampling approaches and other means of selecting items for examination. Audit evidence is cumulative in nature and is persuasive rather than conclusive. Audit inferences are drawn from the body of evidence collected.

Evidential matter obtained during the course of the audit provides the documented basis for the auditor’s opinions, findings, and recommendations as expressed in the audit report. IA are obligated by their professional standards to act objectively, exercise due professional care, and collect sufficient, competent, relevant, and useful information to provide a sound basis for audit findings, recommendations and conclusions.

(i) Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. There should be enough of it to support the auditor’s findings. In determining the sufficiency of evidence it may be helpful to ask such questions as: Is there enough evidence to persuade a reasonable person of the validity of the findings? When should appropriate statistical sampling methods be used to establish sufficiency?

(ii) Competent information is reliable and the best attainable through the use of appropriate engagement techniques such as statistical sampling and analytical audit procedures. Information is more competent if it is (i) obtained from an independent source, (ii) corroborated by other information, (iii) obtained directly by the auditor, such as through personal observation, (iv) documented, and (v) an original document rather than a copy.

(iii) Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Relevant information should have a logical, sensible relationship with the associated audit finding.

(iv) Useful information helps the organization meet its goals. Evidence collected by IAD should possess all of these qualities. For example, it is not enough to merely interview staff members without corroborating the information obtained with that from other sources. Sample sizes should be representative so that conclusions reached may be validly extended to the rest of the population.

Evidence may be categorised as physical, documentary, testimonial and analytical and is obtained by using various procedures:

(i) Physical evidence

Physical evidence is obtained by direct inspection or observation of people, property or events. Inspection of tangible assets provides reliable audit
evidence about their existence, but not necessarily as to their ownership or value. Observation consists of looking at a process or procedure being performed by others, for example, physically counting inventory and making observations. The observations of certain procedures are important particularly those that do not leave an audit trail.

(ii) Documentary evidence

Documentary evidence consists of information that exists in some permanent form such as letters, contracts, accounting records, invoices, and management information on performance. It is the most common form of evidence; it may be internal, external or a combination of both. The source of documentary evidence affects its reliability.

(iii) Testimonial evidence

Testimonial evidence is obtained through inquiries, interviews, or questionnaires. Inquiry and confirmation consists of seeking information from knowledgeable persons inside or outside the organization. Responses to inquiries may provide auditors with information not previously possessed or with corroborative audit evidence. Testimonial evidence may not always be conclusive and should be supported by other forms of information where possible.

(iv) Analytical evidence

Analytical evidence arises from the application of analytical procedures. Analytical procedures produce information in the form inferences or conclusions based on examining data for consistencies, inconsistencies, cause-effect relationships etc.

B-6.2.1 Audit criteria

IA should clarify the specific explicit or implicit criteria against which evidence collected will be evaluated. Criteria are explicit when they are clearly set out in policies, manuals, standard operating procedures, standards, laws and/or regulations. Where management has not yet established goals and objectives or determined the controls needed in a particular area, it may be necessary to develop implicit criteria based on what management considers to be satisfactory performance standards or industry best practices. The acceptability of implicit criteria should always be confirmed with the audited entity. Conducting an audit without agreeing the criteria may result in conclusions and recommendations that may not be accepted by the audited entity and lead to wasted audit effort and fruitless arguments.

B-6.3 Analysis and evaluation of data
After data is collected, it should be analysed and evaluated. Analysis means breaking down data/activities/processes into smaller, more manageable parts to determine attributes, relationships, cause, effect, etc. and make inferences or determine whether further examination is required. Evaluation is the systematic determination of the merit, worth, or significance of the subject matter to arrive at a judgment in terms of adequacy, efficiency or effectiveness.

B-6.3.1 Analysis of financial data

During fieldwork, analytical procedures should be used to support the results of the assignment. IA should consider the factors listed below in determining the extent to which analytical audit procedures should be used. After evaluating these factors, IA should consider the use of additional audit procedures, as necessary, to achieve the engagement objectives:

(i) The significance of the area being examined;
(ii) The assessment of risk and effectiveness of risk management in the area being examined;
(iii) The adequacy of the system of internal control;
(iv) The availability and reliability of financial and non-financial information;
(v) The precision with which the results of analytical audit procedures can be predicted;
(vi) The availability and comparability of information regarding the industry in which the organization operates; and
(vii) The extent to which other engagement procedures provide support for engagement results.

When analytical audit procedures identify unexpected results or relationships, IA should examine and evaluate such results or relationships. This examination and evaluation should include making inquiries of management, and applying other engagement procedures until IA are satisfied that the results or relationships are sufficiently explained. Unexplained results or relationships from applying analytical audit procedures may be indicative of a significant condition such as a potential error, irregularity, or illegal act. Results or relationships that are not sufficiently explained should be communicated to the appropriate levels of management. IA may recommend appropriate courses of action, depending on the circumstances.

B-6.4 Detailed audit procedures

In addition to analytical procedures and techniques, the following detailed audit tests may be performed during the fieldwork:
(i) **Vouching** – testing recorded amounts by examining supporting documents to determine whether they represent an actual transaction.

(ii) **Tracing** – following a document through its processing cycles to the accounting records to determine whether all transactions have been recorded

(iii) **Re-computation** – verifying the mathematical accuracy of figures. The value of this procedure is limited as the reliability of the evidence obtained depends on the validity of the underlying input.

(iv) **Scanning** – searching for obvious exceptions in a large quantity of data.

**B-6.5 Evaluation**

Evaluation is a means of arriving at a professional judgment. As IA compare circumstances observed against relevant criteria, they evaluate the significance of any variance and determine whether corrective action is necessary. The analysis and evaluation of evidence obtained should give rise to issues (positive and negative), to report to management.

IA should draw conclusions for each audit objective. Conclusions are logical inferences about the audit subject based on the IA’s findings. Conclusions should be specified and not left to be inferred by readers. The strength of a conclusion depends on the persuasiveness of the evidence supporting the findings, and the convincingness of the logic used to formulate the conclusions. They should be free from personal biases or prejudices, and be objective. The conclusion reached by IA should be the same as would have been reached by a similar experienced professional reviewing the same evidence. The analysis and evaluation of evidence should be recorded in **Aud-2.1 Audit Issue Summary**

**B-7 WORKING PAPER DOCUMENTATION**

**B-7.1 Rationale/Policy/Purpose**

(i) Working papers serve both as tools to aid the auditor in performing work, and as written evidence of the work done to support the auditor’s report. Information included in working papers shall be sufficient, competent,
relevant, and useful to provide a sound basis for audit findings and recommendations.

(ii) In addition to serving as a reference for the preparer when called upon to report findings or answer questions, other individuals may find it necessary to use the working papers.

(iii) The IA function shall use the papers to review the quality of the audit and to evaluate the audit staff assigned to the work.

(iv) The manager whose unit is being audited may use details included in the working papers to help implement corrective action to a problem or refute the assertion that a problem exists.

(v) Fund management or other individuals who may have requested the audit require timely reports. Well-organized working papers help to accomplish this goal.

(vi) External auditors review the work performed by the IA function and evaluate the effect that its activities had on the Fund’s system of internal control.

(vii) In fulfilling their public responsibility, certain regulatory agencies monitor operations of the Fund, and working papers may be subjected to their review. Solid working paper documentation is essential for questions from these and other potential outside reviewers.

B-7.2 QUALITIES OF GOOD WORKING PAPERS

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

(ii) Concise - Working papers must be confined to those that serve a useful purpose.

(iii) Uniform - All working papers shall be of uniform size and appearance. Smaller papers shall be fastened to standard working papers, and larger papers shall be folded to conform to size restrictions.

(iv) Neat - Working papers shall not be crowded. Allow for enough space on each schedule so that all pertinent information can be included in a logical and orderly manner. At the same time, keep working papers economical. Forms and procedures shall be included only when relevant to the audit or to an audit recommendation. Also, try to avoid unnecessary listing and
scheduling. All schedules shall have a purpose which relates to the audit procedures or recommendations.

**B-7.3 TYPES OF WORKING PAPERS**

All working papers shall be maintained in binders and include schedules, analyses, documents, flow charts, and narratives (if prepared outside an automated system).

**B-7.3.1. Schedules and Analyses**

Schedules and analyses are useful for identifying statistical trends, verifying the accuracy of data, developing projections or estimations, and determining if tasks or records have been properly completed. Each record review, data schedule, or analysis shall include the following items:

(a) An explanation of its purpose (reference audit step).
(b) The methodology used to select the sample, make the calculation, etc.
(c) The criteria used to evaluate the data
(d) The source of data and time frame considered.
(e) A summary of the results of the analyses.
(f) The auditor’s conclusion.

**B-7.3.2. Documents**

(i) Copies or actual samples of various documents can be used as examples, for clarification, and as physical evidence to support a conclusion or prove the existence of a problem. These documents can be memos, reports, computer printouts, procedures, forms, invoices, flow charts, contracts, or any of numerous other items. Any copied document shall serve a useful audit purpose.

(ii) The following suggestions are offered for preparation of working papers using documents rather than the auditor's notes:

(a) Indicate both the person and/or file that the document came from (source).
(b) Copy and insert only that portion of the report, memo, procedure, etc., which is needed for purposes of explanation or as documentation of a
potential finding. Do not include the entire document in the working papers unless absolutely necessary.

(c) Fully explain the terms and notations found on the document, as well as its use. This is especially true when including maps, engineering drawings, or flow charts in the papers. These explanations may be made on an attached preceding page or on the face of the document itself.

(d) Each document shall be cross-referenced either to the page or separate analysis where it was discussed.

(e) No document shall be included in the working papers without an explanation of why it was included.

B-7.8.3. Process Write-ups and Flow charts

(i) In many audits, it is necessary to describe systems or processes followed by the audit subject. Describe such procedures or processes through the use of write-ups or flow charts or some combination of the two. The choice of which method to use shall depend on the relative efficiency of the method in relation to the complexities of the system being described.

(ii) Write-ups are often easier to use, and shall be used, if the system or process can be described clearly and concisely. However, when write-ups are lengthy, and description of related control points difficult to integrate in the narrative, flow-charting (or a combination of write-ups and flow-charting) is an appropriate alternative. Flow charts conveniently describe complex relationships because they reduce narrative explanations to a picture of the system. They are concise and may be easier to analyze than written descriptions.

B-7.8.4. Interviews

(i) Most verbal information is obtained through formal interviews conducted either in person or by telephone. Formal interviews are most desirable because the interviewers know they are providing input to the audit. However, impromptu interviews, or even casual discussions can often provide important information. Any verbal information which is likely to support a conclusion in the audit working papers shall be documented. Interviews are useful in identifying problem areas, obtaining general knowledge of the audit subject, collecting data not in a documented form, and documenting the audit subject’s opinions, assessments, or rationale for actions. Interview notes shall contain only the facts presented by the person interviewed, and not include any of the auditor's opinions.
(ii) In preparing interviews for working papers, consider the following suggestions:

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

B-7.8.5. Observations

(i) What the auditor observes can serve the same purposes as interviews. If observations can be used to support any conclusions, then they shall be documented. They are especially useful for physical verifications.

(ii) Observations used as supporting documentation shall generally include the following items:

(a) Time and date of the observation 
(b) Where the observation was made 
(c) Who accompanied the auditor during the observation 
(d) What was observed (when testing is involved, the working papers shall include the sample selections and the basis of the sample)

B-7.8.6. Findings

All audit findings must be documented. Unfavorable findings shall be summarized on a Significant Findings working paper whether or not they are to be included in the audit report.

B-7.9.1. Functions of Working Papers

(i) Support auditor's opinion

(ii) Aid in the conduct and supervision of the engagement

(iii) Provide a record of:

(a) Procedures applied 
(b) Tests performed
(c) Information obtained
(d) Pertinent conclusions reached

(iv) Provide evidence that the audit was conducted in accordance with the Standards for the Professional Practice of IA.

B-7.9.2. Examples of Working Papers

(i) Working papers may include any or all of the following:

(a) audit programs, summaries, schedules, computations, or analysis prepared or obtained
(b) memoranda, interviews, letters of confirmation or representation
(c) data stored on tapes, films, disk, or other media

(ii) The working papers listed below constitute the minimum required support for an assignment:

- Working Papers Index
- Assignment Form
- Draft Report
- Significant Findings
- Quality Assurance Review
- Audit Program
- Worksheet or Lead Schedules
- Final Report

(iii) The following working papers shall generally be prepared, but may not be considered mandatory for all assignments:

(a) Permanent/Continuing Audit File
(b) Summary of Audit Objectives and Time Control
(c) Announcement Letter
(d) Contact List
(e) Auditee Financial Statements
(f) Interim Memorandums and Meetings
(g) Exit Meeting Record

B-7.9.3. Cross-Referencing of Working Papers

All significant amounts and items shall be cross-referenced
B-7.9.4. Indexing of Working Papers

(i) Every page shall have an index number

(ii) The index shall be simple

(iii) The index shall be capable of infinite expansion

B-7.10 STATING FINDINGS/CONCLUSIONS

Upon the conclusion of the fieldwork, the auditor summarizes the audit findings, conclusions, and recommendations necessary for preparation of the audit report discussion draft. Each audit finding documented in the section summary shall have the following attributes:

(a) Statement of Condition (What is!)
(b) Criteria (What should be!)
(c) Effect (So what?)
(d) Cause (Why did it happen?)
(e) Recommendation (What should be done?)

B-7.10.1. Statement of Condition

The condition identifies the nature and extent of the finding or unsatisfactory condition. It often answers the question: "What was wrong?" Normally, a clear and accurate statement of condition evolves from the auditor's comparison or results with appropriate evaluation criteria.

B-7.10.2. Criteria

This attribute establishes the legitimacy of the finding by identifying the evaluation criteria and answers the question: "By what standards was it judged?" In financial and compliance audits, criteria could be accuracy, materiality, consistency, or compliance with applicable accounting principles and legal or regulatory requirements. In audits of efficiency, economy, and program results (effectiveness), criteria might be defined in mission, operation, or function statements; performance, production, and cost standards; contractual agreements; program objectives; policies, procedures, and other command media; or other external sources of authoritative criteria.
B-7.10.3. Effect

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

(ii) The significance of a condition is usually judged by its effect. In operational audits, reduction in efficiency and economy, or not attaining program objectives (effectiveness), are appropriate measures of effect. These are frequently expressed in quantitative terms; e.g., dollars, number of personnel, units of production, quantities of material, number of transactions, or elapsed time. If the real effect cannot be determined, potential or intangible effects can sometimes be useful in showing the significance of the condition.

B-7.10.4. Cause

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

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

(iii) Identification of the cause of an unsatisfactory condition or finding is a prerequisite to making meaningful recommendations for corrective action. The cause may be quite obvious or may be identified by deductive reasoning if the audit recommendation points out a specific and practical way to correct the condition. However, failure to identify the cause in a finding may also mean the cause was not determined because of limitation or defects in audit work, or was omitted to avoid direct confrontation with responsible officials.

B-7.10.5. Recommendations

(i) This final attribute identifies suggested remedial action and answers the question: "What should be done?"

(ii) The relationship between the audit recommendation and the underlying cause of the condition shall be clear and logical. If a relationship exists, the
recommended action shall most likely be feasible and appropriately directed.

(iii) Recommendations in the audit report shall state precisely what needs to be changed or fixed. How the change shall be made is the client’s responsibility. More generalized recommendations (e.g., greater attention be given, controls be re-emphasized, a study made, or consideration be given) shall not be used in the audit report, but they are sometimes appropriate in summary reports to direct top management’s attention to compliance-type findings disclosed in several areas.

(iv) Unless benefits of taking the recommended action are obvious, they shall be stated. The cost of implementing and maintaining recommendations shall always be compared to risk.

(v) Recommendations shall be directed to an individual capable of taking action.

B-8 AUDIT QUALITY ASSURANCE

The purpose of "quality assurance" is to provide reasonable assurance that audit work performed by the IA function of the Fund conforms to the IIA's Standards for the Professional Practice of IA, additional standards set by the Fund and appropriate guidelines.

B-8.1 Quality Assurance Policy

(i) All working papers shall be independently reviewed to ensure there is sufficient evidence to support conclusions, documentation of the extent of audit work performed, all audit objectives have been met, as well as substantiate compliance with applicable auditing standards.

(ii) A detailed review shall be conducted by the Manager, IA of assigned staff’s working papers.

(iii) Initialing working papers (Section Summaries, Audit Programs, and Draft Report) and completing the "Quality Assurance Review form," shall serve as documentation of the review process and shall be filed with the working papers.

B-8.2 Quality Assurance Review Process

In performing the review the reviewer shall:
(a) Review working papers from audit program steps to the referenced working papers ensuring cross-referencing is proper, the working papers support the steps performed, and all steps have been completed (or why steps were not completed).

(b) Review working papers from the report(s), working paper summaries, to the detailed working papers to ensure that all findings are stated, adequately documented and support the opinions, findings, recommendations, management responses and conclusions stated in the report.

(c) Determine working papers’ compliance to IA function working paper standards.

(d) Determine reports’ compliance with IA function report standards.

(e) Record any deficiencies, comments, etc. on a Working Paper Review Notes form.

(f) The auditor(s) who prepared the working papers shall then respond (if necessary) to these points on the same form.

(g) After the reviewer has "cleared" the points and completed (initialed) the "Quality Assurance Review form," the working papers shall be forwarded to Manager, IA (if that was not the person undertaking the review).

(h) The Manager, IT shall review the working papers and discuss the findings and review comments with the assigned auditor and senior IA, then complete the relevant parts of the "Quality Assurance Review form," and approve the draft report for the exit meeting.

(i) The Report Reviewer shall perform a pre-exit meeting edit check for spelling, cursory grammatical, and consistency review.

(j) The assigned auditor shall forward a copy of the draft report to the auditee prior to the exit meeting.

(k) After exit meeting amendments, the Report Reviewer shall perform a spell check, as well as a cursory grammatical and consistency review, then print out the final version of the report.

(l) The senior IA, assigned auditor(s) and Manager, IT shall review and sign the final report.

The working papers and report shall be factors used in the Performance Evaluation process.

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B-8.4 General Standards - Report(s)

(i) Audit reports shall conform to the IA function format guidelines.

(ii) The report title shall specifically state what was audited.

(iii) Audit reports shall only be copied to the “must know”.

(iv) The audit objectives shall be stated clearly and in agreement with those stated in the announcement letter or audit assignment form.
(v) The scope shall clearly state what IA examined including, if applicable, what period, transactions, documents, and limitations thereof.

(vi) The auditor's opinion (where appropriate) shall be supported by audit findings.

(vii) The audit background shall contain the mission and other information of value to the reader.

(viii) A statement of Condition shall normally be stated in first sentence.

(ix) The report shall state the criteria used, policies adopted, etc.

(x) The report shall state the effect, potential or actual exposure to the Fund and the cause and how the event happened.

(xi) The report shall state recommendations which are specific enough so that the auditee understands what is expected, something that can be accomplished, cost beneficial, and can be followed-up on.

(xii) The draft report shall be referenced to the working papers.

(xiii) The audit reports should be objective, clear, concise, constructive, and timely.

(xiv) The IA should present to appropriate management a draft of the final report for discussion before issuance of the final report.

The format and content of the audit reports shall be in the form summarised in AUD-3.2 Draft and Final Audit Reports

B-9 REPORTING AND FOLLOW-UP

(i) The most successful audit projects are those in which the client and the IA have a constructive working relationship. IA’s objective is to have the client’s continuing involvement as well as communication at every stage, so that the client understands what the auditors are doing and why they are doing it.

(ii) Although every audit project is unique, the audit process is similar for most engagements. The audit process normally consists of four stages: Preliminary Review, Fieldwork, Audit Report, and Follow-up Review.

B-9.1 Audit Report, Transmittal Letter, and Management Letter
(i) IA’s principal product is the final report in which IA express their opinions about the audit findings and discuss their recommendations for improvements. Therefore, in order for IA to be effective, their reports must clearly and persuasively convey the results of the audits and convince readers to recognize the validity of the findings and the benefit of implementing any recommendations.

(ii) To facilitate communication and ensure that the recommendations presented in the final report are practical, IA discusses the rough draft with the client prior to issuing the final report.

(iii) IA prints and distributes the final report to the auditee’s operating management, or to the Manager to which the unit reports and the ED. The Manager, IA gives approval, with permission of the Board for release of the report outside the Fund. The results of the audit are also included in the Manager, IA periodic report to the Board.

(iv) The first page, **AUD-3.1 Transmittal Letter** of the report is a letter requesting the client’s written response to the report recommendations within 30 days. The client shall explain, in the written response, when and how report findings shall be resolved with an implementation timetable. IA encourages the client to copy this response to all recipients of the final report.

(v) A management letter written to and distributed to only the Senior Management of the auditee may be issued. This letter shall contain suggestions for improving controls, operations, and anything audit management feels needs to be in writing.

**B-9.2 Confidentiality - Reports**

**Rationale**

Although IA reports are internal documents exclusively for the use of the Fund management, certain reports shall contain information that should not be disclosed outside of the areas receiving the report.

**Policy**

(i) Audit reports shall be classified as CONFIDENTIAL if they meet the following criteria:

   (a) Report discloses a weakness (potentially resulting in a loss) which has not been corrected at the time of distribution.
(b) Report discloses sensitive information which could prove an embarrassment to the Fund (if made public).
(c) Report discloses information classified as "restricted data".
(d) At the discretion of the Board with a recommendation by the Manager, IA.

(ii) Audit reports classified as Confidential shall contain the words “CONFIDENTIAL REPORT” on the title page and the footnote "Confidential - Do not disclose information in this document." on each page.

Process

The IA shall discuss their recommendation and rationale regarding the classification of a report when it is given to the Manager, IA for initial review.

B-9.3 Exit Meeting

(i) After the draft report has been approved by the Manager, IA the auditor(s) meet with the auditee’s management team to discuss the findings, recommendations, and text of the draft. At this time, the client comments on the draft report, and any inaccuracies or impractical recommendations resolved to the extent possible.

(ii) Pre-exit meeting items:
   (a) There shall be no surprises - everything in the draft shall have been discussed during the fieldwork.
   (b) Be sure you can easily find supporting documentation for findings in the working papers in case questions arise at the exit meeting.
   (c) Try to anticipate potential questions/conflicts

(iii) Go through verbal recommendations.

(iv) Discuss the following and go through report and management letter:
   (a) Do they want to respond after receiving the final report or would they like their response either included or attached to the final report? (Preference is to include or attach the audit response with the final report).
   (b) Results of audit, response, and follow-up shall be included in IA’s annual report to the Board.
   (c) Were there any questions about the scope and objectives?
   (d) Are there any questions about the opinion?
   (e) Are there any questions, comments, additions, or deletions on background?
   (f) Any comments or questions about other sections? (Go through each).
   (g) General comments about audit process?
The Manager, IA should ensure that a form, Aud-2.3 Exit Meeting Note summarizing agreements reached, comments from the agency is documented for the exit meeting.

B-9.4 Closing Of the Audit

(i) The IA then prepares a draft, taking into account any revisions resulting from the exit meeting and other discussions. When the changes have been reviewed by the Manager, IA (and, where necessary, the Board) and the client, the final report is issued.

(ii) The report is then printed in final version and distributed to appropriate members of senior Fund management, including the Board. This report is primarily for internal Fund management use. The Manager, IA approval, with the consent of the Board, is required for release outside the Fund.

B-9.5 Input to the Report of the Board

(i) The establishment of a clear reporting structure with the Board enhances IA’s independence and strengthens IA’s ability to function freely within the Fund. It also provides IA the opportunity to acquaint the Board with any critical audit findings or issues, assessments of operations during the past year, and concerns, goals and plans for the next fiscal year.

(ii) The results of all report findings and recommendations, the response from the auditee, and the follow-up shall be reported in an annual report to the Board.

B-9.6 Audit Feedback Questionnaire

Purpose

To continuously improve the quality of service to IA auditees by requesting and reviewing their feedback of the level of satisfaction with audit work.

Process

An audit feedback questionnaire shall be sent to the auditee immediately after an audit report (excluding cash count and follow-up reports) has been issued. Returned questionnaires shall be recorded and summarized.

B-9.7 Follow-up Review
(i) Within three months of the final report, IA shall perform a follow-up review with auditee management to ascertain the resolution of the report findings.

(ii) The actions taken to resolve the findings are reviewed and may be tested to ensure that the desired results were achieved. In some cases, managers may choose not to implement an audit recommendation and to accept the risks associated with an audit finding. The follow-up review shall note this as an unresolved finding.

(iii) The follow-up report shall list the actions taken by the auditee to resolve the original report findings. Unresolved findings shall also appear in the report and shall include a brief description of the finding, audit recommendation, auditee response, current condition, and the continued exposure of the Fund. In addition to the original report, recipients and other officials as deemed appropriate, the follow-up review results shall also be included in the IA Report to the Board.

C-PERSONNEL

C-1 JOB DESCRIPTIONS

*NOTE: The Job Description of the Manager, IA can be inserted here. If the Board decides to employ more people in the IA function (as recommended) then appropriate job descriptions can also be added e.g Deputy Manager, IA, Senior IA, Junior IA.

C-2 PERFORMANCE EVALUATION

Rationale

Performance evaluation shall serve two major functions in IA.

(a) First, it will be used for staff development. The feedback that staff receive from the appraisal process shall provide them with information they can use to improve job performance.

(b) Second, performance appraisal provides bottom-line evaluations of staff that can be used for administrative decisions such as promotion, salary evaluation, recommendation for training, or remedial action.

Performance Evaluation Policy

All IA appointed staff shall have an evaluation of their work performance at least once a year. The results of these evaluations shall be the primary means for administrative decisions.
D - DEPARTMENT ADMINISTRATIVE PROCEDURES

D-1 MANAGEMENT OF AUDIT HOUR RESOURCES

The principal resource that IA has to accomplish its mission is the amount of available staff time. Therefore, it is paramount that auditors have a process that shall provide the information necessary to effectively manage this resource.

D-1.1 AUDIT RESOURCE REPORTING POLICIES

(i) All professional training requires prior approval by the Manager, IA.

(ii) Auditors shall perform fieldwork at the auditee location whenever possible.

(iii) All staff members shall submit a weekly progress report detailing the hours spent on assigned projects. Progress reports must be completed by Friday 6:00 p.m.

D-2 MISCELLANEOUS POLICIES

D-2.1 Purging Working Papers

Working papers shall be retained for 7 years after the date of the report. The working papers shall be purged once a year after the Board’s approval. The exception to this policy is when IA is required to retain working papers longer by law or by agreement.

D-2.2 Computer Software

Only computer software that the Fund owns rights to shall be located on Fund computers. If any staff wish to install other software on a Fund owned computer, they must receive prior approval from the ED and provide evidence that they own the rights to the software.

D-2.3 Housekeeping

Good housekeeping bears a direct relationship to orderly and efficient work habits. When out of the office, material in work areas should be straightened. Care is to be exercised to avoid exposure of confidential or potentially sensitive documents.
Appendix I Code of Ethics

The IIA Code of ethics comprises two essential elements:

(i) Principles that are relevant to the profession and practice of internal auditing

(ii) Rules of conduct that describe behavior norms expected of internal auditors

Principles

Internal auditors are expected to apply and uphold the following principles:

Integrity

The integrity of internal auditors establishes trust and thus provides a basis of reliance on their judgment

Objectivity

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgment

Confidentiality

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency

Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services

Rules of Conduct

Integrity

Internal Auditors:

1. Shall perform their work with honesty, diligence, and responsibility.

2. Shall observe the law and make disclosures expected by the law and the profession

3. Shall not knowingly be a party to an illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organization

4. Shall respect and contribute to the legitimate and ethical objectives of the organization

Objectivity

Internal Auditors:
1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2. Shall not accept anything that may impair or be presumed to impair their professional judgment

3. Shall disclose all material facts known to them that, if not disclosed may distort the reporting of activities under review

Confidentiality
Internal Auditors:

1. Shall be prudent in use and protection of information acquired in the course of their duties

2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization

Competency
Internal Auditors:

1. Shall engage only in those services for which they have the necessary knowledge, skills and experience.

2. Shall perform internal audit services in accordance with the international standards for the Professional Practice of Internal Auditing

3. Shall continually improve their proficiency and effectiveness and quality of their services
### E: LIST OF TEMPLATES

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<td>10. Audit Issue Summary</td>
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<td>11. Exit meeting notes</td>
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<td><strong>C: Reporting and audit closure</strong></td>
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<td><strong>D: Monitoring</strong></td>
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AUD-1.2: STATEMENT OF INDEPENDENCE

Auditor:

Position:

Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational structure and objectivity.

The Uganda Road Fund expects its auditors/consultants to maintain independence of mental attitude in the conduct of all assigned work; to be objective, fair, and impartial; and to conduct themselves so that agencies and third parties will see our office in this way. Each staff member must promptly notify the Manager, Internal Audit, or higher, in writing concerning any situation that would impair the staff member’s or the office’s independence on an audit, or that might lead others to question it. If a staff member has any doubt about whether a situation may constitute impairment he or she should resolve the question in favor of disclosure.

Examples of Personal Impairment

- Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way (includes relatives employed by the designated agency).
- Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit.
- Previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited.
- Biases, including those induced by political or social convictions that result from employment in or loyalty to, a particular group, organization, or level of government.
- Subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited.
- Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.
- Financial interest, direct or substantial indirect, in the audited entity or program.
- Offer of or application for a position with the designated agency during the preceding year (note: an offer of or intention to apply for a
position with the designated agency once the audit is in progress must also be reported)*.

* - Details may be communicated to the Manager, Internal Audit separately by confidential memorandum.

Identify audit areas that may be affected by the above situations:

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Possible Personal Impairments to My Independence
I have reviewed my personal situation with respect to insert organization name and related institutions. I am not aware of any circumstances that might impair my ability to be independent on any audit or that might lead others to question it, except as indicated above or on attached pages.

Responsibility to Update This Disclosure
I understand that I am also responsible to make timely written notification in the event any other circumstance arises during the course of this year that might impair or appear to impair my independence with respect to any audit.

Signature: __________________________ Date: __________________________
AUD-1.3: ASSIGNMENT SHEET

<table>
<thead>
<tr>
<th>ASSIGNMENT SHEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of Project:</td>
</tr>
<tr>
<td>Assignment date</td>
</tr>
<tr>
<td>Allocated Hours</td>
</tr>
<tr>
<td>Expected Completion Date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assigned Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>List the names of the assigned staff:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope and Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>A short description of the scope and objectives that will be covered.</td>
</tr>
</tbody>
</table>
AUD-1.4: AUDIT ANNOUNCEMENT LETTER

Your ref:
Our ref:

Date:

The Accounting Officer
Address of agency to be audited

Re: TECHNICAL AND FINANCIAL AUDIT OF PERIODIC AND ROUTINE MAINTENANCE PROJECTS FINANCED BY UGANDA ROAD FUND

Reference is to the above subject.

This is to inform you that insert name of agency has been selected for a technical and financial audit on projects financed by the Uganda Road Fund.

The purpose of the audit is to provide independent assurance to the Board, the Government and other interested parties that the monies from the fund allocated for road maintenance activities are judiciously applied for the intended purpose. Further, the audit aims to verify that the use of such resources is efficient, effective and transparent.

The Uganda Road Fund will send an audit team to carry out the audit under the supervision of the Manager, Internal Audit. The audit will commence on Insert date of commencement and is expected to take Insert duration as per approved work plan days. Please provide us the name of the contact person during the audit process. The Uganda Road Fund recommends the person to be the insert title of head of engineering, though you may nominate any other suitable person. The URF expects you to provide a lockable office with working stations for the team.

It is important that you avail the audit team with all the documents maintained for the projects selected for audit. These include:

1. Documents required in the procurement process
2. Signed contracts and documents attached to it
3. Documents to be submitted by the contractor in accordance with stipulations of the contract
4. Documents related to payments
5. Documents to be prepared by the agency and/or its consultant for purpose of contract administration, quality control and other purposes in accordance with its rule/regulation
6. Documents related to completion of works and handover
7. Any other documents affecting any parts of your works

The audit exercise will commence with a pre-audit meeting on **insert a date and time** and the following officials are required to attend:-

1. The Accounting Officer
2. Members of the District Road Council
3. District Engineer

After completion of the audit exercise, a draft report will be availed to you for your comments, a response to which will be expected within a period of **insert number of days** working days from receipt. After incorporating your comments a final copy of the report with our recommendations shall be issued to you and also circulated to other relevant government agencies for action. Please note that on failure to submit your written comments within the specified time period, the URF shall proceed to process the final report.

The URF looks forward to full cooperation with your staff and trusts that we shall have ready access to all records, documentation and other information required in connection with the audit.

Please acknowledge receipt of this letter and confirm in writing that you will be available for this exercise.

**EXECUTIVE DIRECTOR**
AUD-1.5: AUDITORS INTRODUCTORY LETTER

The Accounting Officer
Address of agency to be audited

Re: AUDITORS INTRODUCTORY LETTER

We refer to the letter dated insert date to you on the subject matter above.

The purpose of this letter is to introduce M/s insert full names of audit firm whom we have sent to carry out the audit under the supervision of the Manager Internal Audit. We confirm that M/s insert full name of the firm has been contracted by the Uganda Road Fund to undertake this audit.

The audit exercise will commence with on insert a date and is expected to take Insert duration as per approved work plan days.

The following are the officials permitted to conduct the audit on behalf of M/s insert full names of audit firm:

<table>
<thead>
<tr>
<th>List Names</th>
<th>List titles</th>
</tr>
</thead>
</table>

As a designated agency, it is your responsibility to ensure that you do not grant unauthorized access to information by persons not introduced to you by URF. It is therefore your duty to make timely written notification to the URF where changes in staffing have been made by the Consultant without an introduction from URF.

EXECUTIVE DIRECTOR
AUD-1.5: ENTRY MEETING NOTE

<table>
<thead>
<tr>
<th>Date:</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting No.</td>
<td>Entry meeting note</td>
</tr>
<tr>
<td>Place:</td>
<td></td>
</tr>
<tr>
<td>Present:</td>
<td></td>
</tr>
<tr>
<td>In Attendance:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Absent with Apology:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agenda:</td>
<td>1. Prayer.</td>
</tr>
<tr>
<td></td>
<td>2. Communication from the Chair</td>
</tr>
<tr>
<td></td>
<td>3. Status of previous oversight findings and recommendations.</td>
</tr>
<tr>
<td></td>
<td>4. Areas determined to be audited in the work plan.</td>
</tr>
<tr>
<td></td>
<td>5. Agency’s concerns in the area under audit</td>
</tr>
<tr>
<td></td>
<td>6. Focal point and lines of communication</td>
</tr>
<tr>
<td></td>
<td>7. Any other business.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Action by</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Min. 1.0</td>
<td></td>
</tr>
<tr>
<td>Min 2.0</td>
<td></td>
</tr>
<tr>
<td>Min. 3.0</td>
<td></td>
</tr>
<tr>
<td>Min 4.0</td>
<td></td>
</tr>
<tr>
<td>Min 5.0</td>
<td></td>
</tr>
<tr>
<td>Min 6.0</td>
<td></td>
</tr>
<tr>
<td>Min 7.0</td>
<td></td>
</tr>
</tbody>
</table>

__________________________  __________________________
Chairperson                Secretary
AUD-1.7: AUDIT PLAN: TECHNICAL AND FINANCIAL AUDIT

GENERAL INFORMATION

<table>
<thead>
<tr>
<th>Road /Project Name</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled date of auditing:</td>
<td>Auditor:</td>
</tr>
<tr>
<td>Contract No:</td>
<td>Name of Contractor</td>
</tr>
<tr>
<td>Final Contract Amount:</td>
<td>Type of Contract</td>
</tr>
<tr>
<td>Contract Effective on:</td>
<td>Completion date:</td>
</tr>
</tbody>
</table>

MAJOR ISSUES

List major points to be inspected such as the following
- Procurement process
- Design, Technical specifications, Work Items and Volume
- Cost Estimate/Contract Amount/Unit Price
- Timing of Start/Completion of Works

DOCUMENTS TO BE FILED

(List the documents which are supposed to be submitted by the Contractor or the reports of field tests or other tests conducted by the agency or its consultant)

SITE INSPECTION

(List here the items and interval/location of measurement to be done at the site)

Prepared by: Approved by:

Date of Approval
# AUD-1.8: AUDIT PLAN: IN HOUSE OPERATIONS AUDIT

## GENERAL INFORMATION

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled date of auditing:</td>
<td>Auditor:</td>
</tr>
</tbody>
</table>

## MAJOR ISSUES

List major issues in each of the following auditable areas:
- Budgeting
- Revenue collection, receipts and banking
- Payments: Salaries, Pensions
- Non-wage payments
- Advances and allowances
- Fixed Assets
- Debtors, Prepayments, Advances
- Cash and Bank Balances
- Liabilities

## DOCUMENTS TO BE FILED

(List the documents which are supposed to be submitted)

## INSPECTION

(List here the items to be inspected)

---

Prepared by:  
Approved by:
Date of Approval
### AUD-2.1: AUDIT ISSUE SUMMARY

<table>
<thead>
<tr>
<th>Audit Client:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Project:</td>
<td></td>
</tr>
<tr>
<td>Audit Date:</td>
<td></td>
</tr>
<tr>
<td>Topic</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td></td>
</tr>
<tr>
<td>Recommendation</td>
<td></td>
</tr>
<tr>
<td>Management Response</td>
<td></td>
</tr>
<tr>
<td>Auditee Signature and Date</td>
<td></td>
</tr>
<tr>
<td>Significance</td>
<td>High</td>
</tr>
<tr>
<td>Include in report?</td>
<td>Yes</td>
</tr>
<tr>
<td>Audit Client:</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>---</td>
</tr>
<tr>
<td>Audit Project:</td>
<td></td>
</tr>
<tr>
<td>Reviewed by:</td>
<td></td>
</tr>
</tbody>
</table>
# AUD-2.3: EXIT MEETING NOTES

<table>
<thead>
<tr>
<th>Date:</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting No.</td>
<td></td>
</tr>
<tr>
<td>Meeting Type:</td>
<td>Exit meeting</td>
</tr>
<tr>
<td>Place:</td>
<td></td>
</tr>
<tr>
<td>Present:</td>
<td></td>
</tr>
<tr>
<td>In Attendance:</td>
<td></td>
</tr>
</tbody>
</table>

### Agenda:

- 9. Communication from the Chair
- 10. Audit findings and recommendations.
- 11. Any other business.

| Action by Min. 1.0 |  |
| Action by Min 2.0 |  |
| Action by Min. 3.0 |  |
| Action by Min. 4.0 |  |

_________________________  ____________________________
Chairperson               Secretary
## AUD-3.2: DRAFT AND FINAL AUDIT REPORT

<table>
<thead>
<tr>
<th>Section</th>
<th>Institute of Internal Auditors</th>
<th>Leading Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>Back ground information may identify the organizational units and activities reviewed and provide relevant explanatory information.</td>
<td>The background description of the area or process audited should be brief and provide a short overview of the area. It also can demonstrate our understanding of the area audited.</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Purpose statements should describe the internal audit focus and when necessary inform the reader why the audit was conducted and what it was expected to achieve.</td>
<td>The objectives of the audit are described in the report.</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Scope statements should identify the audited activities and include where appropriate, the supportive information such as time period audited. The nature and extent of audit performed should also be addressed.</td>
<td>The scope is described in the report and should not be a listing of steps of the audit program.</td>
</tr>
<tr>
<td><strong>Period</strong></td>
<td>The time and period audited should be included in the scope statements</td>
<td>All reports should indicate the period covered by the audit.</td>
</tr>
<tr>
<td><strong>Findings</strong></td>
<td>Findings are pertinent statements of fact. Less significant findings may be communicated orally or through informal correspondence.</td>
<td>• Observation, Risk and implication is the last section of the report. The heading will include the client name and area or process audited. The risks identified as a result of finding should always be listed. • Appropriate sections of the issue summary can be copied to the audit report. If the Issue Summary is properly written, the audit report...</td>
</tr>
<tr>
<td>Section</td>
<td>Institute of Internal Auditors</td>
<td>Leading Practice</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Writing Process</td>
<td></td>
<td>writing process should be streamlined and be more consistent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Each observation and risk should be listed in the order of importance. It may enhance the readers experience if like observations and risks are grouped together under each topic. In situations where recommendations for several observations are the same, consider grouping findings together under one topic related to the recommendation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bullet points also make it easier for the reader</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Working papers should document less significant findings which have been reviewed with management noting the date and name of client.</td>
</tr>
<tr>
<td>Recommendations</td>
<td>Recommendations are based on the auditor's findings and conclusions. They call for action to correct existing conditions or improve operations</td>
<td>The recommendations are actions that management should consider to address the audit findings</td>
</tr>
<tr>
<td>Signature</td>
<td>A signed written report should be issued after the audit examination is completed. The term signed means that the authorized Manager's name should be manually signed in the report</td>
<td>The report is signed after all required reviews are completed and issuance of the report has been authorized by the team leader.</td>
</tr>
<tr>
<td>Date</td>
<td></td>
<td>The report is dated on the day it is issued and is</td>
</tr>
<tr>
<td>Section</td>
<td>Institute of Internal Auditors</td>
<td>Leading Practice</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Managements response and action plan</td>
<td>The auditee’s views about conclusions or recommendations may be included in the audit report. As part of the internal audit discussions with the auditee, the internal auditor should try to obtain agreement on the results of the audit and on a plan of action to improve operations as needed.</td>
<td>Management’s response should be included in the internal audit report to put the finding in perspective. The reader can then understand the finding and the status of action taken to correct it at one time.</td>
</tr>
</tbody>
</table>